

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended September 30, 2001
Commission File Numbers 0-91115 and 0-24494

MATTHEWS INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

COMMONWEALTH OF PENNSYLVANIA 25-0644320
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA 15212-5851
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (412) 442-8200

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$1.00 par value	NASDAQ National Market System
Class B Common Stock, \$1.00 par value	None

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 [X] No []

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

The aggregate market value of the voting stock held by non-affiliates of the
registrant as of November 30, 2001 was \$706,000,000.

As of November 30, 2001, shares of common stock outstanding were:

Class A Common Stock	30,278,500 shares
Class B Common Stock	none

Documents incorporated by reference: None

The index to exhibits is on pages 72-73.

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Any forward-looking statements contained in this Annual Report on Form 10-K
(specifically those contained in Item 1, "Business" and Item 7, "Management's
Discussion and Analysis of Financial Condition and Results of Operations") are
included in this report pursuant to the "safe harbor" provisions of the
Private Securities Litigation Reform Act of 1995. Such forward-looking
statements involve known and unknown risks and uncertainties that may cause
the Company's actual results in future periods to be materially different from
management's expectations. Although the Company believes that the

expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements principally include changes in domestic or international economic conditions, changes in product demand or pricing as a result of consolidation in the industries in which the Company operates, changes in product demand or pricing as a result of competitive pressures, unknown risks in connection with the Company's acquisitions, and technological factors beyond the Company's control.

ITEM 1. BUSINESS.

Matthews International Corporation ("Matthews"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, crematories and cremation-related products and a leading builder of mausoleums in the United States. The Graphics Imaging segment provides printing plates, pre-press services and imaging services for the corrugated and primary packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of marking equipment and consumables for identifying various consumer and industrial products, components and packaging containers. On December 3, 2001, the Company acquired The York Group, Inc., a manufacturer of caskets in the United States (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II of this Annual Report on Form 10-K).

At November 30, 2001, the Company and its majority-owned subsidiaries had approximately 2,200 employees. The Company's principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212 and its telephone number is (412) 442-8200.

The following table sets forth sales and operating profit for the Company's business segments for the past three fiscal years. Detailed financial information relating to business segments and to domestic and international operations is presented in Note 14 (Segment Information) to the Consolidated Financial Statements included in Part II of this Annual Report on Form 10-K.

ITEM 1. BUSINESS, continued.

	Fiscal Year Ended September 30,					
	2001		2000		1999	
	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)						
Sales to unaffiliated customers:						
Bronze	\$164,078	57.9%	\$142,368	53.3%	\$125,456	51.6%
Graphics Imaging	89,568	31.6	92,169	34.5	86,948	35.7
Marking Products	29,636	10.5	32,450	12.2	30,966	12.7
Total	<u>\$283,282</u>	<u>100.0%</u>	<u>\$266,987</u>	<u>100.0%</u>	<u>\$243,370</u>	<u>100.0%</u>
Operating profit (1):						
Bronze	37,744	72.1	33,416	69.9	31,777	77.6
Graphics Imaging	10,042	19.2	9,640	20.2	5,135	12.5
Marking Products	4,562	8.7	4,720	9.9	4,036	9.9
Total	<u>\$ 52,348</u>	<u>100.0%</u>	<u>\$ 47,776</u>	<u>100.0%</u>	<u>\$ 40,948</u>	<u>100.0%</u>

(1) Fiscal 2001 excludes special items. See "Management's Discussion and

Analysis of Financial Condition and Results of Operations" included in Part II of this Annual Report on Form 10-K.

In fiscal 2001, approximately 78% of the Company's sales were made from the United States, and 17%, 3% and 2% were made from Europe, Canada and Australia, respectively. Bronze segment products are sold throughout the world with the segment's principal operations located in the United States, Italy, Canada and Australia. Products and services of the Graphics Imaging segment are sold primarily in the United States, Germany and Austria. The Marking Products segment sells equipment and consumables directly to industrial consumers in the United States and internationally through the Company's wholly-owned subsidiaries in Canada and Sweden and through other foreign distributors. Matthews owns a minority interest in distributors in Asia, Australia, France, Germany, the Netherlands and the United Kingdom.

PRODUCTS AND MARKETS:

Bronze:

The Bronze segment manufactures and markets in the United States, Europe, Canada and Australia products used primarily in the cemetery and funeral home industries. The segment's principal products include cast bronze memorials and other memorialization products used primarily in cemeteries. Other cemetery and funeral home products of the Bronze segment include mausoleums, crematories and cremation-related products. In addition, the segment manufactures and markets cast bronze and aluminum architectural products used to identify or commemorate people, places and events.

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Bronze, continued:

Memorial products, which comprise the majority of the Bronze segment's sales, include flush bronze memorials, flower vases, crypt letters, cremation urns, niche units, cemetery features and statues, along with other related products. Flush bronze memorials are bronze plaques which contain personal information about a deceased individual such as name, birth date and death date. These memorials are used in cemeteries as an alternative to upright granite monuments. The memorials are even or "flush" with the ground and therefore are preferred by many cemeteries for easier mowing and other maintenance. In order to provide products for the granite memorial and mausoleum markets, the Company's other memorial products include community and family mausoleums, granite monuments and bronze plaques, letters, emblems, vases, lights and photoceramics that can be affixed to granite monuments, mausoleums and crypts. In addition, Matthews is a leading builder of mausoleums within North America. Principal customers for memorial products are cemeteries and memorial parks, which in turn sell the Company's products to the consumer.

The Bronze segment manufactures a full line of memorial products for cremation, including urns in a variety of sizes, styles and shapes. The segment also manufactures bronze and granite niche units, which are comprised of numerous compartments used to display cremation urns in mausoleums and churches. In addition, the Company also markets "turnkey" cremation gardens, which include the design and all related products for a cremation garden.

The Bronze segment is also the leading North American designer and manufacturer of cremation equipment and cremation-related products. Cremation equipment and products are sold primarily to cemeteries and mortuary facilities within North America, Europe and Asia.

Architectural products include cast bronze and aluminum plaques, etchings and letters that are used to recognize, commemorate and identify people, places, events and accomplishments. The Company's plaques are frequently used to identify the name of a building or the names of companies or individuals located within a building. Such products are also used to commemorate events

or accomplishments, such as military service or financial donations. The principal markets for the segment's architectural products are corporations, fraternal organizations, contractors, churches, hospitals, schools and government agencies. These products are sold to and distributed through a network of independent dealers including sign suppliers, recognition companies and trophy dealers.

In May 2001, Matthews acquired the Commemorative Products business of The York Group, Inc. ("York"). As part of the transaction, Matthews acquired York's bronze manufacturing operation in Kingwood, West Virginia.

Raw materials used by the Bronze segment consist principally of bronze and aluminum ingot, sheet metal, coating materials, polymer sheet, electrical components and construction materials and are generally available in adequate supply. Ingot is obtained from various North American, European and Australian smelters.

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Bronze, continued:

Competition from other bronze memorialization product manufacturers is on the basis of reputation, product quality, delivery, price and design availability. In North America, the Company and its major bronze competitor account for a substantial portion of the bronze memorial market. The Company also competes with upright granite monument and flush granite memorial providers. The Company believes that its superior quality, broad product lines, innovative designs, delivery capability, customer responsiveness, experienced personnel and customer-oriented merchandising systems are competitive advantages in its markets. The Company competes with several manufacturers in the crematory market principally on the basis of product quality and price. Competition in the mausoleum construction industry includes various construction companies throughout North America and is on the basis of design, quality and price. Competitors in the architectural market are numerous and include companies that manufacture cast and painted signs, plastic materials, sand-blasted wood and other fabricated products.

Graphics Imaging:

The Graphics Imaging segment provides printing plates, pre-press services and imaging services to the corrugated and primary packaging industries. The corrugated packaging industry consists of manufacturers of printed corrugated containers. The primary packaging industry consists of manufacturers of printed packaging materials such as boxes, folding cartons and bags commonly seen at retailers of consumer goods.

The principal products and services of this segment include printing plates, pre-press graphics services, print process assistance, print production management, digital asset and content management and package design. These products and services are used by packaging manufacturers and end-users to develop and print packaging graphics that identify and help sell the product. Other packaging graphics can include nutritional information, directions for product use, consumer warning statements and UPC codes. The corrugated packaging manufacturer produces printed containers from corrugated sheets. Using the Company's products, this sheet is printed and die cut to make a finished container. The primary packaging manufacturer produces printed packaging from paper, film, foil and other composite materials used to both display and protect the product.

The Company works closely with manufacturers to provide the proper printing plates and tooling used to print the packaging to the user's specifications. The segment's printing plate products are made principally from photopolymer resin and sheet materials. Upon customer request, plates can be pre-mounted press-ready in a variety of configurations that maximize print quality and minimize press set-up time.

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Graphics Imaging, continued:

The segment offers a wide array of value-added services and products. These include print process and print production management services; pre-press preparation, which includes computer-generated camera-ready art, films and proofs; plate mounting accessories and various press aids; and rotary and flat cutting dies used to cut out intricately designed containers and point-of-purchase displays. The segment provides digital graphics services to advertising agencies and packaging markets through its 50%-owned affiliate, O.N.E. Color Communications, L.L.C., located in Oakland, California, and its Studio M design studio, located in Pittsburgh.

The Graphics Imaging segment customer base consists primarily of packaging industry converters and "national accounts." National accounts are generally large, well-known consumer products companies with a national presence. These types of companies tend to purchase their graphics needs directly and supply the printing plates, or the film to make the printing plates, to the packaging printer for their products. The Graphics Imaging segment serves customers primarily in the United States and Europe. In Europe, Matthews owns a 50% interest in S+T GmbH (Julich, Germany) and 75% interests in Repro-Busek GmbH (Vienna, Austria), Scholler GmbH (Nuremberg, Germany) and Rudolf Reproflex GmbH (Goslar, Germany). Products and services of these operations include pre-press packaging, digital and analog flexographic printing plates, design, art work, lithography and color separation.

Major raw materials for this segment's products include photopolymers, film and graphic art supplies. All such materials are presently available in adequate supply from various industry sources.

Graphics Imaging is one of several manufacturers of printing plates and providers of pre-press services with a national presence in the United States. The segment competes in a fragmented industry consisting of a few multi-plant regional printing plate suppliers and a large number of local single-facility companies located across the United States. The combination of the Company's Graphics Imaging business in the United States and Europe is an important part of Matthews' strategy to become a worldwide leader in the graphics industry and service multinational customers on a global basis. Competition is on the basis of product quality, timeliness of delivery, price and value-added services. The Company differentiates itself from the competition by consistently meeting customer demands, its ability to service customers nationally and globally and its ability to provide value-added services.

ITEM 1. BUSINESS, continued.

Marking Products:

The Marking Products segment designs, manufactures and distributes a wide range of marking equipment and consumables used by customers to identify various consumer and industrial products, components and packaging containers. Marking products range from simple indent hand stamps made from a special alloy steel to a wide variety of sophisticated microprocessor-based ink-jet printing systems. The segment manufactures and markets products and systems that employ the following marking methods to meet customer needs: contact printing, indenting, etching, ink-jet printing and laser marking. Customers will often use a combination of these methods in order to achieve an appropriate mark. These methods apply product information required for identification and trace ability as well as to facilitate inventory and quality control, regulatory compliance and brand name communication.

A significant portion of the revenue of the Marking Products segment is attributable to the sale of consumables, software and replacement parts in connection with the marking hardware sold by the Company. The Company develops inks, rubber and steel consumables in harmony with the marking equipment in which they are used, which is critical to assure ongoing

equipment reliability and mark quality. Many marking equipment customers also use the Company's inks, solvents and cleaners.

The principal customers for the Company's marking products include food and beverage processors, metal fabricators, producers of health and beauty products and manufacturers of textiles, plastic, rubber and building products.

A large percentage of the segment's sales are outside the United States and are distributed through the Company's subsidiaries in Canada and Sweden in addition to other international distributors. Matthews owns a minority interest in distributors in Asia, Australia, France, Germany, the Netherlands and the United Kingdom.

The marking products industry is diverse, with many companies offering limited product lines focusing only on well-defined specialty markets. Other industry participants, like the Company, have broad product offerings and compete in various product markets and countries. In the United States, the Company has manufactured and sold marking products and related consumable items for over 150 years.

Major raw materials for this segment's products include printing components, tool steels, rubber and chemicals, all of which are presently available in adequate supply from various sources.

Competition for marking products is intense and based on product performance, service and price. The Company normally competes with specialty companies in specific marking applications. The Company believes that, in general, it offers the broadest line of marking products to address a wide variety of industrial marking applications.

ITEM 1. BUSINESS, continued.

The York Group, Inc.:

On May 24, 2001, Matthews and York signed a merger agreement whereby Matthews would acquire 100% of the outstanding common shares of York for \$10 cash per share. Matthews also agreed to pay up to an additional \$1 cash per share based on the excess cash (as defined in the merger agreement) remaining on York's balance sheet as of October 31, 2001. On December 3, 2001, this transaction was completed at \$11 per share. At December 3, 2001, there were 8,940,950 shares of York common stock outstanding. York is the second leading casket manufacturer in the United States and is expected to have annual sales of approximately \$130.0 million. York will operate as a wholly-owned subsidiary and separate segment of Matthews.

ITEM 1. BUSINESS, continued.

PATENTS, TRADEMARKS AND LICENSES:

The Company holds a number of domestic and foreign patents and trademarks. However, the Company believes the loss of any or a significant number of patents or trademarks would not have a material impact on operations or revenues.

BACKLOG:

Because the nature of the Company's business is primarily custom products made to order with short lead times, backlogs are not generally material in any of the Company's operations except for mausoleums, cremation equipment and marking products. Backlogs generally vary in a range of seven to nine months of sales for mausoleums, four to eight months of sales for cremation equipment, and up to four weeks of sales in the Marking Products segment.

REGULATORY MATTERS:

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company believes that its operations are in material compliance with all presently applicable environmental laws and regulations. The Company's expenditures for environmental compliance have not had, nor are they presently expected to have, a material adverse effect on the Company.

The Clean Air Act Amendments of 1990 have had minimal impact to date on two of the Company's business segments, Graphics Imaging and Marking Products. In the United States, the Company's Bronze segment operates nonferrous foundries, none of which is within the "major source" industry category as defined by the Environmental Protection Agency. The Bronze segment operations are regulated as "minor sources" at certain locations. No material capital expenditures are anticipated as a result of the Clean Air Act Amendments.

Like most nonferrous foundry operations, the Company's plants produce a significant volume of residual materials as a result of the bronze casting process. Chief among these is spent foundry sands. Currently, the majority of these materials, including foundry sands, are regulated as solid waste under most state and federal laws. Pursuant to the Resource Conservation and Recovery Act, the Company is regulated as a generator of hazardous waste, and all plants are registered with the Environmental Protection Agency in accordance with applicable regulations. The Company has implemented detailed plans and procedures for waste management at each of its Bronze operating plants in the United States.

ITEM 2. PROPERTIES.

Principal properties of the Company and its majority-owned subsidiaries as of November 30, 2001 were as follows (properties are owned by the Company except as noted):

Location	Description of Property	Square Feet
Bronze:		
Pittsburgh, PA	Manufacturing / Division Offices	97,000
Apopka, FL	Manufacturing	40,000
Kingwood, WV	Manufacturing	59,000
Kingwood, WV	Manufacturing	43,000(1)
Melbourne, Australia	Manufacturing	26,000(1)
Milton, Ontario, Canada	Manufacturing	30,000
Montreal, Quebec, Canada	Manufacturing	16,000(1)
Nanuet, NY	Manufacturing	15,000(1)
Nashotah, WI	Manufacturing	12,000(1)
Parma, Italy	Manufacturing / Warehouse	231,000(1)
Searcy, AR	Manufacturing	104,000
Seneca Falls, NY	Manufacturing	21,000
Sun City, CA	Manufacturing	24,000
Graphics Imaging:		
Pittsburgh, PA	Manufacturing / Division Offices	56,000
Atlanta, GA	Manufacturing	16,000
Dallas, TX	Manufacturing	15,000(1)
Denver, CO	Manufacturing	12,000(1)
Goslar, Germany	Manufacturing	39,000(1)
High Point, NC	Manufacturing	35,000(1)
Kansas City, MO	Manufacturing	42,000(1)
LaPalma, CA	Manufacturing	22,000
Nuremberg, Germany	Manufacturing	27,000(1)
St. Louis, MO	Manufacturing	25,000
Vienna, Austria	Manufacturing	12,000(1)
Marking Products:		
Pittsburgh, PA	Manufacturing / Division Offices	67,000
Pittsburgh, PA	Ink Manufacturing	18,000

Gothenburg, Sweden	Manufacturing / Distribution	28,000(1)
Melbourne, Australia	Leased to distributor	13,000

Corporate Office:		
Pittsburgh, PA	General Offices	48,000(2)

- (1) These properties are leased by the Company under operating lease arrangements. Rent expense incurred by the Company for leased facilities was \$1,535,000 in fiscal 2001.
- (2) The Company uses approximately one-third of this building and leases, or offers to lease, the remainder to unrelated parties.

All of the owned properties are unencumbered. The Company believes its facilities are generally well suited for their respective uses and are of adequate size and design to provide the operating efficiencies necessary for the Company to be competitive. The Company's facilities provide adequate space for meeting its near term production requirements and have availability for additional capacity. The Company intends to continue to expand and modernize its facilities as necessary to meet the demand for its products.

ITEM 3. LEGAL PROCEEDINGS.

The Company is party to various legal proceedings, the eventual outcome of which are not predictable. It is possible that an unfavorable resolution of these matters could have a material impact to the Company. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion that they should not result in liabilities in an amount which would materially affect the Company's consolidated financial position, results of operations or cash flows.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal year 2001.

PART II

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

(a) Market Information:

The authorized common stock of the Company consists of 70,000,000 shares of Class A Common Stock, \$1 par value. Prior to September 2001, the authorized common stock of the Company was divided into two classes consisting of Class A Common Stock, \$1 par value, and Class B Common Stock, \$1 par value. Shares of Class A stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B stock had ten votes per share and were only transferable by a shareholder to the Company or to an active employee of the Company. In September 2001, the number of outstanding shares of Class B stock declined below 5% of the aggregate outstanding shares of Class A and Class B stock. As a result, in accordance with the Company's Restated Articles of Incorporation, all shares of Class B stock were immediately converted to an equivalent number of shares of Class A stock.

In August 2001, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock distribution. Shareholders' equity was adjusted for the stock split by reclassifying from retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares in this report reflect the stock split.

The Company's Class A Common Stock is traded on the NASDAQ National Market System. The following table sets forth the high, low and closing prices as reported by NASDAQ (adjusted for the stock split) for the periods indicated:

	High	Low	Close	
	----	---	-----	
Fiscal 2001:				
Quarter ended: September 30, 2001		\$22.96	\$16.12	\$22.06
June 30, 2001	22.63	15.86	21.98	
March 31, 2001	16.56	14.53	16.36	
December 31, 2000	16.25	12.50	15.78	
Fiscal 2000:				
Quarter ended: September 30, 2000		\$14.88	\$13.81	\$14.69
June 30, 2000	14.75	10.00	14.50	
March 31, 2000	13.94	10.00	11.31	
December 31, 1999	14.88	10.00	13.75	

The Company has an active stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors have authorized the repurchase of a total of 8,000,000 shares (adjusted for stock splits) of Matthews common stock, of which 7,079,072 shares have been repurchased as of September 30, 2001. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation.

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

(b) Holders:

The number of registered holders of the Company's common stock at November 30, 2001 was as follows:

Class A Common Stock	640
Class B Common Stock	none

(c) Dividends:

A quarterly dividend of \$.02625 per share was paid for the fourth quarter of fiscal 2001 to shareholders of record on October 31, 2001. The Company paid quarterly dividends of \$.025 per share for the first three quarters of fiscal 2001 and the fourth quarter of fiscal 2000. The Company paid quarterly dividends of \$.02375 per share for the first three quarters of fiscal 2000.

Cash dividends have been paid on common shares in every year for at least the past thirty years. It is the present intention of the Company to continue to pay quarterly cash dividends on its common stock. However, there is no assurance that dividends will be declared and paid as the declaration and payment of dividends is at the discretion of the Board of Directors of the Company and is dependent upon the Company's financial condition, results of operations, cash requirements, future prospects and other factors deemed relevant by the Board.

ITEM 6. SELECTED FINANCIAL DATA.

<TABLE>

<CAPTION>

	Years ended September 30,				
	2001 (1)	2000	1999	1998	1997
	(Amounts in thousands, except per share data)				
	(Not Covered by Report of Independent Accountants)				
<S>	<C>	<C>	<C>	<C>	<C>
Net sales (2)	\$283,282	\$266,987	\$243,370	\$215,379	\$192,480
Gross profit	119,436	118,089	103,037	93,050	83,501
Operating profit	53,357	47,776	40,948	35,929	30,887

Interest expense	1,647	1,488	867	466	337
Income before income taxes	51,458	45,938	41,277	37,132	32,298
Income taxes	19,859	18,015	16,261	14,630	12,672
Net income	\$ 31,599	\$ 27,923	\$ 25,016	\$ 22,502	\$ 19,626
Earnings per common share (3):					
Basic	\$ 1.03	\$.90	\$.79	\$.69	\$.57
Diluted	1.01	.88	.77	.67	.55
Weighted-average common shares outstanding (3):					
Basic	30,560	31,031	31,703	32,673	34,388
Diluted	31,320	31,703	32,482	33,540	35,394
Cash dividends per share (3)	\$.101	\$.096	\$.091	\$.086	\$.081
Total assets	\$288,952	\$220,665	\$225,678	\$187,206	\$169,204
Long-term debt, noncurrent	40,726	13,908	14,144	1,435	2,151

<FN>

(1) The second quarter of fiscal 2001 included after-tax income of \$300 (\$.01 per share) from special items which consisted of a pre-tax gain of \$7,099 on the sale of a subsidiary and asset impairments, restructuring costs and other special pre-tax charges totaling \$6,600 (see Note 17 to the Consolidated Financial Statements).

(2) Net sales for prior periods has been adjusted to reflect the reclassification, in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," of shipping costs billed to customers.

(3) All per share amounts and numbers of shares reflect the two-for-one stock split in August 2001.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements of Matthews International Corporation and related notes thereto. In addition, see "Cautionary Statement Regarding Forward-Looking Information" included in Part I of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS:

The following table sets forth certain income statement data of the Company expressed as a percentage of net sales for the periods indicated and the percentage change in such income statement data from year to year.

	Years Ended September 30,			Percentage Change	
	2001	2000	2001- 1999	2000- 1999	
Sales	100.0%	100.0%	100.0%	6.1%	9.7%
Gross profit	42.2	44.2	42.3	1.1	14.6
Operating profit	18.8	17.9	16.8	11.7	16.7
Income before taxes	18.2	17.2	17.0	12.0	11.3
Net income	11.2	10.5	10.3	13.2	11.6

Note: Prior periods have been adjusted to reflect the reclassification, in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," of shipping costs billed to customers.

Comparison of Fiscal 2001 and Fiscal 2000:

Sales for the year ended September 30, 2001 were \$283.3 million and were \$16.3 million, or 6.1%, higher than sales of \$267.0 million for the year ended September 30, 2000. Bronze segment sales for fiscal 2001 were \$164.1 million, which was 15.3% higher than a year ago, primarily reflecting an increase in mausoleum construction revenues and the acquisition of the Commemorative Products business of The York Group, Inc. in May 2001. The Bronze segment also benefited from an increase in architectural product sales due to the acquisition of The SLN Group, Inc. in October 2000. Fiscal 2001 sales for the Graphics Imaging segment were \$89.6 million, representing a decrease of 2.8% below a year ago. The decline reflected the sale of Tukaiz Communications, L.L.C. ("Tukaiz") on January 19, 2001 (see "Disposition"). Fiscal 2001 revenues for Tukaiz up to the disposition date were \$6.5 million, compared to \$23.5 million for the year ended September 30, 2000. The sales decline from the divestiture of Tukaiz was partially offset by the Company's recent acquisitions of Repro-Busek GmbH ("Busek") in August 2000, Press Ready Plate, Inc. in November 2000, Scholler GmbH ("Scholler") in January 2001 and Rudolf Reproflex GmbH ("Rudolf") in July 2001. See "Acquisitions" for further discussion of the Company's acquisitions during the last three fiscal years.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Comparison of Fiscal 2001 and Fiscal 2000, continued:

Marking Products segment sales for the year ended September 30, 2001 were \$29.6 million compared to \$32.5 million for fiscal 2000. The decline was mainly due to a drop in demand for equipment products sold to the tire, automotive and building segments of the domestic economy. For the year ended September 30, 2001, declines in foreign currency values against the U.S. dollar had an unfavorable impact of approximately \$5.5 million on the Company's consolidated sales compared to fiscal 2000.

Gross profit for the year ended September 30, 2001 was \$119.4 million, compared to \$118.1 million for fiscal 2000. The increase in consolidated gross profit reflected higher sales in the Bronze segment offset partially by the divestiture of Tukaiz, a decline in sales for the Marking Products segment and a change in product mix in the Bronze segment. Fiscal 2001 reflected higher mausoleum construction revenues in the Bronze segment, which generally have lower margins than the segment's memorial products. Consolidated gross profit as a percent of sales for the year ended September 30, 2001 declined to 42.2%, compared to 44.2% for fiscal 2000, primarily reflecting the change in product mix within the Bronze segment.

Selling and administrative expenses for the year ended September 30, 2001 were \$68.3 million, representing a decrease of \$2.1 million, or 2.9%, compared to fiscal 2000. Fiscal 2001 selling and administrative expenses included special charges of \$1.2 million (see "Special Items"). Excluding the special charges, selling and administrative expenses declined \$3.2 million, or 4.6%, from last year reflecting the divestiture of Tukaiz, internal cost control initiatives and lower employee benefit costs. Employee benefit costs were favorably impacted by an increase in the Company's pension fund assets in fiscal 2000 compared to the preceding year, which was partially offset by an increase in health care costs. Excluding special charges, consolidated selling and administrative expenses as a percent of sales was 23.7% for fiscal 2001 compared to 26.3% for last year.

Operating profit for the year ended September 30, 2001 was \$53.4 million, representing an increase of \$5.6 million, or 11.7%, over operating profit of \$47.8 million for fiscal 2000. Fiscal 2001 operating profit was favorably impacted by special items (including special charges classified as selling and administrative expenses) of \$1.0 million. Excluding these special items, consolidated operating profit for fiscal 2001 was \$52.4 million.

Excluding special items, operating profit for the Graphics imaging segment for fiscal 2001 was \$10.0 million, representing an increase of 4.2% over the same period last year. The increase was due to a combination of factors including cost control initiatives implemented in fiscal years 2000 and 2001, contributions from the segment's recent acquisitions and higher profitability of the Company's 50%-owned affiliate, O.N.E. Color Communications L.L.C.

These increases were partially offset by the divestiture of Tukaiz. Fiscal 2001 operating profit for Tukaiz up to the disposition date was \$700,000, compared to \$2.7 million for the year ended September 30, 2000.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Comparison of Fiscal 2001 and Fiscal 2000, continued:

Bronze segment operating profit, excluding special items, for the year ended September 30, 2001 was \$37.7 million, compared to \$33.4 million a year ago. Fiscal 2001 reflected the benefits of the acquisition of the Commemorative Products business of The York Group, Inc. (see "Acquisitions"), higher mausoleum construction revenues, cost control initiatives and lower employee benefit costs. Operating profit, excluding special items, for the Marking Products segment for the year ended September 30, 2001 was \$4.6 million, compared to operating profit of \$4.7 million for fiscal 2000. The reduction in the segment's operating profit reflected a decline in sales for the year, which was partially offset by lower selling and administrative costs. Declines in foreign currency values against the U.S. dollar had an unfavorable impact of approximately \$1.0 million on the Company's consolidated operating profit for the year ended September 30, 2001 compared to last year.

Investment income for fiscal 2001 was \$2.4 million compared to \$1.8 million for fiscal 2000. The increase reflected higher average cash and investment balances and realized gains on sales of investment securities. Interest expense for the year ended September 30, 2001 was \$1.6 million, compared to \$1.5 million for fiscal 2000. The increase in interest expense compared to last year principally reflected the effect of new borrowings of \$30.0 million in connection with the acquisition of the Commemorative Products business of The York Group, Inc., which was partially offset by reduced debt from the divestiture of Tukaiz.

Other income (deductions), net, for fiscal 2001 represented a reduction to pre-tax income of \$279,000, compared to an increase of \$125,000 for fiscal 2000. Fiscal 2001 other deductions included a special contribution of \$500,000 to the Jas. H. Matthews Educational and Charitable Trust. Minority interest approximated \$2.3 million for both fiscal 2001 and fiscal 2000. Increases in minority interest deduction for fiscal 2001 from the recent acquisitions of Busek, Scholler and Rudolf were offset by a reduction due to the divestiture of Tukaiz.

The Company's effective tax rate for the year ended September 30, 2001 was 38.6%, compared to 39.2% for the year ended September 30, 2000. The reduction resulted primarily from a lower effective state income tax rate for fiscal 2001. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state and foreign income taxes and non-deductible goodwill amortization.

Special Items:

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz (see "Disposition"). The sale resulted in a pre-tax gain of \$7.1 million, which has been reported in Special Items on the Consolidated Statement of Income. In the second quarter of fiscal 2001, the Company recorded asset impairments, restructuring costs and other special charges totaling \$6.6 million. The majority of these charges have been classified as Special Items on the Consolidated Statement of Income, except for \$1.2 million classified as selling and administrative expenses and \$500,000 classified as other income (deductions), net.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Special Items, continued:

In connection with the restructuring of certain operations within the Graphics

Imaging and Marking Products segments, asset impairments of \$4.0 million were recorded, primarily reflecting a reduction in the value of goodwill related to various investments. In accordance with the Company's accounting policies, management evaluated the net realizable value of such goodwill and, based on this analysis, goodwill was reduced to reflect estimated fair value on a discounted cash flow basis. Asset impairments also included other write-downs of certain assets to reflect estimated realizable values.

In addition, special items included restructuring costs of \$1.2 million for certain operations within the Graphics Imaging and Marking Products segments. These restructuring costs were designed to improve operating efficiency and primarily included consulting fees and personnel reduction costs. Special items also included non-recurring expenses of approximately \$1.4 million consisting of costs incurred in connection with a potential acquisition which was not completed, a special contribution to the Company's educational and charitable trust of \$500,000 (classified in other income (deductions), net), and other one-time charges. Substantially all of the restructuring costs and non-recurring expenses were incurred as of September 30, 2001.

Comparison of Fiscal 2000 and Fiscal 1999:

Sales for the year ended September 30, 2000 were \$267.0 million and were \$23.6 million, or 9.7%, higher than sales of \$243.4 million for the year ended September 30, 1999. Each of the Company's three segments contributed to the revenue growth over fiscal 1999. Bronze segment sales for fiscal 2000 were \$142.4 million, representing an increase of \$16.9 million, or 13.5%, over fiscal 1999. The sales growth for the Bronze segment resulted primarily from the Company's acquisition of Caggiati S.p.A. in June 1999 and higher sales of architectural and memorial products. These increases were partially offset by a decline in mausoleum construction revenues. Sales for the Graphics Imaging segment for the year ended September 30, 2000 were \$92.2 million, representing an increase of \$5.2 million, or 6.0%, over fiscal 1999. The increase in Graphics Imaging sales for fiscal 2000 principally resulted from the Company's purchase of a 50% interest in S+T GmbH & Co. KG ("S+T") in September 1998. S+T was recorded under the equity method of accounting for the first six months of fiscal 1999. The consolidated financial statements of Matthews reflected the accounts of S+T effective April 1, 1999 as a result of a change in control. Fiscal 2000 sales for the Graphics Imaging segment also reflected higher sales volume for Tukaiz Communications, L.L.C. ("Tukaiz"). The sales volume increase for Tukaiz, a 50%-owned subsidiary of Matthews, resulted primarily from the installation of a commercial printing operation in fiscal 1999. Marking Products segment sales for the year ended September 30, 2000 were \$32.5 million, representing an increase of \$1.5 million, or 4.8%, over fiscal 1999. The segment's sales increase for fiscal 2000 resulted primarily from higher volume in North America of ink-jet equipment and related products, reflecting the favorable impact of new product introductions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Comparison of Fiscal 2000 and Fiscal 1999, continued:

Gross profit for the year ended September 30, 2000 was \$118.1 million, representing an increase of \$15.1 million, or 14.6%, compared to fiscal 1999 gross profit of \$103.0 million. Gross profit for the Bronze segment was higher in fiscal 2000 principally as a result of the Company's acquisition of Caggiati S.p.A. in June 1999. In addition, higher sales of architectural and memorial products combined with improved margins contributed to the segment's gross profit increase over fiscal 1999. Gross profit for the Graphics Imaging segment increased as a result of higher sales for the year, reflecting the investment in S+T in September 1998 and sales growth for Tukaiz. Marking Products gross profit also improved over fiscal 1999 reflecting an increase in sales volume and a change in product mix. Consolidated gross profit as a percent of sales for the year ended September 30, 2000 increased to 44.2%, compared to 42.3% a year ago. The higher gross profit percentage in fiscal 2000 is mainly due to a change in product mix in both the Bronze and Marking Products segments and improved results for Tukaiz.

Selling and administrative expenses for the year ended September 30, 2000 were

\$70.3 million, compared to \$62.1 million for fiscal 1999. The increase of \$8.2 million, or 13.2%, over fiscal 1999 principally resulted from the acquisitions of Caggiati S.p.A. and S+T combined with an increase in marketing and promotional costs within the Bronze segment. Consolidated selling and administrative expenses as a percent of sales increased to 26.3% for fiscal 2000, compared to 25.5% for fiscal 1999, primarily due to the acquisition of Caggiati S.p.A., which has a higher rate of selling costs to sales.

Operating profit for the year ended September 30, 2000 was \$47.8 million, representing an increase of \$6.9 million, or 16.7%, over operating profit of \$40.9 million for fiscal 1999. Graphics Imaging operating profit for fiscal 2000 was \$9.6 million, representing an increase of \$4.5 million, or 87.7%, compared to operating profit of \$5.1 million for fiscal 1999. The segment's fiscal 2000 results were favorably impacted by the Company's investment in S+T combined with an improvement in the operating results of Tukaiz. Operating profit for the Bronze segment for the year ended September 30, 2000 was \$33.4 million, compared to \$31.8 million for fiscal 1999. The increase of \$1.6 million, or 5.2%, resulted primarily from the acquisition of Caggiati S.p.A. In addition, higher sales and improved margins for architectural and memorial construction projects. Fiscal 2000 operating profit for the Marking Products segment was \$4.7 million, representing an increase of \$700,000, or 16.9%, over operating profit of \$4.0 million for fiscal 1999. Higher sales in North America of ink-jet equipment and related products as a result of new product introductions and a better product mix resulted in the operating profit growth.

Investment income for the year ended September 30, 2000 was \$1.8 million, compared to \$1.8 million for fiscal 1999. Investment income for fiscal 1999 included equity income of \$310,000 from the Company's investment in S+T, which was recorded under the equity method of accounting through the first six months of fiscal 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Comparison of Fiscal 2000 and Fiscal 1999, continued:

Interest expense for the year ended September 30, 2000 was \$1.5 million, compared to \$867,000 for fiscal 1999. The increase in interest expense principally related to fiscal 1999 borrowings by Tukaiz and new borrowings and assumed debt in connection with the acquisition of Caggiati S.p.A.

