UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended September 30, 2000
Commission File Numbers 0-9115 and 0-24494

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

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

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

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $1.00 par value	NASDAQ National Market System
Class B Common Stock, $1.00 par value	None

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405a of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of November 30, 2000 was $431,000,000.

As of November 30, 2000, shares of common stock outstanding were:

Class A Common Stock	13,454,589 shares
Class B Common Stock	1,970,492 shares

Documents incorporated by reference: None

The index to exhibits is on pages 67-69.

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Any forward-looking statements contained in this Annual Report on Form 10-K (specifically those contained in Item 1, "Business" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations") are included in this report 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 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 competitive pressures, and technological factors beyond the Company's control.

ITEM 1. BUSINESS.

Matthews International Corporation ("Matthews"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, crematories and cremation-related products and a leading builder of mausoleums in the United States. The Graphics Imaging segment manufactures and provides printing plates, pre-press services and imaging systems for the corrugated and flexible packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of marking equipment and consumables for identifying various consumer and industrial products, components and packaging containers.

The Company and its majority-owned subsidiaries have approximately 1,800 employees. The Company's principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212 and its telephone number is (412) 442-8200.

The following table sets forth sales and operating profit for the Company's business segments for the past three fiscal years. Detailed financial information relating to business segments and to domestic and international operations is presented in Note 14 (Segment Information) to the Consolidated Financial Statements included in Part II of this Annual Report on Form 10-K.

ITEM 1. BUSINESS, continued.

	Fiscal Year Ended September 30,					
	2000		1999		1998	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Sales to unaffiliated customers:						
Bronze	$140,360	53.5%	$123,760	51.7%	$106,273	50.2%
Graphics Imaging	90,164	34.4	85,095	35.6	75,294	35.6
Marking Products	31,841	12.1	30,474	12.7	30,055	14.2
Total	$262,365	100.0%	$239,329	100.0%	$211,622	100.0%
Operating profit:						
Bronze	33,416	69.9	31,777	77.6	26,016	72.4
Graphics Imaging	9,640	20.2	5,135	12.5	6,910	19.2
Marking Products	4,720	9.9	4,036	9.9	3,003	8.4
Total	$ 47,776	100.0%	$ 40,948	100.0%	$ 35,929	100.0%

In fiscal 2000, approximately 81% of the Company's sales were made from the United States, and 14%, 3% and 2% were made from Europe, Canada and Australia, respectively. Bronze segment products are sold throughout the world with the

segment's principal operations located in the United States, Italy, Canada and Australia. Products and services of the Graphics Imaging segment are sold primarily in the United States, Germany and Austria. The Marking Products segment sells equipment and consumables directly to industrial consumers in the United States and internationally through the Company's wholly-owned subsidiaries in Canada and Sweden and through other foreign distributors. Matthews owns a minority interest in distributors in Asia, Australia, France, Germany, the Netherlands and the United Kingdom.

PRODUCTS AND MARKETS:

Bronze:

The Bronze segment manufactures and markets in the United States, Europe, Canada and Australia products used primarily in the cemetery and funeral home industries. The segment's principal products include cast bronze memorials and other memorialization products used primarily in cemeteries. Other cemetery and funeral home products of the Bronze segment include mausoleums, crematories and cremation-related products. In addition, the segment manufactures and markets cast bronze and aluminum architectural products used to identify or commemorate people, places and events.

Memorial products, which comprise the majority of the Bronze segment's sales, include flush bronze memorials, flower vases, crypt letters, cremation urns, niche units and cemetery features, along with other related products. Flush bronze memorials are bronze plaques which contain personal information about a deceased individual such as name, birth date and death date. These memorials are used in cemeteries as an alternative to upright granite monuments. The memorials are even or "flush" with the ground and therefore are preferred by many cemeteries for easier mowing and other maintenance. In order to provide products for the granite memorial and mausoleum markets, the Company's other memorial products include community and family mausoleums, granite monuments and bronze plaques, letters, emblems, vases, lights and photoceramics that can be affixed to granite monuments, mausoleums and crypts. Principal customers for memorial products are cemeteries and memorial parks, which in turn sell the Company's products to the consumer.

The Bronze segment manufactures a full line of memorial products for cremation, including urns in a variety of sizes, styles and shapes. The segment also manufactures bronze and granite niche units, which are comprised of numerous compartments used to display cremation urns in mausoleums and churches. In addition, the Company also markets "turnkey" cremation gardens, which include the design and all related products for a cremation garden.

In June 1999, Matthews acquired Caggiati S.p.A., the leading supplier of bronze memorialization products in Europe. Caggiati S.p.A. is based in Colorno (Parma), Italy and has two subsidiaries: Caggiati Espana S.A. in Valencia, Spain and Caggiati France S.a.r.l. in Lyon, France. The combination of Matthews and Caggiati S.p.A. is an important part of Matthews' strategy to enhance its position as the worldwide leader in the memorialization industry.

This acquisition is designed to serve as a platform for Matthews to penetrate existing European markets, enter new markets in other areas of the world, and improve Matthews' ability to serve existing multi-national customers on a global basis. In addition, Caggiati products are manufactured via die cast, shell molding and lost wax technologies whereas the majority of Matthews' products are produced by sand cast technology. The combination of these manufacturing processes is expected to provide Matthews with opportunities for the introduction of new products to both existing and new markets. Caggiati S.p.A. is considered to be the premier supplier in the markets they serve and has a reputation for high quality products and outstanding customer service.

The Company, through its wholly-owned subsidiary Industrial Equipment and

Engineering Company ("IEEC"), is the leading North American designer and manufacturer of cremation equipment and cremation-related products. IEEC equipment and products are sold primarily to cemeteries and mortuary facilities within North America, Europe and Asia. In addition, Matthews is a leading builder of mausoleums in the United States through the Bronze segment's Gibraltar Mausoleum Construction Company operation ("Gibraltar"). Mausoleums are sold primarily to cemeteries within North America.

Bronze, continued:

Architectural products include cast bronze and aluminum plaques, etchings and letters that are used to recognize, commemorate and identify people, places, events and accomplishments. The Company's plaques are frequently used to identify the name of a building or the names of companies or individuals located within a building. Such products are also used to commemorate events or accomplishments, such as military service or financial donations. The principal markets for the segment's architectural products are corporations, fraternal organizations, contractors, churches, hospitals, schools and government agencies. These products are sold to and distributed through a network of independent dealers including sign suppliers, recognition companies and trophy dealers.

On October 21, 2000, Matthews acquired certain assets and liabilities of The SLN Group, Inc. ("SLN"). SLN, located in Nanuet, New York, is a manufacturer and marketer of photo-etched metal plaques and water-jet cut letters and logos. The acquisition of SLN is intended to broaden Matthews' offerings for identification and recognition products.

Raw materials used by the Bronze segment consist principally of bronze and aluminum ingot, sheet metal, coating materials, polymer sheet, electrical components and construction materials and are generally available in adequate supply. Ingot is obtained from various North American, European and Australian smelters.

Graphics Imaging:

The Graphics Imaging segment provides printing plates, pre-press services and imaging systems to the corrugated and flexible packaging industries. The corrugated packaging industry consists of manufacturers of printed corrugated boxes and the flexible packaging industry consists of manufacturers of printed bags and other packaging products made of paper, film and foil.

The principal products and services of this segment include printing plates, pre-press graphics and print process and print production management. These products and services are used by packaging manufacturers to print graphics that help sell the packaged product and provide information such as product identification, logos, bar codes and other packaging detail. The corrugated packaging manufacturer produces printed boxes from corrugated sheet. Using the Company's products, this sheet is printed and die cut to make a finished box. The flexible packaging manufacturer produces printed packaging from paper, film and foil, such as for food wrappers.

The Company works closely with manufacturers to provide the proper printing plates and tooling used to print the packaging to the user's specifications. The segment's printing plate products are made principally from photopolymer resin and sheet materials. Upon customer request, plates can be pre-mounted press-ready in a variety of configurations that maximize print quality and minimize press set-up time.

Graphics Imaging, continued:

The segment also provides pre-press graphics and creative art design services to packaging manufacturers and to end users of such packaging. Other products and services include print process and print production management; pre-press preparation, such as computer-generated camera-ready art, negatives, films and master patterns; plate mounting accessories and various press aids; and rotary and flat cutting dies used to cut out intricately designed containers and point-of-purchase displays.

The Graphics Imaging segment customer base consists primarily of packaging industry converters and "national accounts." National accounts are generally large, well-known consumer products companies with a national presence that purchase their printing plates directly. These companies then provide their printing plates to the packaging industry converter of their choice.

As part of the Graphics Imaging segment, Matthews owns a fifty percent interest in O.N.E. Color Communications, L.L.C. ("O.N.E.") and S+T GmbH & Co. KG ("S+T"). O.N.E., headquartered in Oakland, California, provides digital graphic services to advertising agencies and packaging markets. The operations of S+T, located in Julich, Germany, consist principally of flexographic printing preparation and the manufacture of photopolymer printing plates primarily for the German packaging industry. In addition, Matthews purchased a 75% interest in Repro Busek Druckvorstufentechnik GmbH & Co. KG ("Busek") on August 1, 2000. Busek is headquartered in Vienna, Austria. Products and services of Busek include pre-press packaging, digital and analog flexographic printing plates, design, art work, lithography and color separation. Busek serves customers in Austria, Hungary, Poland and the Czech Republic. The combination of the Company's Graphics Imaging business, O.N.E., S+T and Busek is an important part of Matthews' strategy to become a worldwide leader in the graphics industry and service multinational customers on a global basis.

On November 21, 2000, Matthews acquired Press Ready Plate, Inc. ("Press Ready"). Press Ready, located in Kansas City, Missouri, provides pre-press services and printing plates to the flexible packaging industry. The acquisition of Press Ready is designed to increase Matthews' presence in the market for pre-press services used by the flexible packaging industry.

On December 7, 2000, Matthews signed an agreement for the sale of its fifty percent interest in Tukaiz Communications, L.L.C. The sale is expected to close before January 31, 2001. Tukaiz Communications, L.L.C., based in Franklin Park, Illinois, is a pre-press and pre-media firm which principally prepares art or digital files for printing or reproduction.

Major raw materials for this segment's products include photopolymers, film, rubber and graphic art supplies. All such materials are presently available in adequate supply from various industry sources.

Marking Products:

The Marking Products segment designs, manufactures and distributes a wide range of marking equipment and consumables used by customers to identify various consumer and industrial products, components and packaging containers. Marking products range from simple handstamps made from special alloy steel to sophisticated microprocessor-based ink-jet printing systems. The segment manufactures and markets products and systems that employ the following marking methods to meet customer needs: contact printing, indenting, etching, ink-jet printing and laser marking. Customers will often use a combination of these methods in order to achieve an appropriate mark. These methods apply product information required for identification and trace ability as well as to facilitate inventory and quality control, regulatory compliance and brand name communication.

A significant portion of the revenue of the Marking Products segment is attributable to the sale of consumables, software and replacement parts in connection with the marking hardware sold by the Company. The Company develops inks, rubber and steel consumables in harmony with the marking

equipment in which they are used, which is critical to assure ongoing equipment reliability and mark quality. Many marking equipment customers also use the Company's inks, solvents and cleaners.

The principal customers for the Company's marking products include food and beverage processors, metal fabricators, producers of health and beauty products and manufacturers of textiles, plastic, rubber and building products.

A large percentage of the segment's sales are outside the United States and are distributed through the Company's subsidiaries in Canada and Sweden in addition to other international distributors. Matthews owns a minority interest in distributors in Asia, Australia, France, Germany, the Netherlands and the United Kingdom.

The marking products industry is fragmented, with many companies having limited product lines which focus on well-defined specialty markets. Other industry participants, like the Company, have broad product offerings and compete in various product markets and countries. In the United States, the Company has been supplying marking products for 150 years.

Major raw materials for this segment's products include printing components, tool steels, rubber and chemicals, all of which are presently available in adequate supply from various sources.

ITEM 1. BUSINESS, continued.

COMPETITION:

Bronze:

Competition from other bronze memorialization product manufacturers, which is intense, is on the basis of reputation, product quality, delivery, price and design availability. In North America, the Company and its two major bronze competitors account for a substantial portion of the bronze memorial market. The Company also competes with upright granite monument and flush granite memorial providers. The Company believes that its superior quality, broad product lines, innovative designs, delivery capability, customer responsiveness, experienced personnel and customer-oriented merchandising systems are competitive advantages in its markets. The Company competes with several manufacturers in the crematory market principally on the basis of product quality and price. Competition in the mausoleum construction industry includes various construction companies throughout North America and is on the basis of design, quality and price. Competitors in the architectural market are numerous and include companies that manufacture cast and painted signs, plastic materials, sand-blasted wood and other fabricated products.

Graphics Imaging:

Graphics Imaging is one of several manufacturers of printing plates and providers of pre-press services with a national presence. The segment competes in a fragmented industry consisting of a few multi-plant regional printing plate suppliers and a large number of local one-plant companies located across the United States. Competition is on the basis of product quality, timeliness of delivery and price. The Company differentiates itself from the competition by consistently meeting customer demands and its ability to service customers nationwide.

Marking Products:

Competition is intense and based on product performance, service and price. The Company normally competes with specialty companies in specific marking applications. The Company believes that, in general, it has the broadest lines of marking products to address industrial marking applications.

PATENTS, TRADEMARKS AND LICENSES:

The Company holds a number of domestic and foreign patents and trademarks. However, the Company believes the loss of any or a significant number of patents or trademarks would not have a material impact on operations or revenues.

ITEM 1. BUSINESS, continued.

BACKLOG:

Because the nature of the Company's business is primarily custom products made to order with short lead times, backlogs are not generally material in any of the Company's operations except for Gibraltar, IEEC and the Marking Products segment. Backlogs generally vary in a range of seven to nine months of sales for Gibraltar, four to eight months of sales for IEEC, and up to six weeks of sales in the Marking Products segment.

REGULATORY MATTERS:

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company believes that its current operations are in material compliance with all presently applicable environmental laws and regulations. The Company's expenditures for environmental compliance have not had, nor are they presently expected to have, a material adverse effect on the Company.

The Clean Air Act Amendments of 1990 have had minimal impact to date on two of the Company's business segments, Graphics Imaging and Marking Products. In the United States, the Company's Bronze segment operates four nonferrous foundries, none of which is within the "major source" industry category as defined by the Environmental Protection Agency. The Bronze segment operations are regulated as "minor sources" at certain locations. No material capital expenditures are anticipated as a result of the Clean Air Act Amendments.

Like most nonferrous foundry operations, the Company's plants produce a significant volume of residual materials as a result of the bronze casting process. Chief among these is spent foundry sands. Currently, the majority of these materials, including foundry sands, are regulated as solid waste under most state and federal laws. Pursuant to the Resource Conservation and Recovery Act, the Company is regulated as a generator of hazardous waste, and all plants are registered with the Environmental Protection Agency in accordance with applicable regulations. The Company has implemented detailed plans and procedures for waste management at each of its Bronze operating plants in the United States.

ITEM 2. PROPERTIES.

Principal properties of the Company and its majority-owned subsidiaries are as follows (properties are owned by the Company except as noted):

Location	Description of Property	Square Feet
Bronze:		
Pittsburgh, PA	Manufacturing / Division Offices	97,000
Apopka, FL	Manufacturing	40,000
Melbourne, Australia	Manufacturing	26,000(1)
Milton, Ontario, Canada	Manufacturing	30,000
Montreal, Quebec, Canada	Manufacturing	16,000(1)
Nanuet, NY	Manufacturing	15,000(1)
Nashotah, WI	Manufacturing	12,000(1)
Parma, Italy	Manufacturing / Warehouse	231,000(1)

Searcy, AR	Manufacturing	104,000
Seneca Falls, NY	Manufacturing	21,000
Sun City, CA	Manufacturing	24,000
Graphics Imaging:		
Pittsburgh, PA	Manufacturing / Division Offices	56,000
Atlanta, GA	Manufacturing	16,000
Cranberry Twp., PA	Manufacturing	15,000(1)
Dallas, TX	Manufacturing	15,000(1)
Denver, CO	Manufacturing	12,000(1)
High Point, NC	Manufacturing	35,000(1)
Kansas City, MO	Manufacturing	42,000(1)
LaPalma, CA	Manufacturing	22,000
St. Louis, MO	Manufacturing	25,000
Vienna, Austria	Manufacturing	12,000(1)
Marking Products:		
Pittsburgh, PA	Manufacturing / Division Offices	67,000
Pittsburgh, PA	Ink Manufacturing	18,000
Gothenburg, Sweden	Manufacturing / Distribution	28,000(1)
Corporate Office:		
Pittsburgh, PA	General Offices	48,000(2)

(1) These properties are leased by the Company under operating lease arrangements. Rent expense incurred by the Company for leased facilities was $1,045,000 in fiscal 2000.

(2) The Company uses approximately one-third of this building and leases, or offers to lease, the remainder to unrelated parties.

All of the owned properties are unencumbered. The Company believes its facilities are generally well suited for their respective uses and are of adequate size and design to provide the operating efficiencies necessary for the Company to be competitive. The Company's facilities provide adequate space for meeting its near term production requirements and have availability for additional capacity. The Company intends to continue to expand and modernize its facilities as necessary to meet the demand for its products.

ITEM 3. LEGAL PROCEEDINGS.

The Company is party to various legal proceedings, the eventual outcome of which are not predictable. It is possible that an unfavorable resolution of these matters could have a material impact to the Company. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion that they should not result in liabilities in an amount which would materially affect the Company's consolidated financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal year 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) Market Information:

The authorized common stock of the Company is divided into two classes consisting of Class A Common Stock, $1 par value, and Class B Common Stock, $1 par value. Shares of Class A stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B stock have ten votes per share and are only transferable by a shareholder to the Company or to an active employee of the Company. If shareholders wish to otherwise sell Class B Common Stock, the Company may, at its discretion, purchase such shares at the fair market value per share of the Company's Class A Common Stock or permit shareholders to tender such shares to the Company in exchange for an equal number of shares of Class A Common Stock.

In 1998, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock distribution. Shareholders' equity was adjusted for the stock split by reclassifying from additional paid-in capital and retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares in this report reflect the stock split.

The Company's Class A Common Stock is traded on the NASDAQ National Market System. The following table sets forth the high, low and closing prices as reported by NASDAQ (adjusted for the stock split) for the periods indicated:

	High	Low	Close
Fiscal 2000:			
Quarter ended: September 30, 2000	$29.75	$27.63	$29.38
June 30, 2000	29.50	20.00	29.00
March 31, 2000	27.88	20.00	22.63
December 31, 1999	29.75	20.00	27.50
Fiscal 1999:			
Quarter ended: September 30, 1999	$32.88	$24.88	$30.13
June 30, 1999	30.38	25.13	29.63
March 31, 1999	31.38	25.00	27.38
December 31, 1998	34.00	24.25	31.50

The Company has an active stock repurchase program, which was initiated in fiscal 1996. The program was extended for the third time by the Company in April 2000. Under the program, the Company's Board of Directors have authorized the repurchase of a total of 4,000,000 shares of Matthews Class A and Class B Common Stock, of which 3,164,138 shares have been repurchased as of September 30, 2000. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its Class A and Class B 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 Restated Articles of Incorporation.

In conjunction with the buy-back program, the Company invoked the provisions of the Fifth Article of its Restated Articles of Incorporation. Such Article provides (among other things) that any shareholder wishing to sell or convert any Class B Common Stock must first offer such shares to the Company for redemption. The Company will then have an option to purchase such shares for a 24-hour period.

(b) Holders:

The number of registered holders of the Company's common stock at November 30, 2000 was as follows:

Class A Common Stock	460
Class B Common Stock	232

(c) Dividends:

A quarterly dividend of $.05 per share was paid for the fourth quarter of fiscal 2000 to shareholders of record on October 31, 2000. The Company paid quarterly dividends of $.0475 per share for the first three quarters of fiscal 2000 and the fourth quarter of fiscal 1999. The Company paid quarterly dividends of $.045 per share for the first three quarters of fiscal 1999.

Cash dividends have been paid on common shares in every year for at least the past thirty years. It is the present intention of the Company to continue to pay quarterly cash dividends on its common stock. However, there is no assurance that dividends will be declared and paid as the declaration and payment of dividends is at the discretion of the Board of Directors of the Company and is dependent upon the Company's financial condition, results of operations, cash requirements, future prospects and other factors deemed relevant by the Board.

ITEM 6. SELECTED FINANCIAL DATA.

<TABLE>
<CAPTION>

	Years ended September 30,				
	2000	1999	1998	1997	1996(1)
	(Not Covered by Report of Independent Accountants)				
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$262,364,902	$239,329,223	$211,622,057	$189,168,640	$171,977,619
Gross profit	118,088,808	103,036,695	93,050,222	83,500,886	76,640,900
Operating profit	47,776,052	40,947,991	35,928,944	30,887,395	26,771,380
Interest expense	1,487,883	867,400	466,304	337,375	131,364
Income before income taxes	45,938,350	41,276,659	37,132,283	32,297,897	33,522,616
Income taxes	18,015,431	16,260,957	14,630,591	12,671,833	13,265,062
Net income	$ 27,922,919	$ 25,015,702	$ 22,501,692	$ 19,626,064	$ 20,257,554
Earnings per common share:					
Basic	$ 1.80	$ 1.58	$ 1.38	$ 1.14	$ 1.14
Diluted	1.76	1.54	1.34	1.11	1.11
Weighted-average common shares outstanding:					
Basic	15,515,508	15,851,393	16,336,359	17,194,073	17,781,824
Diluted	15,851,577	16,241,153	16,770,214	17,696,793	18,213,866
Cash dividends per share	.193	.183	.173	.163	.145
Total assets	$220,665,450	$225,677,572	$187,205,764	$169,204,390	$153,411,709
Long-term debt, noncurrent	13,908,448	14,144,038	1,434,679	2,151,413	-

<FN>

(1) Fiscal 1996 included after-tax income of $2.9 million ($.16 per share, diluted) which consisted of a gain on the sale of a subsidiary net of certain non-operating charges.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements of Matthews International Corporation and related notes thereto. In addition, see "Cautionary Statement Regarding Forward-Looking Information" included in Part I of this Annual Report on Form 10-K.

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 and the percentage change in such income statement data from year to year.

	Years Ended September 30,			Percentage Change	
	2000	1999	1998	2000-1999	1999-1998
Sales	100.0%	100.0%	100.0%	9.6%	13.1%
Gross profit	45.0	43.1	44.0	14.6	10.7
Operating profit	18.2	17.1	17.0	16.7	14.0
Income before taxes	17.5	17.2	17.5	11.3	11.2
Net income	10.6	10.5	10.6	11.6	11.2

Comparison of Fiscal 2000 and Fiscal 1999:

Sales for the year ended September 30, 2000 were $262.4 million and were $23.1 million, or 9.6%, higher than sales of $239.3 million for the year ended September 30, 1999. Each of the Company's three segments contributed to the revenue growth over fiscal 1999. Bronze segment sales for fiscal 2000 were $140.4 million, representing an increase of $16.6 million, or 13.4%, over fiscal 1999. The sales growth for the Bronze segment resulted primarily from the Company's acquisition of Caggiati S.p.A. in June 1999 and higher sales of architectural and memorial products. These increases were partially offset by a decline in mausoleum construction revenues. Sales for the Graphics Imaging segment for the year ended September 30, 2000 were $90.2 million, representing an increase of $5.1 million, or 6.0%, over fiscal 1999. The increase in Graphics Imaging sales for fiscal 2000 principally resulted from the Company's purchase of a 50% interest in S+T GmbH & Co. KG ("S+T") in September 1998. S+T was recorded under the equity method of accounting for the first six months of fiscal 1999. The consolidated financial statements of Matthews reflected the accounts of S+T effective April 1, 1999 as a result of a change in control. Fiscal 2000 sales for the Graphics Imaging segment also reflected higher sales volume for Tukaiz Communications, L.L.C. ("Tukaiz"). The sales volume increase for Tukaiz, a 50%-owned subsidiary of Matthews, resulted primarily from the installation of a commercial printing operation in fiscal 1999. On December 7, 2000, Matthews signed an agreement for the sale of its fifty percent interest in Tukaiz (see "Subsequent Events"). Marking Products segment sales for the year ended September 30, 2000 were $31.8 million, representing an increase of $1.4 million, or 4.5%, over fiscal 1999. The segment's sales increase for the current year resulted primarily from higher volume in North America of ink-jet equipment and related products, reflecting the favorable impact of new product introductions.

Comparison of Fiscal 2000 and Fiscal 1999, continued:

Gross profit for the year ended September 30, 2000 was $118.1 million, representing an increase of $15.1 million, or 14.6%, compared to fiscal 1999 gross profit of $103.0 million. Gross profit for the Bronze segment was higher in fiscal 2000 principally as a result of the Company's acquisition of Caggiati S.p.A. in June 1999. In addition, higher sales of architectural and memorial products combined with improved margins contributed to the segment's gross profit increase over fiscal 1999. Gross profit for the Graphics Imaging segment increased as a result of higher sales for the year, reflecting the investment in S+T in September 1998 and sales growth for Tukaiz. Marking Products gross profit also improved over fiscal 1999 reflecting an increase in sales volume and a change in product mix. Consolidated gross profit as a percent of sales for the year ended September 30, 2000 increased to 45.0%, compared to 43.1% a year ago. The higher gross profit percentage in fiscal 2000 is mainly due to a change in product mix in both the Bronze and Marking Products segments and improved results for Tukaiz.

Selling and administrative expenses for the year ended September 30, 2000 were $70.3 million, compared to $62.1 million for fiscal 1999. The increase of $8.2 million, or 13.2%, over the prior year principally resulted from the acquisitions of Caggiati S.p.A. and S+T combined with an increase in marketing and promotional costs within the Bronze segment. Consolidated selling and administrative expenses as a percent of sales increased to 26.8% for fiscal 2000, compared to 26.0% for fiscal 1999, primarily due to the acquisition of Caggiati S.p.A., which has a higher rate of selling costs to sales.

Operating profit for the year ended September 30, 2000 was $47.8 million, representing an increase of $6.9 million, or 16.7%, over operating profit of $40.9 million for fiscal 1999. Each of the Company's segments contributed to the growth in consolidated operating profit. Graphics Imaging operating profit for fiscal 2000 was $9.6 million, representing an increase of $4.5 million, or 87.7%, compared to operating profit of $5.1 million for fiscal 1999. The segment's fiscal 2000 results were favorably impacted by the Company's investment in S+T combined with an improvement in the operating results of Tukaiz. Operating profit for the Bronze segment for the year ended September 30, 2000 was $33.4 million, compared to $31.8 million for fiscal 1999. The increase of $1.6 million, or 5.2%, resulted primarily from the acquisition of Caggiati S.p.A. In addition, higher sales and improved margins for architectural and memorial products more than offset a decline in profitability from mausoleum construction projects. Fiscal 2000 operating profit for the Marking Products segment was $4.7 million, representing an increase of $700,000, or 16.9%, over fiscal 1999 operating profit of $4.0 million. Higher sales in North America of ink-jet equipment and related products as a result of new product introductions and a better product mix resulted in the operating profit growth.

