
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For The Quarterly Period Ended March 31, 2010

Commission File No. 0-9115

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

PENNSYLVANIA
(State or other jurisdiction of
Incorporation or organization)

25-0644320
(I.R.S. Employer
Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA
(Address of principal executive offices)

15212-5851
(Zip Code)

Registrant's telephone number, including area code

(412) 442-8200

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit an post such files.

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of April 30, 2010, shares of common stock outstanding were:

Class A Common Stock 30,209,257 shares

PART I - FINANCIAL INFORMATION
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands, except per share data)

	March 31, 2010 (unaudited)	September 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,934	\$ 57,732
Short-term investments	1,392	62
Accounts receivable, net	129,520	138,927
Inventories	95,339	94,455
Deferred income taxes	1,797	1,816
Other current assets	15,112	12,430
Total current assets	304,094	305,422
Investments	13,619	13,389
Property, plant and equipment: Cost	302,671	305,098
Less accumulated depreciation	(171,016)	(167,038)
	131,655	138,060
Deferred income taxes	33,240	32,563
Other assets	24,588	19,999
Goodwill	385,550	385,219
Other intangible assets, net	53,749	55,001
Total assets	\$ 946,495	\$ 949,653
LIABILITIES		
Current liabilities:		
Long-term debt, current maturities	\$ 13,921	\$ 14,188
Accounts payable	32,826	28,604
Accrued compensation	34,055	35,592
Accrued income taxes	13,383	8,120
Other current liabilities	43,285	45,836
Total current liabilities	137,470	132,340
Long-term debt	218,981	237,530
Accrued pension	55,826	53,734
Postretirement benefits	25,090	24,599
Deferred income taxes	12,429	13,464
Environmental reserve	6,186	6,482
Other liabilities and deferred revenue	18,708	15,489
Total liabilities	474,690	483,638
Arrangement with noncontrolling interest	25,036	27,121
SHAREHOLDERS' EQUITY		
Shareholders' equity-Matthews:		
Common stock	36,334	36,334
Additional paid in capital	44,886	47,436
Retained earnings	584,469	559,786
Accumulated other comprehensive loss	(42,292)	(29,884)
Treasury stock, at cost	(182,207)	(179,454)
Total shareholders' equity-Matthews	441,190	434,218
Noncontrolling interests	5,579	4,676
Total shareholders' equity	446,769	438,894
Total liabilities and shareholders' equity	\$ 946,495	\$ 949,653

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Sales	\$ 200,866	\$ 197,362	\$ 393,839	\$ 388,648
Cost of sales	(123,085)	(124,245)	(242,668)	(247,679)
Gross profit	77,781	73,117	151,171	140,969
Selling and administrative expenses	(50,663)	(49,678)	(101,877)	(97,451)
Operating profit	27,118	23,439	49,294	43,518
Investment income (loss)	809	(307)	2,004	(695)
Interest expense	(1,812)	(3,030)	(3,751)	(6,294)
Other income (deductions), net	(633)	114	(731)	3
Income before income taxes	25,482	20,216	46,816	36,532
Income taxes	(9,187)	(7,388)	(16,865)	(12,424)
Net income	16,295	12,828	29,951	24,108
Less: net income attributable to noncontrolling interests	(364)	(86)	(1,024)	(77)
Net income attributable to Matthews' shareholders	\$ 15,931	\$ 12,742	\$ 28,927	\$ 24,031
Earnings per share attributable to Matthews' shareholders:				
Basic	\$.53	\$.42	\$0.97	\$0.79
Diluted	\$.53	\$.42	\$0.96	\$0.79

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Six Months Ended March 31, 2010 and 2009
(Dollar amounts in thousands, except per share data)

Shareholders' Equity – Matthews

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of tax)	Treasury Stock	Non- controlling interests	Total
Balance, September 30, 2009	\$ 36,334	\$ 47,436	\$ 559,786	\$ (29,884)	\$ (179,454)	\$ 4,676	\$ 438,894
Net income	-	-	28,927	-	-	1,024	29,951
Minimum pension liability	-	-	-	1,578	-	-	1,578
Translation adjustment	-	-	-	(14,410)	-	113	(14,297)
Fair value of derivatives	-	-	-	424	-	-	424
Total comprehensive income							17,656
Stock-based compensation	-	3,293	-	-	-	-	3,293
Treasury stock transactions:							
Purchase of 272,125 shares	-	-	-	-	(9,386)	-	(9,386)
Issuance of 30,790 shares under stock plans	-	(5,843)	-	-	6,633	-	790
Dividends, \$.14 per share	-	-	(4,244)	-	-	-	(4,244)
Distributions to noncontrolling interests						(234)	(234)
Balance, March 31, 2010	<u>\$ 36,334</u>	<u>\$ 44,886</u>	<u>\$ 584,469</u>	<u>\$ (42,292)</u>	<u>\$ (182,207)</u>	<u>\$ 5,579</u>	<u>\$ 446,769</u>

Shareholders' Equity - Matthews

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of tax)	Treasury Stock	Non- controlling interests	Total
Balance, September 30, 2008	\$ 36,334	\$ 47,250	\$ 511,130	\$ (2,979)	\$ (157,780)	\$ 4,963	\$ 438,918
Net income	-	-	24,031	-	-	77	24,108
Minimum pension liability	-	-	-	259	-	-	259
Translation adjustment	-	-	-	(18,881)	-	(265)	(19,146)
Fair value of derivatives	-	-	-	(3,605)	-	-	(3,605)
Total comprehensive income							1,616
Stock-based compensation	-	2,858	-	-	-	-	2,858
Pension liability adjustment	-	-	(702)	-	-	-	(702)
Arrangement with noncontrolling interest	-	-	(174)	-	-	-	(174)
Treasury stock transactions:							
Purchase of 615,266 shares	-	-	-	-	(23,133)	-	(23,133)
Issuance of 59,611 shares under stock							

plans	-	(5,621)	-	-	6,997	-	1,376
Dividends, \$.13 per share	-	-	(4,109)	-	-	-	(4,109)
Distributions to noncontrolling interests						(2,291)	(2,291)
Balance, March 31, 2009	<u>\$ 36,334</u>	<u>\$ 44,487</u>	<u>\$ 530,176</u>	<u>\$ (25,206)</u>	<u>\$ (173,916)</u>	<u>\$ 2,484</u>	<u>\$ 414,359</u>

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollar amounts in thousands, except per share data)

	Six Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 29,951	\$ 24,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,543	15,854
(Gain) loss on investments	(601)	1,375
Loss on sale of assets	68	21
Stock-based compensation expense	3,293	2,858
Change in deferred taxes	(2,372)	(1,293)
Changes in working capital items	10,966	1,220
Increase in other assets	(3,513)	(513)
Increase (decrease) in other liabilities	175	(1,265)
Increase in pension and postretirement benefits	5,170	2,353
	55,680	44,718
Net cash provided by operating activities		
Cash flows from investing activities:		
Capital expenditures	(8,410)	(6,605)
Proceeds from sale of assets	100	160
Acquisitions, net of cash acquired	(14,606)	(865)
Proceeds from sale of investments	638	-
Purchases of investments	(1,612)	(2,611)
	(23,890)	(9,921)
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from long-term debt	25,484	35,336
Payments on long-term debt	(38,812)	(35,926)
Proceeds from the sale of treasury stock	726	1,143
Purchases of treasury stock	(9,386)	(23,133)
Tax benefit of exercised stock options	64	98
Dividends	(4,244)	(4,109)
Distributions to minority interests	(234)	(2,291)
	(26,402)	(28,882)
Net cash used in financing activities		
Effect of exchange rate changes on cash	(2,186)	(7,002)
Net increase (decrease) in cash and cash equivalents	\$ 3,202	\$ (1,087)
Non-cash investing and financing activities:		
Acquisition of equipment under capital lease	\$ -	\$ 2,068

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010
(Dollar amounts in thousands, except per share data)

Note 1. Nature of Operations

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products and merchandising solutions. The Company's products and operations are comprised of six business segments: Bronze, Casket, Cremation, Graphics Imaging, Marking Products and Merchandising Solutions. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, cast and etched architectural products, granite memorials and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer and distributor in North America and produces a wide variety of wood and metal caskets. The Cremation segment is a leading designer and manufacturer of cremation equipment and cremation caskets primarily in North America. The Graphics Imaging segment manufactures and provides brand management, printing plates, gravure cylinders, pre-press services and imaging services for the primary packaging and corrugated industries. The Marking Products segment designs, manufactures and distributes a wide range of marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers. The Merchandising Solutions segment designs and manufactures merchandising displays and systems and provides creative merchandising and marketing solutions services.

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

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the six months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2009. The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. All intercompany accounts and transactions have been eliminated.

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 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 per share data)

Note 3. Fair Value Measurements

The Company adopted new guidance issued by the Financial Accounting Standards Board (“FASB”) on fair value measurements as of October 1, 2008 for financial assets and liabilities. This new guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a three level fair value hierarchy to prioritize the inputs used in valuations, as defined below:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

As of March 31, 2010, the fair values of the Company’s assets and liabilities measured on a recurring basis are categorized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Short term investments	\$ 1,392	-	-	\$ 1,392
Trading securities	11,655	-	-	11,655
Total assets at fair value	<u>\$ 13,047</u>	<u>-</u>	<u>-</u>	<u>\$ 13,047</u>
Liabilities:				
Derivatives (1)	-	\$ 5,014	-	\$ 5,014
Total liabilities at fair value	<u>-</u>	<u>\$ 5,014</u>	<u>-</u>	<u>\$ 5,014</u>

(1) Interest rate swaps are valued based on observable market swap rates and are classified within Level 2 of the fair value hierarchy.

Note 4. Inventories

Inventories consisted of the following:

	<u>March 31, 2010</u>	<u>September 30, 2009</u>
Materials and finished goods	\$ 80,773	\$ 80,692
Labor and overhead in process	14,566	13,763
	<u>\$ 95,339</u>	<u>\$ 94,455</u>

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

Note 5. Debt

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. The maximum amount of borrowings available under the facility is \$225,000 and the facility's maturity is September 2012. Borrowings under the facility bear interest at LIBOR plus a factor ranging from .40% to .80% 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 .15% to .25% (based on the Company's leverage ratio) of the unused portion of the facility. The Revolving Credit Facility requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed \$20,000) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility as of March 31, 2010 and September 30, 2009 were \$173,000 and \$177,500, respectively. The weighted-average interest rate on outstanding borrowings at March 31, 2010 and 2009 was 3.01% and 3.92%, respectively.

The Company has entered into the following interest rate swaps:

Date	Initial Amount	Fixed Interest Rate	Interest Rate Spread at March 31, 2010	Maturity Date
September 2007	\$ 25,000	4.77%	.60%	September 2012
May 2008	40,000	3.72%	.60%	September 2012
October 2008	20,000	3.21%	.60%	October 2010
October 2008	20,000	3.46%	.60%	October 2011

The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility which are considered probable of occurring. Based on the Company's assessment, all of the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized loss of \$5,014 (\$3,058 after tax) at March 31, 2010 that is included in shareholders' equity as part of accumulated other comprehensive income. Assuming market rates remain constant with the rates at March 31, 2010, approximately \$1,522 of the \$3,058 loss included in accumulated other comprehensive income is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

On January 1, 2009, the Company adopted guidance issued by the FASB regarding disclosures about derivative instruments and hedging activities. This guidance amends and expands the disclosure requirements of previous guidance to require qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit risk-related contingent features in derivative agreements.

At March 31, 2010 and September 30, 2009, the interest rate swap contracts were reflected as a liability on the balance sheets. The following derivatives are designated as hedging instruments:

Liability Derivatives

Balance Sheet Location:	<u>March 31, 2010</u>	<u>September 30, 2009</u>
Current liabilities:		
Other current liabilities	\$ 2,495	\$ 2,441
Long-term liabilities:		
Other accrued liabilities and deferred revenue	2,519	3,267
Total derivatives	<u>\$ 5,014</u>	<u>\$ 5,708</u>

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

Note 5. Debt (continued)

The loss recognized on derivatives was as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivatives		Amount of Loss Recognized in Income on Derivatives	
		Three Months ended March 31,		Six Months ended March 31,	
		2010	2009	2010	2009
Interest rate swaps	Interest expense	\$ (946)	\$ (1,079)	\$ (1,893)	\$ (1,445)

The Company recognized the following losses in accumulated other comprehensive loss ("OCL"):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCL on Derivatives		Location of Loss Reclassified from Accumulated OCL into Income (Effective Portion*)	Amount of Loss Reclassified from Accumulated OCL into Income (Effective Portion*)	
	March 31, 2010	September 30, 2009		March 31, 2010	September 30, 2009
	Interest rate swaps	\$ (3,058)		\$ (3,482)	Interest expense

*There is no ineffective portion or amount excluded from effectiveness testing.

The Company, through certain of its German subsidiaries, has a credit facility with a European bank. The maximum amount of borrowings available under this facility was 25.0 million Euros (\$33,773). Outstanding borrowings under the credit facility totaled 15.0 million Euros (\$20,264) and 18.0 million Euros (\$26,341) at March 31, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2010 and 2009 was 1.58% and 2.93%, respectively.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled 9.2 million Euros (\$12,425) and 10.0 million Euros (\$14,717) at March 31, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2010 and 2009 was 5.99% and 5.82%, respectively.

The Company, through its wholly-owned subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled 10.8 million Euros (\$14,549) and 12.2 million Euros (\$17,962) at March 31, 2010 and September 30, 2009, respectively. Matthews International S.p.A. also has three lines of credit totaling 8.4 million Euros (\$11,307) with the same Italian banks. Outstanding borrowings on these lines were 2.9 million Euros (\$3,912) and 2.0 million Euros (\$2,855) at March 31, 2010 and September 30, 2009, respectively.

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

Note 5. Debt (continued)

The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2010 and 2009 was 3.66% and 3.82%, respectively.

As of March 31, 2010 and September 30, 2009, the fair value of the Company's long-term debt, including current maturities, was as follows:

	Carrying Value included in the Balance Sheet		Fair Value	
	March 31, 2010	September 30, 2009	March 31, 2010	September 30, 2009
Long-term debt, including current maturities	\$ 232,902	\$ 251,718	\$ 213,719	\$ 230,482

Note 6. Share-Based Payments

The Company maintains a stock incentive plan (the "1992 Incentive Stock Plan") that provided for grants of stock options, restricted shares and certain other types of stock-based awards. In February 2008, the Company's shareholders approved the adoption of a new plan, the 2007 Equity Incentive Plan (the "2007 Plan"), that provides for the grants of stock options, restricted shares, stock-based performance units and certain other types of stock-based awards. Under the 2007 Plan, which has a ten-year term, the maximum number of shares available for grants or awards is an aggregate of 2,200,000. There will be no further grants under the 1992 Incentive Stock Plan. At March 31, 2010, there were 1,534,764 shares reserved for future issuance under the 2007 Plan. Both plans are administered by the Compensation Committee of the Board of Directors.

The option price for each stock option granted under either plan may not be less than the fair market value of the Company's common stock on the date of grant. Outstanding stock options are generally exercisable in one-third increments upon the attainment of 10%, 33% and 60% appreciation in the market value of the Company's Class A Common Stock. In addition, options generally 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 market value thresholds). 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 generally settles employee stock option exercises with treasury shares. With respect to outstanding restricted share grants, generally one-half of the shares vest on the third anniversary of the grant. The remaining one-half of the shares vest in one-third increments upon attainment of 10%, 25% and 40% appreciation in the market value of the Company's Class A Common Stock. Additionally, beginning in fiscal 2009, restricted shares cannot vest until the first anniversary of the grant date. Unvested restricted shares generally expire on the earlier of five 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 issues restricted shares from treasury shares.

For the three-month periods ended March 31, 2010 and 2009, total stock-based compensation cost totaled \$1,684 and \$1,522, respectively. For the six-month periods ended March 31, 2010 and 2009, total stock-based compensation cost totaled \$3,293 and \$2,858, respectively. The associated future income tax benefit recognized was \$656 and \$593 for the three-month periods ended March 31, 2010 and 2009, respectively, and \$1,284 and \$1,115 for the six-month periods ended March 31, 2010 and 2009, respectively.