Other income (deductions), net, for the year ended September 30, 2000 represented an increase to pre-tax income of \$125,000 compared to a reduction of \$570,000 for fiscal 1999. Other deductions in fiscal 1999 included costs for organizational changes and other unusual non-operating expenses. For the year ended September 30, 2000, minority interest deduction was \$2.3 million, compared to \$22,000 for fiscal 1999. The higher minority interest deduction in fiscal 2000 resulted from the full year impact of the consolidation of S+T and an improvement in the operating results of Tukaiz.

The Company's effective tax rate for the year ended September 30, 2000 was 39.2%, compared to 39.4% for the year ended September 30, 1999. The decline reflected a lower effective state tax rate. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state and foreign income taxes and non-deductible goodwill amortization.

Comparison of Fiscal 1999 and Fiscal 1998:

Sales for the year ended September 30, 1999 were \$243.4 million and were \$28.0 million, or 13.0%, higher than sales of \$215.4 million for the year ended September 30, 1998. Fiscal 1999 sales for the Bronze segment were \$125.5 million, representing an increase of \$17.6 million, or 16.3%, over fiscal 1998. The sales increase primarily reflected the Company's acquisitions of Gibraltar Mausoleum Construction Company ("Gibraltar") in September 1998 and Caggiati S.p.A. in June 1999. Graphics Imaging segment

sales were \$86.9 million in fiscal 1999, representing an increase of \$10.0 million, or 13.0%, over fiscal 1998. The increase in Graphics Imaging sales resulted principally from the Company's acquisitions of a 50% interest in O.N.E. Color Communications, L.L.C. ("O.N.E.") in May 1998 and a 50% interest in S+T in September 1998. In addition, sales for the Graphics Imaging segment were favorably impacted by the installation of a commercial printing operation at Tukaiz. The increase in sales from these events was partially offset by a decline in sales for the segment's existing operations resulting from weak demand for corrugated printing plates. Marking Products segment sales for the year ended September 30, 1999 were \$31.0 million, representing an increase of \$454,000 over fiscal 1998. Sales for the segment's North American operations increased over the prior year primarily as a result of new product offerings during fiscal 1999. These increases were partially offset by a decline resulting from the sale of the segment's distribution operation in France in February 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Comparison of Fiscal 1999 and Fiscal 1998, continued:

Gross profit for the year ended September 30, 1999 was \$103.0 million, or 42.3% of sales, compared to \$93.1 million, or 43.2% of sales, for fiscal 1998. The increase in consolidated gross profit of approximately \$10.0 million, or 10.7%, reflected higher gross profit levels in all three business segments. Increases in gross profit in the Bronze and Graphics Imaging segments resulted from higher sales, reflecting the impact of acquisitions. Gross profit as a percent of sales for the Bronze segment in fiscal 1999 was comparable with fiscal 1998 and reflected higher margins on sales of memorialization products by Caggiati S.p.A. offset by lower margins on sales of mausoleums. Fiscal 1999 gross profit as a percent of sales for the Graphics Imaging segment was lower than the prior year as a result of lower margins on the segment's pre-press sales, higher material costs related to the commercial printing operation of Tukaiz and an increase in depreciation expense due to higher levels of capital investment. Capital expenditures for the segment in fiscal 1999 included the investment by Tukaiz in commercial printing equipment and related facilities. Gross profit and gross profit as a percent of sales for the Marking Products segment for fiscal 1999 were higher than the prior year reflecting higher North American sales and an improved product mix.

Selling and administrative expenses for the year ended September 30, 1999 were \$62.1 million, representing an increase of \$5.0 million, or 8.7%, over \$57.1 million for fiscal 1998. The increase over the prior year principally resulted from the acquisitions of O.N.E. in May 1998 and Caggiati S.p.A. in June 1999. In addition, administrative costs in the Graphics Imaging segment were higher in fiscal 1999 reflecting one-time expenses associated with implementing organizational changes. Partially offsetting these increases were lower selling and administrative costs for the Marking Products segment due to the sale of the Company's subsidiary in France and a reduction in the Company's corporate administration costs. Excluding selling and administrative expenses of Caggiati S.p.A. for the period, the Bronze segment's selling and administrative expenses declined slightly in fiscal 1999 as a result of cost improvements combined with lower incremental selling costs of Gibraltar. Consolidated selling and administrative expense as a percent of sales was 25.5% for the year ended September 30, 1999 compared to 26.5% for fiscal 1998.

Operating profit for the year ended September 30, 1999 was \$40.9 million and was \$5.0 million, or 14.0%, higher than fiscal 1998. The improvement for fiscal 1999 resulted from increases in the operating profits of the Bronze and Marking Products segments of 22.1% and 34.4%, respectively. Operating profit for the Bronze segment increased to \$31.8 million in fiscal 1999 as a result of higher revenues from the acquisitions of Caggiati S.p.A. and Gibraltar, an increase in sales and improved margins for cremation products and improvements in the segment's selling and administrative costs. Fiscal 1999 operating profit for the Marking Products segment was \$4.0 million compared to operating profit of \$3.0 million in fiscal 1998. The increase primarily resulted from

higher sales in the segment's North American operations as a result of new product offerings.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

Comparison of Fiscal 1999 and Fiscal 1998, continued:

Operating profit for the Graphics Imaging segment in fiscal 1999 was \$5.1 million, compared to \$6.9 million in fiscal 1998. The 25.7% decline in operating profit from fiscal 1998 was due to several factors which included weak demand for corrugated printing plates, lower margins on the segment's pre-press sales, and an increase in depreciation expense due to higher levels of capital investment at Tukaiz. The Graphics Imaging segment also incurred one-time expenses of approximately \$400,000 during fiscal 1999 associated with the start-up of a commercial printing operation at Tukaiz and the implementation of organizational changes within the segment.

Investment income for the year ended September 30, 1999 was \$1.8 million, compared to \$2.5 million for fiscal 1998. The decline in investment income primarily reflected a reduction in the Company's average cash and investment balances. The Company's average cash and investment balances were lower than the prior year primarily as a result of acquisitions and stock repurchases.

Interest expense for the year ended September 30, 1999 was \$867,000, compared to \$466,000 for fiscal 1998. Interest expense principally related to new borrowings and assumed debt in connection with the acquisition of Caggiati S.p.A., the long-term debt and capital lease obligations of Tukaiz, and the Company's obligations related to the acquisition of O.N.E.

Other income (deductions), net, for the year ended September 30, 1999 represented a reduction to pre-tax income of \$570,000, compared to a reduction of \$382,000 for fiscal 1998. Fiscal 1998 included gains on the sale of various fixed assets. Minority interest, which was \$22,000 for fiscal 1999, related to income generated by Tukaiz and S+T. Minority interest was \$461,000 for fiscal 1998. The reduction in minority interest for fiscal 1999 reflected a decline in the operating results of Tukaiz.

The Company's effective tax rate for the year ended September 30, 1999 was 39.4%, compared to 39.4% for fiscal 1998. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state income taxes and non-deductible goodwill amortization.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flow from operations was \$38.4 million for the year ended September 30, 2001, compared to \$38.0 million for fiscal 2000 and \$27.8 million for fiscal 1999. For the year ended September 30, 2001, operating cash flow reflected net income, excluding the gain on the sale of Tukaiz, adjusted for depreciation, amortization and impairment losses (non-cash items) in connection with the special charges recorded in the fiscal 2001 second quarter. Fiscal 2000 operating cash flow principally reflected the Company's net income adjusted for non-cash expenses such as depreciation and amortization. Operating cash flow for fiscal 2000 also included a tax benefit of \$2.4 million from exercised stock options, which was offset by net changes of \$2.9 million in working capital items. Fiscal 1999 operating cash flow was impacted by an increase in accounts receivable related to mausoleum construction revenues, the payment of income tax accruals and a tax benefit of \$1.4 million from exercised stock options.

Cash used in investing activities was \$54.5 million for the year ended

September 30, 2001, compared to \$24.4 million and \$18.0 million for fiscal years 2000 and 1999, respectively. Fiscal 2001 investing activities primarily reflected the acquisitions of the Commemorative Products business of The York Group, Inc. (\$45.0 million), The SLN Group, Inc., Press Ready Plate, Inc., Scholler and Rudolf. Investing activities in fiscal 2001 also included proceeds of \$18.6 million from the sale of Tukaiz, capital expenditures of \$7.3 million and the final payment of Lit. 7.2 billion in connection with the acquisition of Caggiati S.p.A. Under the Caggiati S.p.A. purchase agreement, Matthews paid Lit. 20.2 billion upon closing with Lit. 7.2 billion paid on June 1, 2000 and the remainder of Lit. 7.2 billion paid on June 1, 2001. See "Acquisitions" for further discussion of the Company's acquisitions during the last three fiscal years.

Investing activities in fiscal 2000 consisted of capital expenditures totaling \$7.7 million, net purchases of investment securities of \$4.9 million and payments of \$12.2 million in connection with the acquisitions of S+T, Busek and Caggiati S.p.A. The purchase price for the acquisition of a 50% interest in S+T (September 1998) was paid in January 2000 in accordance with the purchase agreement. Matthews purchased various investment securities in the fiscal 2000 first quarter to obtain a better rate of return on the Company's excess cash.

Investing activities for the year ended September 30, 1999 included capital expenditures of \$13.3 million and acquisitions of \$10.8 million (net of cash acquired). Fiscal 1999 acquisitions consisted primarily of the purchase of Caggiati S.p.A. in June 1999. Investing activities for fiscal 1999 also reflected proceeds from the net disposition of investments of \$5.5 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

LIQUIDITY AND CAPITAL RESOURCES, continued:

Capital expenditures were \$7.3 million for the year ended September 30, 2001, compared to \$7.7 million and \$13.3 million for fiscal 2000 and 1999, respectively. Capital expenditures in each of the last three fiscal years reflected reinvestment in the Company's three business segments and were made primarily for the purchase of new manufacturing machinery, equipment and facilities designed to improve product quality, increase manufacturing efficiency, lower production costs and meet regulatory requirements. The higher level of capital expenditures in fiscal 1999 resulted primarily from investments in commercial printing equipment and facilities for Tukaiz and production equipment for the Bronze segment operations in Searcy, Arkansas. Capital expenditures for the last three fiscal years were primarily financed through operating cash and the related assets are unencumbered. Capital spending for property, plant and equipment has averaged \$9.4 million for the last three fiscal years. The capital budget for fiscal 2002 is \$12.9 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash provided by financing activities for the year ended September 30, 2001 was \$16.0 million, consisting of proceeds from long-term debt of \$32.4 million offset partially by net treasury stock purchases of \$12.0 million, net repayments of \$1.3 million on long-term debt, and dividends of \$3.1 million (\$0.101 per share) to the Company's shareholders. Proceeds from long-term debt primarily reflected borrowings of \$30.0 million in connection with the acquisition of the Commemorative Products business of The York Group, Inc. (see "Acquisitions").

Cash used in financing activities for the year ended September 30, 2000 was \$14.4 million, consisting of net treasury stock purchases of \$9.9 million, proceeds of \$3.9 million from borrowings by Caggiati S.p.A., repayments of \$5.4 million on long-term debt of Caggiati S.p.A. and Tukaiz, and dividend payments of \$3.0 million (\$0.096 per share) to the Company's shareholders. Cash used in financing activities in fiscal 1999 was \$3.6 million and included borrowings of \$10.9 million (Lit. 20.2 billion) for the acquisition of Caggiati S.p.A. and \$4.0 million by Tukaiz to finance capital projects. Repayments under these borrowings and the Company's capital lease obligations were \$1.6 million in fiscal 1999. Fiscal 1999 financing activities also

included net treasury stock purchases of \$14.0 million and the Company's dividends on common stock of \$2.9 million (\$0.091 per share).

The Company had a Revolving Credit and Term Loan Agreement. Under terms of the agreement, the Company could borrow principal amounts up to \$30.0 million in the aggregate at LIBOR plus .75%. At September 30, 2001, outstanding borrowings under this agreement totaled \$30.0 million at an interest rate of 3.36%. At September 30, 2000, no amounts were outstanding under this agreement.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

LIQUIDITY AND CAPITAL RESOURCES, continued:

On December 3, 2001, the Company entered into a Revolving Credit Facility for \$125.0 million with a syndicate of four financial institutions. Borrowings under the facility, which matures on November 30, 2004, bear interest at LIBOR plus a factor ranging from .75% to 1.5% based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from .20% to .375% (based on the Company's leverage ratio) of the unused portion of the facility. The Revolving Credit Facility requires the Company to maintain minimum levels of consolidated net worth and fixed charge and interest coverage ratios. A portion of the facility (not to exceed \$10.0 million) is available for the issuance of trade and standby letters of credit. In addition, the facility provides for an additional credit line for borrowings up to \$10.0 million at current market rates. The Revolving Credit Facility replaced the existing Revolving Credit and Term Loan Agreement. The Company borrowed \$124.5 million under the Revolving Credit Facility on December 3, 2001 in connection with the acquisition of The York Group, Inc. (see "Acquisitions") and for the repayment of all amounts outstanding under the Revolving Credit and Term Loan Agreement.

The Company has a line of credit of \$500,000 (Canadian dollars), which provides for borrowings at the bank's prime interest rate. There were no borrowings outstanding on this line of credit at September 30, 2001 and 2000. Caggiati S.p.A. has four lines of credit totaling Lit. 19.0 million (U.S.\$8.9 million) with various banks. Outstanding borrowings on these lines at September 30, 2001 and 2000 were \$4.1 million and \$1.5 million, respectively. The weighted-average interest rate on these borrowings, which are collateralized by certain trade accounts receivable, was 4.5% at September 30, 2001.

The Company has an active stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors have authorized the repurchase of a total of 8,000,000 shares (adjusted for stock splits) of Matthews common stock, of which 7,079,072 shares have been repurchased as of September 30, 2001. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation.

Consolidated working capital of the Company was \$35.8 million at September 30, 2001, compared to \$48.0 million and \$36.2 million at September 30, 2000 and 1999, respectively. Working capital at September 30, 2001 reflected a liability of approximately \$11.0 million for the acquisition of a 75% interest in Rudolf (see "Acquisitions"). Cash and cash equivalents were \$28.7 million at September 30, 2001, compared to \$29.2 million and \$31.5 million at September 30, 2000 and 1999, respectively. The Company's current ratio at September 30, 2001 was 1.5, compared to 2.0 and 1.6 at September 30, 2000 and 1999, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

ACQUISITIONS:

On May 24, 2001, Matthews acquired the Commemorative Products business of The York Group, Inc. ("York") for \$45.0 million. The transaction was completed through the purchase of certain assets (pursuant to an asset purchase agreement) and stock of subsidiaries under the Commemorative Products segment of York (pursuant to a stock purchase agreement). As part of the transaction, Matthews acquired York's manufacturing facilities in Kingwood, West Virginia and Bryan, Texas. The transaction was financed by Matthews through existing cash on hand and a \$30.0 million bank loan under the Company's Revolving Credit and Term Loan Agreement (see "Liquidity and Capital Resources").

On May 24, 2001, Matthews and York also signed a merger agreement whereby Matthews would acquire 100% of the outstanding common shares of York for \$10 cash per share. Matthews also agreed to pay up to an additional \$1 cash per share based on the excess cash (as defined in the merger agreement) remaining on York's balance sheet as of October 31, 2001. On December 3, 2001, this transaction was completed at \$11 per share. At December 3, 2001, there were 8,940,950 shares of York common stock outstanding. York is the second leading casket manufacturer in the United States and is expected to have annual sales of approximately \$130.0 million. York will operate as a wholly-owned subsidiary and separate segment of Matthews.

Effective July 1, 2001, Matthews acquired a 75% interest in Rudolf Reproflex GmbH ("Rudolf"). The purchase price of DM 24 million (U.S.\$11.0 million) was paid in October 2001. Rudolf is headquartered in Goslar, Germany and reported sales of approximately U.S.\$13.0 million for the year ended December 31, 2000. In January 2001, Matthews acquired a 75% interest in Scholler GmbH ("Scholler"), which is located in Nuremberg, Germany. In August 2000, Matthews purchased a 75% interest in Repro-Busek GmbH ("Busek"), which is headquartered in Vienna, Austria. Products and services of Rudolf, Scholler and Busek include pre-press packaging, digital and analog flexographic printing plates, design, art work, lithography and color separation. The acquisitions of Rudolf, Scholler and Busek are an important part of the Matthews strategy to become a worldwide leader in the graphics industry and serve existing multinational customers on a global basis.

In October 2000, Matthews acquired certain assets and liabilities of The SLN Group, Inc. ("SLN"). SLN, located in Nanuet, New York, is a manufacturer and marketer of photo-etched metal plaques and water-jet cut letters and logos. The acquisition of SLN is intended to broaden Matthews' offerings for identification and recognition products. In November 2000, Matthews acquired Press Ready Plate, Inc. ("Press Ready"). Press Ready, located in Kansas City, Missouri, provides pre-press services and printing plates to the flexible packaging industry. The acquisition of Press Ready is designed to increase Matthews' presence in the market for pre-press services used by the flexible packaging industry.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

ACQUISITIONS, continued:

In June 1999, Matthews purchased Caggiati S.p.A., the leading supplier of bronze memorialization products in Europe. Caggiati S.p.A., with consolidated annual sales of approximately \$25 million (U.S.), is based in Colorno (Parma), Italy. The purchase price was Lit. 34.6 billion (U.S.\$19.0 million) cash plus the assumption of bank debt of Lit. 10.2 billion and certain other trade liabilities. Matthews paid cash of Lit. 20.2 billion (U.S.\$10.9 million) upon closing with Lit. 7.2 billion paid on June 1, 2000 and the remaining balance of Lit. 7.2 billion paid on June 1, 2001. The payments were financed through borrowings from an Italian bank, UniCredito Italiano, Parma, Italy. The combination of Matthews and Caggiati S.p.A. is an important part of Matthews' strategy to enhance its position as the worldwide leader in the memorialization industry.

Matthews has accounted for these acquisitions using the purchase method and, accordingly, recorded the acquired assets and liabilities at their estimated fair values at the acquisition dates. The excess of the purchase price over the fair value of the net assets has been recorded as goodwill and was being amortized on a straight-line basis over periods ranging from 20 to 25 years, except for Rudolf, which was acquired subsequent to the effective date of SFAS No. 141. In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," which requires that goodwill related to business combinations after June 30, 2001 will no longer be amortized and will be subject to periodic review for impairment. In addition, the Company will adopt SFAS No. 142, "Goodwill and Other Intangible Assets," in the first quarter of fiscal 2002 (see "Accounting Pronouncements").

DISPOSITION:

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz. Proceeds to Matthews from the sale were \$18.6 million, which included the repayment of intercompany debt of approximately \$8.4 million. All intercompany debt provided by Matthews to Tukaiz, including a \$5.5 million Subordinated Convertible Note, was repaid upon the closing of this transaction. The sale resulted in a pre-tax gain of \$7.1 million, which has been reported in Special Items on the Consolidated Statement of Income.

FORWARD-LOOKING INFORMATION:

The Company's objective with respect to operating performance is to increase annual earnings per share in the range of 12% to 15% annually. For the past seven fiscal years, the Company has achieved an average annual increase in earnings per share of 14.6%.

Matthews International Corporation has a three-pronged strategy to attain the annual growth rate objective, which has remained unchanged from the prior year. This strategy consists of the following: internal growth (which includes new product development and the expansion into new markets with existing products), acquisitions and share repurchases under the Company's stock repurchase program (see "Liquidity and Capital Resources").

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

FORWARD-LOOKING INFORMATION, continued:

Due to a decline in the value of plan assets under the Company's defined benefit plan during fiscal 2001, pension cost will increase in fiscal 2002 (see Note 10 to the Consolidated Financial Statements). This increase will be partially offset by a reduction in goodwill amortization as a result of the adoption of SFAS No. 142 in fiscal 2002 (see "Accounting Pronouncements"). In addition, the Company has scaled back the repurchases of its common stock and is concentrating its efforts on using excess cash for the repayment of debt and related interest expense.

As a result of the Company's recent acquisitions (including The York Group, Inc. on December 3, 2001), expected internal growth and the impact of changes in pension cost and goodwill amortization, the Company expects to achieve growth in earnings per share of approximately 15% for the fiscal year ended September 30, 2002.

STOCK SPLIT:

On August 2, 2001, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock distribution. The stock distribution was issued August 31, 2001 to shareholders of record on August 16, 2001. Shareholders' equity has been adjusted for the stock split by reclassifying from retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares have been adjusted in this report to reflect the stock split.

ACCOUNTING PRONOUNCEMENTS:

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the purchase method of accounting (instead of pooling-of-interests) for all business combinations initiated after June 30, 2001. In addition, goodwill related to business combinations after June 30, 2001 will no longer be amortized and will be subject to periodic review for impairment. SFAS No. 142 addresses the financial statement accounting for goodwill and other intangible assets upon acquisition and the accounting subsequent to their initial recognition in the financial statements. Upon adoption, goodwill related to business combinations on or before June 30, 2001 will no longer be amortized and will be subject to periodic review for impairment. Based on management's preliminary assessment, goodwill impairment is not expected to result upon adoption. The Company will adopt SFAS No. 142 in the first quarter of fiscal 2002. Goodwill amortization was \$3.5 million, \$2.6 million, and \$1.9 million, respectively, for the years ended September 30, 2001, 2000 and 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued.

ACCOUNTING PRONOUNCEMENTS, continued:

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 outlines basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company implemented SAB No. 101 in the fourth quarter of fiscal 2001. SAB No. 101 did not have a material impact on the Company's consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Description - - - - -	Pages -----
Report of Independent Accountants	31
Consolidated Balance Sheet	32-33
Consolidated Statement of Income	34
Consolidated Statement of Shareholders' Equity	35
Consolidated Statement of Cash Flows	36
Notes to Consolidated Financial Statements	37-57
Supplementary Financial Information	58

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and
Board of Directors of

Matthews International Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Matthews International Corporation and subsidiaries at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania
November 15, 2001, except for
paragraph 3 of Note 6 and
Note 18, as to which the date
is December 3, 2001.

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2001 and 2000
(dollar amounts in thousands, except share data)

ASSETS	2001	2000
Current assets:		
Cash and cash equivalents	\$ 28,691	\$ 29,150
Short-term investments	240	1,321
Accounts receivable, net of allowance for doubtful accounts of \$3,725 and \$2,468, respectively	52,086	44,819
Inventories (Note 3)	18,773	16,849
Deferred income taxes	1,241	978
Other current assets	1,297	1,716
Total current assets	102,328	94,833
Investments (Note 4)	18,048	14,803
Property, plant and equipment, net (Note 5)	49,009	48,467

Deferred income taxes (Note 11)	5,151	6,899
Other assets	9,831	6,951
Goodwill, net of accumulated amortization of \$9,985 and \$7,319, respectively	104,585	48,712
	-----	-----
Total assets	<u>\$288,952</u>	<u>\$220,665</u>

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET, continued
September 30, 2001 and 2000
(dollar amounts in thousands, except share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	2001	2000
	----	----
Current liabilities:		
Long-term debt, current maturities	\$ 5,023	\$ 3,478
Trade accounts payable	12,971	10,075
Accrued compensation	8,172	8,710
Accrued vacation pay	4,251	3,956
Profit distribution to employees	3,860	4,063
Accrued income taxes	4,962	270
Customer prepayments	6,130	5,875
Postretirement benefits, current portion	817	781
Other current liabilities	20,353	9,624
	-----	-----
Total current liabilities	66,539	46,832
Long-term debt (Note 6)	40,726	13,908
Estimated finishing costs	7,401	4,072
Postretirement benefits other than pensions (Note 10)	18,639	18,991
Other liabilities	11,931	10,006
Commitments and contingent liabilities (Note 12)		
Shareholders' equity (Notes 2, 7 and 8):		
Common stock:		
Class A, \$1.00 par value; authorized 70,000,000 shares; 36,333,992 and 30,066,970 shares issued, respectively	36,334	15,033
Class B, \$1.00 par value; authorized 30,000,000 shares; 6,267,022 shares issued at September 30, 2000	-	3,134
Preferred stock, \$100 par value, authorized 10,000 shares, none issued	-	-
Retained earnings	184,845	174,689
Accumulated other comprehensive income (loss)	(8,983)	(9,177)
Notes receivable	-	(7)
Treasury stock, 6,060,158 and 5,326,234 shares, respectively, at cost	(68,480)	(56,816)
	-----	-----
Total shareholders' equity	143,716	126,856
	-----	-----

Total liabilities and shareholders' equity \$288,952 \$220,665

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
for the years ended September 30, 2001, 2000 and 1999
(dollar amounts in thousands, except share data)

	2001	2000	1999
Sales	\$ 283,282	\$ 266,987	\$ 243,370
Cost of goods sold	(163,846)	(148,898)	(140,333)
Gross profit	119,436	118,089	103,037
Selling expense	(38,100)	(42,923)	(36,877)
Administrative expense	(30,156)	(27,390)	(25,212)
Special items (Note 17)	2,177	-	-
Operating profit	53,357	47,776	40,948
Investment income	2,365	1,828	1,788
Interest expense	(1,647)	(1,488)	(867)
Other income (deductions), net	(279)	125	(570)
Minority interest	(2,338)	(2,303)	(22)
Income before income taxes	51,458	45,938	41,277
Income taxes (Note 11)	(19,859)	(18,015)	(16,261)
Net income	\$ 31,599	\$ 27,923	\$ 25,016

Earnings per share (Notes 2 and 9):

Basic	\$ 1.03	\$.90	\$.79
Diluted	\$ 1.01	\$.88	\$.77

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the years ended September 30, 2001, 2000 and 1999
(dollar amounts in thousands, except share data)

<TABLE>
<CAPTION>

	Common Stock (Note 7)	Accumulated Other Retained Earnings	Comprehensive Income (Loss) (net of tax)	Notes Receivable (Note 7)	Treasury Stock	Total
Balance, September 30, 1998	\$18,167	\$131,061	\$(4,390)	\$ (453)	\$(40,075)	\$104,310
Net income	-	25,016	-	-	25,016	
Unrealized gains (losses)	-	-	(205)	-	-	(205)

Minimum pension liability	-	-	278	-	-	278	
Translation adjustment	-	-	347	-	-	347	
Total comprehensive income						25,436	
Treasury stock transactions:							
Purchase of 1,086,768 shares	-	-	-	-	(15,723)	(15,723)	
Issuance of 385,472 shares under stock plans	-	(1,101)	-	-	4,179	3,078	
Dividends, \$.091 per share	-	(2,877)	-	-	-	(2,877)	
Payments on notes receivable	-	-	-	398	-	398	
	-----	-----	-----	-----	-----	-----	
Balance, September 30, 1999	18,167	152,099	(3,970)	(55)	(51,619)	114,622	
Net income	-	27,923	-	-	27,923		
Unrealized gains (losses)	-	-	36	-	-	36	
Minimum pension liability	-	-	(727)	-	-	(727)	
Translation adjustment	-	-	(4,516)	-	-	(4,516)	
Total comprehensive income						22,716	
Treasury stock transactions:							
Purchase of 1,018,492 shares	-	-	-	-	(13,225)	(13,225)	
Issuance of 706,722 shares under stock plans	-	(2,355)	-	-	8,028	5,673	
Dividends, \$.096 per share	-	(2,978)	-	-	-	(2,978)	
Payments on notes receivable	-	-	-	48	-	48	
	-----	-----	-----	-----	-----	-----	
Balance, September 30, 2000	18,167	174,689	(9,177)	(7)	(56,816)	126,856	
Net income	-	31,599	-	-	31,599		
Unrealized gains (losses)	-	-	402	-	-	402	
Minimum pension liability	-	-	787	-	-	787	
Translation adjustment	-	-	(995)	-	-	(995)	
Total comprehensive income						31,793	
Treasury stock transactions:							
Purchase of 778,462 shares	-	-	-	-	(12,305)	(12,305)	
Issuance of 44,538 shares under stock plans	-	(198)	-	-	641	443	
Stock split, two-for-one	18,167	(18,167)	-	-	-	-	
Dividends, \$.101 per share	-	(3,078)	-	-	-	(3,078)	
Payments on notes receivable	-	-	-	7	-	7	
	-----	-----	-----	-----	-----	-----	
Balance, September 30, 2001	<u>\$36,334</u>	<u>\$184,845</u>	<u>\$(8,983)</u>	<u>\$ -</u>	<u>\$(68,480)</u>	<u>\$143,716</u>	

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

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended September 30, 2001, 2000 and 1999
(dollar amounts in thousands, except share data)

<TABLE>

<CAPTION>

	2001	2000	1999
	----	----	----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$31,599	\$27,923	\$25,016
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,932	12,007	10,609
Change in deferred taxes	709	1,041	617
Changes in working capital items (Note 13)	768	(2,917)	(8,923)
Increase in other assets	(2,813)	(972)	(110)
Increase in estimated finishing costs	126	12	228
Increase (decrease) in other liabilities	107	(594)	(1,106)
Decrease in postretirement benefits	(317)	(533)	(527)
Tax benefit on exercised stock options	174	2,370	1,400
Impairment losses	2,824	-	-
Loss on dispositions of assets	248	570	143
Gain on sale of subsidiary	(7,099)	-	-
Net (gain) loss on investments	(209)	113	(95)
Effect of exchange rate changes on operations	(649)	(1,054)	523
	-----	-----	-----
Net cash provided by operating activities	38,400	37,966	27,775

Cash flows from investing activities:			
Capital expenditures	(7,264)	(7,674)	(13,282)
Proceeds from dispositions of assets	75	366	201
Proceeds from sale of subsidiary	18,582	-	-
Acquisitions, net of cash acquired	(63,567)	(12,245)	(10,798)
Purchases of investment securities	(12,883)	(6,967)	(788)
Proceeds from dispositions of investments	10,553	2,053	6,317
Payments on notes receivable	7	48	398
Net cash used in investing activities	(54,497)	(24,419)	(17,952)
Cash flows from financing activities:			
Proceeds from long-term debt	32,430	3,943	14,951
Payments on long-term debt	(1,320)	(5,401)	(1,603)
Proceeds from the sale of treasury stock	269	3,303	1,678
Purchases of treasury stock	(12,305)	(13,225)	(15,723)
Dividends	(3,078)	(2,978)	(2,877)
Net cash provided by (used in) financing activities	15,996	(14,358)	(3,574)
Effect of exchange rate changes on cash	(358)	(1,571)	(87)
Net change in cash and cash equivalents	(459)	(2,382)	6,162
Cash and cash equivalents at beginning of year	29,150	31,532	25,370
Cash and cash equivalents at end of year	\$28,691	\$29,150	\$31,532
Cash paid during the year for:			
Interest	\$ 1,630	\$ 1,488	\$ 867
Income taxes	13,227	15,618	17,447

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands, except share data)

1. NATURE OF OPERATIONS:

Matthews International Corporation ("Matthews"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, crematories and cremation-related products and is a leading builder of mausoleums in the United States. The Graphics Imaging segment provides printing plates, pre-press services and imaging services for the corrugated and primary packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables for identifying various consumer and industrial products, components and packaging containers. On December 3, 2001, the Company acquired The York Group, Inc., a manufacturer of caskets in the United States (see Note 18).

The Company has manufacturing and marketing facilities in the United States, Australia, Canada and Europe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include all majority-owned foreign and domestic subsidiaries. The consolidated financial statements also include the accounts of the Company's 50%-owned affiliates, Tukaiz Communications, L.L.C. ("Tukaiz"), O.N.E. Color Communications, L.L.C. ("O.N.E.") and, effective April 1, 1999, S+T GmbH & Co. KG ("S+T"). All intercompany accounts and

transactions have been eliminated. On January 19, 2001, the Company sold its 50% interest in Tukaiz (see Note 16).

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Stock Split:

On August 2, 2001, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock distribution. The stock distribution was issued August 31, 2001 to shareholders of record on August 16, 2001. Shareholders' equity has been adjusted for the stock split by reclassifying from retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares have been adjusted in this report to reflect the stock split.

Foreign Currency:

Balance sheet accounts for foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the consolidated balance sheet date. Gains or losses that result from this process are recorded in other comprehensive income. The cumulative translation adjustment at September 30, 2001 and 2000 was a reduction in accumulated other comprehensive income of \$9,407 and \$8,412, respectively. The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period.

Cash and Cash Equivalents:

For purposes of the consolidated statement of cash flows, the Company considers all investments purchased with a remaining maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. At September 30, 2001, a significant portion of the Company's cash and cash equivalents was invested with two financial institutions.

Inventories:

Inventories are stated at the lower of cost or market with cost generally determined under the average cost method.

Property, Plant and Equipment:

Property, plant and equipment are carried at cost. Depreciation is computed primarily on the straight-line method over the estimated useful lives of the assets, which generally range from 10 to 45 years for buildings and 3 to 12 years for machinery and equipment. Gains or losses from the disposition of assets are generally included in other income or other deductions from income. The cost of maintenance and repairs is charged against income as incurred. Renewals and betterments of a nature considered to extend the useful lives of the assets are capitalized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Goodwill:

Goodwill, which represents the excess of cost over the estimated fair value of net assets of acquired businesses, was amortized using the straight-line method over periods ranging from 10 to 25 years. Management periodically evaluated the net realizable value of goodwill and, based on such analysis, goodwill was reduced if considered necessary.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 addresses the financial statement accounting for goodwill and other intangible assets upon acquisition and the accounting subsequent to their initial recognition in the financial statements. Upon adoption, goodwill will no longer be amortized and will be subject to periodic review for impairment. Based on management's preliminary assessment, goodwill impairment is not expected to result upon adoption. The Company will adopt SFAS No. 142 in the first quarter of fiscal 2002. Goodwill amortization was \$3,492, \$2,581 and \$1,926, respectively, for the years ended September 30, 2001, 2000 and 1999.

Estimated Finishing Costs:

Estimated costs for finishing have been provided for bronze memorials, vases and granite bases which have been manufactured, sold to customers and placed in storage for future delivery.

Treasury Stock:

Treasury stock is carried at cost. The cost of treasury shares sold is determined under the average cost method. At September 30, 2001, treasury stock consisted of 6,060,158 shares of Class A Common Stock. At September 30, 2000, treasury stock consisted of 3,055,290 shares of Class A Common Stock and 2,270,944 shares of Class B Common Stock.

Income Taxes:

Deferred tax assets and liabilities are provided for the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred income taxes for U.S. tax purposes have not been provided on the undistributed earnings of foreign subsidiaries, as such earnings are considered to be reinvested indefinitely. At September 30, 2001, undistributed earnings for which deferred U.S. income taxes have not been provided approximated \$13,500. Determination of the amount of unrecognized U.S. deferred tax liability on these unremitted earnings is not practical as any taxes paid upon distribution to the Company would be offset, at least in part, by foreign tax credits under U.S. tax regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Research and Development Expenses:

Research and development costs are expensed as incurred and approximated \$2,500, \$1,900 and \$2,000 for the years ended September 30, 2001, 2000 and 1999, respectively.

Earnings Per Share:

Basic earnings per share is computed by dividing net income by the average number of common shares outstanding. Diluted earnings per share is computed using the treasury stock method, which assumes the issuance of common stock for all dilutive securities.