Investment income for the year ended September 30, 2000 was $1.8 million, compared to $1.8 million for fiscal 1999. Investment income for the prior year included equity income of $310,000 from the Company's investment in S+T, which was recorded under the equity method of accounting through the first six months of fiscal 1999.

Comparison of Fiscal 2000 and Fiscal 1999, continued:

Interest expense for the year ended September 30, 2000 was $1.5 million, compared to $867,000 for fiscal 1999. The increase in interest expense principally related to fiscal 1999 borrowings by Tukaiz and new borrowings and assumed debt in connection with the acquisition of Caggiati S.p.A.

Other income (deductions), net, for the year ended September 30, 2000 represented an increase to pre-tax income of $125,000 compared to a reduction of $570,000 for fiscal 1999. Other deductions in fiscal 1999 included costs for organizational changes and other unusual non-operating expenses. For the year ended September 30, 2000, minority interest deduction was $2.3 million, compared to $22,000 for fiscal 1999. The higher minority interest deduction in fiscal 2000 resulted from the full year impact of the consolidation of S+T and an improvement in the operating results of Tukaiz.

The Company's effective tax rate for the year ended September 30, 2000 was 39.2%, compared to 39.4% for the year ended September 30, 1999. The decline reflects a lower effective state tax rate. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflects the impact of state and foreign income taxes and non-deductible goodwill amortization.

Comparison of Fiscal 1999 and Fiscal 1998:

Sales for the year ended September 30, 1999 were $239.3 million and were $27.7 million, or 13.1%, higher than sales of $211.6 million for the year ended September 30, 1998. The increase in sales for fiscal 1999 resulted from revenue growth in all three of the Company's business segments. Fiscal 1999

sales for the Bronze segment were $123.8 million, representing an increase of $17.5 million, or 16.5%, over fiscal 1998. The sales increase primarily reflected the Company's acquisitions of Gibraltar Mausoleum Construction Company ("Gibraltar") in September 1998 and Caggiati S.p.A. in June 1999. Graphics Imaging segment sales were $85.1 million in fiscal 1999, representing an increase of $9.8 million, or 13.0%, over fiscal 1998. The increase in Graphics Imaging sales resulted principally from the Company's acquisitions of a 50% interest in O.N.E. Color Communications, L.L.C. ("O.N.E.") in May 1998 and a 50% interest in S+T in September 1998. In addition, sales for the Graphics Imaging segment were favorably impacted by the installation of a commercial printing operation at Tukaiz. The increase in sales from these events was partially offset by a decline in sales for the segment's existing operations resulting from weak demand for corrugated printing plates. Marking Products segment sales for the year ended September 30, 1999 were $30.5 million, representing an increase of $400,000 over fiscal 1998. Sales for the segment's North American operations increased 7.0% over the prior year primarily as a result of new product offerings during fiscal 1999. These increases were partially offset by a decline resulting from the sale of the segment's distribution operation in France in February 1998.

Comparison of Fiscal 1999 and Fiscal 1998, continued:

Gross profit for the year ended September 30, 1999 was $103.0 million, or 43.1% of sales, compared to $93.1 million, or 44.0% of sales, for fiscal 1998. The increase in consolidated gross profit of approximately $10.0 million, or 10.7%, reflected higher gross profit levels in all three business segments. Increases in gross profit in the Bronze and Graphics Imaging segments resulted from higher sales, reflecting the Company's recent acquisitions. Gross profit as a percent of sales for the Bronze segment in fiscal 1999 was comparable with fiscal 1998 and reflected higher margins on sales of memorialization products by Caggiati S.p.A. offset by lower margins on sales of mausoleums. Fiscal 1999 gross profit as a percent of sales for the Graphics Imaging segment was lower than the prior year as a result of lower margins on the segment's pre-press sales, higher material costs related to the commercial printing operation of Tukaiz and an increase in depreciation expense due to higher levels of capital investment. Capital expenditures for the segment in fiscal 1999 included the investment by Tukaiz in commercial printing equipment and related facilities. Gross profit and gross profit as a percent of sales for the Marking Products segment for fiscal 1999 were higher than the prior year reflecting higher North American sales and an improved product mix.

Selling and administrative expenses for the year ended September 30, 1999 were $62.1 million, representing an increase of $5.0 million, or 8.7%, over $57.1 million for fiscal 1998. The increase over the prior year principally resulted from the acquisitions of O.N.E. in May 1998 and Caggiati S.p.A. in June 1999. In addition, administrative costs in the Graphics Imaging segment were higher in fiscal 1999 reflecting one-time expenses associated with implementing organizational changes. Partially offsetting these increases were lower selling and administrative costs for the Marking Products segment due to the sale of the Company's subsidiary in France and a reduction in the Company's corporate administration costs. Excluding selling and administrative expenses of Caggiati S.p.A. for the period, the Bronze segment's selling and administrative expenses declined slightly in fiscal 1999 as a result of cost improvements combined with lower incremental selling costs of Gibraltar. Consolidated selling and administrative expense as a percent of sales was 26.0% for the year ended September 30, 1999 compared to 27.0% for fiscal 1998.

Operating profit for the year ended September 30, 1999 was $40.9 million and was $5.0 million, or 14.0%, higher than fiscal 1998. The improvement for fiscal 1999 resulted from increases in the operating profits of the Bronze and Marking Products segments of 22.1% and 34.4%, respectively. Operating profit for the Bronze segment increased to $31.8 million in fiscal 1999 as a result of higher revenues from the acquisitions of Caggiati S.p.A. and Gibraltar, an

increase in sales and improved margins for cremation products and improvements in the segment's selling and administrative costs. Fiscal 1999 operating profit for the Marking Products segment was $4.0 million compared to operating profit of $3.0 million in fiscal 1998. The increase primarily resulted from higher sales in the segment's North American operations as a result of new product offerings.

Comparison of Fiscal 1999 and Fiscal 1998, continued:

Operating profit for the Graphics Imaging segment in fiscal 1999 was $5.1 million, compared to $6.9 million in fiscal 1998. The 25.7% decline in operating profit from fiscal 1998 was due to several factors which included weak demand for corrugated printing plates, lower margins on the segment's pre-press sales, and an increase in depreciation expense due to higher levels of capital investment at Tukaiz. The Graphics Imaging segment also incurred one-time expenses of approximately $400,000 during fiscal 1999 associated with the start-up of a commercial printing operation at Tukaiz and the implementation of organizational changes within the segment.

Investment income for the year ended September 30, 1999 was $1.8 million, compared to $2.5 million for fiscal 1998. The decline in investment income primarily reflected a reduction in the Company's average cash and investment balances. The Company's average cash and investment balances were lower than the prior year primarily as a result of acquisitions and stock repurchases.

Interest expense for the year ended September 30, 1999 was $867,000, compared to $466,000 for fiscal 1998. Interest expense principally related to new borrowings and assumed debt in connection with the acquisition of Caggiati S.p.A., the long-term debt and capital lease obligations of Tukaiz, and the Company's obligations related to the acquisition of O.N.E.

Other income (deductions), net, for the year ended September 30, 1999 represented a reduction to pre-tax income of $570,000, compared to a reduction of $382,000 for fiscal 1998. Fiscal 1998 included gains on the sale of various fixed assets. Minority interest, which was $22,000 for fiscal 1999, related to income generated by Tukaiz and S+T. Minority interest was $461,000 for fiscal 1998. The reduction in minority interest for fiscal 1999 reflected a decline in the operating results of Tukaiz.

The Company's effective tax rate for the year ended September 30, 1999 was 39.4%, compared to 39.4% for fiscal 1998. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state income taxes.

Comparison of Fiscal 1998 and Fiscal 1997:

Sales for the year ended September 30, 1998 were $211.6 million and were $22.4 million, or 11.9%, higher than sales of $189.2 million for the year ended September 30, 1997. The sales increase for fiscal 1998 resulted from higher sales in the Company's Graphics Imaging and Bronze segments. Fiscal 1998 sales for the Graphics Imaging segment were $75.3 million, an increase of $17.5 million, or 30%, over the prior year primarily reflecting acquisitions completed during fiscal years 1998 and 1997. The Company's acquisitions included Carolina Repro-Graphic ("Carolina") in May 1997, a 50% interest in Tukaiz in January 1997 and a 50% interest in O.N.E. in May 1998. Bronze segment sales for the year ended September 30, 1998 were $106.3 million, representing an increase of $9.9 million, or 10%, over fiscal 1997. The higher level of sales for fiscal 1998 mainly reflected an increase in the unit volumes of bronze and granite memorial products. In addition, sales of cremation equipment and cremation-related products increased for the year.

Comparison of Fiscal 1998 and Fiscal 1997, continued:

Sales for the Marking Products segment in fiscal 1998 were $30.1 million, representing a decrease of $4.9 million, or 14%, below fiscal 1997. The decline, which was expected, resulted from the sale of the segment's distribution operations in Australia (August 1997) and France (February 1998), both of which had historically produced marginal results for the Company. Fiscal 1998 sales for the segment's North American operations increased 4.0% compared to fiscal 1997.

Gross profit for the year ended September 30, 1998 was $93.1 million, or 44.0% of sales, compared to $83.5 million, or 44.1% of sales, for the year ended September 30, 1997. The increase in gross profit of $9.6 million, or 11.4%, resulted from higher sales for the Graphics Imaging segment and increased sales and an improvement in the gross margin percentage for the Bronze segment. Marking Products gross profit for the year ended September 30, 1998 declined from fiscal 1997 reflecting the divestitures of the segment's distribution operations in Australia and France. Consolidated gross profit as a percent of sales for fiscal 1998 was relatively consistent with fiscal 1997. Gross profit as a percent of sales for the Bronze segment increased in fiscal 1998 reflecting improvements in sales volume and operating efficiencies. For the Graphics Imaging and Marking Products segments, the fiscal 1998 gross profit percentage was slightly lower than fiscal 1997 due to changes in product mix.

Selling and administrative expenses for the year ended September 30, 1998 were $57.1 million, representing an increase of $4.5 million, or 8.6%, over fiscal 1997. The increase in selling and administrative expenses from fiscal 1997 principally resulted from acquisitions by the Graphics Imaging segment during fiscal years 1998 and 1997. In addition, selling costs for the Bronze segment were higher in fiscal 1998 reflecting increased marketing and promotional expenses. Partially offsetting these increases was a reduction in Marking Products selling and administrative costs resulting from the sale of the segment's distribution operations in Australia and France. Consolidated selling and administrative expenses were 27.0% of sales for fiscal 1998 compared to 27.8% for fiscal 1997.

Operating profit for the year ended September 30, 1998 was $35.9 million and was $5.0 million, or 16.3%, higher than fiscal 1997, reflecting increases in all three of the Company's business segments. Operating profit for the Graphics Imaging segment was $6.9 million, representing an increase of $1.4 million, or 25.5%, over fiscal 1997. The increase was primarily the result of the segment's acquisitions. Bronze segment operating profit for the year ended September 30, 1998 was $26.0 million, representing an increase of $3.4 million, or 15.2%, over fiscal 1997. The increase in Bronze operating profit primarily reflected the segment's higher sales volume for the year combined with improved cost-price relationships for some products. Fiscal 1998 operating profit for the Marking Products segment also improved over fiscal 1997 despite the sale of the segment's distribution operations in Australia and France. The segment's operating profit was $3.0 million for the year ended September 30, 1998, representing an increase of 7.2% over fiscal 1997. The improvement resulted from higher sales combined with lower selling costs in the segment's North American operations.

Comparison of Fiscal 1998 and Fiscal 1997, continued:

Investment income for the year ended September 30, 1998 was $2.5 million, compared to $2.5 million for fiscal 1997. The Company's average cash and investment balances were lower in fiscal 1998 as a result of acquisitions and stock repurchases. The effect on investment income of the lower average cash and investment balances was offset by a higher rate of return on investments.

Interest expense for the year ended September 30, 1998 was $466,000, compared to $337,000 for fiscal 1997. Interest expense principally related to the Company's capital lease obligations. Other income (deductions), net for the year ended September 30, 1998 represented a reduction in pre-tax income of $382,000 compared to a reduction of $318,000 for fiscal 1997. Minority

interest for the year ended September 30, 1998 related to Tukaiz.

The Company's effective tax rate for the year ended September 30, 1998 was 39.4%, compared to an effective rate of 39.2% for fiscal 1997. The difference between the Company's fiscal 1998 effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state income taxes.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flow from operations was $38.0 million for the year ended September 30, 2000, compared to $27.8 million for fiscal 1999 and $36.2 million for fiscal 1998. Fiscal 2000 operating cash flow principally reflected the Company's net income of $27.9 million adjusted for non-cash expenses such as depreciation and amortization. Operating cash flow for fiscal 2000 also included a tax benefit of $2.4 million from exercised stock options, which was offset by net changes of $2.9 million in working capital items. Fiscal 1999 operating cash flow was impacted by an increase in accounts receivable related to mausoleum construction revenues and the payment of income tax accruals. Operating cash flow for the year ended September 30, 1998 reflected the Company's net income plus non-cash expenses and an increase in the Company's compensation-related accruals. Cash flow for fiscal 1999 and 1998 also included a tax benefit of $1.4 million and $1.5 million, respectively, from exercised stock options.

Cash used in investing activities was $24.4 million for the year ended September 30, 2000, compared to $18.0 million for fiscal 1999 and $5.7 million for fiscal 1998. Investing activities for fiscal 2000 reflected capital expenditures of $7.7 million, net purchases of investment securities of $4.9 million and payments of $12.2 million in connection with the acquisitions of Repro Busek Druckvorstufentechnik GmbH & Co. KG, Caggiati S.p.A. and S+T. Under the acquisition agreement for Caggiati S.p.A., Matthews paid cash of Lit. 20.2 billion (U.S.$10.9 million) upon closing with Lit. 7.2 billion (U.S.$3.5 million) paid on June 1, 2000 and the remaining balance of Lit. 7.2 billion payable on June 1, 2001. The purchase price for the acquisition of a 50% interest in S+T (September 1998) was paid in January 2000 in accordance with the purchase agreement. See "Acquisitions" for further discussion of the Company's acquisitions during the last three fiscal years. Matthews purchased various investment securities in the fiscal 2000 first quarter to obtain a better rate of return on the Company's excess cash.

LIQUIDITY AND CAPITAL RESOURCES, continued:

Investing activities for the year ended September 30, 1999 included capital expenditures of $13.3 million and acquisitions of $10.8 million (net of cash acquired). Fiscal 1999 acquisitions consisted primarily of the purchase of Caggiati S.p.A. in June 1999. Investing activities for fiscal 1999 also reflected proceeds from the net disposition of investments of $5.5 million. Cash used in investing activities for fiscal 1998 included capital expenditures of $7.3 million and acquisitions of $16.2 million. Fiscal 1998 acquisitions included Gibraltar and a 50% interest in O.N.E. Investing activities for fiscal 1998 also included proceeds from the net disposition of investments of $16.8 million.

Capital expenditures were $7.7 million for the year ended September 30, 2000, compared to $13.3 million and $7.3 million for fiscal 1999 and 1998, respectively. Capital expenditures in each of the last three fiscal years reflected reinvestment in the Company's three 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. The higher level of capital expenditures in fiscal 1999 resulted primarily from investments in commercial printing equipment and facilities for Tukaiz and production equipment for the Bronze segment operations in Searcy, Arkansas. Capital expenditures for the last three fiscal years were primarily financed through operating cash and the related assets are unencumbered. The investment in commercial printing equipment and facilities for Tukaiz was partially financed through a bank loan. Capital spending for property, plant

and equipment has averaged $9.4 million for the last three fiscal years. The capital budget for fiscal 2001 is $11.0 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the year ended September 30, 2000 was $14.4 million, consisting of net treasury stock purchases of $9.9 million, proceeds of $3.9 million from borrowings by Caggiati S.p.A., repayments of $5.4 million on long-term debt of Caggiati S.p.A. and Tukaiz, and dividend payments of $3.0 million ($0.1925 per share) to the Company's shareholders.

Cash used in financing activities in fiscal 1999 was $3.6 million and included borrowings of $10.9 million (Lit. 20.2 billion) for the acquisition of Caggiati S.p.A. and $4.0 million by Tukaiz to finance capital projects. Repayments under these borrowings and the Company's capital lease obligations were $1.6 million in fiscal 1999. Fiscal 1999 financing activities also included net treasury stock purchases of $14.0 million and the Company's dividends on common stock of $2.9 million ($0.1825 per share). Cash used in financing activities for the year ended September 30, 1998 was $24.5 million and consisted of net treasury stock purchases of $20.5 million, the Company's dividends on common stock of $2.8 million ($.1725 per share) and repayments under the Company's capital lease agreements of $1.2 million.

LIQUIDITY AND CAPITAL RESOURCES, continued:

The Company has an active stock repurchase program, which was initiated in fiscal 1996. The program was extended for the third time by the Company in April 2000. Under the program, the Company's Board of Directors have authorized the repurchase of a total of 4,000,000 shares of Matthews Class A and Class B Common Stock, of which 3,164,138 shares have been repurchased as of September 30, 2000. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its Class A and Class B 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 Restated Articles of Incorporation.

The Company has a Revolving Credit and Term Loan Agreement. Under terms of the agreement, the Company may borrow principal amounts up to $10.0 million in the aggregate at various interest rate options approximating current market rates. The Revolving Credit and Term Loan Agreement requires the Company to maintain minimum levels of consolidated working capital and tangible net worth. No amounts were outstanding under this agreement at September 30, 2000 and 1999. The Company has a line of credit of $500,000 (Canadian dollars) which provides for borrowings at the bank's prime interest rate. The Company has a $500,000 (U.S.) foreign exchange line of credit for standby letters of credit to support performance guarantees. There were no borrowings outstanding on these lines of credit at September 30, 2000 and 1999.

Caggiati S.p.A. has several line of credit arrangements with various Italian banks. Aggregate outstanding borrowings at September 30, 2000 under the lines of credit totaled $1.5 million. The weighted-average interest rate on these borrowings, which are secured by certain trade accounts receivable, was 5.0% at September 30, 2000. Tukaiz has a line of credit of $1.5 million, which bears interest at the bank's prime rate, which was 9.5% at September 30, 2000. No amounts were outstanding under this line of credit at September 30, 2000.

Consolidated working capital of the Company was $48.0 million at September 30, 2000, compared to $36.2 million and $32.4 million at September 30, 1999 and 1998, respectively. Cash and cash equivalents were $29.2 million at September 30, 2000, compared to $31.5 million and $25.4 million at September 30, 1999 and 1998, respectively. The Company's current ratio at September 30, 2000 was 2.0, compared to 1.6 and 1.7 at September 30, 1999 and 1998, respectively.

ACQUISITIONS:

On August 1, 2000, Matthews purchased a 75% interest in Repro Busek Druckvorstufentechnik GmbH & Co. KG ("Busek"), which is headquartered in Vienna, Austria. Products and services of Busek include pre-press packaging, digital and analog flexographic printing plates, design, art work, lithography and color separation. Busek serves customers in Austria, Hungary, Poland and the Czech Republic. The combination of the Company's Graphics Imaging business and Busek is an important part of Matthews' strategy to become a worldwide leader in the graphics industry and service multinational customers on a global basis.

Matthews completed the largest acquisition in its history on June 1, 1999 with the purchase of Caggiati S.p.A. Caggiati S.p.A., with consolidated annual sales of approximately $25 million (U.S.), is the leading supplier of bronze memorialization products in Europe. Caggiati S.p.A. is based in Colorno (Parma), Italy and has two subsidiaries: Caggiati Espana S.A. in Valencia, Spain and Caggiati France S.a.r.l. in Lyon, France. The purchase price was Lit. 34.6 billion (U.S.$19.0 million) cash plus the assumption of bank debt of Lit. 10.2 billion (U.S.$5.5 million) and certain other trade liabilities. Matthews paid cash of Lit. 20.2 billion (U.S.$10.9 million) upon closing with Lit. 7.2 billion (U.S.$3.5 million) paid on June 1, 2000 and the remaining balance of Lit. 7.2 billion payable on June 1, 2001. Interest at an annual rate of 5% is payable on the deferred payments. The cash payments were financed through borrowings from an Italian bank, UniCredito Italiano, Parma, Italy. The combination of Matthews and Caggiati S.p.A. is an important part of Matthews' strategy to enhance its position as the worldwide leader in the memorialization industry.

Acquisitions in fiscal 1998 totaled approximately $23.0 million and included Gibraltar, a fifty percent interest in S+T and a fifty percent interest in O.N.E. In September 1998, Matthews purchased the assets of Gibraltar, which is a leading builder of mausoleums in the United States. The acquisition of Gibraltar is intended to expand Matthews' products and services in the growing segments in the memorial industry of cremation and mausoleum entombment.

In September 1998, Matthews acquired a fifty percent interest in S+T. The operations of S+T, located in Julich, Germany, consist principally of flexographic printing preparation and the manufacture of photopolymer printing plates for the European packaging industry. The investment in S+T was recorded under the equity method of accounting until March 31, 1999. As a result of a change in control of S+T, the consolidated financial statements of Matthews included the accounts of S+T effective April 1, 1999. The combination of Matthews and S+T is an important part of Matthews' strategy to become a worldwide leader in the graphics industry and serve multinational customers on a global basis.

In May 1998, Matthews acquired a fifty percent interest in O.N.E., a digital graphics service company located in Oakland, California. O.N.E. provides digital graphic services to advertising agencies and packaging markets. The combination of Matthews and O.N.E. is an integral part of Matthews' strategy to become a worldwide leader in advanced applications of digital graphics.

ACQUISITIONS, continued:

Matthews has accounted for these acquisitions using the purchase method and, accordingly, recorded the acquired assets and liabilities at their estimated fair values at the acquisition dates. Any excess of purchase price over the fair value of net assets acquired has been recorded as goodwill to be amortized on a straight-line basis over periods ranging from 20 to 25 years.

SUBSEQUENT EVENTS:

On October 21, 2000, Matthews acquired certain assets and liabilities of The SLN Group, Inc. ("SLN"). SLN, located in Nanuet, New York, is a manufacturer and marketer of photo-etched metal plaques and water-jet cut letters and logos. The acquisition of SLN is intended to broaden Matthews' offerings for identification and recognition products. On November 21, 2000, Matthews acquired Press Ready Plate, Inc. ("Press Ready"). Press Ready, located in Kansas City, Missouri, provides pre-press services and printing plates to the flexible packaging industry. The acquisition of Press Ready is designed to increase Matthews' presence in the market for pre-press services used by the flexible packaging industry.

On December 7, 2000, Matthews signed an agreement for the sale of its fifty percent interest in Tukaiz. Net proceeds to Matthews from the sale, after the repayment of intercompany debt, will approximate $10.0 million. The transaction, which is expected to close before January 31, 2001, is contingent on certain factors including the purchaser's ability to complete financing arrangements. All intercompany debt provided by Matthews to Tukaiz, including a $5.5 million Subordinated Convertible Note, will be repaid upon the closing of this transaction.

FORWARD-LOOKING INFORMATION:

The Company's objective with respect to operating performance is to increase annual earnings per share in the range of 12% to 15% annually. For the past six fiscal years, the Company has achieved an average annual increase in earnings per share of 14.6%.

Matthews International Corporation has a three-pronged strategy to attain the annual growth rate objective, which has remained unchanged from the prior year. This strategy consists of the following: internal growth (which includes 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 fiscal year ended September 30, 2001, the Company expects to achieve growth in earnings per share, excluding any one-time gain on the proposed sale of Tukaiz, in line with its annual objectives.

YEAR 2000 ISSUE

The Company has assessed the impact of the Year 2000 issue on its operations and information systems. Costs incurred for this assessment and for systems modifications required to address any Year 2000 issues have not been material. The Company's significant operating and information systems are Year 2000 compliant and, as such, the Year 2000 issue did not have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

STOCK SPLIT

In 1998, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock distribution. Shareholders' equity was adjusted for the stock split by reclassifying from additional paid-in capital and retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares in this report reflect the stock split.

ACCOUNTING PRONOUNCEMENT:

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 outlines basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company will be required to implement SAB No. 101 in the fourth quarter of its fiscal year ending September 30, 2001. The provisions of SAB No. 101 are not expected to have a material impact on the Company's consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Description	Pages
Report of Independent Accountants	28
Consolidated Balance Sheet	29-30
Consolidated Statement of Income	31
Consolidated Statement of Shareholders' Equity	32
Consolidated Statement of Cash Flows	33
Notes to Consolidated Financial Statements	34-52
Supplementary Financial Information	53

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and
Board of Directors of
Matthews International Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Matthews International Corporation and subsidiaries at September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with

auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania
November 16, 2000, except for
Note 16, as to which the date
is December 7, 2000.