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

Note 6. Share-Based Payments (continued)

For the three-month periods ended March 31, 2010 and 2009, the amount of cash received from the exercise of stock options was \$54 and \$888, respectively. For the six-month periods ended March 31, 2010 and 2009, the amount of cash received from the exercise of stock options was \$726 and \$1,143, respectively. In connection with these exercises, the tax benefits realized by the Company were \$15 and \$153 for the three-month periods ended March 31, 2010 and 2009, respectively, and \$151 and \$242 for the six-month periods ended March 31, 2010 and 2009, respectively.

Changes to restricted stock for the six months ended March 31, 2010 were as follows:

	<u>Shares</u>	<u>Weighted- average grant-date fair value</u>
Non-vested at September 30, 2009	271,656	\$ 37.61
Granted	178,009	33.65
Vested	-	-
Expired or forfeited	(1,110)	34.28
Non-vested at March 31, 2010	<u>448,555</u>	36.05

As of March 31, 2010, the total unrecognized compensation cost related to unvested restricted stock was \$6,835 and is expected to be recognized over a weighted average period of 1.7 years.

The transactions for shares under options for the six months ended March 31, 2010 were as follows:

	<u>Shares</u>	<u>Weighted- average exercise price</u>	<u>Weighted- average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
Outstanding, September 30, 2009	1,224,909	\$ 35.94		
Granted	-	-		
Exercised	(31,600)	22.99		
Expired or forfeited	(197,417)	37.90		
Outstanding, March 31, 2010	<u>995,892</u>	35.96	5.3	\$ -
Exercisable, March 31, 2010	<u>692,024</u>	34.45	4.8	\$ 727

The fair value of shares earned during the three-month periods ended March 31, 2010 and 2009 was \$86 and \$73, respectively, and \$3,120 and \$2,799 during the six-month periods ended March 31, 2010 and 2009, respectively. The intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the six-month periods ended March 31, 2010 and 2009 was \$457 and \$657, respectively.

Note 6. Share-Based Payments (continued)

The transactions for non-vested options for the six months ended March 31, 2010 were as follows:

<u>Non-vested shares</u>	<u>Shares</u>	<u>Weighted- average grant-date fair value</u>
Non-vested at September 30, 2009	673,035	\$ 12.17
Granted	-	-
Vested	(283,018)	11.03
Expired or forfeited	(86,149)	9.79
Non-vested at March 31, 2010	<u>303,868</u>	<u>13.92</u>

As of March 31, 2010, the total unrecognized compensation cost related to non-vested stock options was approximately \$714. This cost is expected to be recognized over a weighted-average period of 1.4 years in accordance with the vesting periods of the options.

The fair value of each restricted stock grant is estimated on the date of grant using a binomial lattice valuation model. The following table indicates the assumptions used in estimating fair value of restricted stock for the quarters ended March 31, 2010 and 2009.

	Six Months Ended March 31,	
	<u>2010</u>	<u>2009</u>
Expected volatility	30.0%	27.0%
Dividend yield	.8%	.6%
Average risk free interest rate	2.3%	2.4%
Average expected term (years)	2.2	2.3

The risk free interest rate is based on United States Treasury yields at the date of grant. The dividend yield is based on the most recent dividend payment and average stock price over the 12 months prior to the grant date. Expected volatilities are based on the historical volatility of the Company's stock price. The expected term represents an estimate of the average period of time for restricted shares to vest. The option characteristics for each grant are considered separately for valuation purposes.

Under the Company's Director Fee Plan, directors who are not also officers of the Company each receive, as an annual retainer fee, either cash or shares of the Company's Class A Common Stock equivalent to \$60. An additional annual retainer fee of \$70 is paid to a non-employee Chairman of the Board. Where the annual retainer fee is provided in shares, 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. A total of 25,013 shares had been deferred under the Director Fee Plan at March 31, 2010. Additionally, directors who are not also officers of the Company each receive an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of \$70. A total of 22,300 stock options have been granted under the plan. At March 31, 2010, 17,800 options were outstanding and vested. Additionally, 51,525 shares of restricted stock have been granted under the plan, 27,695 of which were unvested at March 31, 2010. A total of 300,000 shares have been authorized to be issued under the Director Fee Plan.

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

Note 7. Earnings Per Share Attributable to Matthews' Shareholders

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Net income attributable to Matthews' shareholders	\$ 15,931	\$ 12,742	\$ 28,927	\$ 24,031
Weighted-average common shares outstanding	29,841,709	30,314,212	29,910,728	30,403,150
Dilutive securities, stock options and restricted shares	182,664	122,928	220,402	181,041
Diluted weighted-average common shares outstanding	<u>30,024,373</u>	<u>30,437,140</u>	<u>30,131,130</u>	<u>30,584,191</u>
Basic earnings per share	<u>\$.53</u>	<u>\$.42</u>	<u>\$.97</u>	<u>\$.79</u>
Diluted earnings per share	<u>\$.53</u>	<u>\$.42</u>	<u>\$.96</u>	<u>\$.79</u>

Options to purchase 621,050 and 812,071 shares of common stock were not included in the computation of diluted earnings per share for the three months and six months ended March 31, 2010, respectively, because the inclusion of these options would be anti-dilutive. Options to purchase 1,016,836 of shares of common stock and 7,399 restricted stock shares were not included in the computation of diluted earnings per share for the three-month period ended March 31, 2009 because the inclusion of these options and restricted stock would be anti-dilutive. Options to purchase 771,316 shares of common stock were not included in the computation of diluted earnings per share for the six-month period ended March 31, 2009 because the inclusion of these options would be anti-dilutive.

Note 8. Pension and Other Postretirement Benefit Plans

The Company provides defined benefit pension and other postretirement plans to certain employees. Net periodic pension and other postretirement benefit cost for the plans included the following:

Three months ended March 31,	Pension		Other Postretirement	
	2010	2009	2010	2009
Service cost	\$ 1,078	\$ 856	\$ 173	\$ 143
Interest cost	1,853	1,868	346	386
Expected return on plan assets	(1,717)	(1,900)	-	-
Amortization:				
Prior service cost	(10)	(9)	(181)	(322)
Net actuarial loss	<u>1,338</u>	<u>456</u>	<u>130</u>	<u>71</u>
Net benefit cost	<u>\$ 2,542</u>	<u>\$ 1,271</u>	<u>\$ 468</u>	<u>\$ 278</u>

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

Note 8. Pension and Other Postretirement Benefit Plans (continued)

	Pension		Other Postretirement	
	2010	2009	2010	2009
Six months ended March 31,				
Service cost	\$ 2,156	\$ 1,712	\$ 346	\$ 286
Interest cost	3,706	3,736	692	772
Expected return on plan assets	(3,434)	(3,800)	-	-
Amortization:				
Prior service cost	(20)	(18)	(362)	(644)
Net actuarial loss	2,676	912	260	142
Net benefit cost	<u>\$ 5,084</u>	<u>\$ 2,542</u>	<u>\$ 936</u>	<u>\$ 556</u>

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under supplemental retirement plan and the postretirement benefit plan are made from the Company's operating funds. Under IRS regulations, the Company is not required to make any significant contributions to its principal retirement plan in fiscal year 2010. During the six months ended March 31, 2010, contributions of \$387 and \$434 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional \$386 and \$617 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2010.

On October 1, 2008, the Company adopted the FASB guidance on accounting for defined benefit pension and other postretirement plans. The measurement date for the Company's pension and postretirement plans was changed from July 31 to September 30. Accordingly, an additional pension liability of \$577 and postretirement liability of \$125, net of tax, was recorded as of December 31, 2008 to recognize the additional expense through September 30, 2008, with a corresponding adjustment to retained earnings.

Note 9. Income Taxes

Income tax provisions for the Company's interim periods are based on the effective income tax rate expected to be applicable for the full year. The Company's effective tax rate for the six months ended March 31, 2010 was 36.0%, compared to 34.0% for the first six months of fiscal 2009. The six months of fiscal 2009 included a one-time reduction in income tax expense of \$923 to reflect the Company's ability to utilize a European tax loss carryover. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected the impact of state and foreign income taxes.

The Company had unrecognized tax benefits (excluding penalties and interest) of \$3,418 and \$3,575 at March 31, 2010 and September 30, 2009, respectively, all of which, if recorded, would impact the fiscal 2010 annual effective tax rate. It is reasonably possible that the amount of unrecognized tax benefits could change by approximately \$342 in the next 12 months primarily due to tax examinations and the expiration of statutes related to specific tax positions.

The Company classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. The Company included \$126 in interest and penalties in the provision for income taxes for the first six months of fiscal 2010. Total penalties and interest accrued were \$2,964 and \$2,838 at March 31, 2010 and September 30, 2009, respectively. These accruals may potentially be applicable in the event of an unfavorable outcome of uncertain tax positions.

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

The Company is currently under examination in several tax jurisdictions and remains subject to examination until the statute of limitations expires for those tax jurisdictions. As of March 31, 2010, the tax years that remain subject to examination by major jurisdiction generally are:

United States – Federal	2007 and forward
United States – State	2006 and forward
Canada	2004 and forward
Europe	2002 and forward
United Kingdom	2008 and forward
Australia	2005 and forward
Asia	2004 and forward

Note 10. Segment Information

The Company's products and operations consist of two principal businesses that are comprised of three operating segments each, as described under Nature of Operations (Note 1): Memorialization Products (Bronze, Casket, Cremation) and Brand Solutions (Graphics Imaging, Marking Products, Merchandising Solutions). 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 net income attributable to noncontrolling interests.

Information about the Company's segments follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Sales to external customers:				
<u>Memorialization:</u>				
Bronze	\$ 53,719	\$ 52,711	\$ 102,978	\$ 102,445
Casket	55,249	54,972	105,913	107,571
Cremation	8,991	8,011	17,491	14,294
	<u>117,959</u>	<u>115,694</u>	<u>226,382</u>	<u>224,310</u>
<u>Brand Solutions:</u>				
Graphics Imaging	60,335	55,627	120,141	112,821
Marking Products	11,867	9,517	23,433	21,102
Merchandising Solutions	10,705	16,524	23,883	30,415
	<u>82,907</u>	<u>81,668</u>	<u>167,457</u>	<u>164,338</u>
	<u>\$ 200,866</u>	<u>\$ 197,362</u>	<u>\$ 393,839</u>	<u>\$ 388,648</u>

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

Note 10. Segment Information (continued)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Operating profit:				
<u>Memorialization:</u>				
Bronze	\$ 12,200	\$ 12,275	\$ 22,560	\$ 21,535
Casket	8,740	5,414	14,548	11,815
Cremation	953	1,297	2,083	2,110
	<u>21,893</u>	<u>18,986</u>	<u>39,191</u>	<u>35,460</u>
<u>Brand Solutions:</u>				
Graphics Imaging	4,577	3,102	8,566	5,737
Marking Products	1,279	374	1,879	1,045
Merchandising Solutions	(631)	977	(342)	1,276
	<u>5,225</u>	<u>4,453</u>	<u>10,103</u>	<u>8,058</u>
	<u>\$ 27,118</u>	<u>\$ 23,439</u>	<u>\$ 49,294</u>	<u>\$ 43,518</u>

Note 11. Acquisitions

Acquisition spending, net of cash acquired, during the six months ended March 31, 2010 totaled \$14,606, and primarily included the following:

In March 2010, the Company acquired an 80% interest in Furnace Construction Cremators Limited (“FCC”), a manufacturer of cremation equipment located in the United Kingdom. The acquisition was structured as an asset purchase and was designed to expand the Company’s global presence in the European cremation markets.

In February 2010, the Company acquired A.J. Distribution, Inc. (“A.J. Distribution”), a distributor of primarily York brand caskets in the Northwest region of the United States. The transaction was structured as an asset purchase and was intended to expand the Company’s casket distribution capabilities in the Northwestern United States.

In December 2009, the Company acquired United Memorial Products, Inc. (“UMP”), a supplier of granite memorial products, burial vaults and caskets in the western United States. UMP reported sales of approximately \$11,000 in calendar 2009. The transaction was structured as an asset purchase and was designed to extend Matthews’ presence in the broad granite market. The purchase price for the acquisition is \$10,000, plus additional consideration of \$3,500 payable over five years.

In May 2008, the Company acquired a 78% interest in Saueressig, a manufacturer of gravure printing cylinders. The transaction was structured as a stock purchase with a purchase price of approximately 58.1 million Euros (\$90,783). In addition, the Company entered into an option agreement related to the remaining 22% interest in Saueressig. The option agreement contains certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. The initial carrying value of minority interest was adjusted to the estimated future purchase price (“Redemption Value”) of the minority interest, with a corresponding charge to retained earnings. For subsequent periods, the carrying value of minority interest reflected on the Company’s balance sheet will be adjusted for changes in Redemption Value, with a corresponding

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

Note 11. Acquisitions (continued)

adjustment to retained earnings. To the extent Redemption Value in future periods is less than or greater than the estimated fair value of the minority interest, income available to common shareholders in the determination of earnings per share will increase or decrease, respectively, by such amount. However, income available to common shareholders will only increase to the extent that a decrease was previously recognized. In any case, net income will not be affected by such amounts. At March 31, 2010, Redemption Value was equal to fair value, and there was no impact on income available to common shareholders.

Note 12. Goodwill and Other Intangible Assets

Goodwill related to business combinations is not amortized but is subject to annual review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a discounted cash flow technique. Intangible assets are amortized over their estimated useful lives unless such lives are considered to be indefinite. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets. The Company performed its annual impairment review in the second fiscal quarter of 2010 and determined that no additional adjustments to the carrying values of goodwill or indefinite-lived intangible assets were necessary.

A summary of the carrying amount of goodwill attributable to each segment as well as the changes in such amounts are as follows:

	<u>Bronze</u>	<u>Casket</u>	<u>Cremation</u>	<u>Graphics Imaging</u>	<u>Marking Products</u>	<u>Merchandising Solutions</u>	<u>Consolidated</u>
Goodwill	\$ 79,707	\$ 122,896	\$ 13,887	\$ 158,863	\$ 9,980	\$ 9,138	\$ 394,471
Accumulated impairment losses	<u>(412)</u>	<u>-</u>	<u>(5,000)</u>	<u>(3,840)</u>	<u>-</u>	<u>-</u>	<u>(9,252)</u>
Balance at September 30, 2009	79,295	122,896	8,887	155,023	9,980	9,138	385,219
Additions during period	7,399	3,525	2,968	(1,464)	36	-	12,464
Translation and other adjustments	<u>(1,991)</u>	<u>-</u>	<u>(181)</u>	<u>(9,929)</u>	<u>(32)</u>	<u>-</u>	<u>(12,133)</u>
Goodwill	85,115	126,421	16,674	147,470	9,984	9,138	394,802
Accumulated impairment losses	<u>(412)</u>	<u>-</u>	<u>(5,000)</u>	<u>(3,840)</u>	<u>-</u>	<u>-</u>	<u>(9,252)</u>
Balance at March 31, 2010	<u>\$ 84,703</u>	<u>\$ 126,421</u>	<u>\$ 11,674</u>	<u>\$ 143,630</u>	<u>\$ 9,984</u>	<u>\$ 9,138</u>	<u>\$ 385,550</u>

The addition to Bronze goodwill represents the acquisition of UMP; the addition to Casket goodwill primarily represents the acquisition of A.J. Distribution; the addition to Cremation goodwill represents the acquisition of FCC; and the change in Graphics goodwill represents the effect of an adjustment to the purchase price for the Saueressig acquisition.

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

Note 12. Goodwill and Other Intangible Assets (continued)

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of March 31, 2010 and September 30, 2009, respectively.

	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
March 31, 2010:			
Trade names	\$ 24,308	\$ -*	\$ 24,308
Trade names	1,475	(593)	882
Customer relationships	35,513	(9,306)	26,207
Copyrights/patents/other	8,113	(5,761)	2,352
	<u>\$ 69,409</u>	<u>\$ (15,660)</u>	<u>\$ 53,749</u>
September 30, 2009:			
Trade names	\$ 24,418	\$ -*	\$ 24,418
Trade names	1,598	(458)	1,140
Customer relationships	35,568	(8,232)	27,336
Copyrights/patents/other	7,777	(5,670)	2,107
	<u>\$ 69,361</u>	<u>\$ (14,360)</u>	<u>\$ 55,001</u>

* Not subject to amortization

The net change in intangible assets during fiscal 2010 included an increase for the acquisition of UMP, offset by the impact of changes in foreign currency exchange rates and additional amortization.