Revenue Recognition:

Revenues are generally recognized when title and risk of loss pass to the customer, which is generally at the time of product shipment, except for construction revenues which are recognized under the percentage-of-completion method of accounting.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 outlines basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company implemented SAB No. 101 in the fourth quarter of fiscal 2001. SAB No. 101 did not have a material impact on the Company's consolidated financial statements.

Reclassifications:

Sales and cost of goods sold for 2000 and 1999 have been adjusted in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," to reflect the reclassification of shipping costs billed to customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

3. INVENTORIES:

Inventories at September 30 consisted of the following:

	2001	2000	
	----	----	
Materials and finished goods		\$16,816	\$14,928
Labor and overhead in process		1,520	1,498
Supplies	437	423	
	-----	-----	
	\$18,773	\$16,849	
	=====	=====	

4. INVESTMENTS:

Investment securities are recorded at estimated market value at the consolidated balance sheet date and are classified as available-for-sale. Short-term investments consisted principally of corporate obligations with purchased maturities of over three months but less than one year. The cost of short-term investments approximated market value at September 30, 2001 and 2000. Investments classified as non-current consisted of securities of the U.S. government and its agencies and corporate obligations with purchased maturities in the range of one to five years. Accrued interest on all investment securities was classified with short-term investments.

At September 30, 2001 and 2000, investments classified as non-current were as follows:

Book Value (Amortized Cost)	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
-----------------------------------	------------------------------	-------------------------------	-----------------

September 30, 2001:

U.S. government and its agencies	\$ 8,281	\$429	\$ -	\$ 8,710
Corporate obligations	6,171	266	-	6,437
Other	93	-	-	93
Total	<u>\$14,545</u>	<u>\$695</u>	<u>\$ -</u>	<u>\$15,240</u>

September 30, 2000:

U.S. government and its agencies	\$ 7,195	\$ 44	\$ 28	\$ 7,211
Corporate obligations	5,013	32	12	5,033
Other	160	-	-	160
Total	<u>\$12,368</u>	<u>\$ 76</u>	<u>\$ 40</u>	<u>\$12,404</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

4. INVESTMENTS, continued:

Unrealized gains and losses on investment securities, including related deferred taxes, are reflected in other comprehensive income. Realized gains and losses are based on the specific identification method and are recorded in investment income. Realized gains (losses) for fiscal 2001, 2000 and 1999 were \$225, (\$30) and \$17, respectively. Bond premiums and discounts are amortized on the straight-line method, which does not significantly differ from the interest method.

In addition, investments included the Company's 49% ownership interest in Applied Technology Developments, Ltd. ("ATD"), which was \$647 and \$1,735 at September 30, 2001 and 2000, respectively. In fiscal 2001, the investment in ATD was written-down for impairment (see Note 17). The investment in ATD is recorded under the equity method of accounting. Income under the equity method of accounting is recorded in investment income. Investments also included ownership interests in various entities of less than 20%, which totaled \$2,161 and \$664 at September 30, 2001 and 2000, respectively. Investments of less than 20% ownership interest are recorded under the cost method of accounting.

5. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and the related accumulated depreciation at September 30, 2001 and 2000 were as follows:

	2001	2000	
Buildings	\$25,666	\$25,380	
Machinery and equipment		65,515	65,162
	91,181	90,542	
Less accumulated depreciation		(46,409)	(45,640)
	44,772	44,902	
Land	3,159	2,946	
Construction in progress		1,078	619
	<u>\$49,009</u>	<u>\$48,467</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

6. LONG-TERM DEBT:

Long-term debt at September 30, 2001 and 2000 consisted of the following:

	2001	2000	
Revolving Credit and Term Loan Agreement	\$30,000		\$ -
Note payable to bank, 4.145%	8,082	8,433	
Note payable to bank, 4.3%	3,395	3,542	
Note payable to bank, 6.7%	-	3,143	
Short-term borrowings	4,073	1,478	
Capital lease obligations	199	790	
	-----	-----	
	45,749	17,386	
Less current maturities	(5,023)	(3,478)	
	-----	-----	
	<u>\$40,726</u>	<u>\$13,908</u>	

The Company had a Revolving Credit and Term Loan Agreement. Under terms of the agreement, the Company could borrow principal amounts up to \$30,000 in the aggregate at LIBOR plus .75%. At September 30, 2001, outstanding borrowings under this agreement totaled \$30,000 at an interest rate of 3.36%. At September 30, 2000, no amounts were outstanding under this agreement.

On December 3, 2001, the Company entered into a Revolving Credit Facility for \$125,000 with a syndicate of four financial institutions. Borrowings under the facility, which matures on November 30, 2004, bear interest at LIBOR plus a factor ranging from .75% to 1.5% based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from .20% to .375% (based on the Company's leverage ratio) of the unused portion of the facility. The Revolving Credit Facility requires the Company to maintain minimum levels of consolidated net worth and fixed charge and interest coverage ratios. A portion of the facility (not to exceed \$10,000) is available for the issuance of trade and standby letters of credit. In addition, the facility provides for an additional credit line for borrowings up to \$10,000 at current market rates. The Revolving Credit Facility replaced the existing Revolving Credit and Term Loan Agreement. The Company borrowed \$124,500 under the Revolving Credit Facility on December 3, 2001 in connection with the acquisition of The York Group, Inc. (see Note 18) and for the repayment of all amounts outstanding under the Revolving Credit and Term Loan Agreement.

In June 1999, a portion of the purchase price of Caggiati S.p.A. (see Note 15) was financed through a loan of Lit. 20.2 billion (U.S.\$10,900) from an Italian bank, UniCredito Italiano, Parma, Italy. The loan amortization period is 15 years with interest at an annual rate of 4.145%, subject to renewal after five and ten years at an interest rate approximating current market rates. In June 2000, the first deferred payment due in connection with the purchase of Caggiati S.p.A. was financed through a loan of Lit. 7.9 billion (U.S.\$3,600). The loan amortization period is 14 years, subject to renewal after five and ten years, with a variable interest rate which approximates market. The interest rate on this loan was 4.3% at September 30, 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

6. LONG-TERM DEBT, continued:

Aggregate maturities of the notes payable to banks (excluding the Revolving Credit and Term Loan Agreement) for the next five fiscal years are as follows:

2002	\$ 900
2003	900
2004	900
2005	900
2006	900

	\$ 4,500
	=====

The carrying amounts of the Company's borrowings under its financing arrangements approximate their fair value.

Long-term debt, current maturities, also included short-term borrowings by Caggiati S.p.A. of \$4,073 and \$1,478 at September 30, 2001 and 2000, respectively. These short-term borrowings consisted principally of several line of credit arrangements for working capital requirements. The weighted-average interest rate on these borrowings, which are collateralized by certain trade accounts receivable, was 4.5% at September 30, 2001.

The Company has a line of credit of \$500 (Canadian dollars), which provides for borrowings at the bank's prime interest rate. There were no borrowings outstanding on this line of credit at September 30, 2001 and 2000. Caggiati S.p.A. has four lines of credit totaling Lit. 19.0 billion (U.S.\$8,900) with various banks. Outstanding borrowings on these lines at September 30, 2001 and 2000 were \$4,073 and \$1,478, respectively.

7. SHAREHOLDERS' EQUITY:

The authorized common stock of the Company consists of 70,000,000 shares of Class A Common Stock, \$1 par value. Prior to September 2001, the authorized common stock of the Company was divided into two classes consisting of Class A Common Stock, 70,000,000 shares, \$1 par value, and Class B Common Stock, 30,000,000 shares, \$1 par value. Shares of Class A stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B stock had ten votes per share and were only transferable by a shareholder to the Company or to an active employee of the Company. In September 2001, the number of outstanding shares of Class B stock declined below 5% of the aggregate outstanding shares of Class A and Class B stock. As a result, in accordance with the Company's Restated Articles of Incorporation, all shares of Class B stock were immediately converted to an equivalent number of shares of Class A stock. During fiscal 2000 and 1999, 512,188 and 724,894 shares, respectively, of Class B Common Stock were exchanged for an equal number of shares of Class A Common Stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued (dollar amounts in thousands, except share data)

7. SHAREHOLDERS' EQUITY, continued:

The Company has an active stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors have authorized the repurchase of a total of 8,000,000 shares (adjusted for stock splits) of Matthews common stock, of which 7,079,072 shares have been repurchased as of September 30, 2001. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation.

At September 30, 2000, shareholders' equity included notes receivable from employees, which resulted from purchases of common stock by designated employees under the Employees' Stock Purchase Plan. All outstanding amounts under these notes were paid in full during fiscal 2001.

Comprehensive income consists of net income adjusted for changes, net of any related income tax effect, in cumulative foreign currency translation, unrealized investment gains and losses and minimum pension liability.

8. STOCK PLANS:

The Company has a stock incentive plan that provides for grants of incentive stock options, nonstatutory stock options and restricted share awards in an aggregate number not to exceed 15% of the outstanding shares of the Company's common stock. The plan is administered by the Compensation Committee of the Board of Directors. The option price for each stock option that may be granted under the plan may not be less than the fair market value of the Company's common stock on the date of grant. The aggregate number of shares of the Company's common stock that may be issued upon exercise of outstanding stock options was 3,698,866 shares at September 30, 2001.

Outstanding stock options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. In addition, options granted after September 1996 vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the certain market value levels described above). The options expire on the earlier of ten years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with the consent of the Company), retirement or death.

The Company has elected to account for its stock incentive plan under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." If compensation cost had been determined under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and diluted earnings per share would have been as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued (dollar amounts in thousands, except share data)

8. STOCK PLANS, continued:

	2001	2000	1999	
	----	----	----	
Net income, as reported	\$31,599	\$27,923	\$25,016	
Net income, pro forma	30,198	26,357	23,852	
Earnings per share, as reported	\$ 1.01	\$.88	\$.77	
Earnings per share, pro forma	.96	.83	.73	

The weighted-average fair value of options granted was \$5.28 per share in 2001, \$5.37 per share in 2000 and \$5.81 per share in 1999.

The fair value of each option grant is estimated on the date of grant using a Black-Scholes based pricing model with the following assumptions:

	2001	2000	1999
	----	----	----
Expected volatility	27.0%	26.0%	24.8%
Dividend yield	0.8%	0.8%	0.8%
Average risk-free interest rate	4.5%	5.8%	6.3%
Average expected term (years)	8.1	8.3	8.0

The transactions for shares under options were as follows:

	2001	2000	1999
	----	----	----
Outstanding, beginning of year:			
Number	3,397,866	3,898,700	2,965,300
Weighted-average exercise price	\$10.53	\$ 9.34	\$ 6.60
Granted:			
Number	402,000	223,100	1,399,600
Weighted-average exercise price	\$14.03	\$12.84	\$13.97
Exercised:			

Number	43,666	701,002	384,600
Weighted-average exercise price	\$ 6.05	\$ 4.64	\$ 4.41
Expired or forfeited:			
Number	57,334	22,932	81,600
Weighted-average exercise price	\$13.43	\$10.91	\$12.53
Outstanding, end of year:			
Number	3,698,866	3,397,866	3,898,700
Weighted-average exercise price	\$10.92	\$10.53	\$ 9.34
Exercisable, end of year:			
Number	1,103,955	585,254	860,000
Weighted-average exercise price	\$ 7.27	\$ 6.48	\$ 4.68
Shares reserved for future options, end of year	842,209	1,253,298	799,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

8. STOCK PLANS, continued:

The following tables summarize certain stock option information at September 30, 2001:

Options outstanding:

Range of exercise price	Number	Weighted-average remaining life	Weighted-average exercise price
\$3.56 and \$6.50	152,000	3.9	\$ 5.15
\$7.03 - \$8.69	1,224,100	5.2	7.09
\$10.70	407,666	6.2	10.70
\$13.84 - \$15.34	1,323,000	7.4	13.97
\$12.84	198,300	8.1	12.84
\$14.03	393,800	9.1	14.03
	<u>3,698,866</u>	<u>6.6</u>	<u>\$10.92</u>

Options exercisable:

Range of exercise price	Number	Weighted-average exercise price
\$3.56 and \$6.50	152,000	\$ 5.15
\$7.03 - \$8.69	816,066	7.09
\$10.70	135,889	10.70
	<u>1,103,955</u>	<u>\$ 7.27</u>

Under the Company's Director Fee Plan, directors who are not also officers of the Company each receive, as an annual retainer fee, shares of the Company's Class A Common Stock equivalent to approximately \$16. Directors may also elect to receive the common stock equivalent of meeting fees. Each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock, with such shares to be paid to the director subsequent to leaving the Board. The value of deferred shares is recorded in other liabilities. Shares deferred under the Director Fee Plan at September 30, 2001, 2000 and 1999 were 53,218, 48,014 and 46,144, respectively.

(dollar amounts in thousands, except share data)

9. EARNINGS PER SHARE

	2001	2000	1999
	----	----	----
Net income	\$31,599	\$27,923	\$25,016
Weighted-average common shares outstanding	30,560,339	31,031,016	31,702,786
Dilutive securities, primarily stock options	759,715	672,138	779,520
Diluted weighted-average common shares outstanding	31,320,054	31,703,154	32,482,306
Basic earnings per share	\$1.03	\$.90	\$.79
Diluted earnings per share	\$1.01	\$.88	\$.77

10. PENSION AND OTHER POSTRETIREMENT PLANS:

The Company provides defined benefit pension and other postretirement plans to certain employees. In addition, certain employees of the Commemorative Products business of The York Group, Inc., which was acquired on May 24, 2001 (see Note 15), participate in a separate defined benefit pension plan.

Net periodic pension and other postretirement benefit (income) cost for the plans included the following:

<TABLE>

<CAPTION>

	Pension			Other Postretirement		
	2001	2000	1999	2001	2000	1999
Service cost	\$ 3,059	\$ 2,452	\$ 2,161	\$ 303	\$ 268	\$ 322
Interest cost	4,384	3,955	3,725	913	882	816
Expected return on plan assets	(8,807)	(6,100)	(5,288)	-	-	-
Amortization:						
Transition asset	-	(404)	(404)	-	-	-
Prior service cost	162	162	162	(1,009)	(1,009)	(1,009)
Net actuarial (gain) loss	(1,948)	(430)	54	136	137	112
Net benefit (income) cost	\$ (3,150)	\$ (365)	\$ 410	\$ 343	\$ 278	\$ 241

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

10. PENSION AND OTHER POSTRETIREMENT PLANS, continued:

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

<TABLE>

<CAPTION>

Pension	Other Postretirement
---------	----------------------

	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Change in benefit obligation:				
Benefit obligation, beginning	\$ 60,234	\$ 55,960	\$ 12,983	\$ 12,563
Acquisition	5,282	-	-	-
Service cost	3,059	2,452	303	268
Interest cost	4,384	3,955	913	882
Assumption changes	(207)	-	336	-
Actuarial (gain) loss	(1,747)	694	(306)	201
Benefit payments	(3,111)	(2,827)	(660)	(931)
Benefit obligation, ending	67,894	60,234	13,569	12,983
Change in plan assets:				
Fair value, beginning	98,108	69,657	-	-
Acquisition	5,690	-	-	-
Actual return	(26,934)	31,050	-	-
Benefit payments	(3,111)	(2,827)	(660)	(931)
Employer contributions	306	228	660	931
Fair value, ending	74,059	98,108	-	-
Funded status	6,165	37,874	(13,569)	(12,983)
Unrecognized transition asset	-	-	-	-
Unrecognized actuarial (gain) loss	(669)	(36,403)	2,863	2,969
Unrecognized prior service cost	574	736	(8,750)	(9,758)
Net amount recognized	\$ 6,070	\$ 2,207	\$(19,456)	\$(19,772)
Amounts recognized in the balance sheet:				
Prepaid pension cost	\$ 8,751	\$ 4,210	\$ -	\$ -
Accrued benefit liability	(2,681)	(3,537)	(19,456)	(19,772)
Intangible asset	-	244	-	-
Accumulated other comprehensive income	-	1,290	-	-
Net amount recognized	\$ 6,070	\$ 2,207	\$(19,456)	\$(19,772)

</TABLE>

The Company has an unfunded defined benefit pension plan which had a benefit obligation at September 30, 2001 and 2000 of \$2,961 and \$4,487, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

10. PENSION AND OTHER POSTRETIREMENT PLANS, continued:

Weighted-average assumptions for the pension and other postretirement benefit plans were:

<TABLE>

<CAPTION>

	Pension			Other Postretirement		
	2001	2000	1999	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Discount rate	7.00%	7.25%	7.25%	7.00%	7.25%	7.25%
Return on plan assets	9.00	9.00	9.00	-	-	-
Compensation increase	4.25	4.50	4.50	4.25	4.50	4.50

</TABLE>

For measurement purposes, annual rates of increase of 30.0% and 12.0% in the per capita cost of health care benefits for Medicare HMO Plans and all other plans, respectively, were assumed for 2001; the rates were assumed to decrease gradually to 5.0% for 2004 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported. An increase in the assumed health care cost trend rates by one percentage point would have increased the accumulated postretirement benefit obligation as of September 30, 2001 by \$516 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$72. A decrease in the assumed health care cost trend rates by one percentage point would have decreased the accumulated postretirement benefit obligation as of September 30, 2001 by \$472 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$62.

11. INCOME TAXES:

The provision for income taxes consisted of the following:

	2001	2000	1999
	----	----	----
Current:			
Federal	\$ 13,694	\$ 11,940	\$ 12,116
State	2,006	1,843	2,401
Foreign	3,435	2,761	1,117
	-----	-----	-----
	19,135	16,544	15,634
Deferred	724	1,471	627
	-----	-----	-----
Total	\$ 19,859	\$ 18,015	\$ 16,261
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued (dollar amounts in thousands, except share data)

11. INCOME TAXES, continued:

The components of the net deferred tax asset at September 30 were as follows:

	2001	2000
	----	----
Deferred tax assets:		
Postretirement benefits other than pensions	\$ 7,588	\$ 7,687
Deferred compensation	1,454	1,389
Bad debt / other provisions	1,694	998
Estimated finishing costs	2,524	1,105
Accrued vacation pay	933	873
Other	725	311
	-----	-----
	14,918	12,363
	-----	-----
Deferred tax liabilities:		
Depreciation	(2,777)	(2,465)
Goodwill amortization	(2,775)	(1,313)
Deferred gain on sale of facilities	(435)	(477)
Pension costs	(2,268)	(217)
Unrealized investment gain	(271)	(14)
	-----	-----
	(8,526)	(4,486)
	-----	-----
Net deferred tax asset	6,392	7,877

Less current portion	(1,241)	(978)
	-----	-----
	\$ 5,151	\$ 6,899
	=====	=====

The components of the provision for deferred income taxes were as follows:

	2001	2000	1999
	----	----	----
Postretirement benefits other than pensions	\$ 99	\$ 207	\$ 230
Deferred compensation	51	444	(378)
Estimated finishing costs	(170)	(31)	11
Accrued vacation pay	131	(15)	(24)
Foreign subsidiary losses, net	-	170	205
Depreciation	(144)	276	495
Goodwill amortization	26	(4)	171
Deferred gain on sale of facilities	(42)	(32)	2
Pension costs	1,473	233	13
Bad debt / other provisions	(559)	7	(261)
Other	(141)	216	163
	-----	-----	-----
	\$ 724	\$ 1,471	\$ 627
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

11. INCOME TAXES, continued:

The reconciliation of the federal statutory tax rate to the consolidated effective tax rate was as follows:

	2001	2000	1999
	----	----	----
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
Effect of state income taxes, net of federal deduction	2.6	2.8	3.8
Foreign taxes in excess of (less than) federal statutory rate	.4	.5	(.6)
Goodwill amortization	.4	.5	.5
Other	.2	.4	.7
	-----	-----	-----
Effective tax rate	38.6 %	39.2 %	39.4 %
	=====	=====	=====

The Company's foreign subsidiaries had income before income taxes for the years ended September 30, 2001, 2000 and 1999 of approximately \$8,400, \$7,000 and \$4,300, respectively.

12. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company operates various production and office facilities and equipment under operating lease agreements. Annual rentals under these and other operating leases were \$4,300, \$3,700 and \$3,100 in 2001, 2000 and 1999, respectively. Future minimum rental commitments are not material.

The Company is party to various legal proceedings, the eventual outcome of which are not predictable. It is possible that an unfavorable resolution of these matters could have a material impact to the Company. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion that they should not result in liabilities in an amount which would materially affect the Company's consolidated financial position, results of operations or cash flows.

The Company has employment agreements with certain employees, the terms of which expire at various dates between 2002 and 2006. The agreements generally provide for base salary and bonus levels and include a non-compete clause.

The aggregate commitment for salaries under these agreements at September 30, 2001 was approximately \$2,300.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

13. SUPPLEMENTAL CASH FLOW INFORMATION:

Changes in working capital items as presented in the Consolidated Statement of Cash Flows consisted of the following:

	2001	2000	1999
Current assets:			
Accounts receivable	\$ (4,854)	\$ 1,603	\$ (1,977)
Inventories	728	(574)	1,126
Other current assets	709	109	28
	-----	-----	-----
	(3,417)	1,138	(823)
	-----	-----	-----
Current liabilities:			
Trade accounts payable	806	145	(2,311)
Accrued compensation	(562)	(1,509)	991
Accrued vacation pay	85	(27)	84
Profit distribution to employees	(203)	137	(144)
Accrued income taxes	4,503	(548)	(3,155)
Customer prepayments	257	(950)	(616)
Other current liabilities	(701)	(1,303)	(2,949)
	-----	-----	-----
	4,185	(4,055)	(8,100)
	-----	-----	-----
Net change	\$ 768	\$ (2,917)	\$ (8,923)
	=====	=====	=====

In July 2001, Matthews acquired a 75% interest in Rudolf Reproflex GmbH (see Note 15). The purchase price of DM 24 million (U.S.\$11,000), which was paid in October 2001, was recorded in other current liabilities at September 30, 2001 and reflected as a non-cash adjustment in the Consolidated Statement of Cash Flows.

14. SEGMENT INFORMATION:

The Company is organized into three business segments based on products and services. The segments, which are Bronze, Graphics Imaging and Marking Products, are described under Nature of Operations (Note 1). Management evaluates segment performance based on operating profit (before income taxes) and does not allocate non-operating items such as investment income, interest expense, other income (deductions), net and minority interest.

The accounting policies of the segments are the same as those described in Summary of Significant Accounting Policies (Note 2). Intersegment sales are accounted for at negotiated prices. Operating profit is total revenue less operating expenses. Segment assets include those assets that are used in the Company's operations within each segment. Assets classified under Other principally consist of cash and cash equivalents, investments, deferred income taxes and corporate headquarters' assets. Long-lived assets include property, plant and equipment, net of accumulated depreciation, and goodwill, net of accumulated amortization.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

14. SEGMENT INFORMATION, continued:

Information about the Company's segments follows:

<TABLE>

<CAPTION>

	Graphics Imaging	Marking Products	Bronze	Other	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Sales to external customers:					
2001	\$ 89,568	\$ 29,636	\$164,078	\$ -	\$283,282
2000	92,169	32,450	142,368	-	266,987
1999	86,948	30,966	125,456	-	243,370
Intersegment sales:					
2001	5	46	26	-	77
2000	14	50	199	-	263
1999	5	55	46	-	106
Depreciation and amortization:					
2001	5,264	613	6,626	429	12,932
2000	5,844	532	5,199	432	12,007
1999	5,829	587	3,789	404	10,609
Operating profit:					
2001	14,443	3,108	35,806	-	53,357
2001 (excluding special items)	10,042	4,562	37,744	-	52,348
2000	9,640	4,720	33,416	-	47,776
1999	5,135	4,036	31,777	-	40,948
Total assets:					
2001	75,572	17,417	149,407	46,556	288,952
2000	64,186	18,449	88,194	49,836	220,665
1999	66,926	19,685	97,005	42,062	225,678
Capital expenditures:					
2001	2,752	307	3,825	380	7,264
2000	4,227	640	2,610	197	7,674
1999	7,243	497	5,390	152	13,282

</TABLE>

Information about the Company's operations by geographic area follows:

<TABLE>

<CAPTION>

	United States	Canada	Australia	Europe	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Sales to external customers:					
2001	\$221,326	\$9,140	\$4,511	\$48,305	\$283,282
2000	216,550	9,365	4,632	36,440	266,987
1999	211,736	9,496	4,582	17,556	243,370
Long-lived assets:					
2001	109,830	2,186	2,135	39,443	153,594
2000	69,426	2,401	2,404	22,948	97,179
1999	72,540	2,557	3,133	25,604	103,834

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

15. ACQUISITIONS:

On May 24, 2001, Matthews acquired the Commemorative Products business of The York Group, Inc. ("York") for \$45,000. The transaction was completed through the purchase of certain assets (pursuant to an asset purchase agreement) and stock of subsidiaries under the Commemorative Products segment of York (pursuant to a stock purchase agreement). As part of the transaction,

Matthews acquired York's manufacturing facilities in Kingwood, West Virginia and Bryan, Texas. The transaction was financed by Matthews through existing cash on hand and a \$30,000 bank loan under the Company's Revolving Credit and Term Loan Agreement (see Note 6).

The following unaudited pro forma information presents a summary of the consolidated results of Matthews and the Commemorative Products business of York as if the acquisition had occurred on October 1, 1999:

	2001	2000
Sales	\$311,000	\$311,000
Net income	32,000	29,000
Earnings per share, diluted	\$1.03	\$.93

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as goodwill amortization and interest expense on acquisition debt. The pro forma information does not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

Effective July 1, 2001, Matthews acquired for DM 24 million (U.S.\$11,000) a 75% interest in Rudolf Reproflex GmbH ("Rudolf"), a German graphics and flexographic printing plate manufacturer. The purchase price, which was paid in October 2001, was recorded in other current liabilities at September 30, 2001. Rudolf is headquartered in Goslar, Germany and reported sales of approximately U.S.\$13,000 for the year ended December 31, 2000.

On June 1, 1999, Matthews purchased the assets of Caggiati S.p.A., the leading supplier of bronze memorialization products in Europe. The purchase price was Lit. 34.6 billion (U.S.\$19,000) cash plus the assumption of bank debt of Lit. 10.2 billion (U.S.\$5,500) and certain other trade liabilities. Matthews paid Lit. 20.2 billion (U.S.\$10,900) upon closing with Lit. 7.2 billion (U.S.\$3,500) paid on June 1, 2000 and the remainder of Lit. 7.2 billion paid on June 1, 2001.

The following unaudited pro forma information presents a summary of the fiscal 1999 consolidated results of Matthews and Caggiati S.p.A. as if the acquisition had occurred on October 1, 1998: Sales, \$255,000; Net income, \$25,800; and earnings per share, diluted, \$0.79. These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as goodwill amortization and interest expense on acquisition debt. The pro forma information does not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(dollar amounts in thousands, except share data)

15. ACQUISITIONS, continued:

Matthews has accounted for these acquisitions using the purchase method and, accordingly, recorded the acquired assets and liabilities at their estimated fair values at the acquisition dates. The excess of the purchase price over the fair value of the net assets has been recorded as goodwill and was being amortized on a straight-line basis over periods ranging from 20 to 25 years, except for Rudolf, which was acquired subsequent to the effective date of SFAS No. 141. In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," which requires the purchase method of accounting (instead of pooling-of-interests) for all business combinations initiated after June 30, 2001. Goodwill related to business combinations after June 30, 2001 will no longer be amortized and will be subject to periodic review for impairment. In addition, the Company will adopt SFAS No. 142, "Goodwill and Other Intangible Assets," in the first quarter of fiscal 2002 (see Note 2).

16. DISPOSITION:

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz. Proceeds to Matthews from the sale were \$18,582, which included the repayment of intercompany debt of approximately \$8,400. All intercompany debt provided by Matthews to Tukaiz, including a \$5,500 Subordinated Convertible Note, was repaid upon the closing of this transaction. The sale resulted in a pre-tax gain of \$7,099, which has been reported in Special Items on the Consolidated Statement of Income.

17. SPECIAL ITEMS:

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz (see Note 16). The sale resulted in a pre-tax gain of \$7,099, which has been reported in Special Items on the Consolidated Statement of Income. In the second quarter of fiscal 2001, the Company recorded asset impairments, restructuring costs and other special charges totaling approximately \$6,600. The majority of these charges have been classified as Special Items on the Consolidated Statement of Income, except for \$1,168 classified as selling and administrative expenses and \$500 classified as other income (deductions), net.

In connection with the restructuring of certain operations within the Graphics Imaging and Marking Products segments, asset impairments of \$4,000 were recorded, primarily reflecting a reduction in the value of goodwill related to various investments. In accordance with the Company's accounting policies, management evaluated the net realizable value of such goodwill and, based on this analysis, goodwill was reduced to reflect estimated fair value on a discounted cash flow basis. Asset impairments also included other write-downs of certain assets to reflect estimated realizable values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued (dollar amounts in thousands, except share data)

17. SPECIAL ITEMS, continued:

In addition, special items included restructuring costs of \$1,200 for certain operations within the Graphics Imaging and Marking Products segments. These restructuring costs were designed to improve operating efficiency and primarily included consulting fees and personnel reduction costs. Special items also included non-recurring expenses of approximately \$1,400 consisting of costs incurred in connection with a potential acquisition which was not completed, a special contribution to the Company's educational and charitable trust of \$500 (classified in other income (deductions), net), and other one-time charges. Substantially all of the restructuring costs and non-recurring expenses were incurred as of September 30, 2001.

18. SUBSEQUENT EVENT:

On May 24, 2001, Matthews and York signed a merger agreement whereby Matthews would acquire 100% of the outstanding common shares of York for \$10 cash per share. Matthews also agreed to pay up to an additional \$1 cash per share based on the excess cash (as defined in the merger agreement) remaining on York's balance sheet as of October 31, 2001. On December 3, 2001, this transaction was completed at \$11 per share. At December 3, 2001, there were 8,940,950 shares of York common stock outstanding. York is the second leading casket manufacturer in the United States and is expected to have annual sales of approximately \$130,000. York will operate as a wholly-owned subsidiary and separate segment of Matthews.

SUPPLEMENTARY FINANCIAL INFORMATION

Selected Quarterly Financial Data (Unaudited):

The following table sets forth certain items included in the Company's unaudited consolidated financial statements for each quarter of fiscal 2001 and fiscal 2000.

<TABLE>

<CAPTION>

	Quarter Ended			Year Ended	
	December 31	March 31 (1)	June 30	September 30	September 30
	(dollar amounts in thousands, except share data)				
<S>	<C>	<C>	<C>	<C>	<C>
FISCAL YEAR 2001:					
Sales	\$ 66,556	\$ 66,339	\$ 71,461	\$ 78,926	\$283,282
Gross profit	28,160	28,218	31,390	31,668	119,436
Operating profit	11,474	13,599	14,631	13,653	53,357
Net income	6,742	8,124	8,761	7,972	31,599
Earnings per share	.21	.26	.28	.26	1.01
FISCAL YEAR 2000:					
Sales (2)	\$ 64,697	\$ 67,129	\$ 69,025	\$ 66,136	\$266,987
Gross profit	28,024	30,641	31,098	28,326	118,089
Operating profit	10,386	12,508	13,331	11,551	47,776
Net income	6,083	7,115	7,725	7,000	27,923
Earnings per share	.19	.22	.25	.22	.88

<FN>

(1) The second quarter of fiscal 2001 included after-tax income of \$300 (\$.01 per share) from special items which consisted of a pre-tax gain of \$7,099 on the sale of a subsidiary and asset impairments, restructuring costs and other special pre-tax charges totaling \$6,600 (see Note 17 to the Consolidated Financial Statements).

(2) Sales for fiscal 2000 have been adjusted to reflect the reclassification, in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," of shipping costs billed to customers.

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in accountants or disagreements on accounting or financial disclosure between the Company and PricewaterhouseCoopers LLP, Certified Public Accountants, for the fiscal years ended September 30, 2001, 2000 and 1999.

PART III

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT.

The following information is furnished with respect to directors, officers and executive management:

Name	Age	Positions with Registrant
----	---	-----
David M. Kelly	59	Chairman of the Board, President and Chief Executive Officer
Edward J. Boyle	55	Chief Financial Officer, Secretary and Treasurer

David J. DeCarlo	56	President, Bronze Division and Director
Brian J. Dunn	44	President, Marking Products, North America
Robert J. Kavanaugh	64	Director
Lawrence W. Keeley, Jr.	40	President, Graphic Systems Division
Thomas N. Kennedy	66	Director
Steven F. Nicola	41	Vice President, Accounting & Finance
John P. O'Leary, Jr.	54	Director
Robert J. Schwartz	54	Group President, Graphic Systems & Marking Products Divisions
William J. Stallkamp	62	Director
John D. Turner	55	Director

David M. Kelly has been Chairman of the Board since March 1996. He was appointed President and Chief Operating Officer of the Company in April 1995 and President and Chief Executive Officer in October 1995. He was appointed as a Director of the Company in May 1995.

Edward J. Boyle was appointed Chief Financial Officer, Secretary and Treasurer in December 2001. He had been Vice President, Accounting & Finance, Treasurer and Secretary since September 1996.

David J. DeCarlo, a Director of the Company since 1987, has been President, Bronze Division since November 1993.

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT,
continued.

Brian J. Dunn was appointed President, Marking Products, North America in November 2000. He had been National Sales Manager, Marking Products, North America since joining the Company in November 1998. Prior thereto, Mr. Dunn was a regional sales manager for the Automation Division of Rockwell International Corporation.

Robert J. Kavanaugh was elected to the Board of Directors in February 1998. Mr. Kavanaugh retired in 1996 as a partner of the Pittsburgh office of Arthur Andersen LLP.

Lawrence W. Keeley, Jr. joined the Company in September 1999 as President, Graphic Systems Division. Prior thereto, he was a Vice President for Container Graphics Corporation.

Thomas N. Kennedy, a Director of the Company since 1987, retired as an officer of the Company in December 1995. He was Senior Vice President, Chief Financial Officer and Treasurer.

Steven F. Nicola was appointed Vice President, Accounting and Finance in December 2001. He had been Controller of the Company since December 1995.

John P. O'Leary, Jr., a Director of the Company since 1992, has been President and Chief Executive Officer of Tuscarora, Incorporated, a manufacturer of custom design protective packaging, since 1990. Tuscarora, Incorporated is a wholly-owned subsidiary of SCA Packaging International B.V.

Robert J. Schwartz was appointed Group President, Graphic Systems & Marking Products Divisions in November 2000. He had been President, Marking Products Division since September 1997. Mr. Schwartz joined the Company in January 1997 as Director of Sales and Marketing for the Marking Products Division. Prior thereto, he was Vice President - Sales for Northeast Distributors, Inc.

William J. Stallkamp, a Director of the Company since 1981, was a Vice Chairman of Mellon Financial Corporation in Pittsburgh, PA and Chairman and Chief Executive Officer of Mellon PSFS in Philadelphia, PA until his retirement on January 1, 2000. He is currently a fund advisor and Chairman of the Operations Group at Safeguard Scientifics, Inc.

John D. Turner was elected to the Board of Directors in April 1999. Mr. Turner had been Executive Vice President and Chief Operating Officer of The LTV Corporation, an integrated steel producer, and President of LTV Copperweld, a manufacturer of tubular and bimetallic wire products. Since December 2001, Mr. Turner has been Chairman and Chief Executive Officer of Copperweld Corporation.