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2000 and 1999

<TABLE>
<CAPTION>

ASSETS	2000	1999
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 29,150,118	$ 31,531,686
Short-term investments	1,321,226	147,114
Accounts receivable, net of allowance for doubtful accounts of $2,467,619 and $2,397,015, respectively	44,818,961	45,949,743
Inventories (Note 3)	16,849,446	16,400,477
Deferred income taxes	977,525	966,019
Other current assets	1,715,514	1,896,322
Total current assets	94,832,790	96,891,361
Investments (Note 4)	14,802,809	11,312,730
Property, plant and equipment, net (Note 5)	48,467,246	50,670,747
Deferred income taxes (Note 11)	6,899,048	7,509,257
Other assets	6,951,511	6,130,466
Goodwill, net of accumulated amortization of $7,319,088 and $5,245,992, respectively	48,712,046	53,163,011

Total assets	$220,665,450	$225,677,572
	===========	===========

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET, continued
September 30, 2000 and 1999

<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999
Current liabilities:		
Long-term debt, current maturities	$ 3,478,218	$ 7,604,443
Trade accounts payable	10,075,166	9,798,531
Accrued compensation	8,710,178	10,218,612
Accrued vacation pay	3,955,924	3,983,468
Profit distribution to employees	4,063,092	3,925,566
Accrued income taxes	270,124	818,324
Customer prepayments	5,874,352	6,825,149
Postretirement benefits, current portion	781,197	790,809
Other current liabilities	9,623,891	16,722,175
Total current liabilities	46,832,142	60,687,077
Long-term debt (Note 6)	13,908,448	14,144,038
Estimated finishing costs	4,071,884	4,059,837
Postretirement benefits other than pensions (Note 10)	18,991,385	19,513,936
Other liabilities	10,005,882	12,650,753
Commitments and contingent liabilities (Note 12)		
Shareholders' equity (Notes 2, 7 and 8):		
Common stock:		
Class A, $1.00 par value, authorized 70,000,000 shares, 15,033,485 and 14,777,391 shares issued at September 30, 2000 and 1999, respectively	15,033,485	14,777,391
Class B, $1.00 par value, authorized 30,000,000 shares, 3,133,511 and 3,389,605 shares issued at September 30, 2000 and 1999, respectively	3,133,511	3,389,605
Preferred stock, $100 par value, authorized 10,000 shares, none issued	-	-
Retained earnings	174,689,060	152,098,622
Accumulated other comprehensive income (loss)	(9,177,176)	(3,970,000)
Notes receivable	(6,596)	(54,800)
Treasury stock, 2,663,117 and 2,507,232 shares at September 30, 2000 and 1999, respectively, at cost	(56,816,575)	(51,618,887)
Total shareholders' equity	126,855,709	114,621,931
Total liabilities and shareholders' equity	$220,665,450	$225,677,572

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
for the years ended September 30, 2000, 1999 and 1998

<TABLE>
<CAPTION>

	2000	1999	1998

<S> <C> <C> <C>

Sales	$262,364,902	$239,329,223	$211,622,057
Cost of goods sold	144,276,094	136,292,528	118,571,835
Gross profit	118,088,808	103,036,695	93,050,222
Selling expense	42,923,270	36,877,151	33,646,395
Administrative expense	27,389,486	25,211,553	23,474,883
Operating profit	47,776,052	40,947,991	35,928,944
Investment income	1,827,884	1,788,135	2,511,552
Interest expense	(1,487,883)	(867,400)	(466,304)
Other income (deductions), net	125,437	(569,992)	(380,860)
Minority interest	(2,303,140)	(22,075)	(461,049)
Income before income taxes	45,938,350	41,276,659	37,132,283
Income taxes (Note 11)	18,015,431	16,260,957	14,630,591
Net income	$ 27,922,919	$ 25,015,702	$ 22,501,692
Earnings per share (Notes 2 and 9):			
Basic	$ 1.80	$ 1.58	$ 1.38
Diluted	$ 1.76	$ 1.54	$ 1.34

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the years ended September 30, 2000, 1999 and 1998

<TABLE>
<CAPTION>

<S>	Common Stock (Note 7) <C>	Additional Paid-in Capital <C>	Retained Earnings <C>	Accumulated Other Comprehensive Income (Loss) (net of tax) <C>	Notes Receivable (Note 7) <C>	Treasury Stock <C>	Total <C>
Balance, September 30, 1997	$ 9,083,498	$ 6,688,414	$115,179,462	$(3,434,370)	$ (912,060)	$(22,438,869)	$104,166,075
Net income	-	-	22,501,692	-	-	-	22,501,692
Unrealized gains (losses)	-	-	-	273,095	-	-	273,095
Minimum pension liability	-	-	-	(134,087)	-	-	(134,087)
Translation adjustment	-	-	-	(1,094,706)	-	-	(1,094,706)
Total comprehensive income							21,545,994
Treasury stock transactions:							
Purchase of 1,034,384 shares	-	-	-	-	-	(23,069,770)	(23,069,770)
Issuance of 304,366 shares under stock plans	-	(1,144,117)	(287,282)	-	-	5,433,459	4,002,060
Stock split, two-for-one	9,083,498	(5,544,297)	(3,539,201)	-	-	-	-
Dividends, $.1725 per share	-	-	(2,793,034)	-	-	-	(2,793,034)
Payments on notes receivable	-	-	-	-	458,971	-	458,971
Balance, September 30, 1998	18,166,996	-	131,061,637	(4,390,068)	(453,089)	(40,075,180)	104,310,296
Net income	-	-	25,015,702	-	-	-	25,015,702
Unrealized gains (losses)	-	-	-	(204,977)	-	-	(204,977)
Minimum pension liability	-	-	-	278,315	-	-	278,315
Translation adjustment	-	-	-	346,730	-	-	346,730
Total comprehensive income							25,435,770
Treasury stock transactions:							
Purchase of 543,384 shares	-	-	-	-	-	(15,723,226)	(15,723,226)

Issuance of 192,736 shares under stock plans	-	-	(1,101,157)	-	-	4,179,519	3,078,362
Dividends, $.1825 per share	-	-	(2,877,560)	-	-	-	(2,877,560)
Payments on notes receivable	-	-	-	-	398,289	-	398,289
	----------	----------	-----------	---------	---------	----------	-----------
Balance, September 30, 1999	$18,166,996	$ -	$152,098,622	$(3,970,000)	$ (54,800)	$(51,618,887)	$114,621,931
Net income	-	-	27,922,919	-	-	-	27,922,919
Unrealized gains (losses)	-	-	-	35,649	-	-	35,649
Minimum pension liability	-	-	-	(726,918)	-	-	(726,918)
Translation adjustment	-	-	-	(4,515,907)	-	-	(4,515,907)
Total comprehensive income							22,715,743
Treasury stock transactions:							
Purchase of 509,246 shares	-	-	-	-	-	(13,224,865)	(13,224,865)
Issuance of 353,361 shares under stock plans	-	-	(2,354,397)	-	-	8,027,177	5,672,780
Dividends, $.1925 per share	-	-	(2,978,084)	-	-	-	(2,978,084)
Payments on notes receivable	-	-	-	-	48,204	-	48,204
	----------	----------	-----------	---------	---------	----------	-----------
Balance, September 30, 2000	$18,166,996	$ -	$174,689,060	$(9,177,176)	$ (6,596)	$(56,816,575)	$126,855,709
	==========	==========	===========	=========	=========	==========	===========

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

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended September 30, 2000, 1999 and 1998

<TABLE>
<CAPTION>

	2000	1999	1998
	----	----	----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$27,922,919	$25,015,702	$22,501,692
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,007,360	10,609,368	8,033,101
Change in deferred taxes	1,040,663	616,479	(2,201,507)
Changes in working capital items (Note 13)	(2,917,399)	(8,923,444)	5,742,946
(Increase) decrease in other assets	(971,529)	(110,070)	381,243
Increase in estimated finishing costs	12,047	228,163	522,576
Increase (decrease) in other liabilities	(594,644)	(1,105,873)	72,462
Decrease in postretirement benefits	(532,163)	(526,939)	(471,523)
Tax benefit on exercised stock options	2,370,000	1,400,000	1,452,981
(Gain) loss on dispositions of assets	569,717	143,345	(55,818)
Net (gain) loss on investments	112,801	(94,744)	60,657
Effect of exchange rate changes on operations	(1,053,617)	522,515	197,107
	----------	----------	----------
Net cash provided by operating activities	37,966,155	27,774,502	36,235,917
	----------	----------	----------
Cash flows from investing activities:			
Capital expenditures	(7,674,088)	(13,282,403)	(7,332,691)
Proceeds from dispositions of assets	366,488	200,987	549,731
Acquisitions, net of cash acquired	(12,244,568)	(10,797,675)	(16,221,247)
Purchases of investment securities	(6,967,213)	(787,785)	(1,773,193)
Proceeds from dispositions of investments	2,052,745	6,316,700	18,576,625
Payments on notes receivable	48,204	398,289	458,971
	----------	----------	----------
Net cash used in investing activities	(24,418,432)	(17,951,887)	(5,741,804)
	----------	----------	----------
Cash flows from financing activities:			
Proceeds from long-term debt	3,943,368	14,950,926	-
Payments on long-term debt	(5,401,462)	(1,602,541)	(1,190,620)
Proceeds from the sale of treasury stock	3,302,780	1,678,362	2,549,079
Purchases of treasury stock	(13,224,865)	(15,723,226)	(23,069,770)
Dividends	(2,978,084)	(2,877,560)	(2,793,034)
	----------	----------	----------
Net cash used in financing activities	(14,358,263)	(3,574,039)	(24,504,345)
	----------	----------	----------
Effect of exchange rate changes on cash	(1,571,028)	(86,724)	(578,646)
	----------	----------	----------

Net change in cash and cash equivalents	(2,381,568)	6,161,852	5,411,122
Cash and cash equivalents at beginning of year	31,531,686	25,369,834	19,958,712
Cash and cash equivalents at end of year	$29,150,118	$31,531,686	$25,369,834
Cash paid during the year for:			
Interest	$ 1,487,883	$ 867,400	$ 466,304
Income taxes	15,617,719	17,446,574	14,436,012

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS:

Matthews International Corporation ("Matthews"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, crematories and cremation-related products and is a leading builder of mausoleums in the United States. The Graphics Imaging segment manufactures and provides printing plates, pre-press services and imaging systems for the corrugated and flexible packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables for identifying various consumer and industrial products, components and packaging containers.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include all majority-owned foreign and domestic subsidiaries. The consolidated financial statements also include the accounts of the Company's 50%-owned affiliates, Tukaiz Communications, L.L.C. ("Tukaiz"), O.N.E. Color Communications, L.L.C. ("O.N.E.") and, effective April 1, 1999, S+T GmbH & Co. KG ("S+T"). All intercompany accounts and transactions have been eliminated.

Use of Estimates:

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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Stock Split:

In 1998, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock

distribution. Shareholders' equity was adjusted for the stock split by reclassifying from additional paid-in capital and retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares in this report reflect the stock split.

Foreign Currency:

Balance sheet accounts for foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the consolidated balance sheet date. Gains or losses that result from this process are recorded in other comprehensive income. The cumulative translation adjustment at September 30, 2000 and 1999 was a reduction in accumulated other comprehensive income of $8,412,467 and $3,896,560, respectively. The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period.

Cash and Cash Equivalents:

For purposes of the consolidated statement of cash flows, the Company considers all investments purchased with a remaining maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. At September 30, 2000, a significant portion of the Company's cash and cash equivalents was invested with two financial institutions.

Inventories:

Inventories are stated at the lower of cost or market with cost generally determined under the average cost method.

Property, Plant and Equipment:

Property, plant and equipment are carried at cost. Depreciation is computed primarily on the straight-line method over the estimated useful lives of the assets, which generally range from 10 to 45 years for buildings and 3 to 12 years for machinery and equipment. Gains or losses from the disposition of assets are generally included in other income or other deductions from income. The cost of maintenance and repairs is charged against income as incurred. Renewals and betterments of a nature considered to extend the useful lives of the assets are capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Goodwill:

Goodwill, which represents the excess of cost over the estimated fair value of net assets of acquired businesses, is amortized using the straight-line method over periods ranging from 10 to 25 years. Management periodically evaluates the net realizable value of goodwill and, based on such analysis, goodwill will be reduced if considered necessary.

Estimated Finishing Costs:

Estimated costs for finishing have been provided for bronze memorials, vases and granite bases which have been manufactured, sold to customers and placed in storage for future delivery.

Treasury Stock:

Treasury stock is carried at cost. The cost of treasury shares sold is determined under the average cost method. At September 30, 2000, treasury stock consisted of 1,527,645 shares of Class A Common Stock and 1,135,472 shares of Class B Common Stock. At September 30, 1999, treasury stock consisted of 1,536,864 shares of Class A Common Stock and 970,368 shares of Class B Common Stock.

Income Taxes:

Deferred tax assets and liabilities are provided for the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred income taxes for U.S. tax purposes have not been provided on the undistributed earnings of foreign subsidiaries, as such earnings are considered to be reinvested indefinitely. At September 30, 2000, undistributed earnings for which deferred U.S. income taxes have not been provided approximated $4,900,000. Determination of the amount of unrecognized U.S. deferred tax liability on these unremitted earnings is not practical as any taxes paid upon distribution to the Company would be offset, at least in part, by foreign tax credits under U.S. tax regulations.

Research and Development Expenses:

Research and development costs are expensed as incurred and approximated $1,900,000, $2,000,000 and $1,700,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

Earnings Per Share:

Basic earnings per share is computed by dividing net income by the average number of common shares outstanding. Diluted earnings per share is computed using the treasury stock method which assumes the issuance of common stock for all dilutive securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Revenue Recognition:

Revenues are generally recognized at the time of product shipment, except for construction revenues which are recognized under the percentage-of-completion method of accounting.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 outlines basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company will be required to implement SAB No. 101 in the fourth quarter of its fiscal year ending September 30, 2001. The provisions of SAB No. 101 are not expected to have a material impact on the Company's consolidated financial statements.

Reclassifications:

Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform to current year presentation.

3. INVENTORIES:

Inventories at September 30 consisted of the following:

	2000	1999
Materials and finished goods	$14,927,664	$14,883,879
Labor and overhead in process	1,498,130	1,212,485
Supplies	423,652	304,113
	$16,849,446	$16,400,477

4. INVESTMENTS:

Investment securities are recorded at estimated market value at the consolidated balance sheet date and are classified as available-for-sale. Short-term investments consisted principally of corporate obligations with purchased maturities of over three months but less than one year. The cost of short-term investments approximated market value at September 30, 2000 and 1999. Investments classified as non-current consisted of securities of the U.S. government and its agencies and corporate obligations with purchased maturities in the range of one to five years. Accrued interest on all investment securities was classified with short-term investments.

4. INVESTMENTS, continued:

Unrealized gains and losses on investment securities, including related deferred taxes, are reflected in other comprehensive income. Realized gains and losses are based on the specific identification method and are recorded in investment income. Realized losses for fiscal 2000 were $29,505. Realized gains for fiscal 1999 and 1998 were $17,325 and $39,716, respectively. Bond premiums and discounts are amortized on the straight-line method, which does not significantly differ from the interest method.

At September 30, 2000 and 1999, investments classified as non-current were as follows:

	Book Value (Amortized Cost)	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
September 30, 2000:				
U.S. government and its agencies	$ 7,194,946	$ 43,915	$ 27,731	$ 7,211,130
Corporate obligations	5,013,057	32,176	12,253	5,032,980
Other	159,470	-	-	159,470
Total	$12,367,473	$ 76,091	$ 39,984	$12,403,580
September 30, 1999:				
U.S. government and its agencies	$ 4,598,047	$ 15,859	$ 16,560	$ 4,597,346
Corporate obligations	3,998,133	-	21,633	3,976,500
Other	173,939	-	-	173,939
Total	$ 8,770,119	$ 15,859	$ 38,193	$ 8,747,785

Investments also included the Company's 49% ownership interest in Applied Technology Developments, Ltd. ("ATD"), which was $1,735,258 and $2,035,001 at September 30, 2000 and 1999, respectively. The investment in ATD is recorded under the equity method of accounting. Income under the equity method of accounting is recorded in investment income. In addition, investments included ownership interests in various affiliates of less than 20%, which totaled $663,971 and $529,944 at September 30, 2000 and 1999, respectively. Investments with ownership interests less than 20% are recorded under the cost method of accounting.

5. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and the related accumulated depreciation at September 30, 2000 and 1999 were as follows:

	2000	1999
Buildings	$25,380,612	$24,387,333
Machinery and equipment	65,161,678	59,242,710
	90,542,290	83,630,043
Less accumulated depreciation	(45,640,252)	(39,107,236)
	44,902,038	44,522,807
Land	2,946,592	3,019,778
Construction in progress	618,616	3,128,162
	$48,467,246	$50,670,747

6. LONG-TERM DEBT:

Long-term debt at September 30, 2000 and 1999 consisted of the following:

	2000	1999
Note payable to bank, 4.145%	$ 8,432,733	$10,966,546
Note payable to bank, 5.5%	3,542,463	-
Note payable to bank, 6.7%	3,142,857	3,714,286
Capital lease obligations	790,022	1,482,334
	15,908,075	16,163,166
Less current maturities	(1,999,627)	(2,019,128)
	$13,908,448	$14,144,038

In June 1999, a portion of the purchase price of Caggiati S.p.A. was financed through a loan of Lit. 20.2 billion (U.S.$10,900,000) from an Italian bank, UniCredito Italiano, Parma, Italy. The loan amortization period is 15 years with interest at an annual rate of 4.145%, subject to renewal after five and ten years at an interest rate approximating current market rates. In June 2000, the first deferred payment due in connection with the purchase of Caggiati S.p.A. (Note 15) was financed through a loan of Lit. 7.9 billion (U.S.$3,600,000) from UniCredito Italiano. The loan amortization period is 14 years with interest at an annual rate of 5.5%, subject to renewal after five and ten years at an interest rate approximating current market rates.

In 1999, Tukaiz entered into a note payable with a bank for an original amount of $4,000,000. The note, which bears interest at an annual rate of 6.7%, matures in March 2002 and is collateralized by assets of Tukaiz.

6. LONG-TERM DEBT, continued:

Aggregate maturities of the loans payable to banks for the next five fiscal years are as follows:

2001	$1,442,328
2002	3,442,325
2003	870,898
2004	870,898
2005	870,898
	$7,497,347

The carrying amounts of the Company's borrowings under its financing arrangements approximate their fair value. In connection with the acquisition

of Caggiati S.p.A. (Note 15), the Company assumed bank debt of $5,500,000.

Long-term debt, current maturities, also included short-term borrowings of $1,478,591 and $5,585,315 at September 30, 2000 and 1999, respectively. Short-term borrowings consisted principally of several line of credit arrangements by Caggiati S.p.A. for working capital requirements. The weighted-average interest rate on these borrowings, which are secured by certain trade accounts receivable, was 5.0% at September 30, 2000. Short-term borrowings at September 30, 1999 also included $365,000 by Tukaiz under a line of credit. Tukaiz has a line of credit of $1,500,000, which bears interest at the bank's prime rate, which was 9.5% at September 30, 2000. No amounts were outstanding under this line of credit at September 30, 2000.

The Company's capital lease agreements expire within three years and generally provide for renewal or purchase options. Remaining future minimum lease payments under capital leases are as follows:

2001	$ 610,458
2002	275,233
2003	13,663
	899,354
Less amount representing interest	(109,332)
	$ 790,022

Assets under capital lease agreements are amortized by the straight-line method over the estimated useful lives of the assets. Cost and accumulated amortization of assets under capital lease agreements were $2,969,280 and $2,609,287, respectively, at September 30, 2000 and $2,976,310 and $2,226,925, respectively, at September 30, 1999.

6. LONG-TERM DEBT, continued:

The Company has a Revolving Credit and Term Loan Agreement. Under terms of the agreement, the Company may borrow principal amounts up to $10,000,000 in the aggregate at various interest rate options approximating current market rates. The Revolving Credit and Term Loan Agreement requires the Company to maintain minimum levels of consolidated working capital and tangible net worth. At September 30, 2000 and 1999, no amounts were outstanding under this agreement.

The Company has a line of credit of $500,000 (Canadian dollars), which provides for borrowings at the bank's prime interest rate. The Company has a $500,000 (U.S.) foreign exchange line of credit for standby letters of credit to support performance guarantees. There were no borrowings outstanding on these lines of credit at September 30, 2000 and 1999.

7. SHAREHOLDERS' EQUITY:

The authorized common stock of the Company consists of 100,000,000 shares, divided into two classes: Class A Common Stock, 70,000,000 shares, $1 par value, and Class B Common Stock, 30,000,000 shares, $1 par value. Shares of Class A Common Stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B Common Stock have ten votes per share and are only transferable by a shareholder to the Company or to an active employee of the Company. The Company may, at its discretion, purchase such shares at the fair market value per share of the Company's Class A Common Stock or permit shareholders to tender such shares to the Company in exchange for an equal number of shares of Class A Common Stock. For the fiscal years ended September 30, 2000, 1999 and 1998, 256,094, 362,447

and 645,226 shares, respectively, of Class B Common Stock were exchanged for an equal number of shares of Class A Common Stock.

The Company has an active stock repurchase program, which was initiated in fiscal 1996. The program was extended for the third time by the Company in April 2000. Under the program, the Company's Board of Directors have authorized the repurchase of a total of 4,000,000 shares of Matthews Class A and Class B Common Stock, of which 3,164,138 shares have been repurchased as of September 30, 2000. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its Class A and Class B 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 Restated Articles of Incorporation.

Shareholders' equity includes notes receivable from employees which resulted from purchases of common stock by designated employees under the Employees' Stock Purchase Plan. Each note bears interest at 6.5% per annum and is due five years from the date of its execution, which period may be, and in some instances has been, extended by the Executive Committee. There were 27,000 shares of the Company's Class B Common Stock owned by borrowers and pledged as collateral on the notes as of September 30, 2000.

7. SHAREHOLDERS' EQUITY:

Comprehensive income consists of net income adjusted for changes, net of any related income tax effect, in cumulative foreign currency translation, unrealized investment gains and losses and minimum pension liability.

8. STOCK PLANS:

The Company has a stock incentive plan which provides for grants of incentive stock options, nonstatutory stock options and restricted share awards. The plan is administered by the Compensation Committee of the Board of Directors. 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 was 2,325,582 shares at September 30, 2000. The option price for each stock option which may be granted under the 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 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 for a one-week period beginning five years from the date of grant. In addition, options granted after September 1996 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 certain market value levels described above). 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 has elected to account for its stock incentive plan under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." If compensation cost had been determined under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and diluted earnings per share would have been as follows:

	2000	1999	1998
Net income, as reported	$27,922,919	$25,015,702	$22,501,692
Net income, pro forma	26,357,128	23,851,524	21,967,279
Earnings per share, as reported	$1.76	$1.54	$1.34
Earnings per share, pro forma	1.66	1.47	1.31

The weighted-average fair value of options granted was $10.74 per share in

2000, $11.61 per share in 1999 and $7.69 per share in 1998.

8. STOCK PLANS, continued:

The fair value of each option grant is estimated on the date of grant using a Black-Scholes based pricing model with the following assumptions:

	2000	1999	1998
Expected volatility	26.0%	24.8%	23.1%
Dividend yield	0.8%	0.8%	0.7%
Average risk-free interest rate	5.8%	6.3%	4.8%
Average expected term (years)	8.3	8.0	7.7

The transactions for shares under options were as follows:

	2000	1999	1998
Outstanding, beginning of year:			
Number	1,949,350	1,482,650	1,593,766
Weighted-average exercise price	$18.67	$13.20	$11.12
Granted:			
Number	111,550	699,800	226,500
Weighted-average exercise price	$25.69	$27.93	$21.54
Exercised:			
Number	350,501	192,300	304,366
Weighted-average exercise price	$ 9.27	$ 8.82	$ 8.38
Expired or forfeited:			
Number	11,466	40,800	33,250
Weighted-average exercise price	$21.81	$25.06	$14.06
Outstanding, end of year:			
Number	1,698,933	1,949,350	1,482,650
Weighted-average exercise price	$21.05	$18.67	$13.20
Exercisable, end of year:			
Number	292,627	430,000	622,300
Weighted-average exercise price	$12.95	$ 9.35	$ 9.18
Shares reserved for future options, end of year	626,649	399,615	151,314

The following tables summarize certain stock option information at September 30, 2000:

Options outstanding:

Range of exercise price	Number	Weighted-average remaining life	Weighted-average exercise price
$7.13 and $13.00	85,000	4.8	$ 9.96
$14.06 - $17.38	622,883	6.2	14.18
$21.41	206,500	7.2	21.41
$27.69 - $30.69	675,500	8.4	27.94
$25.69	109,050	9.1	25.69
	1,698,933	7.3	$21.05

8. STOCK PLANS, continued:

Options exercisable:

Range of exercise price	Number	Weighted-average exercise price
$7.13 and $13.00	85,000	$ 9.96
$14.06 - $17.38	207,627	14.18
	292,627	$12.95

Under the Company's Director Fee Plan, directors who are not also officers of the Company each receive, as an annual retainer fee, shares of the Company's Class A Common Stock equivalent to approximately $16,000. Directors may also elect to receive the common stock equivalent of meeting fees. 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. Shares deferred under the Director Fee Plan at September 30, 2000, 1999 and 1998 were 24,007, 23,072 and 20,658, respectively.

9. EARNINGS PER SHARE

	2000	1999	1998
Net income	$27,922,919	$25,015,702	$22,501,692
Weighted-average common shares outstanding	15,515,508	15,851,393	16,336,359
Dilutive securities, primarily stock options	336,069	389,760	433,855
Diluted weighted-average common shares outstanding	15,851,577	16,241,153	16,770,214
Basic earnings per share	$1.80	$1.58	$1.38
Diluted earnings per share	$1.76	$1.54	$1.34

10. PENSION AND OTHER POSTRETIREMENT PLANS:

The Company provides defined benefit pension and other postretirement plans to certain employees. The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:
<TABLE>
<CAPTION>

<S>	Pension 2000 <C>	Pension 1999 <C>	Other Postretirement 2000 <C>	Other Postretirement 1999 <C>
Change in benefit obligation:				
Benefit obligation, beginning	$ 55,959,448	$54,747,545	$ 12,563,366	$ 12,069,729
Service cost	2,452,406	2,161,278	268,247	321,533
Interest cost	3,954,490	3,724,617	882,177	816,476
Assumption changes	-	(1,961,143)	-	(367,573)
Actuarial (gain) loss	693,879	(51,860)	200,431	474,566
Benefit payments	(2,826,557)	(2,660,989)	(931,337)	(751,365)
Benefit obligation, ending	60,233,666	55,959,448	12,982,884	12,563,366

Change in plan assets:				
Fair value, beginning	69,656,767	59,314,028	-	-
Actual return	31,049,431	12,775,502	-	-
Benefit payments	(2,826,557)	(2,660,989)	(931,337)	(751,365)
Employer contributions	228,226	228,226	931,337	751,365
	----------	----------	----------	----------
Fair value, ending	98,107,867	69,656,767	-	-
	----------	----------	----------	----------
Funded status	37,874,201	13,697,319	(12,982,884)	(12,563,366)
Unrecognized transition asset	-	(403,800)	-	-
Unrecognized actuarial (gain) loss	(36,403,625)	(12,578,346)	2,968,871	3,026,261
Unrecognized prior service cost	736,266	898,163	(9,758,569)	(10,767,640)
	----------	----------	----------	----------
Net amount recognized	$ 2,206,842	$ 1,613,336	$(19,772,582)	$(20,304,745)
	==========	==========	==========	==========
Amounts recognized in the balance sheet:				
Prepaid pension cost	$ 4,210,308	$ 3,471,504	$(19,772,582)	$(20,304,745)
Accrued benefit liability	(3,537,024)	(2,263,582)	-	-
Intangible asset	243,828	307,353	-	-
Accumulated other comprehensive income	1,289,730	98,061	-	-
	----------	----------	----------	----------
Net amount recognized	$ 2,206,842	$ 1,613,336	$(19,772,582)	$(20,304,745)
	==========	==========	==========	==========

</TABLE>

10. PENSION AND OTHER POSTRETIREMENT PLANS, continued:

Net periodic pension and other postretirement benefit costs included the following:
<TABLE>
<CAPTION>

	Pension			Other Postretirement		
	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost	$2,452,406	$2,161,278	$1,923,321	$ 268,247	$ 321,533	$ 277,803
Interest cost	3,954,490	3,724,617	3,559,391	882,177	816,476	748,625
Expected return on plan assets	(6,100,211)	(5,288,217)	(4,748,334)	-	-	-
Amortization:						
Transition asset	(403,800)	(403,794)	(403,794)	-	-	-
Prior service cost	161,897	161,927	161,927	(1,009,071)	(1,009,071)	(1,009,071)
Net actuarial (gain) loss	(430,062)	54,262	45,209	136,752	112,254	55,476
	---------	---------	---------	---------	---------	---------
Net benefit cost	$ (365,280)	$ 410,073	$ 537,720	$ 278,105	$ 241,192	$ 72,833
	=========	=========	=========	=========	=========	=========

</TABLE>

The Company has an unfunded defined benefit pension plan which had a benefit obligation at September 30, 2000 and 1999 of $4,486,914 and $2,556,500, respectively.

