

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

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FILER

ZURN INDUSTRIES INC

CIK: **109446** | IRS No.: **251040754** | State of Incorpor.: **PA** | Fiscal Year End: **0331**
Type: **S-8** | Act: **33** | File No.: **333-00813** | Film No.: **96513492**
SIC: **4991** Cogeneration services & small power producers

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FORM S-8

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Registration Statement Under the Securities Act of 1933

ZURN INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)Pennsylvania
(State of incorporation)25-1040754
(IRS employer identification no.)One Zurn Place, Erie, Pennsylvania
(Address of principal executive offices)16505
(Zip code)ZURN/NEPCO RETIREMENT SAVINGS PLAN
(Full title of the plan)Dennis Haines, General Counsel and Secretary
One Zurn Place, Erie, Pennsylvania 16505
(Name and address of agent for service)

Telephone number, including area code, of agent for service 814-452-2111

Approximate date of proposed sale to the public:
From time to time after the effective date of this registration statement

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, \$.50 Par Value	200,000 shares	\$22.50	\$4,500,000	\$1,551.72

(1) To be acquired by a trustee pursuant to the Plan for the accounts of Plan participants. The number of shares represents the maximum number issuable under the Plan that are covered by this registration statement pursuant to Rule 457(h).

(2) Based on the average of the high and low sales prices of the registrant's common stock on the New York Stock Exchange on February 5, 1996 solely for the purpose of calculating the registration fee.

In addition, pursuant to Rule 416(c) under the Securities Act of 1933, as amended, this registration statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plan described herein.

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PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The documents containing the information specified in Part I of Form S-8 will be delivered to the participants in the Zurn/NEPCO Retirement Savings Plan (the "Plan") as required by Securities Act Rule 428(b). As permitted by the rules of the Securities and Exchange Commission, such documents are not being filed as part of this registration statement or as prospectuses or prospectus supplements pursuant to Securities Act Rule 424.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3 - INCORPORATION OF DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended March 31, 1995 filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference.

The Plan's Annual Report on Form 11-K for the year ended December 31, 1994 filed pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference.

All documents subsequently filed by the Company and the Plan with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing such documents.

ITEM 4 - DESCRIPTION OF SECURITIES

The Company's Common Stock, \$.50 par value, has been registered under Section 12 of the Securities Exchange Act of 1934, as amended.

Not applicable to Plan interests.

ITEM 5 - INTERESTS OF NAMED EXPERTS AND COUNSEL

Not applicable.

ITEM 6 - INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Articles of Incorporation and Bylaws provide that, to the fullest extent that the laws of the Commonwealth of Pennsylvania, as in effect on January 27, 1987, or as thereafter amended, permit the elimination or limitation of liability of directors, officers, or employees, no such person shall be personally liable for monetary damages as such for any action taken

or any failure to take any action on behalf of the Company. Also, the Company maintains a directors and officers liability insurance policy covering all of its directors.

The Plan provides that the Board of Directors, the members of the Pension Committee, its delegates and appointees or any other person who may be determined to be a Fiduciary, other than persons who are independent of the Employer and are rendering services to or with respect to the Plan, and any officer or employee of the Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Employer for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such

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individual or the Employer from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I of ERISA. (The terms "Board of Directors", "Pension Committee", "Fiduciary", "Employer", and "ERISA" as used herein have the meanings defined in the Plan.)

ITEM 7 - EXEMPTION FROM REGISTRATION CLAIMED

Not applicable.

ITEM 8 - EXHIBITS

The exhibits listed in the Exhibit Index to this registration statement are incorporated herein by reference.

In lieu of an opinion of counsel concerning compliance with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or an Internal Revenue Service ("IRS") determination letter that the Plan is qualified under Section 401 of the Internal Revenue Code of 1986, as amended, the Company has submitted the Plan, and hereby undertakes to submit any amendments to the Plan, to the IRS in a timely manner and has made, or will make, all changes required by the IRS in order to qualify the Plan.

ITEM 9 - UNDERTAKINGS

The undersigned registrant hereby undertakes (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement, (2) that, for purposes of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof, and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and each filing of the Plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended, that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers, or employees of the Company pursuant to the provisions set forth in Item 6, or otherwise, the Company has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the

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Securities Act of 1933, as amended, and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or employee in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Erie, Commonwealth of Pennsylvania, on February 7, 1996.

ZURN INDUSTRIES, INC.
(Registrant)

/s/ Dennis Haines
Dennis Haines
General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the date indicated.

By Dennis Haines for Robert R. Womack, Director, Chairman, and Chief Executive Officer

/s/ Dennis Haines
Dennis Haines

Attorney In Fact

February 7, 1996

/s/ John R. Mellett
John R. Mellett

Senior Vice President-
Chief Financial Officer

February 7, 1996

/s/ John E. Rutzler III
John E. Rutzler III

Vice President-Controller

February 7, 1996

By John E. Rutzler III for the following Directors:

Zoe Baird
Robert D. Neary

William E. Butler
David W. Wallace

Edward J. Campbell

/s/ John E. Rutzler III
John E. Rutzler III

Attorney In Fact

February 7, 1996

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Pursuant to the requirements of the Securities Act of 1933, as amended, the Pension Committee of Zurn Industries, Inc. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Erie, Commonwealth of Pennsylvania, on February 7, 1996.

ZURN/NEPCO RETIREMENT SAVINGS PLAN
(Plan)

/s/ James A. Zurn
James A. Zurn, Chairman
Pension Committee of
Zurn Industries, Inc.

EXHIBIT INDEX

4 Instruments Defining the Rights of Security Holders,
Including Indentures

Description of Common Stock contained in the prospectus dated July 26, 1972 beginning on page 18 ("Description of Capital Stock") forming a part of Amendment No. 3 to the Form S-1 Registration Statement No. 2-44631	Incorporated by reference
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Description of Common Stock as set forth in the Restated Articles of Incorporation with Amendments through August 7, 1987 filed as Exhibit 19A to Form 10-Q for the quarter ended September 30, 1987	Incorporated by reference
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Description of Preferred Share Purchase Rights contained in the Form 8-A/A Registration Statement Amendment No. 1 dated June 27, 1995	Incorporated by reference
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Consents of Experts and Counsel

23.1 Consent of Ernst & Young LLP

23.2 Consent of Pashke Twargowski & Lee

Power of Attorney

24.1 Powers Of Attorney signed on October 30, 1995 by Z. Baird,
W.E. Butler, E.J. Campbell, R.D. Neary, and D.W. Wallace

24.2 Power Of Attorney signed on January 12, 1996 by
Robert R. Womack

99 Additional Exhibits

Annual Report on Form 10-K for the year
ended March 31, 1995

Incorporated
by reference

Annual Report on Form 11-K for the year
ended December 31, 1994

Incorporated
by reference

Zurn/NEPCO Retirement Savings Plan

EXHIBIT 23.1 - CONSENT OF ERNST & YOUNG LLP

We consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated May 18, 1995 with respect to the consolidated financial statements and financial statement schedule incorporated by reference or included in the Annual Report on Form 10-K of Zurn Industries, Inc. for the year ended March 31, 1995.

/s/ Ernst & Young LLP

Erie, Pennsylvania

February 7, 1996

EXHIBIT 23.2 - CONSENT OF PASHKE TWARGOWSKI & LEE

We consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated October 11, 1995 with respect to the financial statements and supplemental schedules included in the Annual Report on Form 11-K of the Zurn/NEPCO Retirement Savings Plan for the year ended December 31, 1994.

/s/ Pashke Twargowski & Lee

Erie, Pennsylvania

February 7, 1996

EXHIBIT 24.1
POWERS OF ATTORNEY

Each person whose name appears below hereby authorizes Dennis Haines and John E. Rutzler III, severally, to execute in the name of each such person, and to file with the Securities and Exchange Commission registration statements on Form S-8, or amendments to such registration statements which may make such changes as each of the above named attorneys deems appropriate, with all exhibits and other related documents, all as necessary or advisable to enable Zurn Industries, Inc. (the "Registrant") to comply with the Securities Act of 1933, as amended, and any applicable rules, regulations, and requirements of the Securities and Exchange Commission, in connection with the registration of securities for the Zurn Industries, Inc. 1995 Directors Stock Option Plan, the Zurn Retirement Savings Plan, and the Zurn/NEPCO Retirement Savings Plan.

Signed on the 30th day October 1995:

/s/ William E. Butler
William E. Butler

/s/ Zoe Baird
Zoe Baird

/s/ Edward J. Campbell
Edward J. Campbell

/s/ Robert D. Neary
Robert D. Neary

/s/ David W. Wallace
David W. Wallace

EXHIBIT 24.2
POWER OF ATTORNEY

Robert R. Womack authorizes Dennis Haines and John E. Rutzler III, severally, to execute in his name, and to file with the Securities and Exchange Commission registration statements on Form S-8, or amendments to such registration statements which may make such changes as each of the above named attorneys deems appropriate, with all exhibits and other related documents, all as necessary or advisable to enable Zurn Industries, Inc. (the "Registrant") to comply with the Securities Act of 1933, as amended, and any applicable rules, regulations, and requirements of the Securities and Exchange Commission, in connection with the registration of securities for the Zurn Retirement Savings Plan and the Zurn/NEPCO Retirement Savings Plan.

Signed on the 12th day January 1996:

/s/ Robert R. Womack
Robert R. Womack

Exhibit 99 - ZURN/NEPCO RETIREMENT SAVINGS PLAN

ZURN/NEPCO RETIREMENT SAVINGS PLAN

Amended and Restated as of January 1, 1996

ZURN/NEPCO RETIREMENT SAVINGS PLAN

The Zurn/NEPCO Retirement Savings Plan (the "Plan"), as herein set forth, is an amendment and restatement as of January 1, 1996 of the Plan effective April 1, 1991.

This amendment and restatement of the Plan shall constitute an amendment, restatement and continuation of the Plan. Although this amendment and restatement is generally effective January 1, 1996, certain provisions of this amendment and restatement are effective as of some other date. Events occurring before the applicable effective date of any provision of this amendment and restatement shall be governed by the applicable provision of the Plan in effect on the date of the event.

The rights of any person who terminated employment or who retired on or before the effective date of any particular provision of the Plan, including his eligibility for benefits, shall be determined solely under the terms of the Plan as in effect on the date of his termination of employment or retirement, unless such person is thereafter reemployed and again becomes a Participant; provided, however, that the time and form in which benefits, if any, will be paid, shall be determined under the terms of the Plan as in effect on the date benefits commence.

The Plan is intended to comply with the provisions of the Employee Retirement Income Security Act of 1974, and to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended, and under any rulings or regulations pursuant thereto adopted by the Department of Labor and/or the Department of the Treasury.

ZURN/NEPCO RETIREMENT SAVINGS PLAN

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ZURN/NEPCO RETIREMENT SAVINGS PLAN

As Amended and Restated as of January 1, 1996

Article 1. Definitions

- 1.01 "Accounts" means accounts held under the Plan for a Member, consisting of, to the extent applicable, his Deferred Account, Employer Account and Rollover Account.
- 1.02 "Actual Contribution Percentage" means, with respect to a specified group of Employees who during a given Plan Year were Covered Employees, the average of the ratios, calculated separately for each Covered Employee in that group, of (a) the amount of Employer Matching Contributions for that Plan Year, to (b) his Statutory Compensation for that Plan Year (Statutory Compensation shall only be counted if received during the period a Covered Employee is a Member or is eligible to become a Member). The Actual Contribution Percentage for each group and the ratio determined for each Covered Employee in the group shall be calculated to the nearest one-hundredth of one percent.
- 1.03 "Actual Deferral Percentage" means, with respect to a specified group of Employees who during a given Plan Year were Covered Employees, the average of the ratios, calculated separately for each Covered Employee in that group, of (a) the amount of Deferred Cash Contributions made pursuant to Section 3.01 for that Plan Year (whether or not such Contributions are returned to the Member

pursuant to Section 3.01(c)), to (b) the Covered Employee's Statutory Compensation for that Plan Year (Statutory Compensation shall only be counted if received during the period a Covered Employee is a Member or is eligible to become a Member). The Actual Deferral Percentage for each group and the ratio determined for each Covered Employee in the group shall be calculated to the nearest one-hundredth of one percent.

- 1.04 "Adjustment Factor" means the cost of living adjustment factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code and applied to such items and in such manner as the Secretary shall provide.
- 1.05 "Affiliated Employer" means any company not participating in the Plan which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which also includes as a member the Employer; any trade or business under common control (as defined in Section 414(c) of the Code) with the Employer; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Employer; and any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the

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Code. Notwithstanding the foregoing sentence, for purposes of Section 3.07, the definitions in Sections 414(b) and (c) of the Code shall be modified as provided in Section 415(h) of the Code.

- 1.06 "Alternate Payee" means any spouse, former spouse, child or other dependent of a Member who is recognized by a qualified domestic relations order (within the meaning of Section 414(p) of the Code) as having a right to receive all, or a portion of, the Member's Accounts under the Plan.
- 1.07 "Annuity Starting Date" means the first day on which all events have occurred which entitle a Member to a distribution under Article 9 hereof.
- 1.08 "Beneficiary" means any person, persons or entity named by a Member by written designation filed with the Pension Committee to receive benefits payable in the event of the Member's death; provided, however, if the Member is married, his spouse shall be deemed to be the Beneficiary unless or until he elects another Beneficiary by a written designation filed with the Pension Committee which designation shall not be effective without Spousal Consent. If no such designation is in effect at the time of death of the Member, or if no person, persons or entity so designated shall survive the Member, the Member's surviving spouse, if any, shall be deemed to be

the Beneficiary; otherwise, the Beneficiary shall be the estate of the Member.

