FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-08-26** | Period of Report: **1996-05-31**
SEC Accession No. 0000899243-96-001153

(HTML Version on secdatabase.com)

FILER

VALLEN CORP

CIK:**312907**| IRS No.: **741366847** | State of Incorp.:**TX** | Fiscal Year End: **0531**
Type: **10-K** | Act: **34** | File No.: **000-10796** | Film No.: **96620445**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED MAY 31, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM __________ TO ___________

COMMISSION FILE NUMBER 0-10796

VALLEN CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS	74-1366847
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

13333 NORTHWEST FREEWAY HOUSTON, TEXAS	77040
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 462-8700
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, $.50 PAR VALUE
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing:

$54,329,999 BASED ON THE CLOSING PRICE OF AUGUST 9, 1996

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date:

COMMON STOCK, $.50 PAR VALUE	7,264,708
(Title of class)	(Number of shares outstanding as of August 9, 1996)

DOCUMENT INCORPORATED BY REFERENCE

DOCUMENT	PART OF FORM 10-K
Proxy Statement for the 1996 Annual Meeting of Shareholders	Part III

Exhibit Index on Page 31

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P A R T I

ITEM 1. BUSINESS

Vallen Corporation, together with its subsidiaries, (the "Company" or "Vallen") was incorporated under the laws of Texas in 1960 as the successor to a business founded in 1947. The Company operates through various domestic subsidiaries. Through a 50% owned Mexican company, Proveedora de Seguridad Industrial Del Golfo, S.A. ("Proveedora") the Company engages in distribution in Mexico. Additionally, the Company owns a 50% interest in an industrial supply distribution company headquartered in Edmonton, Alberta, Century Sales & Service, Limited ("Century"). The Company also operates through various partnerships and other affiliated operations.

Vallen Safety Supply Company ("Vallen Safety") is a distributor of industrial safety and health products and services designed for the protection of the individual worker and the workplace environment. Its customer base is nationwide; major markets serviced include chemical production, railroad and automotive transportation, petroleum refining, utilities, pulp and paper products, primary metals extraction, general manufacturing, various governmental agencies, business services, transportation equipment, steel production, and oil and gas extraction and construction. Encon Safety Products, Inc. ("Encon") manufactures industrial safety equipment for sale by Vallen Safety and unaffiliated distributors. All Supplies, Inc. ("All Supplies") is a Louisiana based distributor of industrial hardware and welding supplies to industrial and commercial customers. During the past fiscal year, the distribution and manufacturing segments contributed 68% and 32%, respectively, of the Company's operating income before corporate general and administrative expenses.

The table included in Note 12 to the Company's Consolidated Financial Statements provides certain information regarding Vallen's distribution and manufacturing industry segments for the Company's last three fiscal years.

The Company's corporate headquarters are in Houston, Texas. Corporate management has responsibility for overall organization, planning, business development and control of Company operations, as well as specific oversight in the areas of compensation and benefits, finance and accounting, data systems, risk management, taxes and employee training and development.

DISTRIBUTION

Vallen Safety distributes a broad range of personal protective and other safety and health related products and services, including sales and rental of approved respiratory equipment and gas detection instruments to meet specific safety and health needs of industrial customers. Respiratory equipment and atmospheric hazard detection instruments are used where work is performed in limited breathing environments, or where workers are exposed to hazards associated with possible escape of toxic or combustible gases or to carcinogens and other dangerous atmospheric particulates. Under its Vallen Knowledge Systems product group, Vallen Safety provides a wide variety of safety training and instruction services, safety program staffing, and is marketing computer chip enhanced "Smart Cards" for information storage and documentation programs for its customers.

Supplied-air respiratory equipment includes both portable self-contained units and air line respirators worn by industrial, fire fighting and other personnel in environments where ambient conditions require a dependable, alternative source of breathable air. Supplied-air respiratory equipment contributed 6.5%, 7.8% and 9.8% of consolidated net sales for the years ended May 31, 1996, 1995 and 1994, respectively. The organization distributes air purifying equipment including gas masks, chemical cartridge and particulate type respirators for protection against breathing dusts, mists, fumes and fogs associated with certain industrial process environments.

A wide variety of personal protective equipment and other workplace commodities is distributed, including eye protection devices, head and hearing protection items, gloves, first aid products and emergency shower and eye-wash products, as well as protective clothing and similar items. Vallen Safety operates a program under which prescription safety eyewear service is provided at specific customer sites.

Vallen Safety markets a series of portable electronic instruments and colorimetric tubes used to detect and measure the presence and levels of toxic and combustible gases or oxygen deficient atmospheres. Portable devices used in enforcing industrial pollution control programs are also marketed.

Other product lines include fire safety equipment, fire prevention systems and fire control agents, ergonometric enhancing products, material handling equipment and netting, safety signs, lights and alarms.

Vallen Safety has steadily expanded its "in-plant store" concept: safety stores physically located on the customers' premises. The stores distribute a variety of products directly to customer personnel, in addition to managing the safety inventory stocks for the customer. The number of in-plant stores now totals 61.

Vallen Safety maintains service centers which inspect, repair and calibrate respiratory equipment, fire protection equipment and electronic atmospheric hazard detection instruments. Mobile respiratory service vans, staffed by factory certified technicians who perform scheduled in-plant inspection and repair work for customers, are operated.

Across the U.S. and Canada, Vallen Safety has six regional hubs that use their large distribution centers to ship directly to customers and to supply smaller branch locations and onsite stores. Sales and operations employees receive training from Vallen Safety and certain of its suppliers regarding appropriate applications and relevant regulatory and industry standards for various kinds of safety and health equipment. Vallen Safety also sponsors safety equipment and safety awareness training programs and seminars for customer personnel.

Vallen Safety purchased 50% of the outstanding common stock of Proveedora, a health and safety products distribution company headquartered in Tampico, Mexico, in 1992. Proveedora, a company organized under the laws of Mexico, represents many of the same industrial safety equipment suppliers that Vallen Safety does. It operates through 16 locations throughout Mexico.

Vallen Safety opened its first Canadian branch operation in May, 1993. Vallen Safety Supply Company, Ltd., a company organized under the laws of Canada, was formed to conduct those operations. The Canadian company generally represents the same supplier group as Vallen Safety's U.S. operations. There are currently 3 Canadian branch operations in Ontario province. Sales at these locations for the year ended May 31, 1996 were approximately $3,500,000 (U.S. dollars).

Additionally, the Company purchased a 50% ownership share of the outstanding common stock of Century Sales & Service Limited ("Century"), an Edmonton, Alberta based Canadian Corporation on June 6, 1995. Century is a distributor of mill supply and industrial hardware products. The Company has the option to purchase the remaining 50% of Century's outstanding stock, based upon a purchase formula, either 5 or 6 years following the original purchase closing date. Century operates 12 distribution sites in Alberta and Saskatchewan provinces, in addition to a central distribution center at its Edmonton headquarters location. It employs over 200 people in its operations.

Vallen Corporation purchased 100% of the capital stock and the business of All Supplies, effective August 18, 1995. All Supplies is a Baton Rouge, Louisiana based distributor of mill, safety and welding supplies, primarily to an industrial customer base in Louisiana. All Supplies is generally subject to the same competitive issues as Vallen Safety.

The Company's distribution subsidiaries sell to a diverse customer base. No customer accounted for 10% or more of consolidated revenues. Sales to Proveedora, Century and to domestic companies for export purposes were less than 3% of distribution net sales during the year ended May 31, 1996. Vallen Safety is unable to assess its overall market position relative to other competing entities due to the overall fragmented nature of its principal business.

All products sold by Vallen Safety are purchased through other manufacturers and suppliers. Of the more than 700 suppliers whose products are regularly distributed by Vallen Safety, the top 10 accounted for approximately 40% for the year ended May 31, 1996. All of the Company's arrangements with suppliers are terminable by either party on short notice. Sales of respiratory equipment purchased from Scott Aviation, a division of Figgie International, Inc., comprised approximately 7.1% in dollar amount of all products sold by Vallen Safety during the year ended May 31, 1996. Termination of Vallen Safety's distribution of Scott equipment could have a materially adverse effect on the Company's business. Vallen has been a distributor of safety equipment manufactured by Scott continuously since 1953 and considers its relations with this supplier to be satisfactory. No other supplier accounted for as much as 7% in dollar amount of distribution products sold during the year ended May 31, 1996.

Competitive factors in distribution of safety and health products include quality and availability of product lines, technical product knowledge as to applications and usage, service and repair capability in certain product lines, and product pricing. The Company maintains adequate inventories in order to meet rapid delivery requirements in many contractual situations. At May 31, 1996, distribution inventories constituted approximately 28% of consolidated assets. The Company engages in active competition with a large number of other safety and health product distributors in each of its product lines and geographical markets. Most such distributors are small enterprises selling to customers in a limited geographic area. Most manufacturers of industrial safety and health products sell through distributors because of the relative direct marketing costs of a narrow product line to customers. One of the major competitors in the industry, however, is an integrated manufacturer and distributor of safety and health products whose sales, earnings and financial resources exceed Vallen's; however, this competitor's principal geographical areas of concentration are not within Vallen's primary market areas.

MANUFACTURING

Encon was formed in 1964 to produce specialized safety equipment for which the Company could find no suitable source of supply to meet customer needs.

Encon currently manufactures various lines of safety equipment for use in industries where workers are exposed to potentially hazardous conditions. Many components of its manufactured products are fabricated by others, although on-site tooling and fabrication have been implemented where justified by volume, cost and other factors.

Encon produces fixed and portable eye-wash and face-wash equipment and emergency drench and enclosed showers for use in plant areas where workers risk contact with dangerous chemicals or other similar hazards.

Encon produces several series of non-prescription goggles and eyewear. The primary lines include (1) the Encon 160 Series, a heavy duty chemical splash goggle, ergonometrically designed, and incorporating a replaceable cylindrical lens for peripheral, unobstructed vision. The 160 Series accommodates respirators, hard hats and prescription lens present on the worker; (2) the Encon 500 Series goggle provides an alternative product line, more moderately priced, featuring regular and fogfree lens composition in various lens colors; and (3) the Encon 1900 Series Tuff-Spec (R) are high impact performance eye protection spectacles, featuring a high degree of lens hardness and chemical resistance properties, which meets industry specifications and standards for primary protective eyewear.

Encon manufactures cool air delivery systems for individual workers. These systems utilize the vortex tube assembly (a no-moving-parts heat exchanger) to separate delivered compressed air into hot and cold streams and, in conjunction with insulated aluminized reflective garments, permit safe and comfortable working environments for extended periods in conditions of high ambient temperature and radiant heat.

Encon manufactures a line of storage cabinets to protect safety, emergency and industrial equipment located in hazardous or corrosive industrial environments. The Encon wallcase product group holds and protects SCBA's, fire extinguishers, escape respirators, gas masks and protective clothing. With high visibility appearance and virtually air tight, durable design, Encon wallcases keep valuable customer property and equipment in ready to use condition.

Encon Custom Plastics, a division of Encon acquired in February 1990, is a contract manufacturer of vacuum formed and injection molded thermoplastic parts. Its primary product line includes wall cases for emergency self-contained breathing apparatus and fire extinguishers, Therma Flow covers, AWARENESS shower signs and various other products manufactured by vacuum forming and molding.

