

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 December 31, 1994

Commission File Nos. 0-9115 and 0-24494

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common  
stock, as of the latest practicable date:

Class of Common Stock	Outstanding at January 31, 1995
Class A - \$1.00 par value	1,738,275 shares
Class B - \$1.00 par value	7,112,075 shares

PART I - FINANCIAL INFORMATION  
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (UNAUDITED)

<TABLE>  
<CAPTION>

	December 31, 1994		September 30, 1994	
	<C>	<C>	<C>	<C>
<S>				
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 25,516,129		\$ 24,264,967
Accounts and notes receivable, net		25,330,611		27,122,619
Inventories:				
Materials and finished goods		\$ 9,087,670		\$ 8,697,118

Labor and overhead in process	617,609	764,219
Supplies	563,182	540,557
Less LIFO reserve	(241,530)	(241,530)
	-----	-----
	10,026,931	9,760,364
Other current assets	1,195,205	1,469,040
	-----	-----
Total current assets	62,068,876	62,616,990
Accounts receivable, noncurrent	1,428,581	1,402,129
Property, plant and equipment: Cost	60,516,902	60,070,477
Less accumulated depreciation	(22,595,821)	(21,821,201)
	-----	-----
	37,921,081	38,249,276
Deferred income taxes and other assets	11,890,603	11,565,822
Goodwill	5,775,757	5,780,027
	-----	-----
Total assets	<u>\$119,084,898</u>	<u>\$119,614,244</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long-term debt, current maturities	430,775	423,263
Accounts payable	3,324,839	4,699,634
Accrued compensation	4,547,474	8,311,734
Accrued income taxes	3,214,868	1,248,377
Customer prepayments and other current liabilities	5,412,494	6,923,147
	-----	-----
Total current liabilities	16,930,450	21,606,155
Long-term debt	635,064	745,616
Estimated cemetery and finishing costs	4,817,190	4,761,113
Postretirement benefits	18,848,999	18,584,826
Deferred revenue and other liabilities	2,685,627	2,553,266
Shareholders' equity:		
Common stock: Class A, par value \$1.00	1,380,000	1,380,000
Class B, par value \$1.00	7,470,350	7,470,350
Other shareholders' equity	66,317,218	62,512,918
	-----	-----
	75,167,568	71,363,268
	-----	-----
Total liabilities and shareholders' equity	<u>\$119,084,898</u>	<u>\$119,614,244</u>

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended	
	December 31,	
	1994	1993
	----	----
<S>	<C>	<C>
Sales	\$ 40,085,805	\$ 37,981,327
Cost of sales	21,722,238	20,903,079
Selling and administrative expenses	11,999,873	10,878,290
	-----	-----
Operating profit	6,363,694	6,199,958
Interest expense	18,541	91,807
Other (income) & deductions, net	(170,330)	(92,393)
	-----	-----
Income before income taxes	6,515,483	6,200,544

Income taxes (1)	2,605,818	2,583,704
	-----	-----
Net income	\$ 3,909,665	\$ 3,616,840
	=====	=====
Earnings per share (4)	\$ .44	\$ .38
	=====	=====
Dividends per share (4)	\$ .06	\$ .01
	=====	=====
Weighted average number of common shares outstanding (4)	8,850,350	9,429,000
	=====	=====

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended December 31,	
	1994	1993
	----	----
	<C>	<C>
Cash flows from operating activities:		
Net Income	\$ 3,909,665	\$ 3,616,840
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,119,889	866,613
Deferred taxes	(116,007)	(109,060)
Net increase in certain working capital items	(2,898,624)	(2,051,425)
Increase in accounts receivable, noncurrent	(26,452)	(24,151)
(Increase) decrease in cemetery inventory	(18,454)	12,704
Decrease in other noncurrent assets	7,627	72,303
Increase in estimated finishing and cemetery costs	56,077	114,156
Decrease in deferred revenue and expenses and other liabilities	(50,903)	(15,223)
Increase in postretirement benefits	264,173	246,903
Net loss on sale of property, plant and equipment	6,588	6,301
Effect of exchange rate changes on operations	10,721	(140,458)
	-----	-----
Net cash provided by operating activities	2,264,300	2,595,503
	-----	-----
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(719,331)	(855,015)
Proceeds from disposals of property, plant and equipment	13,617	650
Collections on loans to officers and employees	352,012	191,107
	-----	-----
Net cash used in investing activities	(353,702)	(663,258)
	-----	-----
Cash flows from financing activities:		
Payments on long-term debt	(103,040)	(1,906,619)
Proceeds from the sale of treasury stock	-	-
Purchases of treasury stock	-	(1,097,010)
Dividends paid	(530,685)	(95,084)
	-----	-----
Net cash used in financing activities	(633,725)	(3,098,713)