- 1.09 "Board of Directors" means the Board of Directors of Zurn Industries, Inc.
- 1.10 "Break in Service" shall mean a Plan Year (or, for purposes of eligibility, the 12-month period following hire or rehire) during which an Employee fails to complete more than 500 Hours of Service; provided, however, that, solely for purposes of determining whether a Break in Service has occurred, an Employee who is absent from work due to the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee or for purposes of caring for that child for a period immediately following that birth or placement shall be deemed to have completed Hours of Service equal to the number of Hours of Service such Employee would normally have completed but for such absence provided that any Hours of Service credited for any single such absence shall not include more than 501 Hours of Service which shall be applied:
- (a) with respect to an Employee who would otherwise incur a Break in Service, to the Plan Year in which such absence commenced; or
 - (b) with respect to any other Employee, to the Plan Year immediately following the Plan Year in which such absence commenced.

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- 1.11 "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 1.12 "Common Stock" means the Common Stock, \$0.50 par value, of Zurn Industries, Inc. which are qualifying employer securities within the meaning of Section 407(d)(5) of ERISA.
- 1.13 "Compensation" means the basic cash remuneration paid by an Employer to an Employee for services rendered to the Employer, determined prior to any Hypothetical Tax Deduction or any reduction pursuant to Section 3.01 or pursuant to a cafeteria plan as described in Section 125 of the Code. Compensation shall include overtime pay, vacation pay, severance pay, sick pay (paid through payroll) and sales commissions, and shall exclude bonuses, incentive pay and all other forms of special pay. In no event shall the amount of Compensation taken into account under the Plan for any Plan Year exceed the adjusted annual limitation permitted under Section 401(a)(17) of the Code for such Plan Year. Such adjusted annual limitation shall be, for each Plan Year beginning on and after the Plan's effective date of April 1, 1991 and prior to January 1, 1994, \$200,000 as adjusted

for such year in the same manner as under Section 415(d) of the Code and, for each Plan Year beginning on and after January 1, 1994, \$150,000 as adjusted for such year as provided under Section 401(a)(17)(B) of the Code. In applying this limitation, the family group of a Highly Compensated Employee who is subject to the family member aggregation rules of Section 414(q)(6) of the Code because such Member is either a 5% owner of the Employer or one of the top 10 Highly Compensated Employees on the basis of Statutory Compensation, shall be treated as a single Member. For this purpose, family members shall include the Member, the Member's spouse and any lineal descendants who have not attained age 19 before the close of the year. If, as a result of the application of such rules, the adjusted annual limitation is exceeded, then the limitation shall be prorated among the affected family members in proportion to each such family member's Compensation as determined prior to the application of the adjusted annual limitation.

1.14 "Contribution Limit" means the maximum amount, established by the Pension Committee pursuant to Section 3.06(a), of Deferred Cash Contributions that Employers may contribute to the Plan with respect to any calendar year on behalf of some or all Members who are Highly Compensated Employees.

1.15 "Covered Employee" means any Employee of an Employer who is classified as an hourly or salaried Employee by the Employer and who receives stated compensation other than a pension, retainer or fee under contract; provided, however, that the following classes of individuals shall not be considered Covered Employees hereunder:

- (a) any person who is included in a unit of Employees covered by a collective bargaining agreement which does not provide for his membership in the Plan;

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- (b) any nonresident alien as defined in the Code;
- (c) any leased employee including any such individual who is a Leased Employee; and
- (d) Employees of Affiliated Employers.

1.16 "Deferred Account" means the account into which shall be credited the Deferred Cash Contributions made on a Member's behalf and earnings on those contributions.

1.17 "Deferred Cash Contributions" means all amounts contributed pursuant to Section 3.01 of the Plan.

1.18 "Disability" means total and permanent physical or mental disability, as evidenced by: (a) receipt of a Social Security disability pension, (b) receipt of disability payments under the Employer's long-term disability program, or (c) certification by a physician or physicians

chosen by the Member and satisfactory to the Pension Committee.

- 1.19 "Earnings" means the amount of earnings to be returned with any excess deferrals under Section 3.01 or excess contributions and excess aggregate contributions under Section 3.06 as determined in accordance with regulations prescribed by the Secretary of the Treasury under the provisions of Sections 401(k), 401(m) or 402(g) of the Code.
- 1.20 "Employee" means a person employed by the Employer or an Affiliated Employer.
- 1.21 "Employer" means National Energy Production Corporation ("NEPCO") and all majority-owned subsidiaries of NEPCO incorporated under the laws of the United States, or any political subdivision thereof, which are not Affiliated Employers with respect to their Employees, or any successor by merger, purchase or otherwise, with respect to their Employees; or any other entity participating in the Plan as provided in Section 13.03(a) with respect to its Employees.
- 1.22 "Employer Account" means the account into which shall be credited the Employer Matching Contributions and earnings on those contributions.
- 1.23 "Employer Matching Contributions" means all amounts contributed pursuant to Section 3.02 of the Plan.
- 1.24 "Enrollment Date" means, with respect to any Covered Employee who had not satisfied the eligibility requirements of Section 2.01 hereof prior to October 1, 1993, the January 1 or July 1 coincident with or next following the date the Covered Employee satisfies the age and service requirements of Section 2.01 and the first day of any month thereafter.
- 1.25 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

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- 1.26 "Fiduciary" means any person who:
- (a) exercises any discretionary authority or discretionary control respecting management of the Plan or the trust fund or exercises any authority or control respecting management or disposition of assets of the trust fund;
 - (b) renders investment advice for a fee or other compensation, direct or indirect, with respect to any part of the trust fund, or has any authority or responsibility to do so; or
 - (c) has any discretionary authority or discretionary responsibility in the administration of the Plan or the trust fund.
- Except as otherwise provided, the Pension Committee and the Trustee shall be named Fiduciaries under ERISA. Notwithstanding the

foregoing, Members, Employees, Alternate Payees and Beneficiaries with Accounts under the Plan shall be considered Named Fiduciaries solely to the extent of those fiduciary duties and responsibilities which are directly related to the exercise of voting and tender offer rights with respect to Plan interests invested in the Zurn Stock Fund (and not to other aspects of Plan operation and/or administration).

- 1.27 "Fund" or "Investment Fund" means the separate funds in which contributions to the Plan are invested in accordance with Article 4 and, as applicable, Article 5.
- 1.28 "Highly Compensated Employee" means any Employee who satisfies one or more of the following criteria:
- (a) During that Plan Year (the "determination year") or the preceding Plan Year (the "lookback year") the employee:
 - (i) was at any time a 5% owner of the Employer;
 - (ii) received Statutory Compensation in excess of \$75,000 multiplied by the Adjustment Factor;
 - (iii) received Statutory Compensation in excess of \$50,000 multiplied by the Adjustment Factor and was a member of the Top Paid Group; or
 - (iv) was at any time an officer of the Employer or an Affiliated Employer and received Statutory Compensation greater than 50% of the dollar limitation on maximum benefits under Section 415(b)(1)(A) of the Code for such Plan Year.
 - (b) The Statutory Compensation paid to any family member (spouse, lineal ascendant or descendant, and their spouses) of a 5% owner or one of the top 10 Highly Compensated Employees on the basis of Statutory Compensation, shall be aggregated with the Statutory Compensation of such Employee for purposes of this definition.
 - (c) Notwithstanding the foregoing, an Employee who meets the criteria under (ii), (iii) or (iv) of (a) above for the current Plan Year, but not for the preceding Plan Year, will not be considered a Highly Compensated Employee for the current Plan Year unless the Employee is one of the 100 highest paid Employees of the Employer or an

- Affiliated Employer and for purposes of (iv) of (a) above, no more than 50 Employees (or, if lesser, the greater of 3 or 10% of Employees) shall be treated as officers.
- (d) Notwithstanding the foregoing, Employees who are nonresident aliens and who receive no earned income from the Employer or an Affiliated Employer which constitutes income from sources within the United States shall be disregarded for all purposes of this Section.

- (e) Top Paid Group means all active Employees of the Employer or an Affiliated Employer who, as of a given year, are in the top twenty percent (20%) of the work force of the Employer and all Affiliated Employers on the basis of Statutory Compensation for such year, excluding the following:
 - (i) Employees who have not completed six (6) months of service by the end of such year;
 - (ii) Employees who work less than seventeen and one-half (17-1/2) hours per week for such year;
 - (iii) Employees who normally do not work more than six (6) months in a year;
 - (iv) Employees under age twenty-one (21) at the end of such year; and
 - (v) non-resident aliens.
- (f) To the extent permitted under regulations or other guidance issued by the Internal Revenue Service, the Pension Committee may elect to determine the status of Highly Compensated Employees on a basis other than that provided above.
- (g) The provisions of this Section shall be further subject to such additional requirements as shall be described in Section 414(q) of the Code and its applicable regulations, which shall override any aspects of this Section inconsistent therewith.

1.29 "Hour of Service" means, with respect to any applicable computation period:

- (a) Each hour for which the Employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliated Employer;
- (b) Each hour for which an Employee is paid or entitled to payment by the Employer or an Affiliated Employer on account of a period during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence, but not more than 501 hours for any single continuous period; provided, however, that Hours of Service shall include those hours in excess of 501 which the Employee would have completed during a period of military service if the Employee returns to service with the Employer or an Affiliated Employer within the period in which his reemployment rights are protected by law;
- (c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliated Employer, excluding any hour credited under (a) or (b), which shall be credited to the computation period or

periods to which the award, agreement or payment pertains, rather than to the computation period in which the award, agreement or payment is made;

- (d) Each hour for which service credit is required under The Family

and Medical Leave Act of 1993 with respect to an Employee who is on leave as provided by said Act; and

- (e) Solely for purposes of determining whether an Employee has incurred a Break in Service under the Plan, each hour for which an Employee would normally be credited under paragraph (a) or (b) above during a period of absence due to the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee or for purposes of caring for that child for a period beginning immediately following that birth or adoption, but not more than 501 hours for any single continuous period. However, the number of hours credited to an Employee under this paragraph (e) during the computation period in which such absence began, when added to the hours credited to an Employee under paragraphs (a) through (d) above during that computation period, shall not exceed 501. If the number of hours credited under this paragraph (e) for the computation period in which such absence begins is zero, the provisions of this paragraph (e) shall apply as though such absence began in the immediately following computation period.

No hours shall be credited on account of any period during which the Employee performs no duties and receives payment solely for the purpose of complying with unemployment compensation, workers' compensation or disability insurance laws. The Hours of Service credited shall be determined as required by Title 29 of the Code of Federal Regulations Sections 2530.200-2(b) and (c).

- 1.30 "Hypothetical Tax Deduction" means the amount by which an Employee's Statutory Compensation paid by the Employer is reduced for taxes pursuant to an International Work Assignment Agreement.
- 1.31 "International Work Assignment Agreement" means an agreement between the Employee and the Employer or Affiliated Employer made in connection with the Employee having a work assignment outside the United States, or a territory or possession that imposes tax on Statutory Compensation pursuant to the Code, which provides for the payment to, or on behalf of, the Employee by the Employer or Affiliated Employer of the Employee's United States and foreign income tax liabilities.
- 1.32 "Leased Employee" means any person (other than an Employee of the Employer or an Affiliated Employer) who pursuant to an agreement between the recipient and a leasing organization performs services for the Employer or Affiliated Employer and related person as defined in Section 414(n)(6) of the Code on a substantially full-time basis for a period of at least one year, which services are of a type historically performed by employees in the business field of the

Employer or Affiliated Employer. Contributions or benefits provided to a Leased Employee by the leasing organization that are attributable to services performed for the Employer or Affiliated Employer shall be treated as provided by the Employer or Affiliated Employer.

- 1.33 "Member" means any Employee included in the membership of the Plan as provided in Article 2 and shall include former Employees to the extent provided under Section 2.04.
- 1.34 "Normal Retirement Age" means the later of a Member's age 65 or the fifth anniversary of the date he is first eligible to enter the Plan.
- 1.35 "Pension Committee" means the persons named to administer and supervise the Plan as provided in Article 10.
- 1.36 "Plan" means the Zurn/NEPCO Retirement Savings Plan as set forth in this document as the same may be amended from time to time. For purposes of Sections 401(a)(27) and 401(k) of the Code and Section 407(d)(3) of ERISA, the Plan is a profit sharing plan.
- 1.37 "Plan Year" means the 12-month period beginning on any January 1.
- 1.38 "Rollover Account" means the account into which shall be credited Rollover Contributions and earnings on those contributions.
- 1.39 "Rollover Contributions" means all amounts contributed pursuant to Section 3.03 of the Plan.
- 1.40 "Spousal Consent" means a written consent given by a Member's spouse to a Member's designation of a specified Beneficiary or Beneficiaries (including the designation of any class of Beneficiaries or any contingent Beneficiaries). Any Spousal Consent shall be effective only with respect to such spouse. Such consent shall be duly witnessed by a Plan representative or a notary public and shall acknowledge the effect on the spouse of the Member's election. The Member may revoke an election any number of times without Spousal Consent at any time before the Annuity Starting Date. Any new election will require a new Spousal Consent. The requirement for Spousal Consent may be waived by the Pension Committee if it is established that there is no spouse, the spouse cannot be located, the Member has a court order evidencing a legal separation from or abandonment by the spouse, or for such other circumstances as shall be prescribed by applicable law.
- 1.41 "Statutory Compensation" means the wages, salaries, and other amounts paid by an Employer or Affiliated Employer in respect of an Employee for services actually rendered to an Employer or an Affiliated Employer, for which the Employer or Affiliated Employer is required to furnish a written statement under Sections 6041(d) and 6051(a)(3) of the Code. Statutory Compensation shall include Deferred Cash

salary reduction basis to a cafeteria plan as described in Section 125 of the Code. Statutory Compensation for Plan purposes in any given year shall not exceed the adjusted annual limitation in effect for such year (as set forth in Section 1.13), provided that such limitation shall not be applied in determining the top 10 Highly Compensated Employees subject to family aggregation under the Plan, the status of an Employee as a Highly Compensated Employee under Section 1.28 and for purposes of the maximum limitations under Section 3.07.