During the year ended May 31, 1996, 37% of manufacturing net sales were made to the Company's distribution operations. The remaining 63% were made primarily to unaffiliated regional distributors, industrial mail-order catalog firms, overseas sales representatives, and certain industrial users. Encon also sells vortex tube assemblies and certain other components to original equipment manufacturers for incorporation into finished products. Manufactured products are marketed primarily under the "Encon" name. No single customer accounted for 10% or more of net sales for the manufacturing operations for the year ended May 31, 1996.

Approximately $2,546,000, or 12.2%, of manufacturing net sales for the year ended May 31, 1996, were to foreign purchasers in various geographical regions. The Company accepts payment only in United States dollars and makes sales outside the United States only to established customers or against letters of credit drawn on major money center banks.

Encon competes with numerous other manufacturers, some of which have substantially greater resources. The Company does not believe that its manufactured products account for a significant share of any of its markets. The Company does not consider that its manufacturing operations or its business as a whole are materially dependent upon any one product or any related group of products.

Effective January 12, 1995, Vallen Corporation invested cash to acquire a 50% equity interest in Nuclear Utility Products, Inc. (NUPRO), a new company formed to manufacture and supply protective clothing and engineered products used in the nuclear power production business. Vallen, through its wholly-owned distribution subsidiary, Vallen Safety, has contracts to supply safety products to nuclear power production facilities of the Tennessee Valley Authority (TVA) and other nuclear power production customers. Vallen's partner in NUPRO has significant experience in the manufacture and supply of such protective clothing and related products to the nuclear power industry. The size of NUPRO and the results of operations of this company are not significant to Vallen Corporation or its distribution subsidiary.

The Company's manufacturing operations are not dependent on one or a small number of suppliers or fabricators for any raw materials or tooled components.

REGULATION

Marketability of the Company's distributed and manufactured products depends, in many instances, upon compliance with manufacturing, quality control, performance, test and other published standards of entities such as the Occupational Safety and Health Administration ("OSHA"), the National Institute for Occupational Safety and Health ("NIOSH"), the American National Standards Institute ("ANSI"), the American Society of Testing Materials ("ASTM"), Underwriters' Laboratories ("UL"), Factory Mutual ("FM"), and the Canadian Standards Association ("CSA"). To the extent applicable, the Company's manufactured products currently meet or exceed such published standards or criteria, and compliance of various other products marketed by Vallen Safety and All Supplies are certified by their manufacturers. Such standards could, however, change in the future so as to render one or more of Vallen's products or product lines at least temporarily unmarketable. The Company believes that the manufacturers of its products, including its manufacturing subsidiary, should be able to adapt such products to any reasonably foreseeable new standards which might be adopted in the future.

The Company believes that compliance by its customers with federal regulations regarding occupational safety and health has been an important factor in its past growth. The Company cannot predict the level of future regulation.

INSURANCE

Failure of a safety product marketed or manufactured by the Company could expose it to large damage claims. The Company is named as an additional insured under the products liability policies maintained by certain of its suppliers and maintains product liability and other insurance in amounts believed by the Company to be in accordance with industry practices. Nevertheless, such insurance coverage may not be adequate to protect the Company against all liability or loss which might arise from a product failure.

EMPLOYEES

The Company employed 936 persons at May 31, 1996 and believes that relations with its employees are good.

ITEM 2. PROPERTIES

Vallen's corporate and distribution headquarters are located in a 50,000 square foot building in northwest Houston. The building, constructed in 1978, and the five-acre tract on which it is situated, are owned by the Company. The Company constructed a new 65,000 square foot manufacturing facility in Houston and the Houston manufacturing operation moved into the new facility in fiscal 1991. The Company owns and operates a 10,000 square foot manufacturing facility in Coudersport, Pennsylvania and leases a 15,000 square foot manufacturing facility in Houston, Texas. The Company owns branch-warehouses for its distribution operations with an aggregate of 207,000 square feet of space in Mobile, Alabama; Bolingbrook (Chicago), Illinois; Baton Rouge, Louisiana; Philadelphia, Pennsylvania and Beaumont, Brazosport, Corpus Christi, Dallas, Odessa and Pasadena, Texas; and leases an aggregate of 380,000 square feet of warehouse and office space in Birmingham, Alabama; Anchorage, Alaska; Phoenix, Arizona; Sacramento, Martinez and Los Angeles, California; Atlanta, Georgia; Peoria and Chicago, Illinois; Waterloo, Iowa; Lake Charles, Louisiana; Portland, Maine, Baltimore, Maryland; Midland and Detroit, Michigan; Albuquerque, New Mexico; Buffalo and Rochester, New York, Charlotte, North Carolina; Canton, Ohio; Tulsa, Oklahoma; Pittsburgh, Pennsylvania, Knoxville, Nashville, Kingsport and Memphis, Tennessee; Austin, Pasadena/Houston, Longview and Texas City, Texas; Richmond, Virginia; Seattle and Longview, Washington; and Kingston, Sarnia and Toronto, Ontario, Canada.

Aggregate rentals of real property during the year ended May 31, 1996 were $1,241,000. Reference is made to Notes 5 and 10 of the Notes to Consolidated Financial Statements for information regarding mortgages on real estate and commitments under long-term operating leases. The Company considers all property owned or leased by it to be well-maintained, adequately insured and suitable for its purposes. Additional expansion of the Company's operations may require new warehouse locations in existing or new geographical areas.

ITEM 3. LEGAL PROCEEDINGS

No claims are currently pending against the Company other than claims in the ordinary course of business which are not material or as to which the Company believes it either has adequate insurance coverage or has made adequate provision.

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

There were no items submitted to a vote of security holders during the fourth quarter of the year ended May 31, 1996.

PART II

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

The Company's common stock is traded over-the-counter on the NASDAQ National Market System under the symbol VALN. At August 9, 1996 there were approximately 1,500 holders of the Company's common stock including individual participants in certain security position listings. The company has not paid any cash dividends on its common stock since its organization.

The following table sets forth for the periods indicated the high and low sale prices for the Company's common stock as reported by the NASDAQ Stock Market.
<TABLE>
<CAPTION>

QUARTER	HIGH	LOW
<S>	<C>	<C>
Year Ended May 31, 1996		
Fourth	$22 1/4	$17 1/8
Third	22 1/4	17 3/8
Second	23	18
First	19 1/4	16 1/2
Year Ended May 31, 1995		
Fourth	17 1/4	13
Third	14 1/2	11 1/4
Second	12 1/4	10 1/2
First	12 1/2	10

</TABLE>

ITEM 6. SELECTED FINANCIAL DATA

VALLEN CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA

IN THOUSANDS (EXCEPT PER SHARE DATA)
<TABLE>
<CAPTION>

OPERATING RESULTS FOR THE YEAR ENDED MAY 31,	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$237,042	$203,284	$185,751	$175,605	$167,338
Net earnings	$ 7,987	$ 7,142	$ 4,557	$ 6,257	$ 6,306
Net earnings per common share	$ 1.10	$ 1.00	$ .65	$ .89	$ .92
FINANCIAL POSITION AT MAY 31,					
Total assets	$111,663	$ 90,654	$ 81,417	$ 74,367	$ 65,830
Working capital	$ 56,554	$ 51,721	$ 44,301	$ 44,508	$ 40,548
Current asset ratio	4.3:1	5.5:1	5.0:1	6.0:1	6.1:1
Long-term debt, excluding current maturities	$ 10,705	$ 5,194	$ 3,817	$ 3,722	$ 3,765
Debt-to-equity ratio	0.1:1	0.1:1	0.1:1	0.1:1	0.1:1
SHAREHOLDERS' EQUITY AT MAY 31,					
Shareholders' equity	$ 82,317	$ 72,682	$ 65,532	$ 60,323	$ 52,784
Weighted average number of common shares outstanding	7,242	7,108	7,046	7,004	6,867
Book value per share	$ 11.37	$ 10.23	$ 9.30	$ 8.61	$ 7.69

</TABLE>

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

Management's discussion and analysis of certain aspects of the Company's results of operations and financial conditions should be read in conjunction with the Consolidated Financial Statements and the Selected Financial Data included elsewhere herein.

RESULTS OF OPERATIONS

The table below is presented to assist in analyzing changes in operating results for the fiscal years 1996, 1995 and 1994, indicating changes in various items in the statement of earnings as a percentage of net sales, and the increase (decrease) in such items in 1996, 1995 and 1994 compared to the prior

year.
<TABLE>
<CAPTION>

	YEARS ENDED MAY 31,					
	ITEMS IN CONSOLIDATED STATEMENT OF EARNINGS AS A PERCENTAGE OF NET SALES			PERCENTAGE OF INCREASE (DECREASE) FROM PRIOR YEAR		
	1996	1995	1994	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%	16.6%	9.4%	5.8%
Cost of sales	74.4	73.8	73.5	17.5	9.9	7.0
Selling, general and administrative expenses	20.6	20.7	22.2	15.8	2.0	8.6
Other income (expense), net /(1)/	.2	.1	(0.1)	140.5	265.3	11.0
Income taxes	1.8	2.0	1.5	5.8	52.5	(25.0)
Net earnings	3.4	3.5	2.5	11.8	56.7	(27.2)

</TABLE>

(1) Includes categories interest and dividend income, interest expense, earnings from foreign affiliates and other income and expense. Totals for the specific categories are noted in the Consolidated Statement of Earnings in the attached financial statements.

The category "Earnings from Foreign Affiliates" contained herein increased to $1,056,000 in 1996 from $387,000 in fiscal 1995 (attributable solely to Proveedora earnings), primarily due to (1) increased earnings from Proveedora totaling $513,000, and (2) the Company's share of earnings of Century since the June 6, 1995 date of acquisition of 50% interest by Vallen, totaling $543,000.

The Company purchased a 50% interest in Proveedora, based in Tampico, Mexico, on December 17, 1992, and purchased a 50% interest in Century, based in Edmonton, Alberta (Canada), on June 6, 1995. The initial investments and capital contributions were $2,767,000 and $4,472,000, respectively. Total sales for the years ended May 31, 1996, in U.S. dollar equivalents, were $ 9,367,000 for Proveedora and $41,322,000 for Century, respectively, compared to Proveedora sales only for 1995 of $7,701,000.

NET SALES

Consolidated net sales increased $33,758,000 or 16.6% during fiscal 1996 as compared to an increase of $17,533,000 or 9.4% in 1995. Sales increased 17.6% in the distribution segment and 5.9% in the manufacturing segment during fiscal 1996. The increase in consolidated sales for fiscal 1996 and 1995 was primarily due to acquisitions, new distribution branches and in-plant facilities being opened in fiscal 1996 and 1995, as well as the growth in the national accounts programs. The increase in the manufacturing sales level was primarily related to a volume increase in the shower and eye protection lines.

GROSS PROFIT

Consolidated gross profits as a percentage of net sales were 25.6%, 26.2% and 26.5% for fiscal years 1996, 1995 and 1994, respectively. The manufacturing subsidiary's gross profit margins decreased slightly in fiscal 1996. The distribution subsidiary's sales, which are at a lower gross profit margin, were a greater percentage of the consolidated total sales. Gross profit margins for the distribution operations were slightly lower each of the past three years, due to increased competition for relatively flat markets in the personal protection product lines, and in part a result of the increasing percentage of total net sales attributable to high volume, lower margin national supply contract sales. These factors, in combination with a trend toward lower distribution margin, resulted in a lower consolidated gross profit margin in fiscal 1996 and 1995.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses, as a percentage of net sales, were flat at 20.6% in fiscal 1996, compared to 20.7% in 1995 and down compared to 22.2% in 1994. Included in fiscal 1994's expenses are restructuring charges of $460,000, comprised of $350,000 of lease obligations and $110,000 of severance pay for the Company's employee terminations. Selling, general and administrative expenses increased 15.8% to $48,793,000 in fiscal 1996 and 2.0%

to $42,123,000 in fiscal 1995. The primary reason for the increase in fiscal year 1996 were the acquisitions of Safety Centers, Inc. and All Supplies in addition to the opening of new distribution locations.

