

30
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001

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 1-5005

SELAS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

Pennsylvania _____
23-1069060

(State or other jurisdiction of
Incorporation or organization)

(IRS Employer
Identification No.)

Dresher, Pennsylvania 19025
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (215) 646-6600

Securities registered pursuant to Section 12(b) of the Act:
Name of each exchange on
Title of each class _____ which registered _____
Common Shares, \$1 par value per share American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

The aggregate market value, as of April 12, 2002, of the voting stock held by non-affiliates of the registrant was approximately \$12,798,035 (Aggregate market value is estimated solely for the purposes of this report and shall not be construed as an admission for the purposes of determining affiliate status.)

At April 12, 2002, there were 5,119,214 of the Company's common shares outstanding (exclusive of treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's 2001 annual report to shareholders are incorporated by reference into Part II of this report. Portions of the Company's proxy statement for the 2002 annual meeting of shareholders are incorporated by reference into Part III of this report. Except for the parts of such documents that have been specifically incorporated herein by reference, such documents shall not be deemed "filed" for the purposes of this report.

ITEM 1. Business

Selas Corporation of America (together with its subsidiaries, unless the context otherwise requires, referred to herein as the "Company",) was incorporated in Pennsylvania in 1930. The Company is a diversified firm with international operations and sales that engages in a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, England, France, Germany, Italy, Japan, Portugal and Singapore, operates directly or through subsidiaries in three business segments.

Under the Selas TM name, the Heat Technology segment designs and manufactures specialized industrial heat technology systems and equipment for steel, glass and other manufacturers worldwide. The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components, systems and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. The Company's Tire Holders, Lifts and Related Products segment manufactures products, primarily based on cable winch designs, for use as original equipment by the pick-up truck and minivan segment of the automotive industry.

Financial data relating to industry segments, geographical summary of assets and operations, export sales and major customers are set forth in Note 5 of the Company's consolidated financial statements.

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary large custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries, Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries form the Company's large custom-engineered furnaces division whose products are used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue and a loss from discontinued operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries. See further information in note 2 to the consolidated financial statements.

HEAT TECHNOLOGY

The Company specializes in the controlled application of heat to achieve precise process and temperature control. The Company's principal heat technology equipment and systems are smaller standard-engineered systems, burners and combustion control equipment, (continuing operations) and large custom-engineered furnaces (discontinued operations).

CONTINUING OPERATIONS

STANDARD-ENGINEERED SYSTEMS, BURNERS AND COMBUSTION CONTROL EQUIPMENT.

Standard Engineered Systems. The Company engineers and fabricates a variety of small heat treating furnaces and heat processing equipment. This standard equipment and small-furnace business is conducted principally by its wholly-owned subsidiaries in Europe, CFR (Paris), Ermat S.A. (Lyon) and CFR Portugal (Leiria). These companies typically engineer and design atmosphere-controlled batch and continuous furnaces that are used for heat treating both ferrous and non-ferrous metals and glassware. Its continuous heat treating systems include not only the hardening and tempering furnaces central to the systems, but also the ancillary loading, quenching and washing equipment.

The Company also manufactures non-atmosphere-controlled batch-type furnaces in a variety of designs. These batch furnaces are supplied to customers with a need for the precise, accurately controlled application of heat to their products.

The Company's standard systems also include automatic brazing and soldering systems used in the assembly of radiators, air conditioner coils and electrical appliances. The precise application of heat in these systems improves a customer's product quality and uniformity while reducing production costs. The Company also produces the fuel mixing and monitoring systems, burners and product handling equipment necessary for these systems.

The Company also produces custom designed barrel furnaces used primarily to heat treat long metal parts, and also produces specialized glass lehrs for heating glass products. Other furnaces are designed to harden and etch glass and ceramic tableware.

Burners and Combustion Control Equipment. At its Dresher, Pennsylvania facility and through its subsidiaries in Europe, Selas Waermetchnik (Ratingen) and Japan, Nippon Selas (Tokyo), the Company designs, manufactures and sells an array of original equipment and replacement gas-fired industrial burners for many applications.

The Company is a producer of burners used in fluid processing furnaces serving the petrochemical industry. One type of fluid processing burner is capable of minimizing the emission of oxides of nitrogen as combustion products. As many jurisdictions reduce the permissible level of emissions of these compounds, the Company believes that the demand for low Nox burners will increase. The Company also produces burners suitable for creating a high temperature furnace environment desirable in steel and glass heat treating furnaces. The Company's burners accommodate a wide variety of fuel types, environmental constraints and customer production requirements.

The Company furnishes many industries with gas combustion control equipment sold both as component parts and as systems that have been engineered to meet a particular customer's needs. This equipment is provided with the Company's original custom-engineered and standard heat treating equipment, as replacement or additional components for existing furnaces being refurbished or upgraded, and as original components for heat treating equipment manufactured by others. The components of the combustion control systems include mixing valves capable of mixing gas and air and controlling the air/gas ratio, pressure and total flow of the mixed gases. The Company also produces its Qual-O-Rimeter™ automated monitoring and control device used in conjunction with its mixing valves to maintain precise, uniform heat release and flame shape, despite fluctuations in fuel mix and quality, air temperature and humidity.

Additional combustion control products include Flo-Scope™ flow meters, which measure the rate of flow of gases, and automatic fire checks and automatic blowouts, which arrest flame and pressure resulting from backfire from the burners into the pipe line.

Marketing and Competition. The Company markets its standard-engineered systems products on a global basis through its sales and marketing personnel located in Dresher, Pennsylvania, and also sells these products through licensees and agents located in various parts of the world. Although the Company competes for orders for such products with many other manufacturers, some of which are larger and have greater financial resources, the Company believes that its reputation and its high standard for quality allow it to compete effectively with other manufacturers.

Operations. At its CFR and Ermat businesses in France and Portugal, the Company employs approximately 103 people of whom 14 are administrative personnel, 27 are fabrication and 62 are

sales, engineering and operations personnel. Its Selas Waermetechnik subsidiary in Germany employs 6 people of whom 1 is administrative personnel and 5 are sales and engineering. At its Dresher facility, the Company employs approximately 52 persons, of whom 13 are executive and administrative personnel, 12 are sales and engineering personnel and 27 are personnel engaged in manufacturing. The hourly personnel are represented by a union, and the current union contract expires May, 2004. The Company considers its relations with its employees to be satisfactory.

In April, 2001, the Company sold a minority interest of Nippon Selas to three directors of Nippon Selas. Its Tokyo facility employs 13 people; 4 administrative and 9 sales and engineering.

The principal components used in the Company's heat processing equipment and other products are steel, special castings (including high-alloy materials), electrical and electronic controls and materials handling equipment. These items are available from a wide range of independent suppliers.

Research and Development. The Company conducts research and development activities at its Dresher facility to support its heat processing services and products. The Company's research efforts are designed to develop new products and technology as well as to improve existing products and technology. The Company also conducts research on behalf of particular customers in connection with customers' unusual process needs. Research and development expenditures for heat processing aggregated \$33,000, \$31,000 and \$38,000 in 2001, 2000 and 1999, respectively.

It is the Company's policy to apply for domestic and foreign patents on those inventions and improvements which it considers significant and which are likely to be incorporated in its products. It owns a number of United States and foreign patents. It is licensed under patents owned by others and has granted licenses to others on a fee basis. The Company believes that, although these patents collectively are valuable, no one patent or group of patents is of material importance to its business as a whole.

DISCONTINUED OPERATIONS

LARGE CUSTOM-ENGINEERED FURNACES

Products and Industries Served. The Company designs specialized furnaces for use primarily in the steel and glass industries worldwide. The furnaces are engineered to subject a customer's products to carefully controlled heating and cooling processes in order to improve the physical characteristics of those products. Each furnace is custom-engineered by the Company to meet customer's specific requirements. The Company believes that the Selas TM name, its reputation for quality and its leadership in the design and engineering of direct gas-fired heat processing furnaces are important factors in its business. The Company also offers gas-fired radiant tube and electric heating technology for heat processing furnaces.

The Company's custom-engineered systems for the steel industry include continuous annealing furnaces and continuous galvanizing furnaces. Continuous annealing furnaces are used to heat-treat semi-finished steel sheet and strip to soften it to improve the ductility of the steel, thereby making it suitable for use in the manufacture of automobiles, appliances and other items. Continuous galvanizing furnaces consist of continuous annealing furnaces plus the components used to apply a zinc coating to steel strip to improve its resistance to corrosion.

The Company's furnaces for the glass industry are used for the tempering, bending and etching of glass. The glass tempering process toughens glass plate through a controlled process of heating and cooling. Glass manufacturers use the Company's glass bending furnaces to heat and bend plate glass for automotive and architectural uses.

From time to time, the Company also designs various other

specialized furnaces for use by manufacturers in a variety of industries to suit particular process requirements. For example, over the years the Company has engineered large barrel line furnaces used for the continuous heat treatment of steel pipe, tube or bar.

Marketing and Competition. The Company markets its custom-engineered furnaces on a global basis. Marketing personnel are located at the Company's offices in Paris, Derbyshire and Milan. Over the years, the Company has installed custom-engineered systems in Europe, North America, South America, Asia, Australia and Africa. In a particular period, a single contract may account for a large percentage of sales, but the Company is not dependent on any custom-engineered systems customer on an ongoing basis.

Company engineering and marketing personnel maintain contact with potential major steel and glass customers to determine their needs for new furnaces, typically for expansion or new technology. The Company's furnaces have long useful lives, and replacement business is not a major factor in sales of custom-engineered systems. The Company has and continues to perform modifications to older existing furnaces to improve production quantities, along with quality of the end product.

The Company also markets its products and services through agents and licensees located in various parts of the world. Typically, the Company's license agreements provide that the licensee will act as the Company's sales agent in a particular territory, is granted a license to utilize the Company's heat processing technology in that territory, and is granted the right to utilize technical services provided by the Company. In exchange, the Company receives certain fees when the licensee sells the Company's products or services in the territory.

Over the years, Japanese steel producers have aligned themselves in semi-exclusive relationships with furnace manufacturers. For a number of years, the Company has licensed direct fired furnace technology to NKK Corporation, the second largest steel producer in Japan.

Furnaces for continuous galvanizing and annealing lines generally utilize either direct fired or radiant tube technology. The Company is the market leader for furnaces based on direct fired technology, and also sells furnaces of the radiant tube design utilized primarily by its competitors. Some of the Company's competitors are larger and have greater financial resources. In recent years, the Company has faced increased competition from competitors supplying smaller, less sophisticated steel lines. These competitors do not generally offer custom engineering on a par with the Company, but have been willing to offer a more standardized and less sophisticated furnace for a lower price.

Operations. The Company's large custom-engineered furnace business is conducted principally by its wholly-owned subsidiaries, Selas (SAS) (Paris), Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries currently employ approximately 68 persons, of whom 11 are administrative personnel, and 57 are sales, engineering and operations personnel.

On large-scale projects, such as a continuous steel strip annealing or galvanizing line, the customer frequently contracts for the entire line on a turnkey basis with an engineering and construction firm specializing in line terminal equipment, and the Company acts as a subcontractor for the design, engineering, supply of material and installation of the furnace portion of the line, or, alternatively, as a subcontractor only for design and engineering. When the Company provides only design and engineering services, the prime contractor handles the fabrication and erection of the furnace. With the exception of certain proprietary parts, the Company does not manufacture the components used in such systems.

The Company's large custom-engineered furnace business is

historically cyclical in nature.

PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS

Resistance Technology, Inc. ("RTI"), a wholly-owned subsidiary, manufactures microminiature components, systems and molded plastic parts for hearing instrument manufacturers and the medical equipment, electronics, telecommunications and computer industries. RTI Electronics, Inc. ("RTIE"), formed in 1997, has expanded RTI's microminiature components business through the manufacture of electrical resistors known as thermistors and film capacitors.