- 1.42 "Trustee" means the trustee or trustees by whom the funds of the Plan are held as provided in Article 11.
- 1.43 "Valuation Date" means the last business day of each Plan Year and, where appropriate given the context, the last business day preceding the date of a Member's withdrawal, distribution, loan or other event requiring a valuation of a Member's Accounts. Subject to the provisions of Section 4.08, the fair market value of Investment Funds on any Valuation Date shall be determined as of the close of trading on said Valuation Date.
- 1.44 "Vested Portion" means the portion of the Accounts in which the Member has a nonforfeitable interest as provided in Article 6.
- 1.45 "Year of Eligibility Service" means, with respect to any hourly Employee, an eligibility computation period (as hereinafter defined) in which the hourly Employee completes at least 1,000 Hours of Service, whether or not as a Covered Employee. With respect to any salaried Employee, "Year of Eligibility Service" means the 12-month period of employment with the Employer or an Affiliated Employer, whether or not as a Covered Employee, beginning on the date he first completes an Hour of Service. For purposes of this Section, an "eligibility computation period" means the 12-month period beginning on the date the Employee first completes an Hour of Service upon hire or rehire or any subsequent 12-month period commencing on a January 1 or July 1.
- 1.46 "Year of Vesting Service" means, for purposes of determining a Member's nonforfeitable right to Employer Matching Contributions made on his behalf, a Plan Year during which the Employee has at least 1,000 Hours of Service with the Employer or any Affiliated Employer; provided, however, if (a) an Employee's eligibility computation period (as defined in Section 1.45) overlaps two Plan Years, and (b) such Employee completes 1,000 Hours of Service in the eligibility computation period but fails to complete 1,000 Hours of Service in either one of the overlapped Plan Years, and (c) the Employee is a Covered Employee and admitted to participate in the Plan, then the

Year of Eligibility Service completed for eligibility to participate shall also be considered a Year of Vesting Service at the time the Covered Employee becomes a Member.

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In the case of any Employee who has any one-year Break in Service, Years of Vesting Service before such Break in Service shall be disregarded until he has completed a 12-month period of service, commencing upon the cessation of the Break in Service, in which he has completed at least 1,000 Hours of Service.

In the case of a Member who does not have a non-forfeitable right to his Employer Account and whose number of consecutive one-year Breaks in Service equals or exceeds the greater of (a) five, or (b) the total number of Years of Vesting Service rendered before the consecutive one-year Breaks in Service (excluding any Years of Vesting Service disregarded under this sentence by reason of any earlier one-year Breaks in Service), the service rendered before the consecutive one-year Breaks in Service shall be excluded from his Years of Vesting Service.

1.47 "Zurn Stock Fund" means the Investment Fund described in Section 5.01.

Article 2. Eligibility and Membership

2.01 Eligibility

Each Covered Employee shall be eligible to become a Member on any Enrollment Date coinciding with or immediately following the date he completes the required Year of Eligibility Service or his 21st birthday, whichever is later. Any person reemployed by the Employer who was previously a Member or who was previously eligible to become a Member, shall be eligible to become a Member of the Plan on the next Enrollment Date.

2.02 Membership

A Covered Employee who is eligible to become a Member under Section 2.01 shall become a Member on the first Enrollment Date coinciding with or following the date he properly submits at least three weeks prior to the Enrollment Date the enrollment form or forms prescribed by the Pension Committee on which he:

- (a) makes the election described in Section 3.01;
- (b) authorizes the Employer to reduce his Compensation;
- (c) makes an investment election; and
- (d) names a Beneficiary.

The Deferred Cash Contributions elected by the Member shall begin with the first day of the payroll period beginning approximately

three weeks after the date he files the prescribed form or forms; provided, however, such day shall not precede an Enrollment Date.

2.03 Transferred Members

A Member who remains in the employ of the Employer or an Affiliated Employer but ceases to be a Covered Employee shall continue to be a Member of the Plan but shall not be eligible to have Deferred Cash Contributions made on his behalf while his employment status is other

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than as a Covered Employee. In the event the Member again becomes a Covered Employee, he shall be eligible to have Deferred Cash Contributions made on his behalf by submitting the enrollment forms prescribed by Section 2.02.

2.04 Termination of Membership

A Member's membership shall terminate on the date he terminates employment with the Employer or an Affiliated Employer unless the Member is entitled to benefits under the Plan, in which event his membership shall terminate when those benefits are distributed to him.

Article 3. Contributions

3.01 Deferred Cash Contributions

- (a) A Member may elect on the form or forms filed under Section 2.02 to reduce his Compensation payable while a Member by not less than 1% and not more than 18%, in multiples of 1%, and have that amount contributed to the Plan by the Employer as Deferred Cash Contributions in a manner to be determined by the Pension Committee. Any Deferred Cash Contributions elected under this Section 3.01 shall be allocated to the Member within the Plan Year for which they are contributed and shall be paid to the Trustees as soon as such amounts can reasonably be segregated from the Employer's general assets. Deferred Cash Contributions shall be further limited as provided in Sections 3.01(b), 3.06 and 3.07.
- (b) Any provision of this Plan to the contrary notwithstanding, no Employer shall be permitted:
 - (i) During any calendar year, to make with respect to such calendar year, Deferred Cash Contributions on behalf of a Member under the Plan that, when combined with the Member's elective deferrals under any other plans, contracts, or arrangements described in Section 1.402(g)-1(b) of the Income Tax Regulations, will exceed \$7,000, as indexed for such year under Section 402(g)(5) of the Code; and
 - (ii) With respect to any given pay period or group of pay

periods as determined by the Pension Committee within a given calendar year, to make Deferred Cash Contributions to the Plan on behalf of a Member who is a Highly Compensated Employee that will exceed the prorated portion of the Contribution Limit then in effect for that Member for the given pay period or group of pay periods.

- (c) In the event any amount of Deferred Cash Contributions made on behalf of a Member for a calendar year exceeds the limitation specified in Section 3.01(b)(i) for such calendar year, such excess amount (hereafter described for purposes of this Section, as "excess deferrals"), as adjusted for any income or loss allocable thereto in accordance with Income Tax

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Regulations shall, to the extent possible, be distributed to such Member as provided in subparagraphs (i), (ii) and (iii) below:

- (i) At a date not later than the March 1st of the calendar year immediately following the calendar year to which such excess deferrals are attributable, any Member to whom this Section 3.01(c) applies may notify, in writing, the Pension Committee by submitting a form as may be provided by the Pension Committee which shall specify the amount of the Member's excess deferrals for the given calendar year and shall contain a certified statement by the Member indicating that if such amount is not distributed, such excess deferrals will exceed the limit imposed on the Member by Section 402(g) of the Code for the year in which the Deferred Cash Contributions occurred. Notwithstanding the foregoing, in the event a Member has excess deferrals in a given year calculated by taking into account Deferred Cash Contributions made on his behalf and his elective deferrals under all other plans, contracts or arrangements maintained by the Employer or an Affiliated Employer, the Member will be deemed to have notified the Pension Committee in the manner provided in this subparagraph.
- (ii) At a date not later than the April 15 of the calendar year immediately following the calendar year to which such excess deferrals are attributable, the Plan may distribute to the Member the amount of the excess deferrals allocated to the Plan and Earnings. Any excess deferrals distributed pursuant to this subparagraph are to be included in the gross income of the Member for the year to which such excess deferrals relate. Any Earnings distributed pursuant to this subparagraph are to be included in the gross income of the Member for the year in which the Earnings are

distributed. In making a distribution as permitted under this Section, the Employer shall specifically designate the distribution as that consisting of excess deferrals within the meaning of Section 402(g)(1) of the Code. Any distribution of less than the entire amount of excess deferrals plus Earnings shall be treated as a pro rata distribution of such excess deferrals and Earnings.

- (iii) To the extent provided by the Secretary of the Treasury or his delegate, such excess deferrals distributed pursuant to this Section 3.01(c) are to be taken into account for purposes of applying the actual deferral percentage test specified in Section 3.06 (except if such excess is both prohibited under Section 401(a)(30) of the Code and is attributable to an Employee who is not a Highly Compensated Employee), and for any other purpose of the Code which may be prescribed by the

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Secretary of the Treasury or his delegate. No corrective distribution under this section shall be recognized for purposes of determining whether the minimum distribution requirements of Section 401(a)(9) of the Code are satisfied with respect to any Member.

- (iv) Any distribution in accordance with this Section 3.01(c) shall be made without regard to any notice or consent otherwise required under Sections 411(a)(11) or 417 of the Code.
- (d) Deferred Cash Contributions constitute Employer contributions under the Plan and are intended to qualify as elective contributions under Section 401(k) of the Code. Deferred Cash Contributions may be made only with respect to an amount which the Member could otherwise elect to receive in cash and which is not currently available to the Member as of the date an election specified in this Section 3.01 is made. Any Deferred Cash Contributions made on behalf of a Member in any given Plan Year that is taken into account for purposes of the actual deferral percentage limitation described in Section 3.06 shall be attributable to services performed by the Member in such Plan Year and shall relate to Compensation which would have been paid in such Plan Year (or within 2-1/2 months after such Plan Year) but for the deferral election.

3.02 Employer Matching Contributions

The Employer shall contribute on behalf of each of its Members who, pursuant to the election described in Section 3.01, makes Deferred Cash Contributions. Effective on and after January 1, 1996, the amount of Employer Matching Contribution allocated to a Member for any given pay period within a Plan Year shall equal the difference between (a) and (b), where:

- (a) equals the lesser of:
 - (i) 50% of the Deferred Cash Contributions made on behalf of the Member to the Plan with respect to such Plan Year (including the Deferred Cash Contributions made for the given pay period); or
 - (ii) 2% of the Member's Compensation for such Plan Year (including Compensation payable for the given pay period); and
- (b) equals the Employer Matching Contribution made on behalf of the Member under the Plan with respect to such Plan Year determined immediately prior to the given pay period.
The Employer Matching Contributions shall be paid to the Trustee as soon as practicable following each pay period.
Employer Matching Contributions shall be further limited as provided in Sections 3.06 and 3.07.

3.03 Rollover Contributions

With the permission of the Pension Committee and without regard to any limitations on contributions set forth in Section 3.06 or 3.07, the Plan may receive from a Member, or a Covered Employee who has not yet met the eligibility requirements for membership, a check made

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payable to the Plan which represents an amount previously received by the Member or Covered Employee from a qualified plan (either directly or indirectly), provided that such amount is eligible to be rolled over to a qualified trust in accordance with Section 402(c) of the Code and the Member or Covered Employee provides evidence satisfactory to the Pension Committee that such amount qualifies for rollover treatment. The Pension Committee may require the Member or Covered Employee to provide an opinion of counsel satisfactory to the Pension Committee that amounts to be rolled over meet the requirements of this section. The Rollover Contributions must be paid to the Trustee on or before the 60th day after the day the amounts were received by the Member or the Covered Employee.

3.04 Change in Contributions

The percentage of Compensation designated by a Member under Section 3.01 shall remain in effect, notwithstanding any change in his Compensation, until the Member elects to change such percentage. Subject to the provisions of Section 3.01, a Member may change the percentage of the Deferred Cash Contributions made on his behalf by giving at least three weeks notice to the Employer on the form prescribed by the Pension Committee. The changed percentage shall become effective no later than the first day of the payroll period after the expiration of the notice period.

3.05 Suspension of Contributions

- (a) A Member may suspend the Deferred Cash Contributions made on his behalf under Section 3.01. To suspend such contributions,

the Member must give at least three weeks prior written notice to the Employer on the form prescribed by the Pension Committee. The suspension of Deferred Cash Contributions shall become effective no later than the first day of the payroll period beginning after the expiration of the notice period.

- (b) A Member who has suspended the Deferred Cash Contributions made on his behalf may apply to the Pension Committee to again have his Compensation reduced in accordance with an election satisfying the requirements under Section 3.01. The election to have Deferred Cash Contributions resumed shall become effective no later than the first day of the payroll period next following three weeks after the election was submitted to the Pension Committee.

3.06 Limitations Affecting Highly Compensated Employees

- (a) Limitation Based on Actual Deferral Percentage: The Actual Deferral Percentage for Highly Compensated Employees who are Members or eligible to become Members shall not exceed the Actual Deferral Percentage for all other Employees who are Members or eligible to become Members multiplied by 1.25. If the Actual Deferral Percentage for Highly Compensated Employees does not meet the foregoing test, the Actual Deferral Percentage for Highly Compensated Employees may not exceed the

Actual Deferral Percentage for all other Employees who are Members or eligible to become Members by more than two percentage points, and the Actual Deferral Percentage for Highly Compensated Employees may not be more than 2.0 times the Actual Deferral Percentage for all other Employees (or such lesser amount as the Pension Committee shall determine to satisfy the provisions of Section 3.06(c)). The Pension Committee may, from time-to-time, establish a Contribution Limit and may adopt such rules as it sees fit to assist the Plan in complying with the requirements of Section 401(k)(3) of the Code and to equalize the effect of the Contribution Limit. If the Pension Committee determines that the limitation under this Section 3.06(a) has been exceeded in any Plan Year, the following provisions shall apply:

- (i) The amount of Deferred Cash Contributions made on behalf of some or all Highly Compensated Employees for the Plan Year shall be reduced, until the provisions of this paragraph are satisfied, by levelling the highest deferral percentage rates elected by the Highly Compensated Employees. Such deferral percentage rates shall be rounded to the nearest one-hundredth of one percent of the Member's Statutory Compensation.
- (ii) Deferred Cash Contributions subject to reduction under

this Section 3.06(a) ("excess contributions") and Earnings shall be paid to the Member before the close of the Plan Year following the Plan Year in which the excess contributions were made and, to the extent practicable, within 2-1/2 months of the close of the Plan Year in which the excess contributions were made. However, any excess contributions for any Plan Year shall be reduced by any Deferred Cash Contributions previously returned to the Member under Section 3.01(c) for that Plan Year.

