BRUSH WELLMAN INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 29, 1996

OR

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

For the transition period from _______ to ________

Commission file number 1-7006

BRUSH WELLMAN INC.

(Exact name of Registrant as specified in charter)

Ohio	34-0119320
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
17876 St. Clair Avenue, Cleveland, Ohio	44110
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 216-486-4200

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

Yes [X] No [ ]

As of April 30, 1996 there were 15,872,193 shares of Common Stock, par value $1 per share, outstanding.

PART I FINANCIAL INFORMATION

BRUSH WELLMAN INC. AND SUBSIDIARIES

ITEM 1. FINANCIAL STATEMENTS

The consolidated financial statements of Brush Wellman Inc. and its subsidiaries for the quarter ended March 29, 1996 are as follows:

Consolidated Statements of Income - Three months ended March 29, 1996 and April 2, 1995

Consolidated Balance Sheets -
March 29, 1996 and December 31, 1995

Consolidated Statements of Cash Flows - Three months ended March 29, 1996 and April 2, 1995

Notes to consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in thousands except share and per share amounts)	First Quarter Ended March 29, 1996	First Quarter Ended April 2, 1995
Net sales	$93,801	$98,912
Cost of sales	69,008	71,540
Gross Profit	24,793	27,372
Selling, administrative and general expenses	15,480	15,507
Research and development expenses	1,798	1,821
Other-net	(125)	297
Operating Profit	7,640	9,747
Interest expense	286	512
Income before income taxes	7,354	9,235
Income taxes	2,199	2,447
Net Income	$5,155	$6,788
Per Share of Common Stock:	$ 0.32	$ 0.42
Cash dividends per common share	$ 0.10	$ 0.08
Weighted average number of common shares outstanding	16,135,141	16,290,649

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in thousands)	Mar. 29, 1996	Dec. 31, 1995
ASSETS		
Current Assets		
Cash and cash equivalents	$13,255	$29,553
Accounts receivable	61,131	52,532
Inventories	92,026	92,727
Prepaid expenses and other current assets	18,727	16,935
Total Current Assets	185,139	191,747
Other Assets	19,437	18,912
Property, Plant and Equipment	379,768	374,367
Less allowances for depreciation, depletion and impairment	258,526	253,173
Property, Plant and Equipment -- net	121,242	121,194
	$325,818	$331,853
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$23,014	$22,757
Accounts payable	5,690	8,772
Other liabilities and accrued items	23,181	23,734
Dividends payable		1,621
Income taxes	11,234	9,707
Total Current Liabilities	63,119	66,591
Other Long-Term Liabilities	4,261	4,148
Retirement and Post Retirement Benefits	41,453	41,297
Long-Term Debt	16,633	16,996
Deferred Income Taxes	2,341	2,519
Shareholders' Equity	198,011	200,302
	$325,818	$331,853

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in thousands)	Three Months Ended March 29, 1996	April 2, 1995
Net Income	$ 5,155	$ 6,788
Adjustments to Reconcile Net Income to Net Cash		
Provided From Operating Activities:		
Depreciation, depletion and amortization	4,946	5,130
Amortization of mine development	1,097	
Decrease (Increase) in accounts receivable	(9,059)	(6,667)
Decrease (Increase) in Inventory	767	(1,663)
Decrease (Increase) in prepaid and other current assets	(2,472)	97
Increase (Decrease) in accounts payable and accrued expenses	(2,831)	(2,623)
Increase (Decrease) in interest and taxes payable	1,351	2,217
Increase (Decrease) in deferred income tax	(179)	(642)
Other - net	51	23
Net Cash Provided From Operating Activities	(1,174)	2,660
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(5,898)	(3,741)
Payments for mine development	(101)	(312)
Proceeds from other investments	311	504
Net Cash Used in Investing Activities	(5,688)	(3,549)
Cash Flows from Financing Activities:		
Repayment of short-term debt - net	323	(4,013)
Repayment of long-term debt - net	(342)	
Issuance of Common Stock under stock option plans	1,040	29
Purchase of Common Stock for treasury	(6,656)	
Payments of dividends	(3,197)	(2,580)
Net Cash Used in Financing Activities	(8,832)	(6,564)
Effects of Exchange Rate Changes	(604)	855
Net Change in Cash and Cash Equivalents	(16,298)	(6,598)
Cash and Cash Equivalents at Beginning of Period	29,553	20,441
Cash and Cash Equivalents at End of Period	$13,255	$13,843