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT,
continued.

Board Committees:

The Executive Committee is appointed by the Board of Directors to have and exercise during periods between Board meetings all of the powers of the Board of Directors, except that the Executive Committee may not elect directors, change the membership of or fill vacancies in the Executive Committee, change the By-laws of the Company or exercise any authority specifically reserved by the Board of Directors. Among the functions customarily performed by the Executive Committee during periods between Board meetings are the approval, within limitations previously established by the Board of Directors, of the principal terms involved in sales of securities of the Company, and such reviews as may be necessary of significant developments in major events and litigation involving the Company. In addition, the Executive Committee is called upon periodically to provide advice and counsel in the formulation of corporate policy changes and, where it deems advisable, make recommendations to the Board of Directors. The Committee members are David M. Kelly (Chairman), David J. DeCarlo and Thomas N. Kennedy.

The principal function of the Audit Committee is to endeavor to assure the integrity and adequacy of financial statements issued by the Company. It is intended that the Audit Committee will review internal auditing systems and procedures as well as the activities of the public accounting firm performing the external audit. The Committee members are John P. O'Leary, Jr. (Chairman), William J. Stallkamp and Robert J. Kavanaugh.

The principal function of the Compensation Committee, the members of which are William J. Stallkamp (Chairman), Robert J. Kavanaugh and John D. Turner, is to review periodically the suitability of the remuneration arrangements (including benefits), other than stock remuneration, for the principal executives of the Company. A subcommittee of the Compensation Committee, the Stock Compensation Committee, the members of which are Messrs. Stallkamp (Chairman), Kavanaugh and Turner, consider and grant stock remuneration and administer the Company's 1992 Stock Incentive Plan.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the individual compensation information for the fiscal years ended September 30, 2001, 2000 and 1999 for the Company's Chief Executive Officer and the four most highly compensated executives.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

Name of Individual and Principal Position	Year	Annual	Long-Term			Compen- sation
		Compensation	Awards	Payouts	All	
		Salary	Securities	Underlying Bonus	LTIP Options	
		(1)	(Shares)	(2)	(3)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David M. Kelly Chairman of the Board and Chief Executive Officer	2001 2000 1999	\$376,506 367,117 329,618	\$385,365 360,585 339,298	112,000 None 550,000	\$262,878 736,928 734,737	\$ 1,195 117 None
David J. DeCarlo Director and President, Bronze Division	2001 2000 1999	238,380 236,095 217,411	174,685 163,498 171,334	28,000 None 298,000	372,415 761,709 711,607	1,564 1,492 1,419
Edward J. Boyle Vice President, Accounting & Finance	2001 2000 1999	174,300 160,232 143,041	109,876 94,876 89,962	26,000 None 156,000	114,639 190,292 187,183	990 2,142 3,294
Robert J. Schwartz Group President, Graphic Systems & Marking Products Divisions	2001 2000 1999	165,450 139,913 126,577	2,771 85,646 80,952	24,000 10,000 20,000	90,770 118,929 55,464	4,432 3,189 747
Lawrence W. Keeley, Jr. President, Graphic Systems Division	2001 2000	161,900 156,169	5,402 55,402	20,000 40,000	None None	2,760 35,795

<FN>

(1) Includes the current portion of management incentive plan and supplemental management incentive payments and for Mr. Kelly in 1999, an amount equal to his life insurance premium cost. Until 2000, at his request, the Company did not provide life insurance for Mr. Kelly, but in lieu thereof paid to him annually the amount which the Company would have paid in premiums to provide coverage, considering his position and age. Such amounts were not included in calculating other Company benefits for Mr. Kelly. The amount paid to Mr. Kelly in lieu of life insurance for 1999 was \$4,100. The Company has adopted a management incentive plan for officers and key management personnel. Participants in such plan are not eligible for the Company's profit distribution plan. The incentive plan is based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period. See Long-Term Incentive Plans - Awards in Last Fiscal Year table. In addition, payments include a supplement in amounts which are sufficient to pay annual interest expense on the outstanding notes of management under the Company's Designated Employee Stock Purchase Plan and to pay medical costs which are not otherwise covered by a Company plan.

ITEM 11. EXECUTIVE COMPENSATION, continued.

(2) Represents payments of deferred amounts under the management incentive plan.

(3) Includes premiums for term life insurance and educational assistance for dependent children. Each officer of the Company is provided term life insurance coverage in an amount approximately equivalent to three times his respective salary. Educational assistance for dependent children is provided to any officer or employee of the Company whose child meets the scholastic eligibility criteria and is attending an eligible college or university. Amounts reported in this column include only life insurance benefit costs except for Messrs. Boyle, Schwartz and Keeley. Educational assistance amounts for Mr. Boyle in fiscal 2000 and 1999, respectively, were \$1,200 and \$2,400. In 2001 and 2000, Mr. Schwartz received \$3,600 and \$2,400, respectively, under the educational assistance program. The amounts reported in this column in 2001 and 2000 for Mr. Keeley include \$2,449 and \$35,592, respectively, for the reimbursement of relocation expenses.

</TABLE>

The Summary Compensation Table does not include expenses of the Company for

incidental benefits of a limited nature to executives, including the use of Company vehicles, club memberships, dues, or tax planning services. The Company believes such incidental benefits are in the conduct of the Company's business; but, to the extent such benefits and use would be considered personal benefits, the value thereof is not reasonably ascertainable and does not exceed, with respect to any individual named in the Summary Compensation Table, the lesser of \$50,000 or 10% of the annual compensation reported in such table.

Long-Term Incentive Plans - Awards in Last Fiscal Year

<TABLE>

<CAPTION>

Name	Number of Shares or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans
			Maximum
<S>	<C>	<C>	<C>
D.M. Kelly	-	2 Years	\$ 491,579
D.J. DeCarlo	-	2 Years	84,813
E.J. Boyle	-	2 Years	138,999
R.J. Schwartz	-	-	None
L.W. Keeley, Jr.	-	-	None

<FN>

The Company has a management incentive plan based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period. Payment of these amounts may be subject to further deferral by the Company under the deferred compensation provisions of the management incentive plan.

</TABLE>

ITEM 11. EXECUTIVE COMPENSATION, continued.

Option/SAR Grants in Last Fiscal Year

<TABLE>

<CAPTION>

Name	Individual Grants (1)	Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term					
		Percent of Total Number of Options Granted to Underlying Employees or Base	Options Granted	Year	Price per Share	Expiration Date	5%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
D.M. Kelly	112,000	27.9%	\$14.031	11/15/10	\$988,308	\$2,504,566	
D.J. DeCarlo	28,000	7.0	14.031	11/15/10	247,077	626,142	
E.J. Boyle	26,000	6.5	14.031	11/15/10	229,429	581,417	
R.J. Schwartz	24,000	6.0	14.031	11/15/10	211,780	536,693	
L.W. Keeley, Jr.	20,000	5.0	14.031	11/15/10	176,484	447,244	

<FN>

(1) All options were granted at market value as of the date of grant. Options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock, but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. In addition, options vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the certain market value levels described above). The options are not exercisable within six months from the date of grant and expire on the earlier of ten years from the date of grant, upon

employment termination, or within specified time limits following voluntary employment termination (with consent of the Company), retirement or death.

</TABLE>

Aggregated Option Exercises in Last Fiscal Year
and Fiscal Year End Option Values

<TABLE>

<CAPTION>

Name	Shares Acquired On Exercise	Value	Number of		Value of Unexercised		
			Securities Underlying Unexercised Options	Unexercised Options	In-the-Money Options at Fiscal Year End	In-the-Money Options	
			Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
D.M. Kelly	None	None	362,000	842,000	\$5,373,381	\$7,827,714	
D.J. DeCarlo	None	None	333,333	492,667	4,997,912	5,125,362	
E.J. Boyle	None	None	78,667	257,333	1,091,388	2,419,666	
R.J. Schwartz	None	None	85,334	128,666	1,161,390	1,390,271	
L.W. Keeley, Jr.	None	None	None	60,000	None	527,125	

</TABLE>

ITEM 11. EXECUTIVE COMPENSATION, continued.

Retirement Plans:

The Company's domestic retirement plan is noncontributory and provides benefits based upon length of service and final average earnings. Generally, employees age 21 with one year of continuous service are eligible to participate in the retirement plan. The benefit formula is 3/4 of 1% of the first \$550 of final average monthly earnings plus 1-1/4% of the excess times years of credited service (maximum 35). The plan is a defined benefit plan and covered compensation is limited generally to base salary or wages. Benefits are not subject to any deduction or offset for Social Security.

In addition to benefits provided by the Company's retirement plan, the Company has a Supplemental Retirement Plan, which provides for supplemental pension benefits to executive officers of the Company designated by the Board of Directors. Upon normal retirement under this plan, such individuals who meet stipulated age and service requirements are entitled to receive monthly supplemental retirement payments which, when added to their pension under the Company's retirement plan and their maximum anticipated Social Security primary insurance amount, equal, in total, 1.85% of final average monthly earnings (including incentive compensation) times the individual's years of continuous service (subject to a maximum of 35 years). Upon early retirement under this plan, reduced benefits will be provided, depending upon age and years of service. Benefits under this plan do not vest until age 55 and the attainment of 15 years of continuous service. However, in order to recruit Mr. Kelly, the Company waived such minimum service requirement with respect to Mr. Kelly. No benefits will be payable under such supplemental plan following the voluntary employment termination or death of any such individual. The Supplemental Retirement Plan is unfunded; however, a provision has been made on the Company's books for the actuarially computed obligation.

The following table shows the total estimated annual retirement benefits payable at normal retirement under the above plans for the individuals named in the Summary Compensation Table at the specified executive remuneration and years of continuous service:

Covered Remuneration	Years of Continuous Service				
	15	20	25	30	35
\$125,000	\$ 34,688	\$ 46,250	\$ 57,813	\$ 69,375	\$ 80,938
150,000	41,625	55,500	69,375	83,250	97,125
175,000	48,563	64,750	80,938	97,125	113,313
200,000	55,500	74,000	92,500	111,000	129,500
250,000	69,375	92,500	115,625	138,750	161,875
300,000	83,250	111,000	138,750	166,500	194,250
400,000	111,000	148,000	185,000	222,000	259,000

500,000	138,750	185,000	231,250	277,500	323,750
600,000	166,500	222,000	277,500	333,000	388,500
700,000	194,250	259,000	323,750	388,500	453,250
800,000	222,000	296,000	370,000	444,000	518,000
900,000	249,750	333,000	416,250	499,500	582,750

ITEM 11. EXECUTIVE COMPENSATION, continued.

The table shows benefits at the normal retirement age of 65, before applicable reductions for social security benefits. The Employee Retirement Income Security Act of 1974 places limitations, which may vary from time to time, on pensions which may be paid under federal income tax qualified plans, and some of the amounts shown on the foregoing table may exceed the applicable limitation. Such limitations are not currently applicable to the Company's Supplemental Retirement Plan.

Estimated years of continuous service for each of the individuals named in the Summary Compensation Table, as of October 1, 2001 and rounded to the next higher year, are: Mr. Kelly, 7 years; Mr. DeCarlo, 17 years; Mr. Boyle, 15 years; Mr. Schwartz, 5 years and Mr. Keeley, 2 years.

Compensation of Directors:

Pursuant to the Director Fee Plan, directors who are not also officers of the Company each receive as an annual retainer fee shares of the Company's Class A Common Stock equivalent to approximately \$16,000. In addition, each such director is paid \$1,000 for every meeting of the Board of Directors attended and (other than a Chairman) \$500 for every committee meeting attended. The Chairman of a committee of the Board of Directors is paid \$700 for every committee meeting attended. Directors may also elect to receive the common stock equivalent of meeting fees. Each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock. No other remuneration is otherwise paid by the Company to any director for services as a director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a)(b) Security Ownership of Certain Beneficial Owners and Management:

The Company's Articles of Incorporation divide its voting stock into three classes: Preferred Stock and Class A and Class B Common Stock. At the present time, none of the Preferred Stock is issued or outstanding. In addition, in September 2001, all outstanding shares of Class B Common Stock were automatically converted to an equivalent number of Class A shares (see Item 5, "Market For Registrant's Common Equity And Related Stockholder Matters"). The following information is furnished with respect to persons who the Company believes, based on its records, beneficially own more than five percent of the outstanding shares of Class A Common Stock of the Company, and with respect to directors, officers and executive management. Those individuals with more than five percent of such shares could be deemed to be "control persons" of the Company.

This information is as of November 30, 2001.

Name of Beneficial Owner (1)	Number of Class A Shares Beneficially Owned (2)	Percent of Class

Directors, Officers and Executive Management:		

D.M. Kelly	536,741 (3)	1.8%
E.J. Boyle	161,667 (3)	0.5
D.J. DeCarlo	928,375 (3)	3.0

R.J. Kavanaugh	2,000	*	
L.W. Keeley, Jr.	4,208 (3)	*	
T.N. Kennedy	60,000	0.2	
J.P. O'Leary, Jr.	24,580	0.1	
R.J. Schwartz	116,284 (3)	0.4	
W.J. Stallkamp	14,400	*	
J.D. Turner	4,000	*	
All directors, officers and executive management as a group (12 persons)	1,937,858 (3)	6.2	

Others:

- - - - -

T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	3,478,920	11.5	
Ariel Capital Management, Inc. 200 East Randolph Drive, Suite 2900 Chicago, IL 60601	3,023,206	10.0	
Neuberger Berman, LLC 605 Third Avenue New York, NY 10158	2,090,030	6.9	

* Less than 0.1%

(1) Unless otherwise noted, the mailing address of each beneficial owner is the same as that of the Registrant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(2) The nature of the beneficial ownership for all shares is sole voting and investment power, except as follows:

Mr. Stallkamp has sole voting power except for 400 Class A shares held by Mr. Stallkamp as custodian under UTMA for son. Mr. Schwartz has sole voting power except for 80 Class A shares held by Mr. Schwartz as custodian for daughter.

Shares held by T. Rowe Price Associates, Inc. ("Price Associates") are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Stock Fund, Inc. (which owns 1,820,000 shares), for which Price Associates serves as investment advisor with power to direct investments and/or power to vote the shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such shares; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares. Price Associates has sole dispositive power for 3,478,920 shares and sole voting power for 1,322,920 shares.

Ariel Capital Management, Inc. has no beneficial interest in any of the 3,023,206 shares owned. Ariel Capital Management, Inc. holds the shares solely for its clients of whom none of them individually owns 5% or more of Matthews International Corporation common stock. Ariel Capital Management, Inc., in its capacity as investment advisor, has sole voting power for 2,854,356 shares and sole investment discretion for 3,023,206 shares.

Neuberger Berman, LLC ("NB"), as a registered investment advisor, may have discretionary authority to dispose of or to vote shares that are under its management. As a result, NB may be deemed to have beneficial ownership of such shares. NB does not, however, have any economic interest in the shares. The clients are the actual owners of the shares and have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such shares. As of November 9, 2001, of the shares set forth in the table, NB had shared dispositive power with respect to 2,090,030 shares, sole voting power with respect to 803,430 shares and shared voting power on 1,286,600 shares. With regard to the shared voting power, Neuberger Berman Management, Inc. and Neuberger Berman Funds are deemed to be beneficial owners for purpose of Rule 13(d) since they have shared power to make decisions whether to retain or dispose of the shares. NB is the sub-advisor to the above referenced Funds. It should be further noted that the above mentioned shares are also included with the shared power to dispose calculation.

(3) Includes options exercisable within 60 days of November 30, 2001 as

follows: Mr. Kelly, 378,667 shares; Mr. Boyle, 88,667 shares; Mr. DeCarlo, 348,666 shares; Mr. Schwartz, 92,000 shares; Mr. Keeley, no shares; and all directors and officers as a group, 942,666 shares.

(c) Changes in Control:

The Company knows of no arrangement which may, at a subsequent date, result in a change in control of the Company.

PART IV

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Securities and Exchange Commission requires disclosure of certain business transactions or relationships between the Company, or its subsidiaries, and other organizations with which any of the Company's directors are affiliated as an owner, partner, director, officer or employee. Briefly, disclosure is required where such a business transaction or relationship meets the standards of significance established by the Securities and Exchange Commission with respect to the types and amounts of business transacted. The Company is aware of no transaction requiring disclosure pursuant to this item during the past fiscal year.

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

(a) 1. Financial Statements:

The following items are included in Part II, Item 8:

	Pages

Report of Independent Accountants	31
Consolidated Balance Sheet	32-33
Consolidated Statement of Income	34
Consolidated Statement of Shareholders' Equity	35
Consolidated Statement of Cash Flows	36
Notes to Consolidated Financial Statements	37-57
Supplementary Financial Information	58

2. Financial Statement Schedules:

Financial statement schedules have been omitted for the reason that the information is not required or is otherwise given in the consolidated financial statements and notes thereto.

3. Exhibits Filed:

The index to exhibits is on pages 72-73.

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on December 20, 2001.

MATTHEWS INTERNATIONAL CORPORATION

(Registrant)

By David M. Kelly

David M. Kelly, Chairman of the Board,
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 Registrant and in the capacities indicated on December 20, 2001:

David M. Kelly -----	Edward J. Boyle -----
David M. Kelly Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	Edward J. Boyle Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)

David J. DeCarlo -----	John P. O'Leary, Jr. -----
David J. DeCarlo, Director	John P. O'Leary, Jr., Director

Robert J. Kavanaugh -----	William J. Stallkamp -----
Robert J. Kavanaugh, Director	William J. Stallkamp, Director

Thomas N. Kennedy -----	John D. Turner -----
Thomas N. Kennedy, Director	John D. Turner, Director

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES

EXHIBITS

INDEX

The following Exhibits to this report are filed herewith or, if marked with an asterisk (*), are incorporated by reference. Exhibits marked with an "a" represent a management contract or compensatory plan, contract or arrangement required to be filed by Item 601(b)(10)(iii) of Regulation S-K.

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
-----	-----	-----
3.1	Restated Articles of Incorporation *	Exhibit Number 3.1 to Form 10-K for the year ended September 30, 1994
3.2	Restated By-laws *	Exhibit Number 3.1 to Form 8-K dated July 22, 1999

- 4.1 a Form of Revised Option Agreement Exhibit Number 4.5 to Form
of Repurchase (effective 10-K for the year ended
October 1, 1993) * September 30, 1993
- 4.2 Form of Share Certificate for Exhibit Number 4.9 to Form
Class A Common Stock * 10-K for the year ended
September 30, 1994
- 4.3 Form of Share Certificate for Exhibit Number 4.10 to Form
Class B Common Stock * 10-K for the year ended
September 30, 1994
- 10.1 Revolving Credit Facility Filed Herewith
- 10.2 a Supplemental Retirement Plan * Exhibit Number 10.8 to Form
10-K for the year ended
September 30, 1988
- 10.3 a 1992 Stock Incentive Plan (as Exhibit A to Definitive
amended through December 23, 1998) * Proxy Statement filed on
January 20, 1999
- 10.4 a Form of Stock Option Agreement * Exhibit Number 10.1 to Form
10-Q for the quarter ended
December 31, 1994
- 10.5 a 1994 Director Fee Plan (as Exhibit Number 10.7 to Form
amended through April 22, 1999) * 10-K for the year ended
September 30, 1999
- 10.6 a 1994 Employee Stock Purchase Plan * Exhibit Number 10.2 to Form
10-Q for the quarter ended
March 31, 1995

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
10.7	Asset Purchase and Membership Interest Agreement, O.N.E. Color Communications, L.L.C. *	Exhibit Number 10.1 to Form 10-Q for the quarter ended June 30, 1998
10.8	O.N.E. Color Communications, L.L.C., Operating Agreement *	Exhibit Number 10.2 to Form 10-Q for the quarter ended June 30, 1998
10.9	Caggiati S.p.A. Asset Purchase Agreement *	Exhibit Number 10.1 to Form 10-Q for the quarter ended June 30, 1999
10.10	Loan Agreement, Caggiati S.p.A. *	Exhibit Number 10.20 to Form 10-K for the year ended September 30, 1999
10.11	Purchase Agreement among priNexus, Inc., Matt-One Holding Corporation, Tukaiz Litho, Inc. and Tukaiz Communications, LLC *	Exhibit Number 10.17 to Form 10-K for the year ended September 30, 2000
10.12	Stock Purchase Agreement among Matthews International Corporation, Empire Stock Corp., and The York Group, Inc., dated as of May 24, 2001 *	Exhibit Number 10.1 to Form 8-K dated May 24, 2001
10.13	Asset Purchase Agreement among Matthews International Corporation, Empire Stock Corp., The York Group, Inc., York Bronze Company and OMC	Exhibit Number 10.2 to Form 8-K dated May 24, 2001

Industries, Inc., dated as of
May 24, 2001 *

10.14 Agreement and Plan of Merger By and Exhibit Number 10.3 to
Among Matthews International Form 8-K dated May 24, 2001
Corporation, Empire Merger Corp.,
and The York Group, Inc., dated as
of May 24, 2001 *

21 Subsidiaries of the Registrant Filed Herewith

23 Consent of Independent Accountants Filed Herewith

Copies of any Exhibits will be furnished to shareholders upon written request.
Requests should be directed to Mr. Edward J. Boyle, Chief Financial Officer,
Secretary and Treasurer of the Registrant.

LOAN AGREEMENT

by and among

MATTHEWS INTERNATIONAL CORPORATION

and

THE BANKS PARTY HERETO,

CITIZENS BANK OF PENNSYLVANIA, as Agent

and

PNC BANK, NATIONAL ASSOCIATION, as Documentation Agent

DATED DECEMBER 3, 2001

TABLE OF CONTENTS

SECTION

ARTICLE I DEFINITIONS

- 1.01 Certain Definitions.
- 1.02 Construction and Interpretation.

ARTICLE II THE CREDIT FACILITIES

- 2.01 Revolving Credit Facility Commitment.
- 2.02 Swing Line Loan Facility.
- 2.03 Interest Rates.
- 2.04 Interest Payments.
- 2.05 Fees.
- 2.06 Agreement to Issue Letters of Credit.
- 2.07 Letter of Credit Fees.
- 2.08 Payments Under Letters of Credit.
- 2.09 Period of Issuance and Term of Letters of Credit.
- 2.10 Booking of Libor Rate Loans.
- 2.11 Assumptions Concerning Funding of Libor Rate Loans.
- 2.12 Additional Costs.
- 2.13 Illegality; Impracticability.
- 2.14 Payments.
- 2.15 Loan Account.
- 2.16 Estoppel.

ARTICLE III REPRESENTATIONS AND WARRANTIES

- 3.01 Organization and Qualification.
- 3.02 Authority; Power to Carry on Business; Licenses.
- 3.03 Execution and Binding Effect.
- 3.04 Absence of Conflicts.
- 3.05 Authorizations and Filings.
- 3.06 Title to Property.
- 3.07 Financial Information.
- 3.08 Taxes.
- 3.09 Contracts.
- 3.10 Litigation.
- 3.11 Laws.
- 3.12 ERISA.

- 3.13 Patents, Licenses, Franchises.
- 3.14 Environmental Matters.
- 3.15 Use of Proceeds.
- 3.16 Margin Stock.
- 3.17 No Event of Default; Compliance with Agreements.
- 3.18 No Material Adverse Change.
- 3.19 Labor Controversies.
- 3.20 Solvency.
- 3.21 Subsidiaries.
- 3.22 Governmental Regulation.
- 3.23 Accurate and Complete Disclosure; Continuing Representations and Warranties.

ARTICLE IV CONDITIONS OF LENDING

- 4.01 Representations and Warranties; Events of Default and Potential Defaults.
- 4.02 Loan Documents.
- 4.03 Other Documents and Conditions.

- 4.04 Details, Proceedings and Documents.
- 4.05 Fees and Expenses.

ARTICLE V AFFIRMATIVE COVENANTS

- 5.01 Reporting and Information Requirements.
- 5.02 Preservation of Existence and Franchises.
- 5.03 Insurance.
- 5.04 Maintenance of Properties.
- 5.05 Payment of Liabilities.
- 5.06 Financial Accounting Practices.
- 5.07 Compliance with Laws.
- 5.08 Pension Plans.
- 5.09 Continuation of and Change in Business.
- 5.10 Use of Proceeds.
- 5.11 Lien Searches.
- 5.12 Further Assurances.
- 5.13 Amendment to Schedules and Representations and Warranties.
- 5.14 Acquisitions.
- 5.15 Financial Covenants.
- 5.16 Subsidiary Guaranty Agreements.

ARTICLE VI NEGATIVE COVENANTS

- 6.01 Liens.
- 6.02 Indebtedness.
- 6.03 Guarantees and Contingent Liabilities.
- 6.04 Loans and Investments.
- 6.05 Acquisitions.
- 6.06 Self-Dealing.
- 6.07 Disposition of Assets.
- 6.08 Margin Stock.
- 6.09 Partnerships; Mergers or Consolidation.
- 6.10 Double Negative Pledge.
- 6.11 Fiscal Year; Tax Designation.

ARTICLE VII DEFAULTS

- 7.01 Events of Default.
- 7.02 Consequences of an Event of Default.
- 7.03 Set-Off.
- 7.04 Equalization.
- 7.05 Other Remedies.

ARTICLE VIII THE AGENT; THE DOCUMENTATION AGENT; ASSIGNMENTS; PARTICIPATIONS

- 8.01 Appointment and Authorization; No Liability.
- 8.02 Employees and Agents; Documentation Agent.
- 8.03 No Representations; Each Bank's Independent Investigation.
- 8.04 Payments to Banks.
- 8.05 Note Holders.
- 8.06 Documents.
- 8.07 Agents and Affiliates.
- 8.08 Indemnification of Agent.
- 8.09 Successor Agent.
- 8.10 Knowledge of Default.

- 8.11 Action by Agent.
- 8.12 Notification of Potential Defaults and Events of Defaults.
- 8.13 Declaration of Invalidation.
- 8.14 Pro Rata Portion, Pari Passu and Equal.

- 8.15 Cooperation.
- 8.16 Obligations Several.
- 8.17 Bank Assignments/Participations.

ARTICLE IX MISCELLANEOUS

- 9.01 Business Days.
- 9.02 Amendments and Waivers.
- 9.03 No Implied Waiver: Cumulative Remedies.
- 9.04 Notices.
- 9.05 Expenses; Taxes; Attorneys Fees.
- 9.06 Severability.
- 9.07 Governing Law: Consent to Jurisdiction.
- 9.08 Prior Understandings.
- 9.09 Duration; Survival.
- 9.10 Counterparts.
- 9.11 Successors and Assigns.
- 9.12 No Third Party Beneficiaries.
- 9.13 Exhibits.
- 9.14 Headings.
- 9.15 Limitation of Liability.
- 9.16 Indemnities.

LOAN AGREEMENT

Agreement, dated the 3rd day of December, 2001, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as hereinafter defined), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as agent for the Banks (in such capacity, the "Agent"), and PNC Bank, National Association, a national banking association, in its capacity as documentation agent for the Banks (in such capacity, the "Documentation Agent").

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Banks extend credit to the Borrower pursuant to a revolving credit facility in an aggregate principal amount not to exceed One Hundred Twenty Five Million and 00/100 Dollars (\$125,000,000.00), the proceeds of which will be used (i) to repay certain existing indebtedness of the Borrower, including amounts due under the Prior Loan Agreement (as hereinafter defined), (ii) for general corporate and working capital purposes and (iii) for Acquisitions (as hereinafter defined); and

WHEREAS, the Borrower has requested that Citizens (as hereinafter defined) extend credit to the Borrower pursuant to a swing line facility in an aggregate principal amount not to exceed Ten Million and 00/100 Dollars (\$10,000,000.00), the proceeds of which will be used for general corporate and working capital purposes; and

WHEREAS, the Banks are willing to extend such credit to the Borrower pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.01 Certain Definitions.

In addition to other words and terms defined elsewhere in this Agreement, the following words and terms have the following meanings, respectively, unless the context otherwise clearly requires:

"Acquisition" shall mean any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any Person, or any business or division of any Person, (b) the acquisition of in excess of fifty percent (50%) of the capital stock (or other equity interest) of any Person, or (c) the acquisition of another Person by a merger or consolidation or any other combination with such Person.

"Advantage" shall mean any payment (whether made voluntarily or involuntarily by offset of any deposit or other Indebtedness or otherwise) received by any Bank in respect of the Indebtedness evidenced by the Notes, if such payment

results in that Bank having less than its Pro Rata Share of the Indebtedness to the Banks pursuant to this Agreement than was the case immediately before such payment.

"Affiliate" shall mean, with respect to any Loan Party hereto, any Person that directly or indirectly controls, is controlled by or is under common control with such Loan Party. The term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" shall mean Citizens and its successors and assigns.

"Agreement" shall mean this Agreement, as amended, modified or supplemented from time to time.

"Applicable Commitment Fee Percentage" shall mean that as set forth in Section 2.05(i) hereof.

"Applicable L/C Fee Percentage" shall mean that as set forth in Section 2.07 hereof.

"Applicable Libor Margin" shall mean that as set forth in Section 2.03(a)(ii) hereof.

"Applicable Margin" shall mean the Applicable Libor Margin or the Applicable Prime Margin, as the case may be.

"Applicable Prime Margin" shall mean that as set forth in Section 2.03(a)(ii) hereof.

"Applicable Rate" shall mean, as of the date of determination, the Prime Rate plus the Applicable Prime Margin, the Libor Rate plus the Applicable Libor Margin or the Swing Line Rate, as the case may be.

"Assignment Agreement" shall mean that as set forth in Section 8.17(A)(iv) hereof.

"Authorized Representative" shall mean each Person designated from time to time, as appropriate, in writing by the Borrower to the Agent for the purposes of giving notices of borrowing, conversion or renewal of Loans, which designation shall continue in force and effect until terminated in writing by the Borrower to the Agent.

"Bank" or "Banks" shall mean, singularly or collectively as the context may require, the financial institutions listed on the signature pages hereof and their respective successors and Eligible Assignees.

"Borrower" shall mean as set forth in the preamble hereof.

"Business Day" shall mean a day of the year on which banks are not required or authorized to close in Pittsburgh, Pennsylvania and, if the applicable Business Day relates to a Libor Rate Loan, on which dealings are carried on in the London interbank eurodollar market.

"Capital Expenditure" shall mean any expenditure made or liability incurred which is, in accordance with GAAP, treated as a capital expenditure and not as an expense item for the year in which it was made or incurred, as the case may

be.

"Capital Lease" shall mean any lease of any tangible or intangible property (whether real, personal or mixed), however denoted, which is required by GAAP to be reflected as a liability on the balance sheet of the lessee.

"Capitalized Lease Obligation" shall mean, with respect to each Capital Lease, the amount of the liability reflecting the aggregate discounted amount of future payments under such Capital Lease calculated in accordance with GAAP, statement of financial accounting standards No. 13 (as supplemented and modified from time to time), and any corresponding future interpretations by the Financial Accounting Standards Board or any successor thereto.

"Cash Equivalents" shall mean: (a) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within six (6) months from the date of acquisition thereof; (b) commercial paper maturing no more than six (6) months from the date issued and, at the time of acquisition, having a rating of at least A-1 from Standard & Poor's Corporation or at least P-1 from Moody's Investors Service, Inc.; and (c) certificates of deposits or bankers' acceptances maturing within six (6) months from the date of issuance thereof issued by, or overnight reverse repurchase agreements from any commercial bank organized under the laws of the United States of America, or any state thereof or the District of Columbia, having combined capital and surplus of not less than Two Hundred Fifty Million and 00/100 Dollars (\$250,000,000.00) and not subject to setoff rights in favor of such bank.

"Change of Control" shall mean (i) any Person or group within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934, as amended, as in effect on the date of this Agreement, has become the owner of, directly or indirectly, beneficially or of record, shares representing more than thirty-five percent (35%) of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower, or (ii) during any period of twelve (12) consecutive calendar months, individuals who were directors of the Borrower on the first day of such period, together with individuals elected as directors by not less than a majority of the individuals who were directors of the Borrower on the first (1st) day of such period, shall cease to consist of at least sixty percent (60%) of the total number of directors of the Borrower.

"Citizens" shall mean Citizens Bank of Pennsylvania, a Pennsylvania banking institution.

"Closing" shall mean the closing of the transactions provided for in this Agreement on the Closing Date.

"Closing Date" shall mean December 3, 2001 or such other date upon which the parties may agree.

"Code" shall mean the Internal Revenue Code of 1986 as amended, along with the rules, regulations, decisions and other official interpretations in connection therewith.

"Commercial Letter of Credit" shall mean any letter of credit which is a commercial letter of credit issued in respect of the purchase of goods or services by the Borrower in the ordinary course of its business.

"Commitment" shall mean, with respect to each Bank, the amount set forth on Schedule 1 attached hereto and made a part hereof as the amount of each Bank's commitment to make Revolving Credit Loans and participate in the issuance of Letters of Credit, as such amount may be modified from time to time pursuant to Section 8.17(A) hereof. Schedule 1 shall be amended from time to time to reflect modifications pursuant to Section 8.17(A) and any other changes to the Commitment of the Banks.

"Commitment Percentage" shall mean, with respect to each Bank, the percentage set forth on Schedule 1 attached hereto and made a part hereof as such Bank's percentage of the aggregate Commitments of all of the Banks, as such percentage may be changed from time to time in accordance with the terms and conditions of this Agreement. Schedule 1 shall be amended from time to time to reflect any changes to the Commitment Percentages.

"Contamination" shall mean the presence or release or threat of release of Regulated Substances in, on, under or emanating to or from the Matthews Property or the York Group Property, as the case may be, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires the investigation, cleanup, removal, remediation, containment, abatement of or other response action or which otherwise constitutes a violation of Environmental Laws.

"Consolidated" shall mean the resulting consolidation of the financial statements of the Borrower and its Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the Consolidated financial statements provided to the Agent and the Banks prior to the Closing Date.

"Distributions" shall mean, for the period of determination, (a) all distributions of cash, securities or other property (other than capital stock) on or in respect of any shares of any class of capital stock of the Borrower and (b) all purchases, redemptions or other acquisitions by the Borrower of any shares of any class of capital stock of the Borrower, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP.

"Documentation Agent" shall mean PNC and its successors and assigns.

"Domestic Subsidiary" shall mean a Subsidiary organized under the laws of any state of the United States; provided, however, that with respect to the representations and warranties set forth in Article III hereof only, York Group Parties shall be excluded from the term "Domestic Subsidiary."

"EBITDA" shall mean, for the period of determination, (i) Net Income, plus (ii) Interest Expense, plus (iii) all income taxes included in Net Income, plus (iv) depreciation, depletion, amortization, and all other non-cash expenses included in Net Income, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP. For the purposes of the first twelve months of this Agreement, the calculation of EBITDA shall include the projected EBITDA for York Group as provided to the Banks prior to the Closing Date; provided that at the close of each calendar quarter during such twelve month period, the actual EBITDA for York Group shall be substituted for such projected EBITDA.

"EBIT" shall mean, for the period of determination, (i) Net Income, plus (ii) Interest Expense, plus (iii) all income taxes included in Net Income, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP.

"Eligible Assignee" shall mean any commercial bank or non-bank financial institution organized under the United States of America or any state thereof including, without limitation, any insurance company, savings bank or savings and loan association, having total assets in excess of One Billion and 00/100 Dollars (\$1,000,000,000.00).