In the event any Deferred Cash Contributions returned under this Section 3.06(a) were matched by Employer Matching Contributions, such corresponding Employer Matching Contributions and Earnings shall be forfeited and may be used to reduce future Employer Matching Contributions or used in lieu of the Employer transmitting additional cash amounts to the Trustee for future Deferred Cash Contributions.

- (b) Limitation Based on Actual Contribution Percentage: The Actual Contribution Percentage for Highly Compensated Employees who are Members or eligible to become Members shall not exceed the Actual Contribution Percentage for all other Employees who are Members or eligible to become Members multiplied by 1.25. If the Actual Contribution Percentage for Highly Compensated Employees does not meet the foregoing test, the Actual Contribution Percentage for Highly Compensated Employees may not exceed the lesser of the Actual Contribution Percentage of all other Employees who are Members or eligible to become

Members plus two percentage points or such Contribution Percentage multiplied by 2.0 (or such lesser amount as the Pension Committee shall determine to satisfy the provisions of Section 3.06(c)). If the Pension Committee determines that the limitation under this Section 3.06(b) has been exceeded in any Plan Year, the following provisions shall apply:

- (i) The amount of Employer Matching Contributions made on behalf of some or all Highly Compensated Employees in the Plan Year shall be reduced, to the extent necessary to insure that the provisions of Section 3.06(b) are satisfied, by levelling the highest percentage deferral rates elected by the Highly Compensated Employees. Such percentage deferral rates shall be rounded to the nearest one-hundredth of one percent of the Member's Statutory Compensation.
- (ii) Any Employer Matching Contributions subject to reduction under this paragraph ("excess aggregate contributions") and Earnings shall be reduced as shall be necessary to equal the balance of the excess aggregate contributions,

with the vested Employer Matching Contributions and Earnings being paid to the Member and the Employer Matching Contributions which are forfeitable under the Plan being forfeited. Such forfeited amounts may be used to reduce future Employer Matching Contributions or used in lieu of the Employer transmitting additional cash amounts to the Trustee for future Deferred Cash Contributions.

- (iii) Any payment or forfeiture of excess aggregate contributions shall be made before the close of the Plan Year following the Plan Year for which the excess aggregate contributions were made and, to the extent practicable, any repayment shall be made within 2-1/2 months of the close of the Plan Year in which the excess aggregate contributions were made.
- (c) Notwithstanding the provisions of Sections 3.06 (a) and (b), in no event shall the sum of the Actual Deferral Percentage of the group of eligible Highly Compensated Employees and the Actual Contribution Percentage of such group, after applying the provisions of Sections 3.06 (a) and (b), exceed the "aggregate limit" as such term is defined under Section 1.401(m)-2 of the Income Tax Regulations. In the event the aggregate limit is exceeded for any Plan Year, the Actual Contribution Percentages of the Highly Compensated Employees shall be reduced to the extent necessary to satisfy the aggregate limit in accordance with the procedure set forth in Section 3.06(b) above.
- (d) In making a distribution under this Section, the Pension Committee shall specifically designate such distribution as a distribution consisting of excess contributions or excess aggregate contributions and Earnings. Any distribution of less than the entire amount of excess contributions or excess

aggregate contributions and Earnings shall be treated as a pro rata distribution of such excess contribution or excess aggregate contribution and Earnings.

- (e) Except as otherwise provided by the Secretary of the Treasury or his delegate, any excess contributions and any excess aggregate contributions shall be taken into account for purposes of determining the Member's annual additions limitation as provided in Section 3.07 and shall be taken into account for purposes of Section 404 of the Code, notwithstanding the correction of such excess amounts by distribution. No corrective distribution under this Section shall be recognized for purposes of determining whether the minimum distribution requirements of Section 401(a)(9) of the Code are satisfied with respect to any Member.
- (f) Any distribution in accordance with this Section shall be made

without regard to any notice or consent otherwise required under Sections 411(a)(11) or 417 of the Code.

- (g) If any Highly Compensated Employee is either (i) a 5% owner, or (ii) one of the top 10 Highly Compensated Employees on the basis of Statutory Compensation, then any benefit or contribution paid to or made on behalf of any member of his "family" (spouse, lineal ascendant or descendant and their spouses) shall be deemed paid to or made on behalf of such Highly Compensated Employee for purposes of Sections 3.06(a) and (b), to the extent required under regulations prescribed by the Secretary of the Treasury or his delegate under Section 401(k) and Section 401(m) of the Code. Any return of excess contributions required under Section 3.06(a), (b) or (c) with respect to the family group shall be made in accordance with such regulations. The total benefit shall then be apportioned among the Highly Compensated Employees and the members of his family in a manner determined by the Pension Committee, which shall be uniformly applicable to all Employees similarly situated.
- (h) If any Highly Compensated Employee is a member of another qualified plan of the Employer or an Affiliated Employer under which Deferred Cash Contributions or Employer Matching Contributions are made on behalf of the Highly Compensated Employee, the Committee shall implement rules, which shall be uniformly applicable to all Employees similarly situated, to take into account all such contributions for the Highly Compensated Employee under all such plans in applying the limitations of this Section.
- (i) If two or more plans of the Employer to which cash or deferred contributions, matching contributions, Employee contributions or all of them, are made and treated as one plan for the purposes of Code Section 401(a)(4) of the Code or Section 410(b) (other than for purposes of Code Section 410(b)(2)(A)(ii)), such plans shall be treated as one plan for the purposes of determining the limitation on Highly Compensated Employees under Section 3.06.

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- (j) Any provision of this Article 3 to the contrary notwithstanding, the provisions of Section 3.06 shall be deemed to include the provisions of Sections 401(k)(3) and 401(m)(3) of the Code and Sections 1.401(k)-1(b), 1.401(m)-1(b) and 1.401(m)-2 of the Income Tax Regulations which are incorporated herein by reference.

3.07 Maximum Annual Additions

- (a) The annual addition to a Member's Accounts for any Plan Year, which shall be considered the "limitation year" for purposes of Section 415 of the Code, when added to the Member's annual

addition for that Plan Year under any other qualified defined contribution plan of the Employer or an Affiliated Employer, shall not exceed an amount which is equal to the lesser of: (i) 25% of his remuneration (as hereinafter defined) for that Plan Year, or (ii) \$30,000, as adjusted by applying the Adjustment Factors to years up to and including the given Plan Year.

- (b) For purposes of this Section, the "annual addition" shall be the sum of the following amounts to the extent allocated to the Member's Accounts under the Plan or to his account under such other plan or plans described below:
- (i) The total contributions, including Deferred Cash Contributions and Employer Matching Contributions made on the Member's behalf by the Employer or an Affiliated Employer;
 - (ii) All Member contributions, exclusive of any Rollover Contributions;
 - (iii) Reallocated forfeitures; and
 - (iv) Amounts allocated to an individual medical account, as defined in Section 415(1)(2) of the Code, as part of a pension or annuity plan and amounts derived from contributions paid or accrued which are attributable to post-retirement medical benefits described in Section 419A(d) of the Code, under a welfare benefit fund (as defined in Section 419(e) of the Code) maintained by the Employer or an Affiliated Employer.
- (c) For purposes of this Section, the term "remuneration" with respect to any Member shall mean Statutory Compensation determined, however, after any reduction of Compensation pursuant to Section 3.01 or pursuant to a cafeteria plan as described in Section 125 of the Code.
- (d) In the event that a Member's total annual additions for any limitation year exceed the limitations of Section 3.07(a) because of a reasonable error in estimating a Member's Compensation, a reasonable error in determining the amount of Deferred Cash Contributions that a Participant may make within the limitations of Section 3.07(a), or due to such other facts and circumstances as the Commissioner of Internal Revenue finds justifiable, his total annual additions shall be reduced in the following order until such limitations are met:

- (i) After-tax Member contributions made in the limitation year under any other plan maintained by the Employer or Affiliated Employer shall be returned to the Member in accordance with the provisions of such plan to the extent necessary to meet the above limitations;
- (ii) The Deferred Cash Contributions made on the Member's behalf in the limitation year that are in excess of four

percent of the Member's Compensation shall be distributed to the Member;

- (iii) The Deferred Cash Contributions made on the Member's behalf in the limitation year that are not in excess of four percent of the Member's Compensation and the Employer Matching Contributions made on the Member's behalf in the limitation year shall be reduced proportionately. Deferred Cash Contributions so reduced shall be distributed to the Member. Employer Matching Contributions so reduced shall be held unallocated in a suspense account and shall be applied to reduce the Deferred Cash Contributions and the Employer Matching Contributions with respect to all Members for the subsequent limitation year.

The Pension Committee may change the order of the reductions listed above in any manner which, in the judgment of the Pension Committee, is in the Member's best interest.

- (e) If a Member is also a member in a defined benefit plan maintained by the Employer, the sum of the defined benefit plan fraction and the defined contribution plan fraction for any limitation year after 1982 shall not exceed 1.0. The defined benefit plan fraction for any limitation year is a fraction, the numerator of which is the projected annual benefit of the Member under such plan (determined as of the close of the limitation year), and the denominator of which is the lesser of 1.25 times the dollar limit in Section 415(b)(1)(A) of the Code or 1.4 times 100% of the Member's average remuneration over that period of consecutive calendar years (not more than three) during which his remuneration was the highest. The defined contribution plan fraction for any limitation year is a fraction the numerator of which is the sum of the annual additions on behalf of the Member under the Plan and any other defined contribution plan or plans maintained by the Employer as of the close of the year and the denominator of which is the sum of 1.25 times the maximum dollar limit or 1.4 times the maximum percentage limit, whichever is smaller on a year-by-year basis, which could have been made under Section 415(c) of the Code for such year and for each prior year of service with the Employer, subject to any transition adjustments allowed by law and adopted by the Pension Committee. Any adjustment necessary to comply with the limitations of Section 3.07(e) shall be made in the Member's benefit payable under the defined benefit plan.

3.08 Return of Contributions

- (a) Any provision of the Plan to the contrary notwithstanding, the total contributions made by the Employer with respect to any

Plan Year, when added to any other contributions made by the Employer to a plan qualified under Section 401(a) of the Code, shall not exceed such amount which is deductible for such Plan Year pursuant to Sections 404(a)(3) or 404(a)(7) of the Code. In any event, all contributions for a Plan Year shall be paid within the regular or extended time for filing the Employer's federal income tax return for the fiscal year which includes the Plan Year end.

- (b) The Employer's contributions to the Plan are conditioned upon their deductibility under Section 404 of the Code. If it is determined that all or part of the Employer's contributions to the Plan are not currently deductible under Section 404 of the Code, the Employer shall direct the Trustee to return the nondeductible portion of the contribution to the Employer without interest but reduced by any investment loss attributable to the nondeductible contribution. The return shall be made within one year after the contribution is determined to be nondeductible.
- (c) The Employer may recover without interest the amount of its contributions to the Plan made on account of a mistake of fact, reduced by any investment loss attributable to those contributions, if recovery is made within one year after the date of those contributions.
- (d) In the event that the Deferred Cash Contributions made under Section 3.01 are returned to the Employer in accordance with the provisions of this Section 3.08, the elections to reduce Compensation which were made by Members on whose behalf those contributions were made, to the extent the elections apply to amounts returned, shall be void retroactively to the beginning of the period for which those contributions were made. The Deferred Cash Contributions so returned shall be distributed in cash to those Members for whom those contributions were made. In the event the Pension Committee determines that an amount to be deferred pursuant to the election provided in Section 3.01 would cause the Employer's contributions under this and/or any other tax-qualified retirement plan maintained by the Employer or an Affiliated Employer to exceed the applicable deduction limits contained in Section 404 of the Code, or to exceed the maximum annual addition determined with respect to a Member in accordance with Section 3.07, the Pension Committee may, in its discretion, authorize a suspension or reduction of Deferred Cash Contributions in accordance with rules promulgated by the Pension Committee.

Article 4. Investment of Contributions and Accounts; Valuation

4.01 Investment Funds

- (a) Contributions to the Plan shall be invested in one or more Investment Funds, as authorized by the Pension Committee, from time to time.
- (b) The Trustee may keep such amounts of cash as the Pension Committee, in its sole discretion, shall deem necessary or advisable as part of the Funds, all within the limitations, if any, specified in the trust agreement.
- (c) Dividends, interest, and other distributions received on the assets held by the Trustee in respect to each of the Funds shall be reinvested in the respective Fund.

4.02 Investment of Members' Accounts

A Member or Covered Employee making a Rollover Contribution shall make one investment election which shall apply to all contributions to be made to the Deferred Account, Employer Account and, if there is no separate election, to the Rollover Account maintained on his behalf under the Plan. Such investment elections shall be furnished to the Pension Committee and shall specify, in 10% increments from 0% to 100%, the percentage of all future contributions to be invested in the Investment Funds then offered under the Plan. Such elections shall remain in effect until changed in accordance with Section 4.04.