Products and Industries Served. RTI is a leading manufacturer and supplier of microminiature electromechanical components to hearing instrument manufacturers. These components consist of volume controls, trimmer potentiometers and switches. RTI also manufactures hybrid amplifiers and integrated circuit components ("hybrid amplifiers"), along with faceplates for in-the-ear and in-the-canal hearing instruments. Components are offered in a variety of sizes, colors and capacities in order to accommodate a hearing manufacturer's individualized specifications. Sales to hearing instrument manufacturers represented approximately 73% of 2001 annual net sales for the Company's precision miniature medical and electronic products business.

Hearing instruments, which fit behind or in a person's ear to amplify and process sound for a hearing impaired person, generally are composed of four basic parts and several supplemental components for control or fitting purposes. The four basic parts are microphones, amplifier circuits, miniature receivers/speakers and batteries. RTI's hybrid amplifiers are a type of amplifier circuit. Supplemental components include volume controls, trimmer potentiometers, which shape sound frequencies to respond to the particular nature of a person's hearing loss, and switches used to turn the instrument on and off and to go from telephone to normal speech modes. Faceplates and an ear shell molded to fit the user's ear often serve as a housing for hearing instruments.

The potential range of applications for RTI's molded plastic parts is broad. RTI has produced intravenous flow restrictors for a medical instruments manufacturer and cellular telephone battery sockets for a telecommunications equipment manufacturer. Sales by RTI to industries other than the hearing instrument industry represented approximately 9% of 2001 annual net sales for the Company's precision miniature medical and electronic products business.

RTI manufactures its components on a short lead-time basis in order to supply "just-in-time" delivery to its customers. Due to the short lead-time, the Company does not include orders from RTI's customers in its published backlog figures.

RTIE manufactures and sells thermistors and thermistor assemblies, which are solid state devices that produce precise changes in electrical resistance as a function of any change in absolute body temperature. RTIE's Surge-Gard™ product line, an inrush current limiting device used primarily in computer power supplies represents approximately 50% of RTIE's sales. The balance of sales represent various industrial, commercial and military sales for thermistor and thermistor assemblies to domestic and international markets.

RTI's and RTIE's principal raw materials are plastics, polymers, metals, various metal oxide powders and silver paste, for which there are multiple sources of supply.

In order to enhance its product line offering, RTI made several strategic acquisitions in 1998. These acquisitions bolster RTI's and RTIE's precision miniature mechanical and electronic products.

On May 27, 1998, RTI Electronics acquired the stock of IMB Electronics Products, Inc., a manufacturer of film capacitors, which are energy storage devices used primarily to resist changes

in voltage. The film capacitor business represents a product line addition for the power and computer industries which RTIE serves. Effective January 1, 1999, IMB Electronics Products, Inc. was merged into RTIE.

In October, 1998, the Company acquired a product manufacturing line from Lectret which was newly formed as RTI Technologies PTE LTD. In January, 2001, the Company acquired the stock of Lectret, a Singapore manufacturer of microphone capsules. The acquisitions expand RTI's product capability in the hearing health market by adding a microphone product line.

Certain information regarding the acquisition of RTI Technologies PTE LTD business is set forth in note 3 to the Company's Consolidated Financial Statements.

Marketing and Competition. RTI sells its hearing instrument components directly to domestic hearing instrument manufacturers through an internal sales force. Sales of microphone products and of molded plastic parts to industries other than hearing instrument manufacturers are made through a combination of independent sales representatives and internal sales force. In recent years, three companies have accounted for a substantial portion of the U.S. hearing instrument sales. In 2001, these three customers accounted for approximately 26% of RTI's net sales.

Internationally, sales representatives employed by Resistance Technology, GmbH ("RT, GmbH"), a German company 90% of whose capital is owned by RTI, solicit sales from European hearing instrument manufacturers and facilitate sales with Japanese and Australian hearing instrument markets.

RTI believes that it is the largest supplier worldwide of microminiature electromechanical components to hearing instrument manufacturers and that its full product line and automated manufacturing process allow it to compete effectively with other manufacturers with respect to these products.

In the market of hybrid amplifiers and molded plastic faceplates, RTI's primary competition is from the hearing instrument manufacturers themselves. The hearing instrument manufacturers produce a substantial portion of their internal needs for these components.

RTI markets its microphone products to the radio communication and professional audio industries and has several competitors who are larger and have greater financial resources. RTI holds a small market share in the global market for microphone capsules and other related products.

RTIE sells its thermistors and film capacitors through a combination of independent sales representatives and internal sales force.

RTIE has many competitors, both domestic and foreign, that sell various thermistor and film capacitors and some of these competitors are larger and have greater financial resources. In addition, RTIE holds a relatively small market share in the world-market of thermistor and film capacitor products.

Operations. RTI currently employs 225 people, of whom 52 are executive and administrative personnel and 173 are sales, engineering and operations personnel at RTI's two facilities near Minneapolis, Minnesota. A small number of sales personnel employed by RT, GmbH are located in Munich, Germany and RTI Technologies employs 100 people at its Singapore location.

At its facilities in Anaheim, California, RTIE employs 88 full-time employees, of which 5 are administrative and 83 are sales and operations personnel.

As a supplier of parts for consumer and medical products, RTI is subject to claims for personal injuries allegedly caused by its products. The Company maintains what it believes to be adequate

insurance coverage.

Research and Development. RTI and RTIE conduct research and development activities primarily to improve its existing products and technology. Their research and development expenditures were \$1,237,000, \$899,000 and \$964,000 in 2001, 2000 and 1999, respectively.

RTI owns a number of United States patents which cover a number of product designs and processes. The Company believes that, although these patents collectively add some value to the Company, no one patent or group of patents is of material importance to its business as a whole.

TIRE HOLDERS, LIFTS AND RELATED PRODUCTS

Deuer Manufacturing, Inc. ("Deuer"), a wholly-owned subsidiary, manufactures tire holders, lifts, and other related products based principally on cable winch designs.

Products and Industries Served. Deuer is a leading supplier of spare tire holders used on light trucks and mini-vans manufactured by the major domestic automotive manufacturers. Deuer's spare tire holder holds the spare tire to the underbody of the vehicle by means of a steel cable running to the underside of the vehicle's frame. One end of the steel cable is attached to a hub placed through the center of the spare tire's rim, and the other end is attached to a hand-operated winch mounted at an accessible location on the vehicle. The spare tire holding system permits the spare tire to be stored in a remote location and to be easily removed without the need to crawl under the vehicle. During 2001, sales of spare tire holders accounted for approximately 93% of Deuers net sales.

Deuer also produces a variety of hand-operated hoist-pullers, using primarily a cable winch design, sold under the Mini-Mule™ brand name. These products, which retail from \$30 to \$60, are portable hand winches designed for a variety of uses, such as pulling objects, rigging loads and installing fencing. Deuer furnishes these hoist-pullers in a variety of sizes and capacities. It also manufactures accessories for use with the products, including slings, clamps, blocks and gantries.

Deuer manufactures products on a short lead time basis in order to furnish "just-in-time" delivery to its automotive customers. Because of the substantial variances between manufacturers' estimated and actual requirements, the Company does not include blanket order commitments from automotive manufacturers in its published backlog figures.

Marketing and Competition. Deuer sells its spare tire holders directly to domestic automotive manufacturers. Deuer's spare tire holders are sold to Chrysler Corporation, General Motors, Toyota, Ford Motor Company, New United Motor Manufacturing, Inc. and Mobile Home Manufacturers. The design and quality of Deuer's spare tire holders have been recognized by its major customers. The Company sells its hoist-pullers through a network of distributors as well as directly to some large retail outlets.

Deuer is one of several suppliers of spare tire holders to domestic mini-van and light truck manufacturers. Some of Deuer's competitors are larger and have greater financial resources. The Company believes that price and Deuer's reputation for quality and reliability of delivery are important factors in competition for business from the domestic automotive manufacturers. A number of other domestic and foreign manufacturers sell hoist-pullers to the retail market, and Deuer's share of this market is relatively small.

Operations. At its Dayton facility, Deuer employs 15 executive and administrative personnel and approximately 140 manufacturing employees. Some of the manufacturing employees are represented by a union, and the current union contract expires in October, 2002. Deuer considers its relations with its employees to be

satisfactory.

Deuer's principal raw material is coil rolled steel and metal cable which is widely available. Deuer also conducts research and development activities which consist of the development of new products and technology and the modification of existing products. Deuer's research and development expenditures aggregated \$252,000, \$252,000 and \$258,000 in 2001, 2000 and 1999, respectively.

As a consumer products manufacturer, Deuer is subject to claims for personal injuries allegedly caused by its products. The Company maintains what it believes to be adequate insurance coverage.

ITEM 2. Properties

Continuing Operations

The Company owns the manufacturing facility in Dresher, Pennsylvania in which its standard-engineered systems, burners and combustion control equipment are produced. The Company's headquarters are located on the same 17 acre site. The 136,000 square foot Dresher facility has more space than is currently needed for the Company's operations and headquarters, and the Company is seeking to lease all or a portion of the excess office and manufacturing space to a suitable tenant. This property is subject to a mortgage. See note 9 of the Company's consolidated financial statements.

RTI leases a 47,000 sq. ft. manufacturing facility in Arden Hills, Minnesota from a partnership consisting of two former officers of RTI and Mark S. Gorder who serves as an officer of the Company and RTI and on the Company's Board of Directors. At this facility, RTI manufactures all of its products other than plastic component parts. The lease expires in October, 2003, with two successive 5-year renewal options.

In addition, RTI owns, subject to a mortgage from a third party lender, a 34,000 sq. ft. building in Vadnais Heights, Minnesota at which RTI produces plastic component parts. (See notes 9, 18 and 19 of the Company's consolidated financial statements.)

RTIE leases a building in Anaheim, California, which contains its manufacturing facilities and offices and consists of a total of 50,000 square feet. The lease expires September, 2008.

Deuer owns its 92,000 square foot manufacturing facility located on 6.5 acres in Dayton, Ohio, where it produces its spare tire holders and hoist-pullers. The facility is furnished with a variety of steel fabrication equipment, including punch presses, drill presses, screw machines, grinders, borers, lathes and welders. This property is subject to a mortgage. See note 9 of the Company's consolidated financial statements.

Selas Waermettechnik GmbH, the Company's German subsidiary, leases facilities in Ratingen, Germany which are used for sales, administrative and engineering activities and assembly of small furnaces and furnace components, with the lease expiring October, 2008. Resistance Technology, GmbH, leases office space in Munich, Germany which are used for sales, administrative and engineering activities and assembly of small furnaces and furnace components, with the lease expiring October, 2008. Resistance Technology, GmbH, leases office space in Munich, Germany for its sales personnel with the lease expiring in July, 2007.

CFR leases facilities in Paris and Maise, both in France. The facilities in Paris house engineering, sales and administrative operations and has 10,000 square feet. The Maise facility is 40,000 square feet and houses CFR's fabrication and assembly operations. The Paris lease expires January, 2003 and the Maise lease expires February, 2004, each with three-year optional renewal terms. Ermat leases a building in Lyon, France with sales and administrative facilities which expires June, 2007. CFR Portugal leases a building in Leiria, Portugal which houses

its fabrication facilities and administrative offices. The lease expires in 2003.

RTI Technologies PTE LTD leases a building in Singapore which houses its production facilities and administrative offices. The building contains 6,000 square feet and its lease expires June, 2004, with a three-year renewal option. Nippon Selas leases office space in Tokyo, Japan for its sales and administrative facilities. The lease expires in June, 2002 and the Company expects to be able to renew the lease.

Discontinued Operations

Selas (SAS) owns the land and building which houses its engineering, sales and administrative operations in Gennevilliers, France (outside of Paris). The land under the building is owned by Selas (SAS) and the property outside of the building is jointly owned by the building owners in the office complex. The building has 22,000 square feet. This property is subject to a mortgage. See note 9 of the Company's consolidated financial statements.