Effect of exchange rate changes on cash and cash equivalents	(25,711)	7,997
Net increase (decrease) in cash and cash equivalents	\$ 1,251,162	\$(1,158,471)

Supplemental Cash Flow Information:

Cash paid during the period for:

Interest	\$ 18,541	\$ 91,807
Income Taxes	755,334	1,386,529

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1994

Note 1. Income Taxes

The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The difference between the estimated effective tax rate of 40% and the Federal statutory rate of 35% is primarily due to state and foreign income taxes.

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 three-month period ended December 31, 1994 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 1995. 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, 1994.

Note 3. Stock Option Plan

The Company has a stock incentive plan which provides for the grant of incentive stock options, nonstatutory stock options and restricted share awards. The aggregate number of shares of the Company's common stock which may be issued upon exercise of the stock options and pursuant to the restricted share awards under the stock incentive plan is 600,000 shares. The option price for each stock option which may be granted under the plan may not be less than fair market value of the Company's common stock on the date of grant. In December 1994, by action of the Compensation Committee of the Company's Board of Directors, officers and other management personnel were granted nonstatutory stock options to purchase a combined total of 377,500 shares of the Company's Class A Common Stock at an exercise price of \$14.25 per share. The options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock, but, in the absence of such events, are exercisable in full during the period December 9, 1999 through December 16, 1999. The options are not exercisable before June 9, 1995 and expire December 9, 2004.

Note 4. Stock Split

Fiscal 1994 earnings and dividends per share and average share information have been restated for the 15-for-1 common stock split which occurred in July 1994.

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 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.

[CAPTION]

	Three months ended December 31,		Years ended September 30,		
	1994	1993	1994	1993	1992
[S]	[C]	[C]	[C]	[C]	[C]
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	45.8	45.0	45.1	42.4	43.5
Operating profit	15.9	16.3	15.1	11.6	12.0
Income before income taxes	16.3	16.3	14.9	11.0(1)	12.0
Net income	9.8	9.5	8.8	6.6(1)	7.1

(1) Excludes the cumulative effect of changes in accounting principles for the adoptions of SFAS No. 106 and SFAS No. 109.

Sales for the three months ended December 31, 1994 were \$40.1 million and were \$2.1 million, or 5.5%, higher than sales of \$38.0 million for the first three months of fiscal 1994. The increase for the first three months of fiscal 1995 reflected higher sales in all three of the Company's segments. The Marking Products segment generated the largest sales increase, up 16.5% over the fiscal 1994 first quarter. The increase in this segment's sales is the result of higher sales volume in North America, Europe and Australia. Bronze segment sales for the first quarter of fiscal 1995 were up 2.6% over the fiscal 1994 first quarter reflecting improvements in both unit volume and price. Graphic Systems sales for the first three months of fiscal 1995 were up slightly over the first three months of fiscal 1994 as both sales volume and prices were relatively consistent with the prior year for this segment.

Gross profit for the three months ended December 31, 1994 was \$18.4 million, or 45.8% of sales, compared to \$17.1 million, or 45.0%, for the first three months of fiscal 1994. The increase in gross profit of \$1.3 million, or 7.5%, and the increased percentage of gross profit to sales for the first three months of fiscal 1995 were attributable principally to the higher sales levels of each of the Company's segments and a reduction in group insurance costs for the period.

Selling and administrative expenses for the three months ended December 31, 1994 were \$12.0 million, representing an increase of \$1.1 million, or 10.3%, from \$10.9 million for the first three months of fiscal 1994. Although the Company's consolidated sales increased 5.5% for the period, selling and administrative expenses increased 10.3% as a result of higher domestic advertising costs of the Marking Products segment and an increase in selling expenses in Australia and Europe.