Weighted-average assumptions for the pension and other postretirement benefit plans as of August 1 and September 30, respectively, were:
<TABLE>
<CAPTION>

Pension Other Postretirement

	2000	1999	1998	2000	1999	1998
Discount rate	7.25%	7.25%	7.00%	7.25%	7.25%	7.00%
Return on plan assets	9.00	9.00	9.50	-	-	-
Compensation increase	4.50	4.50	4.50	4.50	4.50	4.50

</TABLE>

For measurement purposes, annual rates of increase of 20.0% and 12.0% in the per capita cost of health care benefits for Medicare-Risk HMO Plans and all other plans, respectively, were assumed for 2000; the rates were assumed to decrease gradually to 5.0% for 2004 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported. An increase in the assumed health care cost trend rates by one percentage point would have increased the accumulated postretirement benefit obligation as of September 30, 2000 by $428,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $60,000. A decrease in the assumed health care cost trend rates by one percentage point would have decreased the accumulated postretirement benefit obligation as of September 30, 2000 by $391,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $52,000.

11. INCOME TAXES:

The provision for income taxes consisted of the following:

	2000	1999	1998
Current:			
Federal	$11,940,282	$12,116,079	$13,190,560
State	1,842,603	2,400,713	2,326,985
Foreign	2,761,313	1,117,029	685,204
	16,544,198	15,633,821	16,202,749
Deferred	1,471,233	627,136	(1,572,158)
Total	$18,015,431	$16,260,957	$14,630,591

The components of the net deferred tax asset at September 30 were as follows:

	2000	1999
Deferred tax assets:		
Postretirement benefits other than pensions	$ 7,686,796	$ 7,894,340
Deferred compensation	1,389,145	1,833,435
Bad debt / other provisions	997,702	1,109,910
Estimated finishing costs	1,104,921	1,073,663
Accrued vacation pay	872,698	857,539
Foreign subsidiary losses, net	-	170,000
Other	311,564	443,142
	12,362,826	13,382,029
Deferred tax liabilities:		
Depreciation and amortization	(3,778,472)	(3,957,835)
Deferred gain on sale of facilities	(476,935)	(508,713)
Pension costs	(216,765)	(448,915)
Unrealized investment (gain) loss	(14,081)	8,710
	(4,486,253)	(4,906,753)
Net deferred tax asset	7,876,573	8,475,276
Less current portion	(977,525)	(966,019)

	$ 6,899,048	$ 7,509,257

11. INCOME TAXES, continued:

The components of the provision for deferred income taxes were as follows:

	2000	1999	1998
Postretirement benefits other than pensions	$ 207,544	$ 230,018	$ 183,894
Deferred compensation	444,290	(378,345)	(858,000)
Estimated finishing costs	(31,258)	10,900	(276,930)
Accrued vacation pay	(15,159)	(23,759)	(62,410)
Foreign subsidiary losses, net	170,000	205,000	125,000
Depreciation and amortization	272,464	666,701	(40,935)
Deferred gain on sale of facilities	(31,778)	1,538	(77,214)
Pension costs	232,601	13,122	(208,149)
Other	222,529	(98,039)	(357,414)
	$ 1,471,233	$ 627,136	$(1,572,158)

The reconciliation of the federal statutory tax rate to the consolidated effective tax rate was as follows:

	2000	1999	1998
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
Effect of state income taxes, net of federal deduction	2.8	3.8	3.7
Foreign taxes in excess of (less than) federal statutory rate	.5	(.6)	-
Goodwill amortization	.5	.5	.6
Other	.4	.7	.1
Effective tax rate	39.2 %	39.4 %	39.4 %

The Company's foreign subsidiaries had income before income taxes for the years ended September 30, 2000, 1999 and 1998 of approximately $7,000,000, $4,300,000 and $1,500,000, respectively.

At September 30, 2000 and 1999, the Company had foreign net operating loss carryforwards of $900,000 and $3,500,000, respectively. Carryforwards at September 30, 2000 have an indefinite carryforward period. The Company has recorded a valuation allowance of $430,000 and $1,350,000 at September 30, 2000 and 1999, respectively, related to the carryforwards.

12. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company operates various production and office facilities and equipment under operating lease agreements. Annual rentals under these and other operating leases were $3,700,000, $3,100,000 and $2,800,000 in 2000, 1999 and 1998, respectively. Future minimum rental commitments are not material.

----

12. COMMITMENTS AND CONTINGENT LIABILITIES, continued:

The Company is party to various legal proceedings, the eventual outcome of which are not predictable. It is possible that an unfavorable resolution of these matters could have a material impact to the Company. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion that they should not result in liabilities in an amount which would materially affect the Company's consolidated financial position, results of operations or cash flows.

The Company has employment agreements with certain employees, the terms of which expire at various dates between 2001 and 2008. The agreements generally provide for base salary and bonus levels and include a non-compete clause. The aggregate commitment for salaries under these agreements at September 30, 2000 was approximately $2,900,000.

13. SUPPLEMENTAL CASH FLOW INFORMATION:

Changes in working capital items as presented in the Consolidated Statement of Cash Flows consisted of the following:

	2000	1999	1998
Current assets:			
Accounts receivable	$ 1,602,469	$(1,977,766)	$(1,051,982)
Inventories	(574,012)	1,126,300	(355,121)
Other current assets	109,086	28,048	392,197
	1,137,543	(823,418)	(1,014,906)
Current liabilities:			
Trade accounts payable	145,448	(2,311,459)	732,701
Accrued compensation	(1,508,434)	990,705	3,539,657
Accrued vacation pay	(27,544)	84,406	275,473
Profit distribution to employees	137,526	(143,948)	528,549
Accrued income taxes	(548,200)	(3,155,184)	943,106
Customer prepayments	(950,797)	(615,939)	(1,451,379)
Other current liabilities	(1,302,941)	(2,948,607)	2,189,745
	(4,054,942)	(8,100,026)	6,757,852
Net change	$(2,917,399)	$(8,923,444)	$ 5,742,946

Significant non-cash transactions included the following:

In September 1998, Matthews acquired a fifty percent interest in S+T. A liability was recorded in fiscal 1998 for the purchase price of 11,255,500 German Marks (U.S.$6,200,000), which was paid in January 2000 and included in the Statement of Cash Flows in fiscal 2000.

13. SUPPLEMENTAL CASH FLOW INFORMATION, continued:

In fiscal 1998, Matthews acquired a 50% interest in O.N.E. The purchase agreement requires Matthews to acquire the remaining 50% interest no later than May 2004. A liability of $3,700,000 was recorded in other liabilities on the acquisition date for the present value of the minimum future payouts under the purchase agreement.

14. SEGMENT INFORMATION:

The Company is organized into three business segments based on products and services. The segments, which are Bronze, Graphics Imaging and Marking Products, are described under Nature of Operations (Note 1). 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 minority interest. Information about the Company's segments follows:

	Graphics Imaging	Marking Products	Bronze	Other	Consolidated
Sales to external customers:					
2000	$90,163,683	$31,840,664	$140,360,555	$ -	$262,364,902
1999	85,094,574	30,474,292	123,760,357	-	239,329,223
1998	75,294,549	30,054,688	106,272,820	-	211,622,057
Intersegment sales:					
2000	14,372	49,755	199,059	-	263,186
1999	5,515	54,650	45,553	-	105,718
1998	6,973	63,424	35,364	-	105,761
Depreciation and amortization:					
2000	5,843,810	531,983	5,198,909	432,658	12,007,360
1999	5,829,134	586,859	3,789,643	403,732	10,609,368
1998	4,202,894	618,861	2,849,786	361,560	8,033,101
Operating profit:					
2000	9,639,815	4,720,011	33,416,226	-	47,776,052
1999	5,135,373	4,036,043	31,776,575	-	40,947,991
1998	6,909,985	3,003,056	26,015,903	-	35,928,944
Total assets:					
2000	64,186,626	18,449,104	88,193,555	49,836,165	220,665,450
1999	66,925,288	19,685,133	97,005,147	42,062,004	225,677,572
1998	60,274,431	20,060,272	59,304,584	47,566,477	187,205,764
Capital expenditures:					
2000	4,226,726	639,536	2,610,455	197,371	7,674,088
1999	7,243,220	497,372	5,390,338	151,473	13,282,403
1998	5,110,111	334,122	1,628,217	260,241	7,332,691

14. SEGMENT INFORMATION, continued:

The accounting policies of the segments are the same as those described in Summary of Significant Accounting Policies (Note 2). Intersegment sales are accounted for at negotiated prices. Operating profit is total revenue less operating expenses. Segment assets include those assets which are used in the Company's operations within each segment. Assets classified under Other principally consist of cash and cash equivalents, investments, deferred income taxes and corporate headquarters' assets. Long-lived assets include property, plant and equipment, net of accumulated depreciation, and goodwill, net of accumulated amortization.

Information about the Company's operations by geographic area follows:

	United States	Canada	Australia	Europe	Consolidated
Sales to external customers:					
2000	$211,990,262	$9,303,128	$ 4,631,263	$36,440,249	$262,364,902
1999	207,727,477	9,463,587	4,581,785	17,556,374	239,329,223
1998	192,443,566	8,808,520	4,817,523	5,552,448	211,622,057

Long-lived assets:					
2000	69,426,182	2,401,191	2,403,778	22,948,141	97,179,292
1999	72,540,145	2,557,147	3,133,019	25,603,447	103,833,758
1998	67,653,629	1,974,039	2,894,405	112,988	72,635,061

</TABLE>

15. ACQUISITIONS:

On August 1, 2000, Matthews purchased a 75% interest in Repro Busek Druckvorstufentechnik GmbH & Co. KG ("Busek"), which is headquartered in Vienna, Austria. Products and services of Busek include pre-press packaging, digital and analog flexographic printing plates, design, art work, lithography and color separation. Busek serves customers in Austria, Hungary, Poland and the Czech Republic.

On June 1, 1999, Matthews purchased the assets of Caggiati S.p.A., the leading supplier of bronze memorialization products in Europe. The purchase price was Lit. 34.6 billion (U.S.$19,000,000) cash plus the assumption of bank debt of Lit. 10.2 billion (U.S.$5,500,000) and certain other trade liabilities. Matthews paid cash of Lit. 20.2 billion (U.S.$10,900,000) upon closing with Lit. 7.2 billion (U.S.$3,500,000) paid on June 1, 2000 and the remaining balance of Lit. 7.2 billion payable on June 1, 2001 (classified in other current liabilities). Interest at an annual rate of 5% is payable on the deferred payments.

The following unaudited pro forma information presents a summary of the consolidated results of Matthews and Caggiati S.p.A. as if the acquisition had occurred on October 1, 1997:

15. ACQUISITIONS, continued:

	1999	1998
Sales	$255,000,000	$235,100,000
Net income	25,800,000	23,500,000
Earnings per share, diluted	$1.59	$1.40

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as goodwill amortization and interest expense on acquisition debt. The pro forma information does not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

Acquisitions in fiscal 1998 totaled approximately $23,000,000 and included Gibraltar Mausoleum Construction Company, a fifty percent interest in S+T and a fifty percent interest in O.N.E.

Matthews has accounted for these acquisitions using the purchase method and, accordingly, recorded the acquired assets and liabilities at their estimated fair values at the acquisition dates. The excess of the purchase price over the fair value of the net assets has been recorded as goodwill to be amortized on a straight-line basis over periods ranging from 20 to 25 years.

16. SUBSEQUENT EVENT:

On December 7, 2000, Matthews signed an agreement for the sale of its fifty percent interest in Tukaiz. Net proceeds to Matthews from the sale, after the repayment of intercompany debt, will approximate $10,000,000. The transaction, which is expected to close before January 31, 2001, is contingent on certain factors including the purchaser's ability to complete financing

arrangements. All intercompany debt provided by Matthews to Tukaiz, including a $5,500,000 Subordinated Convertible Note, will be repaid upon the closing of this transaction.

SUPPLEMENTARY FINANCIAL INFORMATION

Selected Quarterly Financial Data (Unaudited):

The following table sets forth certain items included in the Company's unaudited consolidated financial statements for each quarter of fiscal 2000 and fiscal 1999.

	Quarter Ended				Year Ended
	December 31	March 31	June 30	September 30	September 30
FISCAL YEAR 2000:					
Sales	$63,539,741	$65,979,186	$67,872,139	$64,973,836	$262,364,902
Gross profit	28,023,875	30,640,743	31,098,646	28,325,544	118,088,808
Operating profit	10,385,727	12,508,606	13,330,514	11,551,205	47,776,052
Net income	6,083,277	7,114,526	7,725,357	6,999,759	27,922,919
Earnings per share	.38	.45	.49	.44	1.76
FISCAL YEAR 1999:					
Sales	$56,441,488	$58,588,219	$61,405,443	$62,894,073	$239,329,223
Gross profit	23,458,498	25,157,646	25,493,116	28,927,435	103,036,695
Operating profit	8,699,255	10,559,876	11,126,662	10,562,198	40,947,991
Net income	5,415,119	6,425,198	6,888,062	6,287,323	25,015,702
Earnings per share	.33	.39	.43	.39	1.54

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in accountants or disagreements on accounting or financial disclosure between the Company and PricewaterhouseCoopers LLP, Certified Public Accountants, for the fiscal years ended September 30, 2000, 1999 and 1998.

PART III

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT.

The following information as of November 30, 2000 is furnished with respect to directors, officers and executive management:

Name	Age	Positions with Registrant
David M. Kelly	58	Chairman of the Board, President and Chief Executive Officer

Name	Age	Position
Edward J. Boyle	54	Vice President, Accounting & Finance, Treasurer and Secretary
David J. DeCarlo	55	President, Bronze Division and Director
Brian J. Dunn	43	President, Marking Products, North America
Robert J. Kavanaugh	63	Director
Lawrence W. Keeley	39	President, Graphic Systems Division
Thomas N. Kennedy	65	Director
Steven F. Nicola	40	Controller
John P. O'Leary, Jr.	53	Director
Robert J. Schwartz	53	Group President, Graphic Systems & Marking Products Divisions
William J. Stallkamp	61	Director
John D. Turner	54	Director

David M. Kelly has been Chairman of the Board since March 1996. He was appointed President and Chief Operating Officer of the Company in April 1995 and President and Chief Executive Officer in October 1995. He was appointed as a Director of the Company in May 1995.

Edward J. Boyle has been Vice President, Accounting & Finance since December 1995. He was appointed Treasurer and Secretary in September 1996.

David J. DeCarlo, a Director of the Company since 1987, has been President, Bronze Division since November 1993.

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT, continued.

Brian J. Dunn was appointed President, Marking Products, North America in November 2000. He had been National Sales Manager, Marking Products, North America since joining the Company in November 1998. Prior thereto, Mr. Dunn was a regional sales manager for the Automation Division of Rockwell International Corporation.

Robert J. Kavanaugh was elected to the Board of Directors in February 1998. Mr. Kavanaugh retired in 1996 as a partner of the Pittsburgh office of Arthur Andersen LLP.

Lawrence W. Keeley joined the Company in September 1999 as President, Graphic Systems Division. Prior thereto, he was a Vice President for Container Graphics Corporation.

Thomas N. Kennedy, a Director of the Company since 1987, retired as an officer of the Company in December 1995. He was Senior Vice President, Chief Financial Officer and Treasurer.

Steven F. Nicola has been Controller of the Company since December 1995.

John P. O'Leary, Jr., a Director of the Company since 1992, has been President and Chief Executive Officer of Tuscarora, Incorporated, a plastics manufacturer, since 1990.

Robert J. Schwartz was appointed Group President, Graphic Systems & Marking Products Divisions in November 2000. He was President, Marking Products Division since September 1997. Mr. Schwartz joined the Company in January 1997 as Director of Sales and Marketing for the Marking Products Division. Prior thereto, he was Vice President - Sales for Northeast Distributors, Inc.

William J. Stallkamp, a Director of the Company since 1981, was a Vice Chairman of Mellon Financial Corporation in Pittsburgh, PA and Chairman of Mellon PSFS in Philadelphia, PA until his retirement on January 1, 2000. He is currently a fund advisor at Safeguard Scientifics, Inc.

John D. Turner was elected to the Board of Directors in April 1999. Mr. Turner has been Executive Vice President of The LTV Corporation and President of LTV Copperweld, a manufacturer of tubular and bimetallic wire products, since November 1999. Mr. Turner was formerly President and Chief Executive Officer of Copperweld Corporation.

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT, continued.

Board Committees:

The Executive Committee is appointed by the Board of Directors to have and exercise during the periods between Board meetings all of the powers of the Board of Directors, except that the Executive Committee may not elect directors, change the membership of or fill vacancies in the Executive Committee, change the By-Laws of the Company or exercise any authority specifically reserved by the Board. The membership of the Executive Committee from October 1, 1999 until April 20, 2000 consisted of Messrs. Kelly and DeCarlo. The membership of the Committee since April 20, 2000 consisted of Messrs. Kelly, DeCarlo and Kennedy.

The principal function of the Audit Committee, the members of which are Messrs. O'Leary (Chairman), Kavanaugh and Stallkamp, is to endeavor to assure the integrity and adequacy of financial statements issued by the Company. It is intended that the Audit Committee will review internal auditing systems and procedures as well as the activities of the public accounting firm performing the external audit.

The principal function of the Compensation Committee, the members of which are Messrs. Stallkamp (Chairman), Kavanaugh and Turner, is to review periodically the suitability of the remuneration arrangements (including benefits), other than stock remuneration, for the principal officers of the Company. A subcommittee of the Compensation Committee, the Stock Compensation Committee, the members of which are Messrs. Stallkamp (Chairman), Kavanaugh and Turner, consider and grant stock remuneration and administer the Company's 1992 Stock Incentive Plan.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the individual compensation information for the fiscal years ended September 30, 2000, 1999 and 1998 for the Company's Chief Executive Officer and the four most highly compensated executives.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

Annual Compensation		Long-Term Compensation	
		Awards	Payouts

Name of Individual and Principal Position	Year	Salary (1)	Bonus	Securities Underlying Options (Shares)	LTIP Payouts (2)	All Other Compensation (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David M. Kelly	2000	$367,117	$360,585	None	$736,928	117
Chairman of the Board and	1999	329,618	339,298	275,000	734,737	None
Chief Executive Officer	1998	312,409	324,082	40,000	239,850	None
David J. DeCarlo	2000	236,095	163,498	None	761,709	1,492
Director and President,	1999	217,411	171,334	149,000	711,607	1,419
Bronze Division	1998	207,921	169,552	None	269,660	2,520
Edward J. Boyle	2000	160,232	94,876	None	190,292	2,142
Vice President,	1999	143,041	89,962	78,000	187,183	3,294
Accounting & Finance	1998	129,689	87,394	36,000	60,211	4,250
Robert J. Schwartz	2000	139,913	85,646	5,000	118,929	3,189
President, Marking	1999	126,577	80,952	10,000	55,464	747
Products Division	1998	118,323	75,177	32,000	None	1,038
Lawrence W. Keeley	2000	156,169	55,402	20,000	None	35,795
President, Graphic Systems Division						

<FN>

(1) Includes the current portion of management incentive plan and supplemental management incentive payments and for Mr. Kelly in 1999 and 1998, an amount equal to his life insurance premium cost. Until 2000, at his request, the Company did not provide life insurance for Mr. Kelly, but in lieu thereof paid to him annually the amount which the Company would have paid in premiums to provide coverage, considering his position and age. Such amounts were not included in calculating other Company benefits for Mr. Kelly. The amount paid to Mr. Kelly in lieu of life insurance for 1999 and 1998 was $4,100 each year. The Company has adopted a management incentive plan for officers and key management personnel. Participants in such plan are not eligible for the Company's profit distribution plan. The incentive plan is based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period. See Long-Term Incentive Plans - Awards in Last Fiscal Year table. In addition, payments include a supplement in amounts which are sufficient to pay annual interest expense on the outstanding notes of management under the Company's Designated Employee Stock Purchase Plan and to pay medical costs which are not otherwise covered by a Company plan.

(2) Represents payments of deferred amounts under the management incentive plan.

(3) Includes premiums for term life insurance and educational assistance for dependent children. Each officer of the Company is provided term life insurance coverage in an amount approximately equivalent to three times his respective salary. Educational assistance for dependent children is provided to any officer or employee of the Company whose child meets the scholastic eligibility criteria and is attending an eligible college or university. Amounts reported in this column include only life insurance benefit costs except for Messrs. Boyle, Schwartz and Keeley. Educational assistance amounts for Mr. Boyle in fiscal 2000, 1999 and 1998, respectively, were $1,200, $2,400 and $2,200. In 2000, Mr. Schwartz received $2,400 under the educational assistance program. The amount reported in this column in 2000 for Mr. Keeley includes $35,592 for the reimbursement of relocation expenses.

</TABLE>

The Summary Compensation Table does not include expenses to the Company of incidental benefits of a limited nature to executive officers including use of Company vehicles, club memberships, dues, or tax planning services. The Company believes such incidental benefits are in the conduct of the Company's business, but, to the extent such benefits and use would be considered personal benefits, the value thereof is not reasonably ascertainable and does not exceed, with respect to any individual named in the compensation table, the lesser of $50,000 or 10% of the annual compensation reported in such table.

Long-Term Incentive Plans - Awards in Last Fiscal Year

<TABLE>
<CAPTION>

Name	Number of Shares or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans Maximum
<S>	<C>	<C>	<C>
D.M. Kelly	-	2 Years	$ 370,982
D.J. DeCarlo	-	2 Years	195,084
E.J. Boyle	-	2 Years	97,239
R.J. Schwartz	-	2 Years	38,004
L.W. Keeley	-	2 Years	None

<FN>
The Company has a management incentive plan based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period.
</TABLE>

ITEM 11. EXECUTIVE COMPENSATION, continued.

Option/SAR Grants in Last Fiscal Year

<TABLE>
<CAPTION>

Individual Grants (1)					Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price per Share	Expiration Date	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
D.M. Kelly	None	-	-	-	-	-
D.J. DeCarlo	None	-	-	-	-	-
E.J. Boyle	None	-	-	-	-	-
R.J. Schwartz	5,000	4.5	25.688	10/26/09	80,774	204,696
L.W. Keeley	20,000	17.9	25.688	10/26/09	323,095	818,785

<FN>
(1) All options were granted at market value as of the date of grant. 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 for a one-week period beginning five years from the date of grant. In addition, options 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 certain market value levels described above). The options are not exercisable within six months from the date of grant and 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 consent of the Company), retirement or death.
</TABLE>

Aggregated Option Exercises in Last Fiscal Year
and Fiscal Year End Option Values

<TABLE>
<CAPTION>

Shares	Number of Securities Underlying	Value of Unexercised In-the-Money Options

Name	Acquired On Exercise	Value Realized	Unexercised Options Exercisable	Unexercisable	at Fiscal Year End Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
D.M. Kelly	164,000	$3,238,188	104,334	441,666	$1,641,177	$2,652,071
D.J. DeCarlo	126,000	2,495,500	83,334	315,666	1,276,052	2,768,073
E.J. Boyle	None	None	13,667	141,333	209,276	819,316
R.J. Schwartz	None	None	16,000	79,000	225,125	740,561
L.W. Keeley	None	None	None	20,000	None	73,750

</TABLE>

ITEM 11. EXECUTIVE COMPENSATION, continued.

Retirement Plans:

The Company's domestic retirement plan is noncontributory and provides benefits based upon length of service and final average earnings. Generally, employees age 21 with one year of continuous service are eligible to participate in the retirement plan. The benefit formula is 3/4 of 1% of the first $550 of final average monthly earnings plus 1-1/4% of the excess times years of credited service (maximum 35). The plan is a defined benefit plan and covered compensation is limited generally to base salary or wages. Benefits are not subject to any deduction or offset for Social Security.

In addition to benefits provided by the Company's retirement plan, the Company has a Supplemental Retirement Plan, which provides for supplemental pension benefits to executive officers of the Company designated by the Board of Directors, including those named in the Summary Compensation Table. Upon normal retirement under this plan, such individuals who meet stipulated age and service requirements are entitled to receive monthly supplemental retirement payments which, when added to their pension under the Company's retirement plan and their maximum anticipated Social Security primary insurance amount, equal, in total, 1.85% of final average monthly earnings (including incentive compensation) times the individual's years of continuous service (subject to a maximum of 35 years). Upon early retirement under this plan, reduced benefits will be provided, depending upon age and years of service. Benefits under this plan do not vest until age 55 and the attainment of 15 years of continuous service. However, in order to recruit Mr. Kelly, the Company waived such minimum service requirement with respect to Mr. Kelly. No benefits will be payable under such supplemental plan following the voluntary employment termination or death of any such individual. The Supplemental Retirement Plan is unfunded; however, a provision has been made on the Company's books for the actuarially computed obligation.

The following table shows the total estimated annual retirement benefits payable at normal retirement under the above plans for the individuals named in the Summary Compensation Table at the specified executive remuneration and years of continuous service:

Covered Remuneration	Years of Continuous Service 15	20	25	30	35
$125,000	$ 34,688	$ 46,250	$ 57,813	$ 69,375	$ 80,938
150,000	41,625	55,500	69,375	83,250	97,125
175,000	48,563	64,750	80,938	97,125	113,313
200,000	55,500	74,000	92,500	111,000	129,500
250,000	69,375	92,500	115,625	138,750	161,875
300,000	83,250	111,000	138,750	166,500	194,250
400,000	111,000	148,000	185,000	222,000	259,000
500,000	138,750	185,000	231,250	277,500	323,750
600,000	166,500	222,000	277,500	333,000	388,500
700,000	194,250	259,000	323,750	388,500	453,250
800,000	222,000	296,000	370,000	444,000	518,000

ITEM 11. EXECUTIVE COMPENSATION, continued.

The table shows benefits at the normal retirement age of 65, before applicable reductions for social security benefits. The Employee Retirement Income Security Act of 1974 places limitations, which may vary from time to time, on pensions which may be paid under federal income tax qualified plans, and some of the amounts shown on the foregoing table may exceed the applicable limitation. Such limitations are not currently applicable to the Company's Supplemental Retirement Plan.

Estimated years of continuous service for each of the individuals named in the Summary Compensation Table, as of October 1, 2000 and rounded to the next higher year, are: Mr. Kelly, 6 years; Mr. DeCarlo, 16 years; Mr. Boyle, 14 years; Mr. Schwartz, 4 years and Mr. Keeley, 1 year.

Compensation Committee Interlocks and Insider Participation:

Thomas N. Kennedy, a former officer of the Company, was a member of the Company's Compensation Committee until April 2000.