Selas Italiana S.r.L., the Company's Italian subsidiary and Selas UK, the Company's United Kingdom subsidiary, lease facilities in Milan, Italy and Derbyshire, UK, respectively. The Milan and Derbyshire facilities are comprised of engineering, sales and administrative offices with the leases expiring in February, 2007 and a month to month basis, respectively.

ITEM 3. Legal Proceedings

The Company is a defendant along with a number of other parties in approximately 253 lawsuits as of December 31, 2001 (approximately 100 as of December 31, 2000) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially affect the Company's consolidated financial position, liquidity, or results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 4A. Executive Officers of the Company

The names, ages and offices (as of February 25, 2002) of the Company's officers were as follows:

Name	Age	Office
Mark S. Gorder Officer Technology,	55	President and Chief Executive and President of Resistance Inc.; Director of the Company
Christian Bailliart Chairman-Director	53	Vice President and Generale of Selas (SAS)
James C. Deuer Deuer	73	Vice President and President of Manufacturing, Inc.
Francis A. Toczykowski Secretary	51	Vice President, Treasurer and Secretary

Mr. Gorder joined the Company October 20, 1993 when Resistance Technology, Inc. (RTI) was acquired. Prior to the acquisition, Mr. Gorder was President and one of the founders of RTI, which began operations in 1977. Mr. Gorder was promoted to Vice President of the Company and elected to the Board of Directors in 1996. In 2000 he was elected President and Chief Operating Officer and in April, 2001, Mr. Gorder assumed the role of Chief Executive Officer. Mr. Bailliart joined Selas (SAS) in 1974 and in 1989 he was promoted to Chairman-Director Generale of Selas (SAS) from Vice President, Treasurer. On January 1, 1993, he was elected Vice President of the Company. Mr. Deuer joined the Company as President of Deuer Manufacturing when it was acquired in May, 1986 and was promoted to Vice President of the Company and President of Deuer Manufacturing in December, 1990. From 1965 to 1986 he was President of Deuer Manufacturing. Mr. Toczykowski joined the Company in 1981 and has held several positions in the accounting and finance area, most recently as Corporate Controller. In December, 1998, he was elected Vice President and Treasurer and in November, 2001 was elected Secretary of the Company.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common shares are listed on the American Stock Exchange. The high and low sale prices during each quarterly period during the past two years were as follows:

Market and Dividend Information

Quarter	2001		2000	
	High	Low	High	Low
First	\$4.000	\$3.100	\$6.750	\$4.875
Second	4.750	3.300	7.625	5.250
Third	4.500	2.850	7.500	4.625
Fourth	3.600	2.000	5.937	2.750

At February 7, 2002 the Company had 413 shareholders of record.

	2001	2000	1999
Dividends per share:			
First Quarter . . .	\$.045	\$.045	\$.045
Second Quarter. . .	.045	.045	.045
Third Quarter . . .	.045	.045	.045
Fourth Quarter. . .	.000	.045	.045

The payment of any future dividends is subject to the discretion of the Board of Directors and is dependent on a number of factors, including the Company's capital requirements, financial condition, financial covenants and cash availability.

ITEM 6. Selected Financial Data

Certain selected financial data is incorporated by reference to "Selas Corporation of America Five-Year Summary of Operations", page 4, and "Other Financial Highlights", page 5, of the Company's 2001 annual report to shareholders.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and analysis is incorporated by reference to page 6 through 12 of the Company's 2001 annual report to shareholders.

Forward-Looking and Cautionary Statements. Certain statements herein that include forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "estimate", "plan" or "continue" or the negative thereof or other variations thereon are, or could be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are affected by known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ materially from the results, performance and achievements expressed or implied in the Company's forward-looking statements. These risks, uncertainties and factors include competition by competitors with more resources than the Company, foreign currency risks arising from the Company's foreign operations, and the cyclical nature of the market for large heat technology contracts.

The Company's standard engineered systems business, which has contributed substantially to the Company's consolidated results, is affected by, among other things, the capital expenditures of steel, aluminum and glass manufacturers and processors, industries that are cyclical in nature. It is difficult to predict demand for the Company's standard engineered system products, and the financial results of the Company's standard engineered system business have fluctuated, and may continue to fluctuate, materially from year to year.

Several of the Company's competitors have been able to offer more standardized and less technologically advanced heat technology systems and equipment at lower prices. Although the Company believes that it has produced higher quality systems and equipment than these lower priced competitors, in certain instances price competition has had an adverse effect on the Company's sales and margins. There can be no assurance that the Company will be able to maintain or enhance its technical capabilities or compete successfully with its existing and future competitors.

There can be no assurance that the Company will remain a competitive supplier to the automobile and truck industry in view of, among other things, the general trend in recent years in that industry toward a reduction in the number of third-party suppliers and toward more integrated component suppliers.

The Company's precision miniature medical and electronics business has benefited from its ability to automate and keep costs and prices low. There can be no assurance that the Company

will be able to continue to achieve such automation and its historical profit margins particularly as the technology of hearing instruments changes and as the business expands into other product lines. The precision miniature medical and electronics business has also been affected by unfavorable conditions in the hearing health market and the impact of the Asian economic situation. The Company is unable to predict with any certainty when these conditions will improve.

The Company has international operations, as a result, the Company's performance may be materially affected by foreign economies and currency movements.

The Company cautions that the foregoing list of important factors is not intended to be, and is not, exhaustive. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's consolidated cash flows and earnings are subject to fluctuations due to changes in foreign currency exchange rates. The Company attempts to limit its exposure to changing foreign currency exchange rates through operational and financial market actions. The Company does not hold derivatives for trading purposes.

The Company manufactures and sells its products in a number of locations around the world, resulting in a diversified revenue and cost base that is exposed to fluctuations in European and Asian currencies. This diverse base of foreign currency revenues and costs serves to create a hedge that limits the Company's net exposure to fluctuations in these foreign currencies.

Short-term exposures to changing foreign currency exchange rates are occasionally managed by financial market transactions, principally through the purchase of forward foreign exchange contracts (with maturities of six months or less) to offset the earnings and cash flow impact of the nonfunctional currency denominated receivables and payables relating to select custom engineered heat technology segment contracts. The decision by management to hedge any such transaction is made on a case-by-case basis. Foreign exchange forward contracts are denominated in the same currency as the receivable or payable being covered, and the term and amount of the forward foreign exchange contract substantially mirrors the term and amount of the underlying receivable or payable. The receivables and payables being covered arise from trade and intercompany transactions of and among the Company's foreign subsidiaries. At December 31, 2001 the Company did not have any forward foreign exchange contracts outstanding.

To manage exposure to interest rate movements and to reduce its borrowing costs, the Company's French subsidiary, Selas (SAS), has entered into an interest rate swap agreement. Selas (SAS) is exposed to changes in interest rates primarily due to its borrowing activities which are related to long-term debt used to finance its office building. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May, 2006. A 100 (10% adverse change) basis point move in interest rates would affect the Company's floating and fixed rate instruments, including short and long-term debt and derivative instruments, by approximately \$17,000 at December 31, 2001.

Swap and forward foreign exchange contracts are entered into for periods consistent with related underlying exposures. The Company does not enter into contracts for speculative purposes and does not use leveraged instruments.

The Company's consolidated balance sheets as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the

three-year period ended December 31, 2001, and the report of independent auditors thereon and the quarterly results of operations (unaudited) for the two-year period ended December 31, 2001 are incorporated by reference to pages 13 to 42 of the Company's 2001 annual report to shareholders.

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

PART III

The information called for by Items 10, 11, 12 and 13 (except the information concerning executive officers included in Item 4A) is incorporated by reference to the Company's definitive proxy statement relating to its 2002 Annual Meeting of shareholders, which the Company will file in April, 2002. However, the portions of such proxy statement constituting the reports of the Audit Committee and Compensation Committees of the Board of Directors and the graph showing performance of the Company's common shares and certain share indices shall not be deemed to be incorporated herein or filed for purposes of the Securities Exchange Act of 1934.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

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

1. Financial Statements - The Company's consolidated financial statements, as described below, are incorporated by reference to pages 13 through 42 of the Company's 2001 annual report to shareholders.

Consolidated Balance Sheets at December 31, 2001 and 2000.

Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. Financial Statement Schedules

	Page
Report of Independent Auditors on Financial Statement Schedules	19
Schedule I - Condensed Financial Information of Registrant (Parent only)	20-23
Schedule II - Valuation and Qualifying Accounts	24-25

All other schedules are omitted because they are not applicable, or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

- 3A. The Company's Articles of Incorporation as amended May 18, 1984 and April 25, 1991. Exhibit 3A to the

Company's report on Form 10-K for the year ended December 31, 1984 and Exhibit 3A1 to the Company's report on Form 10-K for the year ended December 31, 1991 are incorporated by reference.

- 3B. The Company's By-Laws as amended. Exhibit 3B to the Company's report on Form 10-K for the year ended December 31, 2000 is incorporated by reference.
- 4A. Amended and Restated Credit Agreement dated July 31, 1998 among the Company, Deuer Manufacturing, Inc., Resistance Technology, Inc., RTI Export, Inc. and RTI Electronics, Inc. Exhibit 4A to the Company's report on Form 10-Q for the nine months ended September 30, 1998 is incorporated by reference.
- 4B. Amendment to Amended and Restated Credit Agreement dated June 30, 1999 among the Company, Deuer Manufacturing, Inc., Resistance Technology, Inc., RTI Export, Inc. and RTI Electronics, Inc. The Exhibit to the Company's report on Form 10-Q for the six months ended June 30, 1999 is incorporated by reference.
- 4C. Amended and Restated Revolving Credit Note, dated July 31, 1998, of the Company in favor of First Union National Bank. Exhibit 4B to the Company's report on Form 10-Q for the nine months ended September 30, 1999 is incorporated by reference.
- 4D. Guaranty dated February, 1998 of the Company in favor of First Union/First Fidelity, N.A. Pennsylvania. Exhibit 4H to the Company's report on Form 10-K for the year ended December 1997 is hereby incorporated by reference.
- 4E. Second Amendment to Amended and Restated Credit Agreement, dated as of July 7, 2000. Exhibit 4C to the Company's report on Form 10-Q for the period ended September 30, 2000 is incorporated by reference.
- 4F. Third Amendment to Amended and Restated Credit Agreement, dated as of January 19, 2001. Exhibit 4F to the Company's report on Form 10-K for the year ended December 31, 2001 is incorporated by reference.
- 4G. Waiver and Amendment Agreement dated November 20, 2001 among the Company, certain of its subsidiaries, and First Union National Bank.
- 4H. Firsts Amendment to Waiver and Amendment Agreement dated February 28, 2002 among the Company, certain of its subsidiaries, and First Union National Bank.
- 4I. Second Amendment to Waiver and Amendment Agreement dated March 20, 2001 among the Company, certain of its subsidiaries, and First Union National Bank.
- 4J.
- 10A. Form of termination agreement between the Company and Messrs. Deuer and Toczyłowski. Exhibit 10A to the Company's report on Form 10-K for the year ended December 31, 1996 is incorporated by reference.
- 10B. 1985 Stock Option Plan, as amended. Exhibit 10C to the Company's Registration Statement on Form S-2 filed on June 15, 1990 (No. 33-35443) is incorporated by reference.