Operating profit for the three months ended December 31, 1994 was \$6.4 million and was \$164,000, or 2.6%, higher than operating profit of \$6.2 million for the first three months of fiscal 1994. The operating profit for the first quarter established a new quarterly operating profit record for the Company. Increased sales and related gross profit in all three of the Company's segments were the primary factors contributing to the higher operating profit level.

Interest expense for the three months ended December 31, 1994 was approximately \$19,000, compared to \$92,000 for the first three months of fiscal 1994. The decrease in interest expense was principally a result of the repayment of all amounts outstanding under the Term Loan Agreement during fiscal 1994.

Other income and deductions (net) for the three months ended December 31, 1994 resulted in a \$170,000 increase in income before income taxes compared a \$92,000 increase for the first three months of fiscal 1994. Other income and

deductions (net) for the first three months of fiscal 1995 primarily reflected an increase in interest income as a result of a higher cash position during the current period.

The Company's effective tax rate for the first quarter of fiscal 1995 was 40.0%, compared to 40.8% for the year ended September 30, 1994. The lower estimated effective tax rate for fiscal 1995 is primarily the result of a reduction in the effect of foreign income taxes on the Company's consolidated tax position. The difference between the Company's effective tax rate and the Federal statutory rate of 35% is primarily the impact of state and foreign income taxes.

#### Liquidity and Capital Resources

Net cash provided by operating activities was \$2.3 million for the three months ended December 31, 1994, compared to \$2.6 million for the first three months of fiscal 1994. Operating cash flow for the first quarter of both fiscal 1995 and 1994 resulted primarily from the Company's net income of \$3.9 million and \$3.6 million, respectively, offset partially by the use of working capital for the payment of current liabilities which were accrued at year-end.

Cash used in investing activities approximated \$354,000 for the three months ended December 31, 1994 compared to \$663,000 for the same period a year ago. Capital expenditures for the three months ended December 31, 1994 amounted to \$719,000, representing a decrease of approximately \$136,000 from capital expenditures of \$855,000 in the fiscal 1994 first quarter. The decline is due primarily to the timing of capital spending projects in comparison to the prior period. Capital spending for property, plant and equipment has averaged approximately \$6.4 million for the last three fiscal years. The capital budget of the Company for fiscal 1995 is \$12.0 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the three months ended December 31, 1994 was \$634,000 principally reflecting the Company's quarterly dividend of \$.06 per share and repayments under the Company's capital lease agreements. Cash used in financing activities in the first three months of fiscal 1994 was \$3.1 million primarily consisting of repayments under the Company's Term Loan Agreement and treasury stock redemptions under the Employees' Stock Purchase Plan. Dividends for the fiscal 1994 first quarter were \$.01 per share. The Company currently has available lines of credit of approximately \$11 million. There were no outstanding borrowings on any of the Company's lines of credit at December 31, 1994. As of such date, the Company's outstanding long-term debt, which consisted of capital lease obligations, was \$1.1 million.

At December 31, 1994 and September 30, 1994 and 1993, the Company's current ratio was 3.7, 2.9 and 3.0, respectively. The Company had cash and cash equivalents at December 31 and September 30, 1994 of \$25.5 million and \$24.3 million, respectively. Net working capital at December 31, 1994 was \$45.1 million. The Company believes that its current liquidity sources, combined with its operating cash flow and additional borrowing capacity, will be sufficient to meet its capital needs for the next 12 months.

#### Stock Option Plan

The Company has a stock incentive plan which provides for the grant of incentive stock options, nonstatutory stock options and restricted share awards. The aggregate number of shares of the Company's common stock which may be issued upon exercise of the stock options and pursuant to the restricted share awards under the stock incentive plan is 600,000 shares. The option price for each stock option which may be granted under the plan may not be less than fair market value of the Company's common stock on the date of grant. In

December 1994, by action of the Compensation Committee of the Company's Board of Directors, officers and other management personnel were granted nonstatutory stock options to purchase a combined total of 377,500 shares of the Company's Class A Common Stock at an exercise price of \$14.25 per share. The options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock, but, in the absence of such events, are exercisable in full during the period December 9, 1999 through December 16, 1999. The options are not exercisable before June 9, 1995 and expire December 9, 2004.