"Environmental Complaint" shall mean any written complaint by any Person or Official Body setting forth a cause of action for personal injury or property damage, natural resource damage, contribution or indemnity for response costs, civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Environmental Laws or any order, notice of violation, citation, subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Environmental Laws.

"Environmental Laws" shall mean all federal, state, local and foreign Laws and any consent decrees, settlement agreements, judgments, orders, directives, policies or programs issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health or the environment; (iii) employee safety in the workplace; (iv) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, transport, storage, collection, distribution, disposal or release or threat of release of Regulated Substances; (v) the presence of Contamination; (vi) the protection of endangered or threatened species; and (vii) the protection of Environmentally Sensitive Areas.

"Environmentally Sensitive Area" shall mean (i) any wetland as defined by applicable Environmental Laws; (ii) any area designated as a coastal zone pursuant to applicable Laws, including Environmental Laws; (iii) any area of historic or archeological significance or scenic area as defined or designated by applicable Laws, including Environmental Laws; (iv) habitats of endangered species or threatened species as designated by applicable Laws, including Environmental Laws; or (v) a floodplain or other flood hazard area as defined pursuant to any applicable Laws.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as in effect as of the date of this Agreement and as amended from time to time in the future, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

"ERISA Affiliate" shall mean a Person which is under common control with the Borrower within the meaning of Section 414(b) of the Code including, but not limited to, a Subsidiary of the Borrower.

"Event of Default" shall mean any of the Events of Default described in Section 7.01 of this Agreement.

"Excess Amount" shall mean that as set forth in Section 2.01(d) hereof.

"Excess Interest" shall mean that as set forth in Section 2.03(c) hereof.

"Existing Letters of Credit" shall mean that as set forth in Section 2.06 hereof.

"Expiry Date" shall mean November 30, 2004 or such earlier date on which the Revolving Credit Facility Commitment shall have been terminated pursuant to this Agreement.

"Federal Funds Rate" shall mean, for any day, the rate per annum (rounded upward to the next higher whole multiple of 1/100% if such rate is not such a multiple) equal to the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on such day (or if there is no trading in such funds on such day on the previous trading day) as such rate is computed and announced on the next Business Day following such trading day by the Federal Reserve Bank of New York (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "federal funds effective rate" as of the date of this Agreement; provided, however, if such Federal Reserve Bank (or its successor) does not announce such rate for any day, the Federal Funds Rate for such day shall be the Federal Funds Rate for the last day on which such rate was announced.

"Fiscal Quarter(s)" shall mean the period(s) of October 1 through December 31, January 1 through March 31, April 1 through June 30, and July 1 through September 30 of each calendar year.

"Fixed Charge Coverage Ratio" shall mean, for the period of determination, the ratio of (a) the difference between (i) EBITDA, minus (ii) Capital Expenditures, minus (iii) all income taxes included in Net Income to (b) Fixed Charges.

"Fixed Charges" shall mean, for the period of determination, the sum of (i) Interest Expense, plus (ii) scheduled principal installments on Indebtedness (as adjusted for prepayments), plus (iii) Distributions, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP.

"Form 10-K" shall mean that as set forth in Section 5.09 hereof.

"GAAP" shall mean generally accepted accounting principles (as such principles may change from time to time), which shall include the official interpretations thereof by the Financial Accounting Standards Board, applied on a consistent basis.

"Guarantor" or "Guarantors" shall mean, singularly or collectively, as the context may require, IEEC, MIAC, YBTC, York Group and any other person that executes and delivers a Guaranty Agreement to the Agent for the ratable

benefit of the Banks on or after the date hereof.

"Guaranty" shall mean any obligation of a Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

"Guaranty Agreement" or "Guaranty Agreements" shall mean, singularly or collectively, as the context may require, the IEEC Guaranty, the MIAC Guaranty, the YBTC Guaranty, the York Group Guaranty, and any other Guaranty and Suretyship Agreement executed and delivered to the Agent for the ratable benefit of the Banks on or after the date hereof substantially in the form of Exhibit "E" attached hereto and made a part hereof.

"IEEC" shall mean Industrial Equipment and Engineering Company, Inc., a Delaware corporation.

"IEEC Guaranty" shall mean the Guaranty Agreement, dated of even date herewith, executed and delivered by IEEC to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"Incentive Pricing Effective Date" shall mean that as set forth in Section 2.03(a)(ii) hereof.

"Indebtedness" shall mean, as to any Person at any time, (i) all obligations for borrowed money, direct or indirect, incurred, assumed, or guaranteed (including, without limitation, all notes payable and drafts accepted representing extensions of credit, all obligations evidenced by bonds, debentures, notes or similar instruments, all obligations on which interest charges are customarily paid, all obligations under conditional sale or other title retention agreements, all obligations for the deferred purchase price of capital assets and all obligations issued or assumed as full or partial payment for property), (ii) all obligations secured by any Lien existing on property owned or acquired subject thereto, whether or not the obligations secured thereby shall have been assumed, (iii) all reimbursement obligations (contingent or otherwise), (iv) all Indebtedness represented by obligations under a Capital Lease and the amount of such Indebtedness shall be the aggregate Capitalized Lease Obligations with respect to such Capital Lease, (v) all obligations (contingent or otherwise) under any letter of credit, banker's acceptance, Guaranty, indemnification agreement or interest rate protection agreement, (vi) all obligations to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such Person and (vii) any other transaction (including forward sale or purchase agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements.

"Indemnitees" shall mean that as set forth in Section 9.16 hereof.

"Indemnified Liabilities" shall mean that as set forth in Section 9.16 hereof.

"Interest Coverage Ratio" shall mean, as of the date of determination, the ratio of (i) EBIT to (ii) Interest Expense.

"Interest Expense" shall mean, for the period of determination, all interest accruing during such period on Indebtedness, including, without limitation, all interest required under GAAP to be capitalized during such period, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP.

"Interest Period" shall mean, with respect to any Libor Rate Loan, the period commencing on the date such Loan is made as, renewed as or converted into a Libor Rate Loan and ending on the last day of such period as selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent

period commencing on the last day of the immediately preceding Interest Period and ending on the last day of such period, as selected by the Borrower pursuant to the provisions below. The duration of each Interest Period for

any Libor Rate Loan shall be for any number of Months selected by the Borrower upon notice as set forth in Section 2.01(c), provided that:

- (i) the Interest Period for any Libor Rate Loan shall be one (1), two (2), three (3), six (6) or twelve (12) Months or such other period as may be agreed upon by the Borrower and the Banks;
- (ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall occur on the next succeeding Business Day, provided that if such extension of time would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the last Business Day immediately preceding the last day of such Interest Period;
- (iii) if the Borrower renews any Libor Rate Loan for an additional Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period; however, interest shall only be charged once for such day at the rate applicable to the Libor Rate Loan for the new Interest Period;
- (iv) if the Borrower fails to so select the duration of any Interest Period, the duration of such Interest Period shall be one (1) Month; and
- (v) the last day of any Interest Period shall not occur after the Expiry Date.

"Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

"Letter of Credit" or "Letters of Credit" shall mean, singularly or collectively as the context may require, the letters of credit issued in accordance with Section 2.06 hereof.

"Letter of Credit Commission" shall mean that as set forth in Section 2.07 hereof.

"Letter of Credit Face Amount" shall mean, for each Letter of Credit, the face amount of such Letter of Credit.

"Letter of Credit Related Documents" shall mean any agreements or instruments relating to a Letter of Credit.

"Letter of Credit Reserve" shall mean, at any time, an amount equal to (a) the aggregate Letters of Credit Outstanding at such time plus, without duplication, (b) the aggregate amount theretofore paid by the issuer under the Letters of Credit and not debited to the Borrower's account or otherwise reimbursed by the Borrower.

"Letters of Credit Outstanding" shall mean, at any time, the maximum amount available to be drawn at such time under all then outstanding Letters of Credit, including any amounts drawn thereunder and not reimbursed, regardless of the existence or satisfaction of any conditions or limitations on drawing.

"Leverage Ratio" shall mean, as of the date of determination, the ratio of (i) Net Indebtedness to (ii) EBITDA.

"Libor Rate" shall mean, for any Interest Period, a fixed rate per annum (rounded upwards to the next higher whole multiple of 1/100% if such rate is not such a multiple) equal at all times during such Interest Period to the quotient of (a) the rate per annum determined in good faith by the Agent in accordance with its customary procedures (which determination shall be conclusive absent manifest error) to be the average of the rates per annum (rounded upwards to the next higher whole multiple of 1/100% if such rate is not such a multiple) at which deposits in immediately available United States Dollars are offered at 11:00 a.m. (London, England time) (or as soon thereafter as is reasonably practicable) to major money center banks by prime banks in the London interbank eurodollar market three (3) Business Days prior to the first day of such Interest Period in an amount and maturity equal to the amount and maturity of such Libor Rate Loan, divided by (b) a number equal to 1.00 minus the aggregate (without duplication) of the rates (expressed as a decimal fraction) of the Libor Reserve Requirements.

"Libor Rate Loan" shall mean any Revolving Credit Loan that bears interest with reference to the Libor Rate.

"Libor Reserve Requirements" shall mean, for any day of any Interest Period

for a Libor Rate Loan, the percentage (rounded upward to the next higher whole multiple of 1/100% if such rate is not such a multiple) as determined in good faith by the Agent in accordance with its customary procedures (which determination shall be conclusive absent manifest error) as representing the maximum reserves (whether basic, supplemental, marginal, emergency or otherwise) prescribed by the Board of Governors of the Federal Reserve System (or any successor) with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System) in an amount and for a maturity equal to such Libor Rate Loan and such Interest Period. The Libor Rate shall be adjusted automatically as of the effective date of each change in the Libor Reserve Requirements.

"Lien" shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature including, but not limited to, any conditional sale or title retention arrangement, and any assignment, deposit arrangement (other than escrow deposits) or lease intended as, or having the effect of, security for Indebtedness.

"Loan" or "Loans" shall mean, singularly or collectively as the context may require, the Revolving Credit Loans, the Swing Line Loans and any other credit to the Borrower extended by any Bank in accordance with Article II hereof as evidenced by the Notes, as the case may be.

"Loan Account" shall mean that as set forth in Section 2.15 hereof.

"Loan Document" or "Loan Documents" shall mean, singularly or collectively as the context may require, (i) this Agreement, (ii) the Notes, (iii) the Notice of Waiver of Rights, (iv) the Guaranty Agreements, (v) the Letters of Credit, (vi) the Letter of Credit Related Documents and (vii) any and all other documents, instruments, certificates and agreements executed and delivered in connection with this Agreement, as any of them may be amended, modified, extended or supplemented from time to time.

"Loan Party" or "Loan Parties" shall mean singularly or collectively, as the context may require, the Borrower and the Guarantors.

"Majority Banks" shall mean, (i) if there are no Revolving Credit Loans outstanding or Letters of Credit Outstanding, any group of Banks constituting the majority of the total number of Banks whose Commitment Percentages aggregate at least fifty-one percent (51%) of the Total Commitment Amount or, (ii) if there are Revolving Credit Loans outstanding and/or Letters of Credit Outstanding, any group of Banks constituting the majority of the total number of Banks if the sum of the Revolving Credit Loans outstanding and Letters of Credit Outstanding of such Bank or Banks aggregates at least fifty-one percent (51%) of the total principal amount of all of such Revolving Credit Loans and Letters of Credit Outstanding.

"Material Adverse Change" shall mean a material adverse change in the (a) business, operations or condition (financial or otherwise) of the Loan Parties and their Subsidiaries taken as a whole; (b) the ability (other than financial ability) of any Loan Party to perform any of its payment or other obligations under this Agreement or any of the other Loan Documents to which it is a party; or (c) the legality, validity, or enforceability of the obligations of any Loan Party under this Agreement or any of the other Loan Documents.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations or condition (financial or otherwise) of the Loan Parties and their Subsidiaries taken as a whole; (b) the ability (other than financial ability) of any Loan Party to perform any of its payment or other obligations under this Agreement or any of the other Loan Documents to which it is a party; or (c) the legality, validity, or enforceability of the obligations of any Loan Party under this Agreement or any of the other Loan Documents.

"Matthews Loan Party" shall mean each Loan Party other than York Group.

"Matthews Property" shall mean all real property, both owned and leased, of any Matthews Loan Party or Domestic Subsidiary of a Matthews Loan Party.

"Maximum Rate" shall mean that as set forth in Section 2.03(c) hereof.

"Measurement Quarter" shall mean that as set forth in Section 2.03(a)(ii) hereof.

"MIAC" shall mean Matthews International (Arkansas) Corporation, an Arkansas corporation.

"MIAC Guaranty" shall mean the Guaranty Agreement, dated of even date herewith, executed and delivered by MIAC to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"Month" shall mean with respect to an Interest Period, the interval between the days in consecutive calendar months numerically corresponding to the first (1st) day of such Interest Period. If any Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

"Net Income" shall mean, for the period of determination, net income (after taxes), excluding, however, extraordinary gains, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP.

"Net Indebtedness" shall mean (a) Indebtedness minus (b) (i) cash plus (ii) Cash Equivalents minus (iii) Five Million and 00/100 Dollars (\$5,000,000.00), in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP; provided, however, for purposes of this calculation, the definition of Cash Equivalents shall include marketable securities held by Venetian Investment Corp., a Delaware corporation and a Domestic Subsidiary of the Borrower, in its money market fund (account number 35542-1) and its short term bond fund (account number 35542-0).

"Net Worth" means, as of the date of determination, net worth, in each case determined for the Borrower and its Subsidiaries in accordance with GAAP.

"Note" or "Notes" shall mean, singularly or collectively as the context may require, the Revolving Credit Notes, the Swing Line Note and any other note of the Borrower executed and delivered pursuant to this Agreement, as any such note may be amended, modified or supplemented from time to time, together with all extensions, renewals, refinancings or refundings in whole or in part.

"Notice of Waiver of Rights" shall mean the Notice of Waiver of Rights Regarding Warrants of Attorney, Execution Rights and Waiver of Rights to Prior Notice and Judicial Hearing, dated of even date herewith, made by the Loan Parties to the Agent, as amended, modified or supplemented from time to time.

"Notices" shall mean that as set forth in Section 9.04 hereof.

"Office", when used in connection with (i) Citizens or the Agent, shall mean its designated office located at Two Mellon Bank Center, Pittsburgh, Pennsylvania 15259 or such other office of Citizens or the Agent as Citizens or the Agent may designate in writing from time to time, or (ii) any other Bank, shall mean its designated office identified on Schedule 1 attached hereto and made a part hereof with respect to such Bank or such other office of such Bank as such Bank may designate in writing from time to time.

"Official Body" means any government or political subdivision or any agency, authority, bureau, central bank, board, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Title IV of ERISA.

"Person" shall mean an individual, corporation, limited liability company, partnership, joint venture, trust, or unincorporated organization or government or agency or political subdivision thereof.

"Plan" shall mean any deferred compensation program, including both single and multi-employer plans, subject to Title IV of ERISA and established and maintained for employees, officers or directors of the Borrower or any Domestic Subsidiary or any ERISA Affiliate.

"PNC" shall mean PNC Bank, National Association, a national banking association.

"Potential Default" shall mean any event or condition which with notice, passage of time or a determination by the Agent or the Majority Banks, or any combination of the foregoing, would constitute an Event of Default.

"Preference" shall mean that as set forth in Section 8.13 hereof.

"Prime Rate" shall mean that rate of interest per annum announced by the Agent from time to time as its prime rate, which may not represent the lowest rate charged by the Agent to other borrowers at any time or from time to time.

"Prime Rate Loan" shall mean any Revolving Credit Loan that bears interest with reference to the Prime Rate.

"Prior Loan Agreement" shall mean the Revolving Line of Credit Agreement, dated August 4, 1997, by and between the Borrower and Mellon Bank, N.A., pursuant to which Mellon Bank, N.A. extended to the Borrower a revolving credit facility in the principal amount not to exceed Thirty Million and 00/100 Dollars (\$30,000,000.00), as amended, modified or supplemented from time to time.

"Prohibited Transaction" shall mean any transaction which is prohibited under Section 4975 of the Code or Section 406 of ERISA and not exempt under Section 4975 of the Code or Section 408 of ERISA.

"Pro Rata Share" shall mean, with respect to each Bank, its Commitment Percentage.

"Purchase Money Security Interest" shall mean Liens upon tangible personal property securing Indebtedness to any Loan Party or Subsidiary of any Loan Party or deferred payments by such Loan Party or such Subsidiary for the purchase of such tangible personal property.

"Refunded Swing Line Loans" shall mean as set forth in Section 2.02(d) hereof.

"Register" shall mean that as set forth in Section 8.17(A)(vii) hereof.

"Regulated Substances" shall mean, without limitation, any substance, material or waste, regardless of its form or nature, defined under Environmental Laws as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic substance," "toxic waste," "hazardous waste," "special handling waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any other material, substance or waste, regardless of its form or nature, which otherwise is regulated by Environmental Laws.

"Reportable Event" shall mean any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, except any such event as to which the provision for thirty (30) days notice to the PBGC is waived under applicable regulations.

"Reporting Quarter" shall mean that as set forth in Section 2.03(a)(ii) hereof.

"Required Deductions" shall mean that as set forth in Section 2.14 hereof.

"Revolving Credit Facility Commitment" shall mean that as set forth in Section 2.01(a) hereof.

"Revolving Credit Loan" or "Revolving Credit Loans" shall mean, singularly or collectively, as the context may require, that as set forth in Section 2.01(a) hereof.

"Revolving Credit Note" or "Revolving Credit Notes" shall mean, singularly or collectively, as the context may require, the Revolving Credit Note or Revolving Credit Notes of the Borrower in the form of Exhibit "A" attached

hereto and made a part hereof, as amended, modified or supplemented from time to time, together with all extensions, renewals, refinancings or refundings in whole or in part.

"Subsidiary" or "Subsidiaries" of a Person shall mean (i) any corporation or trust of which 50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries or (iv) any corporation, trust, partnership, limited liability company or other entity which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

"Standby Letters of Credit" shall mean Letters of Credit issued by the Agent and/or the Banks pursuant to this Agreement, the drawing under which does not require the delivery of bills of lading, airway bills or other similar types of documents of title, or which are customarily referred to as "standby letters of credit".

"Swing Line Lender" shall mean Citizens in its capacity as Swing Line Lender, or any Person serving as a successor Swing Line Lender hereunder.

"Swing Line Loan Facility" shall mean as set forth in Section 2.02(a) hereof and, other than as set forth in Section 2.02(d) hereof, is separate and distinct from the Revolving Credit Facility Commitment.

"Swing Line Loans" shall mean the Loans made by the Swing Line Lender to the Borrower pursuant to Section 2.02 hereof, which shall bear interest at the Swing Line Rate.

"Swing Line Note" shall mean the Swing Line Note, made by the Borrower to the Swing Line Lender in the form of Exhibit "B" attached hereto and made a part hereof, as amended, modified or supplemented from time to time, together with all extensions, renewals, refinancings or refundings in whole or in part.

"Swing Line Rate" shall mean that rate of interest per annum announced by the Swing Line Lender from time to time as its prime rate, which may not represent the lowest rate charged by the Swing Line Lender to other borrowers at any time or from time to time.

"Termination Event" shall mean (i) a Reportable Event, (ii) the termination of a single employer Plan or the treatment of a single employer Plan amendment as the termination of such Plan under Section 4041 of ERISA, or the filing of a

notice of intent to terminate a single employer Plan, or (iii) the institution of proceedings to terminate a single employer Plan by the PBGC under Section 4042 of ERISA, or (iv) the appointment of a trustee to administer any single employer Plan.

"Total Commitment Amount" shall mean the obligation of the Banks hereunder to make Revolving Credit Loans and to issue Letters of Credit up to the maximum aggregate principal amount of One Hundred Twenty Five Million and 00/100 Dollars (\$125,000,000.00).

"YBTC" shall mean York Bronze Trade Company, a West Virginia corporation.

"YBTC Guaranty" shall mean the Guaranty Agreement, dated of even date herewith, executed and delivered by YBTC to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"York Group" shall mean The York Group, Inc., a Delaware corporation.

"York Group Guaranty" shall mean the Guaranty Agreement, dated of even date herewith, executed and delivered by the York Group to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time

to time.

"York Group Party" or "York Group Parties" shall mean, singularly or collectively as the context may require, York Group and its Subsidiaries.

"York Group Property" shall mean all real property, both owned and leased, of York Group Parties.

"York Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of May 24, 2001, by and among the York Group, Empire Merger Corp. and the Borrower, together with all schedules and exhibits with respect thereto.

1.02 Construction and Interpretation.

(a) Construction. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular the plural, the part the whole and "or" has the inclusive meaning represented by the phrase "and/or". References in this Agreement to "judgments" of the Agent and the Banks include good faith estimates by the Agent and the Banks (in the case of quantitative judgments) and good faith beliefs by the Agent and the Banks (in the case of qualitative judgments). The definition of any document or instrument includes all schedules, attachments, and exhibits thereto and all renewals, extensions, supplements, restatements and amendments thereof. "Hereunder", "herein", "hereto", "hereof", "this Agreement" and words of similar import refer to this entire document; "including" is used by way of illustration and not by way of limitation, unless the context clearly indicates to the contrary; and any action required to be taken by any Loan Party is to be taken promptly, unless the context clearly indicates to the contrary.

(b) Agent's or any Bank's Discretion and Consent. Whenever the Agent or any Bank is granted the right herein to act in its sole discretion or to grant or withhold consent, such right shall be exercised in good faith.

(c) Accounting Principles. Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principals of consolidation, where appropriate), and all accounting or financial terms shall

have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 5.15 (and all defined terms used in the definition of any accounting terms used in Section 5.15) shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the annual financial statements of the Borrower and its Subsidiaries referred to in Section 3.07. In the event of any change after the date hereof in GAAP, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 5.15 based upon the Borrower's regularly prepared financial statements by reason of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Borrower's financial statements at that time.

ARTICLE II

THE CREDIT FACILITIES

2.01 Revolving Credit Facility Commitment.

(a) Revolving Credit Loans. Subject to the terms and conditions and relying upon the representations and warranties set forth in this Agreement, the Notes and the other Loan Documents, the Banks severally (but not jointly) agree to make loans (the "Revolving Credit Loans") to the Borrower at any time or from time to time on or after the Closing Date and to and including the Business Day immediately preceding the Expiry Date in an aggregate principal amount which, when combined with the aggregate Letters of Credit Outstanding, shall not exceed at any one time outstanding One Hundred Twenty Five Million and 00/100 Dollars (\$125,000,000.00) (the "Revolving Credit Facility Commitment"); provided, however, that no Bank shall be required to make Revolving Credit Loans (or participate in the issuance of Letters of Credit) in an aggregate principal amount outstanding at any one time exceeding such Bank's Commitment. The Revolving Credit Loans shall be made pro rata in accordance with each

Bank's Commitment Percentage. Within the limits of time and amount set forth in this Section 2.01, and subject to the provisions of this Agreement including, without limitation, the Banks' right to demand repayment of the Revolving Credit Loans upon the occurrence of an Event of Default, the Borrower may borrow, repay and reborrow under this Section 2.01; provided, however, that if the Borrower prepays any Libor Rate Loan on a day other than the last day of the applicable Interest Period for such Libor Rate Loan, then the Borrower shall comply with the terms and conditions of Section 2.12(c) with respect to such prepayment.

(b) Revolving Credit Note. The joint and several obligations of the Borrower to repay the unpaid principal amount of the Revolving Credit Loans made to the Borrower by each Bank and to pay interest on the unpaid principal amount thereof is evidenced in part by the Revolving Credit Notes of the Borrower. Each Revolving Credit Note shall be payable to the order of a Bank in a principal amount equal to such Bank's Commitment. The executed Revolving Credit Notes will be delivered by the Borrower to the Banks on the Closing Date.

(c) Making, Renewing or Converting of Revolving Credit Loans. Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, and provided that the Borrower has satisfied all applicable conditions specified in Article IV hereof, the Banks shall make Revolving Credit Loans to the Borrower which, as selected by the Borrower pursuant to this Section 2.01(c), shall be Prime Rate Loans or Libor Rate Loans. In addition, subject to the terms and conditions set forth below, the Borrower shall have the opportunity to (i) convert Prime Rate Loans into Libor Rate Loans, (ii) convert Libor Rate Loans into Prime Rate Loans or (iii) renew Libor Rate Loans as Libor Rate Loans for additional Interest Periods.

(i) Each Revolving Credit Loan that is made as or converted (from a Libor Rate Loan) into a Prime Rate Loan shall be made or converted on such Business Day and in such amount as an Authorized Representative of the Borrower shall request by written or telephonic notice (confirmed promptly, but in no event later than one Business Day thereafter, in writing) received by the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the date of requested disbursement of or conversion into the requested Prime Rate Loan. Subject to the terms and conditions of this Agreement, on each borrowing date, the Agent shall make the proceeds of the Prime Rate Loan available to the Borrower at the Agent's Office in immediately available funds not later than 2:00 p.m. (Pittsburgh, Pennsylvania time). Unless an Authorized Representative of the Borrower shall provide the Agent with the required written notice to convert a Prime Rate Loan into a Libor Rate Loan on or prior to the third (3rd) Business Day prior to the date of requested conversion, such Prime Rate Loan shall automatically continue as a Prime Rate Loan.

(ii) Each Revolving Credit Loan that is made as, renewed as or converted (from a Prime Rate Loan) into a Libor Rate Loan shall be made, renewed or converted, on such Business Day, in such amount (greater than or equal to One Million and 00/100 Dollars (\$1,000,000.00)); provided, however, that any amount in excess of One Million and 00/100 Dollars (\$1,000,000.00) may only be in increments of Five Hundred Thousand and 00/100 Dollars (\$500,000.00)) and with such an Interest Period as an Authorized Representative of the Borrower shall request by written or telephonic notice (confirmed promptly, but in no event later than one Business Day thereafter, in writing) received by the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the third (3rd) Business Day prior to the requested date of disbursement of, renewal of or conversion into the requested Libor Rate Loan. Subject to the terms and conditions of this Agreement, on each borrowing date, the Agent shall make the proceeds of the Libor Rate Loan available to the Borrower at the Agent's Office in immediately available funds, no later than 10:00 a.m. (Pittsburgh, Pennsylvania time). In addition, in the event that the Borrower desires to renew a Libor Rate Loan for an additional Interest Period, an Authorized Representative of the Borrower shall provide the Agent with written notice thereof on or prior to the third (3rd) Business Day prior to the expiration of the applicable Interest Period. In the event that an Authorized Representative of the Borrower fails to provide the Agent with the required written or telephonic notice (confirming promptly, but in no event later than one Business Day thereafter, in writing) on or prior to the third (3rd) Business Day prior to the expiration of the applicable Interest Period for a Libor Rate Loan, the Borrower shall be deemed to have given written notice that such Loan shall be

converted into a Prime Rate Loan on the last day of the applicable Interest Period. Notwithstanding anything contained herein to the contrary, there shall not be more than four (4) Revolving Credit Loans that are Libor Rate Loans outstanding at any time. Each written notice of any Libor Rate Loan shall be irrevocable and binding on the Borrower and the Borrower shall

indemnify the Agent and the Banks against any loss or expense incurred by the Banks as a result of any failure by the Borrower to consummate such transaction calculated as set forth in Section 2.12(c) hereof.

(iii) Each Bank hereby authorizes the Agent to make all Loans that are requested by the Borrower on the proposed date of disbursement as described above. Upon receipt of a request to make, renew or convert a Revolving Credit Loan hereunder, the Agent shall promptly advise each of the Banks of the proposed date of disbursement, renewal or conversion, the amount and type of each such Revolving Credit Loan, the applicable Interest Period and the Bank's Commitment amount thereof. Each Bank shall remit its Commitment Percentage of the principal amount of each Revolving Credit Loan to the Agent at the Office of the Agent in immediately available funds no later than 2:00 p.m.

(Pittsburgh, Pennsylvania time) on the applicable date of disbursement. If the amount of such Bank's Commitment Percentage is not made available to the Agent by such Bank on the applicable borrowing date, the Agent shall not be required to fund such Bank's Commitment Percentage of the Revolving Credit Loans on the applicable borrowing date; provided, however, the Agent may elect in its sole discretion to fund such Bank's Commitment Percentage on the applicable borrowing date, and such Bank shall be subject to the repayment obligations set forth below.

(iv) The Agent may assume that each Bank has made or will make the proceeds of a Loan available to the Agent unless the Agent shall have been notified by such Bank on or before the later of (a) the close of business on the Business Day preceding the applicable borrowing date with respect to the Loan, or (b) one (1) hour before the time on which the Agent actually funds the proceeds of such Loan to the Borrower (whether using its own funds pursuant to this subsection or using proceeds deposited with the Agent by the Banks and whether such funding occurs before or after the time on which the Banks are required to deposit the proceeds of such Loan with the Agent). The Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount, forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Agent recovers such amount, at a rate per annum equal to (y) the Federal Funds Rate during the first three (3) days after such interest shall begin to accrue and (z) the Applicable Rate in respect of such Loan after the end of such three (3) day period.

(d) Maximum Principal Balance of Revolving Credit Loans and Letters of Credit Outstanding. The sum of the aggregate principal amount of all Revolving Credit Loans outstanding and the aggregate Letters of Credit Outstanding shall not exceed the amount of the Revolving Credit Facility Commitment. The Borrower agrees that if at any time the sum of the aggregate principal amount of all Revolving Credit Loans outstanding and the aggregate Letters of Credit Outstanding exceeds the amount of the Revolving Credit Facility Commitment (the "Excess Amount"), the Borrower shall promptly, but in no event later than one Business Day thereafter, pay to the Agent (for the ratable benefit of the Banks) such Excess Amount. If not sooner paid, the entire principal balance of all outstanding Revolving Credit Loans, together with all unpaid accrued interest thereon, and all other sums and costs owed to the Agent and the Banks by the Borrower pursuant to this Agreement, shall be immediately due and payable on the Expiry Date, without notice, presentment or demand of any kind.

2.02 Swing Line Loan Facility.

(a) Swing Line Loans. Subject to the terms and conditions and relying upon the representations and warranties set forth in this Agreement and the other Loan Documents, the Swing Line Lender may, in its sole and absolute discretion, make available to the Borrower at any time and from time to time during the period from the Closing Date through and including the Business Day immediately preceding the earlier of (i) the date upon which the aggregate

unpaid principal balance of the Swing Line Loans become due and payable by demand or (ii) the Expiry Date, by making Swing Line Loans to the Borrower in an aggregate principal amount not exceeding at any one time outstanding Ten Million and 00/100 Dollars (\$10,000,000.00) (the "Swing Line Loan Facility"). If not sooner paid, each Swing Line Loan, all unpaid interest thereon and all other sums and costs incurred hereunder with respect to such Swing Line Loan shall be immediately due and payable on the earlier of (i) thirty (30) Business Days from the date such Swing Line Loan was made, (ii) demand or (iii) the Expiry Date, without notice, presentment or demand (unless payable by demand). Within the limits of time and amount set forth in this Section 2.03, and subject to the provisions of this Agreement including, without limitation, the Swing Line Lender's right to demand repayment of the Swing Line Loans at any time with or without the occurrence of an Event of Default, Borrower may borrow, repay and reborrow under this Section 2.03.

(b) Swing Line Note. The obligation of the Borrower to repay the unpaid principal amount of the Swing Line Loans made to the Borrower by the Swing Line Lender and to pay interest on the unpaid principal amount thereof will be evidenced in part by the Swing Line Note of the Borrower. The executed Swing Line Note will be delivered by Borrower to the Swing Line Lender on the Closing Date.

(c) Making Swing Line Loans. Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, and provided that the Borrower has satisfied all applicable conditions specified in Article IV hereof, the Swing Line Lender may, in its sole and absolute discretion, make Swing Line Loans to the Borrower on such Business Day and in such amount as an Authorized Representative of the Borrower shall request by written or telephonic notice (confirmed promptly, but in no event later than one (1) Business Day thereafter in writing) received by the Swing Line Lender no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the date of requested disbursement of the Swing Line Loan. Subject to the terms and conditions of this Agreement, on each borrowing date, the Swing Line Lender shall make the proceeds of the Swing Line Loan available to the Borrower at the Swing Line Lender's Office in immediately available funds not later than 2:00 p.m., Pittsburgh, Pennsylvania time. The Swing Line Lender shall give notice to the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) of the next Business Day or such other time as the Agent and the Swing Line Lender may agree of the amount of each such Swing Line Loan.

(d) Refunded Swing Line Loans. With respect to any Swing Line Loans, the Swing Line Lender may, at any time in its sole and absolute discretion, deliver to the Agent (with a copy to the Borrower), no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the first (1st) Business Day immediately preceding the proposed date of disbursement, a notice (which shall be deemed to be a notice of borrowing given by an Authorized Representative) requesting the Banks to make Revolving Credit Loans that are Prime Rate Loans on such date in an amount equal to the lesser of (a) the amount of such Swing Line Loans outstanding on the date such notice is given which the Swing Line Lender requests the Banks to prepay or (b) the difference between the Swing Line

Lender's Commitment minus the sum of (a) the Swing Line Lender's Pro Rata Share of Letters of Credit Outstanding plus (b) the amount of the Swing Line Lender's outstanding Revolving Credit Loans (the lesser of (a) and (b) is the "Refunded Swing Line Loans"). Anything contained in this Agreement to the contrary notwithstanding, (i) the proceeds of such Revolving Credit Loans made by Banks other than the Swing Line Lender shall be immediately delivered by the Agent to the Swing Line Lender (and not to the Borrower) and applied to repay a corresponding portion of the Refunded Swing Line Loans and (ii) on the day such Revolving Credit Loans are made, the Swing Line Lender's Pro Rata Share of the Refunded Swing Line Loans shall be deemed to be paid with the proceeds of a Revolving Credit Loan made by the Swing Line Lender, and such portion of the Swing Line Loans deemed to be so paid shall no longer be outstanding as Swing Line Loans and shall no longer be due under the Swing Line Note of the Swing Line Lender but shall instead constitute part of the Swing Line Lender's outstanding Revolving Credit Loans and shall be due under the Revolving Credit Note of the Swing Line Lender.

Anything contained herein to the contrary notwithstanding, each Bank's obligation to make Revolving Credit Loans for the purpose of repaying any Refunded Swing Line Loans pursuant to the immediately preceding paragraph shall be absolute and unconditional and shall not be affected by any

circumstance, including (a) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (b) the occurrence or continuation of an Event of Default or a Potential Default; (c) any Material Adverse Change; (d) any breach of this Agreement or any other Loan Document by the Borrower; or (e) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that such obligations of each Bank are subject to the condition that (X) the Swing Line Lender believed in good faith that all conditions under Article IV to the making of the applicable Swing Line Loans were satisfied at the time such Swing Line Loans were made or (Y) the satisfaction of any such condition not satisfied had been waived in writing by the Banks prior to or at the time such Swing Line Loans were made.