- 10C. Form of Stock Option Agreements granted under the 1985 Stock Option Plan. Exhibit 10D to the Company's Registration Statement on Form S-2 filed on June 15, 1990 (No. 33-35443) is incorporated by reference.
- 10D. Form of Amendments to Stock Option Agreements granted under the 1985 Stock Option Plan. Exhibit 10D to the Company's Registration Statement on Form S-2 filed on June 15, 1990 (No. 33-35443) is incorporated by reference.
- 10E. Amended and Restated 1994 Stock Option Plan. Exhibit 10E to the Company's report on Form 10-K for the year ended December 31, 1997 is incorporated by reference.
- 10F. Form of Stock Option Agreements granted under the Amended and Restated 1994 Stock Option Plan. Exhibit 10F to the Company's report on Form 10-K for the year ended December 31, 1995 is incorporated by reference.
- 10G. 2001 Stock Option Plan. Exhibit 10G to the Company's report on Form 10-K for the year ended December 31, 2001 is incorporated by reference.
- 10H. Supplemental Retirement Plan (amended and restated effective January 1, 1995). Exhibit 10H. to the Company's report on Form 10-K for the year ended December 31, 1995 is incorporated by reference.
- 10I. Employment Agreement dated June 19, 2001 among the Company, Resistance Technology, Inc. and Mark S. Gorder. Exhibit 10I to the Company's report on Form 10-Q for the period ended June 30, 2001 is incorporated by reference.
- 10J. Amended and Restated Agreement on Termination Following Change of Control or Asset Sale, dated June 19, 2001, between the Company and Mark S. Gorder. Exhibit 10.1 to the Company's report on Form 10-Q for the period ended June 30, 2001 is incorporated by reference.
- 10K. Amended and Restated Office/Warehouse Lease, between Resistance Technology, Inc. and Arden Partners I. L.L.P. (of which Mark S. Gorder is one of the principal owners) dated November 1, 1996. Exhibit 10J to the Company's report on Form 10-K for the year ended December 31, 1996 is incorporated by reference.
- 10L. Amended and Restated Non-Employee Directors' Stock Option Plan.
- 10M. Retirement Agreement, Consulting Agreement and General Release, dated August 30, 2000, between the Company and Stephen F. Ryan. Exhibit 10 to the Company's report on Form 10-Q for the period ended September 30, 2000 is incorporated by reference.
- 10N. Separation Agreement dated November 30, 2001

between the Company and Robert W. Ross.

13. "Selas Corporation of America Five-Year Summary of Operations" contained on Page 4 of the Company's 2001 annual report to shareholders; "Other Financial Highlights" contained on page 5 of the Company's 2001 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 6-12 of the Company's 2001 annual report to shareholders; and the Company's consolidated financial statements, including the "Notes to Consolidated Financial Statements" and the "Report of Independent Auditors contained on pages 13-44 of the Company's 2001 annual report to shareholders.
 21. List of significant subsidiaries of the Company.
 23. Consent of Independent Auditors
 24. Powers of Attorney.
- (b) Reports on Form 8-K - There were no reports on Form 8-K filed during the three months ended December 31, 2001.

Report of Independent Auditors on Financial Statement
Schedules

The Board of Directors and Shareholders
Selas Corporation of America:

Under date of April 15, 2002, we reported on the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001, as contained in the 2001 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 2001. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in the accompanying index (Item 14). These financial schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth herein.

As discussed in note 1 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

/s/KPMG LLP
Philadelphia, Pennsylvania
April 15, 2002

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Balance Sheets
December 31, 2001 and 2000

ASSETS	2001	2000
Current assets:		
Cash	\$ 153,122	\$ 572,232
Accounts receivable (including \$3,503,415 and \$3,139,822 due from subsidiaries in 2001 and 2000, respectively, eliminated in consolidation), less allowance for doubtful accounts of \$10,000 in Both years	4,837,871	7,063,803
Inventories, at cost	3,049,454	2,785,884
Prepaid expenses and other current assets	923,939	871,692
Total current assets	8,964,386	11,293,611
Investment in wholly-owned subsidiaries	59,088,668	59,483,530
Net assets of discontinued operations	6,636,127	1,676,929
Property and equipment, at cost	5,841,962	5,939,988
Less: accumulated depreciation	(4,992,755)	(4,983,785)
	849,207	956,203
Other assets	2,011,648	2,344,813
Total Assets	\$77,550,036	\$75,755,086

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Balance Sheets
December 31, 2001 and 2000

LIABILITIES AND SHAREHOLDERS' EQUITY	2001	2000
Current liabilities:		
Notes payable and current maturities of long-term debt	\$ 9,150,520	\$ 6,082,000

Accounts payable (including \$19,820,408 and \$15,897,018 due to subsidiaries in 2001 and 2000, respectively, eliminated in consolidation)	21,047,165	17,981,384
Accrued expenses	3,778,175	3,821,744
Total current liabilities	33,975,860	27,885,128
Long-term debt	1,389,812	116,667
Other postretirement benefit obligations	3,411,042	3,482,508
Deferred income taxes	168,705	172,338
Contingencies and commitments		
Shareholders' equity		
Common stock	5,634,968	5,634,968
Retained earnings and other equity	34,234,727	39,728,555
Less: 515,754 common shares held in treasury at cost	(1,265,078)	(1,265,078)
Total shareholders' equity	38,604,617	44,098,445
Total Liabilities and Shareholder's Equity	\$77,550,036	\$75,755,086

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Statements of Operations
Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
Sales, net	\$13,830,478	\$11,654,081	\$ 7,640,167
Add back: license fees and corporate charges paid by subsidiaries, eliminated in consolidation	80,000	400,000	400,000
	13,910,478	12,054,081	8,040,167
Costs and expenses:			
Cost of goods sold	9,691,279	8,805,571	4,805,422
Selling, general and administrative Expenses	3,710,504	3,390,804	4,413,178
Rent and depreciation	330,592	290,134	372,942
	13,732,375	12,486,509	9,591,542
Income (loss) before income taxes (benefits) and equity in net income of subsidiaries	178,103	(432,428)	(1,551,375)

Provision for income taxes (benefits)	109,930	(152,964)	(486,598)
Income (loss) before equity in net income of subsidiaries	68,173	(279,464)	(1,064,777)
Equity in net income of subsidiaries	589,442	3,283,999	2,803,219
Income from continuing operations	657,615	3,004,535	1,738,442
(Loss) from discontinued operations	(5,274,930)	(68,749)	(9,282)
Net income	\$ (4,617,315)	\$ 2,935,786	\$ 1,729,160

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

Statements of Cash Flows

Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
=====			
Operating Activities			
Net income (loss)	\$ (4,617,315)	\$ 2,935,786	\$ 1,729,160
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	153,103	183,717	228,979
Other adjustments	1,588,168	(3,068,063)	(1,500,233)
Net changes in operating assets and Liabilities	3,989,174	2,385,559	3,479,413
Net cash provided by operating activities	1,113,130	2,436,999	3,937,319
Net cash provided (used) by discontinued Operations	3,071,679	(158,226)	(400,150)
Investing Activities			
Dividend from unconconsolidated affiliate			14,476
Purchase of property, plant and Equip. Additional investment in subsidiary company	(40,040)	(98,336)	(70,377)
		(1,024,304)	(1,067,140)
Net cash (used) by investing activities	(40,040)	(1,122,640)	(1,123,041)
Financing Activities			
Repayments of short term borrowings	(3,055,863)		
Proceeds from exercise of stock options			83,540
Proceeds from short-term borrowings		1,389,000	1,901,446
Payment of dividends	(691,349)	(922,052)	(934,302)
Repayments of long-term debt	(816,667)	(1,126,933)	(2,576,424)
Purchase of treasury stock		(62,308)	(820,833)
Net cash (used) by financing			

activities	(4,563,879)	(722,293)	(2,346,573)
Increase (decrease) in cash and cash Equivalents	(419,110)	433,840	67,555
Cash and cash equivalents, beginning of Year	572,232	138,392	70,837
Cash and equivalents, end of year	\$ 153,122	\$ 572,232	\$ 138,392

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant Notes to Condensed Financial Statements

December 31, 2001 and 2000

- The condensed financial statements include the accounts of Selas Corporation of America (the parent company). The Company's domestic and European financing agreements contain certain restrictive covenants regarding the payments of cash dividends, maintenance of working capital, net worth and shareholders equity, along with the maintenance of certain financial ratios. The amount of restricted net assets of consolidated subsidiaries is \$21,019,000 which exceeds 25% of the consolidated net assets of the Company. See Note 9 to the Consolidated Financial Statements in Item 13 of Part IV.

SCHEDULE II

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts December 31, 2001, 2000 and 1999

Column A	Column B	Column C	
Classification	Balance at Beginning Of Period	Charged to Costs and Expenses	Other Additions
Year ended December 31, 2001:			
Reserve deducted in the balance sheet			
from the asset to which it applies:			
Allowance for doubtful accounts	\$ 453,419	\$ 251,108	\$ (18,976) (a)
Deferred tax asset valuation Allowance	\$ 1,085,716	\$ (237,185)	
Reserve not shown elsewhere:			
Reserve for estimated future costs			
of service and guarantees	\$ 506,102	\$ 558,963	\$ (16,207) (a)
Year ended December 31, 2000:			
Reserve deducted in the balance sheet			
from the asset to which it applies:			
Allowance for doubtful accounts	\$ 422,375	\$ 135,097	\$ (20,144) (a)
Deferred tax asset valuation Allowance	\$ 1,101,378	\$ (15,662)	

Reserve not shown elsewhere:

Reserve for estimated future costs of service and guarantees	\$ 534,646	\$ 109,977	\$ (19,272) (a)
--	------------	------------	-----------------

Year ended December 31, 1999:

Reserve deducted in the balance sheet

from the asset to which they apply:

Allowance for doubtful accounts	\$ 497,884	\$ 800,812	\$ (55,053) (a)
---------------------------------	------------	------------	-----------------

Deferred tax asset valuation

Allowance	\$ 1,277,902	\$ (176,524)	
-----------	--------------	--------------	--

Reserve not shown elsewhere:

Reserve for estimated future costs of service and guarantees	\$ 1,866,732	\$ (1,111,093)	\$ (37,537) (a)
--	--------------	----------------	-----------------

a) Represents difference between translation rates of foreign currency at beginning and end of year and average rate during year.

SCHEDULE II

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts
December 31, 2001, 2000 and 1999

Classification	Column A	Column D	Column E
		Deductions	Balance at End of Period
Year ended December 31, 2001:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	\$	229,974 (b)	\$ 455,577
Deferred tax asset valuation allowance			\$ 848,531
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	\$	169,906 (c)	\$ 878,952
Year ended December 31, 2000:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	\$	83,909 (b)	\$ 453,419
Deferred tax asset valuation allowance			\$ 1,085,716
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	\$	119,249 (c)	\$ 506,102
Year ended December 31, 1999:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	\$	821,268 (b)	\$ 422,375

Deferred tax asset valuation allowance \$ 1,101,378

Reserve not shown elsewhere:

Reserve for estimated future costs of
service and guarantees \$ 183,456(c) \$ 534,646

(b) Uncollectible accounts charged off.

(c) "After job" costs charged to reserve.

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.

SELAS CORPORATION OF AMERICA
(Registrant)

By:

Francis A. Toczylowski
Vice President,

Treasurer

and Secretary

Dated: April 15, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons (including a majority of members of the Board of Directors) on behalf of the registrant and in the capacities and on the dates indicated.

*By: _____

Mark S. Gorder
Attorney-In-Fact

April 15, 2002

Mark S. Gorder
President and Chief
Executive
Officer and Director
April 8, 2002

*

Frederick L. Bissinger
Director
and

April 15, 2002

Francis A. Toczylowski
Vice President, Treasurer

Secretary
April 8, 2002

*
John H. Duerden
Director
April 15, 2002

*
Nicholas A. Giordano
Director
April 15, 2002

*

Robert Masucci
Director
April 15, 2002

*

Michael J. McKenna
Director
April 15, 2002

EXHIBIT INDEX

EXHIBITS:

- 4G. Waiver and Amendment Agreement dated November 20, 2001 among the Company, certain of its subsidiaries, and First Union National Bank.
- 4H. First Amendment to Waiver and Amendment Agreement dated February 28, 2002 among the Company, certain of its subsidiaries, and First Union National Bank.
- 4I. Second Amendment to Waiver and Amendment Agreement dated March 20, 2001 among the Company, certain of its subsidiaries, and First Union National Bank.
- 10L. Amended and Restated Non-Employee Directors' Stock Option Plan.
- 10N. Separation Agreement dated November 30, 2001 between the Company and Robert W. Ross.
- 13. "Selas Corporation of America Five-Year Summary of Operations" contained on Page 4 of the Company's 2001 annual report to shareholders; "Other Financial Highlights" contained on page 5 of the Company's 2001 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 6-12 of the Company's 2001 annual report to shareholders; and the Company's consolidated financial statements, including the "Notes to Consolidated Financial Statements" and the "Report of Independent Auditors" contained on pages 13-44 of the Company's 2001 annual report to shareholders.
- 21. List of significant subsidiaries of the Company.
- 23. Consent of Independent Auditors.
- 24. Powers of Attorney.