## PART II - OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

The following Exhibit to this report is filed herewith:

#### Exhibit

No.	Description
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10.1	Form of Stock Option Agreement
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#### (b) Reports on Form 8-K

None

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 2/9/95  
-----

T.N. Kennedy  
-----

T. N. Kennedy, Senior Vice President,  
Chief Financial Officer and Treasurer

Date 2/9/95  
-----

J.L. Parker  
-----

J. L. Parker, Senior Vice President,  
General Counsel and Secretary



EXHIBIT 10.1

MATTHEWS INTERNATIONAL CORPORATION  
Two NorthShore Center  
Pittsburgh, PA 15212

1992 Stock Incentive Plan  
Agreement for Nonstatutory Stock Options

MATTHEWS INTERNATIONAL CORPORATION, a Pennsylvania corporation (the "Corporation"), and \_\_\_\_\_ an employee of the Corporation or a subsidiary of the Corporation (the "Optionee"), for good and valuable consideration the receipt and adequacy of which are hereby acknowledged and intending to be legally bound hereby, agree as follows:

1. Grant of Option. The Corporation hereby confirms the grant to the Optionee on December 9, 1994 (the "Date of Grant") of an option (the "Option") to purchase \_\_\_\_\_ shares of Class A Common Stock, par value \$1.00 per share, of the Corporation (the "Class A Common Stock") at an option price of \$ \_\_\_\_\_ per share, under and subject to the terms and conditions of the Corporation's 1992 Stock Incentive Plan (the "Plan") and this Agreement. The Plan is incorporated by reference and made a part of this Agreement as though set forth in full. Terms which are capitalized but not defined in this Agreement have the same meaning as in the Plan unless the context otherwise requires.

The Option confirmed hereby is intended to be a nonstatutory stock option as that term is defined in Section 4 of the Plan and will not be treated as an incentive stock option under Section 422 or 423 of the Internal Revenue Code of 1986. Subject to the provisions of Section 5 of the Plan (as modified by this Agreement) and Section 9 of the Plan, the Option shall first become exercisable only after June 9, 1995 and in accordance with the following schedule:

- (a) For one-third (1/3) of the number of shares subject to the Option (rounded upward to the nearest whole share) if and when the fair market value per share of the Class A Common Stock equals or exceeds one hundred ten percent (110%) of the fair market value per share of the Class A Common Stock on the Date of Grant for a period of ten (10) consecutive trading days;
- (b) For an additional one-third (1/3) of the number of shares subject to the Option (rounded upward to the nearest whole share) if and when the fair market value per share of the Class A Common Stock equals or exceeds one hundred thirty-three percent (133%) of the fair market value per share of

share of the Class A Common Stock on the Date of Grant for a period of ten (10) consecutive trading days; and

- (c) For the remaining number of shares subject to the Option if and when the fair market value per share of the Class A Common Stock equals or exceeds one hundred sixty percent (160%) of the fair market value per share of the Class A Common Stock on the Date of Grant for a period of ten (10) consecutive trading days;

Provided, however, that if the Option shall not have become fully exercisable on or before December 9, 1999, on December 9, 1999 the Option shall nevertheless be fully exercisable from that date to and including December 16,

1999. The Option may not be exercised after, and shall terminate at, the close of business on (i) December 9, 2004 (to the extent any portion of the Option shall have become exercisable under paragraph (a), (b) or (c) above or pursuant to Section 9 of the Plan) or (ii) December 16, 1999 (to the extent any portion of the Option shall have become exercisable only under the proviso to paragraphs (a), (b) and (c) above). Notwithstanding Sections 5(F)(iii) and (iv) of the Plan, the Option shall be exercisable under Sections 5(F)(iii) and (iv) of the Plan only to the extent that the Option was exercisable by the Optionee immediately prior to termination of employment and death, respectively. Cash payment rights are not granted with respect to the Option.