NET EARNINGS

Consolidated net earnings as a percentage of net sales were 3.4%, 3.5% and 2.5% for fiscal years 1996, 1995 and 1994, respectively. 1996 net earnings of $7,987,000, or $1.10 per share, represented an 11.8% increase compared to fiscal 1995.

The increase was primarily the result of increased overall sales, primarily through acquisitions, and reduction of the rate of operating expense growth relative to the net sales level growth between years. Additionally, higher earnings recognized from foreign affiliates on the equity method contributed significantly to the increase in net earnings levels for 1996 over 1995.

EARNINGS FROM FOREIGN AFFILIATES, INTEREST AND DIVIDEND INCOME, AND OTHER INCOME (EXPENSE)

Earnings from foreign affiliates, net, were $1,056,000 at May 31, 1996 versus $387,000 for the year ended May 31, 1995. The earnings are from the Company's 50% position in Proveedora, in addition to affiliate earnings from Century Sales & Service, Ltd. acquired in June, 1995 through a 50% investment. Through the recognition of an exchange rate variance in 1996 related to the devaluation of the Mexican peso, the total investment in foreign affiliates was reduced by $356,000.

Interest and dividend income increased in 1996 by $5,000 and in 1995 by $298,000 due to fluctuating interest rates and cash levels available for investment. Interest expense increased in 1996 by $389,000 and in 1995 by $102,000 primarily due to the increased long-term debt due to the acquisition of the assets of Safety Centers, Inc. and the assumption of debt related thereto and the variable interest rates on the Encon industrial development bonds. In 1996, other expense, net increased $4,000 due primarily to increased amortization of intangibles from acquisition activity and due to the loss on an equity accounting basis of $169,000 in 1996 from Vallen's investment in Nuclear Utility Products, Inc.

INCOME TAXES

The effective tax rates for fiscal years 1996, 1995 and 1994 were 35.2%, 36.5% and 37.2%, respectively.

EFFECT OF IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Effective June 1, 1995, the Company adopted SFAS 121, which establishes the recognition and measurement standards related to the impairment of long-lived assets. The adoption of this Standard had no material effect to the Company's consolidated results of operations. The Company will be required to adopt SFAS 123, effective for the year ending May 31, 1997. See Notes to Consolidated Financial Statements for more information.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The net cash provided by operations for fiscal years 1996, 1995 and 1994 was $9,614,000, $5,799,000, and $7,239,000 respectively. The major uses of cash provided in 1996 were for the acquisition of businesses, $8,866,000, investment in property and equipment, $1,628,000, and investment in affiliated companies, $1,045,000.

The Company's financial position remains strong with working capital of $56.6 million, and a current ratio of 4.3 to 1. Management believes the Company's liquidity, working capital and borrowing capacity are sufficient to meet capital expenditure and working capital needs in the future.

LONG-TERM OBLIGATIONS

On March 28, 1990, the Company issued $2,750,000 in industrial development bonds (See Note 5 of Notes to Consolidated Financial Statements). The bonds are secured by a letter of credit agreement and further secured by a lien upon a manufacturing facility in Houston constructed with the proceeds.

On December 1, 1994, the Company signed a long-term loan with a bank for $1,720,000. The loan is secured by a mortgage on the regional distribution center and surrounding property in Bolingbrook, Illinois.

On July 24, 1995, Vallen Safety entered into an unsecured, four year credit facility with a major bank. The facility provides for borrowing of up to $6 million. As of May 31, 1996, Vallen Safety has drawn down $5 million under the facility. See further details of the Agreement in Note 5 to the financial statements.

Other long term debt relates to other mortgage debt obligations outstanding.

IMPACT OF INFLATION

Management of the Company believes that inflation has not significantly impacted either net sales or net earnings during the three years ended May 31, 1996. The Company has generally been able to pass along price increases from its manufacturing suppliers.

CAPITAL EXPENDITURES

During fiscal 1996 the Company invested $1,458,000 in capital assets for its distribution segment and $226,000 for its manufacturing segment. The distribution expenditures were primarily comprised of $132,000 for rental equipment, $72,000 for buildings and building improvements, $912,000 for new computer hardware and software, $342,000 for furniture and operating equipment. The manufacturing expenditures were primarily for tools, dies and other equipment used in the manufacturing process.

The capital expenditure program is designed to (1) focus the distribution activity of the Company in modern, technologically advanced regional centers, (2) match the Company's management information systems to the demanding, flexible marketplaces in which the Company competes to maintain its position as an industry leader in customer satisfaction, and (3) maintain efficient and cost competitive manufacturing operation facilities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

VALLEN CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

<TABLE>
<CAPTION>

</TABLE>

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS
VALLEN CORPORATION

We have audited the consolidated financial statements of Vallen Corporation and subsidiaries as listed in the accompanying index. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vallen Corporation and subsidiaries as of May 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1, the Company adopted the provisions of the Financial Accounting Standards Board's SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" on June 1, 1995.

KPMG PEAT MARWICK LLP

Houston, Texas
July 12, 1996

VALLEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

<TABLE>
<CAPTION>

	MAY 31,	
ASSETS	1996	1995
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 831	$ 3,006
Investment securities, at cost which approximates market	2,001	7,255
Accounts receivable, less allowance for doubtful accounts of $301 and $311 at May 31, 1996 and 1995, respectively	32,316	26,039
Notes receivable	147	412
Inventories (Note 3)	33,977	24,026
Prepaid expenses and other current assets	4,621	2,565
Total current assets	73,893	63,303
Property, plant and equipment, at cost (Note 4)	41,580	40,501
Less accumulated depreciation and amortization	21,191	19,558
Net property, plant and equipment	20,389	20,943
Notes receivable, non-current	1,599	1,599
Investment in foreign affiliates, net (Note 9)	8,243	3,070
Intangibles, net of accumulated amortization of $1,897 and $1,567 at May 31, 1996 and 1995, respectively	5,107	1,235
Other	2,432	504
	$111,663	$90,654
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt (Note 5)	$ 464	$ 161
Accounts payable	14,298	8,587
Accrued liabilities	2,290	2,654
Income taxes payable	287	180
Total current liabilities	17,339	11,582
Long-term debt, excluding current maturities (Note 5)	10,705	5,194
Deferred income taxes (Note 7)	1,302	1,196
Shareholders' equity (Note 6):		
Preferred stock, $1.00 par value; 1,000,000 shares authorized and unissued at May 31, 1996 and 1995		
Common stock $.50 par value; 20,000,000 shares authorized; 9,726,875 issued and 7,263,978		

outstanding at May 31, 1996 and 9,713,884 issued and 7,122,134 outstanding at May 31, 1995	4,864	4,857
Additional paid-in capital	5,825	3,955
Translation adjustment	(773)	(417)
Retained earnings	75,015	67,028
	--------	-------
	84,931	75,423
Less cost of common shares held in treasury (2,462,897 and 2,591,750 shares at May 31, 1996 and 1995, respectively)	2,614	2,741
	--------	-------
Total shareholders' equity	82,317	72,682
	--------	-------
Commitments and contingencies (Notes 8 and 10)		
	$111,663	$90,654
	========	=======

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

VALLEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Thousands of Dollars Except for Per Share Amounts)

<TABLE>
<CAPTION>

	YEAR ENDED MAY 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Net sales	$237,042	$203,284	$185,751
Cost of sales	176,396	150,111	136,605
	--------	--------	--------
Gross profit	60,646	53,173	49,146
Selling, general and administrative expenses (Notes 8 and 10)	48,793	42,123	41,314
Restructuring charges (Note 2)	-	-	460
	--------	--------	--------
Operating income	11,853	11,050	7,372
Earnings from foreign affiliate, net (Note 9)	1,056	387	217
Interest and dividend income	542	537	239
Interest expense (Note 5)	(674)	(285)	(183)
Other income (expense), net	(443)	(439)	(394)
	--------	--------	--------
Earnings before income taxes	12,334	11,250	7,251
Income taxes (Note 7)	4,347	4,108	2,694
	--------	--------	--------
Net earnings	$ 7,987	$ 7,142	$ 4,557
	========	========	========
Net earnings per common share	$ 1.10	$ 1.00	$ .65
	========	========	========
Weighted average number of common shares outstanding	7,242	7,108	7,046
	========	========	========

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

VALLEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(THOUSANDS OF DOLLARS, EXCEPT FOR SHARE AMOUNTS)

<TABLE>

<CAPTION>

<S>	SHARES OF COMMON STOCK, $.50 PAR VALUE	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
Balance at May 31, 1993	9,692,549	$ 4,847	$ 2,971
Net earnings	-	-	-
Employee stock purchases (Note 6)	10,923	5	132
Exercise of stock options (Note 6)	-	-	459
Balance at May 31, 1994	9,703,472	$ 4,852	$ 3,562
Net earnings	-	-	-
Employee stock purchases (Note 6)	10,412	5	123
Exercise of stock options (Note 6)	-	-	270
Currency translation adjustment	-	-	-
Balance at May 31, 1995	9,713,884	$ 4,857	$ 3,955
Net earnings	-	-	-
Employee stock purchases (Note 6)	12,991	7	171
Stock transactions	-	-	1,699
Currency translation adjustment	-	-	-
BALANCE AT MAY 31, 1996	9,726,875	$ 4,864	$ 5,825

</TABLE>

<TABLE>
<CAPTION>

<S>	TRANSLATION ADJUSTMENT	RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
Balance at May 31, 1993	$ -	$ 55,329	$ (2,824)	$ 60,323
Net earnings	-	4,557	-	4,557
Employee stock purchases (Note 6)	-	-	-	137
Exercise of stock options (Note 6)	-	-	56	515
Balance at May 31, 1994	-	$ 59,886	$ (2,768)	$ 65,532
Net earnings	-	7,142	-	7,142
Employee stock purchases (Note 6)	-	-	-	128
Exercise of stock options (Note 6)	-	-	27	297
Currency translation adjustment	(417)	-	-	(417)
Balance at May 31, 1995	$ (417)	$ 67,028	$ (2,741)	$ 72,682
Net earnings	-	7,987	-	7,987
Employee stock purchases (Note 6)	-	-	-	178
Stock transactions	-	-	127	1,826
Currency translation adjustment	(356)	-	-	(356)
BALANCE AT MAY 31, 1996	$ (773)	$ 75,015	$ (2,614)	$ 82,317

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

VALLEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of Dollars)

<TABLE>
<CAPTION>

<S>	YEAR ENDED MAY 31, 1996	1995	1994
OPERATING ACTIVITIES:			

