

# SECURITIES AND EXCHANGE COMMISSION

## FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **1995-07-28**  
SEC Accession No. **0000912057-95-005731**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### SUBJECT COMPANY

#### **RULE INDUSTRIES INC**

CIK: **276437** | IRS No.: **042384630** | State of Incorporation: **MA** | Fiscal Year End: **0831**  
Type: **SC 13D** | Act: **34** | File No.: **005-09936** | Film No.: **95556904**  
SIC: **3420** Cutlery, handtools & general hardware

Mailing Address  
70 BLANCHARD RD  
BURLINGTON MA 01803

Business Address  
70 BLANCHARD RD  
BURLINGTON MA 01803  
6172727400

### FILED BY

#### **GREENFIELD INDUSTRIES INC /DE/**

CIK: **906419** | IRS No.: **042917072** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **SC 13D**  
SIC: **3540** Metalworkg machinery & equipment

Mailing Address  
570 OLD EVANS ROAD  
EVANS GA 30809

Business Address  
570 OLD EVANS RD  
EVANS GA 30809-8625  
7068637708

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 13D  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
(AMENDMENT NO. \_\_\_\_\_) \*

Rule Industries, Inc.

-----  
(Name of Issuer)

Common Stock

-----  
(Title of Class of Securities)

781355-10-2

-----  
(CUSIP Number)

Gary L. Weller

-----  
470 Old Evans Road

-----  
Evans, Georgia 30803-2587

-----  
(706) 650-4218

-----  
(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

July 20, 1995

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b) (3) or (4), check the following box / /.

Page 2 of 10 Pages

Check the following box if a fee is being paid with the statement /X/. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

NOTE: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

-----  
CUSIP NO. 781355-10-2 PAGE 3 OF PAGES  
-----

-----  
1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  
Greenfield Industries, Inc.  
04-2917072  
-----

-----  
2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) / /  
(b) / /  
-----

-----  
3 SEC USE ONLY  
-----

-----  
4 SOURCE OF FUNDS\*  
  
WC, BK  
-----

-----  
5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS / /  
IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)  
-----

-----  
6 CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware  
-----

	7	SOLE VOTING POWER	
			630,000 shares of Common Stock, par value \$.01
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	8	SHARED VOTING POWER	
			0
	9	SOLE DISPOSITIVE POWER	
			630,000 shares of Common Stock, par value \$.01
	10	SHARED DISPOSITIVE POWER	
			0
-----			
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
	630,000 shares of Common Stock, par value \$.01		
-----			
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*		/ /
-----			
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)		
	19.3%		
-----			
14	TYPE OF REPORTING PERSON*		
	CO		
-----			

\*SEE INSTRUCTIONS BEFORE FILLING OUT!  
 INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7  
 (INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE ATTESTATION.

Item 1. SECURITY AND ISSUER.

This Schedule 13D relates to the beneficial ownership by the undersigned of the common stock, \$.01 par value per share (the "Common Stock"), of Rule Industries, Inc., a Massachusetts corporation ("Rule" or the "Issuer"), whose principal executive offices are located at 70 Blanchard Road, Burlington,

Item 2. NAME AND ADDRESS.

This Schedule 13D is filed by Greenfield Industries, Inc. ("Greenfield"). Greenfield is a Delaware corporation. Its principal executive offices are located at 470 Old Evans Road, Evans, Georgia 30809. Greenfield is a leading worldwide manufacturer of expendable cutting tools and related products used in a variety of industrial, electronics, oilfield equipment, mining and wear parts and consumer markets.

The following are the names and positions with Greenfield of the directors and executive officers of Greenfield and the present principal occupation and principal business and address of each such person and of any corporation or other organization employing such person:

John W. Burge, Jr. - Director  
Principal  
John W. Burge & Associates  
(a management consulting firm)  
11711 Chanticlear Court  
Pensacola, FL 32507-9166

Roger B. Farley  
Vice President - Human Resources  
Greenfield Industries, Inc.  
470 Old Evans Road  
Evans, GA 30809

Peter S. Finley - Director  
Senior Vice President, Corporate Development  
Harbour Group Industries, Inc.  
(a company which provides  
corporate development services)  
7701 Forsyth Blvd., Suite 600  
St. Louis, MO 63105

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James C. Janning - Director  
President  
Harbour Group Ltd.  
(a company which provides  
operations management services)  
7701 Forsyth Blvd., Suite 600  
St. Louis, MO 63105

Paul W. Jones - Director  
President and Chief Executive Officer  
Greenfield Industries, Inc.

