FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **1996-07-09** | Period of Report: **1995-12-30**
SEC Accession No. 0000025757-96-000038

(HTML Version on secdatabase.com)

FILER

CROMPTON & KNOWLES CORP

CIK:**25757**| IRS No.: **041218720** | State of Incorp.:**MA** | Fiscal Year End: **1225**
Type: **10-K/A** | Act: **34** | File No.: **001-04663** | Film No.: **96592429**
SIC: **2860** Industrial organic chemicals

Mailing Address
ONE STATION PLACE
METRO CENTER
STAMFORD CT 06902

Business Address
ONE STATION PL
METRO CTR
STAMFORD CT 06902
2033535400

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 1-4663

Crompton & Knowles Corporation
(Exact name of registrant as specified in its charter)

Massachusetts 04-1218720
(State or other jurisdiction of incorporation or organization)
(I.R.S. Employer Identification No.)

One Station Place, Metro Center
Stamford, Connecticut 06902
(address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (203) 353-5400

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: 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 405 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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed as of February 9, 1996, was $640,834,968.

The number of shares of Common Stock of the registrant outstanding as of February 9, 1996 was 48,022,079.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Stockholders for fiscal year ended December 30, 1995	Parts I, II and IV
Proxy Statement for Annual Meeting of Stockholders on April 9, 1996	Part III

CROMPTON & KNOWLES CORPORATION

PART I

ITEM 1. BUSINESS

General

Crompton & Knowles Corporation (together with its consolidated subsidiaries, the "Corporation"), was incorporated in Massachusetts in 1900. The Corporation has engaged in the manufacture and sale of specialty chemicals since 1954 and, since 1961, in the manufacture and sale of specialty process equipment and controls. The Corporation expanded its specialty chemical business in 1988 with the acquisitions of Ingredient Technology Corporation, a leading supplier of ingredients for the food and pharmaceutical industries, and Townley Dyestuffs Auxiliaries Company, Ltd., one of the largest independent suppliers of dyes for Great Britain's textile and paper industries. The Corporation made two acquisitions in calendar year 1990, acquiring the business and certain assets and liabilities of Atlantic Industries, Inc., a domestic dye manufacturer, and APV Chemical Machinery, Inc., which manufactured the Sterling line of extruders, extrusion systems and industrial blow molding equipment for the plastics industry. In 1991, the Corporation acquired a wire and cable equipment business from Clipper Machines, Inc. In 1992, the Corporation acquired a pre-metallized dyes business and facility located in Oissel, France. The Corporation made two acquisitions in 1994, the Egan Machinery plastics extrusion, precision coating and cast and blown film equipment business and the plastics and rubber extrusion machinery and parts and after-market services business of McNeil & NRM, Inc. Effective January 1, 1995, the Corporation's textile dyes and chemicals business and its specialty process equipment and controls business have been conducted by Crompton & Knowles Colors Incorporated and Davis-Standard Corporation, respectively, wholly owned subsidiaries of the Corporation. In 1995, the Corporation acquired the plastics and rubber extrusion business of McNeil Akron Repiquet SARL, including a manufacturing facility located in Dannemarie, France, and Killion Extruders, Inc., a producer of precision laboratory and small scale extrusion systems. In

January 1996, the Corporation acquired Klockner ER-WE-PA GmbH, a manufacturer of extrusion coating, cast film and plastic extrusion equipment located in Erkrath, Germany, and retained Salomon Brothers Inc to assist in exploring strategic alternatives to maximize shareholder value with respect to the Ingredient Technology Corporation business.

Information as to the sales, operating profit, and identifiable assets attributable to each of the Corporation's business segments during each of its last three fiscal years is set forth in the Notes to Consolidated Financial Statements on page 23 of the Corporation's 1995 Annual Report to Stockholders, and such information is incorporated herein by reference.

Products and Services

The principal products and services offered by the Corporation are described below.

SPECIALTY CHEMICALS

Textile dyes manufactured and sold by the Corporation are used on both synthetic and natural fibers for knit and woven garments, home furnishings such as carpets, draperies, and upholstery, and automotive furnishings including carpeting, seat belts, and upholstery. Industrial dyes and chemicals are marketed to the paper, leather, and ink industries for use on stationery, tissue, towels, shoes, apparel, luggage, and other products and for transfer printing inks. The Corporation also markets organic chemical intermediates and a line of chemical auxiliaries for the textile industry, including leveling agents, dye fixatives, and scouring agents. Sales of this class of products accounted for 43%, 50%, and 57% of the total revenues of the Corporation in 1995, 1994, and 1993, respectively.

The Corporation manufactures and sells reaction and compounded flavor ingredients for the food processing, bakery, beverage and pharmaceutical industries; colors certified by the Food & Drug Administration for sale to domestic producers of food and pharmaceuticals; and inactive ingredients for the pharmaceutical industry. The Corporation is also a leading supplier of specialty sweeteners, including edible molasses, molasses blends, malt extracts, and syrups for the bakery, confectionery and food processing industries and a supplier of seasonings and seasoning blends for the food processing industry. Sales of this class of products accounted for 15%, 17%, and 16% of the total revenues of the Corporation in 1995, 1994, and 1993, respectively.

SPECIALTY PROCESS EQUIPMENT AND CONTROLS

The Corporation manufactures and sells plastics and rubber extrusion equipment, industrial blow molding equipment, electronic controls, and integrated extrusion systems and offers specialized service and modernization programs for in-place extrusion systems. Sales of this class of products accounted for 42%, 33%, and 27% of the total revenues of the Corporation in 1995, 1994, and 1993, respectively.

Integrated extrusion systems, which include extruders in combination with controls and other accessory equipment, are used to process plastic resins and rubber into various products such as plastic sheet used in appliances, automobiles, home construction, sports equipment, and furniture; cast and blown film used to package many consumer products; and extruded shapes used as house siding, furniture trim, and substitutes for wood molding. Integrated extrusion systems are also used to compound engineered plastics, to recycle and reclaim plastics, to coat paper, cardboard and other materials used as packaging, and to apply plastic or rubber insulation to high voltage power cable for electrical utilities and to wire for the communications, construction, automotive, and appliance industries.

Industrial blow molding equipment produced by the Corporation is sold to manufacturers of non-disposable plastic items such as tool cases and beverage coolers.

The Corporation's HES unit produces electrical and electronic controls primarily for use with extrusion systems. The Corporation is a major user of such controls.

Sources of Raw Materials

Chemicals, steel, castings, parts, machine components, edible molasses, spices, and other raw materials required in the manufacture of Crompton & Knowles' products are generally available from a number of sources, some of which are foreign. Significant sales of the dyes and auxiliary chemicals business consist of dyes manufactured from intermediates purchased from foreign sources.

Patents and Licenses

Crompton & Knowles owns patents, trade names, and trademarks and uses know-how, trade secrets, formulae, and manufacturing techniques which assist in maintaining the competitive position of certain of its products. Patents, formulae, and know-how are of particular importance in the manufacture of a number of the dyes and flavor ingredients sold in the Corporation's specialty chemicals business, and patents and know-how are also significant in the manufacture of certain wire insulating and plastics processing machinery product lines. The Corporation believes that no single patent, trademark, or other individual right is of such importance, however, that expiration or termination thereof would materially affect its business. The Corporation is also licensed to use certain patents and technology owned by foreign companies to manufacture products complementary to its own products, for which it pays royalties in amounts not considered material to the consolidated results of the enterprise. Products to which the Corporation has such rights include certain dyes, plastics machinery and flavored ingredients.

Seasonal Business

No material portion of any segment of the business of the Corporation is seasonal.

Customers

The Corporation does not consider any segment of its business dependent on a single customer or a few customers, the loss of any one or more of whom would have an adverse effect on the segment. No one customer's business accounts for more than ten percent of the Corporation's gross revenues nor more than ten percent of its earnings before taxes.

Backlog

Because machinery production schedules range from about 60 days to 10 months, backlog is important to the Corporation's specialty process equipment and controls business. Firm backlog of customers' orders for this business at December 30, 1995, totalled approximately $72 million compared with $66 million at December 31, 1994. It is expected that most of the December 30, 1995, backlog will be shipped during 1996. Orders for specialty chemicals and equipment repair parts are filled primarily from inventory stocks and thus are excluded from backlog.

Competitive Conditions

Crompton & Knowles is among the largest suppliers of dyes in the United States and is a leading domestic producer of specialty dyes for nylon, polyester, acrylics, and cotton. The Corporation is less of a factor in other segments of the domestic dyes industry and in the European market. The Corporation is also a major United States and Canadian supplier of edible molasses, a major United States supplier of malt extracts, and a significant supplier of other sugar-based specialty products. As a supplier of flavors and seasonings, the Corporation has many competitors in the United States and abroad.

Crompton & Knowles is a leading producer of extrusion machinery for the plastics industry and a leading domestic producer of industrial blow molding equipment and competes with domestic and foreign producers of such products. The Corporation is one of a number of producers of other types of plastics processing machinery.

Product performance, service, and competitive prices are all important factors in competing in the specialty chemicals and specialty process equipment and controls product lines. No one competitor or small number of competitors is believed to be dominant in any of the Corporation's major markets.

Research and Development

Crompton & Knowles employs about 280 engineers, draftsmen, chemists, and technicians responsible for developing new and improved chemical products and process equipment systems for the industries served by the Corporation. Often, new products are developed in response to specific customer needs. The Corporation's process of developing and commercializing new products and product improvements is ongoing and involves many products, no one of which is large enough to significantly impact the Corporation's results of operations from year to year. Research and development expenditures totalled $14.0 million for the year 1995, $12.1 million for the year 1994, and $11.2 million for the year 1993.

Environmental Matters

The Corporation's manufacturing facilities are subject to various federal, state and local requirements with respect to the discharge of materials into the environment or otherwise relating to the protection of the environment. Although precise amounts are difficult to define, in 1995, the Corporation spent approximately $15.8 million to comply with those requirements, including approximately $4.9 million in capital expenditures.

The Corporation has been designated, along with others, as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or comparable state statutes, at two waste disposal sites; and an inactive subsidiary has been designated, along with others, as a potentially responsible party at two other sites.

While the cost of compliance with existing environmental requirements is expected to increase, based on the facts currently known to the Corporation, management expects that those costs, including the cost to the Corporation of remedial actions at the waste disposal sites where it has been named a potentially responsible party, will not have a material effect on the Corporation's liquidity and financial condition and that the cost to the Corporation of any remedial actions will not be material to the results of the Corporation's operations in any given year.

Employees

The Corporation had 2,761 employees on December 30, 1995.

Financial Information Concerning Foreign Operations and Export Sales

The information with respect to sales, operating profit, and identifiable assets attributable to each of the major geographic areas served by the Corporation and export sales, for each of the Corporation's last three fiscal years, set forth in the Notes to Consolidated Financial Statements on page 23 of the Corporation's 1995 Annual Report to Stockholders, is incorporated herein by reference.

The Corporation considers that the risks relating to operations of its foreign subsidiaries are comparable to those of other U.S. companies which operate subsidiaries in developed countries. All of the Corporation's international operations are subject to fluctuations in the relative values of the currencies in the various countries in which its activities are conducted.

ITEM 2. PROPERTIES

The following table sets forth information as to the principal operating properties of the Corporation and its subsidiaries:

Business Segment and Location	Products	Dates Built	Ownership or Lease Expiration
Specialty Chemicals:			
Carrollton, TX office and plant	Seasonings	1982	1997
Des Plaines, IL office and plant	Flavors	1968	Owned
Elyria, OH office and plant	Seasonings	1978	2001
Gibraltar, PA office, laboratory and chemical plant	Textile and other dyes	1964-1980	Owned
Lowell, NC chemical plant	Textile dyes, organic chemicals	1961	Owned
Mahwah, NJ office, laboratory and plant	Flavors and Seasonings	1984-1989	2004
Newark, NJ chemical plant	Textile dyes, organic chemicals	1949-1985	Owned
Nutley, NJ office, laboratory and chemical plant	Textile and other dyes	1949-1977	Owned
Oissel, France office, laboratory and chemical plant	Textile and other dyes	1946-1992	Owned
Reading, PA chemical plant	Textile dyes, organic chemicals and food colors	1910-1979	Owned
Tertre, Belgium office, laboratory and chemical plant	Textile and other dyes	1970	Owned
Vineland, NJ office and plant	Food and pharmaceutical ingredients and colors	1995	Owned

Specialty Process
Equipment and Controls:

Cedar Grove, NJ office and machine shop	Precision Laboratory extrusion equipment and extrusion systems	1929	1996
Dannemarie, France office and machine shop	Extrusion systems	1967-1980	Owned
Edison, NJ office and machine shop	Blow molding and extrusion equipment	1974-1979	2000
Erkrath, Germany office and machine shop	Extrusion systems	1954-1991	Owned
Pawcatuck, CT office and machine shop	Plastics and rubber extrusion and electronic control equipment and systems	1965-1985	Owned
Pawcatuck, CT office and machine shop	Extrusion systems	1968	1998
Somerville, NJ office and machine shop	Extrusion systems	1966-1994	Owned

All plants are built of brick, tile, concrete, or sheet metal materials and are of one-floor construction except parts of the plants located in Reading and Gibraltar, Pennsylvania, Nutley, Cedar Grove, and Somerville, New Jersey, Oissel and Dannemarie, France, Erkrath, Germany, and Tertre, Belgium. All are considered to be in good operating condition, well maintained, and suitable for the Corporation's requirements.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of its business, the Corporation is subject to investigations, claims and legal proceedings, some of which concern environmental matters, involving both private and governmental parties. In some cases, the remedies sought or damages claimed may be substantial. While each of these matters is subject to various uncertainties as to outcome, and some of them may be decided unfavorably to the Corporation, based on the facts known to the Corporation and on consultation with legal counsel, management believes that there are no such matters pending or threatened which will have a material effect on the financial position of the Corporation or the results of the Corporation's operations in any given year.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

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

The information concerning the range of market prices for the Corporation's Common Stock on the New York Stock Exchange and the amount of dividends paid thereon during the past two years, set forth in the Notes to Consolidated Financial Statements on page 24 of the Corporation's 1995 Annual Report to Stockholders, is incorporated herein by reference.

The number of registered holders of Common Stock of the Corporation on December 30, 1995, was 4,664.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data for the Corporation for each of its last five fiscal years, set forth under the heading "Eleven Year Selected Financial Data" on pages 26 and 27 of the Corporation's 1995 Annual Report to Stockholders, is incorporated herein by reference.

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

Management's discussion and analysis of the Corporation's financial condition and results of operations, set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 11 through 13 of the Corporation's 1995 Annual Report to Stockholders, is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Corporation, notes thereto, and supplementary data, appearing on pages 14 through 25 of the Corporation's 1995 Annual Report to Stockholders, are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information called for by this item concerning directors of the Corporation is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 9, 1996, which has been filed with the Commission pursuant to Regulation 14A, and such information is incorporated herein by reference.

The executive officers of the Corporation are as follows:

Vincent A. Calarco, age 53, has served as President and Chief Executive Officer of the Registrant since 1985 and Chairman of the Board since 1986. He is former Vice President for Strategy and Development, Uniroyal, Inc. (1984-1985), and former President of Uniroyal Chemical Company (1979-1984). Mr. Calarco has been a member of the Board of Directors of the Registrant since 1985. Mr. Calarco also serves as a director of Caremark International Inc.

Robert W. Ackley, age 54, has served as a Vice President of the Registrant since 1986 and as President of Davis-Standard Corporation (formerly the Davis-Standard Division) since 1983.

Peter Barna, age 52, has served as Treasurer of the Registrant since 1980 and as Principal Accounting Officer since 1986.

John T. Ferguson, II, age 49, has served as General Counsel and Secretary of the Registrant since 1989.

Nicholas Fern, Ph.D., age 52, has served as President, Dyes and Chemicals - Asia, for the Registrant since 1994, as President of the Registrant's International Dyes and Chemicals Division from 1992 to 1994, and as Managing Director of Crompton & Knowles Europe, S.A. (formerly Crompton & Knowles Tertre) from 1978 to 1994.

Gerald H. Fickenscher, Ph.D., age 52, has served as President, Dyes and Chemicals - Europe, for the Registrant and as Managing Director of Crompton & Knowles Europe, S.A. since 1994. He is the former Chief Financial Officer of Uniroyal Chemical Corporation (1986-1994).

Edmund H. Fording, Jr., age 59, has served as Vice President of the Registrant since 1991 and as President of Crompton & Knowles Colors Incorporated (formerly the domestic Dyes and Chemicals Division) since 1989. He is the former General Manager of the Dyes Division of Hilton Davis Co. (1988-1989) and Director of the Organic Department of Mobay Corporation (1980-1988).

Marvin H. Happel, age 56, has served as Vice President -Organization of the Registrant since 1986. He is the former Director of Human Resources of Uniroyal Chemical Company (1979-1986).

Charles J. Marsden, age 55, has served as Vice President - Finance and Chief

Financial Officer and as a member of the Board of Directors of the Registrant since 1985.

Rudy M. Phillips, age 54, has served as President of Ingredient Technology Corporation since January, 1996. He is a former Vice President of Ingredient Technology Corporation (1988-1996).

The term of office of each of the above-named executive officers is until the first meeting of the Board of Directors following the next annual meeting of stockholders and until the election and qualification of his successor.

There is no family relationship between any of such officers, and there is no arrangement or understanding between any of them and any other person pursuant to which any such officer was selected as an officer.

ITEM 11. EXECUTIVE COMPENSATION

Information called for by this item is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 9, 1996, which has been filed with the Commission pursuant to Regulation 14A, and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information called for by this item is included on pages 1 and 5 of the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 9, 1996, and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information called for by this item is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 9, 1996, and such information is incorporated herein by reference.

PART IV

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

(a) The following documents are filed as part of this report:

1. Financial statements and Independent Auditors' Report, as required by Item 8 of this form, which appear on pages 14 through 25 of the Corporation's 1995 Annual Report to Stockholders and are incorporated herein by reference:

(i) Consolidated Statements of Earnings for the fiscal years ended December

30, 1995, December 31, 1994,and December 25, 1993;

(ii) Consolidated Balance Sheets as at December 30, 1995, and December 31, 1994;

(iii) Consolidated Statements of Cash Flows for the fiscal years ended December 30, 1995, December 31, 1994, and December 25, 1993;

(iv) Consolidated Statements of Stockholders' Equity for the fiscal years ended December 30, 1995, December 31, 1994, and December 25, 1993;

(v) Notes to Consolidated Financial Statements; and

(vi) Independent Auditors' Report.

2. Independent Auditors' Report on Financial Statement Schedule and financial statement schedule II, Valuation and Qualifying Accounts, required by Regulation S-X. Pages S-1 and S-2 hereof.

3. Exhibits filed herewith or incorporated herein by reference:

Exhibit No. Description

3(i) Restated Articles of Organization of the Corporation filed with the Commonwealth of Massachusetts on October 27, 1988, as amended on April 10, 1990 and on April 14, 1992. (Exhibit 3(a) to Form 10-K for the fiscal year ended December 26, 1992.)

3(ii) By-laws of the Corporation as amended to date. (Exhibit 3(b) to Form 10-K for the fiscal year ended December 30, 1989.)

4(a)(1) Rights Agreement dated as of July 20, 1988, between the Registrant and The Chase Manhattan Bank, N.A., as Rights Agent. (Exhibit 1 to Form 8-K dated July 29, 1988.)

4(a)(2) Agreement dated as of March 28, 1991, amending Rights Agreement dated as of July 20, 1988, between the Registrant and The Chase Manhattan Bank, N.A., as Rights Agent. (Exhibit 4(i)(i) to Form 10-K for the fiscal year ended December 29, 1990.)

4(b)(1) Credit Agreement dated as of September 28, 1992, among the Registrant, five banks, and Bankers Trust Company as Agent. (Exhibit 10.1 to Registration Statement No. 33-52642 on Form S-3.)

4(b)(2) First Amendment to Credit Agreement dated as of September 1, 1994, among the Registrant, five banks, and Bankers Trust Company as Agent. (Exhibit 4(b)(2) to Form 10-K for the fiscal year ended December 31, 1994.)

*4(b)(3) Second Amendment to Credit Agreement dated as of May 18, 1995, among the Registrant, five banks, and Bankers Trust Company as Agent.

+10(a) 1983 Stock Option Plan of Crompton & Knowles Corporation, as amended through April 14, 1987. (Exhibit 10(c) to Form 10-Q for the quarter ended March 28, 1987.)

+10(b) Amendments to Crompton & Knowles Corporation Stock Option Plans adopted February 22, 1988. (Exhibit 10(d) to Form 10-K for the fiscal year ended December 26, 1987.)

+10(c) Amended Annual Incentive Compensation Plan for "A" Group of Senior Executives dated January 24, 1994. (Exhibit 10(d) to Form 10-K for the fiscal year ended December 25, 1993.)

+10(d) Summary of Management Incentive Bonus Plan for selected key management personnel. (Exhibit 10(m) to Form 10-K for the fiscal year ended December 27, 1980.)

+10(e) Supplemental Medical Reimbursement Plan. (Exhibit 10(n) to Form 10-K for the fiscal year ended December 27, 1980.)

+10(f) Supplemental Dental Reimbursement Plan. (Exhibit 10(o) to Form 10-K for the fiscal year ended December 27, 1980.)

+10(g) Employment Agreement dated February 22, 1988, between the Registrant and Vincent A. Calarco. (Exhibit 10(j) to the Form 10-K for the fiscal year ended December 26, 1987.)