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
MARCH 29, 1996

Note A - Accounting Policies

In management's opinion, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position as of March 29, 1996 and December 31, 1995 and the results of operations for the three months ended March 29, 1996 and April 2, 1995.

Note B - Inventories

(Dollars in thousands)	March 29, 1996	Dec. 31, 1995
Principally average cost:		
Raw materials and supplies	$ 21,360	$ 19,719
In Process	54,822	57,012
Finished	42,647	42,223
	118,829	118,954
Excess of average cost over LIFO inventory value	26,803	26,227
	$ 92,026	$ 92,727

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Sales for the first quarter 1996 were $93.8 million, a 5% decline from the record first quarter 1995 sales of $98.9 million. Weak demand in segments of the telecommunications and defense markets was main causes of the decline. International sales were $28 million and comprised 30% of total first quarter 1996 sales compared to $36 million or 36% of total sales in 1995. The decrease in international sales was primarily in Alloy Products and was due to softening economic conditions, principally in Germany, and the translation effects of a stronger dollar.

Sales of Alloy Products were flat with the first quarter of last year, as higher domestic sales offset the decline in international sales. Sales of bulk products, which include rod, plate, ingot and tube, increased. These products are used in the aerospace, welding, plastic tooling and consumer products industries. Sales of precision strip, which is used in the telecommunications and computer markets, were down from the prior year. The pass-through effect of lower commodity costs, primarily copper, negatively impacted sales as compared to last year.

Sales of Beryllium Products in the first quarter 1996 were lower than last year due to weaker demand for pure beryllium metal in the defense market. Sales of the Company's AlBeMet(R) rose slightly over the prior year. Encouraging test results from investment casting have been achieved which could potentially lead to an increase in applications for AlBeMet(R). The sales backlog at quarter end improved from the year ago period.

As previously reported in Part II, Item 7, of the Company's Form 10-K for the fiscal year ended December 31, 1995, the Company filed a petition before the U.S. Department of Commerce, International Trade Administration and the U.S. International Trade Commission on March 14, 1996, requesting the imposition of anti-dumping duties on imports of beryllium metal from Kazakhstan. On April 3, 1996, the U.S. Department of Commerce decided to initiate an anti-dumping investigation, and on April 29, 1996, the U.S. International Trade Commission found that there was a reasonable indication that imported beryllium from Kazakhstan caused material injury to the U.S. beryllium industry. In view of these favorable initial results, the Company expects that the anti-dumping proceedings will continue.

Ceramic product sales in the first quarter 1996 were down significantly from the first quarter 1995. Weak demand in telecommunication applications, particularly cellular phones and base stations, was the main cause of the decline, exacerbated by inventory adjustments at several major customers. Direct bond copper sales were slightly higher than first quarter 1995 and, while still not profitable, margins have recently been improved by the automation equipment installed late last year.

Specialty Metal System sales increased in the first quarter 1996 as compared to first quarter 1995. Automotive electronic shipments were delayed due to a customer's strike during the current quarter, but strong demand in other markets more than compensated for the loss in those sales. Overseas demand for these products remains strong. Focused application development is the key for growing these sales.

Precious Metal sales in the first quarter 1996 were less than in the comparable period last year as a result of a customer's re-design of a major microprocessor application in the second quarter of 1995. Growth in sales of new products, including vapor deposition products and fine wire, offset a large portion of the lost sales.