Net earnings	$ 7,987	$ 7,142	$ 4,557
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Gain) loss on disposition of property, plant & equipment	(60)	69	60
Depreciation and amortization	3,439	3,497	3,861
Undistributed earnings of foreign affiliates, net	(702)	(387)	(217)
Loss from affiliate, net	169	54	-
Decrease (increase) in trading securities	5,254	(24)	1,054
(Increase)in accounts receivable	(1,538)	(2,144)	(1,154)
(Increase) in inventories	(3,086)	(1,960)	(1,774)
Decrease (increase) in notes receivable	265	(412)	-
(Increase) in prepaid expenses & other current assets	(1,992)	(503)	(615)
(Increase) in other assets	(1,003)	(125)	(98)
Increase in accounts payable & other current liabilities	775	511	1,825
Increase (decrease) in deferred income taxes	106	81	(260)
Net cash provided by operating activities	9,614	5,799	7,239
INVESTING ACTIVITIES:			
Net additions to property, plant and equipment, net of effects of acquisitions	(1,628)	(2,467)	(8,397)
Payments for acquisitions of businesses	(8,866)	-	(605)
Increase in notes receivable	-	(1,599)	-
Investment in affiliates	(1,045)	(230)	-
Net cash used in investing activities	(11,539)	(4,296)	(9,002)
FINANCING ACTIVITIES:			
Addition to long term debt	-	1,720	135
Reduction of long-term debt	(72)	(225)	(40)
Stock option transactions	-	297	515
Employee stock purchases	178	128	137
Net cash provided by financing activities	106	1,920	747
Net increase (decrease) in cash and cash equivalents	(1,819)	3,423	(1,016)
Effect of exchange rate changes on cash and cash equivalents	(356)	(417)	-
Cash and cash equivalents at beginning of year	3,006	-	1,016
Cash and cash equivalents at end of year	$ 831	$ 3,006	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest payments	$ 555	$ 284	$ 191
Income tax payments	$ 3,846	$ 3,833	$ 2,965

</TABLE>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

The Company purchased assets or stock of Safety Centers, Inc., All Supplies, Inc., Century Sales and Service Limited, Shepco Manufacturing, Inc. and Griffin Fire Safety Company in 1996. In conjunction with the acquisitions, assets acquired, liabilities assumed and cash paid are as follows:

<TABLE>
<CAPTION>

<S>	<C>
Fair value of assets acquired	$15,961
Cost in excess of net assets of companies acquired	4,548
Total assets recorded	$20,509
Liabilities assumed	$(9,817)
Stock issued for common stock and assets	(1,826)
Cash paid for common stock and assets	$ 8,866

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

VALLEN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation --- The consolidated financial statements include the accounts of Vallen Corporation (the Company) and its wholly-owned subsidiaries, Vallen Safety Supply Company (Vallen Safety), Encon Safety Products, Inc. (Encon), Safety World, Inc., All Supplies, Inc. (All Supplies), and Vallen Safety Supply Company, Limited. All significant inter-company transactions and amounts have been eliminated in consolidation. Unconsolidated affiliates are included on the equity basis. Certain prior year amounts have been reclassified to conform with current year presentation.

Investment Securities --- The Company held only trading securities for investment in 1996, 1995 and 1994. Cost and estimated fair value were identical, therefore no unrealized gains or losses occurred in any year presented. Trading securities consist of obligations of states and political subdivisions and corporate issuers, and totaled $2,001,000 and $7,255,000 at May 31, 1996 and 1995, respectively.

Inventory Valuation --- Inventories are stated at the lower of cost (weighted average) for Vallen Safety and All Supplies, and lower of cost (first in, first out) for Encon, or market (replacement).

Property, Plant and Equipment --- Property, plant and equipment are stated at cost, less allowances for depreciation. Depreciation expense is computed using the straight line method over the estimated useful lives of the related assets. Estimated useful lives range from 5-30 years for buildings and improvements, 3-8 years for furniture, fixtures and other equipment, and 3-5 years for data processing equipment and software.

Acquisitions --- Acquisitions have been accounted for by the purchase method and, accordingly, the acquired company's assets are recorded at fair value as of the acquisition date. Results of operations are included from the date of acquisition.

Intangibles --- Goodwill, which represents purchase price in excess of fair value of net assets of acquired businesses, is amortized on a straight line basis over periods up to 40 years, and the related accumulated amortization was $314,000 and $167,000 at May 31, 1996 and 1995, respectively. Other intangibles are amortized over their statutory or estimated useful lives. Accumulated amortization of these other intangibles was $1,583,000 and $1,400,000 at May 31, 1996 and 1995, respectively.

Income Taxes --- Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Uses of Estimates --- Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Fair Value of Financial Instruments --- The carrying values of cash and cash equivalents, accounts receivable and payable, notes receivable and accrued liabilities are considered to approximate fair value due to the short term nature of these instruments. The carrying value of long-term debt is estimated to approximate fair value based on the Company's incremental borrowing rate for similar types of borrowing arrangements.

Foreign Currency Translation --- The appropriate functional currency is determined for each consolidated entity and each entity accounted for on the equity basis. The financial statements of entities for which the U.S. dollar is determined to be the appropriate functional currency under the requirements of SFAS 52, Foreign Currency Translation, are translated using appropriate current and historic exchange rates; any gains or losses from currency transactions for these entities are included in income for the current period. Financial statements of all other entities are translated into U.S. dollars from their functional currencies using current exchange rates, with gains or losses from translation being accumulated in a separate shareholders' equity account. Transaction gains and losses are recognized in income for the current period.

<TABLE>
<CAPTION>

Foreign currency effects are summarized as follows: ($000)

<S>	1996 <C>	1995 <C>	1994 <C>
Effect of translation adjustments on net income (Increase) decrease in earnings	$ (56)	107	26
Currency translation losses charged directly to equity adjustment account	$ 356	417	-

</TABLE>

Impairment of Long Lived Assets -- In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). This statement establishes the recognition and measurement standards related to the impairment of long-lived assets. Effective June 1, 1995, the Company adopted SFAS 121. Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other non-current assets related to specifically acquired assets may be impaired, an evaluation of the recoverability of currently recorded costs would be made. If an evaluation is required, the estimated future value of undiscounted cash flows associated with the asset is compared to the asset's carrying value to determine if a write-down to markey value or discounted cash flow value is required. Adoption of this standard did not have a material effect on the financial position or consolidated results of operations of the Company.

Accounting for Stock Based Compensation --- SFAS No. 123 "Accounting for Stock Based Compensation" was issued in October, 1995. SFAS No. 123 defines a fair value based method of accounting for employee stock options. This statement is effective for fiscal years beginning after December 15, 1995. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period; however, SFAS No. 123 allows an entity to continue to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"). The Company will continue to account for stock option grants in accordance with APB 25, and accordingly, recognizes no compensation expense for stock options currently granted. For those companies who choose not to adopt the new rules SFAS No. 123 requires the company to provide proforma disclosure of net income and earnings per share, as applicable. The Company will provide this information beginning in fiscal year 1997.

Earnings Per Common Share --- Earnings per common share computations are based on the weighted average number of shares of common stock outstanding during the respective periods. Common stock equivalents have not been included from the date of their issuance due to their insignificant effect on the computation.

Statements of Cash Flows --- For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 2. RESTRUCTURING CHARGES

In May 1994, the Company completed an extensive assessment of future distribution plans and strategy. As a result, four distribution branches were closed in fiscal 1995, due to proximity to regional shipping "hub" locations and the need to eliminate redundant stocking and shipping activities. Certain personnel positions associated with those closings were eliminated. Several positions at the Company's corporate headquarters were also eliminated. Accordingly, in the fourth quarter of fiscal 1994, the Company recorded a restructuring charge of $460,000 which included a $350,000 non-cash recognition of long term lease commitments related to the branches to be closed, and $110,000 for severance pay for the eliminated positions.

NOTE 3. INVENTORIES

Effective April 1995, Vallen Safety changed its inventory valuation method from first-in, first-out (FIFO) to a weighted-average valuation method in order to provide a better matching of inventory cost with the related revenues. The cumulative effect on prior years and on the operating results for the year ended May 31, 1996 were immaterial. The All Supplies subsidiary also uses the weighted average costing in accounting for inventory. The manufacturing subsidiary continues to utilize the first-in, first-out (FIFO) method.

<TABLE>
<CAPTION>

Inventory costs are summarized as follows:

	MAY 31,	
	1996	1995
<S>	<C>	<C>
Raw materials	(Thousands of Dollars)	
Work in process	$ 1,323	$ 1,241
Finished goods	740	792
	31,914	21,993
Total inventories	-------	-------
	$33,977	$24,026
	=======	=======

</TABLE>

<TABLE>
<CAPTION>

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	MAY 31,	
	1996	1995
	(Thousands of Dollars)	
<S>	<C>	<C>
Land and improvements		
Buildings and improvements	$ 2,930	$ 2,930
Furniture, fixtures and other equipment	12,673	13,033
Data processing equipment and software	15,842	13,654
	10,135	10,884
Total property, plant and equipment	-------	-------
	$41,580	$40,501
	=======	=======

</TABLE>

Maintenance and repairs are expensed as incurred. Gains and losses from sales, and retirements are recognized at the time of disposal.

<TABLE>
<CAPTION>

NOTE 5. LONG-TERM DEBT

Long-term debt is summarized as follows:

<S>	<C>	<C>
	May 31,	
	1996	1995
	(Thousands of Dollars)	
Notes payable, bank (1)	$ 5,000	$ -
Variable rate, tax exempt, callable at par, industrial development bonds due March 1, 2020; interest rate resets weekly (3.85% at May 31, 1996); secured by a letter of credit, further secured by a manufacturing facility with a depreciated cost of $2,189 at May 31, 1996	2,750	2,750
9.9% mortgage note payable to a bank, due in equal monthly installments, final installment due December 1, 2020; secured by land and building with a depreciated cost of $1,556 at May 31, 1996	1,558	1,682
9 1/8% first mortgage note payable to an insurance company, due in equal monthly installments, final installment due May 1, 2008; secured by land and building with a depreciated cost of $614 at May 31, 1996	849	881
Other notes payable	1,012	42
	-------	-------
Total long-term debt	11,169	5,355
Less current maturities	464	161

Long-term debt, less current maturities	$10,705	$ 5,194

</TABLE>

Debt maturities for the five years subsequent to May 31, 1996 are $464,000 $1,439,000, $1,697,000, $1,444,000, and $1,709,000, respectively.

(1) - On July 24, 1995, in connection with the purchase of assets and assumption of certain liabilities of Safety Centers, Inc. (SCI), Vallen Safety borrowed $5 million under a $6 million four year credit facility with a major commercial bank. The unsecured revolving credit facility provides, at Vallen Safety's option, interest at the prime rate or LIBOR + .75%. Fees related to the facility are not material. The interest rate at May 31, 1996 was 6.3125%. Vallen Safety is required, under this agreement, to maintain financial ratios and maintain a minimum tangible net worth of not less than $9,000,000 at any time during the period of the Credit Agreement. Vallen Corporation, Vallen Safety's parent, guarantees repayment of principal and other debt service within the facility.

NOTE 6. CAPITAL STOCK PLANS

The Company has a stock option plan for key employees, (the "Plan") and has reserved for issuance 1,125,000 shares of its common stock. The Plan authorizes the Company to grant to its key employees options to purchase shares of common stock at prices per share equal to the fair market value of such stock at the date of grant.

Under the stock option plan, options have been granted and are outstanding as to 272,000 shares as of May 31, 1996. These options are exercisable in increments of 33 1/3% , beginning in years after fiscal 1993, should the Company achieve three specified consolidated earnings per share targets. None of these levels were achieved as of the fiscal year ended May 31, 1996.