2.03 Interest Rates.

(a) Interest on the Loans. Subject to the terms and conditions of this Agreement, the aggregate outstanding principal balance of the Swing Line Loans shall bear interest at a rate per annum equal to the Swing Line Rate and the aggregate outstanding principal balance of the Revolving Credit Loans shall be, at the option of the Borrower as selected pursuant to Section 2.01(c) hereof, (x) Prime Rate Loans which shall bear interest for each day at the rates set forth below or (y) Libor Rate Loans which shall bear interest during each applicable Interest Period at the rates set forth below:

(i) Subject to the terms and conditions of this Agreement, on the Closing Date and through the day immediately preceding the first Incentive Pricing Effective Date, (x) Revolving Credit Loans that are Prime Rate Loans shall bear interest for each day at a rate per annum equal to the Prime Rate plus the Applicable Prime Margin corresponding to Tier II as set forth below and (y) Revolving Credit Loans that are Libor Rate Loans shall bear interest during each applicable Interest Period at a rate per annum equal to the Libor Rate plus the Applicable Libor Margin corresponding to Tier II as set forth below;

(ii) Subject to the terms and conditions of this Agreement, during each Fiscal Quarter, in accordance with Section 5.01(b) hereof, the Borrower shall submit to the Agent and the Banks quarterly financial statements (the Fiscal Quarter in which such financial statements are required to be received by the Agent and the Banks is the "Reporting Quarter") as of the last day of the Fiscal Quarter immediately preceding such Reporting Quarter (with respect to any Reporting Quarter, the Fiscal Quarter immediately preceding such Reporting Quarter is the "Measurement Quarter"). Upon receipt of such quarterly financial statements by the Agent and the Banks in accordance with Section 5.01(b), the Borrower's Leverage Ratio shall be calculated as of the last day of the Measurement Quarter ending December 31, 2001 and as of the last day of each Measurement Quarter thereafter. From the first day of the first full calendar month following the Agent's and the Banks' receipt of such quarterly financial statements (the "Incentive Pricing Effective Date") until the next Incentive Pricing Effective Date, (x) Prime Rate Loans shall bear interest for each day at a rate per annum equal to the Prime Rate plus the applicable margin determined by reference to the Borrower's Leverage Ratio as set forth below (the "Applicable Prime Margin") and (y) Libor Rate Loans shall bear interest during each applicable Interest Period at a rate per annum equal to the Libor Rate plus the applicable margin determined by reference to the Borrower's Leverage Ratio as set forth below (the "Applicable Libor Margin"):

Tier	Applicable Leverage Ratio	Applicable		Applicable	
		Libor Margin	Prime Margin	Fee Percentage	Commitment Fee Percentage
I	< 0.75	.75%	0.00%	.75%	0.20%
II	? 0.75 < 1.00	.875%	0.00%	.875%	0.225%
III	? 1.00 < 1.25	1.00%	0.00%	1.00%	0.25%
IV	? 1.25 < 1.50	1.125%	0.125%	1.125%	0.275%
V	? 1.50 < 1.75	1.25%	0.25%	1.25%	0.30%
VI	? 1.75	1.50%	0.50%	1.50%	0.375%

(iii) Subject to the terms and conditions of this Agreement, in the event that the Borrower fails to timely deliver the financial statements required by Section 5.01(b) hereof, the Applicable Margin shall be the amount corresponding to Tier VI until the delivery of such financial statements.

(b) Calculation of Interest and Fees; Adjustment to Prime Rate and Swing Line

Rate. Interest on the Loans, unpaid fees and other sums payable hereunder shall be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed. In the event of any change in the Prime Rate or the Swing Line Rate, the rate of interest applicable to each Prime Rate Loan or Swing Line Loan shall be adjusted to immediately correspond with such change; provided, however, that any interest rate charged hereunder shall not exceed the Maximum Rate.

(c) Interest After Maturity or Default; Interest Laws. Upon the occurrence and during the continuance of an Event of Default, (i) the unpaid principal amount of the Loans or any portion thereof, accrued interest thereon, any fees or any other sums payable hereunder shall thereafter until paid in full bear interest at a rate per annum equal to the Applicable Rate plus two percent (2.00%); (ii) each Libor Rate Loan shall automatically convert into a Prime Rate Loan at the end of the applicable Interest Period; and (iii) no Loans may be made as, renewed as or converted into a Libor Rate Loan. Notwithstanding any provisions to the contrary contained in this Agreement or any other Loan Document, the Borrower shall not be required to pay, and the Banks shall not

be permitted to collect, any amount of interest in excess of the maximum amount of interest permitted by applicable Law ("Excess Interest"). If any Excess Interest is provided for or determined by a court of competent jurisdiction to have been provided for in this Agreement or in any other Loan Document, then, in such event: (1) the provisions of this subsection shall govern and control; (2) the Borrower shall not be obligated to pay any Excess Interest; (3) any Excess Interest that any Bank may have received hereunder shall be, at the Majority Banks' option, (a) applied as a credit against the outstanding principal balance of the Indebtedness evidenced by the Notes or accrued and unpaid interest thereon (not to exceed the maximum amount permitted by Law), (b) refunded to the payor thereof, or (c) any combination of the foregoing; (4) the interest rate(s) provided for herein shall be automatically reduced to the maximum lawful rate allowed from time to time under applicable Law (the "Maximum Rate"), and this Agreement and the other Loan Documents shall be deemed to have been and shall be, reformed and modified to reflect such reduction; and (5) the Borrower shall have no action against the Agent or the Banks for any damages arising out of the payment or collection of any Excess Interest.

2.04 Interest Payments.

The Borrower shall pay to the Agent for the ratable account of the Banks interest on the aggregate outstanding balance of the Revolving Credit Loans which are Prime Rate Loans in arrears, on January 1, 2002 and on the first day of each April, July, October and January thereafter through and including the Expiry Date. The Borrower shall pay to the Agent for the ratable account of the Banks interest on the unpaid principal balance of the Revolving Credit Loans that are Libor Rate Loans on the earlier of (i) the last day of the applicable Interest Period for such Loan or (ii) for such Loans with an applicable Interest Period exceeding three (3) Months, on each and every three (3) Month anniversary of each such Loan during the period from the Closing Date to and including the Expiry Date. The Borrower shall pay to the Swing Line Lender interest on the unpaid principal balance of the aggregate outstanding balance of the Swing Line Loans in arrears, on January 1, 2002 and on the first day of each April, July, October and January thereafter through and including the Expiry Date. After maturity of any part of the Loans (whether upon demand (in the case of the Swing Line Loans), the occurrence of an Event of Default, by acceleration or otherwise), interest on such part of the Loans shall be immediately due and payable without notice, presentment, or demand of any kind.

2.05 Fees.

The Borrower shall pay to the Agent for the ratable account of the Banks:

(i) A commitment fee on the unused portion of the amount of the Revolving Credit Facility Commitment during the period from the date of this Agreement to the Expiry Date, payable quarterly in arrears beginning on January 1, 2002 and continuing on the first (1st) day of each April, July, October and January thereafter and on the Expiry Date. Such fee shall be calculated daily, and shall equal the amount by which the amount of the Revolving Credit Facility Commitment has exceeded the closing principal balance of the sum of the outstanding principal balance of the Revolving Credit Loans and the Letters of Credit Outstanding on each day, multiplied by the applicable percentage with respect to commitment fees for such day determined by reference to the Borrower's Leverage Ratio as set forth in set forth in Section 2.03(a)(ii)

hereof (the "Applicable Commitment Fee Percentage"); and
(ii) The Letter of Credit Commission pursuant to Section 2.07 hereof.

2.06 Agreement to Issue Letters of Credit.

From time to time during the period from the Closing Date to the fifteenth (15th) day preceding the Expiry Date, subject to the further terms and conditions hereof, including those required in connection with the making of Revolving Credit Loans, the Agent shall issue Standby Letters of Credit or Commercial Letters of Credit (collectively the "Letters of Credit") for the account of the Borrower in an amount not to exceed Ten Million and 00/100 Dollars (\$10,000,000.00) in the aggregate as a subfacility of the Revolving Credit Facility Commitment; provided, however, that on any date on which the Borrower requests a Letter of Credit, and after giving effect to the Letter of Credit Face Amount of such Letter of Credit, the sum of all Revolving Credit Loans outstanding and the Letters of Credit Outstanding shall not exceed the Revolving Credit Facility Commitment. All such Letters of Credit shall be issued by the Agent in accordance with its then current practice relating to the issuance of letters of credit including, but not limited to, the execution and delivery to the Agent of applications and agreements required by the Agent and the payment by the Borrower of all applicable fees with respect thereto. As of the date hereof, those Letters of Credit set forth on Schedule 2.06 hereof (collectively, the "Existing Letters of Credit"), which were issued under the Prior Loan Agreement and are outstanding on the date hereof, will be deemed to be Letters of Credit issued and outstanding hereunder.

Each request for a Letter of Credit shall be delivered to the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the second (2nd) Business Day, or such shorter period as may be agreed to by the Agent, prior to the proposed date of issuance. Each such request shall be in a form acceptable to the Agent and specify the Letter of Credit Face Amount thereof, the account party, the beneficiary, the intended date of issuance, the expiry date thereof, and the nature of the transaction to be supported thereby. All such Letters of Credit shall be issued by the Agent in accordance with its then current practice relating to the issuance of Letters of Credit including, but not limited to, the execution and delivery to the Agent of applications and agreements required by the Agent and the payment by the Borrower of all applicable fees required by Section 2.07 hereof. Immediately upon the issuance of each Letter of Credit, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Agent a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Bank's Pro Rata Share of the Letter of Credit Face Amount of such Letter of Credit. The Agent shall promptly, but in any event not later than the next Business Day, provide to each Bank notice of each such request for a Letter of Credit by the Borrower.

2.07 Letter of Credit Fees.

The Borrower shall pay to the Agent for its own account (a) a fronting fee for each Letter of Credit issued hereunder, such fee shall be equal to one-eighth of one percent (0.125%) of the daily average amount of Letters of Credit Outstanding during the preceding calendar quarter, payable quarterly in arrears beginning on January 1, 2002 and continuing on the first (1st) day of each April, July, October and January thereafter and on the Expiry Date, (b) the Agent's standard amendment fees for each Letter of Credit issued hereunder, such fees to be paid on the date of the amendment of such Letter of Credit and (c) any reasonable out-of-pocket expenses and costs incurred by the Agent for the issuance of any Letter of Credit issued hereunder, such fees to be paid on the day of issuance of such Letter of Credit. The Borrower shall also pay to the Agent for the ratable account of the Banks a fee (the "Letter of Credit Commission"), calculated daily and equal to the amount of the

Letters of Credit Outstanding on each day multiplied by the applicable percentage for such day determined by reference to the Borrower's Leverage Ratio as set forth in Section 2.03(a)(ii) hereof (the "Applicable L/C Fee Percentage"), such fee to be paid quarterly in arrears beginning on January 1, 2002 and continuing on the first (1st) day of each April, July, October, and January thereafter and on the Expiry Date. Notwithstanding the foregoing, after the occurrence and during the continuance of an Event of Default, the Letter of Credit Commission shall be increased by two percent (2.00%) per annum.

2.08 Payments Under Letters of Credit.

Upon a draw under any Letter of Credit, the Borrower shall immediately, but in any event not later than the end of such Business Day, reimburse the Agent for such drawing under a Letter of Credit. If (i) the Borrower shall not have reimbursed the Agent for such drawing under such Letter of Credit by the end of such Business Day, (ii) the Agent must for any reason return or disgorge such reimbursement, or (iii) the Borrower is required to make a payment under Section 7.02(a)(ii) hereof and fails to make such payment, then the amount of each unreimbursed drawing under such Letter of Credit and payment required to be made under Section 7.02(a)(ii) hereof shall automatically be converted into a Revolving Credit Loan which shall be a Prime Rate Loan made on the date of such drawing for all purposes of this Agreement. The Borrower's obligation to reimburse the Agent with respect to each drawing under a Letter of Credit shall be absolute and unconditional.

2.09 Period of Issuance and Term of Letters of Credit.

Letters of Credit shall only be issued by the Agent for the account of the Borrower for such terms which expire at least fifteen (15) days prior to the Expiry Date.

2.10 Booking of Libor Rate Loans.

Each Bank may make, carry or transfer Libor Rate Loans at, to or for the account of, any of its branch offices or the office of an affiliate of such Bank; provided, however, that no such action shall result in increased liability or cost to the Borrower, including any increased liability or cost pursuant to Section 2.12 or 2.13 hereof.

2.11 Assumptions Concerning Funding of Libor Rate Loans.

Calculation of all amounts payable to each Bank under Section 2.12(c) shall be made as though each Bank had actually funded its relevant Libor Rate Loan through the purchase of a Libor deposit bearing interest at the Libor Rate in an amount equal to the amount of that Libor Rate Loan and having maturity comparable to the relevant Interest Period and through the transfer of such Libor deposit from an offshore office to a domestic office in the United States of America; provided, however, that each Bank may fund each of its Libor Rate Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under Section 2.12(c).

2.12 Additional Costs.

(a) If, due to either (i) the introduction of, or any change in, or in the interpretation of, any Law or (ii) the compliance with any guideline or request from any central bank or other Official Body (whether or not having the force of Law), there shall be any increase in the cost to, or reduction in income receivable by, a Bank of making, funding or maintaining Loans (or commitments to make the Loans), then the Borrower shall from time to time, upon demand by such Bank made within a reasonable time after such Bank's

determination thereof, pay to the Agent for the account of such Bank additional amounts sufficient to reimburse such Bank for any such additional costs or reduction in income. All such additional amounts shall be determined by such Bank in good faith using appropriate attribution and averaging methods ordinarily employed by such Bank. A certificate of such Bank submitted to the Borrower in good faith as to the amount of such additional costs shall be conclusive and binding for all purposes, absent manifest error. Within ten (10) Business Days after the Agent or such Bank notifies the Borrower in writing of any such additional costs pursuant to this Section 2.12(a), the Borrower may (A) repay in full all Loans of any types so affected then outstanding, together with interest accrued thereon to the date of such repayment, or (B) convert all Loans of any types so affected then outstanding into Loans of any other type not so affected upon not less than four (4) Business Days' notice to the Agent. If any such repayment or conversion of any Libor Rate Loan occurs on any day other than the last day of the applicable Interest Period for such Loan, the Borrower also shall pay to the Agent for the ratable account of the Banks such additional amounts as set forth in Section 2.12(c).

(b) If either (i) the introduction of, or any change in, or in the interpretation of, any Law or (ii) the compliance with any guideline or request from any central bank or other Official Body (whether or not having the force of Law), affects the amount of capital required to be maintained by any Bank or any corporation controlling any Bank and such Bank determines in good faith that the amount of such capital is increased by or based upon the existence of the Loans (or commitment to make the Loans), then, within ten

(10) Business Days of demand by such Bank, the Borrower shall pay to the Agent for the account of such Bank from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank in the light of such circumstances, to the extent that such Bank determines in good faith such increase in capital to be allocable to the existence of such Bank's Loans (or commitment to make the Loans). Any such demand by a Bank must be made within a reasonable time after such Bank's determination as set forth in the immediately preceding sentence. A certificate of such Bank in good faith submitted to the Borrower as to such amounts shall be presumptive evidence of such amounts. Within ten (10) Business Days after the Agent or such Bank notifies the Borrower in writing of any such additional costs pursuant to this Section 2.12(b), the Borrower may (A) repay in full all Loans of any types so affected then outstanding, together with interest accrued thereon to the date of such prepayment, or (B) convert all Loans of any types so affected then outstanding into Loans of any other type not so affected upon not less than four (4) Business Days' notice to such Bank. If any such prepayment or conversion of any Libor Rate Loan occurs on any day other than the last day of the applicable Interest Period for such Loan, the Borrower also shall pay to the Agent for the ratable account of the Banks such additional amounts as set forth in Section 2.12(c).

(c) If the Borrower shall repay or convert any Libor Rate Loan on a day other than the last day of the applicable Interest Period for such Loan (whether such repayment or conversion is (i) permitted by this Section 2.12 or Section 2.13, (ii) permitted as a result of the failure of the Borrower to consummate a transaction after providing notice as set forth in Sections 2.01(c)(ii), (iii) otherwise permitted by a Bank, or (iv) otherwise required under the terms of this Agreement), the Borrower shall pay (within ten (10) Business Days after written demand) to the Agent for the ratable benefit of the Banks such additional amounts reasonably determined by the Banks in good faith to be

sufficient to indemnify the Banks against any loss, cost, or expense incurred by the Banks as a result of such prepayment or conversion including, without limitation, any loss (including loss of anticipated profits), costs or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the Banks to fund such Loan, and a certificate as to the amount of any such loss, cost or expense submitted by any Bank to the Borrower in good faith shall be presumptive evidence of such amount.

2.13 Illegality; Impracticability.

Notwithstanding any other provision contained in this Agreement, if: (a) it is unlawful, or any central bank or other Official Body shall determine that it is unlawful, for the Agent or any Bank to perform its obligations hereunder to make, renew, or convert Loans hereunder; or (b) on any date on which a Libor Rate would otherwise be set, any Bank shall have in good faith determined (which determination shall be conclusive absent manifest error) that (i) adequate and reasonable means do not exist for ascertaining a Libor Rate, (ii) a contingency has occurred which materially and adversely affects the interbank markets, or (iii) the effective cost to such Bank of funding a proposed Libor Rate Loan exceeds the Libor Rate then (y) upon notice thereof by the Agent or such Bank to the Borrower, the obligation of such Bank to make or renew a Loan of a type so affected or to convert any type of Loan into a Loan of a type so affected shall terminate and the Banks shall thereafter be obligated to make Prime Rate Loans whenever any written notice requests any type of Loans so affected and (z) upon written demand therefor by such Bank to the Borrower, the Borrower shall (i) forthwith prepay in full all Loans of the type so affected then outstanding, together with interest accrued thereon or (ii) request that such Bank, upon five (5) Business Days' notice, convert all Loans of the type so affected then outstanding into Loans of a type not so affected. If any such prepayment or conversion of any Libor Rate Loan occurs on any day other than the last day of the applicable Interest Period for such Loan, the Borrower also shall pay to the Agent for the ratable benefit of the Banks such additional amounts as set forth in Section 2.12(c).

2.14 Payments.

All payments to be made with respect to principal, interest, fees or other amounts due from the Borrower under this Agreement or under the Notes are payable at 12:00 noon (Pittsburgh, Pennsylvania time), on the day when due, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and an action for the payments will accrue immediately. All such payments must be made to the Agent at its Office in U.S. Dollars and in funds immediately available at such Office, without

setoff, counterclaim or other deduction of any nature. The Agent may in its discretion deduct such payments from the Borrower's demand or deposit accounts with the Agent if not paid within five (5) Business Days after the due date. All such payments shall be applied at the option of the Agent and the Banks to accrued and unpaid interest, outstanding principal and other sums due under this Agreement in such order as the Agent and the Banks, in their sole discretion, shall elect. All such payments shall be made absolutely net of, without deduction or offset, and altogether free and clear of any and all present and future taxes, levies, deductions, charges, and withholdings and all liabilities with respect thereto, excluding income and franchise taxes imposed on the Banks under the Laws of the United States or any state or political subdivision thereof. If the Borrower is compelled by Law to deduct any such taxes or levies (other than such excluded taxes) or to make any such other deductions, charges, or withholdings (collectively, the "Required Deductions"), the Borrower will pay to the Agent for the ratable benefit of

the Banks an additional amount equal to the sum of (i) the aggregate amount of all Required Deductions and (ii) the aggregate amount of United States federal or state income taxes required to be paid by the Banks in respect of such Required Deductions.

2.15 Loan Account.

The Agent will open and maintain on its books and records, including computer records, in accordance with its customary procedures, a loan account (the "Loan Account") for the Borrower in which shall be recorded the date and amount of each Loan made by the Banks and the date and amount of each payment and prepayment in respect thereof. The Agent shall record in the Loan Account the principal amount of the Loans owing to each Bank from time to time. The Loan Account shall constitute presumptive evidence of the accuracy of the information contained therein. Any failure by the Agent to make any such notation or record shall not affect the obligations of the Borrower to the Banks with respect to the Loans.

2.16 Estoppel.

As further consideration for the entry of the Banks into this Agreement, the Borrower hereby represents and warrants that it does not presently have any claims or actions of any kind at Law or in equity against Mellon Bank, N.A. arising out of or in any way relating to the Prior Loan Agreement or any related documents with respect thereto, the transactions referenced in or contemplated by this Agreement or any acts, transactions, or events that are or were the subject matter of any other prior loans, agreements or guaranties involving the Borrower and a Bank.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Agent and the Banks that:

3.01 Organization and Qualification.

Each Loan Party is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization. Each Domestic Subsidiary of each Loan Party and each Subsidiary of York Group is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization. Each Matthews Loan Party, each Domestic Subsidiary of each Loan Party and, to the knowledge of the officers and directors of the Borrower, each York Group Party are duly qualified or licensed to do business as foreign corporations, partnership or limited liability companies, as the case may be, and are in good standing in all jurisdictions in which the ownership of their properties or the nature of their activities or both makes such qualification or licensing necessary except to the extent that the failure to be so qualified or licensed would not have a Material Adverse Effect.

3.02 Authority; Power to Carry on Business; Licenses.

The Borrower has the power and authority to make the borrowings provided for herein, to execute and deliver the Notes in evidence of such borrowing and to execute and deliver each of the other Loan Documents to which it is a party and all such action has been duly and validly authorized by all necessary corporate proceedings on the Borrower's part. Each Guarantor has the power and authority to execute and deliver each of the Loan Documents to which it is

a party and all such action has been duly and validly authorized by all necessary corporate proceedings on each such Guarantor's part. Each Matthews Loan Party, each Domestic Subsidiary of such Loan Party and, to the knowledge of the officers and directors of the Borrower, each York Group Party have all requisite power and authority to own and operate their properties and to carry on their businesses as now conducted and as presently planned to be conducted. Each Matthews Loan Party, each Domestic Subsidiary of such Loan Party and, to the knowledge of the officers and directors of the Borrower, each York Group Party have all licenses, permits, consents and governmental approvals or authorizations necessary to carry on their business as now conducted except to the extent that the failure to have any such license, permit, consent, or approval would not have a Material Adverse Effect.

3.03 Execution and Binding Effect.

Each of the Loan Documents have been duly and validly executed and delivered by each Loan Party that is a party thereto, and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms.

3.04 Absence of Conflicts.

Neither the execution and delivery of this Agreement, the Notes or the other Loan Documents, the consummation of the transactions contemplated in any of them, nor the performance of or compliance with the terms and conditions thereof will (a) violate any Law, (b) conflict with or result in a breach of or a default under the certificate or articles of incorporation or bylaws, certificate of limited partnership or partnership agreement, certificate of organization or operating agreement or any other organizational document, as the case may be, of any Loan Party or any of its Subsidiaries, (c) conflict with or result in a breach of or a default under any agreement or instrument to which any Matthews Loan Party or any Domestic Subsidiary is a party or by which it or any of its properties (now owned or acquired in the future) may be subject or bound which could have a Material Adverse Effect, (d) to the knowledge of the officers and directors of the Borrower, conflict with or result in a breach of or a default under any agreement or instrument to which any of the York Group Parties is a party or by which it or any of its properties (now owned or acquired in the future) may be subject or bound which could have a Material Adverse Effect, (e) result in the creation or imposition of any material Lien upon any property (owned or leased) of any Matthews Loan Party or any of its Subsidiaries (other than York Group Parties), or (f) to the knowledge of the officers and directors of the Borrower, result in the creation or imposition of any material Lien upon any property (owned or leased) of any York Group Party.

3.05 Authorizations and Filings.

No authorization, consent, approval, license, exemption or other action by, and no registration, qualification, designation, declaration or filing with, any Official Body is or will be necessary or advisable in connection with the execution and delivery of this Agreement or the other Loan Documents, the consummation of the transactions contemplated herein or therein, or the performance of or compliance with the terms and conditions hereof or thereof.

3.06 Title to Property.

Each Matthews Loan Party, each Domestic Subsidiary of such Loan Party and, to the knowledge of the officers and directors of the Borrower, each York Group Party have good and marketable title in fee simple to all real property purported to be owned by them and good and marketable title to all other

property purported to be owned by them, including that reflected in the most recent financial information referred to in Section 3.07 hereof or submitted to the Agent and the Banks pursuant to Section 5.01 of this Agreement (except as sold or otherwise disposed of in the ordinary course of business), subject only to Liens permitted by Section 6.01 of this Agreement.

3.07 Financial Information.

The financial information provided by the Loan Parties to the Agent and the Banks with respect to each Matthews Loan Party and each Subsidiary of such Loan Party (other than York Group Parties) as of the Closing Date is accurate and complete in all material respects and has been prepared in accordance with GAAP consistently applied. To the knowledge of the officers and directors of the Borrower, the financial information provided by the Borrower to the Agent

and the Banks with respect to York Group Parties as of the Closing Date is accurate and complete in all material respects and has been prepared in accordance with GAAP consistently applied. Each Matthews Loan Party and, to the knowledge of the officers and directors of the Borrower, each York Group Party have made full and true disclosure of all pertinent financial and other material information in connection with the transactions contemplated hereby.

3.08 Taxes.

All tax returns required to be filed by each Matthews Loan Party and each Domestic Subsidiary of each Loan Party have been properly prepared, executed and filed. To the knowledge of the officers and directors of the Borrower, all tax returns required to be filed by York Group Parties have been properly prepared, executed and filed. Except as may be permitted under Section 5.05 hereof, all material taxes, assessments, fees and other governmental charges upon each Matthews Loan Party and each Domestic Subsidiary of such Loan Party or upon any of their properties, income, sales or franchises which are due and payable have been paid. To the knowledge of the officers and directors of the Borrower, except as may be permitted under Section 5.05 hereof, all material taxes, assessments, fees and other governmental charges upon York Group Parties or upon any of their properties, income, sales or franchises which are due and payable have been paid. The reserves and provisions for taxes on the books of each Matthews Loan Party and each Domestic Subsidiary of such Loan Party are adequate for all open years and for the current fiscal period in all material respects. To the knowledge of the officers and directors of the Borrower, the reserves and provisions for taxes on the books of York Group Parties are adequate for all open years and for the current fiscal period in all material respects. No Matthews Loan Party, no Domestic Subsidiary of such Loan Party nor, to the knowledge of the officers and directors of the Borrower, any York Group Party knows of any proposed additional assessment or basis for any assessment for additional taxes (whether or not reserved against).

3.09 Contracts.

No Matthews Loan Party, no Domestic Subsidiary of such Loan Party nor, to the knowledge of the officers and directors of the Borrower, any York Group Party is in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material contractual obligation of such Matthews Loan Party, such Domestic Subsidiary or such York Group Party, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default, which default or potential default would have a Material Adverse Effect.

3.10 Litigation.

Except as described in Schedule 3.10 to this Agreement, there is no pending or, to any Matthews Loan Party's knowledge, contemplated or threatened action, suit or proceeding by or before any Official Body against or affecting a Matthews Loan Party or any Subsidiary (other than York Group Parties) of such Loan Party which, if adversely decided, would have a Material Adverse Effect. To the knowledge of the officers and directors of the Borrower, except as described in Schedule 3.10 to this Agreement, there is no pending, contemplated or threatened action, suit or proceeding by or before any Official Body against or affecting any York Group Party which, if adversely decided, would have a Material Adverse Effect.

3.11 Laws.

To any Matthews Loan Party's knowledge, no Matthews Loan Party nor any Subsidiary (other than York Group Parties) of such Loan Party is in violation of any Law, which violation could have a Material Adverse Effect. To the knowledge of the officers and directors of the Borrower, no York Group Party is in violation of any Law, which violation could have a Material Adverse Effect.

3.12 ERISA.

Except as described in Schedule 3.12 to this Agreement, (a) each Plan has been and will be maintained and funded in all material respects in accordance with its terms and with all provisions of ERISA and other applicable Laws; (b) no Reportable Event which could have a Material Adverse Effect has occurred and is continuing with respect to any Plan; (c) no material liability to the PBGC has been incurred with respect to any Plan, other than for premiums due and payable; (d) no Plan has been terminated, no proceedings have been instituted to terminate any Plan, and there exists no intent to terminate or institute

proceedings to terminate any Plan to the extent such termination would have a Material Adverse Effect; (e) no withdrawal, either complete or partial, has occurred or commenced with respect to any multi-employer Plan, and there exists no intent to withdraw either completely or partially from any multi-employer Plan; and (f) there has been no cessation of, and there is no intent to cease, operations at a facility or facilities where such cessation could reasonably be expected to result in a separation from employment of more than 20% of the total number of employees who are participants under a Plan. To the extent that the term Plan in this Section 3.12 is referring to a Plan of a York Group Party, this Section 3.12 is qualified by the knowledge of the officers and directors of the Borrower with respect to such Plan.

3.13 Patents, Licenses, Franchises.

Each Matthews Loan Party, each Domestic Subsidiary of such Loan Party and, to the knowledge of the officers and directors of the Borrower, each York Group Party own or possess the legal right to use all of the patents, trademarks, service marks, trade names, copyrights, licenses, franchises and permits and rights with respect to the foregoing necessary to own and operate their properties and to carry on their businesses as presently conducted and as presently planned to be conducted without conflict with the rights of others except to the extent that the failure to own or possess the right to use such intellectual property would not have a Material Adverse Effect. Except as described in Schedule 3.13 to this Agreement, no such patent, trademark, service mark, trade name, copyright, license, franchise or permit or right with respect to any of the foregoing is of material importance to the assets, business, operations or financial condition of any Matthews Loan Party or any Domestic Subsidiary of such Loan Party and there is no reason to anticipate

any material liability to any Matthews Loan Party or any Domestic Subsidiary of such Loan Party in respect of any claim of infringement of any of the foregoing. To the knowledge of the officers and directors of the Borrower, except as described in Schedule 3.13 to this Agreement, no such patent, trademark, service mark, trade name, copyright, license, franchise or permit or right with respect to any of the foregoing is of material importance to the assets, business, operations or financial condition of any York Group Party and there is no reason to anticipate any material liability to York Group in respect of any claim of infringement of any of the foregoing.

3.14 Environmental Matters.

Except as set forth in Schedule 3.14 attached hereto and made a part hereof:

(a) To the knowledge of any Matthews Loan Party, no Matthews Loan Party nor any Domestic Subsidiary of such Loan Party is in violation of any Environmental Laws or any rule or regulation promulgated pursuant thereto except to the extent that such violation would not have a Material Adverse Effect;

(b) To the knowledge of the officers and directors of the Borrower, no York Group Party is in violation of any Environmental Laws or any rule or regulation promulgated pursuant thereto except to the extent that such violation would not have a Material Adverse Effect;

(c) To the knowledge of any Matthews Loan Party, no activity of any Matthews Loan Party at the Matthews Property is being or has been conducted in violation of any Environmental Law and no activity of any prior owner, operator or occupant of the Matthews Property was conducted in violation of any Environmental Law except to the extent that such violation would not have a Material Adverse Effect;

(d) To the knowledge of the officers and directors of the Borrower, no activity of any York Group Party at the York Group Property is being or has been conducted in violation of any Environmental Law and no activity of any prior owner, operator or occupant of the York Group Property was conducted in violation of any Environmental Law except to the extent that such violation will not have a Material Adverse Effect;

(e) To the knowledge of any Matthews Loan Party, there are no Regulated Substances present on, in, under, or emanating from, or emanating to, the Matthews Property or any portion thereof in violation of any Environmental Law, except to the extent that such violation would not have a Material Adverse Effect;

(f) To the knowledge of the officers and directors of the Borrower, there are

no Regulated Substances present on, in, under or emanating from, or emanating to, the York Group Property or any portion thereof in violation of any Environmental Law, except to the extent that such violation will not have a Material Adverse Effect;

(g) To the knowledge of any Matthews Loan Party, no facility or site to which any Matthews Loan Party or Domestic Subsidiary of such Loan Party, either directly or indirectly by a third party, has sent Regulated Substances for storage, treatment, disposal or other management has been or is being operated in violation of Environmental Laws or pursuant to Environmental Laws is identified or proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation, cleanup, removal, remediation or other response action by an Official Body;

(h) To the knowledge of the officers and directors of the Borrower, no facility or site to which any York Group Party, either directly or indirectly by a third party, has sent Regulated Substances for storage, treatment, disposal or other management has been or is being operated in violation of Environmental Laws or pursuant to Environmental Laws is identified or proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation, cleanup, removal, remediation or other response action by an Official Body;

(i) No portion of the Matthews Property is identified or to the knowledge of any Matthews Loan Party proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation or remediation action by an Official Body, nor to the knowledge of any Matthews Loan Party is any property adjoining or in the proximity of the Matthews Property identified or proposed to be identified on any such list; and

(j) No portion of the York Group Property is identified or, to the knowledge of the officers and directors of the Borrower, proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation or remediation action by an Official Body, nor, to the knowledge of the officers and directors of the Borrower, is any property adjoining or in the proximity of the York Group Property identified or proposed to be identified on any such list.

3.15 Use of Proceeds.

The Borrower shall use the proceeds of the Loans to (i) repay existing Indebtedness of the Borrower, including amounts due under the Prior Loan Agreement, (ii) for the Acquisition contemplated by the York Merger Agreement and other Acquisitions, and (iii) for working capital and general corporate purposes.

3.16 Margin Stock.

The Borrower will not borrow under this Agreement for the purpose of buying or carrying any "margin stock", as such term is used in Regulation U and related regulations of the Board of Governors of the Federal Reserve System, as amended from time to time. The Borrower does not own any "margin stock". The Borrower is not engaged in the business of extending credit to others for such purpose, and no part of the proceeds of any borrowing under this Agreement will be used to purchase or carry any "margin stock" or to extend credit to others for the purpose of purchasing or carrying any "margin stock".

3.17 No Event of Default; Compliance with Agreements.

No event has occurred and is continuing and no condition exists which constitutes an Event of Default or Potential Default. No Loan Party nor any Subsidiary of any Loan Party is in violation of any term of its certificate or articles of incorporation or bylaws, certificate of limited partnership or partnership agreement, certificate of organization or operating agreement or any other organizational document, as the case may be. No Matthews Loan Party nor any Domestic Subsidiary of such Loan Party is in default under any agreement, lease or instrument to which it is a party or by which it or any of its properties (owned or leased) may be subject or bound, which default would have a Material Adverse Effect. To the knowledge of the officers and directors of the Borrower, no York Group Party is in default under any agreement, lease or instrument to which it is a party or by which it or any of its properties (owned or leased) may be subject or bound, which default would have a Material Adverse Effect.

3.18 No Material Adverse Change.

Since the date of the most recent financial statements referred to in Section 3.07 hereof, there has been no Material Adverse Change.

3.19 Labor Controversies.

There are no labor controversies pending or, to the knowledge of any Matthews Loan Party, threatened, against any Matthews Loan Party or any Domestic Subsidiary of any Loan Party which, if adversely determined, would have a Material Adverse Effect. To the knowledge of the officers and directors of the Borrower, there are no labor controversies pending or threatened against any York Group Party which, if adversely determined, would have a Material Adverse Effect.

3.20 Solvency.

After the making of the Loans, each Loan Party (i) will be able to pay its debts as they become due, (ii) will have funds and capital sufficient to carry on its business and all businesses in which it is about to engage, and (iii) will own property having a value at both fair valuation and at fair saleable value in the ordinary course of its business greater than the amount required to pay its debts as they become due. No Loan Party was insolvent immediately prior to the date of this Agreement and no Loan Party will be rendered insolvent by the execution and delivery of this Agreement, the borrowing hereunder and/or the consummation of any transactions contemplated by this Agreement or any of the other Loan Documents.