Gross profit was $24.8 million or 26.4% of sales in the first quarter 1996 compared to $27.4 million or 27.7% of sales in the first quarter 1995. The decline in the international sales, which tend to carry higher margins, coupled with the stronger dollar, were the main reasons for the change. The product mix also shifted towards lower margin products. Unplanned downtime on several key pieces of equipment and weather-related issues contributed to slightly higher manufacturing costs.

Selling, administrative and general expenses were $15.5 million or 16.2% of sales in the first quarter 1996 compared to $15.5 million or 15.7% of sales last year. Included in the 1995 expense total were non-continuing costs associated with a process re-design effort and the start-up of a marketing office in Singapore. Most expense categories are in line with the prior year as a result of the Company's internal efforts to control costs. The management incentive compensation expense is down due to lower earnings.

Research and Development (R&D) expenses of $1.8 million for the first quarter 1996 were flat with the comparable 1995 period. As a percent of sales, R&D expenses increased slightly to 1.9%. A re-organization late in the quarter resulted in additional resources being dedicated towards R&D efforts. Projects currently being pursued include the continued development of a lower cost and higher quality alloy strip product.

Other net income was $0.1 million in the first quarter 1996 compared to a net expense of $0.3 million in the first quarter last year. This category includes non-operating items such as amortization, currency gains and losses and interest income. The major change from last year was an increase in currency gains.

Interest expense was lower in the first quarter 1996 compared to the first quarter 1995 due to lower interest rates and an increase in capitalized interest associated with long-term capital projects.

First quarter 1996 income before income taxes decreased to $7.4 million from $9.2 million in the first quarter 1995. Lower sales volume and the resulting reduction in gross margin accounted for the decline. Income taxes were provided at an effective rate of 30.1% of pre-tax income for the first quarter 1996 compared to 26.5% in the first quarter 1995. The higher rate results from an increase in the effective foreign tax rates and other book versus tax adjustments to income. First quarter earnings per share were $0.32 in 1996 and $0.42 in 1995.

FINANCIAL CONDITION

Net cash used in operating activities was $1.2 million during the first quarter 1996 compared to net cash provided from operating activities of $2.7 million during the first quarter 1995. Accounts receivable increased $8.6 million from year end 1995, primarily due to an increase in sales late in the first quarter. Inventories remained essentially flat.

Capital expenditures for property, plant and equipment totaled $5.9 million during the first quarter 1996. The Company recently announced plans to spend on the order of $100 million to modernize its Alloy manufacturing operations. The project is designed to improve quality and the level of customer service, reduce costs and increase capacity. It is expected that the funds will be spent over three years. The project may be funded by a combination of debt, leases and future cash flow.

The Company purchased 359,000 shares of its Common Stock at a cost of $6.7 million during the quarter under a program approved by the Board of Directors late last year. Dividends paid were $3.2 million in the first quarter 1996.

Total debt was unchanged from year end 1995, although there was a slight shift from long-term to short-term debt. The short-term debt is primarily denominated in foreign currencies and gold and is used as a hedge against those asset values. Long-term debt at the end of first quarter 1996 was 8% of total capital.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(a) BERYLLIUM EXPOSURE CLAIMS

CLAIMS INITIATED SINCE THE END OF FISCAL YEAR 1995. The Company and certain of its present and past Directors are defendants in a class action suit filed on April 2, 1996 in the Court of Common Pleas for Cuyahoga County, Ohio, by Christine A. Toth, a former employee of the Company, and her husband on behalf of a putative class of all current and former employees of the Company from 1949 to date of the suit. The plaintiffs claim, INTER ALIA that defendants committed an intentional tort by misleading the Company's employees and the public about the efficacy and adequacy of the standard adopted by the Occupational Safety and Health Administration (OSHA) with respect to exposure to airborne beryllium to protect employees from chronic beryllium disease and by making misrepresentations to employees and the public about the risks of such exposure in the work place. Plaintiffs have also alleged that defendants have deliberately withheld or concealed material information about the effects of such exposure to airborne beryllium. Plaintiffs seek compensatory damages in the amount of $100 million and punitive damages in the amount of $200 million together with certain injunctive relief. Defense of this case is being conducted by counsel retained by the Company. The Company intends to contest the claims vigorously.