In connection with the acquisition of 100% of the capital stock of All Supplies in August, 1995, the Compensation Committee and the Board of Directors of the Company approved the issuance of 100,000 options to the former owner of All Supplies under terms of an employment agreement. These options are exercisable in increments of 33 1/3%, beginning in fiscal year 1996, should the Company achieve these specified consolidated earnings per share targets, or should All Supplies achieve certain sales and gross profit levels for the same fiscal year.

Information relating to stock options is summarized as follows:

<TABLE>
<CAPTION>

<S>	SHARES <C>	OPTIONS PRICE RANGE PER SHARE <C>
Balance outstanding, at May 31, 1993	87,200	$ 4.89 - $8.00
Granted	174,000	$ 15.75
Exercised and expired	(80,600)	$ 4.89 - $15.75
Balance outstanding, at May 31, 1994	180,600	$ 8.00 - $15.75
Granted	131,000	$ 12.75 - $13.00
Exercised and expired	(33,600)	$ 8.00
Balance outstanding, at May 31, 1995	278,000	$ 12.75 - $15.75
Granted	15,000	$ 21.438
Expired	(21,000)	$ 15.75
Granted in All Supplies acquisition (see above)	100,000	$ 14.75
Balance outstanding, at May 31, 1996	372,000	$12.75 - $21.438
Options exercisable at May 31, 1996	-0-	-

</TABLE>

The Company's shareholders approved a non-employee director stock option plan (the "Director Plan") effective October 12, 1993. The Company has reserved for issuance 30,000 shares of its common stock to be used in the plan. The Director Plan authorizes the Company to grant non-employee directors options to purchase shares of common stock at prices equal to the average last sale price of the Company's stock for the five most recent trading days on which trades occurred including the date of grant. Each of the non-employee directors was granted 5,000 options based upon a formula set forth in the Director Plan. The options are exercisable ratably on the first, second and third anniversary dates of the grant date. None of the options granted were exercised on the first or second anniversary date.

The Company adopted an employee stock purchase plan effective January 1, 1991. The Company has reserved for issuance 675,000 shares of its common stock to be used in the plan. The plan allows eligible employees to purchase shares at 85% of the lower of market value on January 1 or December 31. The difference between the employees' actual purchase price and the price on December 31 is compensation expense to the Company. Employee stock purchase plan expense was $24,000 for both years ended May 31, 1996 and 1995.

During fiscal year 1996, the Company and its shareholders established an Executive Incentive Compensation Plan for executive officers and key employees of the Company and its subsidiaries. The incentive plan is administered by the Compensation Committee of the Board of Directors. The Company has reserved 100,000 shares of the Company's common stock for issuance in connection with the stock portion of the incentive awards. Under the Plan, the award pool criteria is to be established at the beginning of each fiscal year by the Compensation Committee based upon net earnings levels and return on shareholder equity criteria. The specific employee participants to be included in the incentive program are to be designated at the same time by this Committee. At the discretion of the Committee, up to 50% of each designated participant's award will be paid in the form of Company stock, with the remaining portion to be paid in cash at the end of the fiscal year.

<TABLE>
<CAPTION>

NOTE 7. INCOME TAXES

Income tax expense (benefit) consists of:	YEAR ENDED MAY 31,		
	1996	1995	1994
	(Thousands of Dollars)		
Current:			
Federal	$3,913	$3,600	$2,749
State	490	408	312
	4,403	4,008	3,061
Deferred:			
Federal and State	(56)	100	(367)
	$4,347	$4,108	$2,694

</TABLE>

The reasons for the differences between the amount of tax expense provided and the amount of tax expense computed by applying the federal statutory income tax rate of 34% in 1996, 1995 and 1994, to earnings before income taxes were as follows:

<TABLE>
<CAPTION>

	YEAR ENDED MAY 31,		
	1996	1995	1994
	(Thousands of Dollars)		
Tax expense at statutory rates	$4,217	$3,825	$2,465
State tax expense, net of federal benefit	323	269	206
Non-includable foreign losses (earnings)	(298)	(44)	27
Other, net	105	58	(4)
	$4,347	$4,108	$2,694

====== ====== ======

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at May 31, 1996 and 1995 are presented below.

<TABLE>
<CAPTION>

Deferred tax assets:

	1996	1995
<S>	<C>	<C>
	(Thousands of Dollars)	
Inventories, principally due to additional costs inventoried for tax purposes	$ 657	$ 472
Accounts receivable allowance account	101	104
Other	45	65
Total deferred tax assets	$ 803	$ 641

</TABLE>

<TABLE>
<CAPTION>

Deferred tax liabilities:

	1996	1995
<S>	<C>	<C>
	(Thousands of Dollars)	
Plant and equipment, principally due to differences in depreciation	$ 866	$ 812
Software development expensed for tax	262	248
Accelerated property tax deduction	174	136
Total deferred tax liability	$1,302	$1,196
Net deferred tax liability	$ 499	$ 555

</TABLE>

There is no valuation allowance for the fiscal years ended May 31, 1996 or May 31, 1995. It is the opinion of management that future operations will more likely than not generate taxable income to realize the deferred tax assets.

Deferred tax assets are included in the prepaid expenses and other current assets category on the Consolidated Balance Sheets.

NOTE 8. PROFIT SHARING, DEFERRED COMPENSATION AND BONUS INCENTIVE PLANS

The Company has established a profit sharing trust which covers substantially all employees. The Company makes quarterly cash contributions of 10% of the net earnings of consolidated operations, as defined by the trust agreement. Total profit sharing expense for the years ended May 31, 1996, 1995 and 1994 was $632,000, $622,000 and $520,000, respectively.

During December 1990, the Company amended the profit sharing plan to include a 401(k) deferred compensation plan covering a majority of the Company's employees. Under the terms of the 401(k) plan, the Company makes matching contributions equal to 25% of the participants' contributions subject to certain participant vesting requirements. Total Company 401(k) contribution expense for the years ended May 31, 1996, 1995 and 1994 was $338,000, $236,000 and $218,000, respectively.

The Company also has bonus incentive plans for its officers, managers and other key employees. Cash bonuses are awarded based on incentive award schedules which measure achievement of individual and corporate objectives, among other factors. Bonus incentive plan expense was $729,000, $713,000 and $258,000, for the years ended May 31, 1996, 1995 and 1994, respectively.

NOTE 9. INVESTMENT IN FOREIGN AFFILIATES

A summary of investment in foreign affiliates as of May 31, 1996 is as follows:
<TABLE>
<CAPTION>

	PROVEEDORA DE SEGURIDAD INDUSTRIAL	CENTURY SALES & SERVICE LIMITED (1)	TOTAL
<S>	<C>	<C>	<C>
Domicile	Mexico	Canada	
Ownership % by the Company	50%	50%	
Date of original investment	December 17, 1992	June 6, 1995	
Amount of original investment ($000)	$2,767	$4,472	$7,239
Translation adjustment (unrealized) adjusted in equity section of balance sheet	(773)	-0-	(773)
Equity earnings since acquisition, net of goodwill amortization and foreign currency translation amounts recognized in income	1,234	543	1,777
Investment at May 31, 1996	$3,228	$5,015	$8,243

</TABLE>

(1) Under the terms of the Stock Purchase Agreement, the Company has the option to elect to purchase the remaining 50% of the outstanding capital stock of Century Sales at either five or six years from the date of the original stock purchase transaction, based upon formulas contained in the Agreement.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Company conducts certain operations from leased premises under noncancellable operating leases. Under the terms of some of the leases, the Company pays taxes, maintenance, insurance and certain other operating expenses. Various computer, transportation and other equipment is also leased under short-term operating leases. Management generally intends to renew leases that expire during the normal course of business. Rental expense for the years ended May 31, 1996, 1995 and 1994 amounted to $1,689,000, $1,639,000 and $2,056,000, respectively. Lease commitments for noncancellable operating leases for the five years subsequent to May 31, 1996 are $1,881,000, $1,234,000, $707,000, $230,000 and $167,000, respectively.

The Company's Vallen Safety subsidiary, in its capacity as a general partner in a limited partnership whose operations are to provide procurement and distribution services to the U. S. Air Force, is a guarantor for up to $750,000 of a $3 million revolving term loan agreement facility taken out by the partnership with a major commercial bank. Under terms of the loan facility, the guaranty may be reduced or completely eliminated by June 30, 1997, as a result of the partnership reaching certain financial ratio tests. Vallen Safety's partner, also a general partner in the partnership, has the same guaranty requirements under the loan facility.

Certain claims that result from litigation incurred in the ordinary course of business have been asserted against the Company. Management believes that the ultimate resolution of such matters will not materially affect the financial position or results of operations of the Company.

NOTE 11. CONCENTRATION OF CREDIT RISK

The Company has a broad customer base, representing many diverse industries, doing business in most regions of the United States and in Mexico and Canada. The Company evaluates credit risks on an individual customer basis before extending credit, and believes the allowance for doubtful accounts adequately provides for losses on uncollectible accounts. In each of the years ended May 31, 1996, 1995 and 1994, no single customer accounted for more than 10% of consolidated sales. Letters of credit are required on most foreign sales, except to customers in Mexico and Canada. Consequently, in management's opinion, no significant concentration of credit risk exists for the Company.

NOTE 12. BUSINESS SEGMENTS

The Company operates in two business segments, distribution of a variety of safety, health and maintenance products and services and the manufacturing of industrial safety equipment. The following table summarizes, for the periods indicated, the amounts of consolidated net sales, operating income, identifiable assets, capital expenditures and depreciation and amortization attributable to the Company's distribution and manufacturing operations. Substantially all intersegment sales are based on published price lists, the same as to unaffiliated customers. The Company does not derive 10% or more of its net sales from any single customer, nor does the Company derive 10% or more of its net sales from foreign sources. Sales of supplied-air respiratory equipment contributed 6.5%, 7.8% and 9.9% of consolidated net sales for the year ended May 31, 1996, 1995 and 1994, respectively. The effect of the Company's operations in Mexico and Canada is immaterial on the amounts in the table below.

	YEAR ENDED MAY 31,		
	1996	1995	1994
	(Thousands of Dollars)		
Net sales:			
Distribution	$224,084	$190,610	$174,282
Manufacturing	20,856	19,691	18,461
	244,940	210,301	192,743
Intersegment sales	(7,898)	(7,017)	(6,992)
	$237,042	$203,284	$185,751
Operating income:			
Distribution	$ 10,338	$ 9,281	$ 5,626
Manufacturing	4,966	4,367	3,994
	15,304	13,648	9,620
Corporate general and administrative expenses	(3,451)	(2,598)	(2,248)
Total	$ 11,853	$ 11,050	$ 7,372
Identifiable assets:			
Distribution	$102,349	$ 81,905	$ 72,478
Manufacturing	9,314	8,749	8,939
Total	$111,663	$ 90,654	$ 81,417
Capital expenditures:			
Distribution	$ 1,458	$ 2,590	$ 8,265
Manufacturing	226	262	201
Total	$ 1,684	$ 2,852	$ 8,466
Depreciation and amortization:			
Distribution	$ 3,040	$ 2,992	$ 3,319
Manufacturing	399	505	542
Total	$ 3,439	$ 3,497	$ 3,861

NOTE 12. BUSINESS SEGMENTS (CONTINUED)

Summarized financial information for significant unconsolidated subsidiaries: The Company uses the equity method of accounting for investments in unconsolidated subsidiaries over which it exercises ownership of 20% - 50%. The summarized balance sheet and income statement information presented below includes amounts related to the following significant equity investees: Proveedora de Seguridad Industrial Del Golfo, S.A. (Mexico) (50%), Century Sales & Service Limited (Canada) (50%), and Nuclear Utility Products, Inc. (NUPRO) (Delaware) (50%). The summarized financial information below includes 100% of the individual company's assets, liabilities, revenues, and expenses as of and for the year ended May 31, 1996.