Amortization expense on intangible assets was \$937 and \$1,048 for the three-month periods ended March 31, 2010 and 2009, respectively. For the six-month periods ended March 31, 2010 and 2009, amortization expense was \$1,787 and \$2,111, respectively. Amortization expense is estimated to be \$1,741 in 2010, \$3,131 in 2011, \$2,673 in 2012, \$2,338 in 2013 and \$2,158 in 2014.

Note 13. Accounting Pronouncements

On September 30, 2009, the Company adopted changes issued by the FASB to the authoritative hierarchy of generally accepted accounting principles ("GAAP"). These changes establish the FASB Accounting Standards Codification™ ("Codification") as the source of authoritative accounting principles recognized by the FASB to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the U.S. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption had no material impact on the Company's consolidated results of operations or financial condition.

The Company adopted changes issued by the FASB regarding accounting for income tax benefits of dividends on share-based payment awards on October 1, 2008. The changes require that tax benefits generated by dividends on equity classified non-vested equity shares, non-vested equity share units, and outstanding equity share options be classified as additional paid-in capital and included in a pool of excess tax benefits available to absorb tax deficiencies from share-based payment awards. The adoption had no material impact on the Company's consolidated results of operations or financial condition.

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

Note 13. Accounting Pronouncements (continued)

In December 2007, the FASB issued new guidance regarding business combinations. This guidance requires recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in a business combination, goodwill acquired or a gain from a bargain purchase. It is effective for fiscal years beginning on or after December 15, 2008. The Company adopted the new guidance effective October 1, 2009. See Note 12.

In December 2007, the FASB issued new guidance regarding noncontrolling interests in consolidated financial statements. This guidance establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. It requires that consolidated net income reflect the amounts attributable to both the parent and the noncontrolling interest, and also includes additional disclosure requirements. It was effective for fiscal years beginning on or after December 15, 2008, and is to be applied prospectively as of the beginning of the fiscal year in which the guidance is initially applied, except for the presentation and disclosure requirements which shall be applied retrospectively for all periods presented. The Company adopted the new guidance effective October 1, 2009, as reflected in the Condensed Consolidated Balance Sheets, the Consolidated Statements of Income and the Consolidated Statements of Changes in Shareholders' Equity.

In December 2008, the FASB issued changes to employers' disclosures about postretirement benefit plan assets. These changes require enhanced disclosures regarding assets in defined benefit pension or other postretirement plans. It is effective for fiscal years ending after December 31, 2009. Earlier application is permitted. The Company is currently evaluating the impact of adopting these changes, which is effective for the Company's Annual Report on Form 10-K for fiscal 2010.

In April 2009, the FASB issued changes to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It also requires those disclosures in summarized financial information at interim reporting periods. These changes are effective for interim reporting periods ending after June 15, 2009 and were adopted by the Company as of June 30, 2009. See Notes 3 and 5.

Effective September 30, 2007, the Company adopted the recognition and related disclosure provisions of guidance on employers' accounting for defined benefit pension and other postretirement plans which amended earlier guidance. In the first quarter of fiscal 2009, the Company adopted the provision requiring the Company to measure the plan assets and benefit obligations of defined benefit postretirement plans as of the date of its year-end balance sheet. Adoption of this provision did not have a material effect on the Company's consolidated results of operations or financial condition. See Note 8.

In May 2009, the FASB issued new guidance regarding subsequent events, which was subsequently revised in February 2010. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this guidance had no material impact on the Company's consolidated results of operations or financial condition. See Note 14.

In June 2008, the FASB issued guidance regarding instruments granted in share-based payments. The guidance requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and therefore included in the computation of earnings per share pursuant to the two-class method. This guidance is effective for years beginning after December 31, 2008. The Company adopted the provisions of this guidance effective October 1, 2009, which did not have a material effect on the Company's financial statements.

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

Note 14. Subsequent Events:

On April 9, 2010, the Company acquired Reynoldsville Casket Company, a manufacturer and distributor of caskets primarily in the Northeast region of the United States. The purchase price for the acquisition was \$13,600, plus additional consideration up to \$3,500 contingent on operating performance over the next three years. Reynoldsville reported sales of approximately \$13,000 in calendar 2009.

Management has evaluated subsequent events and has concluded that all events that would require recognition or disclosure are appropriately reflected in the consolidated financial statements.

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

Cautionary Statement:

The following discussion should be read in conjunction with the consolidated financial statements of Matthews International Corporation ("Matthews" or the "Company") and related notes thereto included in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the year ended September 30, 2009. Any forward-looking statements contained herein are included 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 foreign currency exchange rates, changes in the cost of materials used in the manufacture of the Company's products, changes in death rates, 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 domestic or international competitive pressures, unknown risks in connection with the Company's acquisitions, and technological factors beyond the Company's control. In addition, although the Company does not have any customers that would be considered individually significant to consolidated sales, changes in the distribution of the Company's products or the potential loss of one or more of the Company's larger customers are also considered risk factors.

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.

	Six months ended		Years ended	
	March 31,		September 30,	
	2010	2009	2009	2008
Sales	100.0%	100.0%	100.0%	100.0%
Gross profit	38.4%	36.3%	37.7%	39.5%
Operating profit	12.5%	11.2%	12.9%	16.2%
Income before taxes	11.9%	9.4%	11.3%	14.9%
Net income	7.6%	6.2%	7.6%	10.0%
Net income attributable to Matthews' shareholders	7.3%	6.2%	7.4%	9.7%

Sales for the six months ended March 31, 2010 were \$393.8 million, compared to \$388.6 million for the six months ended March 31, 2009. The increase mainly reflected the impact of recent acquisitions and a favorable impact of approximately \$11.3 million from changes in foreign currency values against the U.S. dollar. These increases were partially offset by the effects of a decline in the estimated number of casketed deaths on bronze memorial and casket unit volume and the impact of the global recession on the Company's operations.

In the Memorialization businesses, Bronze segment sales for the first six months of fiscal 2010 were \$102.9 million compared to \$102.4 million for the first six months of fiscal 2009. The increase primarily reflected the acquisition of United Memorial Products, Inc. ("UMP"), a granite memorial manufacturer and distributor located in California, and increases in the value of foreign currencies against the U.S. dollar, offset partially by a decline in the unit volume of memorial and architectural product sales. Sales for the Casket segment were \$105.9 million for the first six months of fiscal 2010 compared to \$107.6 million for the same period in fiscal 2009. The decrease resulted principally from lower unit volume and an unfavorable change in product mix, partially offset by the recent acquisition of several small casket businesses. The decline in unit sales volume for both the Bronze and Casket segments reflected a decline in the estimated number of casketed deaths compared to the same period a year ago. Based on available published data, U.S.

deaths for the six months ended March 31, 2010 were estimated to have declined approximately 2%. The “casketed death rate” (non-cremation) was estimated to have declined over 4%, from the same period last year. Sales for the Cremation segment were \$17.5 million for the first half of fiscal 2010 compared to \$14.3 million for the same period a year ago. The increase primarily reflected the impact of the acquisition of a small European cremation equipment manufacturer in fiscal 2009 and higher sales of urns and supplies. In the Company’s Brand Solutions businesses, sales for the Graphics Imaging segment in the first six months of fiscal 2010 were \$120.1 million, compared to \$112.8 million for the same period a year ago. The increase resulted principally from an increase in the value of foreign currencies against the U.S. dollar, the impact of the acquisition of a small graphics operation headquartered in Hong Kong in the fiscal 2009 fourth quarter and higher sales by Saueressig GmbH KG & Co (“Saueressig”). These increases were partially offset by lower sales in the U.S. and U.K. markets, primarily reflecting the current economic environment. Marking Products segment sales for the six months ended March 31, 2010 were \$23.4 million, compared to \$21.1 million for the first six months of fiscal 2009. The increase was principally due to the acquisition of a small European distributor and the favorable impact of an increase in the value of foreign currencies against the U.S. dollar. In addition, sales volume in the U.S. market improved compared to a year ago, particularly in the second fiscal quarter. Sales for the Merchandising Solutions segment were \$23.9 million for the first half of fiscal 2010, compared to \$30.4 million for the same period a year ago. The decrease principally reflected a decline in project volume resulting from the current U.S. economic conditions. In addition, the second quarter of fiscal 2009 included several large projects that did not repeat in fiscal 2010.

Gross profit for the six months ended March 31, 2010 was \$151.2 million, compared to \$141.0 million for the six months ended March 31, 2009. Consolidated gross profit as a percent of sales increased from 36.3% for the first half of fiscal 2009 to 38.4% for the first six months of fiscal 2010. Gross profit for the first six months of fiscal 2009 included the impact of unusual charges totaling approximately \$5.8 million. The unusual charges included expenses related to the consolidation of certain Bronze segment production facilities and cost structure initiatives in several of the Company’s other segments. The increase in fiscal 2010 consolidated gross profit and gross profit percentage compared to fiscal 2009 also reflected the current year benefits of the fiscal 2009 cost structure changes, particularly in the Saueressig operation and the Marking Products segment.

Selling and administrative expenses for the six months ended March 31, 2010 were \$101.9 million, compared to \$97.5 million for the first half of fiscal 2009. Consolidated selling and administrative expenses as a percent of sales were 25.9% for the six months ended March 31, 2010, compared to 25.1% for the same period last year. The increase in selling and administrative expenses primarily resulted from higher pension expense and the impact of recent acquisitions. Unusual charges included in selling and administrative expenses totaled \$4.9 million of the first six months of fiscal 2009, and consisted primarily of Saueressig integration costs, increased bad debt expense, termination related expenses and costs related to operational and systems improvements. These unusual charges included consulting fees incurred for assistance in the operational and financial integration of Saueressig into Matthews. Bad debt expense, particularly in the Casket segment, was significantly higher in fiscal 2009, reflecting economic conditions. The increase resulted from the deterioration in the aging of outstanding accounts receivable. Employee termination-related and the other costs in connection with operational and systems improvements primarily reflected the Company’s initiatives as a result of the recession. The principal objectives of these initiatives were to better align the cost structures of the Company’s businesses with their respective revenue run rates.

Operating profit for the six months ended March 31, 2010 was \$49.3 million, compared to \$43.5 million for the six months ended March 31, 2009. Operating profit for the first half of fiscal 2010 included an increase of \$2.6 million in pension cost. Operating profit for the first six months of fiscal 2009 included unusual charges of approximately \$10.7 million. In addition, changes in foreign currency rates had a favorable impact of approximately \$1.0 million for the first six months of fiscal 2010, compared to the same period a year ago.

In the Memorialization businesses, Bronze segment operating profit for the first half of fiscal 2010 was \$22.6 million, compared to \$21.5 million for the same period in fiscal 2009. Bronze segment operating profit for the first six months of fiscal 2009 included unusual charges of \$5.5 million, principally related to facilities consolidations. Excluding these unusual charges, operating profit was lower in the first six months of fiscal 2010 than the same period in fiscal 2009, primarily reflecting the impact of lower sales volume and higher pension cost. Operating profit for the Casket segment for the first six months of fiscal 2010 was \$14.5 million, compared to \$11.8 million for the first half of fiscal 2009. The first six

months of fiscal 2009 included unusual charges of approximately \$2.4 million which were principally related to an increase in bad debt expense and severance expenses. Excluding the impact of the unusual charges in fiscal 2009, Casket segment operating profit in the first six months of fiscal 2010 was relatively unchanged from the prior year, reflecting lower sales volume and unfavorable product mix, offset by the favorable impact of cost structure changes initiated in fiscal 2009. Cremation segment operating profit approximated \$2.1 million for the first six months of fiscal 2010 and 2009. Fiscal 2010 first half operating profit reflected higher sales and the acquisition of a small European equipment manufacturer in fiscal 2009, offset by the impact of an unfavorable change in product mix and higher pension cost. In the Brand Solutions businesses, Graphics Imaging segment operating profit for the six months ended March 31, 2010 was \$8.6 million, compared to \$5.7 million for the six months ended March 31, 2009. Operating profit in the first six months of fiscal 2009 included unusual charges of approximately \$1.8 million. Excluding the effect of the unusual charges, operating profit increased approximately \$1.1 million in the first six months of fiscal 2010 compared to the same period in fiscal 2009. The increase resulted primarily from higher operating profit from Saueressig, the favorable effect of foreign currency exchange rate changes and the acquisition of a small graphics business headquartered in Hong Kong. These increases were partially offset by a decline in operating profit for the U.S. operations. Operating profit for the Marking Products segment for the first six months of fiscal 2010 was \$1.9 million, compared to \$1.0 million for the same period a year ago. Operating profit for the first six months of fiscal 2009 included unusual charges of approximately \$467,000. The increase in year-over year operating profit, excluding unusual charges, primarily reflected higher sales, particularly in the second quarter of fiscal 2010, and the favorable impact of fiscal 2009 cost structure initiatives. The Merchandising Solutions segment reported an operating loss of \$342,000 for the six months ended March 31, 2010, compared to operating profit of \$1.3 million for the same period in fiscal 2009. The decrease primarily reflected lower sales.

Investment income was \$2.0 million for the six months ended March 31, 2010, compared to an investment loss of \$695,000 for the six months ended March 31, 2009. The fiscal 2010 investment income reflects improved investment performance. The investment loss in fiscal 2009 included unusual charges of approximately \$1.2 million, representing unrealized losses in the value of investments held in long-term trusts for certain employee benefit plans. Interest expense for the first half of fiscal 2010 was \$3.8 million, compared to \$6.3 million for the same period last year. The decrease in interest expense primarily reflected declines in average borrowing rates during the first half of fiscal 2010, compared to the same period a year ago.

Other income (deductions), net for the six months ended March 31, 2010 was a reduction of income of \$731,000, compared to an increase in income of \$3,000 for the same period last year. The fiscal 2010 reduction in income primarily reflected foreign currency exchange losses on intercompany loans.

The Company's effective tax rate for the six months ended March 31, 2010 was 36.0%, compared to 34.0% for the same period last year. The effective tax rate for the six-month period ended March 31, 2009 included the impact of a \$923,000 reduction in income tax expense to reflect the Company's ability to utilize a tax loss carryover in Europe. Excluding the one-time adjustment to income taxes in fiscal 2009, the Company's effective tax rate was 36.5% for the first six months of fiscal 2009. Excluding the one-time adjustment, the Company's effective tax rate for the fiscal year ended September 30, 2009 was 35.9%. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected the impact of state and foreign income taxes.

Net income attributable to noncontrolling interests in the first six months of fiscal 2010 was \$1.0 million, compared to \$77,000 in the first six months of fiscal 2009. The increase primarily related to the improvement in operating results for Saueressig.

Goodwill:

Goodwill related to business combinations is not amortized, but is subject to annual review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a discounted cash flow technique. The Company performed its annual impairment review in the second quarter of fiscal 2010 and determined that no additional adjustments to the carrying values of goodwill were necessary at March 31, 2010.

Liquidity and Capital Resources:

Net cash provided by operating activities was \$55.7 million for the six months ended March 31, 2010, compared to \$44.7 million for the first six months of fiscal 2009. Operating cash flow for both periods primarily reflected net income adjusted for depreciation, amortization, and stock-based compensation expense, partially offset by decreases in deferred taxes. Additionally, in the first six months of fiscal 2010 a decrease in accounts receivable (reflected in working capital changes) contributed to the increase in operating cash flow.

Cash used in investing activities was \$23.9 million for the six months ended March 31, 2010, compared to \$9.9 million for the six months ended March 31, 2009. Investing activities for the first six months of fiscal 2010 primarily included capital expenditures of \$8.4 million, payments (net of cash acquired) of \$14.6 million for acquisitions and net purchases of investments of \$974,000. Investing activities for the first six months of fiscal 2009 primarily included capital expenditures of \$6.6 million and purchases of investments of \$2.6 million.