(b) ASBESTOS EXPOSURE CLAIMS

A subsidiary of the Company (the "Subsidiary") is a co-defendant in twenty-seven cases making claims for asbestos-induced illness allegedly relating to the former operations of the Subsidiary, then known as The S. K. Wellman Corp. twenty-seven of these cases have been reported in prior filings with the S.E.C. In all but a small portion of these cases, the Subsidiary is one of a large number of defendants in each case. The plaintiffs seek compensatory and punitive damages, in most cases of unspecified sums. Each case has been referred to a liability insurance carrier for defense. With respect to those referrals on which a carrier has acted to date, a carrier has accepted the defense of the actions, without admitting or denying liability. Two hundred twenty-six similar cases previously reported have been dismissed or disposed of by pre-trial judgment, one by jury verdict of no liability and ten others by settlement for nominal sums. The Company believes that resolution of the pending cases referred to above will not have a material effect upon the Company.

The Subsidiary has entered into an agreement with the predecessor owner of its operating assets, Pneumo Abex Corporation (formerly Abex Corporation), and five insurers, regarding the handling of these cases. Under the agreement, the insurers share expenses of defense, and the Subsidiary, Pneumo Abex Corporation and the insurers share payment of settlements and/or judgments. In ten of the pending cases, both expenses of defense and payment of settlements and/or judgments are subject to a limited, separate reimbursement agreement with MLX Corp., the parent of the company that purchased the Subsidiary's operating assets in 1986.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

11. Statement re: computation of per share earnings.

27. Financial Data Schedule.

99. Management Performance Compensation Plan

(b) REPORTS ON FORM 8-K

There have been no reports on Form 8-K during the quarter ended March 29, 1996.

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.

BRUSH WELLMAN INC.

Dated:

/s/ Carl Cramer

Carl Cramer
Vice President Finance and
Chief Financial Officer

EXHIBIT 11

BRUSH WELLMAN INC. AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

	FIRST QUARTER ENDED	
	March 29, 1996	April 2, 1995
Primary:		
Average shares outstanding	16,114,128	16,123,733
Dillutive stock options based on the treasury stock method using average market price	20,353	107,779
TOTALS	16,134,481	16,231,512
Net Income	$ 5,155,000	$ 6,788,000
Per share amount	$0.32	$0.42
Fully diluted:		
Average shares outstanding	16,114,128	16,123,733
Dillutive stock options based on the treasury stock method using average market price	21,013	166,916
TOTALS	16,135,141	16,290,649
Net Income	$ 5,155,000	$ 6,788,000
Per share amount	$0.32	$0.42

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	MAR 29 1996
CASH	13,255
SECURITIES	0
RECEIVABLES	61,131
ALLOWANCES	967
INVENTORY	92,026
CURRENT ASSETS	185,139
PP&E	379,768
DEPRECIATION	258,526
TOTAL ASSETS	325,818
CURRENT LIABILITIES	63,119
BONDS	16,633
COMMON	0
PREFERRED MANDATORY	0
PREFERRED	21,488
OTHER SE	176,523
TOTAL LIABILITY AND EQUITY	325,818
SALES	93,801
TOTAL REVENUES	93,801
CGS	69,008
TOTAL COSTS	86,286
OTHER EXPENSES	(148)
LOSS PROVISION	23
INTEREST EXPENSE	286
INCOME PRETAX	7,354
INCOME TAX	2,199
INCOME CONTINUING	5,155
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	5,155
EPS PRIMARY	$0.32
EPS DILUTED	$0.32

Exhibit 99

BRUSH WELLMAN INC. AND SUBSIDIARIES

MANAGEMENT PERFORMANCE COMPENSATION PLAN

(as adopted December 16, 1991, effective January 1, 1992 and as restated February 24, 1992, December 15, 1992, February 22, 1993, February 7, 1995 and February 6, 1996.)