+10(h) Form of Employment Agreement entered into in 1988, 1989, 1992, 1994 and 1996 between the Registrant or one of its subsidiaries and nine of the executive officers of the Registrant. (Exhibit 10(k) to Form 10-K for the fiscal year ended December 26, 1987.)

*+10(i) Amended Supplemental Retirement Agreement dated October 18, 1995 between the Registrant and Vincent A. Calarco.

*+10(j) Form of Amended Supplemental Retirement Agreement dated October 18, 1995 between the Registrant and three of its executive officers.

*+10(k) Form of Supplemental Retirement Agreement dated October 18, 1995 between the Registrant and five of its executive officers.

+10(l) Supplemental Retirement Agreement Trust Agreement dated October 20, 1993 between the Registrant and Shawmut Bank, N.A. (Exhibit 10(l) to Form 10-K for the fiscal year ended December 25, 1993.)

+10(m) Amended Benefit Equalization Plan dated October 20, 1993. (Exhibit 10(m) to Form 10-K for the fiscal year ended December 25, 1993.)

+10(n) Amended Benefit Equalization Plan Trust Agreement dated October 20, 1993 between the Registrant and Shawmut Bank, N.A. (Exhibit 10(n) to Form 10-K for the fiscal year ended December 25, 1993.)

+10(o) Amended 1988 Long Term Incentive Plan. (Exhibit 10(o) to Form 10-K for the fiscal year ended December 25, 1993.)

10(p) Trust Agreement dated as of May 15, 1989, between the Registrant and

Shawmut Worcester County Bank, N.A. and First Amendment thereto dated as of February 8, 1990. (Exhibit 10(w) to Form 10-K for the fiscal year ended December 30, 1989.)

+10(q) Form of 1992 - 1994 Long Term Performance Award Agreement. (Exhibit 10(y) to Form 10-K for the fiscal year ended December 28, 1991.)

+10(r) Crompton & Knowles Corporation Restricted Stock Plan for Directors approved by the stockholders on April 9, 1991. (Exhibit 10(z) to Form 10-K for the fiscal year ended December 28, 1991.)

*+10(s) Amended 1993 Stock Option Plan for Non-Employee Directors.

*11 Statement re computation of per share earnings.

*13 1995 Annual Report to Stockholders of Crompton & Knowles Corporation. (Not to be deemed filed with the Securities and Exchange Commission except those portions expressly incorporated by reference into this report on Form 10-K.)

*21 Subsidiaries of the Registrant.

*23 Consent of independent auditors.

*24 Power of attorney from directors and executive officers of the Registrant authorizing signature of this report. (Original on file at principal executive offices of Registrant.)

*27 Financial Data Schedule for the fiscal year ended December 30, 1995.

*29 Annual Report on Form 11-K of Crompton & Knowles Corporation Employee Stock Ownership Plan for the fiscal year ended December 31, 1995.

* Copies of these Exhibits are annexed to this report on Form 10-K provided to the Securities and Exchange Commission and the New York Stock Exchange.

\+ This Exhibit is a compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant participate.

(b) There were no reports on Form 8-K filed during the last quarter of the period covered by this report.

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.

CROMPTON & KNOWLES CORPORATION

(Registrant)

Date: March 29, 1996 By: /s/ Charles J. Marsden
Charles J. Marsden
Vice President-Finance

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 and on the date indicated.

Name	Title
Vincent A. Calarco*	Chairman of the Board,President, and Director (Principal Executive Officer)
Charles J. Marsden*	Vice President-Finance and Director (Principal Financial Officer)
Peter Barna*	Treasurer (Principal Accounting Officer)
James A. Bitonti*	Director
Robert A. Fox*	Director
Roger L. Headrick*	Director
Leo I. Higdon, Jr.*	Director
Michael W. Huber*	Director
C. A. Piccolo*	Director
Patricia K. Woolf*	Director

Date: March 29, 1996 By: /s/ Charles J. Marsden
Charles J. Marsden
as attorney-in-fact

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

Board of Directors
Crompton & Knowles Corporation:

Under date of January 24, 1996, we reported on the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries as of December 30, 1995 and December 31, 1994, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the fiscal years in the three-year period ended December 30, 1995, as contained in the 1995 Annual Report to Stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the Annual Report on Form 10K of Crompton & Knowles Corporation for the fiscal year 1995. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP

Stamford, Connecticut
January 24, 1996

SCHEDULE II

CROMPTON & KNOWLES CORPORATION AND SUBSIDIARIES

Valuation and Qualifying Accounts
(In thousands of dollars)

	Balance at beginning of year	Additions charged to costs and expenses	Recurring	Other	Balance at end of year
Fiscal Year ended December 30, 1995 Allowance for					

doubtful accounts	$3,829	$ 707	$(1,297)(1)	$ 30(3)	$3,269
Accumulated amortization of costin excess of acquired net assets	6,622	1,591	80(2)	(12)(4)	8,281
Accumulated amortization of other intangible assets	1,505	240	-	(522)(4)	1,223
Fiscal Year ended December 31, 1994					
Allowance for doubtful accounts	$4,072	$ 84	$ (349)(1)	$ 22(3)	$3,829
Accumulated amortization of cost in excess of acquired net assets	5,456	1,097	101 (2)	(32)(4)	6,622
Accumulated amortization of other intangible assets	1,239	266	-	-	1,505
Fiscal Year ended December 25, 1993					
Allowance for doubtful accounts	$3,736	$ 483	$ (147)(1)	$ -	$4,072
Accumulated amortization of costin excess of acquired net assets	4,510	963	(17)(2)	-	5,456
Accumulated amortization of other intangible assets	996	285	(42)(2)	-	1,239

(1)Represents accounts written off as uncollectible (net of recoveries), and the translation effect of accounts denominated in foreign currencies.

(2)Represents the translation effect of intangible assets denominated in foreign currencies.

(3)Represents allowance related to the acquisition of Killion Extruders, Inc. in 1995 and Egan Machinery in 1994.

(4)Represents intangible asset retirements.

SECOND AMENDMENT TO CREDIT AGREEMENT

SECOND AMENDMENT (this "Amendment"), dated as of May 18, 1995, among Crompton & Knowles Corporation, a Massachusetts corporation (the "Company"), the financial institutions listed on the signature pages hereto and Bankers Trust Company, as Agent under the Credit Agreement referred to below. All capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, the Company, various lending institutions (the "Banks"), and Bankers Trust Company, as Agent, are parties to a Credit Agreement dated as of September 28, 1992 (as amended, modified or supplemented through the date hereof, the "Credit Agreement"); and

WHEREAS, the parties hereto wish to amend the Credit Agreement as herein provided;

NOW, THEREFORE, it is agreed:

1. Schedule I to the Credit Agreement is hereby amended by deleting the same in its entirety and inserting in lieu thereof as a new Schedule I thereto the Schedule I attached hereto. Each Bank hereby acknowledges and agrees that from and after the Amendment Effective Date (as hereinafter defined) its Commitment shall be the amount set forth opposite such Bank's name on Schedule I attached hereto, as such amount may be reduced from time to time in accordance with the terms of the Credit Agreement.

2. In order to induce the Banks to enter into this Amendment, the Company hereby (i) makes each of the representations, warranties and agreement contained in the Credit Agreement a d (ii) represents and warrants that there exists no Default or Event of Default, in each case on the Amendment Effective Date (as hereinafter defined), both before and after giving effect to this Amendment.

3. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement.

4. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Company and the Agent.

5. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

6. This Amendment shall become effective on the date (the Amendment Effective Date") when (a) each of the parties hereto shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same to the Agent at its New York Office and (b) the Company shall have delivered to the Agent (i) an opinion of counsel in form and substance satisfactory to the Agent, (ii) an officer's certificate in form and substance satisfactory to the Agent (which officer's certificate shall in any event have attached thereto a true and correct copy of resolutions of the Board of Directors of the Company and each Guarantor authorizing the increase in the Total Commitment as set forth in Schedule I attached hereto) and (iii) for the account of each Bank, a new Note duly executed by the Borrower in the amount, maturity and as otherwise provided in the Credit Agreement after giving effect to this Amendment.

7. From and after the Amendment Effective Date, all references in the Credit Agreement and the Notes to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

SCHEDULE I

Schedule of Commitments

Name of Bank	Commitment
Bankers Trust Company	$ 35,714,285.71
The Bank of New York	35,714,285.71
ABN AMRO Bank N.V., New York Branch	17,857,142.86
Shawmut Bank Connecticut, N.A.	17,857,142.86
First Fidelity Bank, National Association, New Jersey	17,857,142.86

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered as of the date first above written.

CROMPTON & KNOWLES CORPORATION

By /s/ Charles Marsden

Charles Marsden
Title: Vice President-Finance

By /s/ Peter Barna
Peter Barna
Title: Treasurer

BANKERS TRUST COMPANY,
Individually and as Agent

By /s/ Katherine A. Judge
Katherine A. Judge
Title: Vice President

THE BANK OF NEW YORK

By /s/ Maria C. Mamilorvich
Maria C. Mamilorvich
Title: Vice President

FIRST FIDELITY BANK, NATIONAL
ASSOCIATION, NEW JERSEY

By /s/ Robert Strunk
Robert Strunk
Title: Vice President
ABN AMRO BANK N.V.
NEW YORK BRANCH

By /s/ David A. Mandell
David A. Mandell
Title: Vice President

By /s/ David W. Stack
David W. Stack
Title: Acting Vice President

SHAWMUT BANK CONNECTICUT, N.A.

By /s/ Robert Surdam
Robert Surdam
Title: Director

Acknowledged and Agreed:

INGREDIENT TECHNOLOGY CORPORATION

By /s/ Peter Barna
Peter Barna
Title: Treasurer

CROMPTON & KNOWLES COLORS
INCORPORATED

By /s/ Peter Barna
Peter Barna
Title: Treasurer

DAVIS-STANDARD CORPORATION

By /s/ Peter Barna
Peter Barna
Title: Treasurer

AMENDED
SUPPLEMENTAL RETIREMENT AGREEMENT

AMENDMENT dated as of October 18, 1995 to the Amended Supplemental Retirement Agreement dated as of October 20, 1993 (the "Amended Agreement") by and (the "Employee") and Crompton & Knowles Corporation, a Massachusetts corporation (the "Corporation").

WITNESSETH:

WHEREAS, the Employee and the Corporation wish to make certain changes in the Amended Agreement and to restate the Amended Agreement, as further amended hereby, in the form of this Amended Supplemental Retirement Agreement (the "Agreement");

NOW, THEREFORE, the Employee and the Corporation hereby agree that the Amended Agreement shall be further amended and restated in its entirety to read as follows:

1. The Corporation has entered into this Agreement to induce the Employee to continue in its employment, recognizing that in the case of a limited number of key executive employees to whom similar contracts may be offered the ordinary retirement benefits provided under the Corporation's retirement system do not afford sufficient incentive in terms of economic security, when compared with retirement arrangements available from other prospective employers who have been, are, or may be competing for their services. Nothing herein shall be deemed a contract of employment for any minimum fixed term, or shall restrict the freedom of the Corporation or the Employee to terminate the employment relationship between them at any time.

2. All references herein to the Corporation shall be deemed to include any subsidiary, which shall be defined as meaning any corporation of which this Corporation owns all of the voting stock.

3. For the purposes of this Agreement, the following terms shall have the following meanings:

(a) "Normal Retirement Date" shall mean the first day of the month on or next after the Employee's sixty-fifth (65th) birthday.

(b) "Compensation" shall mean all of the Employee's cash compensation for a calendar year, including salary, any amount contributed by the Employee to a cash or deferred plan under Section 401(k) of the Internal Revenue Code of 1986, as amended, and any incentive compensation award or bonus with respect to such year (even if paid in a subsequent year), but excluding any incentive compensation award or bonus paid during such year with respect to a prior year and extraordinary earnings such as insurance costs or gains on exercise of stock options.

(c) "Actuarial Equivalent" shall mean an amount of equivalent value computed on the basis of the actuarial assumptions used from time to time by the actuarial consultants employed by the Corporation in connection with its employee benefit plans, but using an interest assumption which is not less than the Pension Benefit Guaranty Corporation interest assumption in effect at the beginning of the month as of which the computation is made.

(d) "Cause" shall mean (i)the Employee's willful and continued failure to substantially perform assigned duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness or any such actual or anticipated failure resulting from termination for Good Reason), after a demand for substantial performance is delivered to the Employee by the Board of Directors of the Corporation, specifically identifying the manner in which the Board believes that the duties have not been substantially performed, or (ii) the Employee's willful conduct which is demonstrably and materially injurious to the Corporation. For purposes of this sub-paragraph (d), no act, or failure to act, shall be considered "willful" unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Corporation.

(e) "Good Reason" shall mean (i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles, and reporting requirements), authority, duties, or responsibilities as contemplated by any Employment Agreement between the Employee and the Corporation, or any other action by the Corporation which results in a diminishment in such position,authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by the Corporation promptly after receipt of notice thereof given by the Employee; (ii) any failure by the Corporation to comply with any of the provisions of any Employment Agreement between the Employee and the Corporation, other than an insubstantial and inadvertent failure which is remedied by the Corporation promptly after receipt of notice thereof given by the Employee; (iii) any change not concurred in by the Employee in the location of the office at which the Employee is principally based, except for travel reasonably required in the performance of the Employee's responsibilities and substantially consistent with prior business travel obligations of the Employee; or (iv) any purported termination by the Corporation of the Employee's employment otherwise than as permitted by any Employment Agreement between the Employee and the Corporation.

(f) "Change in Control" shall mean a change in control of the Corporation of a nature that would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on January 1, 1988, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a "Change in Control" shall be deemed to have occurred if: (i) a third person, including a "group" as such term is used in Section 13(d)(3) of the Exchange Act, other than the trustee of any employee benefit plan of the Corporation, becomes the beneficial owner, directly or indirectly, of 20% or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; (ii) during any period of 24 consecutive months individuals who, at the beginning of such consecutive 24-month period, constitute the Board of Directors of the Corporation (the "Board" generally and, as of the date of this Agreement, the "Incumbent Board") cease for any reason (other than retirement upon reaching normal retirement age, disability, or death) to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Corporation, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or (iii) the Corporation shall cease to be a publicly owned corporation having its outstanding Common Stock listed on the New York Stock Exchange or quoted in the NASDAQ National Market System.

(g) "Projected Compensation" shall mean (I) for any calendar year throughout which the Employee is employed by the Corporation, his Compensation (as defined in paragraph 3(b) hereof) for such year, and (ii) for any calendar year during or after which his employment has been terminated, the compensation the Employee would have received for such year if he had received (A) salary at a rate determined by projecting his annual rate of salary at the end of the last full calendar year of his employment forward at a rate equal to 5% in excess of the annual percentage change in the Consumer Price Index as published by the U.S. Bureau of Labor Statistics for such year and (B) a bonus equal to 40% of his salary as thus projected.

4. If, prior to his Normal Retirement Date, the Employee shall voluntarily terminate his employment with the Corporation without Good Reason or his employment shall be terminated by the Corporation for Cause, he shall thereby forfeit all rights and benefits under this Agreement. If the employment of the Employee shall be terminated on or after his Normal Retirement date, or if, prior to that date but after the conditions of paragraph 2 hereof have been satisfied, the Employee shall voluntarily terminate his employment for Good Reason or his employment shall be terminated by the Corporation without Cause, this Agreement shall continue in full force and effect, and the Employee shall become entitled to the rights and benefits hereinafter set forth upon the occurrence of the events respectively giving rise thereto.

5. If the Employee shall remain in employment by the Corporation until and shall reach his Normal Retirement Date, he shall be entitled to receive a supplemental retirement benefit under this Agreement which shall be at an annual rate equal to the amount by which

(a) sixty percent (60%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding his Normal Retirement Date exceeds

(b) the annual benefit, payable for the life of the Employee commencing on his Normal Retirement Date and without refund, which is the Actuarial Equivalent of that portion of the Employee's total accounts held under the Corporation's Individual Account Retirement Plan (the "IARP") which is attributable to contributions made to the IARP by the Corporation.

Such supplemental retirement benefit shall commence on the Employee's actual retirement date and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

6. If the Employee's employment by the Corporation shall be terminated (other than by reason of his death or disability) prior to his Normal Retirement Date under circumstances not resulting in his forfeiture of benefits and rights under paragraph 4 of this Agreement, he shall be entitled to receive a reduced supplemental retirement benefit under this Agreement which shall be at an annual rate computed as follows:

(a) There shall first be determined the amount by which

(i) sixty percent (60%) of the Employee's average annual Compensation during those five(5) calendar years in which such Compensation on was highest during the ten (10) calendar years immediately preceding the year in which the termination of his employment occurs

exceeds

(ii) the annual benefit, payable for the life of the Employee commencing on the date of the termination of his employment and without refund, which is the Actuarial Equivalent of that portion of the Employee's total accounts under the IARP which is attributable to contributions made to the IARP by the Corporation.

(b) The amount thus determined shall then be multiplied by a fraction in which the numerator shall be the number of full years of continuous service the Employee shall have completed prior to the termination of his employment and the denominator shall be the number of full years of continuous service he would have completed had he remained in the continuous service of the Corporation until his normal retirement date.

Such reduced supplemental retirement benefit shall commence on the first day of the month following the Employee's termination of employment and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

Anything in this paragraph or paragraph 4 to the contrary notwithstanding, if, prior to his Normal Retirement Date but after a Change in Control of the Corporation shall have occurred, the Corporation shall terminate the

Employee's employment other than for Cause, disability, or death or the employment of the Employee shall be terminated voluntarily by the Employee for Good Reason, he shall be entitled to elect to receive a supplemental retirement benefit under this Agreement, whether or not the Employee shall have then satisfied the conditions of paragraph 2 hereof, in lieu of any benefit he is entitled to receive under sub-paragraphs (a) and (b) of this paragraph 6, which shall be at an annual rate computed as follows:

(c) If the Employee has not attained the age of 55 on the date his termination of employment occurs, his benefit shall be equal to the amount by which

(i) sixty percent (60%) of the Employee's average annual Projected Compensation during those five (5) calendar years in which such Projected Compensation is highest during the ten (10) calendar years immediately preceding the year in which he would have attained age 55

exceeds

(ii) the annual benefit, payable for the life of the Employee commencing on the date of the termination of his employment and without refund, which is the Actuarial Equivalent of that portion of the Employee's total accounts under the IARP which is attributable to contributions made to the IARP by the Corporation.

(d If the Employee has attained age 55 on the date his termination of employment occurs, his benefit shall be equal to the amount determined under sub-paragraph (a) of this paragraph without the application of sub-paragraph (b) hereof.

Such supplemental retirement benefit under sub-paragraph (c) or (d) hereof shall commence on the first day of the month following the month in which the Employee attains age 65 and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

7. If in the opinion of the Corporation the Employee becomes totally and permanently disabled at any time while in the employment of the Corporation and after the conditions of paragraph 2 hereof have been satisfied, he shall become entitled to a disability benefit which shall be at an annual rate equal to the amount by which

(a) seventy-five percent (75%) of the Employee's average annual Compensation during the last five (5) consecutive calendar years preceding the year in which his disability occurs

exceeds

(b) the annual benefit which the Employee would be entitled to receive under the Corporation's Long Term Disability Insurance Program if he was then eligible for benefits thereunder (regardless of whether he participates in said Program);

provided, however, that if the Employee is not entitled to receive any benefit under said Program, the disability benefit to which he is entitled hereunder shall be in an amount equal to forty percent (40%) of the Employee's average annual Compensation determined as provided in sub-paragraph (a) above, and provided further that the disability benefit to which the Employee is entitled hereunder shall in no event be less than five percent (5%) of his average annual Compensation determined as provided in sub-paragraph (a) above. Such disability benefit shall be payable in equal monthly installments, the first payment to be made on the first day of the month following that in which the Employee's salary is terminated because of such disability, and payments shall be made on the first day of each month thereafter so long as such total disability subsists and the Employee lives; provided, however, if the Employee lives until his Normal Retirement Date, he may thereupon elect to receive, in lieu of the disability benefit he had been receiving under this paragraph, the supplemental retirement benefit to which he would then be entitled under paragraph 6 if his employment by the Corporation had terminated other than by reason of disability on the date his disability occurred.

8. The normal form in which the supplemental retirement benefit payable under paragraph 5 or 6 of this Agreement shall be paid shall be a monthly benefit payable for life and without refund. In lieu of such normal benefit payment form, the Employee may elect to receive his supplemental retirement benefit hereunder in the form of a monthly benefit payable for life with a period certain of up to 180 months, in the form of a monthly benefit payable for a period certain, or in the form of a monthly benefit payable for life with continuation of such payments (or a specified percentage thereof) to such beneficiary as the Employee may designate for the life of such beneficiary. The amount of benefit payable under each such alternative benefit payment form shall be the Actuarial Equivalent of the benefit payable in the normal form to which the Employee would otherwise be entitled hereunder. Any election of an alternative benefit payment form shall be made in writing and may be changed or rescinded by the Employee at any time prior to the date on which benefit payments are to commence. The Employee shall have the right to designate in writing the beneficiary or beneficiaries to receive the benefit, if any, which is payable under any benefit payment form after the Employee's death and may change his designation of beneficiary from time to time, at any time prior to the date on which benefit payments are to commence. If there shall be no beneficiary designated and surviving at the Employee's death, the estate of the Employee shall be the beneficiary. Whenever any benefits hereunder become payable to the beneficiary of the Employee, the Corporation may, in its discretion, authorize payment of such benefits to the beneficiary in a single lump sum which is the Actuarial Equivalent of such benefits.