Capital expenditures reflected reinvestment in the Company's 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. Capital expenditures for the last three fiscal years were primarily financed through operating cash. Capital spending for property, plant and equipment has averaged \$17.4 million for the last three fiscal years. The capital budget for fiscal 2010 is \$25.8 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the six months ended March 31, 2010 was \$26.4 million, primarily reflecting net repayments of long-term debt of \$13.3 million, treasury stock purchases of \$9.4 million, proceeds of \$726,000 from the sale of treasury stock (stock option exercises), a tax benefit of \$64,000 from exercised stock options, payment of dividends of \$4.2 million to the Company's shareholders and distributions of \$234,000 to noncontrolling interests. Cash used in financing activities for the six months ended March 31, 2009 was \$28.9 million, primarily reflecting treasury stock purchases of \$23.1 million, proceeds of \$1.1 million from the sale of treasury stock (stock option exercises), payment of dividends of \$4.1 million to the Company's shareholders and distributions of \$2.3 million to noncontrolling interests.

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. The maximum amount of borrowings available under the facility is \$225.0 million and the facility's maturity is September 2012. Borrowings under the facility bear interest at LIBOR plus a factor ranging from .40% to .80% 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 .15% to .25% (based on the Company's leverage ratio) of the unused portion of the facility. The Revolving Credit Facility requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed \$20 million) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility at March 31, 2010 and September 30, 2009 were \$173.0 million and \$177.5 million, respectively. The weighted-average interest rate on outstanding borrowings at March 31, 2010 and 2009 was 3.01% and 3.92%, respectively.

The Company has entered into the following interest rate swaps:

Date	Initial Amount	Fixed Interest Rate	Interest Rate Spread at March 31,	
			2010	Maturity Date
September 2007	\$25 million	4.77%	.60%	September 2012
May 2008	40 million	3.72%	.60%	September 2012
October 2008	20 million	3.21%	.60%	October 2010
October 2008	20 million	3.46%	.60%	October 2011

The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility which are considered probable of occurring. Based on the Company's assessment, all the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized loss of \$5.0 million (\$3.1 million after tax) at March 31, 2010 that is included in shareholders' equity as part of accumulated other comprehensive income. Assuming market rates remain constant with the rates at March 31, 2010, approximately \$1.5 million of the \$3.1 million loss included in accumulated other comprehensive income is expected to be recognized in earnings as interest expense over the next twelve months.

The Company, through certain of its German subsidiaries, has a credit facility with a European bank for borrowings up to 25.0 million Euros (\$33.8 million). Outstanding borrowings under the credit facility totaled 15.0 million Euros (\$20.3 million) and 18.0 million Euros (\$26.3 million) at March 31, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2010 and 2009 was 1.58% and 2.93%, respectively.

The Company, through its German subsidiary, Saueressig, has several loans with various European banks. Outstanding borrowings under these loans totaled 9.2 million Euros (\$12.4 million) and 10.0 million Euros (\$14.7 million) at March 31, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2010 and 2009 was 5.99% and 5.82%, respectively.

The Company, through its wholly-owned subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled 10.8 million Euros (\$14.5 million) and 12.2 million Euros (\$18.0 million) at March 31, 2010 and September 30, 2009, respectively. Matthews International S.p.A. also has three lines of credit totaling approximately 8.4 million Euros (\$11.3 million) with the same Italian banks. Outstanding borrowings on these lines were 2.9 million Euros (\$3.9 million) and 2.0 million Euros (\$2.9 million) at March 31, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings of Matthews International S.p.A. at March 31, 2010 and 2009 was 3.66% and 3.82%, respectively.

The Company has a stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors had authorized the repurchase of a total of 12,500,000 shares of Matthews common stock. On January 22, 2010, the Company announced that its Board of Directors approved an additional 2,500,000 shares to the Company's repurchase authorization, increasing the total authorization to 15,000,000 shares. As of March 31, 2010, 2,448,203 shares remained to be purchased under the current authorization. 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 Articles of Incorporation.

Consolidated working capital of the Company was \$166.6 million at March 31, 2010, compared to \$173.1 million at September 30, 2009. Cash and cash equivalents were \$60.9 million at March 31, 2010, compared to \$57.7 million at September 30, 2009. The Company's current ratio was 2.2 at March 31, 2010, compared to 2.3 at September 30, 2009.

Environmental Matters:

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations impose limitations on the discharge of materials into the environment and require the Company to obtain and operate in compliance with conditions of permits and other government authorizations. As such, the Company has developed environmental, health, and safety policies and procedures that include the proper handling, storage and disposal of hazardous materials.

The Company is party to various environmental matters. These include obligations to investigate and mitigate the effects on the environment of the disposal of certain materials at various operating and non-operating sites. The Company is currently performing environmental assessments and remediation at these sites, as appropriate. In addition, prior to its acquisition, The York Group, Inc. ("York"), a wholly-owned subsidiary of the Company, was identified, along with others, by the Environmental Protection Agency as a potentially responsible party for remediation of a landfill site in York, Pennsylvania. At this time, the Company has not been joined in any lawsuit or administrative order related to the site or its clean-up.

At March 31, 2010, an accrual of approximately \$6.9 million had been recorded for environmental remediation (of which \$836,000 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual, which reflects previously established reserves assumed with the acquisition of York and additional reserves recorded as a purchase accounting adjustment, does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. Changes in the accrued environmental remediation obligation from the prior fiscal year reflect payments charged against the accrual. While final resolution of these contingencies could result in costs different than current accruals, management believes the ultimate outcome will not have a significant effect on the Company's consolidated results of operations or financial position.

Acquisitions:

Acquisition spending, net of cash acquired, during the six months ended March 31, 2010 totaled \$14.6 million, and primarily included the following:

In March 2010, the Company acquired an 80% interest in Furnace Construction Cremators Limited, ("FCC"), a manufacturer of cremation equipment located in the United Kingdom. The acquisition was structured as an asset purchase and was designed to expand the Company's global presence in the European cremation markets.

In February 2010, the Company acquired A.J. Distribution, Inc. ("A.J. Distribution"), a distributor of primarily York brand caskets in the Northwest region of the United States. The transaction was structured as an asset purchase and was intended to expand the Company's casket distribution capabilities in the Northwestern United States.

In December 2009, the Company acquired UMP, a supplier of granite memorial products, burial vaults and caskets in the western United States. UMP reported sales of approximately \$11,000 in calendar 2009. The transaction was structured as an asset purchase and was designed to extend Matthews' presence in the broad granite market. The purchase price for the acquisition is \$10 million, plus additional consideration of \$3.5 million payable over five years.

Forward-Looking Information:

Matthews has a three-pronged strategy to attain annual growth in earnings per share. This strategy consists of the following: internal growth (which includes productivity improvements, 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"). For the past ten fiscal years, the Company has achieved an average annual increase in earnings per share of 11.1%.

One of the most significant factors expected to impact fiscal 2010 results is the continued weakness in the domestic and global economies. The current recession unfavorably affected sales and profits in both the Memorialization and Brand Solutions businesses in fiscal 2009, and has continued to affect the Company's segments in the first six months of fiscal 2010. Additionally, pension expense will increase by approximately \$5.2 million in fiscal 2010 compared to fiscal 2009 as a result of the market's impact on plan assets and the valuation of the pension obligation as of September 30, 2009. With these challenges, each of the Company's segments continues to emphasize the importance of cost structure relative to revenue run rates.

In November 2009, the Company indicated that, despite the increase in fiscal 2010 pension expense, fiscal 2010 earnings were expected to be relatively consistent with fiscal 2009 earnings, excluding unusual items. Based on the Company's year-to-date results through March 31, 2010 and current projections for the remainder of the fiscal year, the Company is maintaining its earnings guidance at this time. The Company continues to remain cautious given the continued decline in casketed death rates, uncertain economic conditions and rising commodity costs.

Critical Accounting Policies:

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 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. Therefore, the determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, economic conditions, and in some cases, actuarial techniques. Actual results may differ from those estimates. A discussion of market risks affecting the Company can be found in "Quantitative and Qualitative Disclosures about Market Risk" in this Quarterly Report on Form 10-Q.

A summary of the Company's significant accounting policies are included in the Notes to Consolidated Financial Statements and in the critical accounting policies in Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended September 30, 2009. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the company's operating results and financial condition.

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The following table summarizes the Company's contractual obligations at March 31, 2010, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	Payments due in fiscal year:				
	Total	2010 Remainder	2011 to 2012	2013 to 2014	After 2014
Contractual Cash Obligations:					
Revolving credit facilities	\$ 193,264	\$ -	\$ 193,264	\$ -	\$ -
Notes payable to banks	29,241	2,946	12,419	10,140	3,736
Short-term borrowings	3,914	3,914	-	-	-
Capital lease obligations	5,627	1,682	3,564	381	-
Non-cancelable operating leases	20,914	4,583	11,195	4,338	798
Other	1,284	1,284	-	-	-
Total contractual cash obligations	<u>\$ 254,244</u>	<u>\$ 14,409</u>	<u>\$ 220,442</u>	<u>\$ 14,859</u>	<u>\$ 4,534</u>

A significant portion of the loans included in the table above bear interest at variable rates. At March 31, 2010, the weighted-average interest rate was 3.01% on the Company's domestic Revolving Credit Facility, 1.58% on the credit facility through the Company's German subsidiaries, 3.66% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A., and 5.99% on bank loans to its majority-owned subsidiary, Saueressig.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. The Company is not required to make any significant contributions to its principal retirement plan in fiscal 2010. During the six months ended March 31, 2010, contributions of \$387,000 and \$434,000 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional \$386,000 and \$617,000 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2010.

In connection with its acquisition of a 78% interest in Saueressig, the Company entered into an option agreement related to the remaining 22% interest. The option agreement contains certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. The Company has recorded an estimate of \$25.0 million in "Arrangement with noncontrolling interest" in the Consolidated Balance Sheet as of March 31, 2010 representing the current estimate of the future purchase price.

Unrecognized tax benefits are positions taken, or expected to be taken, on an income tax return that may result in additional payments to tax authorities. If a tax authority agrees with the tax position taken, or expected to be taken, or the applicable statute of limitations expires, then additional payments will not be necessary. The Company had unrecognized tax benefits, excluding penalties and interest, of approximately \$3.4 million and \$3.6 million at March 31, 2010 and September 30, 2009, respectively. The timing of potential future payments related to the unrecognized tax benefits is not presently determinable.

The Company believes that its current liquidity sources, combined with its operating cash flow and borrowing capacity, will be sufficient to meet its capital needs for the foreseeable future.

Accounting Pronouncements:

On September 30, 2009, the Company adopted changes issued by the FASB to the authoritative hierarchy of generally accepted accounting principles ("GAAP"). These changes establish the FASB Accounting Standards Codification™ ("Codification") as the source of authoritative accounting principles recognized by the FASB to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the U.S. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption had no material impact on the Company's consolidated results of operations or financial condition.

The Company adopted changes issued by the FASB regarding accounting for income tax benefits of dividends on share-based payment awards on October 1, 2008. The changes require that tax benefits generated by dividends on equity classified non-vested equity shares, non-vested equity share units, and outstanding equity share options be classified as additional paid-in capital and included in a pool of excess tax benefits available to absorb tax deficiencies from share-based payment awards. The adoption had no material impact on the Company's consolidated results of operations or financial condition.

In December 2007, the FASB issued new guidance regarding business combinations. This guidance requires recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in a business combination, goodwill acquired or a gain from a bargain purchase. It is effective for fiscal years beginning on or after December 15, 2008. The Company adopted the new guidance effective October 1, 2009.

In December 2007, the FASB issued new guidance regarding noncontrolling interests in consolidated financial statements. This guidance establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. It requires that consolidated net income reflect the amounts attributable to both the parent and the noncontrolling interest, and also includes additional disclosure requirements. It was effective for fiscal years beginning on or after December 15, 2008 and is to be applied prospectively as of the beginning of the fiscal year in which the guidance is initially applied, except for the presentation and disclosure requirements which shall be applied retrospectively for all periods presented. The Company adopted the new guidance effective October 1, 2009.

In December 2008, the FASB issued changes to employers' disclosures about postretirement benefit plan assets. These changes require enhanced disclosures regarding assets in defined benefit pension or other postretirement plans. It is effective for fiscal years ending after December 31, 2009. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of these changes, which is effective for the Company's Annual Report on Form 10-K for fiscal 2010.

In April 2009, the FASB issued changes to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It also requires those disclosures in summarized financial information at interim reporting periods. These changes are effective for interim reporting periods ending after June 15, 2009 and were adopted by the Company as of June 30, 2009.

On September 30, 2007, the Company adopted the recognition and related disclosure provisions of guidance on employers' accounting for defined benefit pension and other postretirement plans which amended earlier guidance. In the first quarter of fiscal 2009, the Company adopted the provision requiring the Company to measure the plan assets and benefit obligations of defined benefit postretirement plans as of the date of its year-end balance sheet. Adoption of this provision did not have a material effect on the Company's consolidated results of operations or financial condition.

In May 2009, the FASB issued new guidance regarding subsequent events, which was subsequently revised in February 2010. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this guidance had no material impact on the Company's consolidated results of operations or financial condition.

In June 2008, the FASB issued guidance regarding instruments granted in share-based payments. The guidance requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and therefore included in the computation of earnings per share pursuant to the two-class method. This guidance is effective for years beginning after December 31, 2008. The Company adopted the provisions of this guidance effective October 1, 2009, which did not have a material effect on the Company's financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following discussion about the Company's market risk involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company has market risk related to changes in interest rates, commodity prices, foreign currency exchange rates and actuarial assumptions for pension and other postretirement plans. The Company does not generally use derivative financial instruments in connection with these market risks, except as noted below.

Interest Rates - The Company's most significant long-term debt instrument is the domestic Revolving Credit Facility, as amended, which bears interest at variable rates based on LIBOR. The Company has entered into interest rate swaps as listed under "Liquidity and Capital Resources". The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility which are considered probable of occurring. Based on the Company's assessment, all the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective. The fair value of the interest rate swaps reflected an unrealized loss of \$5.0 million (\$3.1 million after tax) at March 31, 2010 that is included in equity as part of accumulated other comprehensive income. A decrease of 10% in market interest rates (e.g. a decrease from 5.0% to 4.5%) would result in an increase of approximately \$532,000 in the fair value liability of the interest rate swaps.

Commodity Price Risks - In the normal course of business, the Company is exposed to commodity price fluctuations related to the purchases of certain materials and supplies (such as bronze ingot, steel, wood and photopolymers) used in its manufacturing operations. The Company obtains competitive prices for materials and supplies when available. In addition, based on competitive market conditions and to the extent that the Company has established pricing terms with customers through contract or similar arrangements, the Company's ability to immediately increase the price of its products to offset the increased costs may be limited.

Foreign Currency Exchange Rates - The Company is subject to changes in various foreign currency exchange rates, including the Euro, British Pound, Canadian dollar, Australian dollar, Swedish Krona, Chinese Yuan, Hong Kong dollar and Polish Zloty, in the conversion from local currencies to the U.S. dollar of the reported financial position and operating results of its non-U.S. based subsidiaries. A strengthening of the U. S. dollar of 10% would have resulted in a decrease in reported sales of \$15.0 million and a decrease in reported operating income of \$1.6 million for the six months ended March 31, 2010.

Actuarial Assumptions – The most significant actuarial assumptions affecting pension expense and pension obligations include the valuation of retirement plan assets, the discount rate and the estimated return on plan assets. The estimated return on plan assets is currently based upon projections provided by the Company’s independent investment advisor, considering the investment policy of the plan and the plan’s asset allocation. The fair value of plan assets and discount rate are “point-in-time” measures, and the recent volatility of the debt and equity markets makes estimating future changes in fair value of plan assets and discount rates more challenging. The following table summarizes the impact on the September 30, 2009 actuarial valuations of changes in the primary assumptions affecting the Company’s principal retirement plan and supplemental retirement plan.

	Impact of Changes in Actuarial Assumptions					
	Change in Discount Rate		Change in Expected Return		Change in Market Value of Assets	
	+1%	-1%	+1%	-1%	+5%	-5%
	(Dollar amounts in thousands)					
Increase (decrease) in net benefit cost	\$ (1,909)	\$ 2,287	\$ (766)	\$ 766	\$ (692)	\$ 692
Increase (decrease) in projected benefit obligation	(16,440)	20,566	-	-	-	-
Increase (decrease) in funded status	16,440	(20,566)	-	-	3,940	(3,940)

Item 4. Controls and Procedures

The Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to provide reasonable assurance that information required to be disclosed in our reports filed under that Act (the “Exchange Act”), such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. These disclosure controls and procedures also are designed to provide reasonable assurance that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management, under the supervision and with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures in effect as of March 31, 2010. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2010, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that material information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, and that such information is recorded, summarized and properly reported within the appropriate time period, relating to the Company and its consolidated subsidiaries, required to be included in the Exchange Act reports, including this Quarterly Report on Form 10-Q.