Compensation of Directors:

Pursuant to the Director Fee Plan, directors who are not also officers of the Company each receive as an annual retainer fee shares of the Company's Class A Common Stock equivalent to approximately $16,000. In addition, each such director is paid $1,000 for every meeting of the Board of Directors attended and (other than a Chairman) $500 for every committee meeting attended. The Chairman of a committee of the Board of Directors is paid $700 for every committee meeting attended. Directors may also elect to receive the common stock equivalent of meeting fees. 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. No other remuneration is otherwise paid by the Company to any director for services as a director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a)(b) Security Ownership of Certain Beneficial Owners and Management:

The Company's Articles of Incorporation divide its voting stock into three classes: Preferred Stock and Class A and Class B Common Stock. At the present time, none of the Preferred Stock is issued or outstanding. The following information is furnished with respect to persons who the Company believes, based on its records, beneficially own more than five percent of the outstanding shares of Class A and Class B Common Stock of the Company, and with respect to directors, officers and executive management. Those individuals with more than five percent of such shares could be deemed to be "control persons" of the Company.

This information is as of November 30, 2000.

Name of Beneficial Owner (1)	Number of Class A Shares Beneficially Owned (2)	Percent of Class	Number of Class B Shares Beneficially Owned (2)	Percent of Class
Directors, Officers and Executive Management:				
D.M. Kelly	224,437 (3)	1.6%	36,000	1.8%
E.J. Boyle	57,083 (3)	0.4	18,750	1.0
D.J. DeCarlo	166,667 (3)	1.2	289,910	14.7
R.J. Kavanaugh	1,000	*	None	-
L.W. Keeley	246 (3)	*	None	-
T.N. Kennedy	30,000	0.2	None	-
J.P. O'Leary, Jr.	13,450	0.1	None	-
R.J. Schwartz	48,059 (3)	0.4	None	-

W.J. Stallkamp	7,200	*	None	-
J.D. Turner	2,000	*	None	-
All directors, officers and executive management as a group (12 persons)	571,398 (3)	4.1	361,860	18.4
Others: - ------				
D. Majestic	None	-	252,000	12.8
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	1,452,700	10.8	None	-
Ariel Capital Management, Inc. 307 North Michigan Ave. Chicago, IL 60601	1,072,755	8.0	None	-
Lord, Abbett & Co. 767 Fifth Avenue New York, NY 10153	885,390	6.6	None	-
Neuberger Berman, LLC 605 Third Avenue New York, NY 10158	819,431	6.1	None	-

* Less than 0.1%

(1) Unless otherwise noted, the mailing address of each beneficial owner is the same as that of the Registrant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(2) The nature of the beneficial ownership for all shares is sole voting and investment power, except as follows:

Mr. Stallkamp has sole voting power except for 200 Class A shares held by Mr. Stallkamp as custodian under UTMA for son. Mr. Schwartz has sole voting power except for 40 Class A shares held by Mr. Schwartz as custodian for daughter.

Shares held by T. Rowe Price Associates, Inc. ("Price Associates") are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Stock Fund, Inc. which owns 896,000 shares, which Price Associates serves as investment advisor with power to direct investments and/or sole power to vote the shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such shares; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares. Price Associates has sole dispositive power for 1,452,700 shares and sole voting power for 387,700 shares.

Ariel Capital Management, Inc. has no beneficial interest in any of the 1,072,755 shares owned. Ariel Capital Management, Inc. holds the shares solely for its clients of whom none of them individually owns 5% or more of Matthews International Corporation common stock. Ariel Capital Management, Inc., in its capacity as investment advisor, has sole voting power for 1,013,155 shares and sole investment discretion for 1,072,755 shares.

Lord, Abbett & Co. is an investment advisor for various accounts and, as such, disclaims beneficial ownership of shares.

Neuberger Berman, LLC ("Neuberger"), as a registered investment advisor, may have discretionary authority to dispose of or vote shares that are under its management. As a result, Neuberger may be deemed to have beneficial ownership of such shares. Neuberger does not, however, have any economic interest in the shares. Its clients are the actual owners of the shares and have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such shares. Neuberger Berman Inc. is the parent holding company and owns 100% of Neuberger Berman, LLC and Neuberger Berman Management, Inc. Of the shares set forth in the table, Neuberger had shared dispositive power with respect to 819,431 shares, sole voting power with respect to 423,431 shares and shared voting power on 396,000 shares. With regard to the shared voting power, Neuberger Berman Management, Inc. and Neuberger Berman Funds are deemed to be beneficial owners for purpose of Rule 13(d) since

they have shared power to make decisions whether to retain or dispose of the shares. Neuberger is the sub-advisor to the above referenced Funds. It should be further noted that the aforementioned shares are also included with the shared power to dispose calculation.

(3) Includes options exercisable within 60 days of November 30, 2000 as follows: Mr. Kelly, 181,000 shares; Mr. Boyle, 39,333 shares; Mr. DeCarlo, 166,667 shares; Mr. Schwartz, 36,667 shares; Mr. Keeley, no shares; and all directors and officers as a group, 438,334 shares.

(c) Changes in Control:

The Company knows of no arrangement which may, at a subsequent date, result in a change in control of the Company.

PART IV

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Securities and Exchange Commission requires disclosure of certain business transactions or relationships between the Company, or its subsidiaries, and other organizations with which any of the Company's directors are affiliated as an owner, partner, director, officer or employee. Briefly, disclosure is required where such a business transaction or relationship meets the standards of significance established by the Securities and Exchange Commission with respect to the types and amounts of business transacted. The Company is aware of no transaction requiring disclosure pursuant to this item during the past fiscal year.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:

The following items are included in Part II, Item 8:

	Pages
Report of Independent Accountants	28
Consolidated Balance Sheet	29-30
Consolidated Statement of Income	31
Consolidated Statement of Shareholders' Equity	32
Consolidated Statement of Cash Flows	33
Notes to Consolidated Financial Statements	34-52
Supplementary Financial Information	53

2. Financial Statement Schedules:

Financial statement schedules have been omitted for the reason that the information is not required or is otherwise given in the consolidated financial statements and notes thereto.

3. Exhibits Filed:

The index to exhibits is on pages 67-69.

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on December 22, 2000.

MATTHEWS INTERNATIONAL CORPORATION

(Registrant)

By David M. Kelly

David M. Kelly, Chairman of the Board,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on December 22, 1999:

David M. Kelly	Edward J. Boyle
David M. Kelly Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	Edward J. Boyle Vice President, Accounting & Finance, Treasurer and Secretary (Principal Financial and Accounting Officer)
David J. DeCarlo	John P. O'Leary, Jr.
David J. DeCarlo, Director	John P. O'Leary, Jr., Director
Robert J. Kavanaugh	William J. Stallkamp
Robert J. Kavanaugh, Director	William J. Stallkamp, Director
Thomas N. Kennedy	John D. Turner
Thomas N. Kennedy, Director	John D. Turner, Director

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBITS
INDEX

The following Exhibits to this report are filed herewith or, if marked with an asterisk (*), are incorporated by reference. Exhibits marked with an "a" represent a management contract or compensatory plan, contract or arrangement required to be filed by Item 601(b)(10)(iii) of Regulation S-K.

Exhibit No.	Description		Prior Filing or Sequential Page Numbers Herein
3.1	Restated Articles of Incorporation	*	Exhibit Number 3.1 to Form 10-K for the year ended

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
		September 30, 1994
3.2	Restated By-laws *	Exhibit Number 3.1 to Form 8-K dated July 22, 1999
4.1 a	Form of Revised Option Agreement of Repurchase (effective October 1, 1993) *	Exhibit Number 4.5 to Form 10-K for the year ended September 30, 1993
4.2	Form of Share Certificate for Class A Common Stock *	Exhibit Number 4.9 to Form 10-K for the year ended September 30, 1994
4.3	Form of Share Certificate for Class B Common Stock *	Exhibit Number 4.10 to Form 10-K for the year ended September 30, 1994
10.1	Revolving Credit and Term Loan Agreement *	Exhibit Number 10.7 to Form 10-K for the year ended September 30, 1986
10.2 a	Supplemental Retirement Plan *	Exhibit Number 10.8 to Form 10-K for the year ended September 30, 1988
10.3 a	1992 Stock Incentive Plan (as amended through December 23, 1998) *	Exhibit A to Definitive Proxy Statement filed on January 20, 1999
10.4 a	Form of Stock Option Agreement *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1994
10.5 a	1994 Director Fee Plan (as amended through April 22, 1999) *	Exhibit Number 10.7 to Form 10-K for the year ended September 30, 1999

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
10.6 a	1994 Employee Stock Purchase Plan *	Exhibit Number 10.2 to Form 10-Q for the quarter ended March 31, 1995
10.7	Asset Purchase Agreement among TKZ Holding Corp., Tukaiz Litho, Inc. and Michael Vitallo *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1996
10.8	Membership Interest Agreement, Tukaiz Communications L.L.C. *	Exhibit Number 10.2 to Form 10-Q for the quarter ended December 31, 1996
10.9	Subordinated Convertible Note from Tukaiz Communications, L.L.C. in favor of Venetian Investment Corporation *	Exhibit Number 10.3 to Form 10-Q for the quarter ended December 31, 1996
10.10	Operating Agreement, Tukaiz Communications, L.L.C. *	Exhibit Number 10.4 to Form 10-Q for the quarter ended December 31, 1996
10.11	Asset Purchase and Membership Interest Agreement, O.N.E. Color Communications, L.L.C. *	Exhibit Number 10.1 to Form 10-Q for the quarter ended June 30, 1998
10.12	O.N.E. Color Communications, L.L.C., Operating Agreement *	Exhibit Number 10.2 to Form 10-Q for the quarter ended

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
		June 30, 1998
10.13	Stock Purchase Agreement, S+T Gesellschaft fur Reprotechnik mbH *	Exhibit Number 10.17 to Form 10-K for the year ended September 30, 1998
10.14	Asset Purchase Agreement, Gibraltar Mausoleum Construction Company, Inc. *	Exhibit Number 10.18 to Form 10-K for the year ended September 30, 1998
10.15	Caggiati S.p.A. Asset Purchase Agreement *	Exhibit Number 10.1 to Form 10-Q for the quarter ended June 30, 1999
10.16	Loan Agreement, Caggiati S.p.A. *	Exhibit Number 10.20 to Form 10-K for the year ended September 30, 1999
10.17	Purchase Agreement among priNexus, Inc., Matt-One Holding Corporation, Tukaiz Litho, Inc. and Tukaiz Communications, LLC	Filed Herewith

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
21	Subsidiaries of the Registrant	Filed Herewith
23	Consent of Independent Accountants	Filed Herewith
27	Financial Data Schedule	Filed Herewith (via EDGAR)

Copies of any Exhibits will be furnished to shareholders upon written request. Requests should be directed to Mr. Edward J. Boyle, Vice President, Accounting & Finance, Treasurer and Secretary of the Registrant.

EXHIBIT 10.17

PURCHASE AGREEMENT

This Purchase Agreement (the "Agreement"), dated as of December 7, 2000, is made among priNexus, Inc., a Delaware corporation (the "Purchaser"), Matt-One Holding Corporation, a Delaware corporation ("Matt-One"), Tukaiz Litho, Inc., an Illinois corporation ("Litho", and collectively with Matt-One, the "Sellers" or each individually a "Seller") and Tukaiz Communications, L.L.C., an Illinois limited liability company (the "Company").

R E C I T A L S

WHEREAS, the Sellers own beneficially and of record all of the issued and outstanding membership interests of the Company (the "Company Membership Interests").

WHEREAS, the Purchaser desires to purchase and the Sellers desire to sell, the Company Membership Interests.

NOW, THEREFORE, in consideration of the foregoing, the agreements hereafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1. PURCHASE AND SALE OF COMPANY MEMBERSHIP INTERESTS.

1.1 Agreement to Purchase and Sell. On the Closing Date (as defined in Section 2.1) and upon the terms and subject to the conditions set forth in this Agreement, the Sellers will sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser will accept and purchase from the Sellers, the Company Membership Interests, free and clear of all liens, charges, pledges, security interests, claims and encumbrances whatsoever ("Liens").

1.2 Purchase Price; Allocation of Purchase Price.

(a) On the Closing Date, the Purchaser will deliver or cause to be delivered, as consideration for the sale of the Company Membership Interests, an amount equal to $31,086,470 (the "Purchase Price"). Subject to the Indebtedness Adjustment (as defined below), the Purchase Price will be paid and allocated as follows:

(i) to Matt-One:

$10,041,959 will be paid to Matt-One in immediately available funds;

(ii) to Litho:

(A) $1,140,000 will be paid to Litho in the form of a Subordinated Promissory Note of the Purchaser, in the form attached hereto as Exhibit A (the "Note"); and

(B) $5,975,959 will be paid to Litho in immediately available funds;

(C) $1,500,000 will be paid to Litho by the tranfer of the ownership of the buildings located at 2950 Hart Drive, Franklin Park, Illinois 60131 in accordance with the terms of the Real Estate Transfer Agreement (as defined below);

(iii) up to $5,500,000 will be paid to satisfy the principal amount outstanding under a subordinated note of the Company held by Venetian Investment Corporation (the "Venetian Note");

(iv) up to $3,069,138 will be paid to satisfy the principal amount outstanding under two notes of the Company held by Venetian Investment Corporation (the "Venetian Additional Notes"); and

(v) up to $3,859,414 will be allocated to the indebtedness of the Company outstanding on the Closing Date (the "Company Indebtedness"). The Purchaser will have the option to satisfy the Company Indebtedness at Closing.

(b) If (i) the amount paid at Closing to satisfy the principal amount of the Venetian Additional Notes is less than $3,069,138 or (ii) the Company Indebtedness outstanding on the Closing Date is less than $3,859,414 (exclusive of Company Indebtedness incurred between September 30, 2000 and the Closing Date to fund the purchase of capital equipment that was approved in advance by the Purchaser), the aggregate difference will be paid to the Sellers at Closing, as follows: (1) for Matt-One, 50% of any such amount will be added to the amount to be paid to Matt-One pursuant to clause (a)(i) above, and (2) for Litho, 50% of any such amount will be added to the amount to be paid to Litho in cash pursuant to clause (a)(ii)(B) above.

(c) If (i) the amount paid at Closing to satisfy the principal amount of the Venetian Note is more than $5,500,000, (ii) the amount paid at Closing to satisfy the principal amount of the Venetian Additional Notes is more than $3,069,138, or (iii) the Company Indebtedness outstanding on the Closing Date is more than $3,859,414 (exclusive of Company Indebtedness incurred between September 30, 2000 and the Closing Date to fund the purchase of capital equipment that was approved in advance by the Purchaser), the aggregate difference will be subtracted from the Purchase Price as follows: (1) for Matt-One, 50% of any such amount will be subtracted from the amount to be paid to Matt-One pursuant to clause (a)(i) above, and (2) for Litho, 50% of any such amount will be subtracted from the amount to be paid to Litho in cash pursuant to clause (a)(ii)(B) above (any adjustment under this paragraph or paragraph (b) above, the "Indebtedness Adjustment").

1.3 Audit of Closing Date Working Capital; Purchase Price Adjustment. As promptly as practicable after the Closing Date (but in no event later than 60 days after the Closing Date), the Purchaser will deliver to the Sellers a statement of the Net Current Assets (as hereinafter defined) of the Company as of the Closing Date (the "Closing Working Capital Statement"). The Closing Working Capital Statement will be prepared in accordance with United States generally accepted accounting principles ("GAAP"), applied consistently with the Financial Statements (as defined in Section 3.3 hereof). The term "Net Current Assets" means the difference between (a) the sum of (1) cash, (2) accounts receivable (net of allowance for doubtful accounts), (3) inventory and (4) pre-paid expenses and other current assets, minus (b) the sum of (1) accounts payable, (2) accrued compensation and benefits and accrued vacation pay and the like, (3) other accrued expenses, and (4) other current liabilities, all in accordance with GAAP applied consistently with the Financial Statements (as hereinafter defined). The Closing Working Capital Statement will not reflect as a current liability (i) amounts not to exceed $138,000 related to medical insurance claims for any period prior to October 1, 1999, (ii) amounts paid or payable by the Company arising from any agreement to purchase capital equipment entered into between September 30, 2000 and the Closing Date that has been approved by the Purchaser or any Company Indebtedness incurred between September 30, 2000 and the Closing Date to fund the purchase of such capital equipment, as referenced in Section 1.2(c)(iii) above, (iii) the current portion of long term debt, or (iv) the current portion of the principal amounts of the Venetian Note or the Additional Venetian Notes. Notwithstanding anything to the contrary in this Section 1.3, the Closing Working Capital Statement will reflect as a current liability all accrued and unpaid interest on Company Indebtedness.

(a) The Sellers will have 15 days after the delivery of the Closing Working Capital Statement to object to any item or items shown thereon (the "Objection Period"). The Sellers will notify the Purchaser of any objections to the Closing Working Capital Statement, setting forth a description of such objection and the dollar amount of such objection. If the Sellers do not object during the Objection Period, the Closing Working Capital Statement will be conclusive and binding on the parties hereto. If the Sellers object during the Objection Period and the Purchaser and the Sellers are unable to resolve such objections within 15 days after delivery by the Sellers of the Sellers' objections, then all disagreements will be submitted for resolution to an impartial certified public accounting firm of national standing reasonably acceptable to the Purchaser and the Sellers (the "Independent Auditor"), which will be selected as promptly as practicable, but in no event later than 10 days following the expiration of such 15-day period. If the Purchaser and the Sellers cannot agree on the Independent Auditor within the 10-day period, the selection of the Independent Auditor will be made in the following manner: the Purchaser will, within (10) business days after the expiration on the 10 day

period set forth above, deliver to the Sellers a list of three (3) nationally recognized certified public accounting firms together with the name of the partner at each firm who will be responsible for handling the firm's engagement (such firm or partners must not have performed services for any of the Purchaser, the Sellers or the Company), from which list the Sellers will select one (1) firm within ten (10) days after their receipt of the Purchaser's list. The Independent Auditor will have up to 30 days after its appointment to resolve the disputes submitted to it. The Closing Working Capital Statement, either as agreed to by the Purchaser and the Sellers or as adjusted by the Independent Auditor pursuant to the preceding sentence, will be final and binding and will be referred to as the "Final Working Capital Statement." The fees and expenses of the Independent Auditor will be shared equally by the Sellers and the Purchaser.

(b) (i) If the Net Current Assets of the Company as shown on the Final Working Capital Statement (the "Closing Net Current Assets Value") is less than Two Million Four Hundred Thousand Dollars ($2,400,000) (the "Minimum Benchmark Net Current Assets Value"), the Sellers will pay to the Purchaser, in immediately available funds, the amount by which the Closing Net Current Assets Value is less than the Minimum Benchmark Net Current Assets Value. Litho and Matt-One will each pay to the Purchaser 50% of the first $200,000 owed to the Purchaser pursuant to this clause (c)(i) and Litho will pay to the Purchaser 100% of such amount in excess of $200,000.

(ii) If the Closing Net Current Assets Value is greater than $3,000,000 (the "Maximum Benchmark Net Current Assets Value"), the Company will pay legal and accounting fees incurred by Litho in connection with the transactions contemplated by this Agreement; provided that:

(A) Litho will provide the Company with written invoices for all such fees;

(B) the maximum amount of fees that the Company will be obligated to pay will be the lesser of (1) Two Hundred and Fifty Thousand Dollars ($250,000) and (2) the amount by which the Closing Net Current Assets Value is greater than the Maximum Benchmark Net Current Assets Value.

(iii) If the Closing Net Current Assets Value is greater than the Minimum Benchmark Net Current Assets Value but less than the Maximum Benchmark Net Current Assets Value, there will be no adjustment under this Section 1.3.

1.4 Further Assurances. After the Closing (as defined in Section 2.1), the Sellers will from time to time, at the reasonable request of the Purchaser, execute and deliver such other instruments of conveyance and transfer and take such other actions as the Purchaser may reasonably request, in order to more effectively consummate the transactions contemplated hereby and to vest in the Purchaser the right, title and interest in and to the Company Membership Interests; provided that the Purchaser will prepare such additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at the Purchaser's sole expense.

ARTICLE 2. CLOSING.

2.1 Closing. Consummation of the transactions contemplated hereby (the "Closing") will take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, New York 10036, at 10:00 a.m., local time, on January 11, 2001, or such other business day that is the first business day following the day on which the last of the conditions set forth in Sections 8.1 and 8.2 is fulfilled or waived, or at such other time and place and on such other date as the Purchaser and the Sellers may agree (the "Closing Date"). The closing of the transactions contemplated by this Agreement will be deemed to be effective as of 12:01 a.m. on the Closing Date.

2.2 Sellers' Closing Deliveries. Subject to the conditions set forth in this Agreement, at the Closing, simultaneous with the Purchaser's deliveries hereunder:

(a) The Sellers will deliver or cause to be delivered to the Purchaser duly executed instruments of assignment as required to transfer the Company

Membership Units to the Purchaser, in form and substance reasonably satisfactory to the Purchaser and its counsel. At the Closing, the Company Membership Interests will represent all of the outstanding membership interests of the Company as at the Closing Date.

(b) The Sellers will deliver or cause to be delivered the following to the Purchaser:

(i) a certificate of the Secretary of the Company certifying the Articles of Organization and Operating Agreement and all amendments thereto of the Company;
(ii) certificates of the Sellers and the Company certifying as to the matters contemplated by Section 8.2(a);

(iii) an opinion of counsel to the Company, Litho and Frank Defino, Sr. addressed to the Purchaser dated the Closing Date and substantially in the form set forth as Exhibit B-1 attached hereto, and an opinion of counsel to Matt-One and Matthews International Corporation ("Matthews") addressed to the Purchaser dated the Closing Date and substantially in the form set forth as Exhibit B-2 attached hereto, each of which will state that it may be relied upon by any entity providing the Financing, as defined in Section 6.14 below;

(iv) executed copies of the consents referred to in Section 3.9 and evidence reasonably acceptable to the Purchaser of the satisfaction, prior to or simultaneous with the Closing, of the indebtedness described in Section 8.2(d) below;

(v) employment agreements with each of the employees listed on Schedule 2.2(b) (the "Key Employees"), duly executed by the Company and each of the Key Employees (the "Employment Agreements");

(vi) resignations dated the Closing Date from the managers of the Company as requested in writing by the Purchaser prior to the Closing Date;

(vii) a Subscription Agreement (the "Subscription Agreement") in the form annexed hereto as Exhibit C, duly executed by Frank Defino, Sr., whereby Frank Defino, Sr. has made an investment in the amount of $300,000 in the equity of DGI Holdings, L.L.C. (the "LLC"), as required by Section 8.2(f);

(viii) a real estate transfer agreement pursuant to which the Company will transfer to Frank Defino, Sr. (the "Landlord") the buildings located at 2950 Hart Drive, Franklin Park, Illinois 60131 (the "Buildings"), duly executed by the Company and the Landlord, in the form annexed hereto as Exhibit D (the "Real Estate Transfer Agreement");

(ix) a lease of the Buildings, duly executed by the Company and the Landlord, in the form annexed hereto as Exhibit E (the "Lease");

(x) a certificate and affidavit as required by the Foreign Investors Real Property Tax Act, in a form reasonably acceptable to the Purchaser;

(xi) all such other certificates, documents and instruments as Purchaser may reasonably request in connection with the consummation of the transactions contemplated by this Agreement.

2.3 Purchaser's Closing Deliveries. Subject to the conditions set forth in this Agreement, at the Closing, simultaneous with the Sellers' deliveries hereunder, the Purchaser will deliver or cause to be delivered to the Sellers (and in the case of indebtedness of the Company to be repaid in connection with the Closing, the holders of such indebtedness) the following:

(i) the cash consideration referred to in Section 1.2;

(ii) a certificate of the Secretary of the Purchaser certifying the certificate of incorporation and by-laws and all amendments thereto of the Purchaser;

(iii) a certificate certifying the existence and good standing of the Purchaser issued by the Secretary of State of the state of Delaware as of a recent date;

(iv) a certificate of the Purchaser certifying as to the matters contemplated by Section 8.3(a);

(v) the Subscription Agreement, duly executed by the LLC;

(vi) the Note; and

(vii) all such other certificates, documents and instruments as the Sellers may reasonably request in connection with the consummation of the transactions contemplated by the Agreement.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES BY LITHO.

Litho represents and warrants to the Purchaser as follows:

3.1 Due Formation; Authority; No Violation.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of Illinois and has all requisite limited liability company power and authority to own, lease, operate or otherwise hold its properties and assets and to carry on its business as now being conducted except where the failure to be so existing and in good standing or to have such power and authority would not have a material adverse effect on the business, results of operations, prospects, assets, liabilities or condition (financial or otherwise) of the Company taken as a whole (a "Material Adverse Effect"). The Company is duly qualified or licensed and in good standing as a foreign corporation authorized to do business under the laws of each jurisdiction where the character of the properties owned, leased or used by it or the nature of its activities makes such qualification or licensing necessary. Schedule 3.1(a) sets forth a complete and correct list of all jurisdictions in which the Company is qualified or licensed to do business.

(b) The Company and Litho have the requisite limited liability company or corporate power and authority necessary to execute, deliver and perform their obligations under this Agreement and other agreements and instruments to be executed and delivered by the Company or Litho hereunder or in connection herewith and to carry out their respective obligations hereunder and thereunder. The execution and delivery by the Company of this Agreement and the other agreements and instruments to be executed and delivered by the Company hereunder or in connection herewith and the consummation of the transactions contemplated hereby by the Company has been duly authorized by all necessary limited liability company action required on the part of the Company. This Agreement and the other agreements and instruments to be executed and delivered by the Company and Litho hereunder or in connection herewith have been duly and validly executed and delivered by the Company or Litho and constitute the valid and legally binding obligations of the Company or Litho, enforceable against the Company or Litho in accordance with their respective terms, except to the extent that (i) enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or limiting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar person before which any proceeding therefor may be brought.

(c) Except as set forth in Schedule 3.1(c) hereto, the execution and delivery by the Company and Litho of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) conflict with or result in a breach of any provision of the Articles of Organization and the Operating Agreement of the Company or the Articles of Incorporation and the By-laws of Litho; (ii) violate, or conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or give rise to a right of termination, cancellation, modification or acceleration of the performance required by or a loss of a benefit under, any note, bond, mortgage, indenture, deed of trust, real property lease or other material lease to which the Company or Litho is a party or by which its properties are bound or affected; (iii) violate any order, judgment, writ, injunction, decree, statute, rule or regulation (each, an "Order") applicable to the Company or Litho, or by which any of their properties are bound or affected;

or (iv) result in the creation of any Lien.

3.2 Ownership of Membership Interests; Title; Articles of Organization; Subsidiaries.

(a) Litho is the sole owner and beneficial holder of record of 50% of the Company Membership Interests, which ownership is free and clear of all Liens, and such Company Membership Interests represent 50% of all of the issued and outstanding membership interests of the Company. Except as set forth in Schedule 3.2(a), Litho is not a party to any agreement creating rights with respect to the Company Membership Interests held by Litho in any person other than Litho and Litho has the full power and legal right to sell, assign, transfer and deliver the Company Membership Interests held by Litho. Litho has not received any notice of any adverse claim to the ownership of any of the Company Membership Interests held by Litho, does not have any reason to know of any such adverse claim that may be justified and is not aware of existing facts that would give rise to any adverse claim to the ownership of the Company Membership Interests held by Litho. On the Closing Date, Litho will have good title to the Company Membership Interests held by Litho, free and clear of all Liens. The transfer of the Company Membership Interests held by Litho pursuant to the provisions of this Agreement will transfer to the Purchaser good title to such Company Membership Interests, free and clear of all Liens, except for those created by the Purchaser.