Anything in this paragraph 8 to the contrary notwithstanding, at any time after the date on which benefit payments commence, the Employee may elect to receive his benefits hereunder in a single lump sum in an amount which is equal to 90% of the Actuarial Equivalent of the benefit payable in the normal form to which the Employee is otherwise entitled hereunder on the date as of which such election is made.

9. If the Employee shall die while currently receiving a supplemental retirement benefit under the provisions of paragraph 5 or 6 of this Agreement (or after his Normal Retirement Date while currently receiving a supplemental retirement benefit in lieu of the disability benefit provided under paragraph 7) and the Employee shall have elected a benefit payment form other than a monthly benefit payable for life with no period certain, any benefits payable after his death shall be paid to his beneficiary in accordance with the provisions of the benefit payment form elected by the Employee. If the Employee shall die having reached his Normal Retirement Date but prior to his actual retirement date and the Employee shall have elected a benefit payment form other than a monthly benefit payable for life with no period certain, benefits shall be paid to his beneficiary as if the Employee had commenced to receive benefits under on the first day of the month in which his death occurred. If the Employee shall die after the conditions of paragraph 2 have been satisfied and while in the active employ of the Corporation but prior to his Normal Retirement Date, or if the Employee shall die while currently receiving a disability benefit under paragraph 7 but prior to his Normal Retirement Date, a death benefit shall be paid to the Employee's beneficiary, in lieu of any other benefit under this Agreement, which shall be at an annual rate equal to thirty-five percent (35%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding the year in which his death occurs or the year in which his disability occurred, as the case may be. Such death benefit shall be payable in equal monthly installments beginning on the first day of the month following that in which the death of the Employee occurs and continuing thereafter for a period certain of 120 months; provided that the Beneficiary entitled thereto may elect to have such benefit paid in any of the forms described in paragraph 8 in an amount which is the Actuarial Equivalent of the form of benefit otherwise payable under this paragraph.

If the Employee shall die after having become entitled to a benefit under sub-paragraph (c) or (d) of paragraph 6 hereof but prior to attaining age 65, a death benefit shall be paid to the Employee's beneficiary, in lieu of any other benefit under this Agreement, which shall be the single sum Actuarial Equivalent value as of the Employee's death of the benefit to which he would have been entitled had he survived to age 65. Such death benefit shall be payable in a lump sum as soon as practicable after the Employee's death; provided that the beneficiary entitled thereto may elect to have such death benefit paid in any of the forms described in paragraph 8.

10. Anything in this Agreement to the contrary notwithstanding, if at any time following termination of his employment with the Corporation the Employee shall directly or indirectly compete with the Corporation (which shall be deemed to include any subsidiary or affiliate of the Corporation), whether as an individual proprietor or entrepreneur or as an officer, employee, partner, stockholder, or in any capacity connected with any enterprise, in any business in which the Corporation is engaged at the time of the termination of the Employee's employment within any state or possession of the United States of America or any foreign country within which business is then specifically planned by the Corporation to be conducted, the Corporation may suspend the

payment of any benefits hereunder to the Employee until such competition shall have ceased, and in the event such competition by the Employee shall not have ceased to the satisfaction of the Corporation within 90 days after the Corporation shall have given written notice to the Employee to cease the conduct thereof, the Corporation may at any time thereafter terminate its obligations under this Agreement. For the purpose of the preceding sentence, conducting business, doing business, or engaging in business shall be deemed to embrace sales to customers or performance of services for customers who are within a relevant geographical area, without any necessity of any presence of the Corporation therein. Nothing herein, however, shall prohibit the Employee from acquiring or holding any issue of stock or securities of any company which has any securities listed on a national exchange or quoted in the daily listing of over-the-counter market securities, provided that at any one time he and members of his immediate family do not own more than five percent (5%) of the voting securities of any such company.

11. This Agreement is an unfunded plan maintained for the purpose of providing deferred compensation for one of a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974.

The Corporation will make all benefit payments hereunder solely on a current disbursement basis out of the general assets of the Corporation, including without limitation from assets held in any grantor trust established by the Corporation for the purpose of making some or all of such payments.

12. This Agreement shall bind and run to the benefit of the successors and assigns of the Corporation, including any corporation or other form of business organization with which it may merge or consolidate or to which it may transfer substantially all of its assets.

13. The rights of the Employee under this Agreement shall not be assigned, hypothecated, or otherwise transferred in any manner.

14. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut.

IN WITNESS WHEREOF, the Employee has hereunto signed his name and Crompton & Knowles Corporation has caused this instrument to be executed in its name and on its behalf by its duly authorized officer, as of the 18th day of October, 1995.

Employee

CROMPTON & KNOWLES CORPORATION

AMENDED
SUPPLEMENTAL RETIREMENT AGREEMENT

AMENDMENT dated as of October 18, 1995 to the Amended Supplemental Retirement Agreement dated as of October 20, 1993 (the "Amended Agreement") by and between (the "Employee") and Crompton & Knowles Corporation, a Massachusetts corporation (the "Corporation").

WITNESSETH:

WHEREAS, the Employee and the Corporation wish to make certain changes in the Amended Agreement and to restate the Amended Agreement, as further amended hereby, in the form of this Amended Supplemental Retirement Agreement (the "Agreement");

NOW, THEREFORE, the Employee and the Corporation hereby agree that the Amended Agreement shall be further amended and restated in its entirety to read as follows:

1. The Corporation has entered into this Agreement to induce the Employee to continue in its employment, recognizing that in the case of a limited number of key executive employees to whom similar contracts may be offered the ordinary retirement benefits provided under the Corporation's retirement system do not afford sufficient incentive in terms of economic security, when compared with retirement arrangements available from other prospective employers who have been, are, or may be competing for their services. Nothing herein shall be deemed a contract of employment for any minimum fixed term, or shall restrict the freedom of the Corporation or the Employee to terminate the employment relationship between them at any time.

2. All references herein to the Corporation shall be deemed to include any subsidiary, which shall be defined as meaning any corporation of which this Corporation owns all of the voting stock..

3. For the purposes of this Agreement, the following terms shall have the following meanings:

(a) "Normal Retirement Date" shall mean the first day of the month on or next after the Employee's sixty-fifth (65th) birthday.

(b) "Compensation" shall mean all of Employee's cash compensation for a calendar year, including salary, any amount contributed by the Employee to a cash or deferred plan under Section 401(k) of the Internal Revenue Code of 1986, as amended, and any incentive compensation award or bonus with respect to such year (even if paid in a subsequent year), but excluding any incentive compensation award or bonus paid during such year with respect to a prior year and extraordinary earnings such as insurance costs or gains on exercise of stock options.

(c) "Actuarial Equivalent" shall mean an amount of equivalent value computed on the basis of the actuarial assumptions used from time to time by the actuarial consultants employed by the Corporation in connection with its employee benefit plans, but using an interest assumption which is not less than the Pension Benefit Guaranty Corporation interest assumption in effect at the beginning of the month as of which the computation is made.

(d)"Company Plan Benefit" shall mean the amount of benefit payable to or for the account of the Employee from the Corporation's Individual Account Retirement Plan (or from any other retirement plan sponsored by the Corporation which may hereafter be adopted in lieu of or in addition to said Individual Account Retirement Plan) which is attributable to contributions made by the Corporation, calculated in the form of a straight life annuity (regardless of the form in which such benefit may actually be payable).

(e) "Cause" shall mean (i) the Employee's willful and continued failure to substantially perform assigned duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness or any such actual or anticipated failure resulting from termination for Good Reason), after a demand for substantial performance is delivered to the Employee by the Board of Directors of the Corporation, specifically identifying the manner in which the Board believes that the duties have not been substantially performed, or (ii) the Employee's willful conduct which is demonstrably and materially injurious to the Corporation. For purposes of this sub-paragraph (e), no act, or failure to act, shall be considered "willful" unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Corporation.

(f) "Good Reason" shall mean (i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles, and reporting requirements), authority, duties, or responsibilities as contemplated by any Employment Agreement between the Employee and the Corporation, or any other action by the Corporation which results in a diminishment in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by the Corporation promptly after receipt of notice thereof given by the Employee; (ii) any failure by the Corporation to comply with any of the provisions of any Employment Agreement between the Employee and the Corporation, other than an insubstantial and inadvertent failure which is remedied by the Corporation promptly after receipt of notice thereof given by the Employee; (iii) any change not concurred in by the Employee in the location of the office at which the Employee is principally based, except for travel reasonably required in the performance of the Employee's responsibilities and substantially consistent with prior business travel obligations of the Employee; or (iv) any purported termination by the Corporation of the Employee's employment otherwise than as permitted by any Employment Agreement between the Employee and the Corporation.

(g) "Change in Control" shall mean a change in control of the Corporation of a nature that would be required to be reported in response to

Item 1(a) of the Current Report on Form 8-K, as in effect on January 1, 1988, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a "Change in Control" shall be deemed to have occurred if: (i) a third person, including a "group" as such term is used in Section 13(d)(3) of the Exchange Act, other than the trustee of any employee benefit plan of the Corporation, becomes the beneficial owner, directly or indirectly, of 20% or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; (ii) during any period of 14 consecutive months individuals who, at the beginning of such consecutive 24-month period, constitute the Board of Directors of the Corporation (the "Board" generally and, as of the date of this Agreement, the "Incumbent Board") cease for any reason (other than retirement upon reaching normal retirement age, disability, or death) to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Corporation, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or (iii) the Corporation shall cease to be a publicly owned corporation having its outstanding Common Stock listed on the New York Stock Exchange or quoted in the NASDAQ National Market System.

(h) "Projected Compensation" shall mean (i) for any calendar year throughout which the Employee is employed by the Corporation, his Compensation (as defined in paragraph 3(b) hereof) for such year, and (ii) for any calendar year during or after which his employment has been terminated, the compensation the Employee would have received for such year if he had received (A) salary at a rate determined by projecting his annual rate of salary at the end of the last full calendar year of his employment forward at a rate equal to 5% in excess of the annual percentage change in the Consumer Price Index as published by the U.S. Bureau of Labor Statistics for such year and (B) a bonus equal to 40% of his salary as thus projected.

4. If, prior to his Normal Retirement Date, the Employee shall voluntarily terminate his employment with the Corporation (except as hereinafter provided) or his employment shall be terminated by the Corporation for Cause, he shall thereby forfeit all rights and benefits under this Agreement. If the employment of the Employee shall be terminated on or after his Normal Retirement Date, or if, prior to that date but after the conditions of paragraph 2 hereof have been satisfied, the Employee shall voluntarily terminate his employment with the approval of the Corporation (as evidenced by vote of its Board of Directors or the Committee thereof authorized to administer this Agreement) or his employment shall be terminated by the Corporation without Cause, this Agreement shall continue in full force and effect, and the Employee shall become entitled to the rights and benefits

hereinafter set forth upon the occurrence of the events respectively giving rise thereto.

5. If the Employee shall remain in employment by the Corporation until and shall reach his Normal Retirement Date, he shall be entitled to receive a supplemental retirement benefit under this Agreement which shall be at an annual rate equal to the amount by which

(a) fifty percent (50%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding his Normal Retirement Date

exceeds

(b) the annual amount of the Company Plan Benefit payable to the Employee, determined as of his Normal Retirement Date.

Such supplemental retirement benefit shall commence on the Employee's actual retirement date and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

6. If the Employee's employment by the Corporation shall be terminated (other than by reason of his death or disability) prior to his Normal Retirement Date under circumstances not resulting in his forfeiture of benefits and rights under paragraph 4 of this Agreement, he shall be entitled to receive a reduced supplemental retirement benefit under this Agreement which shall be at an annual rate computed as follows:

(a) There shall first be determined the amount which is equal to fifty percent (50%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding the year in which the termination of his employment occurs.

(b) The amount thus determined shall be multiplied by a fraction in which the numerator shall be the number of full years of continuous service the Employee shall have completed between the effective date of this Agreement and the termination of his employment and the denominator shall be the number of full years of continuous service he would have completed between the effective date of this Agreement and his Normal Retirement Date had he remained in the continuous service of the Corporation until his Normal Retirement Date.

(c) There shall then be subtracted from the amount thus determined the annual amount of the Company Plan Benefit payable to the Employee, determined as of the date of the termination of his employment.

Such reduced supplemental retirement benefit shall commence on the first day of the month following the Employee's termination of employment and shall be payable in one of the benefit payment forms described in paragraph 8, as the

Employee shall elect.

Anything in this paragraph or paragraph 4 to the contrary notwithstanding, if, prior to his Normal Retirement Date but after a Change in Control of the Corporation shall have occurred, the Corporation shall terminate the Employee's employment other than for Cause, disability, or death or the employment of the Employee shall be terminated voluntarily by the Employee for Good Reason, he shall be entitled to elect to receive a supplemental retirement benefit under this Agreement, whether or not the Employee shall have then satisfied the conditions of paragraph 2 hereof, in lieu of any benefit he is entitled to receive under sub-paragraphs (a)-(c), inclusive, of this paragraph 6, which shall be at an annual rate computed as follows:

(d) If the Employee has not attained the age of 55 on the date his termination of employment occurs, his benefit shall be equal to the amount by which

(i) fifty percent (50%) of the Employee's average annual Projected Compensation during those five (5) calendar years in which such Projected Compensation is highest during the ten (10) calendar years immediately preceding the year in which he would have attained age 55

exceeds

(ii) the annual amount of the Company Plan Benefit payable to the Employee, determined as of the date of the termination of his employment.

(e) If the employee has attained age 55 on the date his termination of employment occurs, his benefit shall be equal to the amount determined under sub-paragraphs (a) and (c) of this paragraph without the application of sub-paragraph (b) hereof.

Such supplemental retirement benefit under sub-paragraph (d) or (e) hereof shall commence on the first day of the month following the month in which the Employee attains age 65 and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

7. If the Employee becomes qualified for benefits under any long term disability plan sponsored by the Corporation as a result of total disability while in the employment of the Corporation and after the conditions of paragraph 2 hereof have been satisfied, but prior to his Normal Retirement Date, he shall become entitled to a disability benefit hereunder which shall be at an annual rate computed as follows:

(a) There shall first be determined the amount which is equal to fifty percent (50%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the Ten (10) calendar years preceding the year in which his disability occurs.

(b) The amount thus determined shall be multiplied by a fraction in which the numerator shall be the number of full years of continuous service the Employee shall have completed between the effective date of this Agreement and the date his employment terminates on account of disability and the denominator shall be the number of full years of continuous service he would have completed between the effective date of this Agreement and his Normal Retirement Date had he remained in the continuous service of the Corporation until his Normal Retirement Date.

(c) There shall then be subtracted from the amount thus determined the annual amount of the Company Plan Benefit payable to the Employee, determined as of the date his disability benefit hereunder is to commence.

Such disability benefit shall commence on the date the benefits payable to the Employee under such long term disability plan sponsored by the Corporation cease, if the Employee is then living, and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

8. The normal form in which the benefit payable under paragraphs 5, 6, or 7 of this Agreement shall be paid shall be a monthly benefit payable for life and without refund. In lieu of such normal benefit payment form, the Employee may elect to receive his benefit hereunder in the form of a monthly benefit payable for life with a period certain of up to 180 months, in the form of a monthly benefit payable for a period certain, or in the form of a monthly benefit payable for life with continuation of such payments (or a specified percentage thereof) to such beneficiary as the Employee may designate for the life of such beneficiary. The amount of benefit payable under each such alternative benefit payment form shall be the Actuarial Equivalent of the benefit payable in the normal form to which the Employee would otherwise be entitled hereunder. Any election of an alternative benefit payment form shall be made in writing and may be changed or rescinded by the Employee at any time prior to the date on which benefit payments are to commence. The Employee shall have the right to designate in writing the beneficiary or beneficiaries to receive the benefit, if any, which is payable under any benefit payment form after the Employee's death and may change his designation of beneficiary from time to time, at any time prior to the date on which benefit payments are to commence. If there shall be no beneficiary designated and surviving at the Employee's death, the estate of the Employee shall be the beneficiary. Whenever any benefits hereunder become payable to the beneficiary of the Employee, the Corporation may, in its discretion, authorize payment of such benefits to the beneficiary in a single lump sum which is the Actuarial Equivalent of such benefits.

Anything in this paragraph 8 to the contrary notwithstanding, at any time after the date on which benefit payments commence, the Employee may elect to receive his benefits hereunder in a single lump sum in an amount which is equal to 90% of the Actuarial Equivalent of the benefit payable in the normal form to which the Employee is otherwise entitled hereunder on the date as of which such election is made.

9. If the Employee shall die while currently receiving a benefit under the provisions of paragraphs 5, 6, or 7 of this Agreement and the Employee shall

have elected a benefit payment form other than a monthly benefit payable for life with no period certain, any benefits payable after his death shall be paid to his beneficiary in accordance with the provisions of the benefit payment form elected by the Employee. If the Employee shall die after having reached his Normal Retirement Date but prior to his actual retirement date and the Employee shall have elected a benefit payment form other than a monthly benefit payable for life with no period certain, benefits shall be paid to his beneficiary as if the Employee had commenced to receive benefits hereunder on the first day of the month in which his death occurred. If the Employee shall die after the condition of paragraph 2 has been satisfied and while in the active employ of the Corporation but prior to his Normal Retirement Date, or if the Employee shall die after having become entitled to receive a disability benefit under paragraph 7 but prior to his Normal Retirement Date, a death benefit shall be paid to the Employee's beneficiary, in lieu of any other benefit under this Agreement, which shall be at an annual rate equal to twenty percent (20%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding the year in which his death occurs or the year in which his disability occurred, as the case may be. Such death benefit, which shall be in addition to any Company Plan Benefit or benefits under any group life insurance plan sponsored by the Corporation which is payable on account of the Employee's death, shall be payable in equal monthly installments beginning on the first day of the month following that in which the death of the Employee occurs and continuing thereafter for a period certain of 120 months; provided that the Beneficiary entitled thereto may elect to have such benefit paid in any of the forms described in paragraph 8 in an amount which is the Actuarial Equivalent of the form of benefit otherwise payable under this paragraph.

If the Employee shall die after having become entitled to a benefit under sub-paragraph (d) or (e) of paragraph 6 hereof but prior to attaining age 65, a death benefit shall be paid to the Employee's beneficiary, in lieu of any other benefit under this Agreement, which shall be the single sum Actuarial Equivalent value as of the Employee's death of the benefit to which he would have been entitled had he survived to age 65. Such death benefit shall be payable in a lump sum as soon as practicable after the Employee's death; provided that the beneficiary entitled thereto may elect to have such death benefit paid in any of the forms described in paragraph 8.

10. Anything in this Agreement to the contrary notwithstanding, if at any time following termination of his employment with the Corporation the Employee shall directly or indirectly compete with the Corporation (which shall be deemed to include any subsidiary or affiliate of the Corporation), whether as an individual proprietor or entrepreneur or as an officer, employee, partner, stockholder, or in any capacity connected with any enterprise, in any business in which the Corporation is engaged at the time of the termination of the Employee's employment within any state or possession of the United States of America or any foreign country within which business is then specifically planned by the Corporation to be conducted, the Corporation may suspend the payment of any benefits hereunder to the Employee until such competition shall have ceased, and in the event such competition by the Employee shall not have

ceased to the satisfaction of the Corporation within 90 days after the Corporation shall have given written notice to the Employee to cease the conduct thereof, the Corporation may at any time thereafter terminate its obligations under this Agreement. For the purpose of the preceding sentence, conducting business, doing business, or engaging in business shall be deemed to embrace sales to customers or performance of services for customers who are within a relevant geographical area, without any necessity of any presence of the Corporation therein. Nothing herein, however, shall prohibit the Employee from acquiring or holding any issue of stock or securities of any company which has any securities listed on a national exchange or quoted in the daily listing of over-the-counter market securities, provided that at any one time he and members of his immediate family do not own more than five percent (5%) of the voting securities of any such company.

11. This Agreement is an unfunded plan maintained for the purpose of providing deferred compensation for one of a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974. The Corporation will make all benefit payments hereunder solely on a current disbursement basis out of the general assets of the Corporation, including without limitation from assets held in any grantor trust established by the Corporation for the purpose of making some or all of such payments.

12. This Agreement shall bind and run to the benefit of the successors and assigns of the Corporation, including any corporation or other form of business organization with which it may merge or consolidate or to which it may transfer substantially all of its assets.

13. The rights of the Employee under this Agreement shall not be assigned, hypothecated, or otherwise transferred in any manner.

14. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut.

IN WITNESS WHEREOF, the Employee has hereunto signed his name and Crompton & Knowles Corporation has caused this instrument to be executed in its name and on its behalf by its duly authorized officer, as of the 18h day of October, 1995.

Employee

CROMPTON & KNOWLES CORPORATION

By:

SUPPLEMENTAL RETIREMENT AGREEMENT

AGREEMENT dated as of October 18, 1995 (the "Agreement") by and between (the "Employee") and Crompton & Knowles Corporation, a Massachusetts corporation (the "Corporation.")

WITNESSETH:

WHEREAS, the Corporation wishes to induce the Employee to continue in its employment, recognizing that in the case of a limited number of key executive employees to whom similar contracts may be offered the ordinary retirement benefits provided under the Corporation's retirement system do not afford sufficient incentive in terms of economic security, when compared with retirement arrangements available from other prospective employers who have been, are, or may be competing for their services;

NOW, THEREFORE, the Employee and the Corporation hereby agree as follows:

1. Nothing herein shall be deemed a contract of employment for any minimum fixed term, or shall restrict the freedom of the Corporation or the Employee to terminate the employment relationship between them at any time.