4.03 Responsibility for Investments

Each Member and Covered Employee is solely responsible for the selection of his investment option. The Trustee, the Pension Committee, the Employer, and the directors, officers, supervisors and other employees of the Employer are not empowered to advise a Member or Covered Employee as to the manner in which his Accounts shall be invested. The fact that an Investment Fund is available for investment under the Plan shall not be construed as a recommendation for investment in that Investment Fund.

4.04 Change of Election

A Member may change his investment election with respect to future Deferred Cash Contributions and future Employer Matching Contributions at any time by giving notice to the Trustee in the form and manner prescribed by the Pension Committee. The changed investment election shall be made in the same manner as elections under Section 4.02 and shall become effective as of the business day on which the completed election is submitted to the Trustee or as of the next following business day, in accordance with procedures established by the Trustee and communicated to Members. Any election under this Section 4.04 shall remain in effect until changed by another election under this Section.

4.05 Reallocation of Accounts Among the Funds

A Member or Covered Employee with a Rollover Account maintained on his behalf may elect to reallocate his Accounts among the Investment

from 0% to 100%, the percentage of his entire Account balance to be invested in the Investment Funds then offered under the Plan or the dollar amount to be exchanged out of an Investment Fund and into one or more Investment Funds then offered under the Plan. The reallocation election shall be furnished to the Trustee and shall be effective as of the business day on which the completed election is submitted to the Trustee or as of the next following business day, in accordance with procedures established by the Trustee and communicated to Members and Covered Employees with Accounts maintained under the Plan. Such election shall remain in effect until changed by another election under this Section. Subject to Section 5.02, a Member or Covered Employee may make the reallocation election at any time by giving notice in the form and manner prescribed by the Pension Committee and communicated to Members and Covered Employees with Accounts maintained under the Plan.

4.06 Limitations Imposed by Contract

Notwithstanding anything in Article 4 to the contrary, any contributions invested in a guaranteed investment contract shall be subject to any and all terms of such contract, including any limitations placed on the exercise of any rights otherwise granted to a Member or Covered Employee under any other provisions of this Plan with respect to such contributions.

4.07 Valuation of the Investment Funds

The Trustee shall value the Investment Funds on the Valuation Date and at such other date or dates deemed necessary by the Pension Committee. On each Valuation Date there shall be allocated to the Accounts of each Member his proportionate share of the increase or decrease in the fair market value of his Accounts in each of the Funds, based on the fair market value of the Funds on said Valuation Date.

4.08 Discretionary Power of the Pension Committee

The Pension Committee reserves the right to change from time to time the procedures used in valuing the Accounts or crediting or debiting the Accounts if it determines, after due deliberation and upon the advise of counsel and/or the current recordkeeper, that such an action is justified in that it results in a more accurate reflection of the fair market value of the Accounts. In the event of a conflict between the provisions of Article 4 and such new administrative procedures, the new administrative procedures shall prevail.

4.09 Statement of Accounts

At least once a year, each Member shall be furnished with a statement setting forth the value of his Accounts.

Article 5. Zurn Stock Fund

The provisions of this Article shall become applicable to the extent to which Accounts under the Plan are invested in the Zurn Stock Fund.

5.01 Establishment of Zurn Stock Fund

Effective February 1, 1996 or as soon thereafter as is practicable and consistent with sound administration, the Pension Committee shall make available under the Plan an Investment Fund which shall consist exclusively of Common Stock; provided, however, that a portion not exceeding ten percent (10%) of the fair market value of the Fund may be held in short-term interest-bearing investments or cash pending purchase of Common Stock and to provide sufficient liquidity for exchanges out of the Fund, withdrawals and loans. Such Investment Fund shall be referred to as the "Zurn Stock Fund". Except as otherwise provided in this Article 5, a Member or Covered Employee shall be permitted to invest all or a portion of the contributions made on his behalf and/or his Accounts in the Zurn Stock Fund in accordance with the provisions of Article 4. Unless otherwise limited under the terms of the trust agreement, the Trustee may purchase or sell Common Stock on the open market or by privately-negotiated transaction; provided however, that any such purchase or sale shall be made only in exchange for fair market value as determined by the Trustee and, provided further that, except for purchases or sales of Common Stock on a stock exchange registered with the Securities and Exchange Commission, no commission shall be charged or paid with respect to any purchase or sale of Common Stock by the Trustee. Any distributions, dividends or other income received by the Trustee with respect to the Zurn Stock Fund shall be reinvested by the Trustee in the Zurn Stock Fund.

5.02 Restrictions on Transfer and Withdrawal of Amounts Invested in Zurn Stock Fund

- (a) The restrictions in Section 5.02(b) shall apply to that portion of Accounts maintained on behalf of Members, Covered Employees, Beneficiaries and Alternate Payees which are invested in the Zurn Stock Fund and, if and to the extent necessary, any election made by a Member, Covered Employee, Beneficiary or Alternate Payee under the Plan shall be deemed modified to be consistent with this Section 5.02.
- (b) Notwithstanding the provisions of Sections 4.02 and 4.05 and Articles 7 and 8:
 - (i) No Member, Covered Employee, Beneficiary or Alternate

Payee shall, on the basis of material nonpublic information with respect to Zurn Industries, Inc. or its affiliates, make an election permitted by those Sections or Articles if (A) such election would result in an exchange into or out of, loans from, withdrawals from, or an increase or decrease in the amount of contributions to the Zurn Stock Fund, and (B) the transaction resulting from such election is prohibited by Rule 10b-5.

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- (ii) No officer shall make an election permitted by those Sections or Articles if such election would result in a transaction involving the Zurn Stock Fund which is not an exempt transaction pursuant to Rule 16b-3.
- (c) For purposes of this Section 5.02, the terms "Rule 10b-5" and Rule 16b-3" shall mean the rules, as amended, having those designations promulgated by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and the terms "affiliate" and "officer" shall have the meanings set forth in Rule 12b-2 and Rule 16a-1(f), respectively, both as so promulgated and amended.

5.03 Voting of Common Stock

- (a) Each Member, Covered Employee, Beneficiary or Alternate Payee who has an Account maintained on his behalf with an investment in the Zurn Stock Fund shall have the following powers and responsibilities:
 - (i) Prior to each annual or special meeting of the shareholders of Zurn Industries, Inc. (hereinafter referred to as the "Company"), the Company shall cause to be sent to each person described in Section 5.03(a), a copy of the proxy solicitation material for such meeting, together with a form requesting confidential voting instructions for the voting of the Common Stock held in the Zurn Stock Fund in proportion to the number of units of the Zurn Stock Fund held by such a person's Accounts. Upon receipt of such a person's instructions, the Trustee shall then vote in person, or by proxy, such Common Stock as so instructed.
 - (ii) The Company shall cause the Trustee to furnish, as soon as practicable after receipt by the Trustee, to each person described in Section 5.03(a) notice of any tender or exchange offer for, or a request or invitation for tenders or exchanges of, Common Stock made to the Trustee. The Trustee shall request from each such person instructions as to the tendering or exchanging of Common Stock held in the Zurn Stock Fund in proportion to the number of units of the Zurn Stock Fund held by such a person's Accounts. Within the time specified by

the notice of any tender or exchange offer for, or request or invitation for tenders or exchanges of, Common Stock, the Trustee shall tender or exchange such Common Stock as to which the Trustee has received instructions to tender or exchange from the persons described in Section 5.03(a).

- (iii) Instructions received from the persons described in Section 5.03(a) by the Trustee regarding the voting, tendering, or exchanging of Common Stock held in the Zurn Stock Fund shall be held in strictest confidence and shall not be divulged to any other person, including directors, officers or employees of the Company, except

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as otherwise required by law, regulation or lawful process.

- (b) The Trustee shall vote Common Stock for which the Trustee does not receive affirmative direction in accordance with the instructions of the Pension Committee. Common Stock for which the Trustee does not receive affirmative direction to tender or exchange shall not be tendered or exchanged.

Article 6. Vested Portion of Accounts

6.01 Deferred Account and Rollover Account

Members and Covered Employees having Rollover Accounts maintained on their behalf shall at all times be 100% vested in, and have a nonforfeitable right to, their Deferred Accounts and their Rollover Accounts.

6.02 Employer Account

- (a) A Member shall become 100% vested in, and have a nonforfeitable right to, his Employer Account upon the Member's completion of five Years of Vesting Service.
- (b) Notwithstanding the foregoing, a Member shall be 100% vested in, and have a nonforfeitable right to, his Employer Account upon death, Disability or the attainment of his Normal Retirement Age.

6.03 Disposition of Forfeitures

Upon termination of employment with all Employers and Affiliated Employers of a Member who was not vested in his Employer Account, such Member's Employer Account shall be exchanged into, and held unallocated in, a suspense account and may be used to reduce future Deferred Cash Contributions and Employer Matching Contributions. In the event the former Employee is reemployed by the Employer or an Affiliated Employer before incurring five consecutive Breaks in Service, the amounts exchanged into the suspense account shall be

restored into the Investment Funds then currently elected by the Employee pursuant to Section 4.02. In the event the suspense account contains insufficient funds to effect the exchange, the deficiency in funds shall be contributed without regard to the limitations set forth in any Section of the Plan by the Employer of the Employee at the time of his reemployment or, if the Member is reemployed by an Affiliated Employer, by the Employer which is designated to make the contribution by the Pension Committee.

Article 7. Withdrawals While Still Employed

7.01 Withdrawal of Rollover Contributions

Subject to the provisions of Section 7.04, an active Employee who meets the hardship criteria of Section 7.03 (treating as ineffective for this purpose the last sentence of Section 7.03(c)) may elect to make a cash withdrawal from his Rollover Account.

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7.02 Withdrawal After Age 59-1/2

Subject to the provisions of Section 7.04, an active Employee who shall have attained age 59-1/2 as of the effective date of any withdrawal pursuant to this Section may elect a withdrawal of all or part of his Rollover Account or his Deferred Account. The withdrawal may be in cash or, to the extent the Rollover Account or Deferred Account is invested in the Zurn Stock Fund, in shares of Common Stock not to exceed the whole number of shares represented by the proportion of the units of the Zurn Stock Fund in the Employee's Rollover Account or Deferred Account to the total number of units of the Zurn Stock Fund then outstanding.

7.03 Hardship Withdrawal

- (a) Subject to the provisions of Section 7.04, a Member may elect to make a cash withdrawal of his Deferred Cash Contributions (without any earnings) provided that he furnishes proof of "hardship" satisfactory to the Pension Committee in accordance with the provisions of Sections 7.03(b) and (c).
- (b) As a condition for hardship there must exist with respect to the Member an immediate and heavy financial need to draw upon his Accounts. The Pension Committee shall presume the existence of such immediate and heavy financial need if the requested withdrawal is on account of any of the following:
 - (i) Medical expenses described in Section 213(d) of the Code incurred by the Member, his spouse or any of his dependents (as defined in Section 152 of the Code) or expenses necessary for these persons to obtain medical care described in Section 213(d) of the Code; or
 - (ii) Costs directly related to the purchase of a principal residence of the Member (excluding mortgage payments); or

- (iii) Payment of tuition and related educational fees for a period not to exceed 12 months of post-secondary school education of the Member, his spouse, children or dependents; or
- (iv) Payment of amounts necessary to prevent eviction of the Member from his principal residence or to avoid foreclosure on the mortgage on his principal residence; or
- (v) The inability of the Member to meet such other expenses, debts or other obligations recognized by the Internal Revenue Service as giving rise to immediate and heavy financial need for purposes of Section 401(k) of the Code.

In evaluating the relevant facts and circumstances, the Pension Committee shall act in a nondiscriminatory fashion and shall treat uniformly those Members who are similarly situated. The Member shall furnish to the Pension Committee such supporting documents as the Pension Committee may request in accordance with uniform and nondiscriminatory rules prescribed by the Pension Committee.

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- (c) As a condition for a hardship withdrawal, the Member must certify (i) that the requested withdrawal is necessary to satisfy the financial need described in Section 7.03(b) and (ii) that the need cannot reasonably be relieved (A) through reimbursement or compensation by insurance or otherwise; (B) by reasonable liquidation of the Member's assets or the assets of the Member's spouse and minor children reasonably available to the Member, (C) by cessation of Deferred Cash Contributions under the Plan, or (D) by other distributions or nontaxable (at the time of the loan) loans from the Plan or other plans of the Employer or by borrowing from commercial sources on reasonable commercial terms. For purposes of the foregoing, a need shall not reasonably be relieved by any of the actions described in (A), (B), (C) or (D) if a Member demonstrates, to the satisfaction of the Pension Committee, that the effect would be to increase the amount of the need. The Member shall furnish to the Pension Committee such supporting documents as the Pension Committee may request in accordance with uniform and nondiscriminatory rules prescribed by the Pension Committee. If the Member's certification and supporting documents are satisfactory to the Pension Committee in both form and substance and the Pension Committee has no actual knowledge contradicting the Member's certification and supporting documents, the Pension Committee shall find that the requested withdrawal is necessary to meet the Member's financial need. Notwithstanding the foregoing, as a condition of receiving a hardship withdrawal, a Member's Deferred Cash Contributions

shall be suspended for a period of at least 12 months after the date the Member receives the hardship distribution.

- (d) The Pension Committee shall have full discretionary authority to modify the provisions of Section 7.03 provided that any modification shall be evidenced by a writing in the administrative record of the Pension Committee, shall be consistently applied and shall not operate so as to reduce or eliminate any benefit protected under Section 411(d)(6) of the Code that has accrued as of the date of modification.