There have been no changes in the Company’s internal controls over financial reporting that occurred during the fiscal quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Matthews is subject to various legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these legal proceedings will have a material adverse effect on Matthews’ financial condition, results of operations or cash flows.

Item 2. Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Stock Repurchase Plan

The Company has a stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors had authorized the repurchase of a total of 12,500,000 shares of Matthews common stock. On January 22, 2010, the Company announced that its Board of Directors approved the continuation of its stock repurchase program and increased the total authorization for stock repurchases by an additional 2,500,000 shares, increasing the total authorization to 15,000,000 shares. As of March 31, 2010, 2,448,203 shares remained to be purchased under the current authorization. All purchases of the Company's common stock during the first six months of fiscal 2010 were part of the repurchase program.

The following table shows the monthly fiscal 2010 stock repurchase activity:

<u>Period</u>	<u>Total number of shares purchased</u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of a publicly announced plan</u>	<u>Maximum number of shares that may yet be purchased under the plan</u>
October 2009	-	\$ -	-	220,078
November 2009	65,000	35.50	65,000	155,078
December 2009	81,636	34.73	81,636	73,442
January 2010	6,475	34.05	6,475	2,566,967
February 2010	66,708	32.42	66,708	2,500,259
March 2010	52,056	35.73	52,056	2,448,203
Total	<u>271,875</u>	\$34.52	<u>271,875</u>	

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Revolving Credit Facility Form of Revolving Credit Note
10.2	Revolving Credit Facility Swing Line Note
10.3	Revolving Credit Facility Form of Guaranty and Suretyship Agreement
10.4	Revolving Credit Facility Form of Assignment Agreement
10.5	Revolving Credit Facility Form of Compliance Certificate
10.6	First Amendment to Revolving Credit Facility Form of Term Loan
10.7	First Amendment to Revolving Credit Facility Form of Compliance Certificate
31.1	Certification of Principal Executive Officer for Joseph C. Bartolacci
31.2	Certification of Principal Financial Officer for Steven F. Nicola
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Joseph C. Bartolacci
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Steven F. Nicola

(b) Reports on Form 8-K

On January 21, 2010, Matthews filed a Current Report on Form 8-K under Item 2.02 in connection with a press release announcing its earnings for the first fiscal quarter of 2010.

On January 22, 2010, Matthews filed a Current Report on Form 8-K under Item 8.01 in connection with a press release announcing that its Board of Directors approved the continuation of its stock repurchase program and increased the total authorization for stock repurchases by an additional two million five hundred thousand shares.

On February 19, 2010, Matthews filed a Current Report on Form 8-K under Item 5.02 in connection with a press release announcing that John D. Turner was named as the Company's new Chairman of the Board of Directors and that William J. Stallkamp had retired from the Board of Directors.

On March 1, 2010 Matthews filed a Current Report on Form 8-K under Item 5.07 reporting the results of the matters voted on at the Company's Annual Meeting of Shareholders held on February 18, 2010.

SIGNATURES

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

MATTHEWS INTERNATIONAL CORPORATION
(Registrant)

Date: May 5, 2010

/s/ Joseph C. Bartolacci
Joseph C. Bartolacci, President
and Chief Executive Officer

Date: May 5, 2010

/s/ Steven F. Nicola
Steven F. Nicola, Chief Financial Officer,
Secretary and Treasurer



Exhibit 10.1
FORM OF
REVOLVING CREDIT NOTE

§ _____
December [3], 2001

Pittsburgh, Pennsylvania

FOR VALUE RECEIVED, the undersigned, Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), hereby promises to pay to the order of _____ ("_____"), as provided for in the Loan Agreement (as defined below), the lesser of (i) the principal sum of _____ and ___/100 Dollars (\$ _____) or (ii) _____'s ratable portion of the aggregate unpaid principal amount of all Revolving Credit Loans made by the Banks (as hereinafter defined) to the Borrower pursuant to that certain Loan Agreement, dated of even date herewith, by and among the Borrower, _____ and other financial institutions listed on the signature pages thereof (_____ and such other financial institutions are each a "Bank" and collectively, the "Banks"), and Citizens Bank of Pennsylvania, as agent for the Banks (in such capacity, the "Agent") (as such agreement may be amended, modified or supplemented from time to time, the "Loan Agreement"). The Borrower hereby further promises to pay to the order of _____ interest on the unpaid principal amount of this Revolving Credit Note (the "Revolving Credit Note") from time to time outstanding at the rate or rates per annum determined pursuant to Article II of, or as otherwise provided in, the Loan Agreement, and with such amounts being payable on the dates set forth in Article II of, or as otherwise provided in, the Loan Agreement.

All payments and prepayments to be made in respect of principal, interest, or other amounts due from the Borrower under this Revolving Credit Note shall be payable at 12:00 noon, Pittsburgh, Pennsylvania time, on the day when due, without presentment, protest, notice or demand of any kind, all of which are expressly waived, and an action therefor shall immediately accrue. All such payments shall be made to the Agent for the ratable benefit of _____ at the Agent's designated office located at Two Mellon Bank Center, Pittsburgh, Pennsylvania 15259, in lawful money of the United States of America in immediately available funds without setoff, counterclaim or other deduction of any nature.

Except as otherwise provided in the Loan Agreement, if any payment of principal or interest under this Revolving Credit Note shall become due on a day that is not a Business Day, such payment shall be made on the next following Business Day and such extension of time shall be included in computing interest in connection with such payment.

This Revolving Credit Note is one of the Notes referred to in, and is entitled to the benefits of, the Loan Agreement. Capitalized terms used in this Revolving Credit Note that are defined in the Loan Agreement shall have the meanings assigned to them therein unless otherwise defined in this Revolving Credit Note.

This Revolving Credit Note shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles of the conflicts of laws thereof. In the event of any Event of Default or the enforcement by _____ of its rights hereunder, the Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this Revolving Credit Note.

WARRANT OF ATTORNEY TO CONFESS JUDGMENT. THE BORROWER HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS THE PROTHONOTARY, ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD, WITH OR WITHOUT DEFAULT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER FOR SUCH SUMS AS ARE DUE AND/OR MAY BECOME DUE UNDER THIS REVOLVING CREDIT NOTE, WITH OR WITHOUT DECLARATION, WITH COSTS OF SUIT, WITHOUT STAY OF EXECUTION AND WITH AN AMOUNT EQUAL TO FIFTEEN PERCENT (15%) OF THE AMOUNT OF SUCH JUDGMENT, BUT NOT LESS THAN TEN THOUSAND AND 00/100 DOLLARS (\$10,000.00) ADDED FOR ATTORNEYS' COLLECTION FEES. TO THE EXTENT PERMITTED BY LAW, THE BORROWER RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A COPY OF THIS REVOLVING CREDIT NOTE, VERIFIED BY AFFIDAVIT BY OR ON BEHALF OF THE HOLDER OF THIS REVOLVING CREDIT NOTE SHALL HAVE BEEN FILED IN SUCH ACTION, IT SHALL NOT BE NECESSARY TO FILE THE ORIGINAL REVOLVING CREDIT NOTE AS A WARRANT OF ATTORNEY. THE AUTHORITY AND POWER TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF AND MAY BE EXERCISED AS OFTEN AS THE HOLDER SHALL FIND IT NECESSARY AND DESIRABLE AND THIS REVOLVING CREDIT NOTE SHALL BE A SUFFICIENT WARRANT THEREFOR. THE HOLDER HEREOF MAY CONFESS ONE OR MORE JUDGMENTS IN THE SAME OR DIFFERENT JURISDICTIONS FOR ALL OR ANY PART OF THE AMOUNT OWING HEREUNDER, WITHOUT REGARD TO WHETHER JUDGMENT HAS THERETOFORE BEEN CONFESSED ON MORE THAN ONE OCCASION FOR THE SAME AMOUNT. IN THE EVENT ANY JUDGMENT CONFESSED AGAINST THE BORROWER HEREUNDER IS STRICKEN OR OPENED UPON APPLICATION BY OR ON THE BORROWER'S BEHALF FOR ANY REASON, THE HOLDER IS HEREBY AUTHORIZED AND EMPOWERED TO AGAIN APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER FOR ANY PART OR ALL OF THE AMOUNTS OWING HEREUNDER, AS PROVIDED FOR HEREIN, IF DOING SO WILL CURE ANY ERRORS OR DEFECTS IN SUCH PRIOR PROCEEDINGS.

_____ may at any time pledge all or a portion of its rights under the Loan Documents including any portion of this Revolving Credit Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. § 341. No such pledge or enforcement thereof shall release _____ from its obligations under any of the Loan Documents.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Borrower has executed, issued and delivered this Revolving Credit Note in Pittsburgh, Pennsylvania on the day and year written above.

ATTEST:

Matthews International Corporation

By:
Print Name:
Title:

By: (SEAL)
Print Name:
Title:



Exhibit 10.2
SWING LINE NOTE

\$10,000,000.00
December 3, 2001

Pittsburgh, Pennsylvania

FOR VALUE RECEIVED, the undersigned, Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), hereby promises to pay to the order of Citizens Bank of Pennsylvania ("Citizens"), as provided for in the Loan Agreement (as defined below), the lesser of (i) the principal sum of Ten Million and 00/100 Dollars (\$10,000,000.00) or (ii) the aggregate unpaid principal amount of all Swing Line Loans made by Citizens to the Borrower pursuant to that certain Loan Agreement, dated of even date herewith, by and among the Borrower, Citizens and other financial institutions listed on the signature pages thereof (Citizens and such other financial institutions are each a "Bank" and collectively, the "Banks"), and Citizens Bank of Pennsylvania, as agent for the Banks (in such capacity, the "Agent") (as such agreement may be amended, modified or supplemented from time to time, the "Loan Agreement"). The Borrower hereby further promises to pay to the order of Citizens interest on the unpaid principal amount of this Swing Line Note (the "Swing Line Note") from time to time outstanding at the rate or rates per annum determined pursuant to Article II of, or as otherwise provided in, the Loan Agreement, and with such amounts being payable on the dates set forth in Article II of, or as otherwise provided in, the Loan Agreement.

All payments and prepayments to be made in respect of principal, interest, or other amounts due from the Borrower under this Swing Line Note shall be payable at 12:00 noon, Pittsburgh, Pennsylvania time, on the day when due, without presentment, protest, notice or demand of any kind, all of which are expressly waived, and an action for the payments shall immediately accrue. All such payments shall be made to Citizens at Citizens' designated office located at Two Mellon Bank Center, Pittsburgh, Pennsylvania 15259, in lawful money of the United States of America in immediately available funds without setoff, counterclaim or other deduction of any nature.

Except as otherwise provided in the Loan Agreement, if any payment of principal or interest under this Swing Line Note shall become due on a day that is not a Business Day, such payment shall be made on the next following Business Day and such extension of time shall be included in computing interest in connection with such payment.

This Swing Line Note is one of the Notes referred to in, and is entitled to the benefits of, the Loan Agreement. Capitalized terms used in this Swing Line Note that are defined in the Loan Agreement shall have the meanings assigned to them therein unless otherwise defined in this Swing Line Note.

This Swing Line Note shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles of the conflicts of laws thereof. In the event of any Event of Default or the enforcement by Citizens of its rights hereunder, the Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this Swing Line Note.

WARRANT OF ATTORNEY TO CONFESS JUDGMENT. THE BORROWER HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS THE PROTHONOTARY, ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD, WITH OR WITHOUT DEFAULT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER FOR SUCH SUMS AS ARE DUE AND/OR MAY BECOME DUE UNDER THIS SWING LINE NOTE, WITH OR WITHOUT DECLARATION, WITH COSTS OF SUIT, WITHOUT STAY OF EXECUTION AND WITH AN AMOUNT EQUAL TO FIFTEEN PERCENT (15%) OF THE AMOUNT OF SUCH JUDGMENT, BUT NOT LESS THAN TEN THOUSAND AND 00/100 DOLLARS (\$10,000.00) ADDED FOR ATTORNEYS' COLLECTION FEES. TO THE EXTENT PERMITTED BY LAW, THE BORROWER RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A COPY OF THIS SWING LINE NOTE, VERIFIED BY AFFIDAVIT BY OR ON BEHALF OF THE HOLDER OF THIS SWING LINE NOTE SHALL HAVE BEEN FILED IN SUCH ACTION, IT SHALL NOT BE NECESSARY TO FILE THE ORIGINAL SWING LINE NOTE AS A WARRANT OF ATTORNEY. THE AUTHORITY AND POWER TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF AND MAY BE EXERCISED AS OFTEN AS THE HOLDER SHALL FIND IT NECESSARY AND DESIRABLE AND THIS SWING LINE NOTE SHALL BE A SUFFICIENT WARRANT THEREFOR. THE HOLDER HEREOF MAY CONFESS ONE OR MORE JUDGMENTS IN THE SAME OR DIFFERENT JURISDICTIONS FOR ALL OR ANY PART OF THE AMOUNT OWING HEREUNDER, WITHOUT REGARD TO WHETHER JUDGMENT HAS THERETOFORE BEEN CONFESSED ON MORE THAN ONE OCCASION FOR THE SAME AMOUNT. IN THE EVENT ANY JUDGMENT CONFESSED AGAINST THE BORROWER HEREUNDER IS STRICKEN OR OPENED UPON APPLICATION BY OR ON THE BORROWER'S BEHALF FOR ANY REASON, THE HOLDER IS HEREBY AUTHORIZED AND EMPOWERED TO AGAIN APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER FOR ANY PART OR ALL OF THE AMOUNTS OWING HEREUNDER, AS PROVIDED FOR HEREIN, IF DOING SO WILL CURE ANY ERRORS OR DEFECTS IN SUCH PRIOR PROCEEDINGS.

Citizens may at any time pledge all or a portion of its rights under the Loan Documents including any portion of this Swing Line Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. § 341. No such pledge or enforcement thereof shall release Citizens from its obligations under any of the Loan Documents.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Borrower has executed, issued and delivered this Swing Line Note in Pittsburgh, Pennsylvania on the day and year written above.

ATTEST: Matthews International Corporation

By: By: (SEAL)

Print Name: Print Name:

Title: Title:

- -



GUARANTY AND SURETYSHIP AGREEMENT

IN CONSIDERATION of credit granted or to be granted by Citizens Bank of Pennsylvania, a national banking association ("Citizens") and various other financial institutions (Citizens and such other financial institutions are each a "Bank" and collectively, the "Banks") pursuant to that certain Loan Agreement, dated of even date herewith, by and among Matthews International Corporation, a Pennsylvania corporation (the "Debtor"), the Banks and Citizens Bank of Pennsylvania, as agent for the Banks (in such capacity, the "Agent") (the "Loan Agreement"), intending to be legally bound hereby, and to induce the Banks to maintain or extend credit to the Debtor, _____, a _____ (the "Guarantor"), this 3rd day of December, 2001, hereby jointly and severally with each of the other Guarantors (as defined in the Loan Agreement):

1. Becomes an absolute and unconditional guarantor and surety as though it were a primary obligor to the Agent and the Banks, their respective successors, endorsees and assigns, for (i) the prompt payment and performance when due (whether at maturity, by declaration, acceleration or otherwise) of all existing and future liabilities and obligations of the Debtor to the Agent and the Banks under the Loan Documents to which the Debtor is a party, including any extensions, modifications, renewals thereof and substitutions therefor, whether absolute or contingent, direct or indirect, matured or unmatured, sole, joint or several, of any nature whatsoever, without regard to the validity, enforceability or regularity thereof including, without limitation, continuing interest thereon in accordance with the terms thereof and all expenses (including any reasonable costs of legal expenses) incurred by the Agent or any Bank in enforcing any rights with regard to or collecting against the Guarantor under this Guaranty and Suretyship Agreement ("Agreement") and (ii) the due and punctual performance of and/or compliance with all of the terms, conditions and covenants contained in each of the Loan Agreement, the Notes (as defined in the Loan Agreement) and the other Loan Documents (as defined in the Loan Agreement) to be performed or complied with by the Debtor and the accuracy of the Debtor's representations and warranties contained in each of the Loan Documents (hereinafter collectively referred to as the "Debtor Liabilities"), whether or not such Debtor Liabilities or any portion thereof shall hereafter be released or discharged or is for any reason invalid or unenforceable (capitalized terms used in this Agreement that are defined in the Loan Agreement shall have the meanings assigned to them therein unless otherwise defined in this Agreement);

2. Assents to all agreements made or to be made between the Agent or any Bank and any other Person(s) liable, either absolutely or contingently, on any of the Debtor Liabilities, including any and all such agreements made by the Debtor and any co-maker, endorser, pledgor, surety or guarantor (any such Person being hereinafter referred to as an "Obligor"), and further agrees that the Guarantor's liability hereunder shall not be reduced or diminished by such agreements in any way;

3. Consents and agrees that its obligations and liabilities hereunder shall in no way be reduced, limited, waived or released if any other Person or Persons is presently or in the future becomes a surety or guarantor in regard to the Debtor Liabilities or any other liabilities among the Debtor, the Agent and the Banks;

4. Consents that the Agent and the Banks may, at their option, without in any way affecting the Guarantor's liability hereunder: (i) exchange, surrender or release any or all collateral security of any endorsement, guaranty or surety held by the Agent or the Banks for any of the Debtor Liabilities; (ii) renew, extend, modify, supplement, amend, release, alter or compromise the terms of any or all of the Debtor Liabilities; and (iii) waive or fail to perfect the Agent's and the Banks' rights or remedies against the Debtor or the collateral security for any of the Debtor Liabilities; and

5. Warrants that the address specified on the signature page hereof, immediately below the Guarantor's name, is the Guarantor's true and correct address, and agrees to notify the Agent and the Banks, in the manner hereinafter specified, within ten (10) days after any change in the Guarantor's address.