3.21 Subsidiaries.

Schedule 3.21 to this Agreement sets forth the name of each Subsidiary of each Loan Party and the percentage of outstanding capital stock (or other equity interest) of such Subsidiary which is owned by such Loan Party or Subsidiary of such Loan Party.

3.22 Governmental Regulation.

The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940 or to any federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money.

3.23 Accurate and Complete Disclosure; Continuing Representations and Warranties.

No representation or warranty made by any Loan Party under this Agreement or any of the other Loan Documents and, to the knowledge of any Matthews Loan Party, no statement made by any Matthews Loan Party or any Subsidiary (other than York Group Parties) of any Loan Party in any financial statement (furnished pursuant to Section 3.07 or 5.01 or otherwise), certificate, report, exhibit or document furnished by any Matthews Loan Party or any Subsidiary (other than York Group Parties) of any Loan Party to the Agent or any Bank pursuant to or in connection with this Agreement is false or misleading in any material respect (including by omission of material information necessary to make such representation, warranty or statement not misleading). To the knowledge of the officers and directors of the Borrower, no statement made by any York Group Party in any financial statement (furnished pursuant to Section 3.07 or 5.01 or otherwise), certificate, report, exhibit or document furnished by any York Group Party to the Agent or any Bank pursuant to or in connection with this Agreement is false or misleading in any material respect (including by omission of material

information necessary to make such representation, warranty or statement not misleading). The representations and warranties set forth herein are to survive the delivery of the Loan Documents and the making of the Loans hereunder.

ARTICLE IV

CONDITIONS OF LENDING

The obligation of the Banks to make any Loan and the Agent to issue any Letter of Credit is subject to the satisfaction of the following conditions:

4.01 Representations and Warranties; Events of Default and Potential

Defaults.

The representations and warranties contained in Article III shall be true and correct in all material respects on and as of the date of each Loan with the same effect as though made on and as of each such date. On the date on which any Loan is made, no Event of Default and no Potential Default shall have occurred and be continuing or exist or shall occur or exist after giving effect to the Loan to be made on such date. Each request by the Borrower for any Loan shall constitute a representation and warranty by the Borrower that the conditions set forth in this Section 4.01 have been satisfied as of the date of such request. The failure of the Agent to receive notice from the Borrower to the contrary before such Loan is made shall constitute a further representation and warranty by the Borrower that the conditions referred to in this Section 4.01 have been satisfied as of the date such Loan is made.

4.02 Loan Documents.

On the Closing Date, the Loan Documents, satisfactory in terms, form and substance to the Agent and the Banks, shall have been executed and delivered to the Agent and the Banks and shall be in effect.

4.03 Other Documents and Conditions.

On or before the Closing Date, the following documents and conditions shall have been delivered to the Agent or satisfied by or on behalf of any Loan Party to the satisfaction of the Agent and, to the extent required, the Banks:

(a) Certified Copies of Organizational Documents. A copy of the articles or certificate of incorporation, certificate of limited partnership or certificate of organization of each Loan Party certified by the Secretary of State of each jurisdiction of organization thereof.

(b) Good Standing and Tax Lien Certificates. A good standing certificate of each Loan Party certifying as to the good standing and corporate, partnership or limited liability company status of each such Loan Party in its jurisdiction of organization; (ii) good standing/foreign qualification certificates of each Loan Party from each additional jurisdiction identified in Schedule 4.03 to this Agreement; and (iii) a tax lien certificate of each Loan Party from each jurisdiction identified in the Closing Checklist with respect to the transaction contemplated by this Agreement.

(c) Proceedings and Incumbency.

A certificate in form and substance satisfactory to the Agent, dated the Closing Date and signed on behalf of each Loan Party by the Secretary of such Loan Party, certifying as to (i) true copies of the certificate or articles of incorporation, bylaws, certificate of limited partnership, partnership

agreement, certificate of organization, operating agreement and any other organizational document, as the case may be, of such Loan Party, (ii) the resolutions of the Board of Directors, partners or members of such Loan Party authorizing the execution and delivery of this Agreement and the other Loan Documents to which such Loan Party is a party and any other corporate, partnership or limited liability company action taken by such Loan Party relative to this Agreement, (iii) the names, true signatures and incumbency of the officers, partners or members of such Loan Party authorized to execute and deliver the Loan Documents, and (iv) all fictitious and trade names of such Loan Party. The Agent and the Banks may conclusively rely on such certification unless and until a later certificate revising the prior certificate has been furnished to the Agent.

(d) Financial Statements. Financial statements, as described in Section 3.07 of this Agreement, and pro forma financial statements covering the period from the Closing Date through the Expiry Date in form and substance satisfactory to the Agent and the Banks.

(e) Insurance. Evidence, in form and substance satisfactory to the Agent and the Banks, that the business and all assets of each Loan Party are adequately insured and that the Agent on behalf of the Banks is entitled to thirty (30) days prior notice of cancellation or modification on all such insurance policies.

(f) Lien Searches. Copies of record searches (including UCC searches and judgments, suits, taxes and other lien searches at the state level for each location identified in Schedule 4.03(f) to this Agreement) evidencing that no Liens exist against any Loan Party except those Liens permitted pursuant to Section 6.01 hereof or those Liens that are or will be released or terminated

in connection herewith as set forth in 4.03(g) hereof.

(g) Termination Statements; Release Statements and Other Releases. Evidence satisfactory to the Agent that all necessary termination statements, release statements and other releases in connection with all Liens with respect to any Loan Party that are not permitted pursuant to Section 6.01 of this Agreement have been filed or satisfactory arrangements have been made for such filing (including payoff letters, if applicable, in form and substance satisfactory to the Agent).

(h) York Acquisition Documents. A fully executed copy of the York Merger Agreement, including all schedules and exhibits with respect thereto, certified as true and complete by the Secretary of the Borrower.

(i) Opinion of Counsel. An opinion of counsel on behalf of each Loan Party, dated the Closing Date, in form and substance satisfactory to the Agent and the Banks.

(j) No Material Adverse Change. No Material Adverse Change shall have occurred since the date of the most recent financial statements delivered to the Agent and the Banks.

(k) Repayment of Prohibited Indebtedness. All Indebtedness not permitted under Section 6.02 including, but not limited to, amounts due under the Prior Loan Agreement shall have been paid in full.

(l) Other Documents and Conditions. Such other documents and conditions as may reasonably be requested to be submitted to the Agent or any Bank by the terms of this Agreement or of any Loan Document or set forth on the Closing Checklist with respect to the transactions contemplated by this Agreement.

4.04 Details, Proceedings and Documents.

All legal details and proceedings in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory to the Agent and the Banks and the Agent and the Banks shall have received all such counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance reasonably satisfactory to the Agent and the Banks, as the Agent and the Banks may reasonably request from time to time.

4.05 Fees and Expenses.

The Borrower shall have paid all fees and charges as required for the Closing and relating to the Closing, including legal fees, closing costs, filing and notary fees and any other similar matters pertinent to the Closing.

ARTICLE V

AFFIRMATIVE COVENANTS

The Borrower covenants to the Agent and the Banks as follows:

5.01 Reporting and Information Requirements.

(a) Annual Reports. As soon as practicable, and in any event within ninety (90) days after the close of each fiscal year of the Borrower, the Borrower shall furnish to the Agent and each Bank Consolidated audited statements of income, changes in shareholder's equity and cash flows of the Borrower and its Subsidiaries for such fiscal year and a Consolidated audited balance sheet of the Borrower and its Subsidiaries as of the close of such fiscal year, and notes to each, all in reasonable detail, setting forth in comparative form the corresponding figures for the preceding fiscal year, prepared in accordance with GAAP applied on a basis consistent with that of the preceding fiscal year (except for changes in application in which such accountants concur) with such financial statements to be certified by an independent certified public accounting firm of recognized standing selected by the Borrower and acceptable to the Agent and the Banks. The certificate or report of such accountants shall be free of exception or qualifications not reasonably acceptable to the Agent and the Banks and shall in any event contain a written statement of such accountants substantially to the effect that such accountants examined such financial statements in accordance with generally accepted auditing standards. As soon as practicable, and in any event within ninety (90) days after the close of each fiscal year of the Borrower, the Borrower shall furnish to the Agent and each Bank a consolidating statement of income of the Borrower and

its Subsidiaries for such fiscal year and a consolidating balance sheet of the Borrower and its Subsidiaries as of the close of such fiscal year, all in reasonable detail. All such financial statements shall be prepared by the Borrower and certified by the Chief Financial Officer of the Borrower as presenting fairly the consolidating financial position of the Borrower and its Subsidiaries as of the end of such fiscal year and the results of their operations for such fiscal year, in conformity with GAAP (subject to normal and recurring year-end audit adjustments) applied in a manner consistent with that of the most recent audited financial statements of the Borrower and its Subsidiaries furnished to the Agent and the Banks.

(b) Quarterly Reports of the Borrower. As soon as practicable, and in any event within forty-five (45) days after the close of each Fiscal Quarter of the Borrower, the Borrower shall furnish to the Agent and each Bank a Consolidated statement of income of the Borrower and its Subsidiaries for such Fiscal Quarter and for the portion of the fiscal year to the end of such Fiscal Quarter, a Consolidated statement of changes in cash flows for the portion of the fiscal year to the end of such Fiscal Quarter and a Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such Fiscal Quarter, all in reasonable detail. All such financial statements shall be prepared by the Borrower and certified by the Chief Financial Officer of the Borrower as presenting fairly the Consolidated financial position of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter and the results of their operations for such periods, in conformity with GAAP (subject to normal and recurring year-end audit adjustments) applied in a manner consistent with that of the most recent audited financial statements of the Borrower and its Subsidiaries furnished to the Agent and the Banks.

(c) Quarterly Compliance Certificate. The financial statements delivered pursuant to Section 5.01(b) of this Agreement shall be accompanied by a compliance certificate, substantially in the form of Exhibit "C" attached hereto and made a part hereof, executed by the Chief Financial Officer of the Borrower, stating that no Event of Default or Potential Default exists and that the Borrower is in compliance with all applicable covenants contained in this Agreement. Such certificate shall include all figures necessary to calculate the Borrower's compliance with all financial covenants set forth in this Agreement. If an Event of Default or Potential Default has occurred and is continuing or exists, such certificate shall specify in detail the nature and period of existence of the Event of Default or Potential Default and any action taken or contemplated to be taken by the Borrower with respect thereto.

(d) Reports to Governmental Agencies. As soon as practicable, and in event within ten (10) days after the filing thereof, the Borrower shall furnish to the Agent and each of the Banks a copy of its Form 10-K and 10-Q reports, each proxy statement, each registration statement and all other reports which the Borrower is or may be required to file with the United States Securities and Exchange Commission or any State Securities Commission.

(e) Annual Plan. The Borrower shall, within sixty (60) days after the commencement of each fiscal year, submit to the Agent and each Bank projections for the Borrower for the then current fiscal year in form substantially similar to the form of projections provided to the Borrower's board of directors for such fiscal year.

(f) Audit Reports. Promptly, but in no event later than thirty (30) days after receipt thereof, the Borrower will deliver to the Agent and each Bank a copy of each other report submitted to the Borrower by independent accountants, including comment or management letters, in connection with any annual, interim or special audit report made by them of the books of the Borrower.

(g) Visitation; Audits. Each Loan Party shall permit such Persons as the Agent or any of the Banks may designate (i) to visit and inspect any of the properties of any Loan Party, (ii) to examine, and to make copies and extracts from, the books and records of each Loan Party and (iii) to discuss their affairs with their officers during normal business hours; provided, however,

if the Agent or any Bank retains Persons not affiliated with the Agent or such Bank, as the case may be, to conduct any such audit, the Agent or such Bank shall use its reasonable best efforts to ensure that such Persons are subject

to appropriate non-disclosure and confidentiality requirements for the benefit of such Loan Party. So long as no Event of Default has occurred, the Agent or such Bank shall provide each such Loan Party with reasonable notice of any such visitation or inspection. Upon the occurrence and during the continuation of an Event of Default, each Loan Party shall permit such Persons as the Agent or any of the Banks may designate (i) to visit and inspect any of the properties of such Loan Party, (ii) to examine, and to make copies and extracts from, the books and records of such Loan Party and (iii) to discuss their affairs with their officers and independent accountants at any time and without notice; provided, however, if the Agent or such Bank retains Persons not affiliated with the Agent or such Bank to conduct any such audit, the Bank or the Agent shall use its reasonable best efforts to ensure that such Persons are subject to appropriate non-disclosure and confidentiality requirements for the benefit of such Loan Party.

(h) Notice of Event of Default. Promptly upon becoming aware of an Event of Default or Potential Default, the Borrower will give the Agent and each Bank notice of the Event of Default or Potential Default, together with a written statement signed on behalf of the Borrower setting forth the details of the Event of Default or Potential Default and any action taken or contemplated to be taken by any Loan Party with respect thereto.

(i) Notice of Material Adverse Change. Promptly upon becoming aware thereof, the Borrower will give the Agent and each Bank written notice with respect to any Material Adverse Change or any development or occurrence which would have a Material Adverse Effect.

(j) Notice of Proceedings. Promptly upon becoming aware thereof, the Borrower will give the Bank notice of the commencement, existence or threat of all proceedings by or before any Official Body against or affecting any Loan Party or any of its Subsidiaries which, if adversely decided, would have a Material Adverse Effect.

(k) Further Information. The Borrower will promptly furnish to the Agent and each Bank such other information, and in such form, as the Agent or the Banks may reasonably request from time to time.

5.02 Preservation of Existence and Franchises.

Each Loan Party and each of its Domestic Subsidiaries shall maintain its organizational existence and its rights and franchises in full force and effect in its jurisdiction of incorporation or organization, as the case may be. No Loan Party nor any Domestic Subsidiary of a Loan Party shall change its jurisdiction of incorporation or organization, as the case may be, without the prior written consent of the Banks and each will qualify and remain licensed or qualified as a foreign corporation, partnership or limited liability company, as the case may be, in each jurisdiction in which the failure to receive or retain such licensing or qualification would have a Material Adverse Effect.

5.03 Insurance.

Each Loan Party shall maintain with financially sound and reputable insurers insurance with respect to their properties and businesses and against such liabilities, casualties and contingencies and of such types and in such

amounts as is reasonably satisfactory to the Agent and the Banks and as is customary in the case of corporations or other entities engaged in the same or similar business or having similar properties similarly situated. Each Loan Party will cause the Agent on behalf of the Banks to be provided with thirty (30) days advance notice of the termination of any such policy of insurance.

5.04 Maintenance of Properties.

Except to the extent that the failure to do so would not have a Material Adverse Effect, each Loan Party will maintain or cause to be maintained in good repair, working order and condition (ordinary wear and tear excepted), the properties now or in the future owned, leased or otherwise possessed by each of them and shall make or cause to be made all needful and proper repairs, renewals, replacements and improvements to the properties so that the business carried on in connection with the properties may be properly and advantageously conducted at all times.

5.05 Payment of Liabilities.

Each Loan Party and each Subsidiary of a Loan Party will pay or discharge:

(a) on or prior to the date on which penalties attach, all taxes, assessments, fees and other governmental charges or levies imposed upon it or any of its properties or income, sales or franchises other than those contested with due diligence, in good faith, without the incurrence of any Lien which would have a Material Adverse Effect and for which such Loan Party or such Subsidiary has established adequate reserves on its books;

(b) on or prior to the date when due, all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which, if unpaid, might result in the creation of a Lien upon any of its properties other than those contested with due diligence, in good faith, and for which such Loan Party or such Subsidiary has established adequate reserves on its books and for which such Loan Party has put in place adequate bonds or other security to cover the amount of any such Lien; and

(c) on or prior to the date when due, all other lawful claims which, if unpaid, might result in the creation of a Lien upon any of its properties other than those contested with due diligence, in good faith, without the incurrence of any Lien which would have a Material Adverse Effect and for which such Loan Party or such Subsidiary has established adequate reserves on its books.

5.06 Financial Accounting Practices.

Each Loan Party and each of its Subsidiaries shall make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect its transactions and dispositions of its assets and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (a) transactions are executed in accordance with management's general or specific authorization, (b) transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with GAAP and (ii) to maintain accountability for assets, (c) access to assets is permitted only in accordance with management's general or specific authorization and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

5.07 Compliance with Laws.

Each Loan Party and each of its Subsidiaries shall comply with all applicable Laws, the non-compliance with which would have a Material Adverse Effect.

5.08 Pension Plans.

Each Loan Party and each of its Domestic Subsidiaries shall (a) keep in full force and effect any and all Plans which are presently in existence or may, from time to time, come into existence under ERISA, unless such Plans can be terminated without material liability to such Loan Party or such Domestic Subsidiary in connection with such termination; (b) make contributions to all of its Plans in a timely manner and in a sufficient amount to comply in all material respects with the requirements of ERISA; (c) comply with all material requirements of ERISA which relate to such Plans so as to preclude the occurrence of any Reportable Event, Prohibited Transaction (other than a Prohibited Transaction subject to an exemption under ERISA) or material accumulated funding deficiency as such term is defined in ERISA; and (d) notify the Agent immediately upon receipt by such Loan Party or such Domestic Subsidiary of any notice of the institution of any proceeding or other action which may result in the termination of any Plan. Each Loan Party shall deliver to the Agent and each Bank, promptly after the filing or receipt thereof, copies of all material reports or notices that such Loan Party or its Domestic Subsidiaries files or receives under ERISA with or from the Internal Revenue Service, the PBGC or the U.S. Department of Labor.

5.09 Continuation of and Change in Business.

The Borrower and its Subsidiaries will continue to engage generally in business and activities substantially similar to those described in the Borrower's Annual Report on Form 10-K for the fiscal years ended September 30, 2000 and September 30, 2001 (collectively, the "Form 10-K") and the Borrower and its Subsidiaries will not engage in any other business or activity without the prior written consent of the Majority Banks, which consent shall not be unreasonably withheld, conditioned or delayed.

5.10 Use of Proceeds.

The Borrower will use the proceeds of the Loans for the purposes set forth in Section 3.15 hereof.

5.11 Lien Searches.

The Agent may, but shall not be obligated to, conduct lien searches of each Loan Party and its Subsidiaries, its assets and properties on an annual basis and at such other times as the Agent, may determine to be necessary. Upon the occurrence of an Event of Default, the Borrower shall reimburse the Agent for the Agent's out-of-pocket costs in connection with such lien searches.

5.12 Further Assurances.

The Borrower, at its own cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as the Agent and the Banks may reasonably request from time to time in order to carry out the intent and purposes of this Agreement more effectively and the transactions contemplated by this Agreement.

5.13 Amendment to Schedules and Representations and Warranties.

Should any of the information or disclosures provided on any of the schedules attached hereto and made a part hereof become incorrect in any material respect, the Borrower shall promptly provide the Agent in writing with such revisions to such schedule as may be necessary or appropriate to correct the same; provided, however, that no schedule shall be deemed to have been amended, modified or superceded by any such correction, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such schedule be deemed to have been cured thereby, unless and until the Majority Banks, in their sole and absolute discretion, shall have accepted in writing such revisions to such schedule.

5.14 Acquisitions.

On or prior to the date of any Acquisition by any Loan Party or Subsidiary of any Loan Party the purchase price of which is in excess of Fifteen Million and 00/100 Dollars (\$15,000,000.00), such Loan Party or Subsidiary of such Loan Party shall deliver to the Agent and the Banks (i) at least thirty (30) days advance written notice of any such Acquisition, (ii) historical financial information with respect to such Acquisition, (iii) summary documentation in form substantially similar to that provided to the Borrower's board of directors with respect to such Acquisition, (iv) pro forma financial information and a certificate from the President or Chief Financial Officer of the Borrower which certifies that the Borrower and its Subsidiaries are, and following such Acquisition, will be, in compliance with all financial covenants set forth in Section 5.15 of this Agreement and (v) such other information reasonably requested by the Agent or any Bank with respect to the Acquisition.

5.15 Financial Covenants.

The following financial covenants with respect to the Borrower and its Subsidiaries, on a Consolidated basis, shall apply:

(a) Minimum Net Worth. The Borrower and its Subsidiaries shall maintain at all times Net Worth in an amount greater than or equal to the sum of (i) eighty percent (80%) of the Net Worth of the Borrower and its Subsidiaries on September 30, 2001, plus (ii) fifty percent (50%) of the Net Income of the Borrower and its Subsidiaries for the Fiscal Quarter ending December 31, 2001 and each Fiscal Quarter thereafter (excluding any net loss in any such Fiscal Quarter).

(b) Fixed Charge Coverage Ratio. As of December 31, 2001, and as of the last day of each Fiscal Quarter thereafter, for the period equal to the four (4) consecutive Fiscal Quarters then ending, the Borrower and its Subsidiaries shall maintain a Fixed Charge Coverage Ratio greater than or equal to 1.25 to 1.00.

(c) Leverage Ratio. As of December 31, 2001, and as of the last day of each Fiscal Quarter thereafter, for the period equal to the four (4) consecutive Fiscal Quarters then ending, the Borrower and its Subsidiaries shall maintain a Leverage Ratio less than or equal to 2.50 to 1.0.

(d) Interest Coverage Ratio. As of December 31, 2001, and as of the last day of each Fiscal Quarter thereafter, for the period equal to the four (4) consecutive Fiscal Quarters then ending, the Borrower and its Subsidiaries shall maintain an Interest Coverage Ratio greater than or equal to 3.00 to 1.0.

5.16 Subsidiary Guaranty Agreements.

Each Domestic Subsidiary of a Loan Party created or acquired subsequent to the Closing Date shall immediately execute and deliver to the Agent a Guaranty Agreement, along with such corporate governance and authorization documents as may be deemed reasonably necessary or advisable by the Agent and the Banks; provided, however, that a Domestic Subsidiary shall not be required to execute such Guaranty Agreement so long as (i) the total assets of such Domestic Subsidiary are less than Ten Million and 00/100 Dollars (\$10,000,000.00), and (ii) the aggregate of the total assets of all such Domestic Subsidiaries with total asset values of less than Ten Million and 00/100 Dollars (\$10,000,000.00) does not exceed the aggregate amount of Thirty Million and 00/100 Dollars (\$30,000,000.00). In the event that the total assets of any Subsidiary which is not a Domestic Subsidiary or a Guarantor are at any time

equal to or greater than Twenty Million and 00/100 Dollars (\$20,000,000.00), the Borrower shall provide the Agent and the Banks with prompt written notice of such asset value.

ARTICLE VI

NEGATIVE COVENANTS

The Borrower covenants to the Agent and the Banks as follows:

6.01 Liens.

No Loan Party nor any Subsidiary of a Loan Party shall, at any time, create, incur, assume or suffer to exist any Lien on any of its assets or property, tangible or intangible now owned or hereafter acquired, or agree to become liable to do so, except:

(a) Liens of any Loan Party (other than York Group) or any Subsidiary of a Loan Party (other than York Group) existing on the Closing Date and described in Schedule 6.01 to this Agreement;

(b) Liens granted in favor of the Agent on behalf of the Banks;

(c) Liens arising from taxes, assessments, charges, levies or claims described in Section 5.05 of this Agreement;

(d) pledges or deposits under worker's compensation, unemployment insurance and social security laws, or in connection with or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases or to secure statutory obligations, surety or appeal bonds or other pledges or deposits of like nature used in the ordinary course of business;

(e) any unfiled materialmen's, mechanic's, workmen's, and repairmen's Liens arising in the ordinary course of business (provided, that, except as otherwise set forth in Section 5.05(b) hereof, if such a Lien shall be perfected, it shall be discharged of record immediately by payment, bond or otherwise);

(f) Purchase Money Security Interests to secure Indebtedness permitted under Section 6.02(d); provided, however, that such security interests shall be limited solely to the equipment purchased with the proceeds of such Indebtedness;

(g) reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions or encumbrances affecting real property, provided that they do not, individually or in the aggregate, diminish the fair market value of the real property affected thereby or the utility of such real property for the purposes for which such property is presently devoted;

(h) attachment, judgment or other similar Liens arising in connection with a proceeding before an Official Body and which do not cause an Event of Default to occur; and

(i) Liens of York Group existing on the Closing Date which, individually or in the aggregate, do not have a Material Adverse Effect; provided, however, that the aggregate amount secured by such Liens does not exceed Five Million and 00/100 Dollars (\$5,000,000.00).

6.02 Indebtedness.

No Loan Party nor any Subsidiary of a Loan Party shall, at any time, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party (other than York Group) or any Subsidiary of a Loan Party (other than York Group) existing on the Closing Date and described in Schedule 6.02 to this Agreement; provided, however, that none of such Indebtedness shall be increased, extended, renewed, refinanced or materially modified without the prior written consent of the Majority Banks, except for those renewals or refinancings which do not increase the interest rate charged thereon or the principal amount thereof;

(b) Indebtedness under this Agreement, the Notes or the Loan Documents;

(c) current accounts payable, accrued expenses and other expenses arising out of transactions (other than borrowing) in the ordinary course of business;

(d) Capitalized Lease Obligations or Indebtedness secured by Purchase Money Security Interests arising after the date of this Agreement for purchases or leases of equipment in the ordinary course of business and in amounts which shall not exceed Ten Million and 00/100 Dollars (\$10,000,000.00) in the aggregate, at any time;

(e) unsecured Indebtedness arising after the date of this Agreement evidenced by promissory notes in an aggregate amount not exceeding One Million and 00/100 Dollars (\$1,000,000.00) at any time;

(f) Indebtedness incurred pursuant to Section 6.04(c) hereof; and

(g) Indebtedness of York Group existing on the Closing Date which, individually or in the aggregate, does not have a Material Adverse Effect; provided, however, that (i) the aggregate amount of such Indebtedness shall not exceed Five Million and 00/100 Dollars (\$5,000,000.00) and (ii) none of such Indebtedness shall be increased, extended, renewed, refinanced or materially modified without the prior written consent of the Majority Banks, except for those renewals or refinancings which do not increase the interest rate charged thereon or the principal amount thereof.

6.03 Guarantees and Contingent Liabilities.

No Loan Party nor any Subsidiary of a Loan Party shall, at any time directly or indirectly become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person other than the Borrower or any of its Subsidiaries, except:

(a) indemnities of directors and officers in their capacities as such, as permitted by Law;

(b) endorsements on negotiable or other instruments in any amount for deposit or collection or similar transactions in the ordinary course of their businesses;

(c) those Guaranty and other such obligations of any Loan Party (other than York Group) or any Subsidiary of a Loan Party (other than York Group) existing on the Closing Date and set forth on Schedule 6.03 attached hereto and made a part hereof;

(d) additional Guaranty and other such obligations arising after the date of this Agreement with respect to obligations or liabilities in an aggregate amount which shall not exceed Ten Million and 00/100 Dollars (\$10,000,000.00) at any time; and

(e) Guaranty or other obligations of York Group existing on the Closing Date which, individually or in the aggregate, do not have a Material Adverse Effect; provided, however, that the aggregate amount of such Guaranty or other obligations does not exceed Five Million and 00/100 Dollars (\$5,000,000.00).

6.04 Loans and Investments.

No Loan Party nor any Subsidiary of a Loan Party shall at any time make any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution or loan to, any other Person or agree, or become liable to do any of the foregoing, except:

- (a) equity investments in the Subsidiaries as set forth on Schedule 3.21 hereof;
- (b) Acquisitions permitted under Section 6.05 hereof;
- (c) loans to the Borrower from any Subsidiary of the Borrower;
- (d) loans to and investments in any Loan Party;
- (e) loans to and investments in Subsidiaries that are not Loan Parties, provided, however, that the aggregate amount of all such loans and investments arising after the date of this Agreement shall not exceed Ten Million and 00/100 Dollars (\$10,000,000.00);
- (f) other loans and investments of any Loan Party (other than York Group) or any Subsidiary of a Loan Party (other than York Group) existing on the Closing Date and set forth on Schedule 6.04 attached hereto and made a part hereof;
- (g) investments in (i) direct obligations of the United States of America or any agency thereof maturing in twelve (12) months or less from the date of acquisition, (ii) obligations guaranteed by the United States of America maturing in twelve (12) months or less from the date of acquisition, (iii) prime commercial paper maturing in one hundred eighty (180) days or less (rated by Moody's Investors Service, Inc. at not less than A-1 and by Standard & Poor's Corporation at not less than P-1) on the date of acquisition and (iv) demand deposits, time deposits or certificates of deposit maturing within one (1) year issued by any Bank or any commercial bank whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's Corporation on the date of acquisition; and
- (h) loans and investments of York Group existing on the Closing Date which, individually or in the aggregate, do not have a Material Adverse Effect; provided, however, that the aggregate amount of such loans and investments does not exceed Five Million and 00/100 Dollars (\$5,000,000.00).

6.05 Acquisitions.

No Loan Party nor any Subsidiary of a Loan Party shall make an Acquisition or enter into any agreement with respect thereto, except Acquisitions of Persons in businesses substantially similar to those described in the Form 10-K so long as each of the following conditions are satisfied:

- (a) such Loan Party or Subsidiary of such Loan Party shall have delivered the notice, documentation and financial information as required by the provisions of Section 5.14 hereof;
- (b) no Event of Default or Potential Default shall exist prior to such Acquisition and no Event of Default or Potential Default shall occur or exist as a result of such Acquisition;
- (c) the total consideration for any one such Acquisition shall not exceed Thirty Million and 00/100 Dollars (\$30,000,000.00);
- (d) the pro forma Leverage Ratio after giving effect to such Acquisition shall not exceed 1.75 to 1.0; and
- (e) with respect to the acquisition of stock or other equity interest, if so required by Section 5.16 hereof, the acquired Person shall promptly become a Guarantor.

6.06 Self-Dealing.

No Loan Party nor any Subsidiary of a Loan Party shall enter into or carry out any transaction with (including, without limitation, purchasing property or services from or selling property or services to) any Affiliate except:

- (a) the Borrower may allocate corporate and division expenses to any Subsidiary on a monthly basis in the ordinary course of its business consistent with past practices;
- (b) shareholders, officers, directors and employees of a Loan Party or Subsidiary of a Loan Party may render services to such Loan Party or Subsidiary for compensation at substantially the same or better rates generally paid to third parties engaged in the same or similar businesses for the same or similar services; and

(c) a Loan Party or Subsidiary of a Loan Party may enter into and carry out other transactions with Affiliates in the ordinary course of business, pursuant to the reasonable requirements of its business, upon terms that are fair and reasonable and no less favorable to the Loan Party or Subsidiary than the Loan Party or Subsidiary would obtain in a comparable arm's length transaction.

6.07 Disposition of Assets.

No Loan Party nor any Subsidiary of a Loan Party shall sell, convey, pledge, assign, lease (except for leases entered into in the ordinary course of business), abandon or otherwise transfer or dispose of, voluntarily or involuntarily (any of the foregoing being referred to in this Section as a transaction and any set of related transactions constituting but a single transaction) any of its properties or assets whether tangible or intangible (including stock of Subsidiaries) except for (i) sales or dispositions of obsolete equipment and sales of inventory in the ordinary course of business, (ii) the sale, transfer or lease of assets by a Subsidiary of a Loan Party to a Loan Party, (iii) the sale or disposition of certain real property located in Lawrenceville, Georgia, Richmond, Indiana, Portland, Oregon and Aiken, South Carolina, (iv) the sale or disposition of Puget Sound Casket Co. and West Point Casket Co. or (v) so long as no Event of Default or Potential Default shall have occurred, other sales or dispositions of assets in the ordinary course of business the fair market value of which does not exceed in the aggregate Ten Million and 00/100 Dollars (\$10,000,000.00) at any time.

6.08 Margin Stock.

The Borrower will not use the proceeds of any Loan, directly or indirectly, to purchase any "margin stock" (within the meaning of Regulations U, G, T or X of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying, directly or indirectly, any margin stock.

6.09 Partnerships; Mergers or Consolidation.

No Loan Party nor any Subsidiary of a Loan Party shall form a partnership, limited liability company or joint venture or merge or consolidate with or into any other Person, or agree to do any of the foregoing, except that (i) a Loan Party may merge or consolidate with another Loan Party provided that if the Borrower is a party to such merger or consolidation, the Borrower is the surviving entity and (ii) each Loan Party and its Subsidiary may complete Acquisitions permitted under Section 6.05 hereof.

6.10 Double Negative Pledge.

No Loan Party nor any Subsidiary of a Loan Party shall enter into any agreement with any Person, other than in connection with this Agreement, which prohibits or limits the ability of such Loan Party or Subsidiary to create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind, real or personal, tangible or intangible (including, but not limited to, stock or other equity interest) of such Loan Party or Subsidiary, whether now owned or hereafter acquired or created; provided that a Loan Party or a Subsidiary of a Loan Party may enter into such agreement which prohibits Liens on property or assets which are subject to any Purchase Money Security Interests permitted by Section 6.01(f) hereof.

6.11 Fiscal Year; Tax Designation.

No Loan Party nor Subsidiary of a Loan Party shall change its fiscal year or elect to be designated as an entity other than its current tax designation, except for "check the box" elections for United States tax purposes.