I. INTRODUCTION

The Management Performance Compensation Plan ("the Plan") provides compensation opportunity to eligible employees based principally on annual financial performance. Any Plan awards for members of the Operations Team are linked essentially to Company performance and in some cases, Business Unit performance. Opportunity for other participants is also predicated upon Company performance and includes recognition of individual and combined contributions toward personal/team objectives and if applicable, Business Unit performance.

II. DEFINITIONS

PLAN YEAR:

The fiscal year for which the Company's Earnings Per Share, Business Unit performance and any Plan awards are calculated.

EARNINGS PER SHARE (EPS):

Net Income as presented in the Audited Financial Statement divided by the weighted average number of outstanding shares of Common Stock including common stock equivalents as determined under the treasury stock method. For the purposes of this Plan, EPS will include the effects of any special charge, write-off or accounting change and accrued incentive compensation.

SUBSIDIARY OPERATING INCOME:

For Technical Materials, Inc., (TMI) and Williams Advanced Materials Inc., (WAM), the Plan's measure of each subsidiary's performance in income before income taxes and interest expenses. Operating Income will include any special write-off or accounting charge and accrued performance or incentive compensation. For participants in grade B at TMI and WAM, the subsidiary's Operating Income is the measure of Business Unit performance. For participants in other grades at TMI and WAM, the subsidiary's Operating Income is the measure of Company performance.

BUSINESS UNIT PERFORMANCE:

The Business Units recognized by the Plan include Alloy, Be Products, and Ceramics. In addition, TMI and WAM are identified as Business Units for participants in grade B at those subsidiaries, and Business Unit performance for them is based on the subsidiary's Operating Income. The measures for the other Business Units are defined below:

ALLOY WORLDWIDE OPERATING INCOME AT FIXED EXCHANGE RATES:

Consolidated profit or loss before interest and taxes for Alloy domestic and international operations. For purposes of the Plan only, the Alloy portion of the international subsidiaries' actual operating results will be recalculated at the current year budgeted exchange rates so that there will be no translation rate impact, either favorable or unfavorable, on the reported results.

Be PRODUCTS CONTRIBUTION:

Operating results before interest and taxes for Be Products domestic operations, including direct exports and sales to international subsidiaries. The net profit or loss earned by the international subsidiaries from their sales of Be Products is excluded.

CERAMICS OPERATING INCOME:

Profit or loss before interest and taxes for Ceramic domestic operations, including direct exports and sales to the international subsidiaries. The net profit or loss earned by the international subsidiaries from their sales of Ceramic products is excluded.

PERSONAL/TEAM PERFORMANCE:

For participants in grades C through E, an assessment of an individual's achievements and his/her contributions to work/project teams during the Plan Year which is expressed as a percentage of base compensation.

BASE COMPENSATION:

The participant's annual base salary in effect on September 30 of the Plan Year

III. PARTICIPATION

At the beginning of the Plan Year, the Operations Team will consider the candidacy of exempt, salaried employees whose responsibilities affect progress on critical issues facing the Company. Those individuals selected by the Operations Team will be notified of their participation, performance compensation grade and performance compensation opportunity and Business Unit designation, if any.

Following the beginning of the Plan Year, the Operations Team may admit new hires or individuals who are promoted or assigned additional and significant responsibilities. The Operations Team may also alter performance compensation grade assignments to reflect changed responsibilities of participants during the Plan Year.

Participation of an individual who replaces a former participant must be approved.

Employees who are designated as participants before April 1 of the Plan year are eligible for full participation. Participants who are newly employed on or after April 1 and before July 1 are eligible for half of any award available for Personal/Team and Financial (Business Unit and/or Company) performance.

Participants who transfer from the Exempt Salaried Performance Compensation Plan to the Management Performance Compensation Plan on or after April 1 and before July 1 are eligible for full participation in the Personal/Team performance component and for half participation in the Financial (Business Unit and/or Company) performance component. Their eligibility under the Exempt Salaried Performance Compensation Plan ceases for the Plan Year.

Changes in performance compensation grade assignments will result in prorated participation in awards.

The eligibility of employees hired or with changed job responsibilities after June 30 will not be considered until the subsequent Plan Year.