CONTINUING GUARANTOR. This Agreement shall be a continuing one and shall continue in full force and effect until (subject to the terms and conditions of the Section of this Agreement entitled Bankruptcy of the Debtor), all Debtor Liabilities and all other amounts payable under the Loan Documents have been paid and performed in full, and all commitments to extend credit thereunder have terminated. Without limiting the generality of the foregoing, the Guarantor hereby irrevocably waives any right to terminate or revoke this Agreement.

EXTENT OF GUARANTOR'S LIABILITY. This Agreement shall be the joint and several obligations of the Guarantor and the other Guarantors and it is intended to be an absolute and unconditional guaranty and suretyship for the Debtor Liabilities including, but not limited to, the Debtor's Indebtedness under the Loan Agreement; provided, however, that the Guarantor's total liability hereunder shall be limited as set forth below. The obligations of the Guarantor under this Agreement, when construed collectively with the obligations of the other Guarantors, are intended to be the joint and several obligations of the Guarantor and the other Guarantors for the aggregate of the maximum liability of the Guarantor as set forth below.

Subject to the remainder of this paragraph, but otherwise notwithstanding anything to the contrary contained in this Agreement, the maximum liability of the Guarantor under this Agreement shall not exceed the sum of (a) that portion of the Loans (as defined in the Loan Agreement), the proceeds of which are used by Debtor to make Valuable Transfers (as hereinafter defined) to the Guarantor, plus (b) ninety-five percent (95%) of the Adjusted Net Worth (as hereinafter defined), but only to the extent that Adjusted Net Worth is a positive number, of the Guarantor at the date of this Agreement. For purposes of this paragraph:

"Adjusted Net Worth" shall mean, as of any date of determination thereof, the excess of (a) the amount of the fair saleable value of the assets of the Guarantor as of the date of such determination, determined in accordance with applicable federal and state laws governing determinations of insolvency of debtors, over (b) the amount of all liabilities of the Guarantor, contingent or otherwise, as of the date of such determination, determined on the basis provided in the preceding clause (a), in all events prior to giving effect to Valuable Transfers.

"Valuable Transfers" shall mean (a) all loans, advances or capital contributions made to the Guarantor with proceeds of the Loans, (b) the fair market value of all property acquired with proceeds of the Loans and transferred to the Guarantor, (c) the interest on and the fees in respect of the Loans, the proceeds of which are used to make such a Valuable Transfer, and (d) the value of any quantifiable economic benefits not included in clauses (a) through (c) above, but includable in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, accruing to the Guarantor as a result of the Loans.

The Guarantor agrees that the Debtor Liabilities may at any time and from time to time exceed the maximum liability of the Guarantor hereunder without impairing this Agreement or affecting the rights and remedies of the Agent and the Banks hereunder. No payment or payments made by the Debtor, the Guarantor or any other Person or received or collected by the Agent or any Bank from the Debtor, the Guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Debtor Liabilities shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor under this Agreement and the Guarantor shall, notwithstanding any such payment or payments (other than payments made to the Agent or any Bank by the Guarantor or payments received or collected by the Agent or any Bank from the Guarantor), remain liable for the Debtor Liabilities up to the maximum liability amount of the Guarantor set forth in this paragraph until the Debtor Liabilities are indefeasibly paid in full in cash; provided, however, that, anything herein to the contrary notwithstanding, in no event shall the Guarantor's liability under this paragraph exceed the maximum amount that, after giving effect to the incurring of the obligations hereunder and to any rights to contribution of the Guarantor from the Debtor and other affiliates of the Debtor, would not render the Agent's and the Banks' right to payment hereunder void, voidable or avoidable under any applicable fraudulent transfer law; and further provided that if a greater amount of the Debtor Liabilities than the maximum liability set forth in this paragraph could be repaid by the Guarantor as a result of an increase in the Guarantor's Adjusted Net Worth subsequent to the date of this Agreement, without rendering the Agent's and the Banks' right to payment hereunder void, voidable or avoidable under any applicable fraudulent transfer law, then the amount of the Guarantor's maximum liability calculated in the first sentence of this paragraph shall be calculated based upon the Guarantor's Adjusted Net Worth on such later date, rather than the date of execution of this Agreement.

UNCONDITIONAL LIABILITY. The Guarantor's liability hereunder is absolute and unconditional and shall not be reduced, limited, waived, or released in any way by reason of: (i) any failure of the Agent or any Bank to obtain, retain, preserve, perfect or enforce any rights against any Person (including without limitation, any Obligor) or in any property securing any or all of the Debtor Liabilities; (ii) the invalidity or irregularity of any such rights that the Agent and the Banks may attempt to obtain; (iii) any delay in enforcing or any failure to enforce such rights, even if such rights are thereby lost; (iv) any delay in making demand on any Obligor for payment or performance of any or all of the Debtor Liabilities; or (v) from time to time, the payment in full and subsequent incurring of any Debtor Liabilities.

RIGHT OF SET-OFF. As security for the prompt payment when due on the liabilities of the Guarantor hereunder, the Guarantor hereby grants to the Agent and the Banks a lien and security interest in all property of the Guarantor now or at any later time in the Agent's or any Bank's possession in any capacity including, but not limited to, any balance or share of any deposit account, or otherwise, now or hereafter owed by the Agent or any Bank from time to time to the Guarantor in any regard or in any capacity, and whether or not then due. Such lien and security interest shall be independent of any right of setoff that the Agent and the Banks may have. If any liability of the Guarantor hereunder is not paid to the Agent when due, the Agent and the Banks may forthwith: (i) set-off against the liabilities of the Guarantor hereunder all moneys owed by the Agent or any Bank to the Guarantor in any capacity, whether or not then due, and whether provisionally or finally credited upon the Agent's and the Banks' books and records; and (ii) sell all or any part of any such property held as collateral on or at the option of the Agent and the Banks, at any time or times without advertisement, demand or notice to the Guarantor (any and all of which are hereby waived), except such notice, if any, as may be required by Law and cannot be waived, with the right on the part of the Agent and the Banks or their respective nominees to become the purchasers thereof at any such sale, free of any equity of redemption and of all other claims.

WAIVER. The Guarantor hereby waives all notice with respect to the present existence or future incurrence of any Debtor Liabilities including, but not limited to, the amount, terms and conditions thereof. The Guarantor hereby consents to the taking of, or failure to take, from time to time, any action of any nature whatsoever permitted by Law with respect to the Debtor Liabilities and with respect to any rights against any Person or Persons (including, without limitation, any Obligor), or in any property including, without limitation, any renewals, extensions, modifications, postponements, compromises, indulgences, waivers, surrenders, exchanges and releases, and the Guarantor will remain fully liable hereunder notwithstanding any or all of the foregoing. The granting of an express written release of the Guarantor's liability hereunder or any Obligor's liability shall be effective only with respect to the liability hereunder of such Guarantor or Obligor who is specifically so expressly released but shall in no way affect the liability hereunder of the Guarantor or Obligor not so expressly released. The dissolution of the Guarantor shall in no way affect the liability hereunder or that of any other Obligor. The Guarantor hereby expressly waives: (i) notices of acceptance hereof; (ii) any presentment, demand, protest, notice of default in connection with the Debtor Liabilities, dishonor or notice of dishonor; (iii) any right of indemnification; and (iv) any defense arising by reason of any disability or other defense whatsoever to the liability of the Debtor, or any other circumstance which might otherwise constitute a defense available to, or in discharge of, the Guarantor with respect to its obligations hereunder.

No payment by the Guarantor shall entitle any other Guarantor or Obligor, by subrogation, contribution, indemnification or otherwise, to succeed to any of the rights of the Agent and the Banks, including rights to any payment made on account of the Debtor Liabilities, regardless of the source of such payment, until all of the Debtor's obligations to the Agent and the Banks under the Loan Documents are satisfied in full. The Guarantor hereby waives any benefit of and any right to participate in any collateral security now or hereafter held by the Agent and the Banks or any failure or refusal by the Agent and the Banks to perfect an interest in any collateral security.

BANKRUPTCY OF THE DEBTOR. Neither the Guarantor's obligations to make payment in accordance with the terms of this Agreement nor any remedy for the enforcement hereof shall be impaired, modified, changed, released or limited in any manner whatsoever by the Debtor's bankruptcy or by any impairment, modification, change, release or limitation of (i) the liability of the Debtor, any Person assuming the obligations of the Debtor under any of the Loan Documents or the Debtor's estate in bankruptcy or (ii) any remedy for the enforcement of the Debtor Liabilities, either of which result from the operation of any present or further provision of any bankruptcy act, Law or equitable cause or from the decision of any court. The Guarantor agrees that to the extent that the Debtor or any other Person liable for all or any part of the Debtor Liabilities makes a payment or payments to the Agent or any Bank, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be paid to a trustee, receiver or any other Person under any bankruptcy act, Law or equitable cause, then to the extent of such payment, the Debtor Liabilities or part thereof intended to

be satisfied shall be revived and continued in full force and effect as if said payment had not been made.

PAYMENT OF COSTS. In addition to all other liabilities of the Guarantor hereunder, the Guarantor also agrees to pay to the Agent on demand all reasonable costs and expenses (including reasonable attorneys' fees and legal expenses) which may be incurred in the enforcement or collection of the liabilities of the Guarantor hereunder.

PRIMARY LIABILITY OF THE GUARANTOR. The Guarantor agrees that this Agreement may be enforced by the Agent and the Banks without the necessity at any time of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the Loan Documents, or any collateral now or hereafter securing the Debtor Liabilities or otherwise, and the Guarantor hereby waives the right to require the Agent and the Banks to proceed against any other Obligor or to require the Agent and the Banks to pursue any other remedy or enforce any other right. The Guarantor further agrees that nothing contained herein shall prevent the Agent and the Banks from suing on the Loan Documents, or any of them, or foreclosing their Lien, if any, on any collateral hereafter securing the Debtor Liabilities or from exercising any other rights available under the Loan Documents, or any other instrument of security if neither the Debtor nor the Guarantor timely perform the obligations of the Debtor thereunder, and the exercise of any of the aforesaid rights and the completion of any foreclosure proceedings shall not constitute a discharge of any of the obligations of the Guarantor thereunder; it being the purpose and intent of the Guarantor that the obligations of the Guarantor hereunder shall be absolute, independent and unconditional. Neither the obligations of the Guarantor under this Agreement nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release or limitation of the liability of the Debtor or by reason of the bankruptcy or insolvency of the Debtor. If acceleration of the time for payment of any amount payable by the Debtor is stayed upon the insolvency or bankruptcy of the Debtor, amounts otherwise subject to acceleration under the terms of the Loan Documents including, without limitation, interest at the rates set forth in the Loan Agreement occurring after the date of such bankruptcy or insolvency, shall nonetheless be payable by the Guarantor hereunder forthwith on demand by the Agent. The Guarantor acknowledges that the term "Debtor Liabilities" as used herein includes any payments made by the Debtor to the Agent or the Banks and subsequently recovered by the Debtor or a trustee for any Debtor pursuant to bankruptcy or insolvency proceedings.

ACCELERATION OF THE GUARANTOR'S LIABILITIES. Upon the occurrence of any of the following events (each such event an "Event of Default"), all of the Debtor Liabilities, at the Agent's and the Banks' option, shall be deemed to be forthwith due and payable for the purposes of this Agreement and for determining the liability of the Guarantor hereunder, whether or not the Agent and the Banks have any such rights against any other Obligor, and whether or not the Agent and the Banks elect to exercise any rights or remedies against any other Person or property including, without limitation, any other Obligor: (1) the failure of the Guarantor to perform any material covenant or obligation hereunder; (2) the occurrence of an Event of Default under the Loan Agreement; (3) any information or signature heretofore or hereafter furnished to the Agent or any Bank by the Guarantor, or delivered to the Agent or any Bank by an Obligor in connection with any of the Debtor Liabilities, is materially false or incorrect at the time when made; or (4) the failure of the Guarantor or any Obligor to furnish the Agent and the Banks such financial and other information as required by the Loan Documents.

RIGHTS OF THE GUARANTOR. All rights and remedies of the Guarantor against the Debtor or any property of the Debtor or any collateral security for any of the Debtor Liabilities, whether arising by promissory note, subrogation, security agreement, mortgage or otherwise, shall in all respects be and remain subordinate and junior in right of payment and priority to the prior and indefeasible payment in full to the Agent and the Banks of all Debtor Liabilities and to the priority of the Agent and the Banks in any property of the Debtor and any collateral security for any of the Debtor Liabilities. Any amount which may have been paid to the Guarantor on account of any indebtedness of the Debtor to the Guarantor, or on account of any subrogation or other rights of the Guarantor against the Debtor, when all of the Debtor Liabilities shall not have been indefeasibly paid in full, shall be held by the undersigned in trust for the benefit of the Banks and shall forthwith be paid to the Agent to be credited and applied upon the Debtor Liabilities, whether matured or unmatured.

NOTICE TO THE AGENT AND THE BANKS BY THE GUARANTOR. Any notice to the Agent or the Banks by the Guarantor pursuant to the provisions hereof shall be sent by first-class or first-class express mail, private overnight or next business day courier or by telex or 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, to:

Citizens Bank of Pennsylvania
Two Mellon Bank Center
Pittsburgh, Pennsylvania 15259-0001
Attention: Curtis C. Hunter

Notice by the Guarantor shall not, in any way, reduce, diminish or release the liability of any other Obligor. In the event that this Agreement is preceded or followed by any other guaranty or surety agreement(s) regarding the Debtor or any other Person, all rights granted to the Agent and the Banks in such agreement(s) shall be deemed to be cumulative and this Agreement shall not, in such event, be deemed to be cancelled, superseded, terminated or in any way limited.

FINANCIAL STATEMENTS OF THE GUARANTOR. Financial information provided by the Guarantor in connection herewith or with the Loan Agreement to the Agent or any Bank is accurate and complete and has been prepared in accordance with GAAP. There has been no Material Adverse Change since the date of such information. The Guarantor has made full and true disclosure of all pertinent financial and other information in connection with the transactions contemplated hereby.

MISCELLANEOUS. This Agreement shall be binding upon the Guarantor and the Guarantor's successors, assigns and other legal representatives, and shall inure to the benefit of the Agent and the Banks, their respective endorsers, successors and assigns forever. If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein. All matters arising hereunder shall be governed by the Laws of the Commonwealth of Pennsylvania without regard to the conflicts of laws thereof, and the parties hereto agree to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising in connection herewith.