(b) Except for the Company Membership Interests, there are no membership or limited liability company interests or other equity securities or any security convertible into or exchangeable for any such membership or limited liability company interests or other equity securities of the Company issued and outstanding; except as set forth on Schedule 3.2(b), there are no issued and outstanding options, warrants, or rights to purchase or acquire any membership or limited liability company interests or other equity securities of the Company or any security convertible into or exchangeable for any such membership or limited liability company interests or other equity securities of the Company, and except as set forth on Schedule 3.2(b), there are no contracts, commitments, understandings, arrangements or restrictions by which the Company is bound to issue additional membership or limited liability company interests or other equity securities or options, warrants or rights to purchase or acquire any additional membership or limited liability company interests or other equity securities or any security convertible into or exchangeable for any such membership or limited liability company interests or other equity securities of the Company.

(c) The Company has heretofore delivered to the Purchaser true and complete copies of the Articles of Organization and the Operating Agreement of the Company as in effect on the date hereof. The minute book of the Company accurately reflects all actions taken by the managers required to be taken under the Company's Articles of Organization, Operating Agreement or under applicable law.

(d) The Company has no subsidiaries.

3.3 Financial Statements. Litho has delivered to the Purchaser copies of (a) the audited balance sheets of the Company as at September 30 in each of the years 1997 through 2000 (the audited balance sheet of the Company as at September 30, 2000 is hereinafter referred to as the "September 30 Balance Sheet"), together with audited statements of operations, equity and cash flows for each of the years then ended, certified by Wolf & Company, for the years 1997 and 1998, and by PricewaterhouseCoopers, for the years 1999 and 2000, whose reports thereon are included therein, (b) an unaudited balance sheet of the Company for each of the three month periods ending December 31, March 31, June 30 and September 30 in each of the years 1999 and 2000 (collectively with the September 30 Balance Sheet, the "Financial Statements"). True and complete copies of the Financial Statements, together with the related auditors reports, have been delivered to the Purchaser. The Financial Statements have been prepared from, are in accordance with and accurately reflect, the books and records of the Company, comply in all material respects with applicable accounting requirements, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be stated in the notes thereto) and fairly present the financial position and

the results of operations and cash flows (and changes in financial position, if any) of the Company as of the times and for the periods referred to therein, subject, in the case of unaudited Financial Statements, to normal year-end adjustments.

3.4 Directors, Officers, Employees, Employee Benefit Plans; ERISA.

(a) Schedule 3.4(a) sets forth a true and complete list of (i) the names and current salaries of all officers of the Company, including the Key Employees, and the family relationships, if any, among such persons; (ii) the wage rates for non-salaried and non-executive salaried employees of the Company by classification; and (iii) all group insurance programs in effect for employees of the Company. To the knowledge of Litho and the Company, no officer, Key Employee or group of employees has any plans to terminate employment with the Company as a result of the transactions contemplated hereby or otherwise.

(b) There is no (i) collective bargaining agreement or any other agreement with any labor organization to which the Company is a party applicable to the employees of the Company; (ii) unfair labor practice complaint pending or, to the Company's knowledge, threatened against the Company before the National Labor Relations Board or any other federal, state, local or foreign agency; (iii) pending or, to the Company's knowledge, threatened, strike, slowdown, work stoppage, lockout or other collective labor action by or with respect to any employees of the Company; or (iv) grievance or unfair dismissal proceedings pending against the Company. Except as set forth on Schedule 3.4(b), there is no (1) claim by employees of the Company alleging discrimination based on race, color, creed, age, sex, sexual orientation, national origin, religion or disability; (2) other pending or threatened claims by employees of the Company, including those based on statute, contract or tort; or (3) pending or, to the Company's knowledge, threatened representation question or union organizing activities with respect to employees of the Company.

(c) Schedule 3.4(c) contains a true and complete list of each pension, profit sharing, retirement, savings, employee ownership, option, incentive, severance, termination, employment, consulting, change in control, fringe benefit, welfare, collective bargaining, bonus, insurance, medical or other employee benefit plan, program, agreement or arrangement, including each "employee benefit plan" as defined in section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), sponsored, maintained or contributed to or required to be contributed to by the Company or any trade or business (each, an "ERISA Affiliate"), whether or not incorporated, which together with the Company would be deemed a "single employer" within the meaning of Section 4001 of ERISA, for the benefit of current or former employees (the "Employees") of the Company (each, a "Plan"). The Company does not maintain any Plan that is subject to Title IV of ERISA. Neither the Company nor any ERISA Affiliate have any formal plan or commitment to (i) create any additional Plan, or (ii) materially modify or change any existing Plan. No Plan is a "multiemployer plan" within the meaning of Section 3(37) of ERISA.

(d) True and complete copies of the following documents relating to each Plan, where applicable, have been delivered to the Purchaser: (i) the Plan document, including all amendments thereto; (ii) the most recent summary plan description, summary of material modifications and all material employee communications relating to such Plan; (iii) a copy of the annual report, if required under ERISA, with respect to each such Plan for the last two years, or since inception, if less than two years; (iv) a copy of the actuarial report, if required under ERISA, with respect to each such Plan for the last two years, or since inception, if less than two years; (v) if the Plan is funded through a trust or any other funding vehicle, a copy of the trust or other funding agreement (including all amendments thereto) and the latest financial statements thereof; and (vi) the most recent determination letter received from the Internal Revenue Service with respect to each Plan that is intended to be qualified under section 401 of the Internal Revenue Code of 1986, as from time to time amended (the "Code").

(e) No liability under Title IV of ERISA has been incurred by the Company or any ERISA Affiliate since the effective date of ERISA that has not been

satisfied in full, and no condition exists that presents a material risk to the Company or an ERISA Affiliate of incurring a liability under such Title.

(f) There are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of, or against, any of the Plans or any trust related thereto.

(g) To the knowledge of Litho or the Company, none of the Company, any of the Plans, any trust created thereunder nor any trustee, fiduciary or administrator thereof have engaged in a transaction or have taken or failed to take any action in connection with which Litho, the Company, any of the Plans, any such trust, any trustee, fiduciary or administrator thereof, or any party dealing with the Plans or any such trust could be subject to either a civil penalty assessed pursuant to section 409 or 502(i) of ERISA or a tax imposed pursuant to section 4975, 4976 or 4980B of the Code in an amount that would be material.

(h) Each of the Plans has been established, operated and administered in accordance with its terms and in material compliance with applicable laws, rules and regulations, including but not limited to ERISA and the Code; provided that for the purposes of this Section 3.4(h), any non-compliance with applicable laws, rules and regulations that could result in any Plans failing to be "qualified" within the meaning of section 401(a) of the Code would be material. All contributions that are required to be made to the Plans have been timely made or have been properly accrued.

(i) Each of the Plans that is intended to be "qualified" within the meaning of section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service with respect to its qualification, and to the knowledge of Litho or the Company, no circumstances exist that could result in the disqualification of such Plan.

(j) Except as set forth on Schedule 3.4(j), no Plan provides benefits, including without limitation death or medical benefits (whether or not insured), with respect to current or former employees after retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits or retirement benefits under any "employee pension benefit plan," as that term is defined in section 3(2) of ERISA, (iii) deferred compensation benefits accrued as liabilities on the books of the Company, or (iv) benefits, the full cost of which is borne by the current or former employee (or his or her beneficiary).

(k) Schedule 3.4(k) contains a true and complete list of or otherwise describes (i) all employee benefit arrangements to which the Company is a party which contain "change of control," retention bonus or similar provisions and (ii) all severance agreements, arrangements or understandings with employees of the Company (collectively, the "Change of Control Benefit and Severance Arrangements"). True and complete copies or descriptions of all such Change of Control Benefit and Severance Arrangements have been delivered to the Purchaser. No payments will be required to be paid under the Change of Control Benefit and Severance Arrangements as of the Closing Date or as a result of the transactions contemplated by this Agreement. Except as set forth on Schedule 3.4(k), the consummation of the transactions contemplated by this Agreement will not (1) entitle any current or former employee or officer of the Company or any ERISA Affiliate to any severance pay, unemployment compensation or any other payment, or (2) accelerate the time of payment or vesting or increase the amount of compensation due to any employee or officer. No amounts payable under the Plans or any other agreement or arrangement to which the Company is a party will, as a result of the transaction contemplated hereby, fail to be deductible for federal income tax purposes by virtue of section 280G of the Code.

3.5 Patents, Trademarks, Trade Names, Etc. Except as set forth in Schedule 3.5, the Company owns or is licensed to use all patents, trade names, trademarks, copyrights and software used by the Company. Schedule 3.5 contains a complete and accurate list of (i) all patents, registered trademarks, trade names, registered copyrights and material proprietary software owned or used by the Company and all applications therefor and (ii) all agreements relating to material technology, know-how or processes which

the Company is licensed or authorized to use by others or granting to others a right to use or practice any rights under the Intellectual Property (as hereinafter defined). Except as set forth in Schedule 3.5, no claims have been asserted by any person to the ownership of or the right to use any such patents, trademarks, trade names, copyrights, technology, trade secrets, or processes or to the use of any know-how owned or used by the Company (collectively, the "Intellectual Property") or challenging or questioning the validity or effectiveness of any license or agreement with respect to the Intellectual Property. Except as set forth in Schedule 3.5, to the knowledge of Litho and the Company, the use by the Company of the Intellectual Property does not infringe on the rights of any person and no person is infringing upon or otherwise violating any of the Intellectual Property.

3.6 Litigation. Except as set forth on Schedule 3.6, (i) there is no claim, action, suit, inquiry, judicial or administrative proceeding, arbitration or investigation (each, an "Action") pending or, to the knowledge of Litho and the Company, threatened against the Company before any court, arbitrator or administrative or governmental body, and (ii) there is no Order of any court, governmental, regulatory or administrative body, agency or authority, department, commission, agency, instrumentality or arbitrator (each, a "Governmental Authority") outstanding against the Company.

3.7 Title to Properties.

(a) Except as disclosed in Schedule 3.7(a): (i) the Company has good, and valid title to all of its properties and assets (personal and mixed, tangible and intangible), except for Permitted Liens and (ii) none of the Company's properties or assets (real, personal and mixed, tangible and intangible) are subject to any Liens except for Permitted Liens. "Permitted Liens" means (i) statutory Liens not yet delinquent or the validity of which are being contested in good faith by appropriate actions, (ii) Liens which are purchase money liens arising in the ordinary course of business, (iii) Liens for taxes not yet delinquent, (iv) Liens reflected in the Financial Statements (which have not been discharged), and (v) Liens that are being contested in good faith and for which adequate security has been pledged.

(b) Except as disclosed in Schedule 3.7(b), to the knowledge of Litho and the Company, neither the Company nor Litho have received notification that any of the plants, structures or equipment of the Company or the Real Properties (as defined in Section 3.7(f) below), or the use thereof, is in violation of any applicable and material building, zoning, subdivision, health, insurance or other law, ordinance or regulation (including, without limitation, the Environmental Laws (as defined below)) and neither the Company nor Litho has any knowledge that any such violation exists.

(c) The Company has a current, valid certificate of occupancy ("CO") or equivalent thereof for each of the Fee Properties and the Company's use of all such Fee Properties, and to the knowledge of Litho and the Company, the Company's use of all Leased Properties, is in conformity with each CO issued for such Real Properties. No proceeding is currently pending or threatened regarding the revocation or limitation of any CO issued for the Fee Properties, or, to the knowledge of Litho and the Company, of any CO issued for the Leased Properties, and neither the Company nor Litho has any knowledge that any basis or grounds exists for any such revocation of any CO for any of the Real Properties;

(d) (i) No fact or condition exists which would prohibit adequate rights of access to and from the Real Properties from and to public highways and roads; (ii) public utilities adequate for the current uses of the Real Properties are currently available for use on the Real Properties; and (iii) neither Litho nor the Company has received written notice of any pending or threatened restriction or denial, governmental or otherwise, upon such ingress and egress which would adversely affect the operation of the Real Properties.

(e) There are no condemnation or real estate tax proceedings (other than reassessments of real property in the ordinary course of business) pending or threatened with respect to any of the Real Properties.

(f) Schedule 3.7(f) contains an accurate list setting forth (i) that portion of the Company's assets constituting leasehold interests in real property, including buildings, improvements and structures located thereon and

appurtenances thereto (the "Leased Properties"), (ii) the Company's assets constituting real property owned in fee, including land, buildings, improvements and structures thereon and appurtenances thereto (the "Fee Properties), and (iii) an accurate and complete description of the Fee Properties and the names of the record title owners of the Fee Properties. The Fee Properties and the Leased Properties are sometimes collectively referred to herein as the "Real Properties".

(g) The leases relating to the Leased Properties and all agreements relating to such Leased Properties are in full force and effect, and constitute the legal, valid and binding obligation of the parties thereto, except to the extent that (1) enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or limiting creditors' rights generally, and (2) the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar person before which any proceeding therefor may be brought, and, to the knowledge of Litho and the Company, there exists no event of default, event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any further event or condition would have, individually or in the aggregate, a Material Adverse Effect.

3.8 Customers. Schedule 3.8 lists by dollar volume paid during the fiscal year ended September 30, 2000 the ten largest customers of the Company. To the knowledge of Litho and the Company, since September 30, 2000, no such customer has canceled, otherwise terminated its relationship or threatened to cease to do business with the Company.

3.9 Consents and Approvals. Except for consents and approvals of, or filings or registrations with, the Federal Trade Commission and the Antitrust Division of the United States Department of Justice pursuant to the Hart-Scott Rodino Antitrust Improvement Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), and as set forth on Schedule 3.9, no consent, approval, permit, waiver, authorization, notice or filing is required to be made or obtained by Litho or the Company in connection with the execution, delivery and performance by the Company or Litho of this Agreement and the consummation of the transactions contemplated hereby.

3.10 Contracts. Except as set forth in Schedule 3.10, there are no outstanding agreements, commitments, purchase orders, or contracts, to which the Company is a party or to which the Company is bound which (i) involve the annual payment or receipt by or to the Company, of more than One Hundred Thousand Dollars ($100,000), or (ii) are not cancellable by the Company on less than sixty (60) days' notice without financial penalty (including all non-competition and management agreements and arrangements) (collectively, the "Material Contracts"). The Company has previously provided the Purchaser or its representatives with complete and accurate copies of the Material Contracts. Each of the Material Contracts is a legal, valid and binding obligation of the Company, enforceable by and against it in accordance with its terms, except to the extent that (1) enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or limiting creditors' rights generally, and (2) the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar person before which any proceeding therefor may be brought. To the knowledge of Litho and the Company, neither the Company nor the other parties thereto are in default in any material respect of any such agreement, commitment, purchase order or contract.

3.11 Absence of Undisclosed Liabilities. Except as set forth on Schedule 3.11, the Company does not have any liability whether accrued, contingent, absolute, determined, indeterminable or otherwise which was required to be disclosed, reflected or reserved against in the Financial Statements, which was not disclosed, reflected or reserved against in the Financial Statements; and except for liabilities which have been or are incurred after September 30, 2000 in the ordinary course of business or in connection with the transactions contemplated hereunder (which liabilities if greater than Ten Thousand Dollars ($10,000) are also set forth on Schedule 3.11).

3.12 Licenses; Compliance with Laws. The Company holds all material licenses, franchises, easements, variances, exemptions, permits and authorizations necessary (the "Permits") for the lawful conduct of its business under and pursuant to, and its business is not being conducted in material violation of, any applicable laws, statutes, regulations, rules, ordinances, decrees, orders and judgments (collectively, "Laws") of any Governmental Authority. The Company is in compliance in all material respects with the terms of the Permits, except where the failure to so comply would not reasonably be expected to have a Material Adverse Effect. All of the Company's Permits are listed in Schedule 3.12.

3.13 Tax Matters.

(a) All Tax Returns (as defined in Section 3.13(f)) required to be filed by the Company have within the time and in the manner prescribed by law been duly filed with the appropriate taxing authorities, all such Tax Returns are true, correct and complete in all material respects and all Taxes (as defined in Section 3.13(e)) shown to be due and payable on such Tax Returns have been paid. The Company or Litho has timely paid or caused to be paid all Taxes for all taxable years or periods ending on or before the Closing Date shown to be due and payable on such Tax Returns and for the portion of the taxable year or period through and including the Closing Date in the case of any Straddle Period (as defined in Section 3.13(g)), all of which will have been required to be paid on or prior to the Closing Date, the non-payment of which would result in an encumbrance on any asset of the Company, would otherwise adversely affect the Company or would result in Purchaser or any equity owner of Purchaser becoming liable or responsible therefor.

(b) Neither Litho nor the Company has received from any governmental or regulatory authority any written notice of a proposed material adjustment, deficiency or underpayment of any Taxes pertaining to the Company, which notice has not been satisfied by payment or been withdrawn.

(c) There are no Liens for Taxes upon the Company, except for statutory Liens for Taxes not yet due.

(d) The Company has constituted a partnership for United States federal income tax purposes at all times since its taxable year beginning February 1, 1997 and will continue to constitute a partnership up to and including the Closing Date. Neither Litho nor the Company has taken any action or position that is inconsistent with such treatment.

(e) For purposes of this Agreement, the term "Tax" or "Taxes" means all taxes, charges, fees, levies or other assessments, including without limitation all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, value added, employment, social security, unemployment, occupation, excise, estimated, severance, stamp, property, environmental or other taxes, duties, fees, assessments or charges of any kind whatsoever, including any interest, penalties or additional amounts attributable thereto imposed by any United States federal, state, local or foreign governmental authority.

(f) For purposes of this Agreement, the term "Tax Return" means any return, report, information return, statement, declaration or other document (including any related or supporting information) filed or required to be filed with any United States federal, state, local or foreign governmental authority in connection with any determination, assessment or collection of any Tax or other administration of any laws, regulations or administrative requirements.

(g) For purposes of this Agreement, "Straddle Period" means any taxable year or period that commences before but ends after the Closing Date.

3.14 Absence of Certain Changes or Events. Except as set forth on Schedule 3.14, since September 30, 2000, there has not been any material adverse change in the business, operations, financial condition or, to the knowledge of Litho and the Company, prospects of the Company taken as a whole, that would reasonably be expected to have a Material Adverse Effect.

3.15 Affiliated Transactions. Except as set forth on Schedule 3.15 and compensation and benefits arrangements in the ordinary course of business, neither Litho, nor any officer or manager of the Company, nor any entity controlled by any of the foregoing (i) has borrowed or loaned money or other property to the Company which has not been repaid or returned; or (ii) has any direct or indirect material interest in any person which is a customer or supplier of the Company.

3.16 Names. The Company has not, during the preceding five years, conducted business under any name other than the names set forth on Schedule 3.16.

3.17 Insurance. Schedule 3.17 sets forth a list of all insurance policies covering the properties and activities of the Company. All such policies are in full force and effect and will be kept in full force and effect through the Closing Date. The Company has received no notice of cancellation or nonrenewal with respect thereto. All premiums due with respect to such policies have been timely paid and the Company is not in default with respect to its obligations under such insurance policies. The Company has not been refused any insurance coverage with respect to its assets or properties, nor has coverage been limited or cancelled by any insurance carrier to which the Company has applied for any such insurance or with which the Company has carried insurance, nor has there been any significant increase in the premiums paid under any such policy during the past five years (exclusive of premium increases related to insurance markets generally).

3.18 Brokers and Finders. There are no outstanding broker, finder or investment banker fees or commissions owed or to be owed by Litho or the Company in connection with the transactions contemplated by this Agreement.

3.19 Product Liability and Recalls.

(a) Except as disclosed in Schedule 3.19, there is no pending claim, or to the knowledge of Litho and the Company, any threatened claim or the basis of any claim, against the Company for injury to person or property of any person suffered as a result of the sale of any product or performance of any service by the Company, including claims arising out of the defective or unsafe nature of its products or services, which would reasonably be expected to have a Material Adverse Effect.

(b) Except as and to the extent expressly disclosed in Schedule 3.19, there is no pending or, to the knowledge of Litho and the Company, threatened recall or investigation of any product manufactured, sold and/or distributed by the Company.

3.20 Absence of Certain Payments. To the knowledge of Litho or the Company, neither the Company nor any manager, officer, member, agent or other person acting on its behalf, has given or agreed to give any gift or similar benefit of more than nominal value to any customer, supplier, or governmental employee or official or any other person who is or may be in a position to help or hinder the Company or assist the Company in connection with any proposed transaction involving the Company. Neither the Company nor any manager, officer, member, agent, employee or other person acting on his or its behalf has (i) used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to, or on behalf of, governmental officials or others or (ii) accepted or received any unlawful contributions, payments, gifts or expenditures.

3.21 Indebtedness. Schedule 3.21(a) lists all of the outstanding indebtedness for borrowed money of the Company.

(a) Except as set forth on Schedule 3.21(b), all of the outstanding indebtedness for borrowed money of the Company will be repaid in full in connection with the consummation of the transactions contemplated hereby.

3.22 Potential Conflict of Interest. Except as set forth in Schedule 3.22, neither Litho, nor any officer or manager of the Company nor, to the knowledge of Litho and the Company, any Key Employee of the Company own or hold, directly or indirectly, any interest in (excepting holdings solely for passive investment purposes of securities of publicly held and traded entities

constituting less than 5% of the equity of any such entity), or is an officer, manager, employee or consultant of any person that is, a competitor, lessor, lessee, customer or supplier of the Company or which conducts a business similar to the Company. Neither Litho, nor any officer or manager of the Company nor, to the knowledge of Litho and the Company, any Key Employee of the Sellers (a) have any claim, charge, action or cause of action against the Company, except for claims for accrued salary and commissions not yet due, reasonable unreimbursed travel or entertainment expenses, accrued vacation pay

or accrued benefits under any employee benefit plan existing on the date hereof; (b) have made, on behalf of the Company, any payment or commitment to pay any commission, fee or other amount to, or to purchase or obtain or otherwise contract to purchase or obtain any goods or services from, any other person of which any officer or manager of the Company or any officer or Key Employee of the Company (or, to the knowledge of Litho and the Company, a relative of any of the foregoing) is a partner or shareholder (except holdings solely for passive investment purposes of securities of publicly held and traded entities constituting less than 5% of the equity of any such entity); or (c) owe any money to the Company; or (d) (other than Litho) has any material interest in any property, real or personal, tangible or intangible, used in or pertaining to the Company.

3.23 Assets. Except as set forth on Schedule 3.23, all of the buildings, improvements, machinery and equipment currently used in connection with the business of the Company are in good working condition and repair to permit the continued operation and conduct of the business of the Company as presently conducted. Except as set forth in Schedule 3.23, the Company has good and valid title to all of its properties and assets owned by it reflected in the Financial Statements or acquired after September 30, 2000 (except inventory and other properties disposed of in the ordinary course of business since September 30, 2000 and accounts or notes receivable paid since September 30, 2000), free and clear of all Liens, except for Permitted Liens. Upon consummation of the transactions contemplated by this Agreement, the Company will have good, valid and marketable title to, or a valid leasehold on, all the properties and assets currently used in the conduct of the business of the Company, free and clear of all Liens, except for Permitted Liens and such properties and assets are sufficient for the continued conduct of the business of the Company after the Closing by the Purchaser in substantially the same manner as conducted prior to the Closing.

3.24 Environmental Matters. Except as set forth on Schedule 3.24, the Company is in material compliance with all applicable Environmental Laws (as hereinafter defined). Except as set forth on Schedule 3.24, neither Litho nor the Company has received any communication (written or oral), whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that the Company is not in such material compliance, and, to the knowledge of Litho and the Company, no event has occurred that would reasonably be expected to prevent or interfere with such material compliance in the future.

(a) Except as set forth on Schedule 3.24, there is no Environmental Claim (as hereinafter defined) pending or threatened against the Company or, to the knowledge of Litho and the Company, against any person or entity whose liability for any Environmental Claim the Company has or may have retained or assumed either contractually or by operation of law.

(b) Except as set forth on Schedule 3.24, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the release, emission, discharge or disposal of any Hazardous Material (as hereinafter defined), that could form the basis of any Environmental Claim against the Company or, to the knowledge of Litho and the Company, against any person or entity whose liability for any such Environmental Claim the Company has or may have retained or assumed either contractually or by operation of law.

(c) For purposes of this Section 3.24:

(i) "Environmental Claim" means any notice delivered to Litho or the Company (written or oral) by any person or entity alleging potential liability of the Company (including, without limitation, potential liability for investigatory

costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the presence, or release into the environments of any Hazardous Material at any location, whether or not owned by the Company or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law by the Company.

(ii) "Environmental Laws" means all federal, state, and local laws and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), and emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(iii) "Hazardous Material" means any substances, materials, chemicals, compounds, pollutants or wastes regulated by, under or pursuant to any Environmental Laws, or any similar common law theory of liability; including but not limited to asbestos, polychlorinated biphenyls, radioactive materials, crude oil, petroleum, and any fraction or product of crude oil or petroleum.

3.25 Conduct of Business. Except as set forth on Schedule 3.25, since September 30, 2000, the Company has not taken any action which, if taken after the date hereof without the consent of the Purchaser, would violate Section 6.2 hereof.

3.26 Inventory. The inventories reflected on the books of the Company do not include any inventory which is obsolete, surplus or not saleable or usable in the ordinary course of the business of the Company as heretofore conducted. The inventories reflected on the books of the Company do not include any inventory held on consignment by third parties. The Company has no liability (including, without limitation, inventory repurchase obligations) with respect to the return of inventory shipped prior to the date hereof, except for the rights of any purchaser of inventory to return damaged goods or materials, or goods or materials which do not conform with the purchase orders with respect thereto.

3.27 Accounts Receivable. The accounts receivable of the Company as reflected in the Financial Statements, to the extent uncollected on the date hereof, and the accounts receivable reflected on the books of the Company, are valid and existing and represent monies due, and the Company has made reserves reasonably considered adequate (subject to adjustment for operations and transactions through the Closing Date in the ordinary course of business consistent with past practices of the Company) for receivables not collectible in the ordinary course of business.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES BY MATT-ONE.

Matt-One represents and warrants to the Purchaser the following

4.1 Authority; No Violation.

(a) Matt-One has the requisite corporate power and authority necessary to execute, deliver and perform its obligations under this Agreement and the other agreements and instruments to be executed and delivered by Matt-One hereunder or in connection herewith and to carry out its obligations hereunder and thereunder. The execution and delivery by Matt-One of this Agreement and the other agreements and instruments to be executed and delivered by Matt-One hereunder or in connection herewith and the consummation of the transactions contemplated hereby by Matt-One has been duly authorized by all necessary corporate action required on the part of Matt-One. This Agreement and the other agreements and instruments to be executed and delivered by Matt-One hereunder or in connection herewith have been duly and validly executed and delivered by Matt-One and constitute the valid and legally binding obligations of Matt-One, enforceable against Matt-One in accordance with their respective terms, except to the extent that (i) enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or limiting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar person before which any proceeding therefore may be brought.