7.04 Procedures and Restrictions

To make a withdrawal, at least 30 days' prior written notice shall be given to the Pension Committee. A withdrawal shall be effective as of the date specified in the written notice (provided such date occurs on or after the expiration of the notice period) and shall be based upon the applicable Account(s) as of the Valuation Date. Not more than two withdrawals may be made in any Plan Year except that a withdrawal under Section 7.03 may be made in addition to any other withdrawal made during the Plan Year. The minimum withdrawal shall be \$500 or the total value of the Vested Portion of the Accounts maintained on behalf of the person making the withdrawal which are available for withdrawal, if less. The amount of the withdrawal shall be allocated among the Investment Funds as determined by the person making the withdrawal. All payments under this Article shall be made as of the effective date of the withdrawal.

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Article 8. Loans to Members

8.01 Amount Available

- (a) Subject to the provisions of Article 8, a Member who is an Employee (and who is not on leave of absence or layoff) may borrow an amount from his Accounts which, when added to the outstanding balance of any other loans to the Member from the Plan, does not exceed the lesser of: (i) 50% of the Vested Portion of his Accounts; or (ii) \$50,000 reduced by the excess, if any, of (A) the highest outstanding balance of loans to the Member from the Plan during the one year period ending on the day before the day the loan is made, over (B) the outstanding balance of loans to the Member from the Plan on the date on which the loan is made. Notwithstanding the foregoing, any Plan loan is contingent upon the eligible Member making written application to the Pension Committee on such forms as may be provided by the Pension Committee and upon the Pension Committee's approval of such application under such rules as it shall adopt. The minimum loan shall be \$1,000. Solely for purposes of Article 8, an Employee who is not a Member but who has made a Rollover Contribution pursuant to Section 3.03 shall be considered a "Member" of the Plan.
- (b) The interest rate to be charged on loans shall be determined as

of the beginning of the month in which the Member's loan application is received by the Pension Committee and shall be 1% plus the prime rate of interest charged by persons in the business of lending money for loans of similar purpose and duration. The interest rate so determined shall be fixed for the duration of each loan.

- (c) The amount of the loan is to be transferred from the Investment Funds in which the Member's Accounts are invested to a "Loan Fund" for the Member under the Plan. The Loan Fund shall consist solely of the amount transferred to the Loan Fund and such amount shall be invested solely in the loan made to the Member. The amount transferred to the Loan Fund shall be held as security for the loan. Payments of principal on the loan will reduce the amount held in the Member's Loan Fund. Those payments, together with the attendant interest payment, will be reinvested in the Investment Funds in accordance with the Member's then effective investment election.

8.02 Terms

- (a) In addition to such rules as the Pension Committee, in its discretion, may adopt, all loans shall comply with the following terms and conditions:
- (i) An application for a loan by a Member shall be made in writing to the Pension Committee, whose action in approving or disapproving the application shall be final;
 - (ii) Each loan shall be evidenced by a promissory note payable to the Plan;

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- (iii) The period of repayment for any loan shall be arrived at by mutual agreement between the Pension Committee and the Member, but that period shall not exceed five years unless the loan is to be used in conjunction with the purchase of the principal residence of the Member, in which case the period shall not exceed ten years;
- (iv) Payments of principal and interest will be made by payroll deductions implemented by the Employer or Affiliated Employer or in such manner as may be agreed to by the Member and the Pension Committee; provided, however, that any repayment arrangement shall require repayment in substantially level amounts, made no less frequently than quarterly, in an amount sufficient to amortize the loan over the repayment period;
- (v) A loan may be prepaid in full as of any date without penalty;
- (vi) No more than one loan may be made to a given Member in any calendar year;
- (vii) No more than two loans may be outstanding at any given

- time; and
- (viii) The Pension Committee may require Members to pay a reasonable fee to defray administrative costs associated with each loan.
- (b) If a loan is not repaid in accordance with the terms contained in the promissory note and a default occurs, the Plan may execute upon its security interest in the Member's Accounts under the Plan to satisfy the debt; however, the Plan shall not levy against any portion of the Member's Accounts until such time as a distribution of the Member's Accounts could otherwise be made under the Plan. In the event a Member on whose behalf a Plan loan is outstanding transfers employment to an Affiliated Employer and such loan is not transferred to a qualified plan under which such Affiliated Employer participates, such Affiliated Employer shall accept, to the extent applicable under the terms of the loan agreement, the duties and obligations of the Employer under the repayment terms of the loan agreement.
- (c) Any additional rules, procedures or restrictions applicable to the administration of the loan program and which may be required to be set forth in writing to satisfy the requirements of Title 29 of the Code of Federal Regulations Section 2550.408b-1(d) shall be contained in the application and disclosure forms provided to prospective loan applicants by the Pension Committee. Such further documentation is hereby incorporated into the Plan by reference, and the Pension Committee is hereby authorized to make such revisions to these rules as it deems necessary or appropriate.

Article 9. Distribution of Accounts Upon Termination of Employment

9.01 Eligibility

Upon a Member's termination of employment with all Employers and Affiliated Employers, the Vested Portion of his Accounts, as determined under Article 6, shall be distributed as provided in this Article.

9.02 Form of Distribution

Distribution of the Vested Portion of a Member's Accounts shall be made to the Member, or to his Beneficiary in the event of death, in a cash lump sum; provided, however, that the Member or Beneficiary may elect to have the Vested Portion of the Accounts maintained on his behalf which is, as of the time of distribution, invested in the Zurn Stock Fund, paid in shares of Common Stock not to exceed the whole

number of shares represented by the proportion of the units of the Zurn Stock Fund in the Member's Accounts to the total number of units of the Zurn Stock Fund then outstanding. If the Vested Portion of a Member's Accounts is distributed prior to a final allocation of Employer Matching Contributions to which the Member is entitled, a final payment shall be made to the Member or Beneficiary, if applicable, as soon as practicable after such allocation.

9.03 Date of Payment of Distribution

(a) In the event of the termination of the Member's employment with all Employers and Affiliated Employers, the Member, or his Beneficiary in the event of death, shall be paid the Vested Portion of the Member's Accounts in the form of a lump sum if the fair market value of such Vested Portion is not currently, and was not at the time of any prior distribution, in excess of \$3,500. If, as of the time of any distribution, the fair market value of the Vested Portion of the Member's Accounts exceeds \$3,500, the Member may elect payment of such Vested Portion upon termination. In lieu thereof, a Member may elect to defer payment of such amount until a later date by giving written notice to the Pension Committee on a form designated for that purpose. Subject to the terms of Section 9.04, the failure of any Member to make an election with respect to Accounts, the Vested Portion of which have a fair market value in excess of the \$3,500 threshold, shall be deemed to be an election by the Member to defer payment of such Vested Portion. All determinations of fair market value under this Article 9 shall be made as of the applicable Valuation Date. Notwithstanding the foregoing, distribution of the Vested Portion of a Member's Accounts shall be made no later than the sixtieth (60th) day after the latest of the close of the Plan Year in which (i) the Member attains his Normal Retirement Age, or (ii) the Member terminates employment with all Employers and Affiliated Employers, unless the Member specifically elects to defer distribution until a later date permitted under Section 9.04.

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(b) The Pension Committee shall notify a Member or Beneficiary of his election right under Section 9.02 and, in the case of a Member who may defer payment of the Vested Portion of his Accounts in accordance with Section 9.03(a), his right to defer payment. Such notification shall be provided to a Member or Beneficiary as soon as administratively practicable following termination or retirement, but not less than 30 days before the account is distributed without the Member's or Beneficiary's affirmative election to be paid the Vested Portion of the Member's Accounts. A Member's or Beneficiary's affirmative election to be paid the Vested Portion of the Member's Accounts

may be implemented by the Pension Committee less than 30 days after the Member or Beneficiary receives the notice provided under this Section 9.03(b).

- (c) Notwithstanding any provision of the Plan to the contrary, a Distributee may elect, subject to rules adopted by the Pension Committee which shall be consistent with income tax regulations, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover to such plan. The Pension Committee shall notify a Distributee of his right to elect a direct rollover. Such notice shall be provided to the Distributee as soon as administratively practicable following the event which gives rise to the Distributee's rights under this Section but not less than 30 days before the account is distributed without the Distributee's affirmative election to make or not make a direct rollover. A Distributee's affirmative election to make or not make a direct rollover may be implemented by the Pension Committee less than 30 days after the Distributee receives such notice of his direct rollover rights, but only if the Pension Committee notifies the Distributee that he has the right to consider the decision of whether or not to elect a direct rollover for up to 30 days. A Distributee who is eligible for an automatic lump sum distribution under Section 9.03(a) and who has been given a timely notice and explanation of the election to have his Eligible Rollover Distribution paid to an Eligible Retirement Plan, will be presumed to have elected to have his benefit paid directly to him if the Distributee fails to make the election within 31 days of being notified of his rights to make the election. Notwithstanding the provisions of this Section, in the event the provisions of Section 9.03(c) should not be required as a condition for plan qualification under Section 401(a) of the Code, it shall automatically be deemed null, void, and of no force or effect. For purposes of this Section:
- (i) The term "Distributee" shall mean an Employee or former Employee. In addition, such an individual's surviving spouse or such an individual's spouse or former spouse who is an alternate payee within the meaning of Section 414(p)(8) of the Code are Distributees with respect to the interest of the spouse or former spouse.

- (ii) The term "Eligible Rollover Distribution" shall mean any distribution of all or any portion of the balance to the credit of the Distributee other than (A) any distribution that is one of a series of substantially equal periodic payments made for the life, or life expectancy, of the Distributee or the joint lives, or joint life expectancies, of the Distributee and his

beneficiary, or for a specified period of ten years or more, (B) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, and (C) the portion of any distribution that is not includible in gross income.

- (iii) The term "Eligible Retirement Plan" shall mean an individual retirement account or annuity, as described in Sections 408(a) and 408(b) of the Code, respectively, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to a surviving spouse, an "Eligible Retirement Plan" is an individual retirement account or annuity.

9.04 Required Distributions

- (a) In no event shall the provisions of this Article operate so as to allow the distribution of a Member's Accounts to begin later than the April 1st following the calendar year in which he attains age 70-1/2.
- (b) In the event a Member is an Employee and is required to begin receiving payments under the provisions of Section 9.04(a), the Member shall receive a lump sum distribution, made in accordance with Section 9.02, on or before the date specified in Section 9.04(a). The amount of the lump sum shall be equal to the fair market value of the Vested Portion of the Member's Accounts. Thereafter, in each distribution calendar year, the Plan shall distribute to the Member a lump sum payment made in accordance with Section 9.02 which shall be equal to the fair market value of the Vested Portion of the Member Accounts which accrued during such calendar year. The commencement of payments under Section 9.04 while a Member is an Employee shall be considered an Annuity Starting Date for purposes of Section 72, Section 401(a)(11) and Section 417 of the Code.
- (c) Except as provided under Section 9.03(a), a distribution to a Beneficiary shall be made as soon as administratively practicable following the Member's date of death. In no event shall distribution to a Beneficiary be made later than the December 31 of the calendar year which contains the fifth anniversary of the Member's death.

9.05 Distributions Under a Qualified Domestic Relations Order

- (a) The Pension Committee shall establish reasonable procedures to determine the status of domestic relations orders and to

administer distributions under such orders which are deemed to be qualified domestic relations orders. Such procedures shall be in writing and shall comply with the provisions of Section 414(p) of the Code.

- (b) Upon determination by the Pension Committee that a domestic relations order is a "qualified domestic relations order" as described in Section 414(p) of the Code, the following shall apply:
 - (i) If the fair market value of the vested interest to be distributed to an Alternate Payee does not exceed \$3,500, such vested interest shall be paid to the Alternate Payee in the form of a cash lump sum. Such payment shall be made as soon as practicable following the creation of such Alternate Payee's interest.
 - (ii) If the fair market value of the vested interest to be distributed to an Alternate Payee exceeds \$3,500, the Alternate Payee may elect to be paid such vested interest as soon as administratively practicable in the form of a cash lump sum or may elect to receive the fair market value of such vested interest in a cash lump sum at any time after the "earliest retirement age" described in Section 414(p)(4)(B) of the Code.
- (c) To the extent that, because of a qualified domestic relations order, more than one individual is to be treated as a Beneficiary of a Member, the total amount payable from the Plan as a result of the death of the Member shall not exceed the amount that would be payable if there were only one Beneficiary.

9.06 Status of Accounts Pending Distribution

Until distributed under Section 9.03, 9.04 or 9.05, the Accounts of Members, Beneficiaries and Alternate Payees shall continue to be invested as part of the assets of the Plan. A Member or an Alternate Payee may reallocate the Account(s) maintained on his behalf among the Investment Funds offered under the Plan. A Beneficiary shall not be permitted to reallocate the Accounts of a deceased Member among such Investment Funds.

9.07 Proof of Death and Right of Beneficiary or Other Person

The Pension Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the Accounts of a deceased Member as the Pension Committee may deem proper and its determination of the right of that Beneficiary or other person to receive payment shall be conclusive.

9.08 Distribution Limitation

Notwithstanding any other provision of this Article 9, all distributions from the Plan shall conform to the regulations issued under Section 401(a)(9) of the Code, including the incidental death

benefit provisions of Section 401(a) (9) (G) of the Code. Further, such regulations shall override any Plan provision that is inconsistent with Section 401(a) (9) of the Code.