2. Acceptance Of Grant of Option. The Optionee accepts the grant of the Option confirmed hereby, acknowledges having received a copy of the Plan and agrees to be bound by the terms and provisions of the Plan (as modified by this Agreement), as the Plan may be modified or amended from time to time; provided, however, that no termination, modification or amendment of the Plan shall, without the consent of the Optionee, adversely affect the rights of the Optionee with respect to the Option.

3. Option Not Transferable. The Option shall not be transferable otherwise than by Will or by the laws of descent and distribution, and the Option shall be exercisable during the lifetime of the Optionee only by the Optionee.

4. Procedure for Exercise of Option. The Option may be exercised only by execution and delivery by the Optionee to the Corporation of an exercise form or forms prescribed by the Compensation Committee of the Board of Directors that administers the Plan. Each exercise form must set forth the number of whole shares of Class A Common Stock as to which the Option is exercised, must be dated and signed by the person exercising the Option and must be accompanied by cash in United States dollars (including check, bank draft or money order or cash forwarded through a broker or other agent-sponsored exercise or financing program), shares of already-owned Class A Common Stock at the fair market value of such shares on the date of exercise, or any combination of cash and such shares, in the amount of the full purchase price for the number of shares of Class A Common Stock as to which the Option is exercised; provided, however, that any portion of the option price representing a fraction of a share shall be paid by the Optionee in cash and no shares of the Class A Common Stock which have been held for less than one year may be delivered in payment of the option price.

The Corporation shall advise any person exercising the Option in whole or in part with shares of already-owned Class A Common Stock as to the amount of any cash required to be paid to the Corporation representing a fraction of a share, and such person will be required to pay any such cash directly to the Corporation before any distribution of certificates representing shares of Class A Common Stock will be made. The person exercising the Option should deliver an executed Assignment Separate from Certificate with respect to each stock certificate delivered in payment of the option price. The signature on all Assignments Separate from Certificate must be guaranteed by a commercial bank or trust company, by a firm having membership in the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or the National Association of Securities Dealers, Inc. or by any other person acceptable to the Corporation's Transfer Agent.

The person exercising the Option may choose to exercise the Option by participating in a broker or other agent-sponsored exercise or financing program. If the person so chooses, the Corporation will deliver the shares of the Class A Common Stock acquired pursuant to the exercise of the Option to the broker or other agent, as designated by the person exercising the Option, and will cooperate with all other reasonable procedures of the broker or other agent to permit participation in the sponsored exercise or financing program. Notwithstanding any procedures of the broker or other agent-sponsored exercise or financing program, if the option price is paid in cash, no exercise of an Option shall be deemed to occur and no shares of the Class A Common Stock will be issued or delivered until the Corporation has received full payment in cash (including check, bank draft or money order) for the option price from the broker or other agent.

If a person other than the Optionee exercises the Option, the exercise material must include proof satisfactory to the Corporation of the right of such person to exercise the Option.

The exercise material should be hand delivered to the Chief Financial Officer at the Corporation or mailed to the Corporation at the address set forth on the cover page of this Agreement, Attention: Chief Financial Officer. In the case of hand delivery, the date of exercise is the date on which the exercise form or forms, proof of right to exercise (if required) and payment of the option price in cash or shares of already-owned Class A Common Stock are hand delivered. In the case of mailing, the date of exercise is the date of the postmark on the envelope containing the exercise form or forms, proof of right to exercise (if required) and payment. For purposes of determining the date of exercise where payment of the option price is made in shares of already-owned Class A Common Stock, any cash required to be paid to the Corporation with respect to a fraction of a share shall not be taken into account in determining whether payment of the option price has been made. If exercise is made by mail and the option price is paid in whole or in part with shares of already-owned Class A Common Stock, the executed Assignments Separate from Certificate should be mailed to the Corporation at the same time in a separate envelope from the other exercise material.

5. Determination of Fair Market Value. For purposes of this Agreement, the fair market value of the Class A Common Stock shall be determined as provided in Section 5(H) of the Plan.

6. Issuance of Certificates. Subject to Section 4 of this Agreement and this Section 6, the Corporation will issue a certificate or certificates representing the number of shares of Class A Common Stock to which the person exercising the Option is entitled as soon as practicable after the date of exercise. Unless the person exercising the Option otherwise directs the Corporation in writing, the certificate or certificates will be registered in the name of the person exercising the Option and delivered to such person. If the Option is exercised and the option price is paid in whole or in part with shares of already-owned Class A Common Stock, the Corporation will issue at the same time and return to the person exercising the Option a certificate representing the number of any excess shares included in any certificate or certificates delivered to the Corporation at the time of exercise.