	1996
	(Thousands of Dollars)
Current assets	$ 20,242

Non-current assets	3,620
Total assets	$ 23,862
Current liabilities	$ 8,892
Non-current liabilities	2,223
Total liabilities	$ 11,115
Net sales	$ 53,207
Gross profit	13,682
Income from continuing operation	3,055
Net income	$ 1,988

</TABLE>

<TABLE>
<CAPTION>

NOTE 13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The Company's quarterly operating results for 1996 and 1995 are summarized as follows:

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

	QUARTER ENDED			
	AUGUST 31	NOVEMBER 30	FEBRUARY 29	MAY 31
	(Thousands of Dollars, Except for Per Share Amounts)			
1996				
Net Sales	$52,002	$60,830	$61,516	$62,694
Gross profit	$13,465	$15,370	$15,577	$16,234
Net earnings	$ 1,557	$ 2,149	$ 2,028	$ 2,253
Net earnings per common share	$.22	$ .30	$ .28	$ .31
1995				
Net sales	$46,062	$50,956	$50,680	$55,586
Gross profit	$12,032	$13,106	$13,498	$14,537
Net earnings	$ 1,205	$ 1,885	$ 1,807	$ 2,245
Net earnings per common share	$.17	$ .27	$ .25	$ .31

</TABLE>

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS OF THE REGISTRANT

The following table provides information as of August 1, 1996 regarding each of Vallen's directors:

<TABLE>
<CAPTION>

NAME	AGE	DIRECTOR SINCE	OTHER POSITIONS AND OFFICES CURRENTLY HELD WITH THE COMPANY (AND OTHER CURRENT PRINCIPAL OCCUPATION, IF DIFFERENT)
<S>	<C>	<C>	<C>
Leonard J. Bruce	(76)	1960	Chairman of the Board; Member, Compensation Committee
James W. Thompson	(45)	1994	President and Chief Executive Officer , Vallen Safety Supply Company
Darvin M. Winick	(66)	1984	Member, Audit and Compensation Committees (President of Winick Consultants)
Kirby Attwell	(60)	1978	Member, Audit and Compensation Committees(President of Travis

International, Inc.)

</TABLE>

Mr. Bruce, who has 49 years of experience in safety equipment distribution, founded the Company in 1947. He has been Chairman of the Board of Directors since 1960.

Mr. Thompson joined the Company in June of 1994 as President and Chief Operating Officer of Vallen Safety Supply Company. He was named President and Chief Executive of Vallen Corporation in December, 1994. He was formerly employed by Westburne Supply Company of Montreal, Quebec, Canada as Senior Group Vice President, and prior to that he was with Westinghouse Electric Supply Company for 18 years.

Dr. Winick has been President of Winick Consultants, or its related management consulting firms, since 1981.

Mr. Attwell has been President of Travis International, Inc., a holding company for industrial distribution operations, since January 1987.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table provides information as of August 1, 1996 regarding each of Vallen's executive officers:
<TABLE>
<CAPTION>

NAME	AGE	POSITION WITH THE COMPANY	EXECUTIVE OFFICER SINCE
<S>	<C>	<C>	<C>
Leonard J. Bruce	76	Chairman of the Board and Director	1960
James W. Thompson	45	President, C.E.O. and Director	1994
Roland C. Wolff	50	Executive Vice President, Marketing	1995
Robin R. Hutton	50	Executive Vice President, Sales	1981
Leighton J. Stephenson	48	Vice President - Finance, Secretary and Treasurer	1993
Kent M. Edwards	48	Vice President - Human Resources, Assistant Secretary	1990
David G. Key	40	Vice President and General Manager, Encon Safety Products, Inc.	1996

</TABLE>

The terms of each officer will expire at the next annual meeting of directors or when his successor is elected and qualified.

Mr. Bruce, who has over 49 years of experience in safety equipment distribution, founded the Company in 1947. He has been Chairman of the Board of Directors since 1960.

Mr. Thompson joined the Company in June 1994 as President and Chief Operating Officer of Vallen Safety Supply Company. He was named President and Chief Executive Officer of Vallen Corporation in December 1994. He was formerly with Westburne Supply Company and Westinghouse Electric Supply Company. Mr. Thompson was elected to the Board of Directors in June 1994.

Mr. Wolff joined the Company in February, 1995, as Executive Vice President of Marketing. He was formerly with Wesco/Westinghouse Electric Corporation.

Mr. Hutton has been with the Company since 1968. He was elected Vice President - Southwest Region in 1981 and after serving in several sales and managerial positions, including Marketing Manager of North Texas. He was named Executive Vice President of Sales in 1989.

Mr. Stephenson has been employed with the Company since December, 1993. Before joining Vallen, he was with United Artists Entertainment and worked six years with the audit firm of Coopers & Lybrand.

Mr. Edwards has been with the Company since 1974. He has served Vallen in a variety of sales and staff positions including corporate level responsibilities for Administrative Services and Human Resources. He was named Vice President - Human Resources in 1990.

Mr. Key joined the Company in March 1996 as General Manager of Encon Safety Products, Inc., the Company's manufacturing subsidiary. He was previously with 3M.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

P A R T I I I

In accordance with General Instruction G(3) to Form 10-K, items 10, 11, 12 and 13 have been incorporated by reference to the Company's definitive proxy statement complying with Regulation 14A involving the election of directors which will be filed with the Commission not later than 120 days after the close of its fiscal year.

P A R T I V

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

(a) The following financial statements are filed as part of this report.

1. Consolidated Financial Statements, as listed in the Index to Financial Statements provided in response to Item 8 hereof. (see page 11 for Index)

2. Financial Statement Schedules, as listed in the Index to Financial Statements provided in response to Item 8 hereof. (see page 11 for Index)

3. The following exhibits are filed as part of this report:

   3i. Restated Articles of Incorporation as amended. Incorporated by reference is Exhibit 3a to the Company's 1990 Form 10-K as filed with the Securities and Exchange Commission on August 17, 1990 (the "1990 Form 10-K").

   3ii. Bylaws of the Company as amended. Incorporated by reference is Exhibit 3ii to the Company's 1995 Form 10-K as filed with the Securities and Exchange Commission on August 25, 1995.

   10a. Vallen Corporation Stock Incentive Plan, specimen Non-qualified Stock Option Agreement and specimen Stock Appreciation Rights Agreement. Incorporated by reference is Exhibit 5.1 to the Company's Registration Statement No. 2-65349 on Form S-1 as filed with the Securities and Exchange Commission on August 27, 1979. *

   10b. Vallen Corporation 1985 Stock Option Plan for Key Employees. Incorporated by reference is Exhibit 10b. to the Company's Form 1 K as filed with the Securities and Exchange Commission on August 27, 1985 (the "1985 Form 10-K"). *

   10c. Amendment to Vallen Corporation 1985 Stock Option Plan for Key Employees, as amended. Incorporated by reference is Exhibit 10c to the Company's 1995 Form 10-K as filed with the Securities and Exchange Commission on August 25, 1995.

   10d. Vallen Corporation 1990 Employee Stock Purchase Plan. Incorporated by reference is Exhibit 10d to the 1990 Form 10-K. *

   10e. Agreement dated June 6, 1994 between the Company and James W. Thompson. Incorporated by reference is Exhibit 10f to the Company's Form 10-K as filed with the Securities and Exchange Commission on August 17, 1994. *

   10f. Vallen Corporation Executive Incentive Compensation Plan - attached. *

   21. Subsidiaries of the Company - attached.

   23. Consent of KPMG Peat Marwick LLP.

   27. Financial Data Schedule - attachment.

4. The Company hereby agrees to furnish to the Commission, on request, a copy of any instrument which defines the rights of holders of any long term debt of the Company in excess of 10% of the total assets of the Company.

(b) No reports on Form 8-K were required to be filed by this registrant during the last quarter of the fiscal year covered by this report.

* Management compensation agreement

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

VALLEN CORPORATION

By /s/ JAMES W. THOMPSON

JAMES W. THOMPSON
President

Date: August 16, 1996

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED.

<TABLE>
<CAPTION>

NAME	CAPACITY	DATE
<S>	<C>	<C>
/s/ JAMES W. THOMPSON James W. Thompson	President, Principal Executive Officer and Director	August 16, 1996
/s/ LEIGHTON J. STEPHENSON Leighton J. Stephenson	Vice President -- Finance Principal Financial and Accounting Officer	August 16, 1996
/s/ KIRBY ATTWELL Kirby Attwell	Director	August 16, 1996
/s / LEONARD J. BRUCE Leonard J. Bruce	Director	August 16, 1996
/s/ DARVIN M. WINICK Darvin M. Winick	Director	August 16, 1996

</TABLE>

INDEX TO EXHIBITS

Exhibit numbers are in accordance with exhibit table in Item 601 of Regulation S-K.

10f. - Vallen Corporation Executive Incentive Plan - attached.

21. - Subsidiaries of the Company.

23. - Consent of KPMG Peat Marwick LLP - attached.

27. - Financial Data Schedule.

EXHIBIT 10

VALLEN CORPORATION

EXECUTIVE INCENTIVE COMPENSATION PLAN

ARTICLE I

DEFINITIONS

As used in this Plan with initial capital letters, the following terms have the meanings hereinafter set forth, unless the context reasonably requires a broader, narrower or different meaning.

1.1 AWARD. "Award" means the amount determined under Section 6.1.

1.2 BENEFICIARY. "Beneficiary" means a person designated by the Participant, in accordance with Section 7.4, to receive any unpaid portion of any Award distributable under the Plan on account of the death of the Participant.

1.3 BOARD. "Board" means the Board of Directors of the Company.

1.4 CODE. "Code" means the Internal Revenue Code of 1986, as amended.

1.5 COMMITTEE. "Committee" means the committee appointed by the outside directors of the Compensation Committee of the Board to administer the Plan.

1.6 COMPANY. "Company" means Vallen Corporation, a Texas corporation, or any successor which assumes the Plan.

1.7 COMPANY STOCK. "Company Stock" means shares of the Company's common stock, $.50 par value, including those reserved under Section 2.3 for issuance in connection with any stock payment under Section 7.3.

1.8 DESIGNATED PERCENTAGE. "Designated Percentage" means that certain numerical percentage established by the Committee as early as reasonably practicable in each Year with respect to the calculation of certain elements of the Annual Award Pool for that Year, with different Designated Percentages applying to different elements.

1.9 DESIGNATED RETURN ON SHAREHOLDER EQUITY. "Designated Return on Shareholder Equity" means a certain percentage return on Shareholder Equity to be established by the Committee as early as reasonably practicable in each Year, with "Shareholder Equity" meaning the average of each of the twelve monthly averages of the beginning and ending shareholders' equity of the Company for the applicable year as determined by the Company in accordance with generally accepted accounting principles then in force.

1.10 EARNINGS PER SHARE. "Earnings Per Share" means the earnings per share of Common Stock, as determined by the Company in accordance with generally accepted accounting principles then in force, as shown on the Company's financial statements.

1.11 EFFECTIVE DATE. "Effective Date" means June 1, 1995.

1.12 EMPLOYEE(S). "Employee(s)" means executive officers or other key employee(s) of the Company or of any designated Subsidiary.