Article 10. Administration of Plan

10.01 Appointment of Pension Committee

The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be placed in a Pension Committee of not less than three persons appointed, together with the chairman of the Pension Committee, from time to time by the Board of Directors to serve at the will of the Board of Directors. Any member of the Pension Committee may resign by delivering his written resignation to the Board of Directors and the Secretary of the Pension Committee. The chairman of the Pension Committee shall serve as secretary or shall appoint a secretary who may, but need not, be one of the members of the Pension Committee. The members of the Pension Committee may appoint from their number such subcommittees with such powers as they shall determine, provided such powers are consistent with the provisions of Section 10.02, and may authorize one or more of their number or any agent to execute or deliver any instrument or make any payment on their behalf. Whenever any action is required or permitted to be taken in the administration of the Plan, such action shall be taken by the Pension Committee unless the Pension Committee's power is expressly limited herein or by operation of law. Unless otherwise delegated by the Pension Committee, the Pension Committee shall be the Plan "Administrator", as such term is defined in Section 3(16) of ERISA.

10.02 Powers of Pension Committee

The Pension Committee shall have sole and absolute discretion to interpret and apply the provisions of the Plan to determine the rights and status of Covered Employees, Members and all others under the Plan, to decide disputes arising under the Plan, and to make any determinations and findings of fact with respect to benefits payable hereunder and the persons entitled thereto as may be required for any purpose under the Plan. Without limiting the generality of the above, the Pension Committee is hereby granted the following authority which it shall discharge in its sole and absolute discretion in accordance with Plan provisions as interpreted by the Pension Committee:

- (a) To make all determinations of fact relating to the eligibility of any Employee to become a Member, to make Deferred Cash Contributions, to receive allocations of Employer Matching Contributions and to receive distributions from the Plan.
- (b) To authorize the Trustee to make payment of benefits from the trust fund to Members, Alternate Payees and Beneficiaries entitled to such benefits under the Plan and to establish procedures governing the manner in which such authorizations will be made.

- (c) To develop procedures for the establishment and verification of service and Compensation of Members, and, after affording Members and the Employer an opportunity to make objection with respect thereto, to establish such facts conclusively from time to time in advance of retirement.
- (d) To obtain from the Employer, Members, Alternate Payees and Beneficiaries such information as shall be necessary for the proper administration of the Plan.
- (e) To establish rules and procedures relating to the administration of the Plan and the transaction of its business and to enforce the rules and procedures in the manner in which it sees fit.
- (f) To retain counsel, employ agents and provide for such clerical, accounting and consulting services as may be necessary or appropriate in connection with the administration of the Plan.
- (g) To perform all reporting and disclosure requirements imposed upon the Plan by ERISA, the Code, the Securities Act of 1933, as amended, the Securities and Exchange Act of 1934, as amended, or any other lawful authority.
- (h) To ensure that procedures are established which are sufficient to safeguard the confidentiality of information relating to the purchase, holding, and sale of Common Stock held in the Zurn Stock Fund and the exercise of voting, tender, and similar rights with respect to Common Stock held in the Zurn Stock Fund and to ensure that such procedures are being followed.
- (i) To appoint and remove an independent Fiduciary for the purpose of carrying-out activities relating to any situations which the Pension Committee determines involves an unreasonable potential for undue Employer influence with regard to the direct or indirect exercise of shareholder rights with respect to Common Stock holdings in the Zurn Stock Fund.
- (j) To take such steps as it, in its discretion, considers necessary or appropriate to remedy any inequity under the Plan that results from incorrect information received or communicated or as the consequence of administrative error.
- (k) To correct any defect, reconcile any inconsistency or supply any omission under the Plan.
- (l) To allocate among its members or, except as provided otherwise herein, to delegate to other persons all or a portion of its powers and duties as it sees fit.
- (m) To exercise such other authority and responsibility as is specifically assigned to it under the terms of the Plan and to perform any other acts necessary to the performance of its powers and duties.

All powers of the Pension Committee shall be exercised in a uniform manner consistent with all provisions of the Plan unless the power is being exercised in order to correct or reconcile provisions which are

10.03 Individual Accounts

The Pension Committee shall maintain, or cause to be maintained, records showing the individual balances in each Account maintained on behalf of Members and other persons under the Plan. However, maintenance of those records and Accounts shall not require any segregation of the funds of the Plan.

10.04 Meetings

The Pension Committee shall hold meetings upon such notice, at such place or places, and at such time as it may from time to time determine.

10.05 Action of Majority

Any act which the Plan authorizes or requires the Pension Committee to do may be done by a majority of its members. The action of that majority expressed from time to time by a vote at a meeting, or in writing without a meeting, shall constitute the action of the Pension Committee and shall have the same effect for all purposes as if assented to by all members of the Pension Committee at the time in office. All decisions of the Pension Committee, including those regarding the facts of any case, the interpretation of any provision of the Plan or its application to any case, and as to any other interpretative matter or other determination or question under the Plan shall be final and binding upon the Employer, Covered Employees, Members, Alternate Payees, Beneficiaries and all other persons, subject to the provisions of Section 12.06. Any action taken by the Pension Committee with respect to the rights or benefits of any person under the Plan shall be revocable by the Pension Committee as to payments or distributions from the trust fund not theretofore made pursuant to such action; and appropriate adjustments may be made in future payments or distributions to a Member, Alternate Payee or Beneficiary to offset any excess payment or make up for any underpayment previously made to such Member, Alternate Payee or Beneficiary from the trust fund. No ruling or decision of the Pension Committee in any one case shall create a basis for an adjustment in any other case prior to the date of written filing of each specific claim.

10.06 Compensation and Bonding

No member of the Pension Committee shall receive any compensation from the assets of the trust fund for his services as such. Except as may otherwise be required by law, no bond or other security need be required of any member in that capacity in any jurisdiction.

10.07 Prudent Conduct

The members of the Pension Committee shall use that degree of care, skill, prudence and diligence that a prudent man acting in a like capacity and familiar with such matters would use in his conduct in a similar situation.

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10.08 Service in More Than One Fiduciary Capacity

Any individual, entity or group of persons may serve in more than one Fiduciary capacity with respect to the Plan or the funds of the Plan.

10.09 Limitation of Liability

The Employer, the Board of Directors, the members of the Pension Committee, its delegates and appointees or any other person who may be determined to be a Fiduciary, other than persons who are independent of the Employer and are rendering services to or with respect to the Plan, and any officer or employee of the Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Employer for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such individual or the Employer from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I of ERISA.

10.10 Indemnification

The members of the Pension Committee, its delegates and appointees or any other person who may be determined to be a Fiduciary, other than persons who are independent of the Employer and are rendering services to or with respect to the Plan, the Board of Directors and the officers or employees of the Employer shall be indemnified against any and all liabilities arising by reason of any act, or failure to act, in relation to the Plan or the funds of the Plan, including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan or the funds of the Plan, and amounts paid in any compromise or settlement relating to the Plan or the funds of the Plan, except for actions or failures to act made in bad faith. The foregoing indemnification shall be paid from any insurance purchased by, or on behalf of, the Employer for this purpose and, to the extent of any deductible amount from the insurance coverage, excess of an insured amount or any uninsured amount from the assets of the Employer, Zurn Industries, Inc. or its wholly-owned subsidiaries; otherwise, from the funds of the Plan to the extent of those funds and to the extent permitted under applicable law.

10.11 Delegation of Fiduciary Responsibility

Any named Fiduciary may, by an instrument in writing filed with the Plan records, delegate a Fiduciary responsibility which it is obligated to discharge to another person or party who shall, as a consequence, be a Fiduciary; provided, however, that no such delegation shall contravene the provisions of ERISA nor conflict with a prior, written determination by the Pension Committee or Zurn Industries, Inc. that certain duties and responsibilities are nondelegable.

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Article 11. Management of Funds

11.01 Trust Agreement

All the funds of the Plan shall be held by the Trustee appointed from time to time by the Pension Committee under a trust agreement adopted, or as amended, by the Pension Committee for use in providing the benefits of the Plan and paying its expenses not paid directly by the Employer. The Pension Committee shall establish the funding policy of the Plan, which shall set forth the current liquidity needs and investment philosophy, and which shall be communicated from time to time to the Trustee and any investment manager appointed pursuant to Section 11.03. However, no person or entity other than the Plan shall have any liability for the payment of benefits under the Plan.

11.02 Exclusive Benefit Rule

Except as otherwise provided in the Plan, no part of the corpus or income of the funds of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons entitled to benefits under the Plan; provided, however, the Vested Portion of the Accounts maintained on behalf of a Member, Covered Employee, Alternate Payee, or Beneficiary shall be escheated to the state of such person's last known address in the United States of America no later than the last date prescribed by such state's statutes pertaining to the disposition of unclaimed property if the whereabouts of such person or his Beneficiary has been unknown to the Pension Committee or its delegates and appointees for the time period specified in such statutes. No person shall have any interest in or right to any part of the earnings of the funds of the Plan, or any right in, or to, any part of the assets held under the Plan, except as and to the extent expressly provided in the Plan.

11.03 Appointment of Investment Manager

The Pension Committee may, in its discretion, appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage all or part of the assets of the Plan, including the power to

acquire and dispose of said assets, as the Pension Committee shall designate. In that event authority over and responsibility for the management of the assets so designated shall be the sole responsibility of that investment manager.

11.04 Expenses of Plan

All reasonable expenses, taxes and fees of the Plan, the Committee and the Trustee incurred in the administration of the Plan and trust fund (other than taxes on remuneration for providing services to the Plan and expenses incurred for which a fee is paid) shall be paid from the trust fund; provided, however, that the obligation of the trust fund to pay such expenses, taxes and fees shall cease to exist to the extent that the same are paid, at the discretion of the Employer, by the Employer.

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Article 12. General Provisions

12.01 Nonalienation

Neither the trust fund nor any benefit or Account held under the Plan shall in any manner be liable for or subject to the debts or liabilities of any Member, Beneficiary or Alternate Payee. No right or benefit under the Plan shall at any time be subject to alienation, sale, transfer, assignment, pledge or encumbrances of any kind and any attempt to do so shall be void. However, payment shall be made in accordance with the provisions of any judgment, decree, or order which:

- (a) Creates for, or assigns to, an Alternate Payee the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that Alternate Payee;
- (b) Is made pursuant to a State domestic relations law;
- (c) Does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan; and
- (d) Otherwise meets the requirements of Section 206(d) of ERISA, as amended, as a "qualified domestic relations order," as determined in accordance with Section 9.05.

12.02 Conditions of Employment Not Affected by Plan

The establishment and maintenance of the Plan shall not confer any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of an Employer or Affiliated Employer to discharge any Employee and to treat him without regard to the effect which that treatment might have upon him as a Member or potential Member of the Plan.

12.03 Facility of Payment

If the Pension Committee shall find that a Member, Beneficiary or other person entitled to a benefit is unable to care for his affairs because of illness or accident or is a minor, the Pension Committee may direct that any benefit due him, unless claim shall have been made for the benefit by a duly appointed legal representative, be paid to his spouse, a child, a parent or other blood relative, or to a person with whom he resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

12.04 Information

Each Member, Beneficiary or other person entitled to a benefit, before any benefit shall be payable to him or on his account under the Plan, shall file with the Pension Committee the information that it shall require to establish his rights and benefits under the Plan. The Pension Committee and any member, delegate or appointee thereof shall be entitled to rely on the correctness of any information furnished by the Employer, Trustee, Members, Alternate Payees and Beneficiaries.

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12.05 Construction

- (a) The Plan shall be construed, regulated and administered under ERISA and the laws of the Commonwealth of Pennsylvania, except where ERISA controls.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) Any terms defined in the singular shall mean the plural wherever appropriate.
- (d) The titles and headings of the Articles and Sections in this Plan are for convenience only. In the case of ambiguity or inconsistency, the text rather than the titles or headings shall control.

12.06 Benefit Claim Appeals

Claims for benefits under the Plan shall be filed on forms prescribed by the Pension Committee. Written notice of the disposition of the claim shall be furnished to the claimant within 90 days after the application therefor is filed. This response deadline may be extended for another 90 days in special cases provided the claimant is notified of the delay and the reasons therefor. In the event the claim is denied, the reasons for the denial shall be specifically set forth, pertinent provisions of the Plan shall be cited and, where appropriate, the explanation as to how the claimant can perfect the claim shall be provided. Any Employee, former Employee, Beneficiary or Alternate Payee who has been denied a benefit or feels aggrieved by any other action of the Employer, the Pension Committee or the Trustee shall have the right, to be exercised by written application

filed with the Pension Committee within 60 days after receipt of notice of the denial of such claim, to request a review of such claim. A request for review which is not timely filed shall be barred. A claimant's request for review may contain such additional information and comments as the claimant may wish to present. The Pension Committee shall reconsider the claim in the light of such additional information and comments as the claimant may have presented, and, if the claimant shall have so requested, shall afford him or his designated representative a hearing before the Pension Committee. The Pension Committee shall also permit the claimant or his designated representative to review pertinent documents in its possession, including copies of the Plan document and information provided by the Employer relating to the claim. The Pension Committee shall make a final determination with respect to the claim as soon as practicable, although not later than 60 days after the receipt of the aforesaid request for review. This 60-day period may be extended under special circumstances, such as the necessity for holding a hearing, but in no event beyond the expiration of 120 days after the receipt by the Pension Committee of such request for review. Notice of the final determination of the Pension Committee shall be furnished to the claimant in writing, in a manner calculated to be understood by him, and shall set forth the specific reasons for the decision and specific references to the pertinent provisions of this Plan upon which the decision is based. The decision of the Pension Committee in such case shall be final and binding on the

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Employer, the claimant, all persons claiming by or through the claimant, all Employees, Members, Alternate Payees, Beneficiaries and all other persons.

12.07 Severability

If any provision of this Plan is held to be invalid or unenforceable, such determination shall not affect the other provisions of this Plan. In such event, this Plan shall be construed and enforced as if such provision had not been included herein.