2. It is expressly agreed that the Employee shall be entitled to no benefits by reason of this Agreement unless and until he shall have completed five (5) years of continuous employment by the Corporation from the effective date of this Agreement. All references herein to the Corporation shall be deemed to include any subsidiary, which shall be defined as meaning any corporation of which this Corporation owns all of the voting stock.

3. For the purposes of this Agreement, the following terms shall have the following meanings:

(a) "Normal Retirement Date" shall mean the first day of the month on or next after the Employee's sixty-fifth (65th) birthday.

(b) "Compensation" shall mean all of Employee's cash compensation for a calendar year, including salary, any amount contributed by the Employee to a cash or deferred plan under Section 401(k) of the Internal Revenue Code of 1986, as amended, and any incentive compensation award or bonus with respect to such year (even if paid in a subsequent year), but excluding any incentive compensation award or bonus paid during such year with respect to a prior year and extraordinary earnings such as insurance costs or gains on exercise of stock options.

(c) "Actuarial Equivalent" shall mean an amount of equivalent value computed on the basis of the actuarial assumptions used from time to time by the actuarial consultants employed by the Corporation in connection with its employee benefit plans, but using an interest assumption which is not less than the Pension Benefit Guaranty Corporation interest assumption in effect at the beginning of the month as of which the computation is made.

(d) "Company Plan Benefit" shall mean the amount of benefit payable to or for the account of the Employee from the Corporation's Individual Account Retirement Plan (or from any other retirement plan sponsored by the Corporation which may hereafter be adopted in lieu of or in addition to said Individual Account Retirement Plan) which is attributable to contributions made by the Corporation, calculated in the form of a straight life annuity (regardless of the form in which such benefit may actually be payable).

(e) "Cause" shall mean (i) the Employee's willful and continued failure to substantially perform assigned duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness or any such actual or anticipated failure resulting from termination for Good Reason), after a demand for substantial performance is delivered to the Employee by the Board of Directors of the Corporation, specifically identifying the manner in which the Board believes that the duties have not been substantially performed, or (ii) the Employee's willful conduct which is demonstrably and materially injurious to the Corporation. For purposes of this sub-paragraph (e), no act, or failure to act, shall be considered "willful" unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Corporation.

(f) "Good Reason" shall mean (i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles, and reporting requirements), authority, duties, or responsibilities as contemplated by any Employment Agreement between the Employee and the Corporation, or any other action by the Corporation which results in a diminishment in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by the Corporation promptly after receipt of notice thereof given by the Employee; (ii) any failure by the Corporation to comply with any of the provisions of any Employment Agreement between the Employee and the Corporation, other than an insubstantial and inadvertent failure which is remedied by the Corporation promptly after receipt of notice thereof given by the Employee; (iii) any change not concurred in by the Employee in the location of the office at which the Employee is principally based, except for travel reasonably required in the performance of the Employee's responsibilities and substantially consistent with prior business travel obligations of the Employee; or (iv) any purported termination by the Corporation of the Employee's employment otherwise than as permitted by any Employment Agreement between the Employee and the Corporation.

(g) "Change in Control" shall mean a change in control of the Corporation of a nature that would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on January 1, 1988, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a "Change in Control" shall be deemed to have occurred if: (i) a third person, including a "group" as such term is used in Section 13(d)(3) of the Exchange Act, other than the trustee of any employee benefit plan of the Corporation, becomes the beneficial owner, directly or indirectly, of 20% or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; (ii) during any period of 14 consecutive months individuals who, at the beginning of such consecutive 24-month period, constitute the Board of Directors of the Corporation (the "Board" generally and, as of the date of this Agreement, the "Incumbent Board") cease for any reason (other than retirement upon reaching normal retirement age, disability, or death) to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Corporation, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or (iii) the Corporation shall cease to be a publicly owned corporation having its outstanding Common Stock listed on the New York Stock Exchange or quoted in the NASDAQ National Market System.

(h) "Projected Compensation" shall mean (i) for any calendar year throughout which the Employee is employed by the Corporation, his Compensation (as defined in paragraph 3(b) hereof) for such year, and (ii) for any calendar year during or after which his employment has been terminated, the compensation the Employee would have received for such year if he had received (A) salary at a rate determined by projecting his annual rate of salary at the end of the last full calendar year of his employment forward at a rate equal to 5% in excess of the annual percentage change in the Consumer Price Index as published by the U.S. Bureau of Labor Statistics for such year and (B) a bonus equal to 40% of his salary as thus projected.

4. If, prior to his Normal Retirement Date, the Employee shall voluntarily terminate his employment with the Corporation (except as hereinafter provided) or his employment shall be terminated by the Corporation for Cause, he shall thereby forfeit all rights and benefits under this Agreement. If the employment of the Employee shall be terminated on or after his Normal Retirement Date, or if, prior to that date but after the conditions of paragraph 2 hereof have been satisfied, the Employee shall voluntarily terminate his employment with the approval of the Corporation (as evidenced by vote of its Board of Directors or the Committee thereof authorized to administer this Agreement) or his employment shall be terminated by the Corporation without Cause, this Agreement shall continue in full force and effect, and the Employee shall become entitled to the rights and benefits hereinafter set forth upon the occurrence of the events respectively giving rise thereto.

5. If the Employee shall remain in employment by the Corporation until and shall reach his Normal Retirement Date, he shall be entitled to receive a supplemental retirement benefit under this Agreement which shall be at an

annual rate equal to the amount by which

(a) thirty-five percent (35%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding his Normal Retirement Date

exceeds

(b) the annual amount of the Company Plan Benefit payable to the Employee, determined as of his Normal Retirement Date.

Such supplemental retirement benefit shall commence on the Employee's actual retirement date and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

6. If the Employee's employment by the Corporation shall be terminated (other than by reason of his death or disability) prior to his Normal Retirement Date under circumstances not resulting in his forfeiture of benefits and rights under paragraph 4 of this Agreement, he shall be entitled to receive a reduced supplemental retirement benefit under this Agreement which shall be at an annual rate computed as follows:

(a) There shall first be determined the amount which is equal to thirty-five percent (35%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding the year in which the termination of his employment occurs.

(b) The amount thus determined shall be multiplied by a fraction in which the numerator shall be the number of full years of continuous service the Employee shall have completed between the effective date of this Agreement and the termination of his employment and the denominator shall be the number of full years of continuous service he would have completed between the effective date of this Agreement and his Normal Retirement Date had he remained in the continuous service of the Corporation until his Normal Retirement Date.

(c) There shall then be subtracted from the amount thus determined the annual amount of the Company Plan Benefit payable to the Employee, determined as of the date of the termination of his employment.

Such reduced supplemental retirement benefit shall commence on the first day of the month following the Employee's termination of employment and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

Anything in this paragraph or paragraph 4 to the contrary notwithstanding, if, prior to his Normal Retirement Date but after a Change in Control of the Corporation shall have occurred, the Corporation shall terminate the Employee's employment other than for Cause, disability, or death or the employment of the Employee shall be terminated voluntarily by the Employee for

Good Reason, he shall be entitled to elect to receive a supplemental retirement benefit under this Agreement, whether or not the Employee shall have then satisfied the conditions of paragraph 2 hereof, in lieu of any benefit he is entitled to receive under sub-paragraphs (a)-(c), inclusive, of this paragraph 6, which shall be at an annual rate computed as follows:

(d) If the Employee has not attained the age of 55 on the date his termination of employment occurs, his benefit shall be equal to the amount by which

(i) thirty-five percent (35%) of the Employee's average annual Projected Compensation during those five (5) calendar years in which such Projected Compensation is highest during the ten (10) calendar years immediately preceding the year in which he would have attained age 55

exceeds

(ii) the annual amount of the Company Plan Benefit payable to the Employee, determined as of the date of the termination of his employment.

(e) If the employee has attained age 55 on the date his termination of employment occurs, his benefit shall be equal to the amount determined under sub-paragraphs (a) and (c) of this paragraph without the application of sub-paragraph (b) hereof.

Such supplemental retirement benefit under sub-paragraph (d) or (e) hereof shall commence on the first day of the month following the month in which the Employee attains age 65 and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

7. If the Employee becomes qualified for benefits under any long term disability plan sponsored by the Corporation as a result of total disability while in the employment of the Corporation and after the conditions of paragraph 2 hereof have been satisfied, but prior to his Normal Retirement Date, he shall become entitled to a disability benefit hereunder which shall be at an annual rate computed as follows:

(a) There shall first be determined the amount which is equal to thirty-five percent (35%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years preceding the year in which his disability occurs.

(b) The amount thus determined shall be multiplied by a fraction in which the numerator shall be the number of full years of continuous service the Employee shall have completed between the effective date of this Agreement and the date his employment terminates on account of disability and the denominator shall be the number of full years of continuous service he would have completed between the effective date of this Agreement and his Normal Retirement Date had he remained in the continuous service of the Corporation until his Normal Retirement Date.

(c) There shall then be subtracted from the amount thus determined the annual amount of the Company Plan Benefit payable to the Employee, determined as of the date his disability benefit hereunder is to commence.

Such disability benefit shall commence on the date the benefits payable to the Employee under such long term disability plan sponsored by the Corporation cease, if the Employee is then living, and shall be payable in one of the benefit payment forms described in paragraph 8, as the Employee shall elect.

8. The normal form in which the benefit payable under paragraphs 5, 6, or 7 of this Agreement shall be paid shall be a monthly benefit payable for life and without refund. In lieu of such normal benefit payment form, the Employee may elect to receive his benefit hereunder in the form of a monthly benefit payable for life with a period certain of up to 180 months, in the form of a monthly benefit payable for a period certain, or in the form of a monthly benefit payable for life with continuation of such payments (or a specified percentage thereof) to such beneficiary as the Employee may designate for the life of such beneficiary. The amount of benefit payable under each such alternative benefit payment form shall be the Actuarial Equivalent of the benefit payable in the normal form to which the Employee would otherwise be entitled hereunder. Any election of an alternative benefit payment form shall be made in writing and may be changed or rescinded by the Employee at any time prior to the date on which benefit payments are to commence. The Employee shall have the right to designate in writing the beneficiary or beneficiaries to receive the benefit, if any, which is payable under any benefit payment form after the Employee's death and may change his designation of beneficiary from time to time, at any time prior to the date on which benefit payments are to commence. If there shall be no beneficiary designated and surviving at the Employee's death, the estate of the Employee shall be the beneficiary. Whenever any benefits hereunder become payable to the beneficiary of the Employee, the Corporation may, in its discretion, authorize payment of such benefits to the beneficiary in a single lump sum which is the Actuarial Equivalent of such benefits.

Anything in this paragraph 8 to the contrary notwithstanding, at any time after the date on which benefit payments commence, the Employee may elect to receive his benefits hereunder in a single lump sum in an amount which is equal to 90% of the Actuarial Equivalent of the benefit payable in the normal form to which the Employee is otherwise entitled hereunder on the date as of which such election is made.

9. If the Employee shall die while currently receiving a benefit under the provisions of paragraphs 5, 6, or 7 of this Agreement and the Employee shall have elected a benefit payment form other than a monthly benefit payable for life with no period certain, any benefits payable after his death shall be paid to his beneficiary in accordance with the provisions of the benefit payment form elected by the Employee. If the Employee shall die after having reached his Normal Retirement Date but prior to his actual retirement date and the Employee shall have elected a benefit payment form other than a monthly benefit payable for life with no period certain, benefits shall be paid to his beneficiary as if the Employee had commenced to receive benefits hereunder on

the first day of the month in which his death occurred. If the Employee shall die after the condition of paragraph 2 has been satisfied and while in the active employ of the Corporation but prior to his Normal Retirement Date, or if the Employee shall die after having become entitled to receive a disability benefit under paragraph 7 but prior to his Normal Retirement Date, a death benefit shall be paid to the Employee's beneficiary, in lieu of any other benefit under this Agreement, which shall be at an annual rate equal to twenty percent (20%) of the Employee's average annual Compensation during those five (5) calendar years in which such Compensation was highest during the ten (10) calendar years immediately preceding the year in which his death occurs or the year in which his disability occurred, as the case may be. Such death benefit, which shall be in addition to any Company Plan Benefit or benefits under any group life insurance plan sponsored by the Corporation which is payable on account of the Employee's death, shall be payable in equal monthly installments beginning on the first day of the month following that in which the death of the Employee occurs and continuing thereafter for a period certain of 120 months; provided that the Beneficiary entitled thereto may elect to have such benefit paid in any of the forms described in paragraph 8 in an amount which is the Actuarial Equivalent of the form of benefit otherwise payable under this paragraph.

If the Employee shall die after having become entitled to a benefit under sub-paragraph (d) or (e) of paragraph 6 hereof but prior to attaining age 65, a death benefit shall be paid to the Employee's beneficiary, in lieu of any other benefit under this Agreement, which shall be the single sum Actuarial Equivalent value as of the Employee's death of the benefit to which he would have been entitled had he survived to age 65. Such death benefit shall be payable in a lump sum as soon as practicable after the Employee's death; provided that the beneficiary entitled thereto may elect to have such death benefit paid in any of the forms described in paragraph 8.

10. Anything in this Agreement to the contrary notwithstanding, if at any time following termination of his employment with the Corporation the Employee shall directly or indirectly compete with the Corporation (which shall be deemed to include any subsidiary or affiliate of the Corporation), whether as an individual proprietor or entrepreneur or as an officer, employee, partner, stockholder, or in any capacity connected with any enterprise, in any business in which the Corporation is engaged at the time of the termination of the Employee's employment within any state or possession of the United States of America or any foreign country within which business is then specifically planned by the Corporation to be conducted, the Corporation may suspend the payment of any benefits hereunder to the Employee until such competition shall have ceased, and in the event such competition by the Employee shall not have ceased to the satisfaction of the Corporation within 90 days after the Corporation shall have given written notice to the Employee to cease the conduct thereof, the Corporation may at any time thereafter terminate its obligations under this Agreement. For the purpose of the preceding sentence, conducting business, doing business, or engaging in business shall be deemed to embrace sales to customers or performance of services for customers who are within a relevant geographical area, without any necessity of any presence of the Corporation therein. Nothing herein, however, shall prohibit the Employee

from acquiring or holding any issue of stock or securities of any company which has any securities listed on a national exchange or quoted in the daily listing of over-the-counter market securities, provided that at any one time he and members of his immediate family do not own more than five percent (5%) of the voting securities of any such company.

11. This Agreement is an unfunded plan maintained for the purpose of providing deferred compensation for one of a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974. The Corporation will make all benefit payments hereunder solely on a current disbursement basis out of the general assets of the Corporation, including without limitation from assets held in any grantor trust established by the Corporation for the purpose of making some or all of such payments.

12. This Agreement shall bind and run to the benefit of the successors and assigns of the Corporation, including any corporation or other form of business organization with which it may merge or consolidate or to which it may transfer substantially all of its assets.

13. The rights of the Employee under this Agreement shall not be assigned, hypothecated, or otherwise transferred in any manner.

14. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut.

IN WITNESS WHEREOF, the Employee has hereunto signed his name and Crompton & Knowles Corporation has caused this instrument to be executed in its name and on its behalf by its duly authorized officer, as of the 18th day of October, 1995.

Employee

CROMPTON & KNOWLES CORPORATION

By:

CROMPTON & KNOWLES CORPORATION

1993 Stock Option Plan for Non - Employee Directors

1. Purpose

The purpose of this 1993 Stock Option Plan for Non - Employee Directors (the "Plan") of Crompton & Knowles Corporation (the "Company") is to attract and retain highly qualified non-employee directors of the Company and to encourage non-employee directors to own shares of the Company's Common Stock, $.10 par value ("Common Stock").

2. Participation

All directors of the Company who are not employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan.

3. Administration

(a) Grants. Grants of stock options under the Plan shall be automatic as provided in Section 6.

(b) Committee. A committee (the "Committee"), which shall be the Committee on Executive Compensation of the Board or such other committee composed of three or more directors or other persons appointed for such purpose by the Board, shall administer the Plan. If at any time no committee designated to administer the Plan shall be in office, the functions of the Committee shall be exercised by the Board.

(c) Rules; Committee Action. The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines, and practices governing the Plan as it shall from time to time deem advisable and to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreement relating thereto). The Committee may act only by a majority of its members then in office, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

4. Stock Available for Options

(a) Shares Available. Subject to adjustment under subsection (b), options may be granted under the Plan in respect of a maximum of 100,000 shares of Common Stock. Shares subject to an option that expires or terminates unexercised shall again be available for options hereunder to the extent of such expiration or termination. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) Adjustment. In the event of any stock dividend, extraordinary cash dividend, creation of a class of equity securities, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of warrants or activation of rights to purchase Common Stock at a price substantially below fair market value, or similar change affecting the Common Stock, such adjustment shall be made in the maximum number and kind of shares subject to the Plan, in the number and kind of shares subject to outstanding options and subsequent options grants, and in the purchase price of outstanding options as the Board shall deem to be appropriate under the circumstances to prevent substantial dilution or enlargement of the rights granted to participants hereunder.

5. Nonstatutory Stock Options

All options granted under the Plan shall be nonstatutory options not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

6. Terms and Conditions of Options

Each option granted under the Plan shall be evidenced by a written instrument in such form as the Committee may approve and shall be subject to the following terms and conditions:

(a) Grant of Options. As used in the Plan, the term "Grant Date" means the date of the first regular meeting of the Board in the fourth quarter of each calendar year. Each year, an option shall be granted automatically to each eligible director on the Grant Date to purchase that number of full shares of Common Stock determined by dividing the amount of the annual retainer then payable to directors for service on the Board by the Fair Market Value (as hereinafter defined) of the Common Stock on the Grant Date.

(b) Purchase Price. The purchase price for Common Stock subject to an option shall be 100% of the Fair Market Value of the Common Stock on the Grant Date.

(c) Fair Market Value. As used in the Plan, the term "Fair Market Value" means the mean, as of any given date, between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange Composite Index on such date (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred).

(d) Expiration Date of Options. The expiration date of each option shall be fixed by the Committee, but no option granted under the Plan shall be exercisable more than ten years after the Grant Date.

(e) Exercisability of Options. Options shall be exercisable in whole or in part with respect to 50% of the shares covered thereby on or after the first anniversary of the Grant Date and as to the remaining 50% of such shares on or after the second anniversary of the Grant Date.

(f) Termination of Service. In the event service on the Board by the holder of any option terminates for any reason other than disability, death, or Change in Control (as hereinafter defined), the then outstanding options of such holder may thereafter be exercised, to the extent exercisable at the time of such termination, for a period of one year from the date of such termination but in no event after the stated expiration date of each option.

(g) Disability or Death; Change in Control. In the event service on the Board by the holder of any option terminates by reason of disability, death, or Change in Control, the then outstanding options of such holder will become immediately exercisable, to the extent not otherwise exercisable, and will expire one year after such termination. Such options may be exercised during such one-year period regardless of their stated expiration dates. The rights of the option holder may be exercised by the holder's guardian or legal representative in the case of disability and by the beneficiary designated by the holder in writing delivered to the Company or, if none has been designated, the holder's estate in the case of death.

(h) Exercise and Payment. Options may be exercised only by written notice to the Secretary of the Company accompanied by payment of the full purchase price for the shares as to which they are exercised. The purchase price may be paid in cash, in shares of Common Stock already owned for at least six months by the optionee (or other person entitled to exercise the option), or partly in cash and partly in such shares of Common Stock. The value of shares delivered in payment of the purchase price shall be their Fair Market Value, as determined above, as of the date of exercise. Upon receipt of such notice and payment, the Company shall promptly issue and deliver to the optionee (or other person entitled to exercise the option) a certificate or certificates for the number of shares as to which the exercise is made.

(i) Change in Control. As used herein, a "Change in Control" means a change in control of the Company of a nature that would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the effective date of the Plan, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a "Change in Control" shall be deemed to have occurred if:

(i) A third person, including a "group" as such term is used in Section 13(d)(3) of the Exchange Act, other than the trustee of a Company employee benefit plan, becomes the beneficial owner, directly or indirectly, of 20 percent or more of the combined voting power of the Company's outstanding voting securities ordinarily having the right to vote for the election of directors of the Company;

(ii) During any period of 24 consecutive months individuals who, at the beginning of such consecutive 24-month period, constitute the Board of Directors of the Company (the "Board" generally and as of the effective date of the Plan the "Incumbent Board") cease for any reason (other than retirement upon reaching normal retirement age, disability, or death) to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(iii) The Company shall cease to be a publicly owned corporation having its outstanding stock listed on the New York Stock Exchange or quoted in the NASDAQ National Market System.

7. Options not Transferable

Options granted under the Plan shall not be transferable by the holder other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act ("ERISA") or the rules thereunder.

8. Limitation of Rights

Neither the Plan nor the granting of any option hereunder shall constitute an agreement or understanding that the Company will retain a director for any period of time or at any particular rate of compensation. The holder of an option shall have no rights as a shareholder with respect to shares as to which the option has not been exercised and payment made hereunder.

9. Purchase for Investment

Unless the options and shares of Common Stock covered by the Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each holder exercising an option may be required by the Company to represent in writing that such holder is acquiring the shares subject to the option for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

10. Compliance with Regulations

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that eligible directors remain disinterested persons for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any Plan provision or Committee rule is later found not to be in compliance with Rule 16b-3 or if any Plan provision or Committee rule would disqualify eligible directors from remaining disinterested persons, that provision or rule shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

11. Effective Date of the Plan

The Plan shall be effective as of the date it is adopted by the Board. Options granted under the Plan may not be exercised prior to the time the Plan shall have been approved by the holders of a majority of the outstanding Common Stock present or represented and entitled to vote at a meeting of shareholders of the Company. If such approval of the Plan by the shareholders is not obtained within one year of the adoption of the Plan by the Board, the Plan and any options granted pursuant to the Plan shall be null and void.