470 Old Evans Road  
Evans, GA 30809

Robert E. Lefton - Director  
President and Chief Executive Officer  
Psychological Associates, Inc.  
(an international consulting, training  
and development firm)  
8112 Maryland Avenue, Suite 300  
St. Louis, MO 63105

Donald E. Nickelson - Director  
Vice Chairman - Harbour Group Industries, Inc.  
7701 Forsyth Blvd., Suite 600  
St. Louis, MO 63105

Robert W. Pratt, Jr. - Director  
Strategic Management Consultant  
c/o Michael Allen Co.  
1 Gorham Island  
Westport, CT 06880

Julian M. Seeherman - Director  
Chairman  
Venture Stores, Inc.  
(a retail chain of mass merchandising stores)  
2001 E. Terra Lane  
O'Fallon, MO 63366-0110

Dennis W. Sheehan - Director  
Chairman of the Board, President and  
Chief Executive Officer  
AXIA, Incorporated  
(a manufacturer of commercial and  
industrial products)  
2001 Spring Road, Suite 300  
Oak Brook, IL 60521

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Gary L. Weller - Senior Vice President and Chief  
Financial Officer  
Greenfield Industries, Inc.  
470 Old Evans Road  
Evans, GA 30809

Neither Greenfield, nor any of Greenfield's directors or executive officers, have, during the past five years (i) been convicted in a criminal proceeding (exclusive of traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of

competent jurisdiction and as a result of such proceeding been subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

All of the directors and executive officers of Greenfield listed above are U.S. citizens

Item 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Greenfield has paid no cash consideration in connection with the acquisition of beneficial ownership described in Item 5 hereof and incorporated herein by reference thereto. As set forth more fully in Item 5, Greenfield has obtained the right to acquire an aggregate of 630,000 shares of Common Stock, of Rule in connection with its execution of a letter of intent dated July 20, 1995 between Greenfield and Rule (the "Letter of Intent") providing for the acquisition of Rule by Greenfield at a substantial premium to the market price for Rule's Common Stock prevailing immediately prior to execution of such Letter of Intent. Exercise of the option to acquire beneficial ownership is subject to the satisfaction of certain conditions more fully described in Item 5. To the knowledge of the undersigned, the conditions to exercise of the option have not been satisfied and accordingly, such option is not currently exercisable.

In the event the option becomes exercisable and is thereafter exercised by Greenfield (as to which Greenfield has made no determination), Greenfield anticipates that it will utilize working capital and/or the proceeds from bank borrowings made in the ordinary course of business pursuant to an Amended and Restated Credit Facilities Reimbursement Agreement (the "Credit Agreement") dated November 8, 1994 by and among Greenfield, as Borrower, NationsBank of Georgia, National Association, Wachovia Bank of Georgia, National Association, Trust Company Bank, CommerzBank AG, Atlanta Agency and National City Bank, Kentucky, as Lenders, and NationsBank of Georgia,

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National Association, as Agent to finance such purchases and will utilize borrowing availability under the Credit Agreement and/or other borrowing facilities to be established in the future to finance the purchase of securities pursuant to the merger contemplated by the Letter of Intent described in Items 4 and 5 hereof.

Item 4. PURPOSE OF TRANSACTION.

The securities described as beneficially owned in Item 5 hereof have been acquired, as more fully described in Item 5 hereof, in connection with the execution of the Letter of Intent. The Letter of Intent provides, INTER ALIA, for the negotiation and execution of a definitive merger agreement (the "Merger Agreement") whereby all of Rule's outstanding Common Stock would be acquired by Greenfield. In the event the merger contemplated by the Letter of Intent is

consummated, Greenfield anticipates that it would be able to and would (i) make changes to the Board of Directors and management of Rule, (ii) make changes to Rule's charter and by-laws, (iii) make changes to Rule's present capitalization and/or dividend policy, (iv) cause Rule's Common Stock to cease to be quoted on the Nasdaq National Market, and (v) cause Rule's Common Stock to be eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended. No specific plans with respect to the foregoing have yet been formulated by Greenfield. Except as set forth above, Greenfield has no present plans or intent that would relate to or result in a sale or transfer of a material amount of assets of Rule or any material change in Rule's business or corporate structure.

Item 5. INTEREST IN SECURITIES OF THE ISSUER.