ARTICLE VII

DEFAULTS

7.01 Events of Default.

An Event of Default means the occurrence or existence of one or more of the following events or conditions (whatever the reason for such Event of Default and whether voluntary, involuntary or effected by operation of Law):

(a) The Borrower shall fail to pay principal on any of the Loans on the date due; or

(b) The Borrower shall fail to pay interest on the Loans or any fees payable

pursuant to Article II of this Agreement within five (5) days of the date such interest or fees are due; or

(c) Any Loan Party shall fail to pay any other fee or other amount payable pursuant to this Agreement, the Notes or any of the other Loan Documents within ten (10) days after written notice to such Loan Party by the Agent or any Bank; or

(d) Any representation or warranty made by any Loan Party under this Agreement or any of the other Loan Documents or any material statement made by any Loan Party in any financial statement, certificate, report, exhibit or document furnished by any Loan Party to the Agent or any Bank pursuant to this Agreement or the other Loan Documents shall prove to have been false or misleading in any material respect as of the time made; or

(e) The Borrower shall default in the performance or observance of any covenant contained in Article V (other than the covenants contained in Sections 5.01(a), 5.01(b), 5.01(c), 5.01(d), 5.01(e), 5.04, 5.06, 5.07, 5.08, 5.09, 5.11, 5.12 and 5.13) or Article VI of this Agreement; or

(f) The Borrower shall default in the performance or observance of any covenant contained in Sections 5.01(a), 5.01(b), 5.01(c), 5.01(d), 5.01(e), 5.04, 5.06, 5.07, 5.08, 5.09, 5.11, 5.12 or 5.13 (not constituting an Event of Default under any other provision of this Section 7.01) and such default shall continue for a period of thirty (30) consecutive days; or

(g) Any Loan Party shall default in the performance or observance of any other covenant, agreement or duty under this Agreement, any Note or any other Loan Document (not constituting an Event of Default under any other provision of this Section 7.01) and such default shall continue for a period of thirty (30) consecutive days; or

(h) Any Loan Party or any Subsidiary of a Loan Party shall (i) default (as principal or guarantor or other surety) in any payment of principal or interest on any obligation (or set of related obligations) for borrowed money in excess of Ten Million and 00/100 Dollars (\$10,000,000.00) beyond any period of grace with respect to the payment or, if any such obligation (or set of related obligations) is or are payable or repayable on demand, fail to pay or repay such obligation or obligations when demanded, or (ii) default in the observance of any other covenant, term or condition contained in any agreement or instrument by which such an obligation (or set of related obligations) is or are created, secured or evidenced, if the effect of such default is to cause, or permit the holder or holders of such obligation or obligations (or a trustee or agent on behalf of such holder or holders) to cause, all or part of such obligation or obligations to become due before its or their otherwise stated maturity; or

(i) One or more final judgments for the payment of money in excess of One Million and 00/100 Dollars (\$1,000,000.00) shall have been entered against any Loan Party or any Subsidiary of a Loan Party and shall remain undischarged or unstayed for a period of thirty (30) consecutive days; or

(j) A writ or warrant of attachment, garnishment, execution, distraint or similar process involving an aggregate amount of money in excess of One Hundred Thousand and 00/100 Dollars (\$100,000.00) shall have been issued against any Loan Party or Subsidiary of a Loan Party or any of its properties and shall remain undischarged or unstayed for a period of thirty (30) consecutive days; or

(k) The Majority Banks shall have reasonably determined in good faith that a Material Adverse Change has occurred or that the prospect of payment or performance of any covenant, agreement or duty under this Agreement, the Notes or the other Loan Documents is impaired; or

(l) A Change of Control shall occur; or

(m) (i) A Termination Event with respect to a Plan shall occur, (ii) any Person shall engage in any Prohibited Transaction or Reportable Event involving any Plan, (iii) an accumulated funding deficiency, whether or not waived, shall exist with respect to any Plan, (iv) a Loan Party or any ERISA Affiliate shall be in "Default" (as defined in Section 4219(c)(5) of ERISA)

with respect to payments due to a multi-employer Plan resulting from any such Loan Party's or any such ERISA Affiliate's complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Plan or (v) any other event or condition shall occur or exist with respect to a single employer Plan, except that no such event or condition shall constitute an Event of Default if it, together with all other events or conditions at the time existing, would not subject a Loan Party or any Subsidiary of a Loan Party to any tax, penalty, debt or liability which, alone or in the aggregate, would have a Material Adverse Effect; or

(n) A proceeding shall be instituted in respect of a Loan Party or any Subsidiary of a Loan Party:

(i) seeking to have an order for relief entered in respect of such Loan Party or Subsidiary of such Loan Party, or seeking a declaration or entailing a finding that such Loan Party or Subsidiary of such Loan Party is insolvent or a similar declaration or finding, or seeking dissolution, winding-up, charter revocation or forfeiture, liquidation, reorganization, arrangement, adjustment, composition or other similar relief with respect to such Loan Party or Subsidiary of such Loan Party, its assets or debts under any Law relating to bankruptcy, insolvency, relief of debtors or protection of creditors, termination of legal entities or any other similar Law now or hereinafter in effect which shall not have been dismissed or stayed within thirty (30) days after such proceedings were instituted; or

(ii) seeking appointment of a receiver, trustee, custodian, liquidator, assignee, sequestrator or other similar official for a Loan Party or a Subsidiary of a Loan Party for all or any substantial part of its property which shall not have been dismissed or stayed within thirty (30) days after such proceedings were instituted; or

(o) A Loan Party or any Subsidiary of a Loan Party shall become insolvent; shall become generally unable to pay its debts as they become due; shall voluntarily suspend transaction of its business; shall make a general assignment for the benefit of creditors; shall institute a proceeding described in Section 7.01(n)(i) of this Agreement or shall consent to any order for relief, declaration, finding or relief described in Section 7.01(n)(i) of this Agreement; shall institute a proceeding described in Section 7.01(n)(ii) of this Agreement or shall consent to the appointment or to the taking of possession by any such official of all or any substantial part of its property whether or not any proceeding is instituted; shall dissolve, wind-up or liquidate itself or any substantial part of its property; or shall take any action in furtherance of any of the foregoing.

7.02 Consequences of an Event of Default.

(a) If an Event of Default specified in subsections (c) through (m) of Section 7.01 of this Agreement occurs, the Agent and the Banks will be under no further obligation to make Loans or issue Letters of Credit and may at the option of the Majority Banks (i) demand the unpaid principal amount of the Notes, interest accrued on the unpaid principal amount thereof and all other amounts owing by the Borrower under this Agreement, the Notes and the other

Loan Documents to be immediately due and payable without presentment, protest or further demand or notice of any kind, all of which are expressly waived, and an action for any amounts due shall accrue immediately; and (ii) require the Borrower to, and the Borrower shall thereupon, deposit in a non-interest bearing account with the Agent, as cash collateral for its obligations under the Loan Documents, an amount equal to one hundred five percent (105%) of the Letter of Credit Reserve, and the Borrower hereby pledges to the Agent and the Banks, and grants to the Agent for the benefit of the Banks a security interest in such account and all such cash as security for such obligations of the Borrower.

(b) If an Event of Default specified in subsections (a), (b), (n) or (o) of Section 7.01 of this Agreement occurs and continues or exists, the Agent and the Banks will be under no further obligation to make Loans or issue Letters of Credit and the unpaid principal amount of the Notes, interest accrued thereon and all other amounts owing by the Borrower under this Agreement, the Notes and the other Loan Documents shall automatically become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are expressly waived, and an action for any amounts due shall accrue immediately.

7.03 Set-Off.

If the unpaid principal amount of the Notes, interest accrued on the unpaid principal amount thereof or other amount owing by any Loan Party under this Agreement, the Notes or the other Loan Documents shall have become due and payable (on demand, at maturity, by acceleration or otherwise), each of the Banks, any assignee of the Banks and the holder of any participation in any Loan will each have the right, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set-off against and to appropriate and apply to such due and payable amounts any Indebtedness owing to, and any other funds held in any manner for the account of, such Loan Party by such Bank, by such assignee or by such holder including, without limitation, all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or in the future maintained by such Loan Party with such Bank, assignee or holder. The Borrower consents to and confirms the foregoing arrangements and confirms the Banks' rights, such assignee's rights and such holder's rights of banker's lien and set-off. Nothing in this Agreement will be deemed a waiver or prohibition of or restriction on the Banks' rights, such assignee's rights or any such holder's rights of banker's lien or set-off.

7.04 Equalization.

Each Bank agrees with the other Banks that if, at any time, it shall obtain any Advantage over the other Banks or any thereof in respect of the Indebtedness of the Borrower to the Banks, it shall purchase from the other Banks, for cash and at par, such additional participation in the Indebtedness of the Borrower to the Banks as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Bank receiving the Advantage, each such purchase shall be rescinded and the purchase price restored (but without interest on the Advantage to the Person recovering the Advantage from such Bank) ratably to the extent of the recovery. Each Bank agrees with the other Banks that if it, at any time, shall receive any payment for or on behalf of the Borrower on any Indebtedness of the Borrower to that Bank by reason of offset of any deposit or other Indebtedness of the Borrower

to the Banks, it will apply such payment first to any and all Indebtedness of the Borrower to the Banks pursuant to this Agreement (including, without limitation, any participation purchased or to be purchased pursuant to this Section or any other Section of this Agreement). The Borrower agrees that any Bank so purchasing a participation from the other Banks or any thereof pursuant to this Section may exercise all of its rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were a direct creditor of the Borrower in the amount of such participation.

7.05 Other Remedies.

The remedies in this Article VII are in addition to, not in limitation of, any other right, power, privilege or remedy, either at Law, in equity or otherwise, to which the Banks may be entitled. The Agent shall exercise the rights under this Article VII and all other collection efforts on behalf of the Banks and no Bank shall act independently with respect thereto, except as otherwise specifically set forth in this Agreement.

ARTICLE VIII

THE AGENT; THE DOCUMENTATION AGENT; ASSIGNMENTS; PARTICIPATIONS

8.01 Appointment and Authorization; No Liability.

The Banks authorize Citizens and PNC and Citizens and PNC hereby agree to act as agent and documentation agent, respectively, for the Banks in respect of this Agreement and the other Loan Documents upon the terms and conditions set forth in this Agreement. Each Bank hereby irrevocably appoints and authorizes the Agent and the Documentation Agent to take such action as agent on its behalf and to exercise such powers hereunder as are expressly delegated to the Agent or the Documentation Agent, as the case may be, by the terms of this Agreement and any of the other Loan Documents, together with such powers as are reasonably incidental thereto; provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent or the Documentation Agent. The relationship between the Agent and the Banks and the relationship between the Documentation Agent and the Banks are and shall be that of agent and principal only, and nothing contained

in this Agreement or any of the other Loan Documents shall be construed to constitute the Agent or the Documentation Agent as a trustee for any Bank. Neither the Agent, the Documentation Agent nor any of their respective shareholders, directors, officers, attorneys or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall (a) be liable for any waiver, consent or approval given or action taken or omitted to be taken by it or them hereunder or under any of the Loan Documents or in connection herewith or therewith or be responsible for the consequences of any oversight or error of judgment whatsoever, or (b) be liable to the Borrower for consequential damages resulting from any breach of contract, tort or other wrong in connection with the negotiation, documentation, administration or collection of the Loans or any of the Loan Documents, except with respect to (a) and (b) hereof, to the extent of its or their willful misconduct or gross negligence as finally determined by a court of competent jurisdiction.

8.02 Employees and Agents; Documentation Agent.

The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents and shall not be liable for action taken or suffered in good faith by it in accordance with the opinion of such counsel. The Agent may utilize the services of such Persons as the Agent in its sole discretion may determine, and all reasonable fees and expenses of any such Persons shall be paid by the Borrower and if not paid by the Borrower shall be paid by the Banks based upon their respective Commitment Percentages. Notwithstanding anything that may be contained in this Agreement to the contrary, the Documentation Agent shall have no duties or obligations whatsoever as documentation agent with respect to this Agreement or the other Loan Documents, provided that the Documentation Agent may perform such of the duties of Agent under this Agreement and the other Loan Documents as are expressly delegated in writing to the Documentation Agent by the Agent or all of the Banks and accepted in writing by the Documentation Agent, and in so acting the Documentation Agent may act by or through employees or agents and shall be entitled to advice of counsel concerning all matters pertaining to its duties under this Agreement and the other Loan Documents. In connection with the performance by the Documentation Agent of duties of the Agent, to the extent so expressly delegated in accordance herewith, the Documentation Agent shall be deemed to have all the rights, responsibilities, discretion, limitations on actions, exculpation and indemnification applicable to the Agent under such circumstances.

8.03 No Representations; Each Bank's Independent Investigation.

Neither the Agent nor the Documentation Agent shall be responsible for (a) the execution, validity or enforceability of this Agreement, the Notes, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security for the Notes, (b) the value of any such collateral security, (c) the validity, enforceability or collectibility of any such amounts owing with respect to the Notes, or (d) any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of any Loan Party. Neither the Agent nor the Documentation Agent shall be bound (a) to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, collateral security for the Indebtedness evidenced by the Notes or (b) to ascertain whether any notice, consent, waiver or request delivered to it by any Loan Party or any holder of any of the Notes shall have been duly authorized or is true, accurate and complete. Neither the Agent nor the Documentation Agent has made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks with respect to the creditworthiness, financial condition or any other condition of any Loan Party or with respect to the statements contained in any information memorandum furnished in connection herewith or in any other oral or written communication between the Agent and such Bank or the Documentation Agent and such Bank. Each Bank acknowledges that it has, independently without reliance upon the Agent, the Documentation Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and agrees that neither the Agent nor the Documentation Agent has a duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto (other than such notices as may be expressly required to be given by the Agent to the Banks

hereunder).

8.04 Payments to Banks.

(a) As between the Agent and the Borrower, a payment by the Borrower to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees to promptly, but in any event not later than the end of the following Business Day, distribute to each Bank such Bank's Pro Rata Share of payments received by the Agent for the account of the Banks in immediately available funds.

(b) If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Notes or under any of the other Loan Documents, could reasonably be expected to involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received by the Agent for the account of the Banks is to be distributed, the Agent shall distribute to each Bank such Bank's Pro Rata Share of the amount so adjudged to be distributed or in such manner as shall be determined by such court, together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Agent and ending on the date the Agent distributes such amount, at a rate per annum equal to the interest rate earned by the Agent on such amount during such period. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

(c) Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (i) to make available to the Agent its Pro Rata Share of any Loan that the Agent made on its behalf or (ii) to comply with the provisions of Section 7.04 with respect to it obtaining an Advantage, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent and shall not be entitled to vote on any matters until such time as such delinquency is cured. Such Bank shall be deemed to have assigned any and all payments due it from the Borrower, whether on account of outstanding Loans, interest, fees or otherwise, to the remaining Banks for application to, and reduction of, their respective Pro Rata Shares of all outstanding Loans. Such Bank hereby authorizes the Agent to distribute such payments to the other Banks in proportion to their respective Pro Rata Shares of all outstanding Loans. Such Bank shall be deemed to have satisfied in full a delinquency when and if the Banks' respective Pro Rata Shares of all outstanding Loans have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

8.05 Note Holders.

The Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with it signed by such payee and in form satisfactory to the Agent.

8.06 Documents.

The Agent shall not be under any duty to examine into or pass upon the validity, effectiveness, genuineness or value of any Loan Documents or any other document furnished pursuant hereto or in connection herewith or the value of any collateral obtained hereunder, and the Agent shall be entitled to assume that the same are valid, effective and genuine and what they purport to be.

8.07 Agents and Affiliates.

With respect to the Loans, the Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the agent, and the Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any of its Affiliates.

8.08 Indemnification of Agent.

The Banks ratably agree to indemnify and hold harmless the Agent (to the extent not indemnified by the Borrower) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments,

suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in its capacity as agent in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by the Agent with respect to this Agreement or any Loan Document, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorney fees) or disbursements resulting from the Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. The obligations of the Banks under this Section 8.08 shall survive the payment in full of all amounts due pursuant to this Agreement or any other Loan Document and the termination of this Agreement.

8.09 Successor Agent.

The Agent or the Documentation Agent may resign as agent or documentation agent hereunder by giving not fewer than thirty (30) days' prior written notice to the Borrower and the Banks. If the Agent or the Documentation Agent shall resign under this Agreement, then either (a) the Majority Banks shall appoint from among the Banks a successor agent or documentation agent, as the case may be, for the Banks or (b) if a successor agent or documentation agent, as the case may be, shall not be so appointed and approved within the thirty (30) day period following the Agent's or the Documentation Agent's notice to the Banks of its resignation, as the case may be, then the Agent or the Documentation Agent shall appoint a successor agent or documentation agent, as the case may be, who shall serve as agent until such time as the Majority Banks appoint a successor agent or documentation agent pursuant to clause (a). Upon its appointment, such successor agent shall succeed to the rights, powers and duties as agent, and the term "Agent" shall mean such successor effective upon its appointment, and the former agent's rights, powers and duties as agent shall be terminated without any other or further act or deed on the part of such former agent or any of the parties to this Agreement. Upon its appointment, such successor documentation agent shall succeed to the rights, powers and duties as documentation agent, and the term "Documentation Agent" shall mean such successor effective upon its appointment, and the former documentation agent's rights, powers and duties as documentation agent shall be terminated without any other or further act or deed on the part of such documentation agent or any of the parties to this Agreement.

8.10 Knowledge of Default.

It is expressly understood and agreed that if the Agent has not been notified by the Borrower in writing that an Event of Default or Potential Default has occurred, the Agent shall be entitled to assume that no Event of Default or Potential Default has occurred and is continuing unless the Agent has been notified by a Bank in writing that such Bank considers that an Event of Default or Potential Default has occurred and is continuing and specifying the nature thereof.

8.11 Action by Agent.

So long as the Agent shall be entitled, pursuant to Section 8.10 hereof, to assume that no Event of Default or Potential Default shall have occurred and be continuing, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights which may be vested in it by, or with respect to taking or refraining from taking any action or actions which it may be able to take under or in respect of, this Agreement. The Agent shall incur no liability under or in respect of this Agreement by acting upon any notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the reasonable exercise of its judgment.

8.12 Notification of Potential Defaults and Events of Defaults.

Each Bank hereby agrees that, upon learning of the existence of a Potential Default or Event of Default, it shall promptly notify the Agent thereof. In the event that the Agent receives notice of an Event of Default or Potential Default, the Agent shall promptly notify all of the Banks and shall take such action and assert such rights under this Agreement as the Majority Banks shall direct and the Agent shall promptly inform the Banks in writing of the action taken. The Agent may take such action and assert such rights as it deems to be advisable, in its discretion, for the protection of the interests of the holders of the Notes.

8.13 Declaration of Invalidation.

Each Bank agrees that, to the extent that any payments received by any Bank from any Loan Party or otherwise on account of the Loans are subsequently invalidated, declared to be fraudulent or preferential, set aside or judicially required to be repaid to a debtor-in-possession, trustee, receiver, custodian or any other Person in connection with any proceeding referred to in Section 7.01(n) hereof or any similar cause of action ("Preference"), then, to the extent of such Preference, each Bank shall, upon demand, reimburse the Bank subject to such Preference in the amount necessary to cause each Bank to be affected by such Preference in proportion to its Pro Rata Share of the Loans.

8.14 Pro Rata Portion, Pari Passu and Equal.

The Pro Rata Share of each Bank in the Revolving Credit Loans and the Letters of Credit shall be pari passu and equal with the Pro Rata Share of each other Bank and no Bank shall have priority over the other.

8.15 Cooperation.

Each Bank agrees that it shall cooperate in good faith and in a commercially reasonable manner with each other Bank and take whatever reasonable actions (at its own expense) are necessary to implement decisions made in accordance with this Agreement and with each of the other Loan Documents relating thereto.

8.16 Obligations Several.

The obligations of the Banks hereunder are several and not joint. Nothing contained in this Agreement, and no action taken by the Agent or the Banks pursuant hereto, shall be deemed to constitute a partnership, association, joint venture or other entity between any of the Banks. No default by any Bank hereunder shall excuse any Bank from any obligation under this Agreement, but no Bank shall have or acquire any additional obligation of any kind by reason of such default. The relationship among the Loan Parties and the Banks

with respect to the Loan Documents and any other document executed in connection therewith is and shall be solely that of debtor and creditors, respectively, and neither the Agent nor any Bank has any fiduciary obligation toward any Loan Party with respect to any such documents or the transactions contemplated thereby.

8.17 Bank Assignments/Participations.

A. Assignment/Transfer of Commitments.

Each Bank shall have the right at any time or times to assign or transfer to an Eligible Assignee or any affiliate of such Bank, without recourse, all or a portion of (a) that Bank's Commitment, (b) all Loans made by that Bank, (c) that Bank's Notes, and (d) that Bank's participation in Letters of Credit and that Bank's participation purchased pursuant to Section 7.04; provided, however, in each such case, that the transferor and the transferee shall have complied with the following requirements:

(i) Prior Consent of Agent. No transfer may be consummated pursuant to this Section 8.17(A) without the prior written consent of the Agent (other than (i) a transfer by any Bank to another Bank, (ii) a transfer by any Bank to any affiliate of such Bank or (iii) a transfer occurring during the existence of an Event of Default or Potential Default), which consent of the Agent shall not be unreasonably withheld, delayed or conditioned.

(ii) Prior Consent of Borrower. No transfer may be consummated pursuant to this Section 8.17A without the prior written consent of the Borrower (other than (i) a transfer by any Bank to another Bank, (ii) a transfer by any Bank to any affiliate of such Bank or (iii) a transfer occurring during the existence of an Event of Default or Potential Default), which consent of the Borrower shall not be unreasonably withheld, delayed or conditioned.

(iii) Minimum Amount. No transfer may be consummated pursuant to this Section 8.17(A) (other than a transfer by any Bank to an affiliate of such Bank) in an aggregate amount less than (a) Five Million and 00/100 Dollars (\$5,000,000.00) or (b) if such Bank's Commitment is at any time less than Five Million and 00/100 Dollars (\$5,000,000.00), the entire amount of such Bank's Commitment.

(iv) Agreement; Transfer Fee. Unless the transfer shall be to an affiliate of the transferor or the transfer shall be due to merger of the transferor or for regulatory purposes, the transferor (A) shall remit to the Agent, for its own account, an administrative fee of Three Thousand Five Hundred and 00/100

Dollars (\$3,500.00) and (B) shall cause the transferee to execute and deliver to the Borrower, the Agent and each Bank (1) an Assignment Agreement, in the form of Exhibit "D" attached hereto and made a part hereof (an "Assignment Agreement") together with the consents and releases and the Administrative Questionnaire referenced therein, and (2) such additional amendments, assurances and other writings as the Agent may reasonably require.

(v) Notes. Upon its receipt of an Assignment Agreement executed by the parties to such Assignment, together with each Note subject to such Assignment Agreement, the Agent shall (a) record the information contained therein in the Register, and (b) give prompt notice thereof to the Borrower and the other Banks. Within five (5) Business Days after receipt of such notice, the Borrower, at its own expense, shall execute and deliver (A) to the Agent, the transferor and the transferee, any consent or release (of all or a portion of the obligations of the transferor) to be delivered in connection with the Assignment Agreement, and (B) to the transferee and, if applicable, the

transferor, the appropriate Notes. Upon delivery of the new Notes, the transferor's Notes shall be promptly returned to the Borrower marked "replaced".

(vi) Parties. Upon satisfaction of the requirements of this Section 8.17, including the payment of the fee and the delivery of the documents set forth in Section 8.17(A) (iv), (A) the transferee shall become and thereafter be deemed to be a "Bank" for the purposes of this Agreement, (B) if the transferor transfers all of its interest, the transferor shall cease to be and thereafter shall no longer be deemed to be a "Bank" and shall have no further rights or obligations under or in connection herewith, and (C) the signature pages hereof and Schedule 1 hereto shall be automatically amended, without further action, to reflect the result of any such transfer.

(vii) The Register. The Agent shall maintain a copy of each Assignment Agreement delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentages of, and principal amount of the Loans owing to, each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, with respect to such information, and the Borrower, the Agent and the Banks may treat each financial institution whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(viii) Certain Representations and Warranties; Limitations; Covenants. By executing and delivering an Assignment Agreement, the parties to the Assignment thereunder confirm to and agree with each other and the other parties hereto as follows:

(a) Other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation and warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto;

(b) The assigning Bank makes no representation or warranty and assumes no responsibility of the financial condition of any Loan Party or any other Person primarily or secondarily liable in respect of any of the Indebtedness of the Borrower to the Banks, or the performance or observance by any Loan Party or any other Person primarily or secondarily liable in respect of any of the Indebtedness of the Borrower to the Banks or any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto;

(c) Such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 5.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into the Assignment Agreement;

(d) Such assignee will, independently and without reliance upon the assigning

Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) Such assignee represents and warrants that it is an Eligible Assignee;

(f) Such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto;

(g) Such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank; and

(h) Such assignee represents and warrants that it is legally authorized to enter into such Assignment Agreement.

B. Participations.

Each Bank shall have the right at any time or times, without the consent of any other party, to sell one or more participations or sub-participations to one or more financial institutions or any affiliate of such Bank, in all or any part of (a) that Bank's Commitment, (b) that Bank's Commitment Percentage, (c) any Loan made by that Bank, (d) any Note delivered to that Bank pursuant to this Agreement and (e) that Bank's participations, if any, purchased pursuant to Section 7.04 or this Section 8.17(B).

(i) Rights Reserved. In the event any Bank shall sell any participation or sub-participation, that Bank shall, as between itself and the purchaser, retain all of its rights (including, without limitation, rights to enforce against the Loan Parties the Loan Documents and any and all other documents in connection therewith) and duties pursuant to the Loan Documents and any and all other documents in connection therewith, including, without limitation, that Bank's right to approve any waiver, consent or amendment pursuant to Section 9.02; provided, however, that (a) any such participation shall be in a minimum amount of Five Million and 00/100 Dollars (\$5,000,000.00) and (b) the holder of any such participation shall not be entitled to require such Bank to take any action hereunder except action directly affecting (i) any reduction in the principal amount or an interest rate on any Loan in which such holder participates; (ii) any extension of the Expiry Date or the date fixed for any payment of interest or principal payable with respect to any Loan in which such holder participates; and (iii) any reduction in the amount of any fees payable hereunder with respect to any Loan in which such holder participates. The Borrower hereby acknowledges and agrees that the participant under each participation shall for purposes of Sections 2.12(b), 2.13, 7.03 and 9.16 be considered to be a "Bank". Except as otherwise set forth herein, no participant or sub-participant shall have any rights or obligations hereunder, and the Loan Parties and the Agent shall continue to deal with the Banks as if no participation or sub-participation had occurred. The Agent shall continue to distribute payments as if no participation or sub-participation had been sold.

(ii) No Delegation. No participation or sub-participation shall operate as a delegation of any duty of the seller thereof. Under no circumstances shall any participation or sub-participation be deemed a novation in respect of all or any part of the seller's obligations pursuant to this Agreement.

C. Pledge by Banks. Notwithstanding the provisions of this Section 8.17, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the federal reserve banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. 341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

ARTICLE IX

MISCELLANEOUS

9.01 Business Days.

Except as otherwise provided in this Agreement, whenever any payment or action

to be made or taken under this Agreement, or under the Notes or under any of the other Loan Documents is stated to be due on a day which is not a Business Day, such payment or action will be made or taken on the next following Business Day and such extension of time will be included in computing interest or fees, if any, in connection with such payment or action.

9.02 Amendments and Waivers.

No amendment, modification, termination, or waiver of any provision of this Agreement or any Loan Document, nor consent to any variance therefrom, shall be effective unless the same shall be in writing and signed by the Majority Banks and the Borrower and then such waiver or consent shall be effective only in the specific instance and for the specific purpose given. Notwithstanding anything contained herein to the contrary, unanimous consent of the Banks shall be required with respect to (a) any increase in the Commitments hereunder, (b) the extension of the Expiry Date, the payment date of interest or principal hereunder, or the payment of commitment or other fees or amounts payable hereunder, (c) any reduction in the rate of interest on the Notes, or in any amount of principal or interest due on any Note, or the payment of commitment or other fees hereunder or any change in the manner of pro rata application of any payments made by the Borrower to the Banks hereunder, (d) any change in any percentage voting requirement, voting rights or the definition of Majority Banks in this Agreement, (e) any release of any Guarantor from its obligations under the Guaranty Agreement to which it is a party, or (f) any amendment to this Section 9.02, 9.11 or Section 7.04 hereof. Notice of amendments or consents ratified by the Banks hereunder shall be immediately forwarded by the Agent to all Banks. Each Bank or other holder of a Note shall be bound by any amendment, waiver or consent obtained as authorized by this Section, regardless of its failure to agree thereto. In the case of any such waiver or consent relating to any provision of this Agreement, any Event of Default or Potential Default so waived or consented to will be deemed to be cured and not continuing, but no such waiver or consent will extend to any other or subsequent Event of Default or Potential Default or impair any right consequent to any other or subsequent Event of Default or Potential Default or impair any right consequent thereto.

9.03 No Implied Waiver: Cumulative Remedies.

No course of dealing and no delay or failure of the Agent or the Banks in exercising any right, power or privilege under this Agreement, the Notes or any other Loan Document will affect any other or future exercise of any such right, power or privilege or exercise of any other right, power or privilege except as and to the extent that the assertion of any such right, power or privilege shall be barred by an applicable statute of limitations; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise of such right, power or privilege or of any other right, power or privilege. The rights and remedies of the Agent and the Banks under this Agreement, the Notes or any other Loan Document are cumulative and not exclusive of any rights or remedies which the Banks would otherwise have.

9.04 Notices.

All notices, requests, demands, directions and other communications (collectively, "Notices") under the provisions of this Agreement or the Notes must be in writing (including telexed or telecopied communication) unless otherwise expressly permitted under this Agreement and must be sent by first-class or first-class express mail, private overnight or next Business Day courier or by telecopy with confirmation in writing mailed first class, in all cases with charges prepaid, and any such properly given Notice will be effective when received. All Notices will be sent to the applicable party at the addresses stated below or in accordance with the last unrevoked written direction from such party to the other parties.

If to Borrower:

Edward J. Boyle
Vice President
Matthews International Corporation
Two NorthShore Center
Pittsburgh, Pennsylvania 15212-5851

and a copy to:

Lee van Egmond, Esquire
Reed Smith LLP

435 Sixth Avenue
Pittsburgh, Pennsylvania 15219

If to Agent:
Curtis C. Hunter III
Vice President
Citizens Bank of Pennsylvania
Two Mellon Bank Center, Room 152-0230
Pittsburgh, Pennsylvania 15259-0001

and a copy to:
Jeffrey J. Conn, Esquire
Thorp Reed & Armstrong, LLP
One Oxford Centre, 14th Floor
301 Grant Street
Pittsburgh, Pennsylvania 15219-1425

If to Banks:
At such Bank's address set forth
on Schedule 1 attached hereto and
made a part hereof

9.05 Expenses; Taxes; Attorneys Fees.

The Borrower agrees to pay or cause to be paid and to save the Agent and the Banks harmless against liability for the payment of all reasonable out-of-pocket expenses, including, but not limited to reasonable fees and expenses of counsel and paralegals for the Agent and the Banks, incurred by the Agent and the Banks from time to time (i) arising in connection with the preparation, execution, delivery and performance of this Agreement, the Notes and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents to this Agreement, the Notes or any of the other Loan Documents and (iii) arising in connection with the Agent's and the Banks' enforcement or preservation of rights under this Agreement, the Notes or any of the other Loan Documents including, but not limited to, such expenses as may be incurred by the Agent and the Banks in the collection of the outstanding principal amount of the Loans. The Borrower agrees to pay all stamp, document, transfer, recording or filing taxes or fees and similar impositions now or in the future determined by the Agent and the Banks to be payable in connection with this Agreement, the Notes or any other Loan Document. The Borrower agrees to save the Agent and the Banks harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions. In the event of a determination adverse to the Borrower of any action at Law or suit in equity in relation to this Agreement, the Notes or the other Loan Documents, the Borrower will pay, in addition to all other sums which the Borrower may be required to pay, a reasonable sum for attorneys and paralegals fees incurred by the Agent and the Banks or the holder of the Notes in connection with such action or suit. All payments due under this Section will be added to and become part of the Loans until paid in full.

9.06 Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement is held invalid or unenforceable in whole or in part in any jurisdiction, the provision will, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability of the provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

9.07 Governing Law: Consent to Jurisdiction.

This Agreement will be deemed to be a contract under the Laws of the Commonwealth of Pennsylvania and for all purposes will be governed by and construed and enforced in accordance with the substantive Laws, and not the laws of conflicts, of said Commonwealth. The Loan Parties consent to the exclusive jurisdiction and venue of the federal and state courts located in Allegheny County, Pennsylvania, in any action on, relating to or mentioning this Agreement, the Notes, the other Loan Documents, or any one or more of them.

9.08 Prior Understandings.

This Agreement, the Notes and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, among the parties

relating to the transactions provided for in this Agreement, the Notes and the other Loan Documents.

9.09 Duration; Survival.

All representations and warranties of the Loan Parties contained in this Agreement or made in connection with this Agreement or any of the other Loan Documents shall survive the making of and will not be waived by the execution and delivery of this Agreement, the Notes or the other Loan Documents, by any investigation by the Agent or any Bank, or the making of any Loan.

Notwithstanding termination of this Agreement or an Event of Default, all covenants and agreements of the Loan Parties will continue in full force and effect from and after the date of this Agreement so long as the Borrower may borrow under this Agreement and until payment in full of the Notes, interest thereon, and all fees and other obligations of the Borrower under this Agreement or the Notes. Without limitation, it is understood that all obligations of the Loan Parties to make payments to or indemnify the Agent and the Banks will survive the payment in full of the Notes and of all other obligations of the Loan Parties under this Agreement, the Notes and the other Loan Documents.

9.10 Counterparts.

This Agreement may be executed in any number of counterparts and by the different parties to this Agreement on separate counterparts each of which, when so executed, will be deemed an original, but all such counterparts will constitute but one and the same instrument.

9.11 Successors and Assigns.

This Agreement will be binding upon and inure to the benefit of the Agent, the Banks, the Borrower and their successors and assigns, except that the Borrower may not assign or transfer any of its rights under this Agreement without the prior written consent of the Banks.

9.12 No Third Party Beneficiaries.

The rights and benefits of this Agreement and the other Loan Documents are not intended to, and shall not, inure to the benefit of any third party.

9.13 Exhibits.

All exhibits and schedules attached to this Agreement are incorporated and made a part of this Agreement.

9.14 Headings.

The section headings contained in this Agreement are for convenience only and do not limit or define or affect the construction or interpretation of this Agreement in any respect.

9.15 Limitation of Liability.

To the fullest extent permitted by Law, no claim may be made by the Borrower against the Agent or the Banks or any affiliate, director, officer, employee, attorney or agent thereof for any special, incidental, indirect, consequential or punitive damages in respect of any claim arising from or related to this Agreement or any other Loan Document or any statement, course of conduct, act, omission or event occurring in connection herewith or therewith (whether for breach of contract, tort or any other theory of liability). The Borrower hereby waives, releases and agrees not to sue upon any claim for any such damages, whether such claim presently exists or arises hereafter and whether or not such claim is known or suspected to exist in its favor. This Section 9.15 shall not limit any rights of the Borrower arising solely out of gross negligence or willful misconduct.

9.16 Indemnities.

In addition to the payment of expenses pursuant to Section 9.05 hereof, the Borrower agrees to indemnify, pay and hold the Agent and each Bank and their officers, directors, employees, agents, consultants, auditors, affiliates and attorneys (collectively, called the "Indemnitees"), harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto) that may be imposed on, incurred by or asserted against that Indemnitee, in any matter arising from (i) the

By: David G. Schaich

Title: Vice President

National City Bank of Pennsylvania

By: John L. Hayes IV

Title: Vice President

Fifth Third Bank

By: Christopher S. Helmecki

Title: Vice President

EXHIBIT 21
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT
(as of November 30, 2001)

Name	Percentage Ownership
-----	-----
Caggiati S.p.A.	100%
Caggiati Espana S.A.	100
Caggiati France SARL	100
Cromaco S.A.	100
Empire Merger Corporation	100
Empire Stock Corporation	100
York Bronze Trade Company	100
Industrial Equipment and Engineering Company, Inc.	100
Matthews Canada Ltd.	100
Matthews Industries	100
Matthews Bronze Pty. Ltd.	100
Matthews Properties Pty. Ltd.	100
C. Morello, Inc.	100
Matthews International (Arkansas) Corporation	100
Matthews International Colorado, Inc.	100
Matthews International GmbH	100
Repro-Busek GmbH & Co. KG	75
Rudolf Reproflex GmbH & Co. KG	75
Scholler GmbH & Co. KG	75
S+T GmbH & Co. KG	50
Matthews International Trading Company, Ltd.	100
Matthews Resources, Inc.	100
Matthews Swedot AB	100
Matt-One Holding Corporation	100
O.N.E. Color Communications, LLC	50
Mavrick Cutting Dies, Inc.	100
The SLN Group, Inc.	100
Venetian Investment Corporation	100

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Registration Nos. 2-48760, 33-57793, 33-57795, 33-57797 and 333-83731) of Matthews International Corporation, of our report dated November 15, 2001, except for paragraph 3 of Note 6 and Note 18, as to which the date is December 3, 2001, related to the consolidated financial statements which appear in this Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania
December 20, 2001