WARRANT OF ATTORNEY TO CONFESS JUDGMENT. THE GUARANTOR HEREBY IRREVOCABLY

AUTHORIZES AND EMPOWERS THE PROTHONOTARY, ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD, WITH OR WITHOUT THE OCCURRENCE OF AN EVENT OF DEFAULT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE GUARANTOR FOR SUCH SUMS AS ARE DUE AND/OR MAY BECOME DUE UNDER THIS AGREEMENT, WITH OR WITHOUT DECLARATION, WITH COSTS OF SUIT, WITHOUT STAY OF EXECUTION AND WITH AN AMOUNT EQUAL TO FIFTEEN PERCENT (15%) OF THE AMOUNT OF SUCH JUDGMENT BUT NOT LESS THAN TEN THOUSAND AND 00/100 DOLLARS (\$10,000.00) ADDED FOR ATTORNEYS' COLLECTION FEES. TO THE EXTENT PERMITTED BY LAW, OTHER THAN MANIFEST ERROR, THE GUARANTOR RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A COPY OF THIS AGREEMENT, VERIFIED BY AFFIDAVIT BY OR ON BEHALF OF THE HOLDER OF THIS AGREEMENT SHALL HAVE BEEN FILED IN SUCH ACTION, IT SHALL NOT BE NECESSARY TO FILE THE ORIGINAL AGREEMENT AS A WARRANT OF ATTORNEY. THE AUTHORITY AND POWER TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE GUARANTOR SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF AND MAY BE EXERCISED AS OFTEN AS THE HOLDER SHALL FIND IT NECESSARY AND DESIRABLE AND THIS AGREEMENT OR A COPY THEREOF SHALL BE A SUFFICIENT WARRANT THEREFOR. THE HOLDER HEREOF MAY CONFESS ONE OR MORE JUDGMENTS IN THE SAME OR DIFFERENT JURISDICTIONS FOR ALL OR ANY PART OF THE AMOUNT OWING HEREUNDER, WITHOUT REGARD TO WHETHER JUDGMENT HAS THERETOFORE BEEN CONFESSED ON MORE THAN ONE OCCASION FOR THE SAME AMOUNT. IN THE EVENT ANY JUDGMENT CONFESSED AGAINST THE GUARANTOR HEREUNDER IS STRICKEN OR OPENED UPON APPLICATION BY OR ON THE GUARANTOR'S BEHALF FOR ANY REASON, THE HOLDER IS HEREBY AUTHORIZED AND EMPOWERED TO AGAIN APPEAR FOR AND CONFESS JUDGMENT AGAINST THE GUARANTOR FOR ANY PART OR ALL OF THE AMOUNTS OWING HEREUNDER, AS PROVIDED FOR HEREIN, IF DOING SO WILL CURE ANY ERRORS OR DEFECTS IN SUCH PRIOR PROCEEDINGS.

WAIVER OF TRIAL BY JURY. THE UNDERSIGNED HEREBY EXPRESSLY, KNOWINGLY AND VOLUNTARILY WAIVES ALL BENEFIT AND ADVANTAGE OF ANY RIGHT TO A TRIAL BY JURY, AND IT WILL NOT AT ANY TIME INSIST UPON, OR PLEAD OR IN ANY MANNER WHATSOEVER CLAIM OR TAKE THE BENEFIT OR ADVANTAGE OF A TRIAL BY JURY IN ANY ACTION ARISING IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned Guarantor, intending to be legally bound, has executed and delivered this Agreement on the day and year first above written.

ATTEST:

By:

By: (SEAL)

Print Name:

Print Name:

Title:

Title:

Address:



EXHIBIT D

**FORM OF
ASSIGNMENT AGREEMENT**

This Assignment Agreement (this "Assignment Agreement") between _____ (the "Assignor") and _____ (the "Assignee") is dated as of _____, _____. The parties hereto agree as follows:

1. **PRELIMINARY STATEMENT.** The Assignor is a party to a Loan Agreement, dated December 3, 2001 (which, as it may from time to time be amended, restated or otherwise modified is herein called the "Loan Agreement"), by and between Matthews International Corporation (the "Borrower"), certain banks listed on the signature pages thereof (collectively, "Banks" and, individually, "Bank"), and Citizens Bank of Pennsylvania, as agent for the Banks ("Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Loan Agreement. The Assignor desires to assign to the Assignee, and the Assignee desires to assume from the Assignor, one hundred percent (100%) of the Commitment of the Assignor.
2. **ASSIGNMENT.** For and in consideration of the assumption of obligations by the Assignee set forth in Section 3 hereof and other consideration set forth herein, and effective as of the Assignment Effective Date (as hereinafter defined), the Assignor does hereby sell, assign, transfer and convey all of its right, title and interest in and to (a) the Commitment of the Assignor (as in effect on the Assignment Effective Date), (b) any Loan made by the Assignor which is outstanding on the Assignment Effective Date, (c) any Note delivered to the Assignor pursuant to the Loan Agreement, and (d) the Loan Agreement and the other Loan Documents. Pursuant to Section 8.17A of the Loan Agreement, on and after the Assignment Effective Date the Assignee shall have the same rights, benefits and obligations as the Assignor had under the Loan Agreement and the Loan Documents, all determined as if the Assignee were a "Bank" under the Loan Agreement with a Commitment of _____ Dollars (\$ _____), equaling _____ percent (____%) of the Total Commitment Amount. The Assignment Effective Date (the "Assignment Effective Date") shall be two (2) Business Days (or such shorter period agreed to by Agent) after a Notice of Assignment substantially in the form of Attachment I hereto and any consents substantially in the form of Attachment II hereto required to be delivered to Agent, together with a fee of Five Thousand and 00/100 Dollars (\$5,000.00), in accordance with Section 8.17A of the Loan Agreement, have been delivered to Agent; provided, however, that, in the event that Borrower shall appropriately request a Revolving Credit Loan prior to the time at which all of conditions to the effectiveness of this Assignment shall have been met, the Assignment Effective Date shall be the Business Day immediately following the day upon which the Loans by the Banks are to be made under such request for a Revolving Credit Loan. In no event shall the Assignment Effective Date occur if the payments required to be made by the Assignee to the Assignor on the Assignment Effective Date under Section 4 are not made on or prior to the proposed Assignment Effective Date. The Assignor shall notify the Assignee of the proposed Assignment Effective Date on the Business Day prior to the proposed Assignment Effective Date and shall notify the Assignee of any pending request for a Revolving Credit Loan which would delay such proposed Assignment Effective Date.
3. **ASSUMPTION.** For and in consideration of the assignment of rights by the Assignor set forth in Section 2 hereof and the other consideration set forth herein, and effective as of the Assignment Effective Date, the Assignee does hereby accept that assignment, and assume and covenant and agree fully, completely and timely to perform, comply with and discharge, each and all of the obligations, duties and liabilities of the Assignor under the Loan Agreement and the Loan Documents which are assigned to the Assignee hereunder, which assumption includes, without limitation, the obligation to fund the unfunded portion of the Total Commitment Amount in accordance with the provisions set forth in the Loan Agreement as if the Assignee were a "Bank" under the Loan Agreement with _____ Dollars (\$ _____) equaling _____ percent (____ %) of the Total Commitment Amount. The Assignee agrees to be bound by all provisions relating to "Banks" under and as defined in the Loan Agreement and the Loan Documents, including, without limitation, provisions relating to the payment of indemnification. The Assignee agrees further to deliver to Agent, concurrently herewith, a completed Administrative Questionnaire, substantially in the form attached hereto as Attachment III.
4. **PAYMENT OBLIGATIONS.** On and after the Assignment Effective Date, the Assignee shall be entitled to receive from Agent all payments of principal, interest and fees with respect to Assignor's Commitment and Commitment Percentage of the Loans. The Assignee shall advance funds directly to Agent with respect to all Loans and reimbursement payments made on or after the Assignment Effective Date. In consideration for the sale and assignment of Loans hereunder, with respect to all Loans outstanding on the Assignment Effective Date, the Assignee shall pay the Assignor, on the Assignment Effective Date, an amount in Dollars equal to the Assignor's Commitment Percentage of all such Loans. On and after the Assignment Effective Date, the Assignee shall also remit to the Assignor any amounts of interest on Loans and fees received from Agent which relate to Assignor's Commitment Percentage of Loans accrued for periods prior to the Assignment Effective Date. In the event that either party hereto receives any payment to which the other party hereto is entitled under this Assignment Agreement, then the party receiving such amount shall promptly remit it to the other party hereto.
5. **CREDIT DETERMINATION; LIMITATIONS ON ASSIGNOR'S LIABILITY.** The Assignee represents and warrants to the Assignor, Borrower, Agent and the other Banks (a) that it is capable of making and has made and shall continue to make its own credit determinations and analysis based upon such information as the Assignee deemed sufficient to enter into the transaction contemplated hereby and not based on any statements or representations by the Assignor, (b) the Assignee confirms that it meets the requirements to be an assignee as set forth in Section 8.17 of the Loan Agreement; (c) the Assignee confirms that it is able to fund the Loans as required by the Loan Agreement; and (d) the Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement and the Loan Documents are required to be performed by it as a Bank thereunder. It is understood and agreed that the assignment and assumption hereunder are made without recourse to the Assignor and that the Assignor makes no representation or warranty of any kind to the Assignee and shall not be responsible for (i) the due execution, legality, validity, enforceability, genuineness, sufficiency or collectability of the Loan Agreement or any Loan Documents, (ii) any representation, warranty or statement made in or in connection with the Loan Agreement or any of the Loan Documents, (iii) the financial condition or creditworthiness of Borrower, (iv) the performance of or compliance with any of the terms or provisions of the Loan Agreement or any of the Loan Documents, (v) inspecting any of the property, books or records of Borrower or (vi) the validity, enforceability, perfection, priority, condition, value or sufficiency of any collateral securing or purporting to secure the Loans. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be liable for any

mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans, the Loan Agreement or the Loan Documents, except for its or their own bad faith or willful misconduct. The Assignee appoints Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to Agent by the terms thereof.

6. INDEMNITY. The Assignee agrees to indemnify and hold the Assignor harmless against any and all losses, cost and expenses (including, without limitation, attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's performance or non-performance of obligations assumed under this Assignment Agreement.

7. SUBSEQUENT ASSIGNMENTS. After the Assignment Effective Date, the Assignee shall have the right pursuant to Section 8.17 of the Loan Agreement to assign the rights which are assigned to the Assignee hereunder to any entity or person, provided that (a) any such subsequent assignment does not violate any of the terms and conditions of the Loan Agreement, any of the Loan Documents, or any law, rule, regulation, order, writ, judgment, injunction or decree and that any consent required under the terms of the Loan Agreement or any of the Loan Documents has been obtained, (b) the assignee under such assignment from the Assignee shall agree to assume all of the Assignee's obligations hereunder in a manner satisfactory to the Assignor and (c) the Assignee is not thereby released from any of its obligations to the Assignor hereunder.

8. REDUCTIONS OF AGGREGATE AMOUNT OF COMMITMENTS. If any reduction in the Total Commitment Amount occurs between the date of this Assignment Agreement and the Assignment Effective Date, the percentage of the Total Commitment Amount assigned to the Assignee shall remain the percentage specified in Section I hereof and the dollar amount of the Commitment of the Assignee shall be recalculated based on the reduced Total Commitment Amount.

9. ENTIRE AGREEMENT. This Assignment Agreement and the attached consent embody the entire agreement and understanding between the parties hereto and supersede all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

10. GOVERNING LAW. This Assignment Agreement shall be governed by the internal law, and not the law of conflicts, of the Commonwealth of Pennsylvania.

11. NOTICES. Notices shall be given under this Assignment Agreement in the manner set forth in the Loan Agreement. For the purpose hereof, the addresses of the parties hereto (until notice of a change is delivered) shall be the address set forth under each party's name on the signature pages hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their duly authorized officers as of the date first above written.

[ADDRESS]

[NAME OF ASSIGNOR]

By:
Title:

[ADDRESS]

[NAME OF ASSIGNEE]

By:
Title:

ATTACHMENT I
TO
FORM OF ASSIGNMENT AGREEMENT

NOTICE OF ASSIGNMENT

To: Matthews International Corporation
Two NorthShore Center
Pittsburgh, Pennsylvania 15212
Attention: Edward J. Boyle

Citizens Bank of Pennsylvania, as Agent
Two Mellon Bank Center
Room 152-0230
Pittsburgh, PA 15259-0001
Attention: Curtis C. Hunter, Vice President

From: [NAME OF ASSIGNOR]

[NAME OF ASSIGNEE]

, _____

1. We refer to that Loan Agreement, dated as of December 3, 2001 (which, as it may from time to time be amended, restated or otherwise modified, is herein called the "Loan Agreement"), by and between Matthews International Corporation (the "Borrower"), certain banks listed on the signature pages thereof (collectively, "Banks" and, individually, "Bank"), including _____ (the "Assignor") and Citizens Bank of Pennsylvania, as agent for the Banks (as such, the "Agent"). Capitalized terms used herein and in any consent delivered in connection herewith and not otherwise defined herein or in such consent shall have the meanings attributed to them in the Loan Agreement.

2. The Assignor and _____ (the "Assignee") have entered into an Assignment Agreement, dated as of _____, _____, pursuant to which, among other things, the Assignor has sold, assigned, delegated and transferred to the Assignee, and the Assignee has purchased, accepted and assumed from the Assignor, all of the Assignor's rights and obligations under the Loan Agreement such that Assignee's Commitment Percentage of the Total Commitment Amount shall equal _____ percent (____%) of _____ Dollars (\$ _____), effective as of the "Assignment Effective Date" (as hereinafter defined).

The "Assignment Effective Date" shall be the later of _____, ___ or two Business Days (or such shorter period as agreed to by Agent) after this Notice of Assignment and any consents and payments required by Sections 8.17A of the Loan Agreement have been delivered to Agent, provided that the Assignment Effective Date shall not occur if any condition precedent agreed to by the Assignor and the Assignee has not been satisfied; provided, however, that, in the event that Borrower shall appropriately request a Revolving Credit Loan prior to the time at which all of the conditions to the effectiveness of this Assignment shall have been met, the Assignment Effective Date shall be the Business Day immediately following the day upon which the Loans by the Banks are to be made under such request for a Revolving Credit Loan.

3. As of the Assignment Effective Date, the Commitment Percentage of the Assignor in the Total Commitment Amount and Loans will be _____% (_____ Dollars (\$ _____)) (as such percentage may be reduced or increased by assignments which become effective prior to the assignment to the Assignee becoming effective).

4. The Assignor and the Assignee hereby give to Borrower and Agent notice of the assignment and delegation referred to herein. The Assignor shall confer with Agent before _____, _____ to determine if the Assignment Agreement will become effective on such date pursuant to Section 3 hereof, and shall confer with Agent to determine the Assignment Effective Date pursuant to Section 3 hereof if it occurs thereafter. The Assignor shall notify Agent if the Assignment Agreement does not become effective on any proposed Assignment Effective Date as a result of the failure to satisfy the conditions precedent agreed to by the Assignor and the Assignee. At the request of Agent, the Assignor shall give Agent written confirmation of the occurrence of the Assignment Effective Date.

5. The Assignee hereby accepts and assumes the assignment and delegation referred to herein and agrees as of the Assignment Effective Date (a) to perform fully all of the obligations under the Loan Agreement which it has hereby assumed and (b) to be bound by the terms and conditions of the Loan Agreement as if it were a "Bank".

6. The Assignor and the Assignee request and agree that any payments to be made by Agent to the Assignor on and after the Assignment Effective Date shall be made entirely to the Assignee, it being understood that the Assignor and the Assignee shall make between themselves any desired allocations.

7. The Assignor and the Assignee request and direct that Agent prepare and cause Borrower to execute and deliver the Note to the Assignee in accordance with Section 8.17 of the Loan Agreement. The Assignor and the Assignee agree to deliver to Agent, for delivery to Borrower, the original Notes received from it by Borrower upon its receipt of new Notes in the amount set forth above.

8. The Assignee advises Agent that the address listed below is its address for notices under the Loan Agreement:

The Assignee advises Agent that the address listed below is the address of its Office and the wire transfer instructions for delivery of funds by Agent thereto:

ASSIGNOR

ASSIGNEE

By:
Title:

By:
Title:

--

ATTACHMENT II
TO
FORM OF ASSIGNMENT AGREEMENT
CONSENT AND RELEASE

TO: [NAME OF ASSIGNOR]

[NAME OF ASSIGNEE]

, _____

1. We acknowledge receipt from _____ (the "Assignor") and _____ (the "Assignee") of the Notice of Assignment, dated as of _____, ____ (the "Notice"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Notice.

