Restructuring and Asset Impairment Charges

2002 AMSG and MSSG Restructuring In November 2001, we announced a restructuring program whereby we expected to recognize special charges of $15 to $20 million, including period costs, for the closure of three manufacturing locations and the relocation of the production of a certain product line to another plant, and associated workforce reductions. This was done in response to continued steep declines in the end market demand in the electronics and industrial products groups businesses. Additionally, we implemented other worldwide workforce reductions and facility closures in these segments in reaction to the declines in our end markets. All initiatives under this program have been implemented and completed and all charges have been taken.

We implemented the measures associated with the closing and consolidation of the Advanced Materials Solutions Group (AMSG) electronics facility in Chicago, Ill., and Metalworking Solutions & Services Group (MSSG) industrial product group's Pine Bluff, Ark. and Monticello, Ind. locations, the production of a particular line of products in Rogers, Ark. and several customer service centers. As a result, we recorded restructuring charges of $14.8 million during 2002 related to exit costs associated with these actions, including severance for substantially all 337 employees at the closed facilities. We also recorded a charge of $2.5 million related to severance for 84 individuals, primarily in the MSSG segment. The total charge to date of $17.3 million includes non-cash items of $5.4 million. The components of the charges and the accrual at June 30, 2002 for this program are as follows:

(in thousands)	2002 Expense	Asset Write-Downs	Cash Expenditures	Accrual at June 30, 2002
Facility rationalizations	$ 14,801	$ (5,387)	$ (6,437)	$ 2,977
Employee severance	2,525	–	(1,305)	1,220
Total	$ 17,326	$ (5,387)	$ (7,742)	$ 4,197

The restructuring accrual at June 30, 2002 represents future cash payments for these obligations, of which the majority are expected to occur over the next 12 months.

Additionally, as part of these actions, we recorded a non-cash charge of $1.0 million, net of salvage value, associated with the abandonment and scrapping of inventory. This charge was recorded as a component of cost of goods sold. We also incurred period costs associated with these actions of $1.5 million during 2002, which were expensed as incurred as a component of cost of goods sold.

2002 and 2001 J&L and FSS Business Improvement Program In the J&L segment for 2001, we recorded a restructuring and asset impairment charge of $2.5 million of severance of 115 individuals, $1.8 million associated with the closure of 11 underperforming satellite locations, including the German operations, and $0.7 million for the exiting of three warehouses. This includes a $0.4 million non-cash write-down of the book value of certain property, plant and equipment, net of salvage value, that we determined would no longer be utilized in ongoing operations. In the Full Service Supply (FSS) segment for 2001, we recorded restructuring charges of $0.6 million for severance related to eight individuals.

In 2002, we continued our J&L and FSS business improvement programs initiated in 2001. In the J&L segment during 2002, we recorded restructuring and asset impairment charges of $5.3 million related to the write-down of a portion of the value of a business system, $2.5 million for severance for 81 individuals and $1.7 million related to the closure of 10 satellites and two call centers. In anticipation of migrating to a new business system, we capitalized costs associated with the development of system functionality specifically designed for the J&L business. In the December 2001 quarter, after further evaluation of the development of the system, we determined it was no longer feasible that J&L would use this portion of the business system because the vendor ceased supporting the system. Therefore, we recorded the non-cash charge of $5.3 million representing the portion of costs capitalized in connection with system enhancements specifically for the J&L business. In the FSS segment for 2002, we recorded restructuring charges of $0.7 million for severance related to 34 individuals.