12. Amendment of the Plan

The Board may amend, suspend, or terminate the Plan or any portion thereof at any time, provided that no amendment affecting the amount of Common Stock subject to options granted under the Plan, the exercise price of options, or the timing of grants may be made more than once every six months, other than to comport with changes in the Code, ERISA, or the rules thereunder.

13. Governing Law

The Plan shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts.
j:\BOARD\DSOPLAN

CROMPTON & KNOWLES CORPORATION AND SUBSIDIARIES

EXHIBIT 11 - STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(In thousands of dollars except per share data)

	PRIMARY		
	1995	1994	1993
Earnings			
Net earnings	$40,493	$50,916	$51,958
Shares			
Weighted average shares outstanding	48,035	50,545	51,287
Common stock equivalents	442	600	649
Average shares outstanding	48,477	51,145	51,936
Per share			
Net earnings	$ .84	$ 1.00	$ 1.00

	FULLY DILUTED		
	1995	1994	1993
Earnings			
Net earnings	$40,493	$50,916	$51,958
Shares			
Weighted average shares outstanding	48,035	50,545	51,287
Common stock equivalents	413	607	889
Average shares outstanding	48,448	51,152	52,176
Per share			
Net earnings	$ .84	$ 1.00	$ 1.00

Crompton & Knowles Corporation

Crompton & Knowles is a worldwide producer and marketer of specialty chemicals and equipment. The company's 48 million shares of common stock outstanding are traded on the New York Stock Exchange under the symbol CNK. Dividends on the stock have been paid for 252 consecutive quarters and have increased in each of the last 19 years. Crompton & Knowles has gained leadership positions in its chosen markets by providing quality products, technical service and performance know-how to solve problems and add value to customers' products. The company's businesses are grouped into two segments:

Specialty Chemicals

Crompton & Knowles is a major producer and marketer of dyes worldwide and a major producer and marketer of specialty food and pharmaceutical ingredients in North America.

Specialty Process Equipment and Controls

The company is a recognized world leader in extrusion systems, industrial blow molding equipment and related electronic controls for the plastics industry.

Crompton & Knowles is a member of the Chemical Manufacturers Association and a signatory of the Association's Responsible Care Program. The company is committed to a continuous good faith effort to improve performance in health, safety and environmental quality.

Financial Highlights
(In thousands of dollars, except per share data)

	1995	1994	%Change
Net sales	$665,513	$589,757	13
Earnings before income taxes	$ 64,091	$ 79,969	(20)
Income taxes	23,598	29,053	(19)
Net earnings	$ 40,493	$ 50,916	(20)
Per common share:			
Net earnings	$ .84	$ 1.00	(16)
Dividends	$ .52	$ .46	13
Book value	$ 5.00	$ 4.60	9
Return on average common equity	17.4%	21.1%	
Common stock trading range:			
High	20	24 1/8	
Low	12	13 7/8	
Average shares outstanding (in thousands)	48,448	51,152	
Shareholders of record	4,700	4,800	

(Bar Graph)
Sales Continuing Operations
(In millions of dollars)

(Bar Graph)
Earnings Per Share
Continuing Operations

(Bar Graph)
Return on Average Common Equity
Continuing Operations

Fellow shareholders: Crompton & Knowles experienced significant change in 1995 with strong earnings gains in our specialty process equipment and controls segment more than offset by lower earnings in our specialty chemicals business as the dyes industry undergoes a worldwide restructuring.

While total company sales increased to record levels, rising 13 percent to $665.5 million, net earnings declined 20 percent to $40.5 million and earnings per share declined 16 percent to 84 cents per share.

The decline in earnings is obviously a disappointment to all of us. We are confident, however, that we have taken actions to become more efficient, to reinforce our commitment to our customers and to focus our businesses on areas of competitive strength. We are strengthening the foundations of our business which will enable us to meet our long-term strategic goals and to enhance shareholder value.

In our specialty chemicals business segment, sales slipped two percent to $385.6 million and operating profit declined 30 percent to $42.6 million. The primary reason for the lower sales and operating profit was weak demand for dyes in major markets around the world, resulting in excess capacity and competitive pricing. These conditions were further exacerbated by decisions of key competitors to realign their dyes operations and by producers in the Far East to become more aggressive participants in international markets.

We had anticipated that the worldwide dyes industry would undergo restructuring. However, we were unable to avoid being impacted by the price pressures and competitive maneuvering during 1995. Over the long-term we are confident that Crompton & Knowles will benefit from the changes and prosper as the industry stabilizes.

We took a number of initiatives during the year to improve our position. In our domestic operations we reduced costs by streamlining operations. We improved our effectiveness by consolidating dyes management at a single location in Charlotte, North Carolina, by broadening our sales and technical service capabilities in key market niches and by consolidating major distribution activities at Greenville, South Carolina. In 1995, we also completed implementation of a fully integrated computer system for sales, technical service and distribution.

As a result, we now deliver 95 percent of our orders within 48 hours and have gained market share in several key markets while lowering our inventory requirements. For instance, even as total domestic apparel dyes sales continued to decline during the year, we posted volume increases in specialized areas of strength such as dyes for nylon activewear and fleecewear. Similarly, our sales to the broadloom carpet industry increased during the year, reinforcing our market position.

In Europe, the effects of the industry-wide dyes consolidation also impacted results. While sales volume increased, operating profit decreased from prior-year levels as a result of competitive pricing and currency effects. A program to increase sales of dyes directly to key customers, rather than through dealers, is paying dividends in terms of volume growth but, more importantly, direct sales will enable us to offer our customers more value-added services to help solve their problems through our technical and applications expertise.

As 1995 came to a close we reached a strategic crossroads with our specialty ingredients business. Sales in the business increased five percent to $101.6 million, and we were encouraged by the gains resulting from our emphasis on producing fully integrated ingredient systems for the food industry. However, we also noted that the prices being paid for specialty ingredient businesses were high relative to prices we were prepared to pay. Therefore, in January 1996 we retained Salomon Brothers Inc. to assist in exploring strategic alternatives to maximize shareholder value in the business. This is a sound business with excellent capabilities and a line-up of strong new products and we expect to have a resolution of our strategy for it within the first half of 1996.

The outstanding performance of our specialty process equipment and controls segment continued from the prior year as sales rose 43 percent to $279.9 million and operating profit increased 29 percent to $40.2 million. The performance gains resulted from internal growth programs as well as from acquisitions. As the leading North American supplier of specialized plastics extrusion systems, cast film and precision coating equipment, we have set the standard for efficient, cost effective designs to meet every customer need. This capability, combined with recognized quality and problem-solving ability, also enabled us to increase our international sales for this equipment by 48 percent in 1995 to $71 million.

To further reinforce our international participation in this industry, in early 1995 we acquired the extrusion business of McNeil Akron Repiquet S.a.r.l. in France. In January, 1996 we also acquired ER-WE-PA, a leading producer of extrusion coating, cast film and plastics extrusion equipment based in Germany. These operations add approximately $60 million to our international sales.

Retiring during 1995 was Warren A. Law, Ph.D., a member of our Board of Directors for more than 20 years. His sharpness of mind and keen strategic sense played a vital role in shaping Crompton & Knowles. We sincerely thank Dr. Law for his contributions and we wish him well in his future activities.

The bottom line is that the major worldwide changes in the dyes industry during 1995 significantly impacted our specialty chemicals performance. The double-digit gains in our equipment business did provide a partial offset, but not enough, and our performance was less than expected. Yet, we are confident that we will continue to outperform our competitors in our chosen businesses and that our long-term objective of increasing shareholder value will be met.

We are confident because our management thinking is guided by three key strategic principles: 1) produce and market products for niche markets where our company holds leadership positions, 2) add value for customers by providing experience and technical service capabilities resulting in effective problem solving and, 3) produce and market products which play a key role in improving our customers' process, yield and quality.

Our experience tells us that a strategy of service, technology and performance has and will continue to pay off for Crompton & Knowles and its shareholders. The Board of Directors, management and every one of our employees are conscientiously working to reinforce this strategy. We thank you for your support and we will keep you informed.

Respectfully yours,
Vincent A. Calarco
Chairman, President &
Chief Executive Officer
March 1, 1996

Sales of the specialty chemical segment were $385.6 million in 1995, two percent below sales of $393.6 million the prior year. Operating profit of $42.6 million declined 30 percent from the $60.8 million achieved in 1994.

These results primarily reflect the continuing weakness in worldwide demand for dyes in key markets, which has created an overcapacity situation. These conditions, combined with increased supply of dyes from the Far East, have depressed dyes prices significantly. In addition, during 1995 several major international dyes producers undertook consolidations and restructuring of their businesses, which further destabilized the marketplace.

High cotton prices and the weak retail environment reduced demand for direct and reactive dyes for apparel, with declines also posted in the company's hosiery, automotive, paper and leather markets. The company is confident that its sales declines in these market segments were less than or equal to declines experienced by its major competitors.

The company's dyes business was unable to completely overcome the impact of the industry-wide dislocations created by the weak demand and competitive restructurings. As a result, worldwide dyes sales declined four percent to $284.0 million, with a more significant decline in operating profit. In response management took actions to reinforce and strengthen its operations, sales and service capabilities.

At the heart of this effort has been the company's longstanding commitment to technical service and customer support. The completion of a $3 million investment in a computerized order input, production, product tracking and distribution system has enabled the company to achieve dramatic gains in delivery times. With the new system, 95 percent of orders are delivered within 48 hours and performance is still improving. Simultaneously, the new system is enabling the company to reduce inventory levels of raw materials, work in process and finished goods. To further enhance customer satisfaction, product technology and technical support were realigned and selectively augmented to coordinate more closely with sales activities, to speed new product development and to focus on solving customer problems.

In response to market opportunities and in keeping with its strategy of offering a broad product line serving specialized niches in the dyes industry, the company introduced new products and organized a new team focused on exploiting growth opportunities in the continuous dyeing segment. New products included specialized blue and yellow disperse dyes for polyester used in automotive applications where high lightfastness is required. For cotton using direct dyes, a new heavy black dye combined with a new fixative offers unique technology which delivers color fastness equal to more costly alternatives without their environmental concerns.

The result of these customer-driven actions was that Crompton & Knowles gained market share in certain key markets, while maintaining its competitive position in other markets. A notable area of strength was the broadloom carpet industry, where the company is a recognized leader both in products and dyeing process technology. In the apparel industry, which had the most significant declines, the company's strength in dyes for synthetic fibers such as nylon, polyester and acetates enabled it to increase sales in applications such as activewear and fleecewear. The company was also able to post gains in the industrial sector, supplying unique dyes for can coating applications and ink-jet computer printers.

Just as the company reinforced its focus on value-added service for the customer, it also took action to ensure its position as North America's largest and most cost-efficient producer of dyes by implementing cost reductions. This was achieved through ongoing debottlenecking of production facilities; the relocation of senior division management into a single location in Charlotte, North Carolina; the consolidation of a distribution center in Charlotte with a more efficient facility in Greenville, South Carolina; a net decrease in personnel and renegotiation of certain supply and service agreements. During the year the company also completed the construction of waste treatment facilities at its dyes production center in Lowell, North Carolina. The new facilities will enable the company to continue to meet local and national standards of environmental responsibility while remaining a cost-effective producer.

International dyes operations also experienced competitive pricing resulting from low demand for apparel as well as effects from the industry's restructuring. In Europe, unit volume and sales revenues increased, but profitability declined due in large part to pricing pressures as well as exchange rate fluctuations. In December, as part of its strategy to bring value-added technical service directly to key customers, Crompton & Knowles acquired a key German distributor. To broaden its market participation throughout the continent, the company introduced a line of disperse dyes for polyester and acetates. In 1996, a further broadening of the product line will include the marketing of reactive dyes for cotton. The company's primary dyes offerings in Europe have been acid and pre-metallized dyes for wool and nylon fibers. Rationalization of production between the company's two European manufacturing facilities, in Belgium and France, combined with staff reductions, achieved significant cost reductions in 1995, and should improve operating results in 1996 and future years.

Photo Captions:
Textiles for automotive seating demand specialized dyes with high lightfastness.
Apparel, hosiery and leather are important markets for dyes produced by Crompton & Knowles.
Broadloom carpet producers such as Carriage Industries, Inc. of Calhoun, Georgia, depend on Crompton & Knowles for consistent performance, technical service and customer support. Crompton's Nylanthrene liquid acid dyes for nylon are used on automated equipment capable of producing broadloom carpet at speeds of 60 to 200 feet per minute. Approximately 90 percent of broadloom carpet is domestically made.
Continuous dyeing, used in the production of linens, sheets and towels, is a segment of increased focus for Crompton & Knowles.

During 1995 Crompton & Knowles' specialty ingredients sales rose five percent to $101.6 million, deriving gains from the unit's three core areas of expertise - flavored ingredients and seasonings, food systems including sweeteners and high value pharmaceutical ingredients.

This unique combination of product offerings and technical development capabilities has enabled Crompton & Knowles to establish strong niche positions in its chosen market segments.

In the flavored ingredients and seasonings markets, the development of proprietary reaction compound flavors has enabled the company to market unique customized savory flavors used to duplicate tastes produced by home cooking. These include sauces, gravies, condiments, side dishes and soups supplied to food service companies and national brand producers of consumer convenience foods. Newly-introduced rotisserie and grilled flavors for convenience foods and prepared meats gained acceptance during 1995.

The company's flavored seasonings business continued its gains in 1995 as a result of the growth of the convenience food and snack markets, as well as the growing popularity of spicy ethnic foods among consumers. Highly differentiated flavored seasonings developed to meet very specific taste profiles enhance the taste of a diverse line of products such as tortilla chips, pretzels, salad dressings, frozen side dishes and microwaveable entrees.

In the food systems segment of the market, Crompton & Knowles' position as the leading U.S. supplier of specialty sweeteners, including food grade molasses for bakery, confectionery, cereal and convenience foods, has enabled it to achieve a record of performance and customer service unmatched in the industry. Specialized syrups, designed to meet customer needs by combining sweeteners with flavored ingredients, reflected sales increases during 1995, especially with producers of breakfast cereals seeking unique coatings and tastes.

The technological strength of the company's food ingredients business was demonstrated in late 1994 with the introduction of a functional filling system that creates low-calorie and low-fat or no-fat fillings with the texture and taste of full-fat systems. Called Miracle Middles, this new technology combines the company's core competencies in flavors, colors sweeteners and seasonings into one product line.

Miracle Middles gained growing interest in 1995 in the bakery, cereal, snack and confectionery markets due to its properties of low water activity as well as high heat stability. In fact, it can be customized to meet specific food industry needs across a range of applications and manufacturing configurations.

Growth also continued in the company's pharmaceutical ingredients business which includes products such as coatings, colors, excipients and flavors used in prescription and over-the-counter drugs. Crompton & Knowles' agreement to market in the United States pharmaceutical grade lactose produced by a major European supplier, while that company in turn sells Crompton & Knowles' proprietary calcium coatings products in Europe and Asia, will benefit both companies. Products on both sides of the reciprocal agreement have been well received and met with increasing sales success.

To reinforce the growth of its pharmaceutical business, late in 1995 the company brought onstream a multimillion dollar facility in Vineland, New Jersey. A state-of-the-art manufacturing plant, Vineland meets all Pharmaceutical General Management Practices codes, and resulted in reduced costs and the closing of two less efficient facilities.

In January 1996, the company retained Salomon Brothers Inc. to assist in exploring strategic alternatives to maximize shareholder value in the specialty ingredients business. A resolution is expected by mid-year 1996.

Photo Captions:
Specialized capabilities in savory flavors have enabled Crompton & Knowles to grow its food ingredients business.
Miracle Middles, a unique no-fat filling with low water activity, was developed by Crompton & Knowles and can be customized for use in a variety of foods.
Technically sophisticated reaction flavors developed and marketed by Crompton & Knowles are produced in automated reactors to assure high volume reproducibility. These reaction flavors are marketed to major national food companies for use in high value consumer entrees, fast food and food service establishments. The pharmaceuticals industry is an important market for Crompton's specialized coatings, excipients, colors and flavors.

Specialty process equipment and controls segment results were outstanding in 1995. Sales increased 43 percent to a record $279.9 million compared with $196.2 million in 1994. Operating profit also increased, rising 29 percent to $40.2 million from $31.2 million in the prior year.

The strong growth was achieved through internal developments as well as through acquisitions, both in North America and internationally. Gains were made in all major market segments, with particularly notable strength in sales of systems for production of plastic sheet for packaging, rubber extrusion systems and industrial blow molding systems.

The company's leading North American position was reinforced in existing markets such as blown film, profiles, recycle/reclaim, wire and cable, fiber systems, cast film, precision coating and medical tubing. Access to new markets, domestically and overseas, was achieved with the strategic acquisition of three operations. The largest of these was the January 1996 acquisition of ER-WE- PA, a leading manufacturer of extrusion coating, cast film and plastics extrusion equipment based in Erkrath, Germany. With annual revenues of $50 million, ER-WE-PA significantly broadens the company's participation in the international arena and reinforces the acquisition of McNeil Akron Repiquet S.a.r.l. in January 1995. Repiquet has a production facility in Dannemarie, France and makes and markets extrusion systems for pipe, profile, sheet and elastomer applications.

International sales of specialty process equipment and controls accounted for 25 percent of total segment sales during 1995. The two European acquisitions ensure the company's ability to provide essential customer service and technical support necessary for the success of the business.

The third acquisition completed in March 1995 was Killion Extruders, Inc., which broadened the company's capabilities in extrusion technology for specialty laboratory equipment. Killion's complete range of precision laboratory and medium sized production equipment is recognized for quality and dependability, thereby blending well with Crompton & Knowles' existing equipment operations which are broadly accepted as the standard setters for the industry.

Among the important new equipment offerings introduced to the market by Crompton & Knowles during 1995 was a fiber optic cable system. Able to produce tubing for fiber optic cable at speeds of up to 750 feet per minute, the line incorporates all equipment from a payoff system for feeding optic fiber to the system, to tube extrusion, to cooling systems and take-up equipment, all managed by a single computerized control center tracking all production functions.

With the increasing complexity of extrusion and plastics processing equipment, the company also introduced an advanced technology control system based on the Windows computer operating system. Called EPIC III, the touch screen control system includes data exchange, networking and multitasking capabilities and can be expanded for future process control needs. Electronic and computer control systems now account for approximately 13 percent of the segment's sales and are expected to continue to increase.

As one of the world's leading producers and marketers of plastics extrusion systems, Crompton & Knowles has also become one of the leading suppliers of aftermarket systems and services, providing engineering, operating, maintenance, parts and systems upgrade support. Technicians based in the United States, England, France and Hong Kong provide around-the-clock problem-solving. Aftermarket services accounted for nearly 15 percent of the segment's revenues in 1995.

The segment's equipment order backlog at the end of 1995 was $72 million.

Photo Captions:
Snowboards made of colorful impact-resistant plastics are among the newer applications of Crompton & Knowles' extrusion technology.
Childrens' playthings are made with the company's industrial blow molding systems.
Medical tubing is produced on specialized extruders by Crompton & Knowles.
Advanced polymer processing is made possible by computer-controlled twin screw extruders designed and marketed by Crompton & Knowles. Customers around the world requiring polymer alloying, grafting and additive dispersion capabilities are able to achieve output of up to three tons per hour using this state-of-the-art equipment.

Financial Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition and Liquidity

Acquisitions

In January 1995, the Company acquired the business and certain assets of McNeil Akron Repiquet S.a.r.l. in France. In March 1995, the Company acquired Killion Extruders, Inc. Costs of these acquisitions were accounted for based on the purchase method and, accordingly, the results of operations of these businesses have been included in the Consolidated Statements of Earnings since their dates of acquisition.

Liquidity and Capital Resources

The December 30, 1995 working capital balance of $126.2 million increased $4.6 million from the December 31, 1994 balance of $121.6 million, while the current ratio declined to 1.8 from 1.9 at the end of 1994. The decline in the current ratio is primarily attributable to the increase in notes payable. Days sales in receivables increased slightly to 55 days in 1995 from 54 days in 1994. Inventory turnover averaged 2.8 in 1995, compared to 3.0 in 1994.

Cash flow from operating activities of $26.7 million increased $4.9 million from $21.8 million in 1994 and was used with cash reserves and increased borrowings to finance acquisitions, fund capital expenditures, pay cash dividends and repurchase 272,800 shares of the Company's outstanding common shares. Dividends paid in 1995 of $25.2 million represent a payout ratio of 62% of earnings. The Company's debt-to-capital ratio increased to 34% from 29% at year-end 1994.

Capital expenditures of $18.2 million decreased $3.5 million from $21.7 million in 1994. Capital expenditures are expected to approximate $16 million in 1996 primarily for expansion and improvement of operating facilities in the United States and Europe. The Company's long-term liquidity needs including such items as capital expenditures and dividends are expected to be financed through operations. The Company has available numerous uncommitted short-term lines of credit, and a revolving credit agreement providing for borrowings up to $125 million through September 1998. At year-end, there were $60.4 million of short-term borrowings outstanding and $60 million outstanding under the revolving credit agreement.

Inflation

During the last three years, inflation has not been a significant factor in the net earnings of the Company. The LIFO method of accounting is used for a major portion of the Company's inventories. Under this method, the cost of products sold approximates current costs and thus reduces possible distortion of reported earnings due to rising costs. The Company continually emphasizes cost controls and efficient management of resources to mitigate the influence of inflation.