Greenfield may be deemed to be the beneficial owner of 630,000 shares of Rule Common Stock, or 19.3% of Rule's Common Stock to be outstanding upon the issuance of such shares, based upon the grant to Greenfield by Rule of an option to purchase all such shares at a price of \$8.00 per share in the Letter of Intent. As set forth in the Letter of Intent, the option has been granted in connection with Greenfield's proposal to acquire all of the capital stock of Rule in a transaction in which Rule's stockholders would receive a purchase price of \$15.30 per share, payable in cash.

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The option becomes immediately exercisable, in whole only, on the tender of the exercise price in cash, upon a breach by the Issuer of certain of its obligations to Greenfield under the Letter of Intent. Specifically, the option is exercisable if the Issuer (a) enters into a binding agreement with a party other than Greenfield or its subsidiaries or affiliates relating to any transaction (an "Extraordinary Transaction") involving (i) the sale of a material number of shares of its capital stock, (ii) a sale of all or substantially all of its assets or (iii) a merger, consolidation or other business combination or (b) enters into a definitive agreement for an Extraordinary Transaction after providing any party with nonpublic information, engaging in discussions or negotiations or otherwise soliciting any person with respect to an Extraordinary Transaction. The option terminates upon the earlier of (a) the execution and delivery of a Merger Agreement or (b) December 31, 1995.

The Letter of Intent also provides that, upon the execution of a Merger Agreement, Rule will grant Greenfield an option to purchase 630,000 shares of Common Stock at a price of \$8.00 per share which will replace the option granted in the Letter of Intent, which option terminates upon the execution of such Merger Agreement. The Letter of Intent contemplates that such option would be immediately exercisable and would terminate (a) upon the consummation of the merger, (b) the termination of the Merger Agreement under certain circumstances to be specified in the Merger Agreement or (c) June 30, 1996. The Issuer also agreed that all proceeds from the exercise of such option would be used exclusively to reduce its indebtedness.



Greenfield has sole power to exercise the option granted in the Letter of Intent. If exercised, Greenfield would have sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the Common Stock received through such exercise.

In the Letter of Intent, Greenfield and Rule agree to use reasonable efforts to enter into the Merger Agreement by August 31, 1995. The Letter of Intent contains additional agreements between the parties relating to, among other things, confidentiality, nonsolicitation, exclusivity of negotiations, inspection and access to information by Greenfield, the exclusion of certain assets from the merger and reimbursement of expenses under certain circumstances. The Letter of Intent is attached hereto as Item 7(b) and incorporated herein by reference thereto. The obligation of the parties to enter into a Merger Agreement is subject to the following conditions: (a) negotiation and execution of the Merger Agreement and related documents; (b) completion, to its satisfaction, of Greenfield's due diligence;

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(c) approval of the Merger Agreement by the parties' respective Boards of Directors; and (d) agreement on employment terms for Mr. Libby.

Except as set forth above, there have been no transactions by Greenfield in the Common Stock of Rule during the past 60 days.

Item 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR  
RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE  
ISSUER.

Reference is made to Items 4, 5 and 7(b) for a description of all contracts, arrangements, understandings and relationships with respect to the securities of Rule, which descriptions are incorporated herein by reference thereto.

Item 7. MATERIAL TO BE FILED AS EXHIBITS.

(a) Press Release of Greenfield Industries, Inc. dated July 20, 1995.

(b) Letter of Intent dated July 20, 1995 between Greenfield Industries, Inc. and Rule Industries, Inc.

(c) Amended and Restated Credit Facilities Reimbursement Agreement dated November 8, 1994 by and among Greenfield Industries, Inc., as Borrower, NationsBank of Georgia, National Association, Wachovia Bank of Georgia, National Association, Trust Company Bank, CommerzBank AG, Atlanta Agency and National City Bank, Kentucky, as Lenders, and NationsBank of Georgia, National Association, as Agent (filed with the Securities and Exchange Commission as Exhibit 10.81 to the 1995 Annual Registration Form 10-K [file no. 0-21828] and incorporated herein by

reference thereto).

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After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: July 28, 1995

GREENFIELD INDUSTRIES, INC.

By: /s/ Gary L. Weller

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Gary L. Weller  
Senior Vice President  
Chief Financial Officer

FOR IMMEDIATE RELEASE:

- - - - -

THURSDAY, JULY 20, 1995

CONTACT:

- - - - -

GREENFIELD INDUSTRIES, INC.  
DIANNE STEELE  
MANAGER -- INVESTOR & PUBLIC RELATIONS  
(706) 650-4134

CONTACT:

- - - - -

RULE INDUSTRIES, INC.  
JOHN GEISHECKER, JR.  
VICE PRESIDENT  
(617) 272-7400

GREENFIELD INDUSTRIES, INC. TO ACQUIRE RULE INDUSTRIES, INC.