(b) Except as set forth in Schedule 4.1(b), the execution and delivery by Matt-One of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) conflict with or result in a breach of any provision of the Articles of Incorporation or By-laws of Matt-One; (ii) violate, or conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or give rise to a right of termination, cancellation, modification or acceleration of the performance required by or loss of a benefit under, any note, bond, mortgage, indenture, deed of trust, real property lease or other material lease to which Matt-One is a party or by which its properties are bound or affected; (iii) violate any order, judgment, writ, injunction, decree, statute, rule or regulation applicable to Matt-One, or by which any of their properties are bound or affected; or (iv) result in the creation of any Lien.

4.2 Ownership of Membership Interests Title. Matt-One is the sole owner and beneficial holder of record of 50% of the Company Membership Interests, which ownership is free and clear of all Liens, and such Company Membership Interests represent 50% of all of the issued and outstanding membership interests of the Company. Except as set forth in Schedule 4.2, Matt-One is not a party to any agreement creating rights with respect to the Company Membership Interests in any person other than Matt-One and Matt-One has the full power and legal right to sell, assign, transfer and deliver the Company Membership Interests held by Matt-One. Matt-One has not received any notice of any adverse claim to the ownership of any of the Company Membership Interests held by Matt-One, does not have any reason to know of any such adverse claim that may be justified and is not aware of existing facts that would give rise to any adverse claim to the ownership of the Company Membership Interests held by Matt-One. On the Closing Date, Matt-One will have good title to the Company Membership Interests held by Matt-One pursuant to the provisions of this Agreement will transfer to the Purchaser good title to such Company Membership Interests, free and clear of all Liens. The transfer of the Company Membership Interests held by Matt-One pursuant to the provisions of this Agreement will transfer to the Purchaser good title to such Company Membership Interests, free and clear of all Liens, except for those created by the Purchaser.

4.3 Consents and Approvals. Except for consents and approvals of, or filings or registrations with, the Federal Trade Commission and the Antitrust Division of the United States Department of Justice pursuant to the HSR Act, and as set forth on Schedule 4.3, no consent, approval, permit, waiver, authorization, notice or filing is required to be made or obtained by Matt-One in connection with the execution, delivery and performance by Matt-One of this Agreement or the consummation of the transactions contemplated hereby.

4.4 Brokers and Finders. There are no outstanding broker, finder or investment banker fees or commissions owed or to be owed by Matt-One for which the Company would be liable in connection with the transactions contemplated by this Agreement.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES BY THE PURCHASER.

The Purchaser represents and warrants to the Sellers the following:

5.1 Organization; Authority.

(a) The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now being conducted except where the failure to be so existing and in good standing or to have such power and authority would not have a material adverse effect on the business, results of operations, prospects, assets, liabilities or condition (financial or otherwise) of the Purchaser taken as a whole. The Purchaser has full power and authority necessary to execute, deliver and perform its obligations under this Agreement and the other agreements and instruments to be executed and delivered by the Purchaser hereunder or in connection herewith and to carry out its respective obligations hereunder and thereunder. The

execution and delivery of this Agreement and the other agreements and instruments to be executed and delivered by the Purchaser hereunder or in connection herewith by the Purchaser, and the consummation by the Purchaser of the transactions contemplated hereby have been duly authorized pursuant to and in accordance with the laws governing the Purchaser.

(b) This Agreement and the other agreements and instruments to be executed and delivered by the Purchaser hereunder or in connection herewith has been duly and validly executed and delivered by the Purchaser and constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except to the extent that (i) enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or limiting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar person before which any proceeding therefor may be brought.

5.2 No Violation. The execution and delivery by the Purchaser of this Agreement and the transactions contemplated hereby do not and will not conflict with or result in any breach of any provision of the charter documents, by-laws or other organizational documents of the Purchaser, violate, or conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or give rise to a right of termination, cancellation, modification or acceleration of the performance required by or a loss of a benefit under, any material agreement, permit or other instrument to which the Purchaser is a party or to which the Purchaser is subject (except to the extent such breach, violation or default is not reasonably likely to materially impair the ability of the Purchaser to consummate the transactions contemplated hereby or to hold the Company Membership Interests), or violate any material order, judgment, writ, injunction, decree, statute, rule or regulation applicable to the Purchaser or to which the Purchaser is subject.

5.3 Consents and Approvals. Except for consents and approvals of, or filings or registrations with, the Federal Trade Commission and the Antitrust Division of the United States Department of Justice pursuant to the HSR Act, no consent, approval, permit, waiver, authorization, notice or filing is required to be made or obtained by the Purchaser in connection with the execution, delivery and performance by the Purchaser of this Agreement or the consummation of the transactions contemplated hereby.

5.4 Investment Representation. The Purchaser is accepting the Company Membership Interests being acquired hereunder for its own account and not for any other person and for investment purposes only and without any view to distribute, resell or otherwise transfer the same.

5.5 Brokers and Finders. There are no outstanding broker, finder or investment broker fees or commissions owed or to be owed by the Purchaser in connection with the transactions contemplated by this Agreement.

ARTICLE 6. COVENANTS.

6.1 Satisfaction of Conditions. The Purchaser will use commercially reasonable efforts to cause the conditions precedent to the obligations of the Purchaser set forth in Article 8 to be fulfilled and the Company and the Sellers will use commercially reasonable efforts to cause the conditions precedent to the obligations of the Sellers set forth in Article 8 to be fulfilled. The Purchaser will use commercially reasonable efforts to cooperate with the Sellers to satisfy the conditions set forth in Article 8 and the Sellers will use commercially reasonable efforts to cooperate with the Purchaser to satisfy the conditions set forth in Article 8.

6.2 Conduct of Business. The Sellers agree that on and after the date hereof until the Closing, except as otherwise consented to by Purchaser in writing, as set forth in Schedule 6.2 hereto, or as expressly provided by this Agreement:

(a) the business, operations, activities and practices of the Company will be conducted in the ordinary course of business in substantially the same manner as currently conducted;

(b) the Sellers will use, and will cause the Company to use, its commercially reasonable efforts to preserve the business organization of the Company intact, to preserve the goodwill of suppliers, customers, independent contractors and others with whom material business relationships exist and to keep available the services of the present officers of the Company and the services of those employed by the Company;

(c) except for trade or business obligations incurred in the ordinary course of business and consistent with past practice, the Company will not incur, or assume or become subject to, whether directly or by way of guarantee or otherwise, any indebtedness in excess of $10,000 in any individual instance or in excess of $100,000 in the aggregate;

(d) the Company will not issue, sell or dispose of any membership interests or other equity interest in the Company or any options, warrants or other rights to purchase any such membership interests or equity interest or any securities convertible into or exchangeable for such membership interests or equity interests or otherwise make or effect any change in the issued and outstanding capitalization of the Company;

(e) the Company will not (i) declare any dividend or make any distribution of any assets of any kind whatsoever to any of its members including, without limitation, distributions in redemption of or as the purchase price for any capital Membership Interests or equity interest, or in discharge or cancellation, in whole or in part, of any indebtedness, whether in payment of principal, interest or otherwise or (ii) loan money to, make any investment in or enter into any agreement or arrangement with any affiliate thereof; provided that the Company may (x) make interest and scheduled principal payments and pay accrued interest through the Closing Date on the Venetian Note and the Venetian Additional Notes and (y) distribute to the Sellers a percentage of the taxable earnings of the Company between September 30, 2000 and the Closing Date equal to Taxes payable on such earnings, at a rate calculated in accordance with the rates used historically by the Company for such distributions;

(f) the Company will not (i) sell, lease, transfer, assign or otherwise dispose of any of its assets except for sales to customers or third party distributors in the ordinary course of business, (ii) license, sell, transfer, pledge, modify, disclose, dispose of or permit to lapse any right under or respecting, or enter into any settlement regarding the breach or infringement of, any Intellectual Property, except in the ordinary course of business, or (iii) permit or allow any of its assets to be subject to any additional Lien (other than Permitted Liens);

(g) the Company will not (i) purchase, lease, or otherwise acquire any assets or make any capital expenditures or commitments therefor involving the expenditure of more than $10,000 in any individual instance or $100,000 in the aggregate or (ii) merge or consolidate with, purchase all or any substantial part of the assets of, or otherwise acquire any person, corporation or firm or division thereof;

(h) the Company will not increase the compensation or fringe benefits payable or to become payable by the Company to any of its managers, officers or, other than regular salary increases consistent with past practice, salaried employees;

(i) the Company will not change its respective accounting principles, methods or practices (including without limitation, any change in depreciation or amortization policies or rates or any change in the policies pertaining to the recognition of accounts receivable or the discharge of accounts payable or accounting for inventories) and the Company will not change its respective tax accounting principles, methods or practices (including, without limitation, any change in depreciation or amortization policies or rates or any change in the policies pertaining to the recognition of accounts receivable or the discharge of accounts payable or accounting for inventories);

(j) the Company will not make or revoke any tax election or settle or compromise any Tax liability or agree to an extension of a statute of limitations with respect to Taxes;

(k) the Company will not pay, discharge or satisfy any claims or liabilities (absolute, accrued, asserted or unasserted, contingent or otherwise) other than in the ordinary course of business and consistent with past practice or claims or liabilities (x) reflected or reserved against in the Financial Statements or incurred thereafter in the ordinary course of business and consistent with past practice, or (y) paid, discharged or satisfied as required under this Agreement; and

(l) neither the Sellers nor the Company will enter into any agreement or commit to take any action which would, if taken on or before the Closing Date, result in a breach of any of the foregoing covenants contained in this Section 6.2, make any of the representations or warranties of the Sellers or the Company contained in this Agreement untrue or incorrect as of the Closing Date or prevent the Sellers or the Company from performing or cause the Sellers or the Company not to perform their respective covenants hereunder.

6.3 Tax Matters.

(a) The Purchaser will be responsible for and will pay all sales, use, transfer, stamp duty, recording, value added, and other similar taxes and fees, including without limitation, all bulk sales taxes ("Transfer Taxes"), arising out of or in connection with the transactions contemplated by this Agreement. The party which has the primary responsibility under applicable law for the payment of any particular Transfer Tax will prepare and file the relevant Tax Return and notify the other party in writing of the Transfer Taxes shown on such Tax Return and how such Transfer Taxes were calculated.

(b) The Purchaser and the Sellers agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Company (including, without limitation, access to books and records) as is reasonably necessary for the filing of all Tax Returns, and making of any election related to Taxes, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim, suit or proceeding relating to any Tax Return. The Purchaser and the Sellers will retain all books and records with respect to Taxes pertaining to the Company for a period of at least six years following the Closing Date. At the end of such period, each party will provide the other with at least 30 days prior written notice before destroying any such books and records, during which period the party receiving such notice can elect to take possession, at its own expense, of such books and records. The Sellers and the Purchaser will cooperate with each other in the conduct of any audit or other proceeding related to Taxes and each will execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 6.3(b).

(c) The Purchase Price will be allocated among the assets of the Company in the manner required by Section 1060 of the Code. In making such allocation, the relative fair market values will be agreed to in good faith by the Sellers and the Purchaser within sixty (60) days after the Closing Date. If the Sellers and the Purchaser are unable to agree upon the relative fair market values of the assets of the Company within that period, they will jointly engage an appraiser mutually acceptable to each of them to determine the relative fair market values of the assets of the Company, and the cost of the appraisal will be shared equally between the Sellers and the Purchaser. The Sellers and the Purchaser will file, or cause to be filed, all Tax Returns and other Tax information with any governmental agency consistently with such allocation. The Sellers and the Purchaser will cooperate with each other in meeting the requirements of Section 1060 of the Code and will each file Form 8594 in accordance with applicable rules and regulations.

6.4 Access. Subject to the terms of the Confidentiality Agreement between the Purchaser and the Company dated April 25, 2000 (the "Confidentiality Agreement"), the Company will permit the Purchaser and its representatives to have full access at all reasonable times (upon reasonable notice) to all their respective managers, officers, employees, representatives, properties, books, records, operating instructions and procedures, Tax Returns, and all other

information with respect to the Company as the Purchaser (or its representative) may from time to time request and to make copies of such books, records and other documents, subject to applicable obligations of confidentiality to third parties of the properties, books and records of the Company in a manner which does not unreasonably interfere with the normal operations of the Company.

6.5 Books and Records; Personnel. The Purchaser hereby covenants and agrees with the Sellers as follows:

(a) Retention of Records. The Purchaser will not, for a period of three years after the Closing Date, dispose of or destroy any of the business records and files of the Company relating to the period prior to the Closing Date without first offering to turn over possession thereof to the Sellers by written notice to the Sellers at least 30 days prior to the proposed date of such disposition or destruction.

(b) Access to Records. The Purchaser will, for a period of three years after the Closing Date, allow the Sellers access to all business records and files of the Company relating to the period prior to the Closing Date, upon prior written request of the Sellers and during normal working hours at the principal places of business of the Company or at any location where such records are stored, and the Sellers will have the right, at their own expense, to make copies of any such records and files; provided, however, that any such access or copying will be had or done in such a manner so as not to interfere unreasonably with the normal conduct of the business of the Company.

(c) Assistance with Records. The Purchaser will make available to the Sellers, consistent with the business requirements of the Company, (i) the Company's personnel to assist the Sellers in locating and obtaining records and files maintained by the Company, and (ii) any of the Company's personnel whose assistance or participation is reasonably required by the Sellers in anticipation of, or preparation for, any existing or future litigation, tax or other matters in which the Sellers or any of their past, present or future affiliates are involved and which related to the business of the Company.

6.6 Hart-Scott-Rodino. As promptly as practicable, and in any event within ten business days following the execution and delivery of this Agreement by the parties, the Purchaser and the Sellers will and the Sellers will cause the Company to prepare and file any required notification and report form under the HSR Act, in connection with the transactions contemplated hereby. The Purchaser and the Sellers will cause the Company to request early termination of the waiting period thereunder. The Purchaser and the Sellers will respond with reasonable diligence to any request for additional information made in response to such filings. Any filing fees incurred with filings pursuant to this Section 6.6 will be paid by the Purchaser.

6.7 Solicitation. The Sellers will not, nor will the Sellers permit the Company or any of its respective managers, officers, employees, representatives (including any investment banker, attorney or accountant retained by it or any of its subsidiaries) or agents to, directly or indirectly, solicit, initiate, encourage, or facilitate, enter into discussions concerning, or provide any data with respect to or respond to, any Acquisition Proposal or any inquiry or proposal which may reasonably be expected to lead to any Acquisition Proposal, and will promptly communicate any such Acquisition Proposal to the Purchaser. Immediately after the execution and delivery of this Agreement, the Company will and will cause its respective officers, managers, employees, investment bankers, attorneys, accountants and other agents and representatives to cease and terminate all existing activities, discussions or negotiations with any parties heretofore conducted with respect to any Acquisition Proposal and will notify each such party that the Company no longer seeks the making of an Acquisition Proposal. As used herein, the term "Acquisition Proposal" means any inquiry, offer or proposal for the acquisition (by merger, purchase or otherwise) of the Company or all or any portion of its assets or any equity interest therein.

6.8 Further Assurances. Each of the Purchaser and the Sellers, as promptly as practicable after the date hereof, will, and (in the case of the Sellers) will cause the Company to, (i) deliver, or cause to be delivered, all notices

and make, or cause to be made, all such declarations, designations, registrations, filings and submissions under all laws applicable to it as may be required for it to consummate the transactions contemplated by this Agreement; (ii) use their commercially reasonable efforts to obtain, or cause to be obtained, all approvals, orders, consents and waivers from all persons as may be required for it to consummate the transactions contemplated by this Agreement; and (iii) cooperate in good faith, use their commercially reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfill its respective obligations hereunder.

6.9 Uncollected Accounts Receivable; Excess Payables;Work-in-Process Valuation. (a) Following the Closing Date, the Purchaser will use commercially reasonable efforts to cause the Company to collect its accounts receivable outstanding as of the Closing Date as set forth in the Final Working Capital Statement. All amounts received by the Company from customers who have accounts receivable outstanding as of the Closing Date will be applied first to the oldest accounts receivable of such customers outstanding as of the Closing Date until all accounts receivable with respect to that customer outstanding as of the Closing Date are paid in full, except when customers specify a different designation. If as of the date six months from the Closing Date (the "Adjustment Date"), the Company has not been paid in full in respect of all of its accounts receivable outstanding as of the Closing Date (net of the allowance for doubtful accounts) as set forth in the Final Working Capital Statement, the Purchaser will so advise Litho in writing.

(b) If as of the Adjustment Date, the Company has paid or accrued as a liability on its books accounts payable arising out of or relating to the operation of the Company on or prior to the Closing Date that were not reflected in the Final Working Capital Statement ("Excess Payables"), the Purchaser will so advise Litho in writing.

(c) If as of the Adjustment Date, the inventory value component of work in process as shown on the Final Working Capital Statement ("Closing Date WIP") exceeds the amount by which customers of the Company have been billed for such Closing Date WIP ("Excess WIP"), the Purchaser will so advise Litho in writing.

(d) If the Net Current Assets of the Company on the Final Working Capital Statement would have been less than the Minimum Benchmark Net Current Assets Value (a "Working Capital Deficiency") if (i) the unpaid accounts receivable referred to in clause (a) above had not been included as current assets in the Final Working Capital Statement, (ii) the Excess Payables referred to in clause (b) had been included as current liabilities in the Final Working Capital Statement and (iii) the Excess WIP referred to in clause (c) above had not been included as a current asset in the Final Working Capital Statement, then within 10 business days of receipt of the last of the notices contemplated by this Section 6.9, Litho will pay to the Purchaser the amount of the Working Capital Deficiency.

6.10 [Intentionally Deleted]

6.11 [Intentionally Deleted]

6.12 Title Insurance. The Purchaser may at its cost order from a reputable national title insurance company of the Purchaser's choice (the "Title Company"), a title insurance report and commitment for a leasehold owner's title insurance policy with respect to the Real Properties (the "Title Commitment"). If the Purchaser orders the Title Commitment, it will furnish a copy of the Title Commitment to the Sellers promptly after the Purchaser's receipt thereof (but in no event less than thirty (30) days after the date of this Agreement) together with the Purchaser's notice of any Liens or other title defects that are not Permitted Liens ("Title Defects") disclosed by any such Title Commitment with respect to the Real Properties. If the Purchaser fails to object to any Title Defects set forth in the Title Commitment with respect to the Real Properties within 15 days after the receipt thereof or any other Title Defects disclosed by the Title Company in any update to the Title Commitments for the Leased Properties within 5 days after the Purchaser's receipt of such update, the Purchaser will be deemed to have waived such objection with respect to any matter theretofore disclosed to it by the Title

Commitment or any update thereto to such date. Prior to or as of the Closing Date, Litho will eliminate all monetary Title Defects and will use commercially reasonable efforts to eliminate all non-monetary Title Defects.

(a) If Litho is unable to eliminate any non-monetary Title Defects with respect to the Real Properties to which the Purchaser has objected in writing, Litho will give prompt notice thereof to the Purchaser. Upon receipt of such notice, if Litho is unable to eliminate any such Title Defects with respect to the Real Properties that materially affect the use of the Real Properties, the Purchaser will have the option to terminate this Agreement in its entirety.

(b) The Purchaser may at its option arrange, at its cost and expense, for (i) a current A.L.T.A. survey of the Real Properties in a form reasonably acceptable to the Purchaser (each, a "Survey") to be provided to the Purchaser with respect to the Real Properties and (ii) a policy of title insurance (the "Title Policy") from the Title Company based on the Title Commitments in current A.L.T.A. Leasehold Owner's Extended Coverage Form with respect to the Real Properties in coverage amount of $2,750,000, containing such endorsements as the Purchaser reasonably requests, free and clear of all Title Defects that have been objected to by the Purchaser pursuant to Section 6.12(a) above (unless consented to by the Purchaser). All premiums, fees and charges for the issuance of each of the Title Policies will be paid for by the Purchaser.

(c) At or prior to the Closing, with respect to the Leased Properties, the Sellers will furnish the Purchaser with an estoppel certificate in form and substance reasonably satisfactory to the Purchaser.

(d) Litho will use commercially reasonable efforts to deliver or cause to be delivered to the Title Company any affidavits or indemnities related to mechanics liens or otherwise reasonably requested by the Title Company.

6.13 Disclosure Schedule Supplements. From time to time prior to the Closing, the Sellers and the Purchaser will promptly supplement or amend the Disclosure Schedule with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedule. For purposes of determining the accuracy of the representations and warranties of the Sellers contained in this Agreement in order to determine the fulfillment of the conditions set forth in Article 8, the Disclosure Schedules delivered by the Sellers will be deemed to include only that information contained therein on the date of this Agreement and will be deemed to exclude any information contained in any subsequent supplement or amendment thereto. For purposes of determining any liability of the Sellers hereunder after the Closing, the Disclosure Schedules delivered hereunder will be deemed amended by any information supplied by the Sellers as contemplated by this Section 6.13.

6.14 Financing. In connection with the transactions contemplated by this Agreement, the Purchaser will use commercially reasonable efforts to obtain, and the Purchaser will execute and, at the Closing, the Sellers will cause the Company to execute and deliver agreements and instruments relating to the Financing (as defined below), and the Sellers will cause the Company to provide to the Purchaser commercially reasonable cooperation in connection with the arrangement of the Financing and any other financing to be consummated contemporaneous with or at or after the Closing Date in respect of the transactions contemplated by this Agreement, including without limitation, the execution and delivery, at the Closing, of any pledge or security documents, underwriting or placement agreements, other definite financing documents, or other requested certificates, documents or financial information as may be requested by the Purchaser in connection with the Financing, except that in no event will the Sellers (i) have any direct obligations with respect to the Financing, (ii) be required to guaranty the obligations of the Purchaser or any other obligor with respect to the Financing, or (iii) be required to execute any pledge or security documents, underwriting or placement agreements or other definitive financing documents. "Financing" means the financing required to consummate the transactions contemplated by the Agreement, including without limitation, the use of the financing proceeds to pay transaction fees and expenses associated herewith and to provide for the working capital needs of the Company after the Closing, as reasonably determined by the Purchaser. The Purchaser will be solely responsible for all transaction fees and expenses associated with the Financing.

6.15 Covenant Not to Compete. Without the express prior written consent of the Purchaser, neither Litho nor any affiliate of Litho (the only such affiliate of Litho as of the date hereof being Frank Defino, Sr.), will, at any time during the five-year period immediately following the Closing Date, directly or indirectly, own, manage, control or participate in the ownership, management or control of, or be related or otherwise affiliated in any manner with, any business similar to that engaged in by the Company as of the Closing Date anywhere in Illinois or any other state in which the Company operates as of the Closing Date, such states being listed on Schedule 6.15 hereto; and provided, that the foregoing will not prohibit Litho from owning as a passive investment 5% or less of the outstanding equity of any publicly-traded entity. Litho agrees that it and its affiliates will not, for a period of five years after the Closing Date, employ or solicit the employment of any person now employed by the Company.

(a) Without the express prior written consent of the Purchaser, neither Matthews, Matt-One nor their respective affiliates (the "Matthews Entities") will at any time during the five-year period immediately following the Closing Date, directly or indirectly, own, manage, control or participate in the ownership, management or control of, or enter in a joint venture or similar relationship with, any entity engaged in the Restricted Businesses (as defined below) within a hundred mile radius of Franklin Park, Illinois (the "Restricted Area"). Notwithstanding the foregoing, the Matthews Entities are not prohibited from (i) engaging in the pre-press packaging business, (ii) owning, managing or controlling, or entering into a joint venture or similar relationship with, any business that derives twenty-five percent or less of its revenues from the Restricted Businesses, (iii) owning as a passive investment 5% or less of the outstanding equity of any publicly-traded entity, or (iv) owning, managing or controlling, or entering into a joint venture or similar relationship with any Restricted Business located outside the Restricted Area, which has de miminus sales within the Restricted Area. The Matthews Entities will not, for a period of five years after the Closing Date, employ or solicit the employment of any person now employed by the Company; provided, however, that general solicitations of employment by memo or newspaper, periodical, trade, internet or general publication advertisement not directed at employees of the Company and any employment of a person based thereon, will not be a violation of this provision. For the purposes of this Section 6.16(b), "Restricted Businesses" means (1) multimedia presentations, (2) prepublishing services, (3) digital and offset printing, (4) marketing consulting services, (5) website design and (6) website hosting.

6.16 Confidentiality. The Sellers covenant that, after the Closing, they will not, and will not permit any of their affiliates to, without the prior written consent of the Purchaser, disclose to any person confidential information relating to or concerning the Company (the "Confidential Information"), except (i) information which has become generally known or available to the public through no fault of the Sellers, (ii) to their representatives who need to know such information for purposes of taxes, accounting, pending litigation and other matters necessary in respect of the Sellers' ownership, prior to the Closing Date, of the Company Membership Interests and (iii) if in the opinion of the Sellers' outside counsel, disclosure is required to be made under applicable law, including the Securities Exchange Act of 1934, as amended. If the Sellers or any of their affiliates are requested or required by documents subpoena, civil investigative demand, interrogatories, requests for information, or other similar process to disclose any Confidential Information, the Sellers will provide the Purchaser with prompt notice of such request or demand or other similar process so that the Purchaser may seek an appropriate protective order or, if such request, demand or other similar process is not mandatory, waive the Sellers' compliance with the provisions of this Section 6.17, as appropriate. For purposes of this Section 6.17, the Sellers and their affiliates includes any of their representatives.

6.17 Qualified Employee Benefit Plans. At the request of the Purchaser after the date hereof but prior to the Closing Date, the Sellers will (i) cause the Company to take all actions which are necessary and appropriate to terminate the Company's 401(k) and profit sharing plans, effective as of the date selected by the Purchaser or such other date as determined by the Internal Revenue Service (in either case after the Closing Date) and (ii) otherwise

cooperate with the Purchaser in connection with the orderly transition of benefit coverages, if necessary or desired by the Purchaser following the Closing Date.

6.18 Interim Monthly Financial Statements. Between the date hereof and the Closing Date, the Sellers will provide the Purchaser with interim monthly financial statements of the Company by the fifteenth of each month for the preceding month, prepared consistently with the past practices of the Company, and showing the results of the operations of the Company.

ARTICLE 7. INDEMNIFICATION; SURVIVAL.