International operations

The lower U.S. dollar exchange rate versus primarily the Belgian Franc and the French Franc accounted for the favorable adjustment of $4.5 million in the accumulated translation adjustment account since year-end 1994. Changes in the balance of this account are primarily a function of fluctuations in exchange rates and do not necessarily reflect either enhancement or impairment of the net asset values or the earnings potential of the Company's foreign operations.

The Company operates manufacturing facilities in Europe which serve primarily the European market. Exchange rate disruptions between the United States and European currencies, and among European currencies, are not expected to have a material effect on year-to-year comparisons of the Company's earnings.

Research and Development

The company employs about 280 engineers, draftsmen, chemists, and technicians responsible for developing new and improved chemical products and process equipment systems for the industries served by the Company. Often, new products are developed in response to specific customer needs. The Company's process of developing and commercializing new products and product improvements is ongoing and involves many products, no one of which is large enough to significantly impact the Company's results of operations from year to year. Research and development expenditures totaled $14.0 million, $12.1 million and $11.2 million in the fiscal years 1995, 1994 and 1993, respectively.

Environmental Matters

The Company's manufacturing facilities are subject to various federal, state and local requirements with respect to the discharge of materials into the environment or otherwise relating to the protection of the environment. Although precise amounts are difficult to define, the Company spent approximately $15.8 million in 1995 to comply with those requirements, including approximately $4.9 million in capital expenditures.

The Company has been designated, along with others, as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, at two waste disposal sites; and an inactive subsidiary has been designated, along with others, as a potentially responsible party at two other sites.

While the cost of compliance with existing environmental requirements is expected to increase, based on the facts currently known to the Company, management expects that those costs, including the cost to the Company of remedial actions at the waste disposal sites where it has been named a potentially responsible party, will not be material to the results of the Company's operations in any given year.

Operating Results - 1995 as Compared to 1994

Overview

Consolidated net sales increased 13% to $665.5 million from $589.8 million in 1994. Net earnings declined 20% to $40.5 million from $50.9 million in 1994. Earnings per common share declined 16% to $.84 from $1.00 in the prior year. Average shares outstanding decreased 2.7 million to 48.5 million primarily as a result of the Company's share repurchase program.

The gross margin percentage decreased to 28.8% from 31.5% in 1994 primarily from lower margins in the specialty chemicals segment. Consolidated operating profit of $72.3 million was 11% lower than 1994 as the specialty process equipment and controls segment increased 29% while the specialty chemicals segment decreased 30%.

Specialty Chemicals

The Company's specialty chemicals segment reported sales of $385.6 million representing a decline of 2% from 1994. The decrease was attributable to lower selling prices (-4%), offset in part primarily by foreign currency translation. The proportion of sales outside the United States increased slightly to 26% from 25% in 1994.

Domestic dyes sales declined 8% reflecting lower selling prices (-5%) and lower unit volume (-3%) as weak demand primarily for apparel dyes continued to negatively affect the business. International dyes sales increased by 3% versus 1994 due primarily to foreign currency translation (6%) and unit volume (4%), offset by lower selling prices (-7%). Sales of specialty ingredients increased 5% reflecting primarily increased unit volume.

Operating profit declined 30% to $42.6 million from $60.8 million in 1994. The decline was primarily due to domestic and international dyes. Domestic dyes declined primarily due to lower pricing. International dyes declined primarily due to lower pricing and exchange rate fluctuations among European currencies. The percentage of operating profit outside the United States decreased to 13% from 21% in 1994.

Specialty Process Equipment and Controls

The Company's specialty process equipment and controls segment reported sales of $279.9 million representing an increase of 43% from $196.2 million in 1994. Approximately 27% was attributable to the incremental impact of acquisitions with the balance primarily from increased unit volume. International sales of $71 million increased 48% from 1994 and accounted for 25% of total segment sales versus 24% in 1994. Operating profit increased 29% to $40.2 million from $31.2 million in 1994. Approximately 11% was attributable to the incremental impact of acquisitions with the balance primarily attributable to unit volume, offset in part by a lower-margin product mix. The equipment order backlog totalled $72 million at the end of 1995 compared to $66 million at the end of 1994.

Other

Selling, general and administrative expenses increased 14% primarily due to the impact of acquisitions. Depreciation and amortization increased 13% over 1994 primarily as a result of a higher fixed asset base including acquisitions. Interest expense increased $6.2 million over 1994 reflecting the increased levels of borrowings in 1995. Other income declined $876 thousand versus 1994 primarily due to lower foreign exchange gains. The Company's effective tax rate of 36.8% was up slightly from the prior year level of 36.3%.

Operating Results - 1994 as Compared to 1993

Overview

Consolidated net sales of $589.8 million increased 6% from $558.3 million in 1993. Net earnings of $50.9 million declined 2% from $52 million in 1993. Earnings per common share of $1.00 were unchanged from the prior year. Average shares outstanding decreased 1 million to 51.2 million primarily as a result of the Company's share repurchase program.

The gross margin percentage of 31.5% decreased slightly from 31.8% in 1993. Consolidated operating profit of $81.1 million was 2% lower than 1993 as profit of the specialty process equipment and controls segment increased 20% while the specialty chemicals segment decreased 11%.

Specialty Chemicals

The Company's specialty chemicals segment reported sales of $393.6 million representing a decline of 3% from 1993. The decrease was primarily attributable to lower selling prices (-2%) and unit volume (-1%). The proportion of sales outside the United States was 25% in 1994, unchanged from 1993.

Domestic dyes sales declined 6% reflecting lower selling prices (-4%) and lower unit volume (-2%) as demand for apparel dyes remained weak. International dyes sales were 5% lower than 1993 due primarily to lower unit volume under a long-term supply agreement. Specialty ingredients sales increased 5% reflecting increased unit volume in all major product groups.

Operating profit declined 11% to $60.8 million from $68 million in 1993 due primarily to lower pricing and unit volume offset in part by lower dye intermediate costs. The percentage of operating profit outside the United States was 21% in 1994, unchanged from 1993.

Specialty Process Equipment and Controls

The Company's specialty process equipment and controls segment reported sales of $196.2 million representing an increase of 30% from $151 million in 1993. Approximately 21% was attributable to the acquisition of Egan Machinery with the balance attributable equally between pricing and unit volume. Export sales of $48 million increased 18% from 1993 and accounted for 24% of total segment sales versus 27% in 1993. Operating profit increased 20% to $31.2 million from $26 million in 1993. Approximately 7% was attributable to the acquisition of Egan Machinery with the balance attributable primarily to unit volume and improved pricing offset in part by higher manufacturing costs. The equipment order backlog totalled $66 million at the end of 1994 compared to $38 million at the end of 1993.

Other

Selling, general and administrative expenses increased 10% primarily due to the acquisition of Egan Machinery and the impact of inflation. Depreciation and amortization increased 10% over 1993 primarily as a result of the Egan Machinery acquisition and a higher fixed asset base. Interest expense of $2.2 million was double the amount in 1993 reflecting the increased level of borrowings in 1994. Other income declined $163 thousand versus 1993. The Company's effective tax rate of 36.3% was slightly lower that the prior year level of 37%.

Consolidated Statements of Earnings
Fiscal years ended December 30, 1995, December 31, 1994, and December 25, 1993
(In thousands of dollars, except per share data)

	1995	1994	1993
Net sales	$665,513	$589,757	$558,348
Costs and Expenses			
Cost of products sold	473,654	403,784	380,941
Selling, general and administrative	104,535	91,581	82,970
Depreciation and amortization	15,035	13,298	12,076
Interest	8,364	2,167	1,093
Other income	(166)	(1,042)	(1,205)
Total costs and expenses	601,422	509,788	475,875
Earnings			
Earnings before income taxes	64,091	79,969	82,473
Income taxes	23,598	29,053	30,515
Net earnings	$ 40,493	$ 50,916	$ 51,958

Net Earnings Per Common Share	$ .84	$ 1.00	$ 1.00

Consolidated Balance Sheets
Fiscal years ended December 30, 1995, December 31, 1994
(In thousands of dollars, except per share data)

	1995	1994
Assets		
Current Assets		
Cash	$ 918	$ 1,832
Accounts receivable	112,693	81,859
Inventories	154,846	157,356
Other current assets	23,038	19,610
Total current assets	291,495	260,657
Non-Current Assets		
Property, plant and equipment	129,991	117,105
Cost in excess of acquired net assets	51,922	43,429
Other assets	10,730	11,137
	$484,138	$432,328
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$ 60,439	$ 39,670
Accounts payable	49,415	47,000
Accrued expenses	35,136	33,369
Income taxes payable	3,747	4,138
Other current liabilities	16,578	14,865
Total current liabilities	165,315	139,042
Non-Current Liabilities		
Long-term debt	64,000	54,000
Accrued postretirement liability	7,559	8,698
Deferred income taxes	7,217	6,681
Stockholders' Equity		
Common stock, $.10 par value - issued 53,361,072 shares	5,336	5,336
Additional paid-in capital	59,440	62,241
Retained earnings	234,113	218,837
Accumulated translation adjustment	6,320	1,858
Treasury stock at cost	(62,972)	(54,213)
Deferred compensation	(2,190)	(10,152)
Total stockholders' equity	240,047	223,907
	$484,138	$432,328

Consolidated Statements of Cash Flows
Fiscal years ended December 30, 1995, December 31, 1994, and December 25, 1993
Increase (decrease) to cash (in thousands of dollars)

	1995	1994	1993
Cash Flows from Operating Activities			
Net earnings	$40,493	$ 50,916	$ 51,958
Adjustments to reconcile net			

earnings to net cash provided by operations:			
Depreciation and amortization	15,035	13,298	12,076
Deferred income taxes	729	2,389	340
Deferred compensation	768	(332)	1,611
Changes in assets and liabilities:			
Accounts receivable	(27,234)	5,815	(11,798)
Inventories	8,247	(34,695)	(253)
Other current assets	(3,080)	(2,735)	722
Other assets	(485)	(943)	2
Accounts payable and accrued expenses	(4,719)	(8,186)	(4,937)
Income taxes payable	323	(7,986)	3,918
Other current liabilities	(1,938)	4,777	(1,435)
Accrued postretirement liability	(1,139)	(386)	310
Other	(264)	(175)	(109)
Net cash provided by operations	26,736	21,757	52,405
Cash Flows from Investing Activities			
Acquisitions	(9,538)	(13,734)	-
Capital expenditures	(18,249)	(21,710)	(14,299)
Other investing activities	(1,505)	590	1,972
Net cash used by investing activities	(29,292)	(34,854)	(12,327)
Cash Flows from Financing Activities			
Proceeds from (payments on) long-term borrowings	10,000	40,000	(10,000)
Change in notes payable	20,675	34,533	(282)
Treasury stock acquired	(4,296)	(47,647)	(5,103)
Treasury stock issued under stock options and other plans	393	1,756	1,905
Dividends paid	(25,217)	(23,309)	(19,482)
Net cash provided (used) by financing activities	1,555	5,333	(32,962)
Cash			
Effect of exchange rates on cash	87	312	(273)
Change in cash	(914)	(7,452)	6,843
Cash at beginning of year	1,832	9,284	2,441
Cash at end of year	$ 918	$ 1,832	$ 9,284

Consolidated Statements of Stockholders' Equity
Fiscal years ended December 30, 1995, December 31, 1994, and December 25, 1993
(In thousands of dollars, except per share data)

	1995	1994	1993
Common Stock			
Balance at beginning and end of year	$ 5,336	$ 5,336	$ 5,336
Additional Paid-in Capital			

Balance at beginning of year	62,241	61,783	59,644
Stock options and other issuances	(410)	1,592	2,139
Return of shares from long-term incentive plan trust	(2,391)	-	-
Issuance under long-term incentive plan	-	(1,134)	-
Balance at end of year	59,440	62,241	61,783
Retained Earnings			
Balance at beginning of year	218,837	191,230	158,754
Net earnings	40,493	50,916	51,958
Cash dividends declared on common stock ($.525 per share in 1995, $.46 in 1994, and $.38 in 1993)	(25,217)	(23,309)	(19,482)
Balance at end of year	234,113	218,837	191,230
Accumulated Translation Adjustment			
Balance at beginning of year	1,858	(557)	3,803
Equity adjustment for translation of foreign currencies	4,462	2,415	(4,360)
Balance at end of year	6,320	1,858	(557)
Treasury Stock			
Balance at beginning of year	(54,213)	(11,278)	(7,956)
Issued, primarily under stock options (72,729 shares in 1995, 58,957 shares in 1994, and 489,976 in 1993)	340	276	1,781
Common stock acquired (272,800 shares in 1995, 2,954,700 shares in 1994 and 280,000 in 1993)	(4,296)	(47,647)	(5,103)
Return of shares from long-term incentive plan trust (448,000 shares)	(4,803)	-	-
Issuance under long-term incentive plan (261,399 shares)	-	4,436	-
Balance at end of year	(62,972)	(54,213)	(11,278)
Deferred Compensation			
Balance at beginning of year	(10,152)	(6,518)	(8,129)
Return of shares from long-term incentive plan trust	7,194	-	-
Issuance under long-term incentive plan	-	(3,302)	-
Amortization	768	(332)	1,611
Balance at end of year	(2,190)	(10,152)	(6,518)
Total stockholders' equity	$240,047	$223,907	$239,996

Notes to Consolidated Financial Statements

(In thousands of dollars, except per share data)

Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Intercompany balances and transactions are eliminated in consolidation. The Company's fiscal year ends on the last Saturday in December for domestic operations and a week earlier for most foreign operations.

Translation of Foreign Currencies

Foreign currency accounts are translated into U.S. dollars as follows: exchange rates at the end of the period are used to translate all assets and liabilities; average exchange rates during the year are used to translate income and expense accounts. Gains and losses resulting from the translation of foreign currency balance sheet accounts into U.S. dollars and related hedging transactions are included in a separate caption, "Accumulated translation adjustment," in the stockholders' equity section of the consolidated balance sheets.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation expense ($13,204 in 1995, $11,935 in 1994 and $10,828 in 1993) is computed generally on the straight-line method using the following ranges of asset lives: buildings and improvements - 10 to 40 years, machinery and equipment - 5 to 15 years, and furniture and fixtures - 5 to 10 years.

Renewals and improvements which extend the useful lives of the assets are capitalized. Capitalized leased assets and leasehold improvements are depreciated over their useful lives or the remaining lease term, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

Inventory Valuation

Inventories are valued at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for a significant portion of chemicals inventories and the first-in, first-out (FIFO) method for the remaining inventories.

Cost In Excess of Acquired Net Assets

The cost of acquisitions in excess of tangible and identifiable intangible assets in the amount of $51,922 has, in the opinion of management, incurred no permanent impairment in value. This cost is being amortized using the straight-line method over periods from twenty to forty years. Accumulated amortization amounted to $8,281 in 1995 and $6,622 in 1994.

Research and Development

Expenditures for research and development costs are charged to operations as incurred ($14,027 in 1995, $12,106 in 1994, and $11,184 in 1993).

Income Taxes

A provision has not been made for U.S. income taxes which would be payable if undistributed earnings of foreign subsidiaries of approximately $72,400 at December 30, 1995, were distributed to the Company in the form of dividends, since it is management's intention to permanently invest such earnings in the related foreign operations. If distributed, such earnings would incur income tax expense at substantially less than the U.S. income tax rate, primarily because of the offset of foreign tax credits.

Statements of Cash Flows

Cash includes bank term deposits of three months or less. Cash payments during the years ended 1995, 1994 and 1993 included interest of $8,488, $2,005 and $1,556 and income taxes of $23,515, $35,319 and $24,347, respectively.

Earnings Per Common Share

The computation of earnings per common share is based on the weighted average number of common and common equivalent shares outstanding amounting to 48,447,686 in 1995, 51,151,525 in 1994 and 52,175,691 in 1993. A dual presentation of earnings per common share has not been made since there is no significant difference in earnings per share calculated on a primary or fully diluted basis.

Financial Instruments

Financial instruments are presented in the accompanying consolidated financial statements at either cost or fair value as required by generally accepted accounting principles. The fair value of the Company's financial instruments approximate carrying value.

Other Disclosures

Included in accounts receivable are allowances for doubtful accounts in the amount of $3,269 in 1995 and $3,829 in 1994. Included in other current liabilities are customer deposits in the amount of $11,322 in 1995 and $11,183 in 1994.

Acquisitions

In January 1995, the Company acquired the business and certain assets of McNeil Akron Repiquet S.a.r.l. in France at a cost of $4,638. In March 1995, the Company acquired Killion Extruders, Inc. at a cost of $4,900. The acquisitions have been accounted for using the purchase method and, accordingly, the acquired assets and liabilities have been recorded at their fair values at the dates of acquisition. The excess cost of the purchase price over fair value of net assets acquired in the amount of $9,649 is being amortized over forty years. The operating results of each acquisition are included in the Consolidated Statements of Earnings since the date of the acquisition.

Inventories

	1995	1994
Finished goods	$ 89,177	$ 90,386
Work in process	30,316	32,640
Raw materials and supplies	35,353	34,330
	$154,846	$157,356

At December 30, 1995, inventories valued using the last-in, first-out (LIFO) method amounted to $70,550 ($75,958 at December 31, 1994). The LIFO reserve was not significant in 1995 and 1994.

Property, Plant and Equipment

	1995	1994
Land	$ 7,490	$ 7,292
Buildings and improvements	71,677	61,926
Machinery and equipment	133,111	113,296
Furniture and fixtures	4,030	3,662
Construction in progress	12,975	16,620
	229,283	202,796
Less accumulated depreciation	99,292	85,691
	$129,991	$117,105

Leases

The future minimum rental payments under operating leases having initial or remaining non-cancellable lease terms in excess of one year (as of December 30, 1995) total $21,434 as follows: $5,533 in 1996, $4,254 in 1997, $3,637 in 1998, $3,223 in 1999, $1,676 in 2000 and $3,111 in later years. Total rental expense for all operating leases was $8,126 in 1995, $7,305 in 1994, and $6,509 in 1993.

All long-term leases expire prior to 2013. Real estate taxes, insurance and maintenance expenses generally are obligations of the Company and, accordingly, are not included as part of rental payments. It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties.

Debt

Long-term debt is summarized as follows:

	1995	1994
Revolving credit loans	$60,000	$50,000
Industrial revenue bonds	4,000	4,000
Total long-term debt	$64,000	$54,000

The industrial revenue bonds mature in 1997 and carry an interest rate that fluctuates within the tax exempt market. The average interest rate incurred in 1995 was 3.8%. The bonds are secured by a bank letter of credit.

In June 1995, the Company amended its credit agreement with a group of five banks whereby the revolving credit loans available to the Company were increased to $125,000 through September 28, 1998. The agreement calls for interest at the prime rate on revolving loans, but offers pricing options based on certificate of deposit and Eurodollar rates which generally are more favorable than the prime rate option. The Company must pay an annual fee of .15% of the total unused commitment. The covenants of the revolving credit agreement impose restrictions on the Company with respect to debt and tangible net worth levels. These restrictions are not expected to adversely affect the Company's operations. At December 30, 1995, the $60,000 borrowed under the revolving credit agreement bore an interest rate of 6.2%. At December 30, 1995, notes payable outstanding of $60,439 bore an interest rate of 6.0%.

The aggregate annual maturities of long-term debt are $4,000 in 1997 and $60,000 in 1998.

Income Taxes

The components of pretax earnings and taxes are as follows:

	1995	1994	1993
PreTax Earnings:			
Domestic	$59,306	$67,555	$68,498
Foreign	4,785	12,414	13,975
Total	$64,091	$79,969	$82,473
Taxes:			
Domestic			
Current taxes	$21,500	$23,361	$27,857
Deferred taxes	1,604	2,057	(587)
	$23,104	$25,418	$27,270
Foreign			
Current taxes	$ 1,369	$ 3,303	$ 2,318
Deferred taxes	(875)	332	927
	$ 494	$ 3,635	$ 3,245
Total			
Current taxes	$22,869	$26,664	$30,175
Deferred taxes	729	2,389	340
	$23,598	$29,053	$30,515

The following is a percentage reconciliation of computed "expected" tax expense to actual tax expense:

	1995	1994	1993
Computed "expected" tax expense	35.0%	35.0%	35.0%
State taxes (net of U.S. tax benefit)	4.3	3.6	3.6
Foreign tax differential	(1.8)	(0.9)	(2.0)
Other, net	(0.7)	(1.4)	.4
	36.8%	36.3%	37.0%

Provisions have been made for deferred income taxes based on differences between financial statement and tax bases of assets and liabilities using currently enacted tax rates and regulations. The components of the net deferred tax asset as of December 30, 1995 and December 31, 1994, are as follows:

	1995	1994
Deferred tax asset:		
Inventory reserves	$ 3,596	$ 3,239
Bad debt reserves	515	232
Deferred compensation liability	885	638
Various expense accruals	3,395	4,475
Accrued postretirement liability	3,024	3,598
Total deferred tax assets	11,415	12,182
Deferred tax liability - depreciation	(10,241)	(10,279)
Net deferred tax asset	$ 1,174	$ 1,903

Total deferred tax assets for 1995 and 1994 include current assets of $8,391 and $8,584, respectively. The deferred tax liability is non-current for 1995 and 1994.

Capital Stock

The Company is authorized to issue 250,000,000 shares of common stock at a par value of $.10. There are 53,361,072 common shares issued, of which 5,351,962 and 4,703,891 shares were held in the treasury at December 30, 1995 and December 31, 1994, respectively.