AUGUSTA, GEORGIA, July 20, 1995--Greenfield Industries, Inc. (NASDAQ--GFII) and Rule Industries, Inc. (NASDAQ--RULE) announced today that they have signed a letter of intent providing for the acquisition of Rule Industries, Inc. by Greenfield Industries, Inc. Completion of the transaction is subject to satisfaction of a number of conditions including the completion of a definitive merger agreement and government and shareholder approvals.

According to the terms of the letter of intent, Greenfield will pay \$15.30 per share for the outstanding shares of common stock of Rule and assume debt of approximately \$39 million. Additionally, Rule has granted Greenfield an option to purchase 630,000 shares of Rule common stock at \$8.00 per share under certain circumstances. As of July 20, 1995, Rule has 2,640,532 common shares outstanding, excluding shares issuable upon the exercise of Greenfield's option and 491,500 options and warrants which generally become exercisable with the completion of this transaction.

Rule Industries is a leading manufacturer of consumer and industrial cutting tools including various types of consumer saws and other hardware items. Additionally, Rule is an international leader in a variety of marine products such as pumps, anchors, compasses, and paint and chemical products for pleasure boats. For the nine month period ended May 31, 1995, Rule reported total revenues of \$52.8 million, of which consumer and industrial hardware products represented \$35.4 million.

"Rule Industries has a strong heritage in the cutting tool industry and its Disston brand of consumer power tool accessories, hand tools, and lawn and garden products has a long-standing 150-year reputation for high quality products in the retail market," says Paul W. Jones, president and chief executive officer of Greenfield. "We're enthusiastic about the opportunities this merger will provide to expand our presence in the global cutting tools industry, particularly in the consumer market where Rule's products are highly regarded."

Greenfield Industries is a leading world-wide manufacturer of expendable cutting tools and related products used in a variety of industrial, electronics, oilfield equipment, mining and wear parts and consumer markets.

[GREENFIELD LETTERHEAD]

July 20, 1995

Board of Directors  
Rule Industries, Inc.  
70 Blanchard Road  
Burlington, Massachusetts 01803

Re: Acquisition of Rule Industries, Inc.  
("Rule")

-----

Gentlemen:

This letter will serve to summarize our intention regarding the acquisition by Greenfield Industries, Inc. ("Greenfield") of all of the capital stock of Rule (the "Shares"), subject to and contingent upon the terms and conditions outlined below.

1. FORM OF SALE. Greenfield will purchase all of the capital stock of Rule pursuant to a cash merger (the "Merger"). Greenfield represents that it will have sufficient financial resources available to it to complete the transaction on the terms and in the time frame contemplated hereby.
2. PURCHASE PRICE. The purchase price will be \$15.30 per share, assuming that there are no more than 2,640,532 Shares outstanding and not more than 491,500 Shares issuable upon exercise of options, warrants or other securities convertible into Shares (with an average exercise price of \$9.18 per share). To the extent practicable, each option, warrant or other convertible security not exercised or converted prior to the closing of the transaction shall be canceled as of the closing date or substituted with a Greenfield equivalent security, exercisable or convertible into an appropriate number of Greenfield shares at the same aggregate price.

Board of Directors  
July 25, 1995

3. FORM OF PAYMENT. The purchase price shall be paid in cash immediately following consummation of the Merger.
4. MERGER AGREEMENT. Greenfield and Rule will employ their reasonable efforts to sign a definitive cash merger agreement (the "Merger Agreement") by August 31, 1995. The Merger Agreement shall have the representations, warranties and covenants customary in this type of transaction. In connection with the execution of the Merger Agreement, Rule will grant Greenfield an option to purchase 630,000 shares of Rule Common Stock with an exercise price equal to \$8 per share. Such option will be immediately exercisable and will terminate upon the earlier of consummation of the merger, termination of the Merger Agreement under circumstances to be agreed upon by Greenfield and Rule on June 30, 1996. All proceeds incurred from the exercise of such option will be used exclusively to reduce indebtedness.
5. EXCLUDED ASSETS. Prior to consummation of the Merger, Rule may transfer all of its right, title and interest in any recoveries it may be entitled to as a result of the pending arbitration proceeding with Sandvik AB to a liquidating trust (or similar entity) for the benefit of Rule shareholders as of the effective date of the Merger. In addition, Rule shall enter into an agreement with Henry Libby and the Disston Company confirming its understanding with Libby with respect to the prosecution of such arbitration proceeding and the rights and obligations of Rule thereunder. Such agreement, including the financial and other obligations of Rule thereunder, shall be reasonably satisfactory to Greenfield. Rule and/or Greenfield may contribute up to \$50,000 to such trust to finance its operations and Greenfield shall be entitled to reimbursement of any such amounts expended as well as amounts to be expended pursuant to the agreement between Rule and Libby prior to disbursement of any net proceeds to the trust's beneficiaries. In addition, such trust shall also be responsible for any (i) costs, expenses and liabilities arising out of or relating to such arbitration proceeding or the facts underlying such proceeding including, without limitation, any costs, expenses or liabilities under federal and state