1.13 MARKET PRICE. "Market Price" means the average of each of the twelve arithmetical means between the highest and lowest trading prices of the Company Stock on the last trading date of each month during the applicable year, as reported on the National Association of Securities Dealers Automatic Quotations System (National Market System). Notwithstanding the foregoing, if there shall be any material alteration in the present system of reporting sales prices of the Company Stock, or if the Company Stock shall no longer be quoted on the over-the-counter markets, the Market Price of the Company Stock shall be determined using such method as shall be determined by the Committee.

1.14 NET INCOME. "Net Income" means net earnings, as determined by the Company in accordance with generally accepted accounting principles then in force, as shown on the Company's financial statements.

1.15 PARTICIPANT. "Participant" means each Employee of the Company or a Subsidiary who at any time during the Year is selected by the Committee to participate in the Plan.

1.16 PLAN. "Plan" means the Vallen Corporation Annual Incentive Compensation Plan, the terms of which are set forth herein, and as the same may hereafter be amended from time to time.

1.17 SUBSIDIARY. "Subsidiary" means any wholly-owned subsidiary of the Company or of any wholly-owned subsidiary thereof or any other corporation or business venture in which the Company owns, directly or indirectly, a significant financial interest if the Board designates such corporation or business venture to be a Subsidiary for the sole purposes of this Plan for any Year, and if the board of directors (or equivalent governing authority) of such corporation or business venture consents to being so designated as a Subsidiary.

1.18 VALLEN TAX RATE. "Vallen Tax Rate" means for the applicable Year the highest stated federal income tax rate applicable to the Company as a U.S. corporation.

1.19 WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES. "Weighted Average Number of Outstanding Shares" means the average of each of the twelve monthly weighted averages of the number of shares of Common Stock outstanding during the applicable Year, as determined by the Company in accordance with generally accepted accounting principles then in force, provided that if shares of Common Stock have been issued during the applicable Year in connection with an acquisition that is treated for accounting purposes as a "pooling of

interests," then the determination under this definition shall treat the shares so issued as having been outstanding for the entire applicable Year.

1.20 YEAR. "Year" means the twelve-month period corresponding to the fiscal year of the Company and for purposes of this Plan refers to the Year for which Awards have been made pursuant to Section 4.1.

ARTICLE II

THE PLAN

2.1 NAME. The Plan generally shall be known as the "Vallen Corporation Executive Incentive Compensation Plan." Each Year's Plan shall be designated by the Year to which it relates.

2.2 PURPOSE. The purpose of the Plan is to promote the growth and general prosperity of the Company and each Subsidiary, motivate Employees to achieve strategic, financial and operating objectives, reward improvement in financial performances, and provide a total compensation package that is competitive in industry by permitting the Company and each Subsidiary to attract and retain superior personnel for positions of substantial responsibility and to provide key Employees with an additional incentive to contribute to the success of the Company and each Subsidiary.

2.3 COMPANY STOCK RESERVE. The Company shall reserve 100,000 shares of Company Stock for issuance under the Plan. In the event that the shares of Company Stock should, as a result of a stock split or stock dividend or combination of shares or any other change, or exchange for other securities, by reclassification, reorganization, merger, consolidation, recapitalization or otherwise, be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, the number of reserved shares of Common Stock then remaining shall be appropriately adjusted to reflect such action. If any such adjustment shall result in a fractional share, such fraction shall be disregarded. Upon the allocation of shares under Section 7.3, this reserve shall be reduced by the number of shares so allocated, and upon the reacquisition of any shares pursuant to Section 7.3, Section 7.5 or Section 8.1, the reserve shall be increased by such number of shares, and such shares may again be the subject of allocations under the Plan. Distributions of shares of Company Stock may, as the Board shall in its sole discretion determine, be made from authorized but unissued shares or from treasury shares. All authorized and unissued shares issued in accordance with the Plan shall be fully paid and nonassessable shares and free from preemptive rights.

2.4 EFFECTIVE DATE. The Plan shall become effective upon the Effective

Date. Each successive annual Plan shall become effective as of the first day of the Year to which it relates.

ARTICLE III

ADMINISTRATION

3.1 COMPOSITION OF THE COMMITTEE. The Plan shall be solely administered by a committee to be appointed by the Board, which Committee shall consist of at least two members of the Board. The members of the Committee shall be "disinterested persons" as such term is defined from time to time in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, or any successor rule. The Board shall have the power from time to time to remove members of the Committee and to fill vacancies on the Committee arising by resignation, death, removal, or otherwise. The Committee shall designate a chairman from among its members, who shall preside at all of its meetings, and shall designate a secretary, without regard to whether that person is a member of the Committee, who shall keep the minutes of the proceedings and all records, documents, and data pertaining to its administration of the Plan. Meetings shall be held at such times and places as shall be determined by the Committee.

3.2 ADMINISTRATION BY COMMITTEE. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have sole discretion and authority to determine from among Employees the ones to whom and the time or times at which Awards may be made. Subject to the express provisions of the Plan, the Committee shall also have complete authority to interpret and construe the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to determine the need for, or the details and provisions of an award agreement, and to make all other determinations necessary or advisable in the administration of the Plan.

3.3 ACTION BY COMMITTEE. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of those members present at any meeting at which a quorum is present shall decide any question brought before the meeting and shall be the act of the Committee. In addition, the Committee may take any other action otherwise proper under the Plan by an affirmative vote, taken without a meeting, of a majority of its members.

3.4 DELEGATION. The Committee may, in its discretion, delegate one or more of its duties to an officer or Employee of the Company or a committee composed of officers and Employees of the Company, but may not delegate its authority to construe the Plan or to make the determinations specified in Section 3.2.

3.5 RELIANCE UPON INFORMATION. The Committee shall not be liable for any decision or action taken in good faith in connection with the administration of the Plan. Without limiting the generality of the foregoing, any such decision or action taken by the Committee in reliance upon any information supplied to it by any officer of the Company or any Subsidiary, the Company's or any Subsidiary's legal counsel or the Company's or any Subsidiary's independent accountants in connection with the administration of the Plan shall be deemed to have been taken in good faith.

3.6 RESPONSIBILITY AND INDEMNITY. No member of the Committee shall be liable for any act done or any determination made hereunder in good faith. The Company and each Subsidiary hereby agrees to indemnify and hold harmless each member of the Committee from and against any and all losses, claims, damages, liabilities, costs and expenses, including but not limited to, liability for any judgments or settlements consented to in writing by any such member of the Committee, which consent will not be unreasonably withheld, and reasonable attorneys' fees arising out of or in connection with or as a direct or indirect result of such member's serving on the Committee, except only those losses, claims, damages, liabilities, costs and expenses, if any, arising out of, or in connection with, or as a direct or indirect result of, the Committee member's bad faith, gross negligence or willful neglect of his duties hereunder. Each affected member of the Committee shall promptly notify the Company and each Subsidiary of any claim, action or proceeding for which such member may seek indemnity. Such indemnity is a continuing obligation and shall be binding on the Company and each Subsidiary and their successors, whether by merger or otherwise, and assigns. In addition, such indemnity shall survive the resignation or removal of the Committee member and/or the termination of the Plan.

ARTICLE IV

PARTICIPATION

4.1 PARTICIPATION. For each Year, the Committee shall select those Employees of the Company who shall be Participants. The Committee's determination shall be communicated to Participants as early as reasonably practical in each Year. An individual shall be a Participant in the Plan only with respect to each Year for which he has been selected by the Committee. Unless the Committee in its absolute discretion waives this requirement, a Participant must be in the employment of the Company on the date of allocation of the Annual Award Pool pursuant to Section 6.1 in order to be allocated a percentage of the Annual Award Pool for the applicable year.

ARTICLE V

ANNUAL AWARD POOL

5.1 ANNUAL AWARD POOL. The "Annual Award Pool" for each Year shall be an amount equal to the sum of the following:

(i) an amount equal to a Designated Percentage of the product of (x) the increase in Earnings Per Share for the current Year over the prior Year, multiplied by (y) the Weighted Average Number of Outstanding Shares for the current Year, provided that if during the Year there has been a stock split or stock dividend as combination of shares or any other change in the outstanding number of shares of Common Stock the Committee in its discretion may increase or decrease the amount determined pursuant to this clause (i) to appropriately reflect such change;

(ii) an amount equal to a Designated Percentage of that portion of Net Income for the Year in excess of Net Income required to achieve the Designated Return on Shareholder Equity (with the sum of clause (i) plus clause (ii) being referred to herein as the "Formula Amount"); and

(iii) an amount equal to (x) the Formula Amount, divided by (y) 1 minus the Vallen Tax Rate, minus (z) the Formula Amount.

ARTICLE VI

ALLOCATION OF AWARDS

6.1 ALLOCATION OF ANNUAL AWARD POOL. As soon as practicable after audited financial statements for the Company are available following the close of each Year and the determination of the Annual Award Pool for that Year, the Annual Award Pool shall be allocated by the Committee in its absolute discretion among Participants. The Committee may in its absolute discretion allocate all, a portion of or none of an Annual Award Pool for any given Year. The Chief Executive Officer may offer advice to the Committee regarding the allocation of the Annual Award Pool to Participants who report to the CEO.

6.2 LIMITATION ON AWARD. No Participant shall receive an Annual Award in excess of one hundred percent (100%) of his or her annual base salary for the applicable Year.

ARTICLE VII

DISTRIBUTIONS AND PAYMENTS

7.1 PAYOR OF AWARDS. Subject to the following provisions hereof, any Award payable under the Plan with respect to a Participant for a given Year shall be the obligation of and paid by the Company or any Subsidiary, whichever may be applicable, or any successor pursuant to Section 9.2, which employed the Participant at the time the Award was made. Adoption and maintenance of the Plan by the Company and any Subsidiary shall not create a joint venture or partnership relationship among or between such persons for purposes of payment of Awards under the Plan or for any other purpose.

7.2 CASH PAYMENT. Fifty percent (50%) of the Award shall be paid to the Participant (or Beneficiary) in full in the form of a single sum payment in cash as promptly as administratively possible following the last day of the Year, except that any Award to Leonard J. Bruce if he is a Participant in the applicable Year shall be paid one hundred percent (100%) in cash on the same terms. The Committee shall cause the Company or Subsidiary, as the case may be, to deduct from amounts paid under this Section 7.2 any taxes required to be withheld by the federal or any state or local government.

7.3 STOCK PAYMENT

(a) AMOUNT AND TIMING OF DELIVERY OF COMPANY STOCK. Fifty percent (50%) of the Award is to be paid as hereinafter provided to the Participant in the form of Company Stock, except that any Award to Leonard J. Bruce if he is a Participant in the applicable Year shall be paid one hundred percent (100%) in cash pursuant to Section 7.2. The number of shares of Company Stock shall be determined by dividing the stock payment amount by the Market Price and such shares of Company Stock shall be issued in the form of a certificate for such shares as promptly as administratively possible. If necessary to assure compliance with provisions of Rule 16b-3 promulgated by the Securities and Exchange Commission, or any successor or similar provisions thereto, requiring that equity securities issued under the Plan be held for six months from the date of grant in order for such grant to be exempt from Section 16(b) of the Securities Act of 1933 (the "Securities Act"), the certificates issued pursuant to the immediately preceding sentence shall be held by the Company and (subject to Section 7.3(c) and Section 7.3(d)) delivered to Participants as promptly as administratively practicable following the six-month anniversary of the date on which the Committee allocates the Annual Award Pool.