WAIVER AND AMENDMENT AGREEMENT

This Waiver and Amendment Agreement (the Waiver Agreement) dated as of November 20, 2001 is made and entered into by and among First Union National Bank, a national banking association, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the Bank), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the Borrower), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France (Selas SAS), CFR-CECF Fofumi Ripoche, a corporation organized under the laws of France (CFR); and together with Selas SAS, the European Subsidiaries), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 (Deuer), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 (RTI), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (RTIE), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 (RTI Electronics; and together with Deuer, RTI and RTIE, the Guarantors).

BACKGROUND

A. The Borrower, the Bank and the Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the Term Loans) and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the Revolving Credit). The Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the Borrower Surety Agreements): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the Deuer Surety Agreement), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the RTI Surety Agreement), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the RTIE Surety Agreement), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the RTI Electronics Surety Agreement).

B. The Term Loans are evidenced by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note C dated as of February 21, 1997 in the original principal amount of Three Million Five Hundred Thousand Dollars (\$3,500,000) (Term Note C), (ii) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars (\$900,000) (Term Note D), (iii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) (Term Note E), and (iv) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) (Term Note F; and together with Term Note C, Term Note D and Term Note E, the Term Notes). The Revolving Credit facility is evidenced by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) between the Borrower and the Bank (the Revolving Credit Note). The Term Notes and the Revolving Credit Note are

collectively referred to hereinafter as the Notes.

C. First Union National Bank, London Branch (London Branch) and Selas SAS, a subsidiary of the Borrower, entered into that certain Agreement dated as of February 2, 2001 (the Selas SAS Facility Agreement) pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an on demand basis, expiring on April 30, 2001 (the Selas SAS Facility) for the purposes of providing: discretionary advance payment guarantees on behalf of Selas SAS (the APG Facility); and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the Overdraft Facility). The Banks London Branch and Selas SAS also entered into certain term loan agreements (collectively, the Selas SAS Term Loan Agreements), as follows: an agreement dated February 26, 1998 pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000) (the Selas SAS 1998 Term Loan Agreement); and an agreement dated January 2000 pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30) (the Selas SAS 2000 Term Loan Agreement). The Borrower and Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (the Selas SAS Surety Agreements): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the Borrower Guaranty), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the Deuer Guaranty), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the RTI Guaranty), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the RTIE Guaranty), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the RTI Electronics Guaranty).

D. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrowers assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, and (b) all of Borrowers rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the Borrower Security Agreement); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the Borrower Pledge Agreement); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the Pennsylvania Property) pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998 and January 10, 2000 (as amended, the Borrower Mortgage and Security Agreement).

E. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuers assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security

Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the Deuer Security Agreement); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the Ohio Property) pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July 21, 1995, February 20, 1997, July 31, 1998, and January 10, 2000 (as amended, the Deuer Mortgage and Security Agreement).

F. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the RTI Security Agreement); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property pursuant to that certain Patent and Trademark Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the RTI Patent and Trademark Security Agreement); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the Minnesota Property) pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 (as amended, the RTI Mortgage and Security Agreement).

G. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the RTIE Security Agreement).

H. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronics assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the RTI Electronics Security Agreement).

I. The Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the Existing Loan Documents. All capitalized terms not otherwise defined shall have the meanings ascribed to them in the Existing Loan Documents, as amended hereby.

J. The Borrower has informed the Bank that, in the absence of the waiver provided herein, Events of Default would occur under the Credit Agreement as a result of the Borrowers failure to maintain the minimum Consolidated Tangible Capital Funds amount and the Fixed Charge Coverage Ratio as of December 31, 2001 as required under the Credit Agreement, respectively (the "Financial Covenant Defaults").

K. The Borrower has advised Bank that it is developing a plan for improving its European operations and it intends to sell its subsidiary, Selas SAS.

L. The Borrower, the Guarantors, and the European Subsidiaries have requested that the Bank (i) waive the Financial Covenant Defaults and (ii) provide a new credit facility pursuant to which the London Branch will issue certain advance payment guarantees; and the Bank is willing to do so on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual agreements herein contained and incorporating the Background by reference herein, the Bank, the Borrower, the Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - ACKNOWLEDGMENTS

1.1 Acknowledgment of Joint and Several Liability, Maturity Dates and Amounts of Notes.

1.1.1 The Borrower and the Guarantors acknowledge and agree that: (i) they are jointly and severally indebted and liable to the Bank in respect of the outstanding principal amount of the Notes, together with accrued and unpaid interest thereon, and all other Obligations; (ii) the Notes mature and are due and payable in full on the respective maturity dates set forth below next to each such Note; and (iii) the outstanding principal amount of each Note as of November 13, 2001, is set forth below next to each such Note:

Promissory Notes	Maturity Date	Outstanding Principal Amount
Term Note C (US Dollars)	02/01/2002	\$ 175,000.19
Term Note D (US Dollars)	07/01/2004	\$ 690,000.00
Term Note E Dollars)	02/01/2006	\$ 1,700,000.03 (US
Term Note F	02/01/2006	S\$ 1,202,789.00 (Singapore Dollars)
Revolving Credit Note Dollars)	01/31/2002	\$ 2,540,137.09 (US

1.1.2 Selas SAS, the Borrower and the Guarantors acknowledge and agree that: (i) they are jointly and severally indebted and liable to the Bank in respect of the Selas SAS Term Loan Agreements, the Overdraft Facility and all other amounts outstanding under the Selas SAS Facility Agreement, together with accrued and unpaid interest thereon, and all other Guaranteed Obligations (as such term is defined in the Selas SAS Surety Agreements); (ii) the Selas SAS Term Loan Agreements mature and are due and payable in full, together with all interest accrued thereon, on the respective maturity dates set forth below; (iii) the Overdraft Facility and all other amounts outstanding under the Selas SAS Facility Agreement are on an on demand basis and the Bank may make demand therefor at any time and for any reason in its sole and absolute discretion; and (iv) as of November 13, 2001, the outstanding principal amounts owing to the Bank in respect of the Selas SAS Term Loan Agreements and the Overdraft Facility are set forth below next to each such agreement or facility:

Obligation	Maturity Date/Demand	Outstanding Principal Amount
Selas SAS 1998 Term Loan Agreement 4,500,000.00 (French Francs)		02/27/2003 FF

Selas SAS 2000 Term Loan Agreement 01/12/2005 E
1,139,552.93 (Euros)

Overdraft Facility On demand E 5,976,854.11
(Euros)

1.1.3 The outstanding principal amounts of the Term Notes, the Revolving Credit Note, the Selas SAS Term Loan Agreements, the APG Facility, the Overdraft Facility, plus accrued and unpaid interest thereon, all other sums payable by the Borrowers, the Guarantors and the European Subsidiaries to the Bank, whether under the Existing Loan Documents or otherwise, together with any other Guaranteed Obligations (as such term is used in each of the Selas SAS Surety Agreements and the European Subsidiaries Surety Agreements) and any other Obligations (as such term is used in the Existing Loan Documents, as amended hereby) are collectively referred to herein as the Obligations.

1.2 Acknowledgment of Loan Documents; Financial Covenant Defaults; Loan Documents; Waiver of Defenses. The Borrower, the Guarantors and the European Subsidiaries hereby acknowledge and agree that: (i) the Loan Documents to which each is a party are valid, binding and enforceable against them, in every respect, and all of the terms and conditions thereof are binding upon them; (ii) the Financial Covenant Defaults are material in nature; (iii) the Selas SAS Facility is a discretionary facility that expired on April 30, 2001; the Bank had no duty to issue any advance payment guarantees thereunder at any time, except in its sole discretion; and following such expiration date, Selas SAS had no right to request the issuance of advance payment guarantees under the Selas SAS Facility; (iv) the Bank may demand any and all amounts outstanding under the Selas SAS Facility at any time and for any reason in its sole and absolute discretion; (v) as a result of the Financial Covenant Defaults, in the absence of the waiver provided herein, the Bank would be entitled immediately, and without further notice or declaration to the Borrower, the Guarantors, or the European Subsidiaries not to make any further advances or issue any Advance Payment Guaranty (as hereinafter defined), to accelerate the Obligations, and to exercise its rights and remedies under the Loan Documents and applicable law; (vi) to the extent that any of the Loan Documents require notification by the Bank to the Borrower, the Guarantors, or the European Subsidiaries of the existence of a default or provide an opportunity to cure such default, such notice and period for cure are hereby waived with respect to the Financial Covenant Defaults by the Borrower, the Guarantors, and/or the European Subsidiaries; and (vii) to the extent that the Borrower, any Guarantor, or any European Subsidiary has any defenses, setoffs, claims, or counterclaims to repayment of the Obligations or against the Bank, such defenses, setoffs, claims, and counterclaims are hereby waived.

1.3 Acknowledgment of Liens and Priority. The Borrower, the Guarantors, and the European Subsidiaries acknowledge and agree that pursuant to the Loan Documents, the Bank holds first priority, perfected security interests in and liens upon all of the Borrower's and Guarantors assets, wherever located, now owned or hereafter acquired, and as more specifically described in the Loan Documents, and a first priority mortgage lien upon and security interest in: (i) the Pennsylvania Property, (ii) the Ohio Property, and (iii) the Minnesota Property (collectively "Bank's Mortgages, Liens and Security Interests").

1.4 Reaffirmation of Mortgages, Security Documents and Security Interests. All of the Borrower's and the Guarantors respective assets pledged, assigned, conveyed, mortgaged, hypothecated or transferred to the Bank pursuant to the Loan Documents including, without limitation, accounts, accounts receivable, inventory, equipment, general intangibles, contracts, contract rights, instruments, letters of credit, deposits, deposit accounts, documents of title, and all other personal property, together with the Pennsylvania Property, the Minnesota Property and the Ohio Property (collectively, the

"Collateral") constitute security for all of the Obligations (including, without limitation, such Obligations arising under or in respect of the Borrower Surety Agreements, the Selas SAS Surety Agreements, the European Subsidiaries Surety Agreements, the Advance Payment Guarantees, the Waiver Documents and the other Loan Documents). The Borrower and the Guarantors hereby grant to the Bank and reaffirm their prior grant and conveyance to the Bank of a continuing first priority security interest in, lien on and charge against all of the Collateral. The Borrower and each Guarantor hereby acknowledge and agree that the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, and any other security agreements are ratified, reaffirmed and confirmed in all respects, shall continue in full force and effect, and are valid, binding and enforceable against the parties thereto as if executed as of the date hereof. The Borrower, the Guarantors, and the European Subsidiaries agree to execute and deliver to the Bank such additional documentation deemed necessary or appropriate by the Bank, in its sole and absolute discretion, to achieve the purpose of this section of this Waiver Agreement.

1.5 Reaffirmation of Representations and Warranties. The Borrower, the Guarantors, and the European Subsidiaries hereby reaffirm their respective representations and warranties in the Loan Documents, which representations and warranties are true and correct as of the date hereof, and each and all of which shall survive the execution and delivery of this Waiver Agreement.