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securities laws, (ii) any liabilities under environmental laws or (iii) any liabilities for taxes related to such excluded assets

referred to in this paragraph, in each case incurred by Greenfield within two years following the Merger.

6. INSPECTION AND ACCESS TO INFORMATION. From and after the date of execution of this letter by Rule, Rule will permit full access to, and will make available to Greenfield's representatives for inspection and review, all properties, books, records, accounts, and documents of or relating to Rule as may be reasonably requested from time to time and make the attorneys of Rule available for consultation. Greenfield will commission an environmental consultant to conduct a complete analysis of environmental issues.
7. CONDITIONS. The obligations of the parties to enter into a definitive Merger Agreement shall be subject to fulfillment, among other things, of the of the following conditions:
  - a. Negotiation and execution of the Merger Agreement and other related documentation.
  - b. Completion of and satisfaction by Greenfield with the inspection referred to in paragraph 6 and other normal due diligence procedures. In particular, Greenfield will want to confirm Rule's sales prospects with its major customers. All such contacts will occur pursuant to a process to be mutually agreed to by Greenfield and Rule.
  - c. Approval of the Merger Agreement by the Boards of Directors of Rule and Greenfield.
  - d. Agreement between Greenfield and Henry Libby on employment terms for Mr. Libby.
8. COMPETING OFFERS. Subject to the fiduciary duties of the directors of Rule under applicable law, during the period (the "Due Diligence Period") from the execution and delivery of this letter agreement through the first to occur of (a) August 31, 1995; (b) the execution and

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delivery of a definitive Merger Agreement; and (c) the termination of negotiations between the parties by Greenfield in writing or by mutual written consent:

(i) Rule shall not enter into a letter of intent or other binding agreement for any transaction (an "Extraordinary Transaction") involving (x) a sale of a material number of shares

of capital stock of Rule; (y) a sale of all or a substantial portion of the assets of Rule; or (z) a merger, consolidation or other business combination to which Rule or any subsidiary of Rule is a party, in each case with a party other than Greenfield or a subsidiary or affiliate of Greenfield; and

(ii) Rule shall not, and shall direct its officers, directors, employees, agents and representatives not to, directly or indirectly, provide any person with non-public confidential information, engage in any discussions, or negotiations, afford any person access to the properties, books or records of Rule or any of its subsidiaries or otherwise solicit, encourage or assist any person in regard to an Extraordinary Transaction.

9. OBLIGATION TO UPDATE. During the period between the date of acceptance of this offer and the execution of a Merger Agreement, Rule will advise Greenfield on a timely basis of all of Rule's transactions, commitments or contingencies that may arise that are of material significance to Rule or not in the ordinary course of business of Rule. Such advice is for information purposes only and further, Greenfield has no authority of approval or disapproval and Rule is totally responsible for the consequences of any actions that it elects to take during this period.
10. CONFIDENTIALITY. As some of the information Rule and Greenfield have received or are to receive regarding the other party is proprietary and has not been made available to the public, each party and its affiliates and representatives understand and agree that such information is or was provided solely for the purpose of evaluating the transaction contemplated herein and will not disclose any of such information to any third

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party, except as required by applicable law or legal process, without the prior written consent of the party to whom the information relates; provided, however, that any such information may be disclosed to a party's representatives who need to know such information for the purpose of evaluating the transaction contemplated herein and who agree to keep such information confidential. The obligations of each party and its affiliates and representatives under this paragraph shall not apply to information which (a) is or becomes generally available to the public other than as result of a breach of this letter of intent by such party or its affiliates or representatives, (b) becomes



available to such party from a source other than the other party or its representatives or agents, which source, to the knowledge of the party obtaining the information, is not bound by a confidentiality obligation, (c) is known to such party prior to receiving such information, or (d) has been or subsequently is independently developed by such party. The provisions of this paragraph supersede any other understandings or agreements with regard to confidentiality previously entered into between the parties.