Normally, employees who are participants in any other incentive, commission or performance compensation plan are not eligible. The Operations Team may consider prorated participation under special circumstances. Generally, participants must be employed on the last day of the Plan Year in order to be eligible for any performance compensation award. The eligibility and award for any participant who terminates before year-end is at the discretion of the Operations Team.

IV. PERFORMANCE COMPENSATION OPPORTUNITY FOR FINANCIAL PERFORMANCE

The Organization and Compensation Committee of the Board of Directors will establish Threshold, Minimum, Target and Maximum levels for the Company's Earnings per Share and for Operating Income at Technical Materials, Inc., and at Williams Advanced Materials Inc., by February 28 of the Plan Year. The Committee will also set Minimum, Target and Maximum values for the performance of each Business Unit under the Plan by February 28.

For participants who are not assigned to a specific Business Unit by the Operations Team, performance compensation opportunity for Financial performance will be based solely on Company performance as follows:

Grade	Achieve Company Target
A	52%
B	37%
C	17%
D	16%
E	10%

For participants who are assigned to a Business Unit by the Operations Team, two thirds of the Financial performance component will be comprised of Business Unit performance and one third on Company performance. Opportunity under the Plan for Financial performance at Business Unit and Company Targets is expressed as a percentage of base compensation for Business Unit participants below:

Grade	Achieve Business Unit Target	Achieve Company Target	Total Achieve Both Targets
B	25%	12%	37%
C	12%	5%	17%
D	11%	5%	16%
E	7%	3%	10%

Two thirds of the Financial performance component for participants in grade B at Technical Materials, Inc., and at Williams Advanced Materials, Inc., will be based on the subsidiary's Operating Income as Business Unit performance; one third will be determined by the Company's Earnings per Share.

For participants in other grades than B at Technical Materials, Inc., and Williams Advanced Materials Inc., the Financial performance component will be based only on Company performance as defined by the subsidiary's Operating Income.

Awards for Business Unit and Company performance will begin once the Minimum level has been attained for that measure. Financial performance which reaches or exceeds the Maximum value of the measure will result in awards at 150 percent of Target opportunity. Award amounts for levels of achievement between Minimum and Target or between Target and Maximum will be prorated according to the level of achievement.

Financial awards will be prorated for transfers between units (Business Unit and/or Company) according to the length of service by months in each unit during the Plan Year.

V. PERFORMANCE COMPENSATION OPPORTUNITY FOR PERSONAL/TEAM PERFORMANCE

Upon the attainment of the Company Threshold, a pool equaling eight percent (8%) of the base compensation of participants in grades C, D and E will be available to recognize Personal/Team performance by participants in those grades. If an eligible participant's performance compensation opportunity is prorated, the pool will be similarly adjusted.

The Operations Team will decide allocation of the pool among eligible participants.

No awards for Personal/Team performance will be paid for Company Earnings Per Share or Operating Income below the Threshold that pertains to the respective unit.

VI. PAYMENT

Distribution of any performance compensation awards under the Plan to participants will be no later than March 15 of the year following the Plan Year.

In the event of death, any award due a participant will be made to the employee's estate or, at the discretion of the Operations Team, to the employee's spouse.

VII. GENERAL PROVISIONS

The Operations Team has authority to make administrative decisions in the interests of the Plan.

The Board of Directors, through its Organization and Compensation Committee, shall have final and conclusive authority for interpretation and application of this Plan. Subject to the preceding sentence, any determination by the Company's independent accountants shall be final and conclusive.

The Chief Executive Officer will submit to the Committee prior to its regularly scheduled meeting in December of each year, any changes in the Plan due to changes in organization structure, acquisitions or other factors which are deemed to be significant in the effective Operation of the Plan.

The Board of Directors may change or terminate the Plan for the current Plan Year prior to February 28. Other than the considerations noted for the current Plan Year, the Board of Directors reserves the right to amend or terminate the Plan at any time.

This Plan is not a contract of employment.

End of Filing