1.6 Reaffirmation of Guaranties. In consideration of the undertakings of the Bank pursuant to this Waiver Agreement and the other Loan Documents, the Borrower and each Guarantor hereby reaffirm the Borrower Surety Agreements, the Selas SAS Surety Agreements, the other Loan Documents and all of their respective obligations thereunder. The Borrower and each Guarantor hereby consent to the execution and delivery by the Borrower, the Guarantors, and the European Subsidiaries of this Waiver Agreement, the other Waiver Documents and the other Loan Documents and all other documents and instruments to be executed pursuant hereto or in connection herewith. The Borrower and each Guarantor hereby waives any right it may have to contest the validity or enforceability of the Borrower Surety Agreements, Selas SAS Surety Agreements or any other Loan Document, for any reason whatsoever. The Guarantors hereby acknowledge and agree that the term Obligations, as defined in their respective Borrower Surety Agreements includes, without limitation, all of the obligations, now or hereafter arising, of Borrower to the Bank, whether under the Credit Agreement, the other Loan Documents, as amended, or otherwise. The Borrower and each Guarantor hereby acknowledge and agree that the term Guaranteed Obligations, as defined in their respective Selas SAS Surety Agreements includes, without limitation, all of the obligations, now or hereafter arising, of Selas SAS to the Bank, whether under the Selas SAS Term Loan Agreements, the Selas SAS Facility Agreement, any document or agreement executed in connection with the Advance Payment Guarantees that may now or hereafter be issued by the Bank on behalf of Selas SAS, or otherwise. The Borrower and each Guarantor hereby acknowledge and agree that the Borrower Surety Agreements and the Selas SAS Surety Agreements, and any other suretyship agreements executed by them in favor of the Bank or its affiliates, are ratified, reaffirmed and confirmed in all respects, shall continue in full force and effect, and are valid, binding and enforceable against the parties thereto as if executed as of the date hereof. The Borrower, the Guarantors, and the European Subsidiaries agree to execute and deliver to the Bank such additional documentation deemed necessary or appropriate by the Bank, in its sole and absolute discretion, to achieve the purpose of this section of this Waiver Agreement.

1.7 Bank Has No Obligation to Extend Waiver. The Borrower, the Guarantors, and the European Subsidiaries hereby acknowledge and agree that the Bank shall have no actual or implied duty or obligation to extend the waiver granted to Borrower herein beyond the waiver of the Financial Covenant Defaults as of December 31, 2001, and the determination as to any other or further waivers shall only be made by the Bank, in the Bank's sole and absolute discretion.

1.8 Bank Has No Obligation to Issue Further Advance Payment Guarantees. The Borrower, the Guarantors, the European Subsidiaries hereby acknowledge and agree that except as provided herein, Bank shall have no duty to issue any advance payment guarantees to or for the benefit of Borrower, the Guarantors, and/or the European Subsidiaries, or provide overdraft financing for Borrower, Guarantors, and/or the European Subsidiaries.

ARTICLE II - WAIVER OF FINANCIAL COVENANT DEFAULTS

2.1 Waiver of Financial Covenant Defaults. Subject to the provisions hereof, the Bank hereby waives the Financial Covenant Defaults. Notwithstanding the foregoing, the Bank's waiver of the Financial Covenant Defaults, or any communication between the Bank, the Borrower, the Guarantors, the European Subsidiaries, or each of their respective officers, agents, employees or representatives, shall not be deemed to constitute a waiver of (i) any default or Event of Default, whether now existing or hereafter arising, under the Loan Documents, other than the Financial Covenant Defaults; (ii) the ongoing obligation of the Borrower, the Guarantors and the European Subsidiaries to comply with the Credit Agreement and the other Loan Documents as amended hereby; or (iii) any rights or remedies which the Bank has against the Borrower, the Guarantors, or the European Subsidiaries under the Loan Documents and/or applicable law, with respect to Events of Default, other than rights and remedies which directly result from the occurrence and existence of the Financial Covenant Defaults. The Bank hereby reserves and preserves all of its rights and remedies against the Borrower, the Guarantors, and the European Subsidiaries under the Loan Documents and applicable law, other than the right to declare an Event of Default or exercise remedies based upon the occurrence and existence of the Financial Covenant Defaults.

ARTICLE III - AMENDMENTS TO LOAN DOCUMENTS

3.1 Amendment of the Definition of Loan Documents. The following definitions in the Credit Agreement is hereby amended and restated, as follows:

Revolving Credit Termination Date is hereby amended to mean the earlier of (i) February 28, 2002 (as such date may be extended from time to time in accordance with Section 2.8 hereof) or (ii) the date on which the Revolving Credit Commitment is terminated pursuant to Section 9.2 hereof.

3.2 New Definition. The following new defined terms are hereby added to Section 1.1 of the Credit Agreement (and if such terms are defined elsewhere in the Credit Agreement, such defined terms are deemed to be amended and restated and replaced with the definitions set forth below):

European Subsidiaries shall have the meaning given to such term in the Waiver Agreement.

Loan Documents means the Existing Loan Documents (as such term is used in the Waiver Agreement), the Waiver Agreement, the Waiver Documents, and all documents and agreements executed in connection therewith or pursuant thereto, as the same may be amended from time to time.

Obligations means and all indebtedness, obligations and

liabilities, of any kind, of the Borrower, the Guarantors, the European Subsidiaries (or any of them) to the Bank and/or its affiliates including, but not limited to, all obligations under the Loan Documents, and any other notes, loan agreements, security agreements, letters of credit, swap agreements (as defined in Title 11 of the United States Code), instruments, accounts receivable, contracts, drafts, leases, chattel paper, indemnities, acceptances, reimbursement agreements, repurchase agreements, overdrafts, however and whenever incurred or evidenced, whether primary, secondary, direct, indirect, absolute, contingent, due or to become due, now existing or hereafter arising, and all amendments, modifications or renewals thereof, including without limitation all principal, interest, fees, charges, advances, and costs and expenses incurred thereunder (including, without limitation, attorneys fees and other costs of collection, regardless of whether suit is commenced).

Waiver Agreement shall mean that certain Waiver and Amendment Agreement dated as of November 20, 2001, by and among, the Bank, the Borrower, the Guarantors, and the European Subsidiaries, as amended from time to time.

Waiver Documents shall mean the Waiver Agreement and all of the documents, agreements and instruments executed and/or delivered to the Bank pursuant to the Waiver Agreement (including the documents described in Articles IV and V thereof).

3.3 New Paragraph (h) to Section 9.1. Paragraph (h) is hereby added to Section 9.1 of the Credit Agreement as follows:

(h) If there shall exist an Event of Default under the Waiver Agreement any Waiver Document or any other document or agreement executed in connection therewith or pursuant thereto.

ARTICLE IV - ADDITIONAL TERMS AND CONDITIONS

4.1 Advance Payment Guarantees. The Bank agrees to provide a new credit facility to or for the benefit of the Borrower, the Guarantors, and the European Subsidiaries, pursuant to which the London Branch will issue the following advance payment guarantees (collectively, the Advance Payment Guarantees), for the account of the specified European Subsidiary, in the amounts and on or after the dates set forth below, upon the Borrowers request therefor and subject to the prior satisfaction of the applicable terms, conditions and covenants therefor, described in Section 4.2 below:

(a) on or after November 21, 2001, an Advance Payment Guaranty in the amount of E2,199,000 (Euros) to Voest Alpine Stahl GmbH (Voest) on behalf of Selas SAS;

(b) on or after January 15, 2002, an Advance Payment Guaranty in the amount of E1,097,550 (Euros) to Duferco on behalf of Selas SAS;

(c) on or after November 28, 2001, an Advance Payment Guaranty in the amount of Norwegian Kroners 1,305,000 to Soral on behalf of CFR;

(d) on or after November 28, 2001, an Advance Payment Guaranty in the amount of E187,500 (Euros) to Protex on behalf of CFR;

(e) on or after November 28, 2001, an Advance Payment Guaranty in the amount of E48,600 (Euros) to LOI Thermoprocess on behalf of CFR;

(f) on or after December 15, 2001, an Advance Payment Guaranty in the amount of FF 280,000 (French Francs) to Swiss Metal on behalf of CFR;

(g) on or after November 28, 2001, an Advance Payment Guaranty in the amount of E25,192.20 (Euros) to Valourec on behalf of CFR;

(h) on or after November 28, 2001, an Advance Payment Guaranty in the amount of E25,500 (Euros) to Suleasing on behalf of CFR; and

(i) on or after December 15, 2001, an Advance Payment Guaranty in the amount of FF125,000 (French Francs) to NGK on behalf of CFR.

4.2 Specific Conditions Precedent and Covenants For Advance Payment Guarantees.

4.2.1 The Banks obligation to issue any Advance Payment Guaranty described in Section 4.1 above is subject to the prior satisfaction of all of the following conditions precedent which the Borrower, the Guarantors, and the European Subsidiaries acknowledge are material:

(a) For each Advance Payment Guaranty, the European Subsidiaries, the Borrower and the Guarantors shall have executed and delivered (or caused to be executed and delivered) to the Bank such documents and agreements, as the Bank, in its sole and absolute discretion, may require, including, without limitation, the following:

(I) A facility agreement for each Advance Payment Guaranty, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, that will include certain terms and conditions for the issuance of the Advance Payment Guarantees, such as duration of such Advance Payment Guaranty, applicable fees, interest rates, penalty interest, and other terms and conditions, in the Banks sole and absolute condition;

(ii) a General Counter Indemnity, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued; and

(iii) such other documents as the Bank, in its sole discretion, may require.

(b) There shall not be a default, a Default or an Event of Default under the Selas Term Loan Agreements, the Selas SAS Facility, the Credit Agreement, the documents executed or delivered in connection with any Advance Payment Guaranty or any other Loan Document (other than the Financial Covenant Defaults);

(c) The requirements of Article V of this Waiver Agreement shall have been satisfied;

(d) The Borrower and the Guarantors shall have:
(i) provided all of the information and documentation, as requested by Bank, for appraisals of the Collateral, including, but not limited to, appraisals of all real estate, machinery and equipment located in Pennsylvania, Ohio, and Minnesota and all machinery and equipment located in California; and (ii) agreed to permit unrestricted access for the Bank or its representatives to perform such appraisals; and pay the costs and expenses incurred by Bank for such appraisals;

(e) The Borrower, the Guarantors, and the European Subsidiaries shall have provided the Bank with their business plan for their European operations, including a description of any management changes in furtherance of such plan; and

(f) The Borrower shall have engaged in discussions with Voest for the sale of Selas SAS in accordance with the Borrowers proposal to Bank, and the Borrower shall have provided the Bank with a written certification signed by Borrowers management that it has engaged in such discussions.

4.2.2 The Banks obligations to issue any Advance Payment Guaranty described in Section 4.1(b) through 4.1(i) above are subject to the satisfaction, prior to the issuance of any such Advance Payment Guaranty, of: (i) all of the terms and conditions set forth in Section 4.2.1, and (ii) each of the following additional terms and conditions that is specified below to be satisfied on or before such date of issuance:

(a) On or before December 15, 2001, the Borrower shall provide to Bank a written indication of interest from Voest in purchasing Selas SAS, or, in the alternative, Borrowers written statement that other potential buyers have been contacted about the potential sale of Selas SAS;

(b) On or before January 31, 2002, the Bank shall have received completed title searches on the Pennsylvania Property, the Ohio Property, and the Minnesota Property, acceptable to the Bank in its sole and absolute discretion;

(c) On or before January 31, 2002, the Bank shall have received completed appraisals of the Collateral, acceptable to the Bank in its sole and absolute discretion;

(d) Upon the earlier of (i) February 28, 2002, or (ii) receipt of payment by Selas SAS from Duferco, the Borrowers, the Guarantors and Selas SAS shall repay amounts outstanding as necessary to reduce the Overdraft Facility to an amount that is not greater than E4,650,000 (Euros); provided, however, that nothing herein shall be deemed to waive Banks right in its sole discretion to demand payment in full of all amounts outstanding under the Overdraft Facility or the APG Facility at any time;

(e) On or before February 28, 2002, Borrower shall provide Bank with a written certification that its 2001 fourth quarter pre-tax losses, if any, for the Borrower, the Guarantors, the European Subsidiaries and their affiliates, on a consolidated basis are not more than \$200,000; and

(f) On or before February 28, 2002, Borrower shall provide Bank with a copy of a written offer to purchase Selas SAS, acceptable to the Bank.

