in operating cash flow was due primarily to significant improvements in working capital, which more than offset the lower net income in that year.

Investing activities used cash of $48.0 million in 2002, compared with $26.0 million in 2001 and $134.5 million in 2000. Investing activities in 2002 included the acquisitions of Seeger-Orbis and Spectrum. The Seeger-Orbis acquisition was funded from cash held by the Company outside the United States. In 2001, funds used for two bolt-on acquisitions were offset in part by a favorable purchase price adjustment received in 2001 on the Kratz-Wilde/Apex acquisition. The significant cash use in 2000 is attributable to the purchases of Curtis and Kratz-Wilde/Apex. The Company's capital spending program focuses on business growth and improvements in productivity and quality. In 2002, capital spending was reduced in response to the economic downturn. The Company expects to increase capital spending in 2003 to roughly 2001 levels.

Net cash used by financing activities was $24.4 million in 2002 and $13.3 million in 2001, compared with net cash provided by financing activities of $64.8 million in 2000. Cash from financing activities in 2002 included $4.7 million of cash proceeds from the termination of an interest rate swap. This cash, combined with cash provided by operating activities, proceeds from additional borrowings and excess cash, was used to fund acquisitions and capital expenditures and to pay dividends. Cash dividends were held at $0.80 per share. Total cash used to pay 2002 dividends to stockholders was $15.0 million. In 2001, proceeds from the sale of a cross-currency debt swap, combined with strong cash flow from operating activities, were used in part to fund capital expenditures, pay dividends, repurchase the Company's stock and reduce debt. In 2000, the increase in borrowings reflected the issuance of additional long-term debt to fund business acquisitions as well as to supplement cash generated by operating activities.

The Company maintains bank-borrowing facilities to supplement internal cash generation. At December 31, 2002, the Company had a $150 million borrowing facility under a three-year revolving credit agreement, of which $32 million was borrowed at an interest rate of 3.05%. Additionally, the Company had $6.0 million in borrowings under uncommitted short-term bank credit lines, at an interest rate of 2.38%. The revolving credit borrowing facility was signed in June 2002 and replaced a revolving credit facility that was due to expire in December 2002.

Borrowing capacity is limited by various debt covenants. The most restrictive covenant requires the Company to maintain a ratio of Total Debt to EBITDA, as defined in the revolving credit agreement, of not more than 3.0 times at December 31, 2002. The actual ratio at December 31, 2002, was 2.66 times and would have allowed additional borrowings of $27.6 million. In conjunction with the Kar Products acquisition, the Company amended the revolving credit agreement, pursuant to which the ratio was increased to 3.25 times for the first three quarters of 2003 and will return to 3.0 times at December 31, 2003, a ratio the Company expects to meet. In connection with the financing of the acquisition, the Company borrowed an additional $56 million under the revolving credit facility.

At December 31, 2002, the Company held $28.4 million in cash and equivalents, predominately in its non-U.S. subsidiaries. Although repatriation of certain non-U.S. cash balances to the U.S. could have adverse tax consequences, cash held outside the U.S. is available to fund international cash requirements, including acquisitions.

The Company believes its credit facilities, coupled with cash generated from operations, are adequate for its anticipated future requirements.

In November 2000, the Company financed a portion of the Curtis and Kratz-Wilde/Apex business acquisitions by issuing $60 million of privately placed Senior Notes (Notes) with three insurance companies. These Notes bear an annual fixed rate of 9.34% and are payable in three equal annual installments beginning in 2006. In August 2002, the Company terminated an interest rate swap agreement that had effectively converted the Notes to variable-rate debt. In connection with the swap agreement termination, the Company received a cash payment of $4.7 million. The corresponding adjustment to the carrying value of the debt is being amortized against interest expense over the remaining life of the Notes.

The funded status of the Company's pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. Recent declines in the value of securities traded in equity markets and declines in long-term interest rates have had a negative impact

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