Under Section 7 of the Plan, the obligation of the Corporation to issue or deliver shares on exercise of an option is subject to the effectiveness of a Registration Statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel to the Corporation. The Corporation is not obligated to file such a Registration Statement. If at the time of exercise of the Option, no such Registration Statement is in effect, the issuance or delivery of shares on exercise of the Option may also be made subject to such restrictions on the transfer of the shares, including the placing of an appropriate legend on the certificates restricting the transfer thereof, and to such other restrictions as the Compensation Committee, on the advice of counsel, may deem necessary or appropriate to prevent a violation of applicable securities laws.

7. Withholding of Taxes. The Optionee will be advised by the Corporation as to the amount of any Federal income or employment taxes required to be withheld by the Corporation or a subsidiary of the Corporation on any compensation income resulting from the exercise of the Option. State, local or foreign income or employment taxes may also be required to be withheld by the Corporation or subsidiary on any compensation income resulting from the exercise of the Option. The Optionee shall pay any such taxes required to be withheld directly to the Corporation or subsidiary in cash upon request. If the Optionee does not pay any taxes required to be withheld directly to the Corporation or subsidiary within ten days after any such request, the Corporation and any of its subsidiaries may withhold such taxes from any other

compensation to which the Optionee is entitled from the Corporation or subsidiary. The Optionee shall hold the Corporation or subsidiary harmless in acting to satisfy the withholding obligation in this manner if it becomes necessary to do so.

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1 If the person exercising the Option directs the Corporation to register the Class A Common Stock in the name of another, the person exercising the Option should consult his or her tax advisor on the gift tax implications of such registration.

8. Interpretation of Plan and Agreement. This Agreement is the written agreement referred to in Section 5(G) of the Plan. If there is any conflict between the Plan and this Agreement, the provisions of the Plan shall control. However, there may be provisions in this Agreement not contained in the Plan, which provisions shall nevertheless be effective. In addition, to the extent that provisions in the Plan are expressly modified for purposes of this Agreement pursuant to authorization in the Plan, the provisions of this Agreement shall control. Any dispute or disagreement which shall arise under or in any way relate to the interpretation or construction of the Plan or this Agreement shall be resolved by the Compensation Committee and the decision of the Compensation Committee shall be final, binding and conclusive for all purposes.

9. Effect of Agreement on Rights of Corporation and Optionee. This Agreement does not confer any right on the Optionee to continue in the employ of the Corporation or a subsidiary or interfere in any way with the rights of the Corporation or a subsidiary to terminate the employment of the Optionee.

10. Effect of Agreement On Other Employee Benefit Plans of the Corporation. The Optionee hereby acknowledges and agrees that no amount of income received by the Optionee under this Agreement shall be considered compensation for purposes of any pension or retirement plan, insurance plan or any other employee benefit plan of the Corporation (notwithstanding the definition of compensation provided in such plans), including but not limited to, the Matthews International Corporation Employee Retirement Plan and the Matthews International Supplemental Retirement Plan.

11. Binding Effect. This Agreement shall be binding upon the successors and assigns of the Corporation and upon the legal representatives, heirs and legatees of the Optionee.

12. Entire Agreement. This Agreement constitutes the entire agreement between the Corporation and the Optionee and supersedes all prior agreements and understandings, oral or written, between the Corporation and the Optionee with respect to the subject matter of this Agreement.

13. Amendment. This Agreement may be amended only by a written instrument signed by the Corporation and the Optionee.

14. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any of the provisions of this Agreement.

15. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the Corporation and the Optionee have executed this Agreement as of the Date of Grant.

MATTHEWS INTERNATIONAL CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

WITNESS:

OPTIONEE:

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<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S QUARTERLY REPORT ON FORM 10-Q FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<S>	<C>
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<FISCAL-YEAR-END>	SEP-30-1995
<PERIOD-END>	DEC-31-1994
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