

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15 (f) and 15d-15 (f) under the U.S. Securities Exchange Act of 1934, amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the future effectiveness of controls currently deemed effective are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures.

As discussed in Note 2 to the consolidated financial statements, the Corporation acquired Synergy Microsystems, Inc., Primagraphics Holdings Limited, Groth Equipment Corporation of Louisiana, Nova Machine Products Corporation, Trentec, Inc., the Everlube Products and Evesham divisions of Morgan Advanced Ceramics, Inc., and the Government Marine Business Unit of Flowserve Corporation during the year ended December 31, 2004. These acquisitions with combined assets and current year revenues at December 31, 2004 represent

13.6 and 5.2 percent, respectively, of the Corporation's consolidated amounts, and have been excluded from management's assessment of internal control over financial reporting.

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2004. In making this assessment, the Corporation's management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on management's assessment, excluding the acquired companies referred to in the third paragraph, management believes that, as of December 31, 2004, the Corporation's internal control over financial reporting is effective based on the established criteria.

The Corporation's assessment of the effectiveness of internal controls over financial reporting as of December 31, 2004 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their report thereon is included on page 36 of this Annual Report.