11. ANNOUNCEMENTS. The parties agree that they will make no public announcement of this agreement or the discussions contemplated hereby without the consent of each party hereto. Notwithstanding the foregoing, the parties acknowledge that they may be required by applicable law to issue a press release announcing the signing of this letter of intent and related matters, including the price provisions. The content of any such announcement will be subject to the review and approval of the other party hereto, such review to be timely and approval not to be unreasonably withheld.
12. EXPENSES. Except as provided in paragraph 15, whether or not the transactions contemplated hereby are consummated, each party will bear entirely the respective out-of-pocket expenses that it incurs in connection with this transaction, including legal, accounting and other fees.

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13. NO SECURITIES TRANSACTIONS. Except as provided in paragraph 14 hereof, unless and until a transaction with Greenfield has been publicly announced or abandoned, as set forth in a writing from one party hereto to the other, the parties hereto will not, and will use their best efforts to assure their officers, directors, employees, agents, and representatives, and affiliates thereof, who have or may gain knowledge of the existence of this letter agreement will not, buy or sell or enter into any agreement or understanding to buy or sell any securities of Greenfield or Rule.
14. OPTION. In consideration of Greenfield making the offer to acquire Rule at a substantial premium to the market price of Rule, Rule hereby grants to Greenfield an option to purchase 630,000 shares of Rule common stock at an exercise price of \$8 per share. Such option may be exercised only in the event either (i) Rule breaches its obligations under clause (i) of paragraph 8 without regard to the fiduciary duty provisions of the first

sentence of paragraph 8, or (ii) Rule breaches its obligation under clause (ii) of paragraph 8 without regard to the fiduciary duty provisions of the first sentence of paragraph 8 and thereafter Rule enters into a definitive agreement for an Extraordinary Transaction. The option may be exercised in whole only, by written notice to Rule, together with tender of the aggregate option exercise price in cash in immediately available funds. Such option will expire and have no further force and effect, if not theretofore exercised, on the earlier of (i) the execution and delivery of a definitive Merger Agreement or (ii) December 31, 1995.

15. CERTAIN REIMBURSEMENT RIGHTS. If, (i) prior to the end of the Due Diligence Period, Rule notifies Greenfield in writing that it is terminating discussions with Greenfield concerning the transaction proposed by Greenfield or (ii) prior to the 180th day following the end of the Due Diligence Period Rule enters into an agreement with a party other than Greenfield or a subsidiary of Greenfield with respect to the sale of all or substantially all the assets or capital stock in Rule, then Rule shall reimburse Greenfield for all out-of-pocket expenses reasonably incurred in making

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its due diligence investigation within 5 business days after Greenfield provides Rule with a listing of its out-of-pocket expenses; provided however, that Rule shall not be obligated to reimburse more than \$200,000 in expenses hereunder and provided, further, that Rule shall not be obligated to reimburse Greenfield hereunder if negotiations between Rule and Greenfield are terminated by Greenfield in writing or by mutual written consent.

16. BINDING EFFECT. Notwithstanding anything else wherein to the contrary, in consideration of the costs that the parties will incur in pursuing this transaction, paragraphs 6, 8, 9, 10, 11, 12, 13, 14 and 15 shall be binding on the parties. However, if a Merger Agreement has not been executed prior to the expiration of the Due Diligence Period, this letter of intent shall become null and void as of such date, except for paragraphs 10, 11, 12, 13, 14 and 15. Nothing contained herein shall constitute a legally binding obligation to consummate the Merger and, except as expressly provided in this paragraph, no party shall be legally bound to the others unless and until a Merger Agreement shall have been executed and delivered by the parties.

17. COUNTERPARTS. This letter of intent may be executed in one or more counterpart copies, and each of such copies shall together constitute a single document.

If the foregoing terms and conditions are acceptable to you, please so indicate by signing and dating both of the enclosed copies of this letter where indicated and returning one to the undersigned.

Yours very truly,

GREENFIELD INDUSTRIES, INC.

By /s/ Gary L. Weller

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Senior Vice President and  
Chief Financial Officer

Board of Directors  
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Date: July 20, 1995

AGREED TO AND ACCEPTED

RULE INDUSTRIES, INC.

/s/ John Geishecker, Jr.

-----  
Vice President

By /s/ Gary M. Sable

-----  
Vice President

Date: July 20, 1995