(b) ADJUSTMENTS FOR CHANGES IN THE COMPANY'S CAPITAL STRUCTURE, In the event that the shares of Company Stock should, as a result of a stock split or stock dividend or combination of shares or any other change, or exchange for other securities, by reclassification, reorganization, merger, consolidation, recapitalization or otherwise, be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, the number of shares then allocated for the stock payment portion of an Award shall be appropriately adjusted to reflect such action. If any such adjustment shall result in a fractional share, such fraction shall be disregarded. In the event any such transaction shall result in holders of Common Stock acquiring the right to receive other securities or property in addition to or in lieu of Common Stock, the Committee may make such adjustments or take such action as, in its discretion, it deems appropriate to reflect such transaction.

(c) OBLIGATION TO ISSUE COMPANY STOCK. The Company shall not be required to issue any shares of Company Stock if the issuance of such shares shall constitute a violation by the Participant, the Company or a Subsidiary of any provisions of any law or regulation of any governmental authority, including the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act"). Specifically, the Company shall not be required to issue shares of Company Stock unless either (i) a registration statement under the Securities Act is in effect with respect to such shares, (ii) the Committee has received an opinion of counsel, in form and substance satisfactory to it, or other evidence satisfactory to it to the effect that such registration is not required and that such shares may be resold or transferred by the Participant without such a registration statement being in effect or (iii) the Committee has received evidence satisfactory to it to the effect that the Participant is acquiring such shares for investment and not with a view of the distribution thereof and unless the certificate issued representing such shares bears, in addition to any other legends required under this Plan, the following legend:

> The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any State and may not be sold or transferred except upon such registration or upon receipt by the Company of an opinion of counsel satisfactory to the Company, in form and substance satisfactory to the Company, that registration is not required for such sale or transfer.

Any determination in this connection by the Committee shall be final, binding and conclusive. At such time as a registration statement under the Securities Act is in effect with respect to any shares of Company Stock represented by certificates bearing the above legend or at such time as, in the opinion of counsel for the Company, such legend is no longer required solely for compliance with applicable securities laws, then the holders of such certificates shall be entitled to exchange such certificates for certificates representing a like number of shares but without such legend. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act (as now in effect or as hereafter amended). The Company shall not be obligated to take any other affirmative action in order to cause the issuance of shares of Company Stock to comply with any law or regulation of any governmental authority.

(d) WITHHOLDING. The Committee may require the Participant or Beneficiary to pay to the Company or a Subsidiary an amount equal to any federal, state or local taxes (which the Committee deems necessary or appropriate to be withheld in connection with the issuance of Company Stock) in such forms of payment as may be permitted by the Committee. In the event that Participant or Beneficiary does not pay the Company or a Subsidiary, whichever may be applicable, the amount required for withholding taxes, the employer (for payroll tax purposes) of Participant shall have the right to withhold such amount from any sum payable, or to become payable, to Participant, upon such terms and conditions as the Committee in its discretion shall prescribe. In the event that funds are not otherwise available to cover any required withholding tax, the Company or a Subsidiary, whichever may be applicable, shall have no obligation to pay to the

Participant or Beneficiary shares of Company Stock otherwise payable.

7.4 DEATH OF PARTICIPANT. Each Participant shall have the right to designate a Beneficiary to receive any Award remaining unpaid, in whole or in part, at the death of the Participant, and to specify the time and manner of payment thereof to such Beneficiary in accordance with rules established by the Committee. The designation of Beneficiary shall be delivered in writing to the Committee, or such representative thereof as the Committee may designate, and may be changed at any time by written notice delivered to the Committee or its representative. If no such designation of Beneficiary is delivered by a Participant to the Committee or its representative, or if all of the designated Beneficiaries have predeceased the Participant or otherwise ceased to exist, any Award remaining unpaid, in whole or in part, at the death of a Participant shall be paid to the legal representative of the Participant's estate in a single payment of cash and Company Stock as soon as administratively possible following the death of the Participant. Any payment hereunder that would otherwise be made in Company Stock may be made in cash in the sole discretion of the Committee.

7.5 FORFEITURE. Until such time as the full amount of his Award has been actually paid to any Participant, his right to receive any unpaid amount thereof shall be wholly contingent and shall be forfeited if, prior to the payment thereof, the Participant at any time prior to his retirement or termination of Employment with the Company or a Subsidiary shall engage in conduct which is determined by the Committee to be detrimental to or in competition with the Company, or any of its Subsidiaries or affiliates.

7.6 NONALIENATION OF BENEFITS. Interests of Participants in this Plan or in any securities to be issued pursuant to this Plan are not transferable by the Participant other than in accordance with Rule 16b-3 promulgated by the Securities and Exchange Commission, or any successor or similar provisions thereto. No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same will be void. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the person entitled to such benefits. If any Participant or Beneficiary hereunder shall become bankrupt or attempt to anticipate, alienate, assign, sell, pledge, encumber, or charge any right or benefit hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration, or any other form of process or involuntary lien or seizure, then such right or benefit shall, in the discretion of the Committee, cease and terminate.

ARTICLE VIII

TERMINATION OR AMENDMENT OF THE PLAN

8.1 TERMINATION OR AMENDMENT. The Board may modify, revise or terminate this Plan at any time and from time to time; provided, however, that any such amendment to the Plan that would require the vote or approval of a specified percentage of the Company's stockholders in order to assure that the Plan complies with Rule 16b-3 promulgated by the Securities and Exchange Commission, or any successor or similar provisions thereto, shall only be made upon obtaining such required stockholder vote, or taking such other action in connection with such amendment as the Board deems advisable to operate the Plan in accordance with Rule 16b-3 or any successor or similar rule.

8.2 CANCELLATION FOLLOWING AWARD. Termination or amendment of the Plan shall not adversely affect rights or obligations under the Plan with respect to any vested portion of Awards, unless the affected person or persons consent.

ARTICLE IX

MISCELLANEOUS

9.1 OTHER COMPENSATION PLANS. The adoption of the Plan shall not affect any other compensation plans in effect for the Company or any Subsidiary or affiliate of the Company, nor shall the Plan preclude the Company or any Subsidiary or affiliate thereof from establishing any other forms of incentive or other compensation for Employees.

9.2 POWERS OF THE COMPANY. The existence of outstanding and unpaid Awards under the Plan shall not affect in any way the right or power of the Company or any Subsidiary to make or authorize any adjustments, recapitalization, reorganization or other changes in the Company's or Subsidiary's capital structure or in its business, or any merger or consolidation of the Company or any Subsidiary, or any issue of bonds, debentures, common or preferred stock, if applicable, or the dissolution or liquidation of the Company or any Subsidiary, or any sale or transfer of all or any part of its assets or business, or any other act or proceeding, whether of a similar character or otherwise.

Should the Company or any Subsidiary (or any successor thereto) elect to dissolve, enter into a sale of its assets, or enter into any reorganization incident to which it is not the surviving entity, unless the surviving or successor entity shall formally agree to assume the Plan, the Plan shall terminate with respect to the Company or any Subsidiary (or any successor thereto) on the earlier of the date of closing or the effective date, whichever may be applicable, of such transaction and the full amount of any remaining unpaid vested Awards shall be promptly paid to each such Participant (or Beneficiary) in a single lump sum payment of cash and Company Stock. Any payment hereunder that would otherwise be made in Company Stock may be made in cash in the sole discretion of the Committee.

9.3 PLAN BINDING ON SUCCESSORS. The Plan shall be binding upon the successors and assigns of the Company and any Subsidiary.

9.4 PLAN NOT A CONTRACT. This Plan will not be deemed to constitute a contract between the Company, a Subsidiary and any Participant or to be in consideration of or an inducement for the Employment of any Participant or Employee. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Company or any Subsidiary or affiliate of the Company or to interfere with the right of the Company or any Subsidiary or affiliate of the Company to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon him as a Participant of the Plan.

9.5 LIABILITY OF EMPLOYER. Each Participant, Beneficiary or any other person who shall claim a right or benefit under this Plan, shall be entitled only to look to the Participant's employer for such benefit.

9.6 PAYMENT OF PLAN EXPENSES. The Company and each Subsidiary will pay its pro rata share of all expenses that may arise in connection with the administration of this Plan.

9.7 HEADINGS. Any headings or subheadings in this Plan are inserted for convenience of reference only and are to be ignored in the construction of any provisions hereof. All references in this Plan to Articles and Sections are to Articles and Sections of this Plan unless specified otherwise.

9.8 GENDER AND TENSE. Any words herein used in the masculine shall be read and construed in the feminine where they would so apply. Words in the singular shall be read and construed as though in the plural in all cases where they would so apply.

9.9 GOVERNING LAW. This Plan shall be construed in accordance with the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law.

9.10 SEVERABILITY. In the event that any provision of this Plan shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

9.11 NO GUARANTEE OF TAX CONSEQUENCES. Neither the Company, Subsidiary nor the Committee makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person participating or eligible to participate in this Plan.

9.12 NOTICE. Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date which it is personally delivered, or, whether actually received or not, on the third business day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith. Any party may change, at any time and from time to time, by written notice to the other, the address which it or he had theretofore specified for receiving notices. Until changed in accordance herewith, the Company or a Subsidiary shall be entitled to use the address of a Participant as it appears in the personnel records of his employer. Any person entitled to notice hereunder may waive such notice.

9.13 STOCKHOLDER APPROVAL. Notwithstanding any other provisions of the Plan, in order for the Plan to continue as effective, on or before the date which occurs twelve (12) months after the date the Plan is adopted by the Board, the Plan must be approved by the stockholders holding at least a majority of the voting stock (unless applicable state law or the Company's charter or by-laws require a greater number) of the Company voting in person, or by proxy, at a duly held stockholder's meeting, and no shares of Company Stock shall be issued under the Plan until such approval has been secured.

IN WITNESS WHEREOF, Vallen Corporation acting by and through its duly authorized officers, has executed this instrument effective the 1st day of June, 1995.

ATTEST: VALLEN CORPORATION

By: /s/LEIGHTON J. STEPHENSON

Secretary

By: /s/JAMES W. THOMPSON

President

EXHIBIT 21

SUBSIDIARIES OF VALLEN CORPORATION

<TABLE>
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NAME	JURISDICTION OF INCORPORATION
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Vallen Safety Supply Company	Delaware
Encon Safety Products, Inc.	Pennsylvania
Safety World, Inc.	Delaware
All Supplies, Inc.	Louisiana
Century Sales and Service Limited	Canada
Vallen Contract Supply Company	Nevada
Vallen Safety Supply Company, Ltd.	Canada
Proveedora de Seguridad Industrial Del Golfo, S.A. de C.V.	Mexico

</TABLE>

Each subsidiary does business under its respective corporate name. All subsidiaries are wholly-owned, except Proveedora de Seguridad Industrial Del Golfo, S.A. de C.V., which is 50% owned by Vallen Safety Supply Company, and Century Sales and Service Limited, which is 50% owned by Vallen Corporation.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

THE BOARD OF DIRECTORS
VALLEN CORPORATION

We consent to incorporation by reference in the Registration Statements (No. 333-03915, 333-03917 and 333-03919) on Form S-8 of Vallen Corporation of our report dated July 12, 1996, relating to the consolidated balance sheets of Vallen Corporation and subsidiaries as of May 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows and related schedules for each of the years in the three-year period ended May 31, 1996, which report appears in the May 31, 1996 annual report on Form 10-K of Vallen Corporation.

KPMG PEAT MARWICK LLP

Houston, Texas
August 22, 1996

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