2. In consideration of the assumption by the Assignee of the obligations of the Assignor as referred to in the Notice, Borrower hereby (a) irrevocably consents, pursuant to Section 8.17 of the Loan Agreement, to the assignment and delegation referred to in the Notice, (b) as of the Assignment Effective Date, irrevocably releases the Assignor from all of its obligations to Borrower under the Loan Agreement and any of the Loan Documents to the extent that such obligations have been assumed by the Assignee and (c) agrees that, as of the Assignment Effective Date, Borrower shall consider the Assignee as a "Bank" for all purposes under the Loan Agreement and any of the Loan Documents.

3. Borrower directs Agent to prepare for issuance by Borrower of replacement Notes requested by the Assignor and the Assignee in the Notice. Assignor hereby irrevocably agrees that it shall have no further right or claims against Borrower under the Loan Agreement or Loan Documents, any and all of which have been assigned to Assignee.

4. In consideration of the assumption by the Assignee of the obligations of the Assignor as referred to in the Notice, Agent hereby (a) irrevocably consents pursuant to Section 8.17A of the Loan Agreement, to the assignment and delegation referred to in the Notice, (b) as of the Assignment Effective Date, irrevocably releases the Assignor from its obligations to Agent under the Loan Agreement or any of the Loan Documents to the extent that such obligations have been assumed by the Assignee, and (c) agrees that, as of the Assignment Effective Date, Agent shall consider the Assignee as a "Bank" for all purposes under the Loan Agreement and any of the Loan Documents.

Matthews International Corporation

By:
Title:

Citizens Bank of Pennsylvania,
as Agent

By:
Title:

[ASSIGNOR]

By:
Title:

ATTACHMENT III
TO
FORM OF ASSIGNMENT AGREEMENT

FORM OF
ADMINISTRATIVE QUESTIONNAIRE

Please accurately complete the following information and return via FAX to Citizens Bank of Pennsylvania as soon as possible.

FAX Number:

LEGAL NAME TO APPEAR IN DOCUMENTATION:

GENERAL INFORMATION - DOMESTIC LENDING OFFICE:

Institution Name:
Street Address:
City, State, Zip Code:

CONTACTS/NOTIFICATION METHODS:

CREDIT CONTACTS:

Primary Contact:
Street Address:
City, State, Zip Code:
Phone Number:
FAX Number:
Backup Contact:
Street Address:
City, State, Zip Code:
Phone Number:
FAX Number:

TAX WITHHOLDING:

Non Resident Alien	Y*	N
*Form 4224 Enclosed		
Tax ID Number		

CONTACTS/NOTIFICATION METHODS:

ADMINISTRATIVE CONTACTS - BORROWINGS, PAYDOWNS, INTEREST, FEES, ETC.

Contact:
Street Address:
City, State, Zip Code:
Phone Number:
FAX Number:

PAYMENT INSTRUCTIONS:

Name of Bank where funds are to be transferred:

Routing Transit/ABA number of Bank where funds are to be transferred:

Name of Account, if applicable:

Account Number:

Additional Information:

MAILINGS:

Please specify who should receive financial information:

Name:
Street Address:
City, State, Zip Code:

It is very important that all of the above information is accurately filled in and returned promptly. If there is someone other than yourself who should receive this questionnaire, please notify us of their name and FAX number and we will FAX them a copy of the questionnaire. If you have any questions, please call _____ of Citizens Bank of Pennsylvania at (412) _____.

--



EXHIBIT C

Form Of
COMPLIANCE CERTIFICATE

[For the Fiscal Year Ended _____, 20__]
or
[For the Fiscal Quarter Ended _____, 20__]

The undersigned, _____ of Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), hereby certifies to the Agent (as hereinafter defined) and each of the Banks (as hereinafter defined) pursuant to the Loan Agreement, dated December 3, 2001, by and among the Borrower, the Banks listed on the signature pages thereof (collectively, the "Banks") and Citizens Bank of Pennsylvania, as agent for the Banks ("Agent") (together with all exhibits, schedules, extensions, renewals, amendments, substitutions and replacements thereto and thereof, the "Loan Agreement") as follows:

CHECK ONE:

___ 1. The annual financial statements being delivered to the Agent and the Banks with this Compliance Certificate are true, complete and correct and present fairly the Consolidated financial position of the Borrower and its Subsidiaries and the results of their operations for the fiscal year set forth above in conformance with GAAP consistently applied.

OR

___ 1. The quarterly financial statements being delivered to the Agent and the Banks with this Compliance Certificate are true, complete and correct and present fairly the Consolidated financial position of the Borrower and its Subsidiaries and the results of their operations for the Fiscal Quarter set forth above in conformity with GAAP consistently applied, subject to year end audit adjustment.

___ 2. No Event of Default or Potential Default exists on the date of this Compliance Certificate; no Event of Default or Potential Default has occurred since the date of the previously delivered Compliance Certificate; no Material Adverse Change has occurred since the date of the previously delivered Compliance Certificate; and no event has occurred since the date of the previously delivered Compliance Certificate that may result in a Material Adverse Effect.

[Note: If any of the above events has occurred or is continuing, set forth on an attached sheet the nature thereof and the action which the Borrower has taken, is taking or proposes to take with respect thereto.]

3. The Borrower's compliance with the financial covenants set forth in Section 5.15 of the Loan Agreement is as follows:

	Requirement	Actual
Minimum Net Worth	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).	\$ _____
Fixed Charge Coverage Ratio	Greater than or equal to 1.25 to 1.00 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.	_____ to 1.00
Leverage Ratio	Less than or equal to 2.50 to 1.00 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.	_____ to 1.00
Interest Coverage Ratio	Greater than or equal to 3.00 to 1.00 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	_____ to 1.00

Quarters then ending.

4. The calculations used in connection with the above financial covenants are attached to this Compliance Certificate.
-

All capitalized terms used in this Compliance Certificate which are not defined herein but which are defined in the Loan Agreement shall have the meanings given to them in the Loan Agreement.

Dated the ___ day of _____, _____.

Matthews International Corporation, a Pennsylvania corporation

By:
Name:
Title:

--



Exhibit 10.6
EXHIBIT B

**FORM OF
TERM NOTE**

[\$ _____]

Pittsburgh, Pennsylvania
[_____, 200__]

FOR VALUE RECEIVED, the undersigned, Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), hereby promises to pay to the order of _____ ("BANK"), as provided for in the Loan Agreement (as defined below), the original principal amount of [_____ and ___/100 Dollars (\$_____)], together with interest on the unpaid principal amount of this Term Note (this "Term Note") at the rate or rates per annum determined pursuant to Article II of, or as otherwise provided in, that certain Loan Agreement, by and among the Borrower, BANK and other financial institutions listed on the signature pages thereof (BANK and such other financial institutions are each, a "Bank" and collectively, the "Banks"), and Citizens Bank of Pennsylvania, a Pennsylvania banking institution, as agent for the Banks (in such capacity, the "Agent"), dated December 3, 2001, as amended by that certain First Amendment to Loan Agreement, dated _____, 2004, by and among the Borrower, the Banks and the Agent (as further amended, modified or supplemented from time to time, the "Loan Agreement"), and with such amounts being payable on the dates set forth in Article II of, or as otherwise provided in, the Loan Agreement.

All payments and prepayments to be made in respect of principal, interest or other amounts due from the Borrower under this Term Note shall be 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 expressly waived, and an action therefor shall immediately accrue. All such payments shall be made to the Agent for the ratable benefit of BANK at the designated office of the Agent located at 525 William Penn Place, Pittsburgh, Pennsylvania 15219, in lawful money of the United States of America, in immediately available funds, without setoff, counterclaim or other deduction of any nature.

Except as otherwise provided in the Loan Agreement, if any payment of principal or interest under this Term Note shall become due on a day that is not a Business Day, such payment shall be made on the next following Business Day and such extension of time shall be included in computing interest in connection with such payment.

This Term Note is one of the Notes referred to in, and is entitled to the benefits of, the Loan Agreement. Capitalized terms used in this Term Note that are defined in the Loan Agreement shall have the meanings assigned to them therein unless otherwise defined in this Term Note.

This Term Note shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles of the conflicts of law thereof. In the event of any Event of Default or the enforcement by BANK of its rights hereunder, the Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this Term Note.

WARRANT OF ATTORNEY TO CONFESS JUDGMENT. THE BORROWER HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS THE PROTHONOTARY, ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD, WITH OR WITHOUT DEFAULT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER FOR SUCH SUMS AS ARE DUE AND/OR MAY BECOME DUE UNDER THIS TERM NOTE, WITH OR WITHOUT DECLARATION, WITH COSTS OF SUIT, WITHOUT STAY OF EXECUTION AND WITH AN AMOUNT EQUAL TO FIFTEEN PERCENT (15%) OF THE AMOUNT OF SUCH JUDGMENT, BUT NOT LESS THAN TEN THOUSAND DOLLARS (\$10,000.00), ADDED FOR ATTORNEYS' COLLECTION FEES. TO THE EXTENT PERMITTED BY LAW, THE BORROWER RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A COPY OF THIS TERM NOTE, VERIFIED BY AFFIDAVIT BY OR ON BEHALF OF THE HOLDER OF THIS TERM NOTE SHALL HAVE BEEN FILED IN SUCH ACTION, IT SHALL NOT BE NECESSARY TO FILE THE ORIGINAL TERM NOTE AS A WARRANT OF ATTORNEY. THE AUTHORITY AND POWER TO APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF AND MAY BE EXERCISED AS OFTEN AS THE HOLDER SHALL FIND IT NECESSARY AND DESIRABLE AND THIS TERM NOTE SHALL BE A SUFFICIENT WARRANT THEREFOR. THE HOLDER HEREOF MAY CONFESS ONE OR MORE JUDGMENTS IN THE SAME OR DIFFERENT JURISDICTIONS FOR ALL OR ANY PART OF THE AMOUNT OWING HEREUNDER, WITHOUT REGARD TO WHETHER JUDGMENT HAS THERETOFORE BEEN CONFESSED ON MORE THAN ONE OCCASION FOR THE SAME AMOUNT. IN THE EVENT ANY JUDGMENT CONFESSED AGAINST THE BORROWER HEREUNDER IS STRICKEN OR OPENED UPON APPLICATION BY OR ON THE BORROWER'S BEHALF FOR ANY REASON, THE HOLDER IS HEREBY AUTHORIZED AND EMPOWERED TO AGAIN APPEAR FOR AND CONFESS JUDGMENT AGAINST THE BORROWER FOR ANY PART OR ALL OF THE AMOUNTS OWING HEREUNDER, AS PROVIDED FOR HEREIN, IF DOING SO WILL CURE ANY ERRORS OR DEFECTS IN SUCH PRIOR PROCEEDINGS.

BANK may at any time pledge all or any portion of its rights under the Loan Documents including any portion of this Term Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. §341.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Borrower has executed, issued and delivered this Term Note the day and year written above.

ATTEST:

Matthews International Corporation

By: (SEAL) By: (SEAL)

Name: Name:

Title: Title:

ACKNOWLEDGMENT

COMMONWEALTH OF PENNSYLVANIA

)

) SS:

COUNTY OF ALLEGHENY

)

On this, the ____ day of _____, 200__, before me, a Notary Public, the undersigned officer, personally appeared _____, who acknowledged himself/herself to be the _____ of Matthews International Corporation, a Pennsylvania corporation (the "Company"), and that he/she as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Company as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My Commission Expires:



EXHIBIT C

Form Of
COMPLIANCE CERTIFICATE

[For the Fiscal Year Ended _____, 20__]
or
[For the Fiscal Quarter Ended _____, 20__]

The undersigned, _____ of Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), hereby certifies to the Agent (as hereinafter defined) and each of the Banks (as hereinafter defined) pursuant to the Loan Agreement, dated December 3, 2001, by and among the Borrower, the Banks listed on the signature pages thereof (collectively, the "Banks") and Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as agent for the Banks (in such capacity the "Agent"), PNC Bank, National Association, a national banking association, in its capacity as documentation agent for the Banks, as amended by that certain First Amendment to Loan Agreement, dated April 21, 2004, by and among the Borrower, the Banks, Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as lead arranger and administrative agent for the Banks, PNC Bank, National Association, a national banking association, in its capacity as lead arranger and syndication agent for the Banks, and National City Bank of Pennsylvania, in its capacity as documentation agent for the Banks (together with all exhibits, schedules, extensions, renewals, amendments, substitutions and replacements thereto and thereof, the "Loan Agreement") as follows:

CHECK ONE:

 1. The annual financial statements being delivered to the Agent and the Banks with this Compliance Certificate are true, complete and correct and present fairly the Consolidated financial position of the Borrower and its Subsidiaries and the results of their operations for the fiscal year set forth above in conformance with GAAP consistently applied.

OR

 1. The quarterly financial statements being delivered to the Agent and the Banks with this Compliance Certificate are true, complete and correct and present fairly the Consolidated financial position of the Borrower and its Subsidiaries and the results of their operations for the Fiscal Quarter set forth above in conformity with GAAP consistently applied, subject to year end audit adjustment.

 2. No Event of Default or Potential Default exists on the date of this Compliance Certificate; no Event of Default or Potential Default has occurred since the date of the previously delivered Compliance Certificate; no Material Adverse Change has occurred since the date of the previously delivered Compliance Certificate; and no event has occurred since the date of the previously delivered Compliance Certificate that may result in a Material Adverse Effect.

[Note: If any of the above events has occurred or is continuing, set forth on an attached sheet the nature thereof and the action which the Borrower has taken, is taking or proposes to take with respect thereto.]

3. For purposes of calculating the Applicable Libor Margin, commencing on the next Incentive Pricing Effective Date and for each day thereafter through and including the day immediately preceding the next successive Incentive Pricing Effective Date, the Borrower's Invested Funds shall be \$ _____.

4. The Borrower's compliance with the financial covenants set forth in Section 5.15 of the Loan Agreement is as follows:

	Requirement	Actual
Leverage Ratio	Less than or equal to 2.00 to 1.00 as of June 30, 2004 and as of the last day of each Fiscal Quarter thereafter, for the period equal to the four (4) consecutive Fiscal Quarters then ending.	_____ to 1.00
Interest Coverage Ratio	Greater than or equal to 4.00 to 1.00 as of June 30, 2004, and as of the last day of each Fiscal Quarter thereafter, for the period equal to the four (4) consecutive Fiscal Quarters then ending.	_____ to 1.00

5. The calculations used in connection with the above financial covenants are attached to this Compliance Certificate.

6. [To be included only if the annual financial statements are being delivered with this Compliance Certificate] The Liens permitted pursuant to Sections 6.01(j) of the Loan Agreement listed on Schedule 1 to this Compliance Certificate are true, complete and correct.

All capitalized terms used in this Compliance Certificate which are not defined herein but which are defined in the Loan Agreement shall have the meanings given to them in the Loan Agreement.

Dated the ___ day of _____, _____.

Matthews International Corporation, a Pennsylvania corporation

By:
Name:
Title:

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SCHEDULE 1

Liens Permitted Pursuant to Sections 6.01(j) of the Loan Agreement



CERTIFICATION
PRINCIPAL EXECUTIVE OFFICER

I, Joseph C. Bartolacci, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matthews International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2010

/s/Joseph C. Bartolacci

Joseph C. Bartolacci
President and
Chief Executive Officer



CERTIFICATION
PRINCIPAL FINANCIAL OFFICER

I, Steven F. Nicola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matthews International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2010

/s/Steven F. Nicola

Steven F. Nicola
Chief Financial Officer,
Secretary and Treasurer



Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matthews International Corporation (the "Company") on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Bartolacci, Chief Executive Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Joseph C. Bartolacci

Joseph C. Bartolacci,
President and Chief Executive Officer

May 5, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matthews International Corporation and will be retained by Matthews International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.



Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matthews International Corporation (the "Company") on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven F. Nicola, Chief Financial Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Steven F. Nicola

Steven F. Nicola,
Chief Financial Officer

May 5, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matthews International Corporation and will be retained by Matthews International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.