The Company is authorized to issue 250,000 shares of preferred stock without par value, none of which are outstanding. Preferred share purchase rights (Rights) outstanding with respect to each share of the Company's common stock entitle the holder to purchase one eight-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $18.75. The Rights cannot become exercisable until ten days following a public announcement that a person or group has acquired 20% or more of the common shares of the Company or intends to make a tender or exchange offer which would result in their ownership of 20% or more of the Company's common shares. The Rights also entitle the holder under certain circumstances to receive shares in another company which acquires the Company or merges with it.

Stock Incentive Plans

The 1988 Long Term Incentive Plan (the 1988 Plan) authorizes the Board to grant stock options, stock appreciation rights, restricted stock and long-term performance awards to the officers and other key employees of the Company over a period of ten years. Non-qualified and incentive stock options may be granted under the 1988 plan at prices not less than 100% of the market value on the date of the grant. All outstanding options will expire not more than ten years and one month from the date of grant. There were 4,000,000 shares of common stock reserved for awards under the 1988 Plan.

The 1993 Stock Option Plan for Non-Employee Directors authorizes 100,000 shares to be optioned to non-employee directors at the rate of their annual retainer divided by the stock price on the date of grant. The option will vest over a two year period and be exercisable over a ten year period from the date of grant, at a price equaling the fair market value on the date of grant.

Under the 1988 Plan, 1,261,000 common shares have been transferred to an independent trustee to administer restricted stock awards for the Company's long term incentive program. At December 30, 1995 deferred compensation relating to such shares in the amount of $2,190 is being amortized over an estimated service period of six to fifteen years. In June 1995, the trustee returned 448,000 common shares to the Company representing those shares which have not yet been earned under the incentive program. Compensation expense relating to unearned shares is being accrued annually based upon the expected level of incentive achievement.

Changes during 1995, 1994 and 1993 in shares under option are summarized as follows:

	Price Per Share Range	Price Per Share Average	Shares
Outstanding at 12/26/92	$ 1.29-22.78	$ 7.88	1,929,900
Granted	19.31-23.75	19.45	218,736
Exercised	1.29-18.31	2.87	(424,419)
Lapsed	4.01-19.19	14.01	(6,667)
Outstanding at 12/25/93	2.15-23.75	10.57	1,717,550
Granted	14.63-21.44	14.83	282,647
Exercised	2.15-9.31	5.59	(57,473)
Lapsed	9.31-19.31	18.12	(27,001)

Outstanding at 12/31/94	2.47-23.75	11.24	1,915,723
Granted	9.31-16.06	13.07	330,481
Exercised	2.49-9.31	6.40	(61,299)
Lapsed	9.31-23.75	18.04	(23,791)
Outstanding at 12/30/95	$ 2.47-23.75	$11.59	2,161,114
Exercisable at 12/30/95	$ 2.47-23.75	$10.64	1,592,779

Shares available for grant at December 30, 1995 and December 31, 1994 were 536,302 and 842,992, respectively.

The Company has an Employee Stock Ownership Plan that is offered to eligible employees of the Company and certain of its subsidiaries. The Company makes contributions equivalent to a stated percentage of employee contributions. The Company's contributions were $2,020, $1,677 and $1,617 in 1995, 1994 and 1993, respectively.

Postretirement Health Care Benefits

The Company provides health benefits attributable to past service of eligible retired and active employees under the Company's postretirement health care benefit plans. Effective January 1, 1992, the Company adopted the provisions of FASB Statement No.106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." In 1994, the Company adopted several changes to its postretirement health care benefit plans including an annual cap for medical premiums paid by the Company, higher deductible amounts and out-of-pocket limits on medical payments. The plan amendments resulted in a prior service gain of $3,254 which is being amortized over the average remaining employee service period of 15 years. Postretirement health care benefit expense did not have a material effect on net earnings for the years 1995, 1994 and 1993.

The financial status of the accrued postretirement liability is as follows:

	1995	1994
Retirees	$3,834	$2,812
Fully eligible active participants	662	608
Other active participants	1,150	1,240
Total accumulated postretirement liability	5,646	4,660
Unrecognized actuarial gain (loss)	(1,113)	784
Unrecognized prior service gain	3,026	3,254
	$7,559	$8,698

For measurement purposes, a 11.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1995. The rate is assumed to decrease 1% per year to 6.5% in 2000 and remain at that level thereafter. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.0%.

An increase in the assumed health care cost rate of 1% in each year would increase the accumulated postretirement benefit obligation by approximately $460.

Pensions

The Company maintains a defined contribution pension plan for eligible employees under provisions of section 401(k) of the Internal Revenue Code. The plan provides for Company contributions at a certain percentage of each participant's salary and allows voluntary tax-deferred employee contributions up to a stated percentage of salary. Other foreign and domestic pension plans are not significant. Total pension expense aggregated $4,516 in 1995, $4,251 in 1994 and $4,036 in 1993.

Contingencies

In the normal course of its business, the Company is subject to investigations, claims and legal proceedings, some of which concern environmental matters, involving both private and governmental parties. In some cases, the remedies sought or damages claimed may be substantial. While each of these matters is subject to various uncertainties as to outcome, and some of them may be decided unfavorably to the Company, based on the facts known to the Company and on consultation with legal counsel, management believes that there are no such matters pending or threatened which will have a material effect on the financial position of the Company or the results of the Company's operations in any given year.

Foreign Operations

Financial data applicable to the Company's foreign operations are as follows:

	1995	1994	1993
Net sales	$113,280	$97,848	$103,356
Net earnings	$ 4,291	$ 8,779	$ 10,730
Assets	$113,852	$90,508	$ 82,789

Business Segment Data

Sales by segment represent sales to unaffiliated customers only. Intersegment sales and transfers between geographic areas are nominal and have not been disclosed separately. Consolidated operating profit is defined as total revenue less operating expenses. In computing consolidated operating profit, the following items have not been deducted: interest expense, other income and income taxes. Identifiable assets by segment are those assets that are used in the Company's operations in each segment. Corporate assets are principally cash, prepayments and other assets maintained for general corporate purposes.

Information by Business Segment

	1995	1994	1993
Sales			
Specialty chemicals	$385,647	$393,544	$407,280
Specialty process equipment and controls	279,866	196,213	151,068
	$665,513	$589,757	$558,348
Operating Profit			
Specialty chemicals	$ 42,609	$ 60,783	$ 68,067
Specialty process equipment and controls	40,154	31,195	25,967
General corporate expenses	(10,474)	(10,884)	(11,673)
	72,289	81,094	82,361

Interest expense	(8,364)	(2,167)	(1,093)
Other income	166	1,042	1,205
Earnings before income taxes	$ 64,091	$ 79,969	$ 82,473
Identifiable Assets			
Specialty chemicals	$318,020	$313,457	$281,804
Specialty process equipment and controls	150,320	103,151	69,279
	468,340	416,608	351,083
Corporate	15,798	15,720	12,163
	$484,138	$432,328	$363,246
Depreciation and Amortization			
Specialty chemicals	$ 11,510	$ 11,141	$ 10,628
Specialty process equipment and controls	3,328	1,995	1,324
	14,838	13,136	11,952
Corporate	197	162	124
	$ 15,035	$ 13,298	$ 12,076
Capital Expenditures			
Specialty chemicals	$ 15,076	$ 18,891	$ 12,057
Specialty process equipment and controls	3,087	2,756	2,131
	18,163	21,647	14,188
Corporate	86	63	111
	$ 18,249	$ 21,710	$ 14,299

Information by Major Geographic Segment

	1995	1994	1993
Sales			
United States	$552,233	$491,909	$454,992
Europe	94,347	88,693	93,808
Other	18,933	9,155	9,548
	$665,513	$589,757	$558,348
Exports to Unaffiliated Customers			
Included in United States sales:			
Far East	$ 16,895	$ 19,858	$ 26,244
Latin America	12,225	15,027	10,183
Europe	23,713	9,381	7,251
Other	11,989	10,178	4,338
	64,822	54,444	48,016
Included in European sales:			
Far East	-	10,117	8,649
Latin America	4,422	4,631	4,261
Other	3,042	6,362	3,756
	7,464	21,110	16,666
	$ 72,286	$ 75,554	$ 64,682
Operating Profit			
United States	$ 77,893	$ 79,148	$ 79,536
Europe	4,166	12,038	13,736
Other	704	792	762
	82,763	91,978	94,034
General corporate expenses	(10,474)	(10,884)	(11,673)

	$ 72,289	$ 81,094	$ 82,361
Identifiable Assets			
United States	$370,286	$341,820	$280,457
Europe	105,408	85,578	77,203
Other	8,444	4,930	5,586
	$484,138	$432,328	$363,246

Summarized Unaudited Quarterly Financial Data

1995	First	Second	Third	Fourth
Net sales	$168,193	$175,617	$159,065	$162,638
Gross profit	51,634	51,818	44,606	43,801
Net earnings	13,196	12,058	8,077	7,162
Net earnings per common share	.27	.25	.17	.15
Common dividends per share	.12	.135	.135	.135
Market price per common share:				
High	17 3/8	20	15 3/4	14 7/8
Low	15 7/8	13 3/8	13 5/8	12

1994	First	Second	Third	Fourth
Net sales	$133,594	$154,452	$142,821	$158,890
Gross profit	42,684	50,952	44,025	48,312
Net earnings	12,758	16,107	10,224	11,827
Net earnings per common share	.25	.31	.20	.24
Common dividends per share	.10	.12	.12	.12
Market price per common share:				
High	24 1/8	23 5/8	18 1/2	16 5/8
Low	19 5/8	17 3/8	15 7/8	13 7/8

Responsibility for Financial Statements

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and have been audited by KPMG Peat Marwick LLP, Independent Certified Public Accountants, whose report is presented herein.

Management of the Company assumes responsibility for the accuracy and reliability of the financial statements. In discharging such responsibility, management has established certain standards which are subject to continuous review and are monitored through the Company's financial management and internal audit group.

The Board of Directors pursues its oversight role for the financial statements through its Audit Committee which consists of outside directors. The Audit Committee meets on a regular basis with representatives of management, the internal audit group and KPMG Peat Marwick LLP.

Independent Auditors' Report

The Board of Directors and Stockholders
Crompton & Knowles Corporation

We have audited the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries as of December 30, 1995 and December 31, 1994 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the fiscal years in the three-year period ended December 30, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crompton & Knowles Corporation and subsidiaries at December 30, 1995 and December 31, 1994 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 30, 1995 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Stamford, Connecticut
January 24, 1996

Eleven Year Selected Financial Data
(In thousands of dollars except per share data)

	1995	1994	1993
Summary of Operations			
Net sales	$665,513	589,757	558,348
Interest expense	$ 8,364	2,167	1,093
Pretax earnings	$ 64,091	79,969	82,473
Income taxes	$ 23,598	29,053	30,515
Earnings from continuing operations	$ 40,493	50,916	51,958
Cumulative effect of accounting changes	$ -	-	-
Extraordinary loss on early extinguishment of debt	$ -	-	-
Earnings (loss) from discontinued operations	$ -	-	-
Loss on disposal of discontinued operations	$ -	-	-
Net earnings	$ 40,493	50,916	51,958

Per Share Statistics

Earnings from continuing operations before cumulative effect of accounting changes and extraordinary loss	$ .84	1.00	1.00
Net earnings	$ .84	1.00	1.00
Dividends	$ .52	.46	.38
Book value	$ 5.00	4.60	4.68
Common stock trading range:			
High	20	24 1/8	27 1/4
Low	12	13 7/8	17 5/8
Average shares outstanding (thousands)	48,448	51,152	52,176
Financial Position			
Current assets	$291,495	260,657	220,396
PP&E, net	$129,991	117,105	99,925
Other assets	$ 62,652	54,566	42,925
Total assets	$484,138	432,328	363,246
Current liabilities	$165,315	139,042	95,439
Long-term debt	$ 64,000	54,000	14,000
Accrued postretirement liability	$ 7,559	8,698	9,084
Deferred income taxes	$ 7,217	6,681	4,727
Stockholders' equity	$240,047	223,907	239,996
Current ratio	1.8	1.9	2.3
Total debt-to-equity %	51.8	41.8	8.0
Total debt-to-capital %	34.1	29.5	7.4

Profitability Statistics (Continuing Operations)			
% Effective tax rate	36.8	36.3	37.0
% Return on sales	6.1	8.6	9.3
% Return on average total capital	12.9	18.3	21.0
% Return on average common equity	17.4	21.1	23.1

Other Statistics (Continuing Operations)			
Capital spending	$ 18,249	21,710	14,299
Depreciation	$ 13,204	11,935	10,828
Sales per employee	$ 242	234	240

Eleven Year Selected Financial Data
(In thousands of dollars except per share data)

	1992	1991	1990
Summary of Operations			
Net sales	$517,718	450,228	390,032
Interest expense	$ 6,984	7,419	5,842
Pretax earnings	$ 68,337	56,600	47,260
Income taxes	$ 25,072	20,659	17,250
Earnings from continuing operations	$ 43,265	35,941	30,010
Cumulative effect of			

accounting changes	$ (5,800)	-	-
Extraordinary loss on early extinguishment of debt	$ (3,000)	-	-
Earnings (loss) from discontinued operations	$ -	-	-
Loss on disposal of discontinued operations	$ -	-	-
Net earnings	$ 34,465	35,941	30,010
Per Share Statistics			
Earnings from continuing operations before cumulative effect of accounting changes and extraordinary loss	$ .87	.73	.61
Net earnings	$ .69	.73	.61
Dividends	$ .31	.25	.20
Book value	$ 4.14	2.94	2.47
Common stock trading range:			
High	23 7/8	20 1/4	11 5/8
Low	16	8 3/8	6 3/4
Average shares outstanding (thousands)	49,967	49,317	49,270
Financial Position			
Current assets	$207,383	185,235	164,442
PP&E, net	$ 98,827	80,154	76,709
Other assets	$ 44,505	43,173	41,493
Total assets	$350,715	308,562	282,644
Current liabilities	$102,593	85,712	88,340
Long-term debt	$ 24,000	76,118	70,330
Accrued postretirement liability	$ 8,774	-	-
Deferred income taxes	$ 3,896	5,969	6,409
Stockholders' equity	$211,452	140,763	117,565
Current ratio	2.0	2.2	1.9
Total debt-to-equity %	13.9	57.1	77.6
Total debt-to-capital %	12.2	36.3	43.7
Profitability Statistics (Continuing Operations)			
% Effective tax rate	36.7	36.5	36.5
% Return on sales	8.4	8.0	7.7
% Return on average total capital	19.3	18.9	19.8
% Return on average common equity	27.1	28.4	28.1
Other Statistics (Continuing Operations)			
Capital spending	$ 12,835	11,434	16,374
Depreciation	$ 10,394	8,813	7,156
Sales per employee	$ 237	222	218

Eleven Year Selected Financial Data
(In thousands of dollars except per share data)

	1989	1988	1987
Summary of Operations			
Net sales	$355,817	289,787	199,394
Interest expense	$ 6,006	3,606	2,042
Pretax earnings	$ 38,588	26,943	20,353
Income taxes	$ 14,087	10,098	8,341
Earnings from continuing operations	$ 24,501	16,845	12,012
Cumulative effect of accounting changes	$ -	-	-
Extraordinary loss on early extinguishment of debt	$ -	-	-
Earnings (loss) from discontinued operations	$ -	(597)	(262)
Loss on disposal of discontinued operations	$ -	(920)	-
Net earnings	$ 24,501	15,328	11,750
Per Share Statistics			
Earnings from continuing operations before cumulative effect of accounting changes and extraordinary loss	$ .50	.36	.25
Net earnings	$ .50	.32	.24
Dividends	$ .15	.11	.08
Book value	$ 2.08	1.75	1.59
Common stock trading range:			
High	7 7/8	4 1/2	3 7/8
Low	3 3/4	2 1/2	2 1/4
Average shares outstanding (thousands)	49,064	47,239	48,168
Financial Position			
Current assets	$127,216	120,584	94,069
PP&E, net	$ 50,847	43,685	29,085
Other assets	$ 39,787	41,373	12,075
Total assets	$217,850	205,642	135,229
Current liabilities	$ 71,068	72,352	40,922
Long-term debt	$ 41,213	44,594	12,927
Accrued postretirement liability	$ -	-	-
Deferred income taxes	$ 6,668	6,775	5,575
Stockholders' equity	$ 98,901	81,921	75,805
Current ratio	1.8	1.7	2.3
Total debt-to-equity %	52.4	72.1	25.1
Total debt-to-capital %	34.4	41.9	20.1

Profitability Statistics (Continuing Operations)

% Effective tax rate	36.5	37.5	41.0
% Return on sales	6.9	5.8	6.0
% Return on average total capital	19.3	17.2	14.8
% Return on average common equity	27.6	22.7	17.7
Other Statistics (Continuing Operations)			
Capital spending	$ 13,407	6,798	3,523
Depreciation	$ 5,666	4,658	3,468
Sales per employee	$ 215	190	168

Eleven Year Selected Financial Data
(In thousands of dollars except per share data)

	1986	1985
Summary of Operations		
Net sales	$178,256	163,287
Interest expense	$ 789	571
Pretax earnings	$ 16,800	15,443
Income taxes	$ 7,421	7,122
Earnings from continuing operations	$ 9,379	8,321
Cumulative effect of accounting changes	$ -	-
Extraordinary loss on early extinguishment of debt	$ -	-
Earnings (loss) from discontinued operations	$ (678)	(746)
Loss on disposal of discontinued operations	$ (7,700)	-
Net earnings	$ 1,001	7,575
Per Share Statistics		
Earnings from continuing operations before cumulative effect of accounting changes and extraordinary loss	$ .17	.15
Net earnings	$ .01	.14
Dividends	$ .08	.08
Book value	$ 1.42	1.34
Common stock trading range: High	2 1/2	1 3/4
Low	1 5/8	1 1/4
Average shares outstanding (thousands)	50,974	51,694
Financial Position		
Current assets	$ 95,931	87,400
PP&E, net	$ 28,511	30,376
Other assets	$ 10,349	12,146
Total assets	$134,791	129,922
Current liabilities	$ 41,687	32,366
Long-term debt	$ 19,455	19,093
Accrued postretirement liability	$ -	-
Deferred income taxes	$ 5,174	4,708
Stockholders' equity	$ 68,475	73,755

Current ratio	2.3	2.7
Total debt-to-equity %	47.0	30.5
Total debt-to-capital %	32.0	23.4
Profitability Statistics (Continuing Operations)		
% Effective tax rate	44.2	46.1
% Return on sales	5.3	5.1
% Return on average total capital	13.6	13.2
% Return on average common equity	15.0	14.3
Other Statistics (Continuing Operations)		
Capital spending	$ 2,967	2,888
Depreciation	$ 3,101	3,061
Sales per employee	$ 146	128

(Bar Graph)
Return on Sales
Continuing Operations
(Bar Graph)
Return on Average Total Capital
Continuing Operations
(Bar Graph)
Sales Per Employee
Continuing Operations

Board of Directors

3 James A. Bitonti
President and Chief Executive Officer
TCOM, L.P.

Vincent A. Calarco
Chairman of the Board
President and Chief Executive Officer

2,3 Robert A. Fox
President and Chief Executive Officer
Foster Poultry Farms

2,3 Roger L. Headrick
President and Chief Executive Officer
Minnesota Vikings Football Club

1,2 Leo I. Higdon
Dean
The Darden Graduate School
of Business Administration
University of Virginia

1,3 Michael W. Huber
Retired Chairman of the Board
J.M. Huber Corporation

Charles J. Marsden
Vice President-Finance
and Chief Financial Officer

1,2 C.A. Piccolo
Chairman and Chief Executive Officer
Caremark International Inc.

1 Patricia K. Woolf, Ph.D.
Private Investor and Lecturer
Department of Molecular Biology
Princeton University

1 Member of Audit Committee
2 Member of Nominating Committee
3 Member of Committee on Executive Compensation

Corporate Officers and Operating Management

Vincent A. Calarco
Chairman, President and
Chief Executive Officer

Robert W. Ackley
Vice President
President -
Davis-Standard

Nicholas Fern, Ph.D.
President -
Dyes and Chemicals - Asia

Gerald H. Fickenscher, Ph.D.
President -
Dyes and Chemicals - Europe

Edmund H. Fording
Vice President
President -
Dyes and Chemicals - Americas

Marvin H. Happel
Vice President - Organization

Charles J. Marsden
Vice President -
Finance and Chief Financial Officer

Rudy M. Phillips

President -
Ingredient Technology

Peter Barna
Treasurer and
Principal Accounting Officer

John T. Ferguson, II
General Counsel and Secretary

Robert A. Marchitello
Assistant Treasurer

Corporate Headquarters
One Station Place, Metro Center
Stamford, CT 06902
(203) 353-5400

Auditors
KPMG Peat Marwick LLP
Stamford, CT

Transfer Agent and Registrar
Chemical Mellon Shareholder Services L.L.C.
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 288-9541

Annual Meeting
The annual meeting of stockholders will be held at 11:15 a.m. on Tuesday, April 9, 1996, at the Sheraton Stamford Hotel, One First Stamford Place, Stamford, Connecticut

Form 10-K
A copy of the Company's report on Form 10-K for 1995, as filed with the Securities and Exchange Commission, may be obtained free of charge by writing to the Secretary of the Corporation, One Station Place, Metro Center, Stamford, CT 06902

Significant Subsidiaries

The following are significant subsidiaries of Crompton & Knowles Corporation:

Name	Place of Organization
CK Holding Corporation	Delaware
Crompton & Knowles Overseas Corporation	Delaware
Crompton & Knowles Canada Limited	Canada
Crompton & Knowles Europe S.A.	Belgium
Crompton & Knowles (France) S.A.	France
Crompton & Knowles (Hong Kong) Ltd.	Hong Kong
Crompton & Knowles (Korea) Ltd.	Korea
Davis-Standard Corporation	Delaware
Davis-Standard (France) SARL	France
Crompton & Knowles Colors Incorporated	Delaware
ER-WE-PA Davis-Standard GmbH	Germany
Ingredient Technology Corporation	Delaware
Grandma Food Products, Ltd.	Canada
Killion Extruders, Inc.	New Jersey

INDEPENDENT AUDITOR'S CONSENT

Board of Directors
Crompton & Knowles Corporation

We consent to incorporation by reference in the Registration Statements (No.'s 33-21246, 33-42280 and 33-67600) on Form S-8 of Crompton & Knowles Corporation of our reports dated January 24, 1996, relating to the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries as of December 30, 1995 and December 31, 1994, and the related consolidated statements of earnings, stockholders' equity and cash flows and the related schedule for each of the fiscal years in the three-year period ended December 30, 1995, which reports appear or are incorporated by reference in the December 30, 1995 Annual Report on Form 10-K of Crompton & Knowles Corporation. We also consent to incorporation by reference in the Registration Statement (No. 33-21246) on Form S-8 of Crompton & Knowles Corporation of our report dated March 15, 1996 relating to the statements of financial condition of Crompton & Knowles Corporation Employee Stock Ownership Plan as of December 31, 1995 and 1994, and the related statements of income and changes in plan equity for each of the years in the three-year period ended December 31, 1995, as included in Exhibit 29 of said Form 10-K.