7.1 Indemnification by Litho. Litho will indemnify the Purchaser and its successors and permitted assigns and its officers, directors, employees and affiliates (collectively, the "Purchaser Indemnified Parties") from and against and will reimburse the same for and in respect of any and all losses, costs, fines, liabilities, claims, penalties, damages and expenses (including all legal fees and expenses) of any nature or kind, known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated (collectively "Losses") which may be claimed or assessed against them or to which they may be subject, in connection with any and all claims, suits or asserted Losses which arise from or are related to (i) any breach of any representation or warranty made by Litho pursuant to Article 3 of this Agreement, (ii) any pollution or threat to human health or the environment that is related in any way to the Company's or any previous owner's or operator's management, use, control, ownership or operation of the Company, including, without limitation, all on-site and off-site activities involving Hazardous Materials, and that occurred, existed, arose out of conditions or circumstances that occurred or existed, or was caused, in whole or in part, on or before the Closing Date, whether or not the pollution or threat to human health or the environment is described in Schedule 3.24; and (iii) any Environmental Claim against any person or entity whose liability for such Environmental Claim the Sellers or the Company have or may have assumed or retained either contractually or by operation of law.

7.2 Indemnification by Matt-One. Matt-One will indemnify the Purchaser Indemnified Parties for any Losses that may be claimed against them or to which they may be subject, in connection with any and all claims, suits or asserted Losses which arise from or are related to any breach of any representation and warranty made by Matt-One pursuant to Article 4 of this Agreement.

7.3 Purchaser's Indemnification. The Purchaser will indemnify and hold harmless the Sellers and their respective successors and permitted assigns and their officers, directors, employees and affiliates (the "Seller Indemnified Parties") from and against and in respect of any and all Losses which may be claimed or assessed against any of them or to which any of them may be subject, in connection with any and all claims, suits or asserted Losses which arise from or are related to any breach of any representation or warranty of the Purchaser pursuant to Article 5 of this Agreement.

7.4 Indemnification Procedures.

(a) Notice. A party entitled to indemnification under this Article 7 (an "Indemnified Party") will give each party obligated to provide indemnification pursuant to this Article 7 (an "Indemnifying Party") prompt written notice (the "Claim Notice") of any claim, assertion, event, condition or proceeding by or in respect of any third party (each, a "Third Party Claim") of which it has knowledge concerning any liability or damage as to which it may request indemnification hereunder. The Claim Notice will describe in reasonable detail the nature of the claim, including an estimate, if practicable, of the amount of Losses that have been or may be suffered or incurred by the Indemnified Party attributable to such claim and the basis of the Indemnified Party's request for indemnification under this Agreement.

(b) Conduct of Defense. An Indemnifying Party will have the right, upon written notice to the Indemnified Party (the "Defense Notice") within fifteen days of its receipt from the Indemnified Party of the Claim Notice, to conduct

at its expense the defense against such Third Party Claim in its own name, or, if necessary, in the name of the Indemnified Party. When the Indemnifying Party assumes the defense, the Indemnified Party will have the right to approve the defense counsel, which approval or consent will not be unreasonably withheld or delayed. The Indemnifying Party may not compromise or settle any such claim without the prior written consent of the Indemnified Party, unless the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. An Indemnified Party will not unreasonably withhold or delay its consent to the compromise or settlement of any such claim. If the Indemnifying Party does deliver a Defense Notice and thereby elects to conduct the defense of such Third Party Claim, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance, personnel, witnesses and materials as the Indemnifying Party may reasonably request. Regardless of which party defends such Third Party Claim, the other party will have the right at its expense to participate in the defense assisted by counsel of its own choosing. If the Indemnifying Party fails to give the Defense Notice within the time prescribed by Section 7.3(a), the Indemnified Party will have the sole right to conduct such defense and the Indemnified Party may pay, compromise or defend such claim or proceeding at the Indemnifying Party's expense. If any Indemnified Party has a claim against any Indemnifying Party hereunder which does not involve a Third Party Claim, the Indemnified Party will promptly transmit to the Indemnifying Party a written notice (the "Indemnity Notice") describing in reasonable detail the nature of the claim and the basis of the Indemnified Party's request for indemnification under this Agreement.

7.5 Limitations on Indemnification. The aggregate liability of Litho pursuant to this Article 7 for breaches of representations and warranties will be $2,500,000. Notwithstanding the foregoing, at the end of the fifteenth month following the Closing Date, Litho's liability under this Article 7 will be limited to the amount of outstanding principal and interest payable to Litho by the Purchaser in accordance with terms of the Note, and the Purchaser's sole recourse against Litho will be the Purchaser's right to setoff under Section 7.7 hereof. No claim for indemnification may be made by the Purchaser Indemnified Parties against Litho pursuant to Article 7 for breaches of representations and warranties until such claims for which Losses are otherwise recoverable are in excess of $100,000, after which the Purchaser Indemnified Parties will be entitled to make any such claim against Litho for amounts in excess of such threshold; provided that the limitations set forth in this sentence do not apply to Losses incurred by reason of a breach of a representation or warranty contained in Sections 3.1, 3.2, 3.9, 3.13, and 3.18. No claim for indemnification may be made by the Purchaser Indemnified Parties pursuant to this Article 7 with respect to any Losses that (i) are covered by title insurance held by the Purchaser, or (ii) are covered by occurrence-based insurance policies of the Company for the pre-Closing period.

(a) The aggregate liability of the Purchaser pursuant to this Article 7 for breaches of representations and warranties will be $2,500,000. No claim for indemnification may be made by the Seller Indemnified Parties pursuant to this Article 7 for breaches of representations and warranties until such claims for which Losses are otherwise recoverable are in excess of $100,000, after which the Seller Indemnified Parties will be entitled to make any such claim for amounts in excess of such threshold; provided that the limitations set forth in this sentence do not apply to Losses incurred by reason of a breach of a representation or warranty contained in Sections 5.1, 5.2, 5.3 and 5.5.

(b) Determinations of amounts of indemnification payable hereunder shall be made with a view towards making the Indemnified Party whole (i) in the case of the Purchaser, net of any insurance proceeds actually received with respect thereto by the Company as a result of claims made under (A) occurrence-based insurance policies maintained by the Company prior to the Closing or (B) the Title Policy, if any and (ii) net of any cash Tax benefit actually received by the Indemnified Party.

7.6 Survival of Representations and Warranties. The representations and warranties of the parties contained herein will survive until the second anniversary of the Closing (the "Expiration Date"), and no party may seek indemnification under this Article 7 with respect to a breach of a representation or warranty after the Expiration Date; provided, however, that

(i) the representations and warranties contained in Sections 3.13 and 3.24 will survive until 90 days after the applicable statute of limitations (including any and all valid extensions thereof); (ii) the representations in Sections 3.1, 3.2, 3.9, 3.18, 4.1, 4.2, 4.3, 5.1, 5.2, 5.3 and 5.5 will survive the Closing indefinitely; and (iii) a party may seek indemnification with respect to a breach of such representation or warranty any time prior to the expiration of such statute of limitations.

(a) Notwithstanding anything to the contrary contained herein, all representations and warranties made by the Sellers, the Purchaser and the Company in this Agreement or in any schedule or other document delivered pursuant hereto, and the liability with respect thereto, will not terminate with respect to any claim, whether or not fixed as to liability or liquidated as to amount, with respect to which such party has been given written notice stating the nature of the claim prior to the date on which such representation or warranty expires.

(b) Notwithstanding anything to the contrary in this Agreement, but subject to the provisions of Section 6.13, no investigation by a party will affect the representations, warranties, covenants and agreements of the other parties under this Agreement or in any certificate, schedule, list, exhibit, agreement, document or other writing delivered pursuant hereto or in connection with the transactions contemplated hereby furnished or to be furnished to the other parties.

7.7 Limitation of Other Indemnification Rights. Notwithstanding anything to the contrary in the Articles of Organization, Operating Agreement, agreements (including without limitation the Employment Agreements) or other instruments of the Company, the Sellers will have no right to indemnification or other recovery thereunder or otherwise (whether as an officer, director, manager or in any other capacity) from the Company with respect to any matter to the extent that the Sellers are liable, or would be liable but for the limitations on indemnification contained herein, to any of the Purchaser Indemnified Parties for indemnification under this Article 7 with respect to such matter.

7.8 Setoff Against Note. Notwithstanding anything to the contrary in this Agreement, until such time as the Note is paid in full, in accordance with its terms, any indemnification obligation of Litho set forth in this Article 7 will be satisfied by setoff against obligations of the Purchaser under the Note, subject to the Litho's right to satisfy such indemnification obligation in cash within 30 days of such obligation arising.

ARTICLE 8. CONDITIONS TO CLOSING.

8.1 Conditions to Each Party's Obligations. The respective obligations of each party under this Agreement are subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

(a) No laws will have been adopted or promulgated and no temporary restraining order, preliminary or permanent injunction or other Order issued by a court or other governmental entity of competent jurisdiction will be in effect having the effect of making the transactions contemplated hereby illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

(b) Any waiting period applicable to the consummation of the transactions contemplated by this Agreement under the HSR Act will have expired or been terminated.

(c) All consents, orders or approvals of, declarations or filings with, and expirations of waiting periods imposed by, any Governmental Authority that are legally required for the consummation of the transactions contemplated hereby, if any, will have been obtained and in effect.

(d) The Purchaser will have exercised its renewal options in (i) the Lease and (ii) the lease agreement dated as of January 31, 1997 between the Company, as tenant, and Defino and Vitallo Enterprises, as landlord, on December 31, 2001; it being understood that Purchaser's decision will be in its sole discretion and Purchaser will not have any liability under this Agreement or otherwise as a result of the Purchaser's decision not to exercise either or

both of such renewal options.

8.2 Conditions to Obligations of the Purchaser. The obligations of the Purchaser under this Agreement are subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) The representations and warranties made by the Sellers and the Company in this Agreement will be true and correct in all material respects as of the Closing Date with the same effect as if such representations and warranties had been made at and as of the Closing Date. The Sellers and the Company will have performed all obligations required to be performed by them under this Agreement at or prior to the Closing Date. The Purchaser will have received a certificate signed by each of the Sellers to the effect of this Article 8.2(a), with respect to the particular representations, warranties and obligations required to be performed by such Seller.

(b) The Purchaser will have obtained Financing from such sources, in such amounts and on such terms and conditions as the Purchaser may, in its sole discretion, deem satisfactory.

(c) There will have been no developments or effects that have had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(d) Except as set forth on Schedule 3.21(b), all outstanding indebtedness for borrowed money of the Company will have been repaid or satisfied in full, including without limitation the Venetian Notes and the Venetian Additional Notes and any Liens on the assets of the Company incurred thereunder will have been released, on terms satisfactory to the Purchaser and the Purchaser will have received evidence thereof satisfactory to the Purchaser and its counsel.

(e) All waivers, licenses, agreements, permits, consents, approvals or authorizations of third parties or any modifications or amendments to existing agreements with third parties required to be obtained by the Company and the Sellers will have been obtained and will be in full force and effect and without conditions or limitations which unreasonably restrict the ability of the parties hereto to carry out the transactions contemplated hereby and the Purchaser will have been furnished with appropriate evidence, reasonably satisfactory to it and its counsel, of the granting of same.

(f) Frank Defino, Sr. will have entered into the Subscription Agreement and the transactions contemplated thereby will have been consummated.

(g) The Purchaser will have obtained the Title Policy based on the Title Commitments containing such endorsements as the Purchaser reasonably requests, free and clear of all Title Defects that have been objected to by the Purchaser pursuant to Section 6.12(a) above (unless consented to by the Purchaser).

(h) Frank Defino, Sr. will have repaid to the Company any outstanding principal and interest under the Revolving Credit Note dated January 31, 1997.

(i) The Landlord and the Company will have entered into the Real Estate Transfer Agreement and the transactions contemplated thereby will have been consummated.

(j) The Landlord and the Company will have entered into the Lease.

8.3 Conditions to Obligations of the Sellers. The obligations of the Sellers under this Agreement are subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

(a) The representations and warranties made by the Purchaser in this Agreement will be true and correct in all material respects as of the Closing Date with the same effect as if such representations and warranties had been made at and as of the Closing Date. The Purchaser will have performed the obligations required to be performed by it under this Agreement at or prior to the Closing Date. The Sellers will have received a certificate signed by an authorized officer of the Purchaser to the effect of this Article 8.3(a).

8.4 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) by mutual written consent of the Sellers and the Purchaser;
(b) by either the Purchaser or the Sellers if the Closing has not occurred on or before January 31, 2000; provided, however, that the right to terminate this Agreement pursuant to this Section 8.4(b) will not be available to any party whose breach of a covenant, representation or warranty has resulted in the failure of the Closing to occur on or before such date;

(c) by the Purchaser, if there has been a violation or breach by the Sellers of any covenant, agreement, representation or warranty contained in this Agreement which has rendered the satisfaction of any condition contained in Article 8 hereof incapable of fulfillment and such violation or breach has not been waived by the Purchaser;

(d) by the Sellers, if there has been a violation or breach by the Purchaser of any covenant, agreement, representation or warranty contained in this Agreement which has rendered the satisfaction of any condition contained in Article 8 hereof incapable of fulfillment and such violation or breach has not been waived by the Sellers;

If either the Purchaser or the Sellers terminate this Agreement pursuant to the provisions hereof, such termination will be effected by written notice to the other party specifying the provision hereof pursuant to which the termination is made.

8.5 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.4, this Agreement will become void and there will be no liability or obligation on the part of any party hereto or any of its affiliates, directors, officers or managers, except (a) this Section 8.5 and Section 9.1 will survive such termination; (b) the Confidentiality Agreement will remain in full force and effect; and (c) no such termination will relieve any party hereto of any liability for the intentional breach of any covenant or agreement hereunder by such party.

ARTICLE 9. COSTS; POST-CLOSING COVENANTS.

9.1 Transactional Costs. Except as set forth in Sections 1.3(c), 9.1(b) and 9.1(c), the Purchaser will be responsible for all of its legal, accounting, advisory and other fees and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby (the "Purchaser Transactional Costs") and the Sellers will be responsible for all legal, accounting, environmental advisory and other fees and expenses incurred by the Company or the Sellers in connection with this Agreement and the consummation of the transactions contemplated hereby (the "Seller Transactional Costs").

(a) If the Closing has not occurred on or before January 31, 2001 as a result of the termination of this Agreement by the Purchaser pursuant to Section 8.4(c) hereof, the Company will reimburse the Purchaser for the Purchaser Transactional Costs, up to a maximum of $250,000.

(b) If the Closing has not occurred on or before January 31, 2001 as a result of the termination of this Agreement by the Sellers pursuant to Section 8.4(d) hereof, the Purchaser will reimburse the Sellers for the Seller Transactional Costs, up to a maximum of $250,000.

ARTICLE 10. MISCELLANEOUS PROVISIONS.

10.1 Successors and Assigns. This Agreement and all provisions hereof will be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any right, interest, or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party. Notwithstanding the foregoing, the Purchaser may assign its rights to an affiliate of the Purchaser but no such assignment will relieve the Purchaser of its obligations hereunder or under the Note. Notwithstanding the foregoing, Litho may assign

the Note to Frank Defino, Sr. and/or the heirs or successors in interest to Frank Defino, Sr. No party hereto or successor or assignee has the ability to subrogate any other person to any right or obligation under this Agreement.

(a) Notwithstanding anything to the contrary set forth herein, the Purchaser may assign its rights under Article 7 of this Agreement in connection with the sale of the outstanding capital stock of the Company, the sale of all or substantially all of the assets of the Company or the sale of any principal facility of the Company.

(b) Notwithstanding anything to the contrary set forth herein, the Purchaser and the Company may assign and transfer to any entity providing financing for the transactions contemplated by this Agreement (or any refinancing of such financing) as security for such financing all of the interest, rights and remedies of the Purchaser with respect to this Agreement. The Sellers hereby expressly consent to such assignment. Any such assignment will be made for collateral security purposes only and will not release or discharge the Purchaser from any obligations it may have pursuant to this Agreement. Notwithstanding anything to the contrary set forth herein, the Purchaser and the Company may (i) authorize and empower such financing sources to assert, either directly or on behalf of the Purchaser, any claims the Purchaser may have against the Sellers under this Agreement and (ii) make, constitute and appoint one agent bank in respect of such financing (and all officers, employees and agents designated by such agent) as the true and lawful attorney and agent-in-fact of the Purchaser for the purpose of enabling the financing sources to assert and collect any such claims. Except as otherwise provided herein, the remedies provided herein will be cumulative and will not preclude the assertion by any of the parties hereto of any rights or the seeking of any other remedies against the other parties hereto.

10.2 Notices. All notices, requests, consents, instructions and other communications required or permitted to be given hereunder must be in writing and hand delivered, sent by nationally-recognized, next-day delivery service or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed as set forth below or by facsimile transmission; receipt will be deemed to occur on the date of actual receipt if delivered personally or by next-day delivery service, registered or certified mail and 24 hours from the time of transmission if sent by facsimile.

(a) if to the Purchaser, to:

priNexus, Inc.
6625 The Corners Parkway
Suite 200
Norcross, GA 30092
Attention: William C. Korner
Fax: (770) 449-5806

with a copy to:

Harvest Partners, Inc.
280 Park Avenue
New York, New York 10017
Attention: Thomas W. Arenz, General Partner

and a copy to:

Skadden, Arps, Slate, Meagher & Flom, LLP
4 Times Square
New York, NY 10036
Attention: Mark C. Smith, Esq.
Fax: 212-735-2000

(b) if to Litho or the Company, to:

Tukaiz Communications, L.L.C.
2917 Latoria Lane
Franklin Park, Illinois 60131
Attention: Frank Defino, Sr.

Fax: (847) 455-0507

with a copy to:

Seyfarth Shaw
55 East Monroe Street
Chicago, IL 60603-5803
Attention: Edward J. Karlin
Fax: (312) 269-8869

and a copy to:

930 York Road
Suite 102
Hinsdale, IL 60521
Attention: William Diamant

If to Matt-One, to:

Matthews International Corporation
Two Northshore Center
Pittsburgh, PA 15212
Attention: President

with a copy to:

Reed Smith LLP
435 Sixth Avenue
Pittsburgh, PA 15219
Attention: Pasquale D. Gentile, Jr.

or such other address or persons as the parties may from time to time designate in writing in the manner provided in this Section.

10.3 Entire Agreement. This Agreement, together with the Schedules and Exhibits hereto and the Confidentiality Agreement, represents the entire agreement and understanding of the parties hereto with respect to the subject matter contemplated herein, and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of either party in respect of said subject matter.

10.4 Amendments and Waivers. This Agreement may be amended, superseded, cancelled, renewed or extended only by a written instrument signed by all of the parties hereto. This terms of this Agreement may be waived only by a written instrument signed by the party waiving compliance or his or her representative. The waiver of any party hereto of any right hereunder or of any failure to perform or breach by any other party hereto will not be deemed a waiver of any other right hereunder or of any other failure or breach by any other party hereto, whether of the same or a similar nature or otherwise. No such written waiver will be deemed a continuing waiver unless specifically stated therein, and each such waiver will operate only as to the specific term or condition waived and will not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

10.5 Governing Law. This Agreement will be governed by and in accordance with the laws of the State of New York without regard to conflict of law rules thereof.

10.6 Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or validity hereof, will be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, as modified herein (the "Rules"). The place of arbitration will be New York, New York. There will be three arbitrators. If there are two parties to the arbitration, the claimant and the respondent will each appoint one arbitrator within 15 days of the receipt by the respondent of the demand for arbitration. If there are more than two parties, then within 15 days of the receipt by the respondent(s) of the demand for arbitration, all claimants will agree upon and

appoint one arbitrator and all respondents will agree on and appoint one arbitrator. The two arbitrators so appointed will select the chair of the arbitral tribunal within 15 days of the appointment of the second arbitrator. If any arbitrator is not appointed within the time limits provided herein, such arbitrator will be appointed by the American Arbitration Association (the "AAA") in accordance with the Rules. Any arbitrator appointed by the AAA will be a retired judge or a practicing attorney with no less than fifteen years of experience, and an experienced arbitrator. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement will be governed by the Federal Arbitration Act, 9 U.S.C. 1 et seq. Any award rendered hereunder will be final and binding on the parties and judgment upon such award may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, by agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment or other order or remedy in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies in aid of arbitration as may be available under the jurisdiction of a court of competent jurisdiction, the arbitral tribunal will have full authority to grant provisional remedies and any remedy contemplated by this agreement including specific performance and any other type of permanent injunctive relief, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

10.7 Consent to Jurisdiction. Except as otherwise contemplated by Section 10.6 above and subject in all respects thereto, the parties hereto agree that any proceeding arising out of or relating to this Agreement or the breach or threatened breach of this Agreement must be commenced and prosecuted in a court in the State of New York. Each of parties hereto hereby irrevocably and unconditionally consents and submits to the exclusive personal jurisdiction of any court in the State of New York in respect of any such proceeding. Each of the parties hereto consents to service of process upon it with respect to any such proceeding by registered mail, return receipt requested, and by any other means permitted by applicable laws and rules. Each of the parties hereto waives any objection that it may now or hereafter have to the laying of venue of any such proceeding in any court in the State of New York and any claim that it may now or hereafter have that any such proceeding in any court in the State of New York has been brought in an inconvenient forum.

10.8 Waiver of Jury Trial. Subject in all respects to Section 10.6 above, each party acknowledges and agrees that any controversy that may arise under this agreement is likely to involve complicated and difficult issues, and therefore each such party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement, or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (i) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, (ii) each such party understands and has considered the implications of this waiver and (iii) each such party has been induced to enter into this agreement by, among other things, the mutual waivers and certifications set forth herein.

10.9 Headings. The Article and Section headings contained in this Agreement are solely for convenience of reference and do not affect the meaning or interpretation of this Agreement or of any term or provision hereof.

10.10 Enforceability. If any of the provisions of this Agreement contravene or are invalid under the laws of any state or other jurisdiction where it is applicable but for such contravention or invalidity, such contravention or invalidity will not invalidate all of the provisions of this Agreement, but rather the Agreement will be reformed and construed, insofar as the laws of that state or jurisdiction are concerned, as not containing the provision or provisions, but only to the extent that they are contravening or are invalid under the laws of that state or jurisdiction, and the rights and obligations created hereby will be reformed and construed and enforced accordingly. In particular, if any of the covenants or agreements set forth in Section 6.16, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, or otherwise, the parties hereby expressly agree that the court or arbitral body making such determination will have the power to reduce the duration and/or the areas of such provision or

otherwise limit any such provision, and, in its reduced form, such provision will then be enforceable.

10.11 Terms. All references herein to Articles, Sections, Schedules and Exhibits will be deemed references to such parts of this Agreement, unless the context otherwise requires. All references to singular or plural include the other as the context may require.

10.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

10.13 Schedules and Exhibits. The Schedules and Exhibits attached hereto are a part of this Agreement as if fully set forth herein.

10.14 No Third Party Beneficiaries. Except as expressly contemplated in this Agreement, this Agreement will be binding upon and inure solely to the benefit of each party hereto and nothing in this Agreement is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

10.15 Publicity. No party will issue or cause the publication of any press release or other announcement with respect to this Agreement or the transactions contemplated hereby without the prior written consent of the other parties, except where such release or announcement is required by applicable law and provided that the other parties are notified in writing as to the content of such release or announcement prior to the publication thereof and are given a reasonable opportunity to comment thereon.

10.16 Guaranty. Frank Defino, Sr. hereby unconditionally and irrevocably guarantees to the Purchaser the full and timely payment, performance and observance of all of the terms, covenants and conditions, whether monetary or non-monetary, to be paid, performed and observed by Litho under each and every provision of this Agreement (collectively, the "Litho Obligations"). This Guaranty is an absolute, present, continuing, unlimited and unconditional guaranty and undertaking of payment, performance and observance of all the Litho Obligations, and, without limitation, is in no way conditioned or contingent upon any effort or attempt by the Purchaser first to seek performance or payment from Litho.

(a) Matthews hereby unconditionally and irrevocably guarantees to the Purchaser the full and timely payment, performance and observance of all the terms, covenants and conditions, whether monetary or non-monetary, to be paid, performed and observed by Matt-One under each and every provision of this Agreement (collectively, the "Matt-One Obligations"). This Guaranty is an absolute, unlimited and unconditional guaranty and undertaking of payment, performance and observance of all of the Matt-One Obligations, and, without limitation, is in no way conditioned or contingent upon any effort or attempt by the Purchaser first to seek performance or payment from Matt-One.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first above written.

PRINEXUS, INC.

By:
Name:
Title:

MATT-ONE HOLDING CORPORATION

By:
Name:
Title:

TUKAIZ LITHO, INC.

By:
Name: Frank Defino, Sr.
Title:

TUKAIZ COMMUNICATIONS, L.L.C.

By:
Name:
Title:

Agreed and Acknowledged:

- --
FRANK DEFINO, SR.

MATTHEWS INTERNATIONAL CORPORATION

By:
Name:
Title:

EXHIBIT 21

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBIT 21 - SUBSIDIARIES OF THE REGISTRANT

Name	Percentage Ownership
Caggiati S.p.A.	100%
Carolina Repro-Graphic	100
Granite Resources, Inc.	100
Industrial Equipment and Engineering Company, Inc.	100
Matthews Bronze Pty. Ltd.	100
Matthews Canada Ltd.	100
Matthews Industries	100
Matthews International (Arkansas) Corporation	100
Matthews International Colorado, Inc.	100
Matthews International GmbH	100
Matthews International Trading Company, Ltd.	100
Matthews Properties Pty. Ltd.	100
Matthews Resources, Inc.	100
Matthews Swedot AB	100
Matt-One Holding Corporation	100
Mavrick Cutting Dies, Inc.	60
O.N.E. Color Communications, LLC	50
Repro Busek Druckvorstufentechnik GmbH & Co. KG	75
S+T GmbH & Co. KG	50
The SLN Group, Inc.	100
Tukaiz Communications, LLC	50
Venetian Investment Corporation	100

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Registration Nos. 2-48760, 33-57793, 33-57795, 33-57797 and 333-83731) of Matthews International Corporation, of our report dated November 16, 2000, except for Note 16, as to which the date is December 7, 2000, related to the consolidated financial statements which appear in this Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania
December 22, 2000

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>

<S> <C>
<PERIOD-TYPE> YEAR
<FISCAL-YEAR-END> SEP-30-2000
<PERIOD-END> SEP-30-2000
<CASH> $ 29,150,118
<SECURITIES> 1,321,226
<RECEIVABLES> 47,286,580
<ALLOWANCES> (2,467,619)
<INVENTORY> 16,849,446
<CURRENT-ASSETS> 94,832,790
<PP&E> 94,107,498
<DEPRECIATION> (45,640,252)
<TOTAL-ASSETS> 220,665,450
<CURRENT-LIABILITIES> 46,832,142
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 18,166,996
<OTHER-SE> 108,688,713
<TOTAL-LIABILITY-AND-EQUITY> 220,665,450
<SALES> 262,364,902
<TOTAL-REVENUES> 262,364,902
<CGS> 144,276,094
<TOTAL-COSTS> 144,276,094
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 1,487,883
<INCOME-PRETAX> 45,938,350
<INCOME-TAX> 18,015,431
<INCOME-CONTINUING> 27,922,919
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 27,912,919
<EPS-BASIC> 1.80
<EPS-DILUTED> 1.76

</TABLE>