4.2.3 On or before December 7, 2001, the European Subsidiaries shall deliver, or cause to be delivered, to the Bank opinions of their respective counsel, reasonably satisfactory to the Bank in all respects (Opinions). In addition to the terms and conditions set forth in Sections 4.2.1 and 4.2.2, the Banks obligations to issue any Advance Payment Guaranty described in Section 4.1(b) through 4.1(i) above are also subject to the Banks receipt of the Opinions prior to the issuance of any such Advance Payment Guaranty.

4.3 Conditions Precedent for Additional Advance Payment Guaranty to Voest . The Bank, in its sole and absolute discretion, and without making any commitment therefor, may issue an additional Advance Payment Guaranty to Voest, on behalf of Selas SAS, upon the satisfaction of: (i) all of the terms and conditions set forth in Sections 4.1 and 4.2 of this Waiver Agreement, and (ii) such other terms and conditions as the Bank in its sole and absolute discretion may determine.

ARTICLE V- CONDITIONS PRECEDENT

The effectiveness of this Waiver Agreement and the Banks obligations hereunder are conditioned upon the fulfillment by the Borrower, the Guarantors and the European Subsidiaries of all of the following express conditions precedent:

5.1 Documents to be Delivered to the Bank. The Borrower, the Guarantors, and/or the European Subsidiaries shall deliver, or cause to be delivered, to the Bank, in form and substance reasonably satisfactory to the Bank, the documents described in Section 4.2.1 hereof and the following documents:

(a) This Waiver Agreement, executed by the Borrower, the Guarantors, and the European Subsidiaries;

(b) An Unconditional Guaranty and Suretyship Agreements, duly executed by the Borrower and the Guarantors, as guarantor and surety for all indebtedness, liabilities and obligations of the European Subsidiaries to the Bank (collectively, the European Subsidiaries Surety Agreements);

(c) Fifth Amendment to First Mortgage and Security Agreement, duly executed by Borrower as Mortgagor (with respect to the Pennsylvania Property);

(d) Fifth Amendment to First Mortgage and Security Agreement, duly executed by Borrower as Mortgagor (with respect to the Ohio Property);

(e) Second Amendment to Mortgage, Security Agreement and Fixture Financing Statement, duly executed by RTI as Mortgagor (with respect to the Minnesota Property);

(f) Warrant of Attorney to Confess Judgment, executed by the Borrower and each Guarantor;

(g) A Certification of Authority executed by the Secretary of each of the Borrower, the Guarantors, and the European Subsidiaries, each dated as of the date hereof, certifying the incumbency and signature of the officers of each such entity executing this Waiver Agreement and all other documents to be delivered by them pursuant hereto, together with evidence of the incumbency of such Secretary; and Corporate Resolutions for each of the Borrower, the Guarantors, and the European Subsidiaries, certified by their respective Secretaries, authorizing and approving this Waiver Agreement, and the documents and payments specified herein;

(h) Opinions of counsel for each of the Borrower and the Guarantors, satisfactory to the Bank in all respects; and

(i) Such other documents as may be required by the Bank.

5.2 Payment of One-half of Facility Fee. The Borrower shall have paid to the Bank the sum of Twelve Thousand Five Hundred Dollars (\$12,500) which is one-half of the total facility fee of \$25,000 (Facility Fee), and the remaining one-half of the Facility Fee in the amount of \$12,500 shall be due and payable in full on January 4, 2002.

5.3 Payment of Bank's Costs, Expenses and Legal Fees. The Borrower shall have paid to the Bank the amount of the Bank's out-of-pocket costs and expenses, including, without limitation, all reasonable fees and out-of-pocket expenses of counsel for the Bank in connection with: (i) the Financial Covenant Defaults, (ii) the negotiation and preparation of the Waiver Documents, and (iii) the other Loan Documents.

ARTICLE VI - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Waiver Agreement and as partial consideration for the terms and conditions contained herein, the Borrower makes the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Waiver Agreement and all of the other documents executed in connection herewith:

6.1 Organization; Authorization; and Location.

(a) The Borrower, the Guarantors, and the European Subsidiaries are duly incorporated, organized, validly existing and in good standing under the laws of the jurisdictions indicated in the first paragraph of this Waiver Agreement, and each is duly authorized to do business, and is duly qualified as

a foreign corporation in all jurisdictions wherein the nature of its business or property makes such qualification necessary, and has the corporate power to own its property and to carry on its business as now conducted;

(b) The Borrower, the Guarantors, and the European Subsidiaries have the requisite corporate power and authority to execute, deliver and perform this Waiver Agreement and all of the documents executed by it in connection herewith.

6.2 Valid and Binding Agreement. This Waiver Agreement is, and each of the documents executed pursuant hereto will be, legal, valid, and binding obligations of the party or parties thereto, enforceable against each such party in accordance with their respective terms.

6.3 Compliance with Laws. The Borrower, each Guarantor, and each European Subsidiary are in compliance in all material respects with all laws, regulations and requirements applicable to its business, including without limitations all applicable Environmental Laws, and each has not received, and has no knowledge of, any order or notice of any governmental investigation or of any violations or claims of violation of any law, regulation or any governmental requirement, except as expressly disclosed herein.

6.4 No Conflict; Government Approvals. The execution, delivery and performance by the Borrower, each Guarantor, and the European Subsidiaries of this Waiver Agreement and the other documents executed in connection herewith will not:

(a) conflict with, violate or result in the breach of any provisions of any applicable law, rule, regulation or order; or

(b) conflict with or result in the breach of any provision of its Articles of Incorporation, charter, and/or by-laws. No authorization, consent or approval of, or other action by, and no notice of or filing with, any governmental authority or regulatory body is required to be obtained or made by the Borrower for the due execution, delivery and performance of this Waiver Agreement.

6.5 Third Party Consents. The execution, delivery and performance by the Borrower, each Guarantor, and each European Subsidiary of this Waiver Agreement and the documents related hereto will not:

(a) require any consent or approval of any person or entity which has not been obtained prior to, and which is not in full force and effect as of, the date of this Waiver Agreement;

(b) result in the breach of, default under, or cause the acceleration of any obligation owed under any loan, credit agreement, note, security agreement, lease indenture, mortgage, loan document or other agreement by which the Borrower is bound or affected; or

(c) result in, or require the creation or imposition of, any lien or encumbrance on any of the Borrower's properties other than those liens or security interests in favor of the Bank or the liens or security interests disclosed to the Bank in the Loan Documents.

6.6 Financial Statements; Reporting.

(a) Except as otherwise disclosed in writing to the Bank prior to the date hereof, all balance sheets, reports, budgets, reconciliations, accounts receivable reports, and other financial information supplied to the Bank by the Borrower have been prepared in conformity with GAAP, and present fairly the financial condition and results of operations of the Borrower for the period covered thereby.

(b) The Borrower, each Guarantor, and each European

Subsidiary do not know of any facts, other than those already disclosed in writing to the Bank, that materially adversely affect or in so far as can be foreseen, will materially adversely affect their ability to perform their respective obligations under this Waiver Agreement and the documents executed in connection herewith.

6.7 Exclusive and First Priority Perfected Lien. The Bank has, as of the date hereof, and shall continue to have, until all of the Obligations are paid in full, first priority, valid perfected liens upon and security interests in all of the Collateral to secure the payment and performance of all of the Obligations.

6.8 No Untrue or Misleading Statements. Neither this Waiver Agreement nor any other document executed in connection herewith contains any untrue statement of a material fact or omits any material fact necessary in order to make the statement made, in light of the circumstances under which it was made, accurate.

6.9 No Events of Default. Other than the Financial Covenant Defaults, no default or Event of Default has occurred as of the date hereof under any of the Existing Loan Documents.

ARTICLE VII - EVENTS OF DEFAULT

The occurrence of any one or more of the following shall constitute an "Event of Default" hereunder:

7.1 Borrower's Failure to Pay. The Borrower, any Guarantor, or any European Subsidiary shall fail to pay any amount of principal, interest, fees or other sums as and when due under any of the Loan Documents, or any other Obligations, whether upon stated maturity, acceleration, or otherwise.

7.2 Breach of Covenants or Conditions. Except for the Financial Covenant Defaults, the Borrower, any Guarantor, or any European Subsidiary shall fail to perform or observe any other covenant, term, agreement or condition in this Waiver Agreement (including, without limitation, the failure of the European Subsidiaries to deliver, or cause to be delivered, the Opinions to the Bank on or before December 7, 2001, as required by Section 4.2.3 hereof), the other Waiver Documents or any of the other Loan Documents or is in violation of or non-compliance with any provision of this Waiver Agreement, the other Waiver Documents or any of the other Loan Documents after the expiration of any cure period, if any, set forth in any such Loan Documents with respect to such covenant, term, agreement or condition.

7.3 Defaults in Other Material Agreements. There shall occur any default under, or as defined in, any other material agreement applicable to the Borrower, any Guarantor, or any European Subsidiary or by which the Borrower, any Guarantor, or any European Subsidiary is bound which shall not be remedied within the period of time (if any) within which such other agreement permits such default to be remedied, unless such default is waived by the other party thereto or excused as a matter of law.

7.4 Agreements Invalid. The validity, binding nature of, or enforceability of any material term or provision of any Loan Document is disputed by, on behalf of, or in the right or name of the Borrower, any Guarantor, or any the European Subsidiary or any material term or provision of any such Loan Document is found or declared to be invalid, avoidable, or non-enforceable by any court of competent jurisdiction.

7.5 False Warranties; Breach of Representations. Except as otherwise disclosed to the Bank in writing prior to the date hereof, any warranty or representation made by the Borrower, each Guarantor, and/or each European Subsidiary in this Waiver Agreement or any other Loan Document or in any certificate or other writing delivered under or pursuant to this Waiver

Agreement or any other Loan Document, or in connection with any provision of this Waiver Agreement or related to the transactions contemplated hereby shall prove to have been false or incorrect or breached in any material respect.

7.6 Bankruptcy.

(a) The Borrower, any Guarantor, or any European Subsidiary commences any bankruptcy, reorganization, debt arrangement, receivership, or other case or proceeding under any bankruptcy, insolvency or receivership law, or any dissolution or liquidation proceeding.

(b) Any bankruptcy, reorganization, debt arrangement, receivership, or other case or proceeding under any bankruptcy, insolvency or receivership law, or any dissolution or liquidation proceeding, is involuntarily commenced against or in respect of the Borrower, any Guarantor, or any European Subsidiary or an order for relief is entered in any such proceeding and such case or proceeding is not fully and finally dismissed within thirty (30) days.

(c) A trustee, receiver, or other custodian is appointed for the Borrower, any Guarantor or any European Subsidiary or a substantial part of any of its/their assets.

7.7 Failure to Pay Taxes. The Borrower, any Guarantor, or any European Subsidiary shall fail to pay when due any tax, assessment or other governmental charge as and when due to the appropriate governmental entity.

7.8 Event of Default Under Other Loan Documents. An Event of Default (as such term is defined in the Credit Agreement) or a Default or an Event of Default (as each such term is defined in the other Loan Documents) (other than the Financial Covenant Defaults) shall occur under any of the Loan Documents.

ARTICLE VIII - REMEDIES

If an Event of Default (as defined in Article VII of this Waiver Agreement) shall occur and be continuing, at any time, without notice to the Borrower, any Guarantor, or any European Subsidiary:

8.1 Loan Documents; Applicable Law. The Bank may, in its sole discretion, enforce all of its remedies as set forth hereunder, under any of the Loan Documents and/or under applicable law against the Borrower, the Guarantors, and/or the European Subsidiaries.

8.2 Additional Remedies. The Bank may declare all Obligations to be immediately due and payable and shall have, in addition to any other remedies, all of the remedies of a secured party under the Uniform Commercial Code (the Code). Expenses of retaking, holding, preparing for sale, selling or the like shall include the Bank's reasonable attorney's fees and legal expenses incurred or expended by the Bank to enforce any payment due to it hereunder or under the Loan Documents, as against the Borrower, the Guarantors, or the European Subsidiaries, or in the prosecution or defense of any action, or concerning any matter growing out of or in connection with the Loan Documents and/or the Collateral.