/s/ KPMG Peat Marwick LLP

Stamford, Connecticut
March 28, 1996

POWER OF ATTORNEY

We, the undersigned officers and directors of Crompton & Knowles Corporation, hereby severally constitute and appoint Vincent A. Calarco, Charles J. Marsden, and John T. Ferguson II, and each of them severally, our true and lawful attorneys or attorney, with full power to them and each of them to execute for us, and in our names in the capacities indicated below, and to file with the Securities and Exchange Commission the Annual Report on Form 10-K of Crompton & Knowles Corporation for the fiscal year ended December 30, 1995, and any and all amendments thereto.

IN WITNESS WHEREOF, we have signed this Power of Attorney in the capacities indicated on January 23, 1996.

Signature	Title	Signature	Title
Principal Executive Officer:			
/s/Vincent A. Calarco Vincent A. Calarco	Chairman of the Board, President, CEO and Director	/s/Robert A. Fox Robert A. Fox	Director
Principal Financial Officer:		/s/Roger L. Headrick Roger L. Headrick	Director
/s/Charles J. Marsden Charles J. Marsden	Vice President Finance and Director	/s/Leo I. Higdon, Jr. Leo I. Higdon, Jr.	Director
Principal Accounting Officer:		/s/Michael W. Huber Michael W. Huber	Director
/s/Peter Barna Peter Barna	Treasurer	/s/C.A. Piccolo C.A. Piccolo	Director
/s/ James A. Bitonti James A. Bitonti	Director	/s/Patricia K Woolf Patricia K. Woolf	Director

```
<TABLE> <S> <C>

<ARTICLE> 5

<S>                               <C>
<PERIOD-TYPE>                     12-MOS
<FISCAL-YEAR-END>                            DEC-30-1995
<PERIOD-END>                                 DEC-30-1995
<CASH>                                               918
<SECURITIES>                                           0
<RECEIVABLES>                                    112,693
<ALLOWANCES>                                       3,269
<INVENTORY>                                      154,846
<CURRENT-ASSETS>                                 291,495
<PP&E>                                           129,991
<DEPRECIATION>                                    99,292
<TOTAL-ASSETS>                                   484,138
<CURRENT-LIABILITIES>                            165,315
<BONDS>                                                0
<PREFERRED-MANDATORY>                                  0
<PREFERRED>                                            0
<COMMON>                                           5,336
<OTHER-SE>                                       234,711
<TOTAL-LIABILITY-AND-EQUITY>                     484,138
<SALES>                                          665,513
<TOTAL-REVENUES>                                 665,513
<CGS>                                            473,654
<TOTAL-COSTS>                                    593,224
<OTHER-EXPENSES>                                   (166)
<LOSS-PROVISION>                                     707
<INTEREST-EXPENSE>                                 8,364
<INCOME-PRETAX>                                   64,091
<INCOME-TAX>                                      23,598
<INCOME-CONTINUING>                               40,493
<DISCONTINUED>                                         0
<EXTRAORDINARY>                                        0
<CHANGES>                                              0
<NET-INCOME>                                      40,493
<EPS-PRIMARY>                                       0.84
<EPS-DILUTED>                                       0.84


</TABLE>
```

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

X Annual report pursuant to Section 15 (d) of the Securities Exchange Act of 1934 (Fee Required)

For the fiscal year ended December 31, 1995

OR

Transition report pursuant to Section 15 (d) of the Securities Exchange Act of 1934 (No Fee Required)

For the transition period from to

Commission file number 1-4663

A. Full title of the Plan and the address of the Plan, if different from that of the issuer named below:

CROMPTON & KNOWLES CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN

B. Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office:

Crompton & Knowles Corporation
One Station Place - Metro Center
Stamford, Connecticut 06902

CROMPTON & KNOWLES CORPORATION

Employee Stock Ownership Plan

EXHIBIT INDEX

Form 11-K for the Fiscal Year Ended December 31, 1995

Exhibit No.	Description of Exhibit
1.	Consent of KPMG Peat Marwick LLP independent certified public accountants.

CROMPTON & KNOWLES CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 1995 AND 1994
PLAN ASSETS AND EQUITY

1995

	Fixed Income Fund	C&K Stock Fund	Equity Fund	Advisers Fund	Mortgage Fund	Total
Investments:						
Common stock of Crompton & Knowles Corporation - 2,110,683 shares at market value (cost $ 15,647,527) in 1995 and 1,978,585 shares at market value (cost $ 12,378,799) in 1994	$ -	$ 27,966,550	$ -	$ -	$ -	$ 27,966,550
Hartford Life Insurance Company group annuity contract	17,882,428	-	3,196,868	647,252	309,648	22,036,196
Cash and short-term						

investments at cost, which approximates market	-	26,164	-	-	-	26,164
Contribution receivable from Crompton & Knowles Corporation	67,233	297,111	34,216	15,525	7,501	421,586
Plan Assets and Equity	$ 17,949,661	$ 28,289,825	$ 3,231,084	$ 662,777	$ 317,149	$ 50,450,496

1994

	Fixed Income Fund	C&K Stock Fund	Equity Fund	Advisers Fund	Mortgage Fund	Total
Investments:						
Common stock of Crompton & Knowles Corporation - 2,110,683 shares at market value (cost $ 15,647,527) in 1995 and 1,978,585 shares at market value (cost $ 12,378,799) in 1994	$ -	$ 32,152,006	$ -	$ -	$ -	$ 32,152,006
Hartford Life Insurance Company group annuity contract	15,009,184	-	2,387,815	648,256	237,916	18,283,171
Cash and short-term investments at cost, which approximates market	-	35,644	-	-	-	35,644
Contribution receivable from Crompton & Knowles Corporation	55,080	288,372	23,920	9,869	1,619	378,860
Plan Assets and Equity	$ 15,064,264	$ 32,476,022	$ 2,411,735	$ 658,125	$ 239,535	$ 50,849,681

See accompanying notes to financial statements

CROMPTON & KNOWLES CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
STATEMENTS OF INCOME AND CHANGES IN PLAN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

			1995			
	Fixed Income Fund	C&K Stock Fund	Equity Fund	Advisers Fund	Mortgage Fund	Total
Investment income:						
Cash dividends on investment in common stock of Crompton & Knowles Corporation and interest on short-term investments	$ 2,885	$ 1,072,287	$ 2,371	$ 1,257	$ 190	$ 1,078,990
Realized gain on sale of investments and withdrawals	-	1,297,120	-	-	-	1,297,120
Interest earned - Hartford Life Insurance Company group annuity contract	1,051,264	-	-	-	-	1,051,264
Net investment income	1,054,149	2,369,407	2,371	1,257	190	3,427,374
Increase (decrease) in unrealized appreciation of investments	-	(7,454,185)	824,777	120,815	37,820	(6,470,773)
Contributions:						
Employee Rollovers	67,972	1,846	104,571	17,065	-	191,454
Employees	881,159	1,741,948	373,786	158,134	73,737	3,228,764
Employer - Net of forfeitures	-	2,043,854	-	-	-	2,043,854
Withdrawals and						

Distributions	(936,731)	(1,662,650)	(159,231)	(48,740)	(12,506)	(2,819,858)
Employee interfund transfers	1,818,848	(1,226,417)	(326,925)	(243,879)	(21,627)	-
Net increase/(decrease) in Plan Equity for the year	2,885,397	(4,186,197)	819,349	4,652	77,614	(399,185)
Plan Equity at beginning of year	15,064,264	32,476,022	2,411,735	658,125	239,535	50,849,681
Plan Equity at end of year	$ 17,949,661	$ 28,289,825	$ 3,231,084	$ 662,777	$ 317,149	$ 50,450,496

	Fixed Income Fund	C&K Stock Fund	Equity Fund	1994 Advisers Fund	Mortgage Fund	Total
Investment income:						
Cash dividends on investment in common stock of Crompton & Knowles Corporation and interest on short-term investments	$ 4,357	$ 879,230	$ 4,847	$ 1,583	$ 652	$ 890,669
Realized gain on sale of investments and withdrawals	-	1,242,744	-	-	-	1,242,744
Interest earned - Hartford Life Insurance Company group annuity contract	949,787	-	-	-	-	949,787
Net investment income	954,144	2,121,974	4,847	1,583	652	3,083,200

Increase (decrease) in unrealized

appreciation of investments					
-	(12,033,946)	25,662	(14,931)	(4,103)	(12,027,318)
Contributions:					
Employee Rollovers					
1,039	-	221	-	-	1,260
Employees					
701,355	1,548,111	268,877	94,419	53,431	2,666,193
Employer - Net of forfeitures					
-	1,676,755	-	-	-	1,676,755
Withdrawals and Distributions					
(972,580)	(2,231,903)	(122,309)	(28,957)	(15,192)	(3,370,941)
Employee interfund transfers					
750,591	(1,286,569)	416,791	123,419	(4,232)	-
Net increase/(decrease) in Plan Equity for the year					
1,434,549	(10,205,578)	594,089	175,533	30,556	(7,970,851)
Plan Equity at beginning of year					
13,629,715	42,681,600	1,817,646	482,592	208,979	58,820,532
Plan Equity at end of year					
$ 15,064,264	$ 32,476,022	$ 2,411,735	$ 658,125	$ 239,535	$ 50,849,681

Fixed Income Fund	C&K Stock Fund	Equity Fund	1993 Advisers Fund	Mortgage Fund	Total
Investment income:					
Cash dividends on investment in common stock of Crompton & Knowles Corporation and interest on short-term investments					
$ 1,755	$ 755,945	$ 1,371	$ 352	$ 288	$ 759,711
Realized gain on sale of investments and					

withdrawals					
-	4,614,837	-	-	-	4,614,837
Interest earned - Hartford Life Insurance Company group annuity contract					
865,918	-	-	-	-	865,918
Net investment income					
867,673	5,370,782	1,371	352	288	6,240,466
Increase (decrease) in unrealized appreciation of investments					
-	(5,181,885)	206,916	42,937	8,885	(4,923,147)
Contributions:					
Employee Rollovers					
13,566	-	-	-	-	13,566
Employees					
860,790	1,435,118	207,199	67,839	56,070	2,627,016
Employer - Net of forfeitures					
-	1,617,481	-	-	-	1,617,481
Withdrawals and Distributions					
(1,684,871)	(5,012,089)	(67,674)	(42,839)	(3,371)	(6,810,844)
Employee interfund transfers					
1,448,397	(1,605,768)	112,091	48,780	(3,500)	-
Net increase/(decrease) in Plan Equity for the year					
1,505,555	(3,376,361)	459,903	117,069	58,372	(1,235,462)
Plan Equity at beginning of year					
12,124,160	46,057,961	1,357,743	365,523	150,607	60,055,994
Plan Equity at end of year					
$ 13,629,715	$ 42,681,600	$ 1,817,646	$ 482,592	$ 208,979	$ 58,820,532

See accompanying notes to financial statements

CROMPTON & KNOWLES CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 and 1994

1. Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis. Securities transactions are recorded on the trade date, and dividend income is recorded on the ex-dividend date.

2. Plan Description

The Employee Stock Purchase and Savings Plan was adopted by the Board of Directors of Crompton & Knowles Corporation (the "Corporation") on January 27, 1976. Effective July 1, 1989 the Board of Directors amended the Plan to convert it into an Employee Stock Ownership Plan (the "Plan"). The Plan permits an eligible employee to elect to participate by authorizing a withholding of an amount equal to 1%, 2%, 3%, 4%, 5% or 6% of compensation as the basic contribution to the Plan. Contributions by the Corporation to the Plan were made at an amount equal to 66 2/3% of each participating employee's basic employee contribution to the Plan.

Funds contributed under the Plan are held in a trust fund (the "Trust") and were invested in five investment funds, the Crompton & Knowles Stock Fund ("C&K Stock Fund"), the Fixed Income Fund, the Equity Fund, the Advisers Fund, and the Mortgage Fund.

The C&K Stock Fund is a fund invested entirely in common stock of Crompton & Knowles Corporation, and contributions by the Corporation to the Plan are invested in this fund. The market value of the common stock is based on quotations from the New York Stock Exchange.

The Fixed Income Fund is a fund invested under an agreement with Hartford Life Insurance Company (the "Hartford") pursuant to which the Hartford guarantees the repayment of principal and the payment of interest on all amounts on deposit at an effective annual rate of interest of 6.5% on, and after January 1, 1995, (6.885% for the period January 1, 1994 through December 31, 1994, and 7.25% for the period January 1, 1993 through December 31, 1993).

The value of the Fixed Income Fund is based on contributions invested and reinvested, interest earned, less withdrawals and distributions.

The Equity Fund is a fund invested under the terms of a group annuity contract with the Hartford in the Separate Account A, which is a pooled separate account maintained by the Hartford with respect to a portion of its assets, in connection with the contract and other similar contracts issued by the Hartford. This fund invests primarily in equity securities such as common stocks and securities convertible into common stock. The Equity Fund is valued based on a unit value as determined by the fund manager as follows:

	12/31/95	12/31/94
Unit Value	$126.392	$91.101
Total Units Held	25,293.156	26,210.454

The related cost of the Equity Fund at December 31, 1995 was $2,245,895, and $2,060,686 at December 31, 1994.

The Advisers Fund is a fund invested under the terms of a group annuity contract with the Hartford in the Separate Account V which is a pooled separate account maintained by the Hartford with respect to a portion of its assets, in connection with the contract and other similar contracts issued by the Hartford. Assets in the Separate Account V are invested in the HVA Advisers Fund, Inc. The Hartford Investment Management Company is an investment advisor to the fund, and Wellington Management is sub-advisor to the fund. This fund invests in common stocks, debt securities, and money market instruments. The Advisers Fund is valued based on a unit of value as determined by the fund manager as follows:

	12/31/95	12/31/94
Unit Value	$1.708	$1.338
Total Units Held	378,784.417	484,397.471

The related cost of the Advisers Fund at December 31, 1995 was $531,228, and $603,983 at December 31, 1994.

The Mortgage Fund is a fund invested under the terms of a group annuity contract with the Hartford in the Separate Account G which is a pooled separate account maintained by the Hartford with respect to a portion of its assets, in connection with the contract and other similar contracts issued by the Hartford. The assets in the Separate Account G are invested solely in the Hartford GNMA/Mortgage Securities Fund. Inc. The Hartford Investment Management Company is an investment advisor to the fund. This fund invests in mortgage related securities, including securities issued by the Government National Mortgage Association. The Mortgage Fund is valued based on a unit value as determined by the fund manager as follows:

	12/31/95	12/31/94
Unit Value	$30.764	$26.623
Total Units Held	10,065.191	8,936.394

The related cost of the Mortgage Fund at December 31, 1995 was $269,734, and $233,084 at December 31, 1994.

Assets in any of the five funds may be invested in short term government or other securities pending permanent investment. Earnings on each fund will be reinvested in that fund.

Each participant is permitted to elect to have his basic contribution invested in any of the five funds in 10% increments. As of December 31, 1995 and 1994 the number of participants by fund were as follows:

	1995	1994
Stock Fund	1,541	1,293
Fixed Income Fund	994	867
Equity Fund	503	360
Advisers Fund	225	128
Mortgage Fund	142	104

As of the first day of any month, but not more frequently than once in any six-month period, a participant may elect to transfer any part of the value of his basic employee account or his supplemental employee account, which is invested in one of the funds, to any of the other funds except the Fixed Income Fund and the Mortgage Fund. Any such transfer must be in increments of 5% of the amount invested in the fund from which the transfer is being made.

3. Income Taxes

The Internal Revenue Service has issued a determination letter to the effect that the Plan as amended through 1994 is a qualified plan under Section 401(a) of the Internal Revenue Code of 1954 (the Code), as amended.

The Board of Directors of the Corporation amended the Plan, effective as of July 1, 1989, to convert it to an employee stock ownership plan. The amendments to the Plan included both changes to convert the Plan to an employee stock ownership plan and other changes required or permitted by the Code. Management and counsel believe that these amendments will not effect the qualified status of the Plan.

It is believed that, in general, the federal income tax consequences of participation in the Plan under present law will be as follows:

Participants are not subject to federal income tax on employer contributions made under the Plan or on income earned by the Trust until amounts are withdrawn or distributed. Any withdrawal from the Plan will be tax free to the extent of the participant's contributions to the Plan prior to 1987. If the amount exceeds such pre-1987 contributions of the participant, the excess will be treated as being in part a tax free return of the participant's contribution made to the Plan after 1986 and in part as a taxable distribution subject to federal income tax at ordinary rates based on the ratio at the time of withdrawal of the participant's total contributions after 1986 to the total value of the participant's accounts. If the withdrawal or distribution qualifies as a lump sum distribution, amounts attributable to participation in a predecessor plan prior to 1974 may qualify for capital gains treatment (phased out over the years 1987-1991), and the ordinary income portion attributable to post-1973 participation may be taxed under a special five-year income averaging provision if the participant is over age 59 1/2 (or a special ten-year income averaging provision if the participant turned 50 before January 1, 1986). If a distribution includes shares of common stock of Crompton & Knowles Corporation, taxation of any appreciation in the value of such shares over their cost to the Trust will be deferred until the later sale or exchange of such shares. Taxable withdrawals or distributions after January 1, 1987, in addition to being taxed as ordinary income will be subject to an additional 10% income tax unless the withdrawal or distribution is on account of the death or disability of the participant, is made after he turns age 59 1/2 or retires after age 55, or is used for certain deductible medical expenses. A participant who receives total distributions from all retirement plans in a single year in excess of $150,000 ($144,551 in some cases) may be subject to an excise tax of 15% of the excess amount.

The foregoing is only a brief summary of the tax consequences of participation in the Plan. Each participant should consult his own personal advisor to review the tax consequences of making any elections under the Plan and to determine his own tax liability.

4. Participant Vesting

A participant in the Plan is fully vested in all of his accounts under the Plan upon his death, retirement, disability, or attainment of age 65 or upon change in control of the Corporation. A participant whose employment terminates for any reason before his death or retirement is entitled to receive 100% of his own contributions plus earnings thereon and will receive his employer contribution account plus earnings thereon based upon a schedule under which the account is 100% vested after five years of participation in the Plan, or after completion of five years of service with the Corporation. The non-vested portion of the employer contribution account will be forfeited under certain circumstances and held to reduce future contributions to be made by the Corporation to the Plan.

5. Investments

A. Unrealized appreciation in Crompton & Knowles Corporation common stock:

	12/31/95	12/31/94	12/31/93
Unrealized apprec. at the beginning of the year	$19,773,208	$31,807,154	$36,989,039
Unrealized apprec. at the end of the year	12,319,023	19,773,208	31,807,154
Increase/(decrease) in unrealized appreciation	$(7,454,185)	$(12,033,946)	$(5,181,885)

B. Net purchases (sales) of shares of Crompton & Knowles Corporation common stock consist of the following:

	Contributions And Purchases	Sales and Withdrawals	Net Purchases (Sales)
1995			
No. of shares	283,757	151,659	132,098
Cost amount	$4,307,961	$1,039,233	$3,268,728
1994			
No. of shares	145,724	86,429	59,295
Cost amount	$2,446,717	485,144	$1,961,573
1993			
No. of shares	131,841	269,060	(137,219)
Cost amount	$2,924,833	$1,275,893	$1,648,940

C. Gain on sale of investments and withdrawals of Crompton & Knowles Common Stock:

	1995	1994	1993
Aggregate proceeds	$2,336,353	$1,727,888	$5,890,730
Aggregate cost (FIFO)	1,039,233	485,144	1,275,893

Net gain	$1,297,120	$1,242,744	$4,614,837

6. Plan Expenses
Significant costs of Plan administration, which are payable from the Trust or by the Corporation, are generally paid by the Corporation.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Crompton & Knowles Corporation:

We have audited the accompanying statements of financial condition of Crompton & Knowles Corporation Employee Stock Ownership Plan (the Plan) as of December 31, 1995 and 1994, and the related statements of income and changes in plan equity for each of the years in the three-year period ended December 31, 1995. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 1995 and 1994, and the income and changes in plan equity for each of the years in the three-year period ended December 31, 1995 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Stamford, Connecticut
March 15, 1996