12.08 Employer Records

The records of a Member's Employer shall be presumed to be conclusive of the facts concerning his employment or non-employment, Hours of Service, Years of Eligibility Service, Years of Vesting Service and Compensation unless shown beyond a reasonable doubt to be incorrect.

12.09 Application of Plan Provisions

This Plan shall be binding on all Members, Alternate Payees and Beneficiaries and upon heirs, executors, administrators, successors, and assigns of all persons having an interest herein. The provisions of the Plan in no event shall be considered as giving any such person any legal or equitable right against the Employer or an Affiliated Employer, any of its officers, Employees, directors, or shareholders,

or against the Trustee, except such rights as are specifically provided for in the Plan or hereafter created in accordance with the terms of the Plan.

Article 13. Amendment, Merger and Termination

13.01 Amendment of Plan

The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate, to amend in whole or in part any or all of the provisions of the Plan. Any such amendment shall be expressed in an instrument executed, adopted or ratified by the Board of Directors, or executed by such Board's delegate. However, no amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of persons entitled to benefits under the Plan. No amendment shall be made which has the effect of (i) decreasing the balance of the Accounts of any Member, Beneficiary or Alternate Payee, (ii) eliminating an optional form of benefit in a manner contrary to Section 411(d)(6) of the Code and regulations promulgated thereunder, or (iii) reducing the nonforfeitable percentage of the balance of any Accounts below the nonforfeitable percentage computed under the Plan as in effect on the date on which the amendment is adopted or, if later, the date on which the amendment becomes effective. In the event an amendment is made that changes the schedule of vesting under the Plan, each Member having not less than three Years of Vesting Service shall be permitted to elect, within 60 days after the later of: (i) adoption of the amendment; (ii) the effective date of the amendment; or (iii)

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the date on which the Member receives written notice of such amendment, to have his nonforfeitable benefits computed under the Plan without regard to such amendment.

13.02 Merger, Consolidation or Transfer

The Plan may not be merged or consolidated with, and its assets or liabilities may not be transferred to, any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

13.03 Additional Participating Employers

- (a) If any company is or becomes a subsidiary of or associated with Zurn Industries, Inc. or any of its subsidiaries or associated companies, the Pension Committee may designate such company as an Employer upon appropriate action necessary to adopt the Plan

being taken by that company. In that event, or if any persons become Covered Employees of an Employer as the result of merger or consolidation or as the result of acquisition of all or part of the assets or business of another company, the Pension Committee shall determine to what extent, if any, previous service with the subsidiary, associated or other company shall be recognized under the Plan, but subject to the continued qualification of the trust for the Plan as tax-exempt under the Code.

- (b) Any Employer may terminate its participation in the Plan upon appropriate action by it. In that event, the funds of the Plan held on account of Members in the employ of that Employer, and any unpaid balances of the Accounts of all Members who have separated from the employ of that Employer, shall be determined by the Pension Committee. Those funds shall be distributed as provided in Section 13.04 if the Plan should be terminated, or shall be segregated by the Trustee as a separate trust, pursuant to certification to the Trustee by the Pension Committee, continuing the Plan as a separate plan for the employees of the former Employer under which the board of directors of that company shall succeed to all the powers and duties of the Board of Directors, including the appointment of a plan administrator.

13.04 Termination of Plan

- (a) The Board of Directors may terminate the Plan or completely discontinue contributions under the Plan for any reason at any time. In case of termination or partial termination of the Plan, or complete discontinuance of Employer contributions to the Plan, the rights of affected Members to their Accounts under the Plan as of the date of the termination or discontinuance shall be nonforfeitable.

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- (b) Upon termination of the Plan, Accounts maintained on behalf of Members, Beneficiaries and Alternate Payees shall be distributed to such persons as soon as administratively practicable, provided that (i) neither the Employer nor an Affiliated Employer establishes or maintains a "successor plan" within the meaning of Section 1.401(k)-1(d)(3) of the Income Tax Regulations, and (ii) payment is made in the form of a lump sum distribution. If Accounts are not distributable in accordance with the preceding sentence, such Accounts shall be maintained in a manner consistent with Income Tax Regulations.

13.05 Distribution of Accounts Upon a Sale of Assets

Upon the disposition by the Employer, to an unrelated entity, of substantially all of the assets (within the meaning of Section 1.401(k)-1(d)(4) of the Income Tax Regulations) used by the

Employer in a trade or business, Accounts maintained on behalf of Members may be distributed to those Members who continue in employment with the unrelated entity acquiring such assets, provided that (a) the Employer continues to maintain the Plan, (b) the unrelated entity acquiring such assets does not maintain the Plan, and (c) payment is made to the Member in the form of a lump sum distribution.

13.06 Distribution of Accounts Upon a Sale of a Subsidiary

Upon the disposition of the Employer by its owner to an unrelated entity of the owner's majority ownership interest in the Employer (within the meaning of Section 1.401(k)-1(d)(4) of the Income Tax Regulations), Accounts maintained on behalf of Members may be distributed to those Members who continue in employment with such subsidiary, provided that (a) the Employer continues to maintain the Plan, (b) the unrelated entity acquiring such subsidiary does not maintain the Plan, and (c) payment is made to the Member in the form of a lump sum distribution.

Article 14. Top-Heavy Provisions

The terms of this Article shall become applicable under the circumstances described in this Article. In the event that the terms contained in this Article are inconsistent with the terms contained in the remainder of the Plan, the terms contained in this Article shall take precedence.

14.01 Top-Heaviness Defined

- (a) For purposes of this Article, the Plan shall be "top-heavy" if, as of the Determination Date:
 - (i) The value of the aggregate of the Account Balances under the Plan for Key Employees exceeds 60% of the value of the aggregate of the Account Balances under the Plan for all Key Employees and Non-Key Employees; or
 - (ii) The Plan is part of a Required Aggregation Group, and the sum of the present values of the cumulative Account Balances and the aggregate present values of accrued

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benefits of Key Employees in all plans in the Required Aggregation Group exceeds 60% of a similar sum determined for all Key Employees and Non-Key Employees. Notwithstanding the results of the said 60% test, the Plan shall not be considered "top-heavy" for any Plan Year in which the Plan is in a Required Aggregation Group or the Employer elects to treat the Plan as a part of a Permissive Aggregation Group and such group is not determined to be "top-heavy".

- (b) For purposes of this Article, the following terms shall have the meanings assigned to them in this Section 14.01(b):

- (i) Account Balance means the sum of (i) the balance of a Member's Accounts as of the most recent Valuation Date occurring within the 12-month period ending on the Determination Date, and (ii) the value of any contributions actually made after the Valuation Date but on or prior to the Determination Date. The term shall include the aggregate distributions made with respect to such Member under the Plan during the five-year period ending on the Determination Date but shall not include any qualifying rollover distributions, or similar transfers, initiated by the Employee, and shall not include the account balance of a Non-Key Employee who was a Key Employee for any prior Plan Year, or the account balance of any Member who has not performed services for the Employer during the five-year period ending on the Determination Date.
- (ii) Defined Benefit Plan means a qualified pension plan which is not a Defined Contribution Plan; however, in the case of a Defined Benefit Plan which provides a benefit which is based partly on the balance of the separate account of a Member, that plan shall be treated as a Defined Contribution Plan to the extent benefits are based on the separate account of a Member and as a Defined Benefit Plan with respect to the remaining portion of the benefits under the plan.
- (iii) Defined Contribution Plan means a qualified plan which provides for an individual account for each Member and for benefits based solely upon the amount contributed to the Member's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other Members which may be allocated to that Member's accounts, subject to Section 14.01(b)(ii).
- (iv) Determination Date means the last day of the Plan Year preceding the Plan Year in question, or in the case of the first Plan Year, the last day of that Plan Year.
- (v) 5% Owner of the Employer means any person who either directly or constructively (as defined in Section 318 of the Code) owns more than 5% of either the value of the outstanding stock of the Employer or the total combined voting power of all of the Employer's stock.

- (vi) Employee includes such Beneficiary or Beneficiaries who obtain an interest in the Plan by Beneficiary designation, will, devise or through the laws of intestacy.
- (vii) Key Employee means any Employee or former Employee who participated in the Plan at any time during the Plan Year ending on the Determination Date, or during any of

the four preceding Plan Years, and was:

- (A) An Officer of the Employer with Statutory Compensation from the Employer greater than 50% of the amount in effect under Section 415(b)(1)(A) of the Code;
- (B) A 5% Owner of the Employer;
- (C) One of the Top Ten Owners of the Employer; or
- (D) A 1% Owner of the Employer having Statutory Compensation from the Employer or an Affiliated Employer of more than \$150,000.

The term shall also include Beneficiaries of Key Employees.

- (viii) Non-Key Employee means any Employee who is not a Key Employee.
- (ix) Officer means an Employee who, at any time during the Plan Year or any four preceding Plan Years, served as an administrative executive for the Employer or an Affiliated Employer on a regular and continuous basis and during the applicable year had Statutory Compensation from the Employer or an Affiliated Employer greater than 50% of the amount in effect under Section 415(b)(1)(A) of the Code. The maximum number of Employees who shall be deemed to be Officers for purposes of this Article shall be the lesser of:
 - (A) 50, or
 - (B) The greater of three, or 10% of all Employees.If the actual number of officers of the Employer exceeds the maximum number of Employees who are deemed to be Officers hereunder, the maximum number of Officers for purposes of this Article shall include those Officers who had the highest one-year Statutory Compensation while serving as an officer of the Employer during any applicable Plan Year.
- (x) 1% Owner of the Employer means any person, who either directly or constructively (as defined in Section 318 of the Code) owns more than 1% of either the outstanding stock of the Employer or the total combined voting power of all of the Employer's stock.
- (xi) Permissive Aggregation Group means each plan in the Required Aggregation Group and any other Defined Benefit Plan and Defined Contribution Plan of the Employer or an Affiliated Employer with contributions or benefits at least comparable to the contributions or benefits under

the Plan in which all members are Non-Key Employees, if the resulting aggregation group continues to meet the requirements of Section 401(a)(4) and 410 of the Code.

- (xii) Required Aggregation Group includes:
 - (A) Each Defined Benefit Plan and Defined Contribution Plan of the Employer or an Affiliated Employer, regardless of whether the Plan terminated within the past five years, in which a Key Employee is a Member; and
 - (B) Each other Defined Benefit Plan and Defined Contribution Plan of the Employer or an Affiliated Employer which enables any plan described in Section 14.01(b)(xii)(A), to meet the requirements of Section 401(a)(4) or 410 of the Code.
- (xiii) Top Ten Owner means the ten Employees who:
 - (A) Directly or constructively (as defined in Section 318 of the Code), own both more than 1/2% ownership interest in value of the Employer and all Affiliated Employers, and the largest percentage ownership interest in value of the Employer and all Affiliated Employers; and
 - (B) During the applicable year, have Statutory Compensation from the Employer or an Affiliated Employer greater than 100% of the amount in effect under Section 415(c)(1)(A) of the Code.

14.02 Employer Contributions

The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

- (a) If the required minimum contribution is not provided by the Plan for any Member who is a Non-Key Employee, then in each Plan Year, in addition to the contributions otherwise provided under the Plan, the Employer shall make contributions on behalf of any such Member, or each Employee eligible to become a Member, who is a Non-Key Employee and who has not separated from service as of the last day of the Plan Year (regardless of (i) whether the Non-Key Employee has less than 1,000 Hours of Service, (ii) whether his Compensation is below any stated level, (iii) whether he declines to make a mandatory contribution, or (iv) whether he elects to make tax-deferred contributions) which, when added to the Employer contributions (as determined without reference to Deferred Cash Contributions) otherwise allocated on his behalf for the Plan Year will be equal to a percentage of the Member's Compensation for the Plan Year, that percentage to be the lesser of 3% or the percentage rate, determined for the Key Employee for whom that percentage is the highest, equivalent to the fraction the numerator of which is the contribution made on behalf of that Key Employee by the Employer and the Member's Deferred Cash Contributions and the denominator of which is the Compensation of the Key Employee for that Plan Year.

- (b) For purposes of Section 14.02, all Defined Contribution Plans required to be included in a Required Aggregation Group shall be treated as one plan. Section 14.02 shall not apply if the Plan is required to be included in a Required Aggregation Group under Section 14.01 and if the Plan enables a Defined Benefit Plan required to be included in such group to meet the requirements of Section 401(a) (4) or 410 of the Code.
- (c) Notwithstanding the foregoing provisions, no minimum contribution shall be made with respect to a Member, or an Employee eligible to become a Member, if the required minimum benefit under Section 416(c) (1) of the Code is provided under an Employer sponsored Defined Benefit Plan. In the case of Employees covered under both the Plan and any Defined Benefit Plan maintained by the Employer, the Defined Benefit Plan shall provide the top heavy minimum benefit which shall be offset by any Employer contributions, other than Deferred Cash Contributions and Employer Matching Contributions provided under the Plan.
- (d) In lieu of the vesting requirements specified in Section 6.02(a), a Member shall be vested in, and have a nonforfeitable right to, the account attributable to Employer contributions pursuant to Section 14.02 upon the completion of three Years of Vesting Service; provided, however, that in no event shall the Vested Portion of such account be less than the percentage determined under Section 6.02.
- (e) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, a Member who has completed three Years of Vesting Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy shall continue to be vested in and have a nonforfeitable right to the account attributable to Employer contributions pursuant to Section 14.02.

IN WITNESS WHEREOF, Zurn Industries, Inc. has caused this Plan to be executed by its duly authorized officer on this 7th day of December, 1995.

ATTEST:

ZURN INDUSTRIES, INC.

/s/ Dennis Haines

By: /s/ James A. Zurn

Senior Vice President and
Its: Chairman-Pension Committee