8.3 Power of Attorney. The Borrower, each Guarantor, and each European Subsidiary do hereby make, constitute and appoint any officer or agent of the Bank as the true and lawful attorney-in-fact of the Borrower, each Guarantor, and the European Subsidiaries, with power to, at the Bank's option and at the expense and liability of the Borrower, the Guarantors, and the European Subsidiaries: (a) sign, for the Borrower, any Guarantor, and/or the European Subsidiaries, financing, continuation or amendment statements pursuant to the Code; (b) endorse the name of the Borrower, any Guarantor, or any European Subsidiary or any of the respective officers or agents thereof upon any notes, checks, drafts, money orders, or other

instruments of payment with respect to the Collateral that may come into the Bank's possession in full or partial payment of any of the Obligations; and (c) after an Event of Default has occurred, sue for, compromise, settle and release any and all claims and disputes with respect to the Collateral; granting to said attorney of the Borrower, the Guarantors, and/or the European Subsidiaries full power to do any and all things necessary to be done in and about the premises as fully and effectually as the Borrower, any Guarantor, and/or the European Subsidiaries might or could do. The Borrower, the Guarantors, and the European Subsidiaries hereby ratify all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest, and is irrevocable.

8.4 Payment of Expenses. At its option, the Bank may discharge taxes, liens, security interests or such other encumbrances as may attach to the Collateral, as determined by the Bank to be necessary. The Borrower, the Guarantors, and the European Subsidiaries will reimburse the Bank on demand for any payment so made or any expense incurred by the Bank pursuant to the foregoing authorization, and the Collateral also will secure any advances or payments so made or expenses so incurred by the Bank.

ARTICLE IX - GENERAL RELEASE

EFFECTIVE UPON THE BORROWER, THE GUARANTORS, AND THE EUROPEAN SUBSIDIARIES, FOR AND ON BEHALF OF THEMSELVES AND ALL PERSONS AND/OR ENTITIES CLAIMING BY, THROUGH AND/OR UNDER ANY OF THEM, INCLUDING, BUT NOT LIMITED TO, ALL OF THEIR RESPECTIVE PAST AND PRESENT PARTNERS, DIRECTORS, SHAREHOLDERS, OFFICERS, EMPLOYEES, ATTORNEYS, ACCOUNTANTS, ADMINISTRATORS, AGENTS, PARENT CORPORATIONS, SUBSIDIARIES, AFFILIATES, REPRESENTATIVES, PREDECESSORS, SUCCESSORS AND ASSIGNS AND WHERE APPLICABLE THEIR RESPECTIVE HEIRS, EXECUTORS AND TRUSTEES (COLLECTIVELY REFERRED TO HEREIN, JOINTLY AND SEVERALLY, AS THE RELEASORS) HEREBY JOINTLY AND SEVERALLY UNCONDITIONALLY REMISE, RELEASE, ACQUIT AND FOREVER DISCHARGE THE BANK AND ALL OF ITS PAST AND PRESENT DIRECTORS, SHAREHOLDERS, OFFICERS, EMPLOYEES, ATTORNEYS, ACCOUNTANTS, ADMINISTRATORS, AGENTS, PARENT CORPORATIONS, SUBSIDIARIES, AFFILIATES, REPRESENTATIVES, PREDECESSORS, SUCCESSORS, ASSIGNS AND WHERE APPLICABLE THEIR RESPECTIVE HEIRS, EXECUTORS AND TRUSTEES (COLLECTIVELY REFERRED TO HEREIN AS THE RELEASEES), OF, FROM AND WITH RESPECT TO ANY AND ALL GRIEVANCES, DISPUTES, MANNER OF ACTIONS, CAUSES OF ACTION, SUITS, OBLIGATIONS, LIABILITIES, LOSSES, DEBTS, DAMAGES, DUES, SUMS OF MONEY, ACCOUNTS, RECKONINGS, CONTROVERSIES, AGREEMENTS, CLAIMS, DEMANDS, COUNTERCLAIMS AND CROSSCLAIMS, INCLUDING, BUT NOT LIMITED TO ALL CLAIMS AND CAUSES OF ACTION ARISING OUT OF OR RELATED TO THE LOAN DOCUMENTS AND/OR ALL TRANSACTIONS RELATED THERETO, WHETHER KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, DIRECT, INDIRECT OR CONTINGENT, ARISING IN LAW OR EQUITY, WHICH THE RELEASORS (OR ANY OF THEM) EVER HAD, NOW HAS, OR MAY EVER HAVE AGAINST ANY ONE OR MORE OF THE RELEASEES, FROM THE BEGINNING OF TIME TO THE DATE OF THIS WAIVER AGREEMENT.

ARTICLE X - MISCELLANEOUS

10.1 Continuing Effect. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby ratified and confirmed.

10.2 Choice of Law and Venue; Submission to Jurisdiction; Selection of Forum; Jury Trial Waiver.

10.2.1 This Waiver Agreement and the other Loan Documents (unless expressly provided to the contrary in any other Loan Document with respect to such other Loan Document), the construction, interpretation, and enforcement hereof and thereof, and the rights of the parties hereto and thereto with respect to all matters arising hereunder or thereunder or related hereto and thereto shall be determined under, governed by, and construed in accordance with the laws of the

Commonwealth of Pennsylvania.

10.2.2 The Bank, the Borrower, the Guarantors, and the European Subsidiaries agree that all actions or proceedings arising in connection with this waiver agreement and the other loan documents shall be tried and litigated only in the state or federal courts located in the Commonwealth of Pennsylvania, provided, however, that any suit, action or other proceeding seeking enforcement against any Collateral or other property may be brought, at Bank's option, in the courts of any jurisdiction where Bank elects to bring such action or where such Collateral or other property may be found. The Bank, the Borrower, the Guarantors, and the European Subsidiaries waive, to the extent permitted under applicable law, any right each may have to assert the doctrine of forum non conveniens or to object to venue to the extent any suit, action or other proceeding is brought in accordance with this section.

10.2.3 The Bank, the Borrower, the Guarantors, and the European Subsidiaries hereby waive personal service of process and agree that a summons and complaint commencing an action or proceeding in such court shall be proper and shall confer personal jurisdiction if served by registered or certified mail, return receipt requested, in accordance with the notice provisions of this Waiver Agreement.

10.2.4 The Bank, the Borrower, the Guarantors, and the European Subsidiaries hereby waive their respective rights to a jury trial of any claim or cause of action based upon or arising out of this Waiver Agreement or any other Loan Document or any of the transactions contemplated herein or therein, including all contract claims, tort claims, breach of duty claims, and all other common law or statutory claims, whatsoever. The Bank, the Borrower, each Guarantor, and each European Subsidiary warrant and represent that they have reviewed this waiver and, following consultation with legal counsel of its or his choice, do hereby knowingly, voluntarily, intentionally, and expressly waive their right to jury trial and right to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. In the event of litigation, a copy of this waiver agreement may be filed as a written consent to a trial by the court.

10.2.5 The Bank, the Borrower, the Guarantors, and the European Subsidiaries hereby acknowledge and agree that this Section is a specific and material aspect of this waiver agreement and that neither the Bank, the Borrower, any Guarantor, nor any European Subsidiary would enter into this Waiver Agreement if the waivers set forth in this section were not a part of thereof.

10.3 Cooperation; Other Documents. At all times following the execution of this Waiver Agreement, the Borrower, each Guarantor, and each European Subsidiary shall execute and deliver to the Bank, or shall cause to be executed and delivered to the Bank, and shall do or cause to be done all such other acts and things as the Bank may reasonably deem to be necessary or desirable to assure the Bank of the benefit of this Waiver Agreement and the documents comprising or relating to this Waiver Agreement.

10.4 Remedies Cumulative; No Waiver. The rights, powers and remedies of the Bank in this Waiver Agreement and in the other Loan Documents are cumulative and not exclusive of any right, power or remedy provided in the Loan Documents, by law or in equity and no failure or delay on the part of the Bank in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or remedy preclude any other or further exercise thereof, or the exercise of any other right, power or remedy.

10.5 Notices. Any notice given pursuant to this Waiver Agreement or pursuant to any document comprising or relating to

this Waiver Agreement or any of the other Loan Documents shall be in writing, including telecopies. Notice given by telecopy shall be deemed to have been given and received when sent. Notice given by overnight mail courier shall be deemed to have been given and received one (1) day after the date delivered to such overnight courier by the party sending such Notice. Notice by mail shall be deemed to have been given and received three (3) days after the date deposited, when sent by first class certified mail, postage prepaid, and addressed as follows:

To the Borrower, the Guarantors, and/or the European Subsidiaries:

Mr. Frank A. Toczykowski
Vice President and Treasurer
Selas Corporation of America
2034 Limekiln Pike
Dresher, PA 19025

With a copy to:

Drinker Biddle & Reath LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103
Attention: Michael B. Jordan, Esquire
Telecopy Number: 215-988-2757

To the Bank:

First Union National Bank
2240 Butler Pike
Plymouth Meeting, PA 19462
Attention: Robert Cordell, Senior Vice President
Telecopy Number: 610-941-3129

With a copy to:

Duane, Morris & Heckscher, LLP
One Liberty Place, 41st Floor
Philadelphia, PA 19103
Attention: Margery N. Reed, Esquire
Telecopy Number: 215-979-1020

A party may change his or its address by giving written notice of the changed address to the other parties, as specified herein.

10.6 Indemnification. If, after receipt of any payment of all or any part of the Obligations, the Bank is compelled to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Waiver Agreement and the other Loan Documents shall continue in the full force and effect, and the Borrower, each Guarantor, and each European Subsidiary shall be jointly and severally liable for, and shall indemnify, defend and hold harmless the Bank with respect to the full amount so surrendered. The provisions of this Section shall survive the termination of this Waiver Agreement and the other Loan Documents and shall be and remain effective notwithstanding the payment of the Obligations, the cancellation of any note, the release of any lien, security interest or other encumbrance securing the Obligations or any other action which the Bank may have taken in reliance upon its receipt of such payment. Any cancellation of any note, release of any such encumbrance or other such action shall be deemed to have been conditioned upon any payment of the Obligations having become final and irrevocable.

10.7 Costs, Expenses and Attorneys' Fees. The Borrower, the Guarantors, and the European Subsidiaries agree to pay on demand by the Bank, all out-of-pocket fees, costs and expenses incurred by the Bank, including, without limitation, all appraisal fees and expenses and all fees and expenses of counsel

for the Bank in connection with: (i) the negotiation, preparation and enforcement of this Waiver Agreement, the Waiver Documents, the other Loan Documents and all other documents and instruments executed in connection herewith or otherwise relating to this Waiver Agreement; and (ii) the enforcement or exercise by the Bank of its rights and remedies with respect to the collection of the Obligations or to preserve, protect or enforce its interests.

10.8 Bankruptcy/Relief from Automatic Stay. If any bankruptcy, insolvency, reorganization or rehabilitation case or proceeding is commenced by or against the Borrower, any Guarantor, or any European Subsidiary under any state, federal or foreign proceeding (including, without limitation, title 11 of the United States Code (the "Bankruptcy Code")), the Borrower, each Guarantor, and each European Subsidiary hereby agree that the Bank and/or its nominee(s) or assignee(s) are entitled to, and the Borrower, each Guarantor, and each European Subsidiary hereby waive any objections to, immediate relief from any stay imposed by Section 362 or 105 of the Bankruptcy Code or other applicable law or against the exercise of the rights and remedies otherwise available to the Bank and/or its nominee(s) or assignee(s) as provided in this Waiver Agreement, the other Waiver Documents, the other Loan Documents and as otherwise provided by law. Upon the occurrence of any of the events described in this Section, the Borrower, each Guarantor, and each European Subsidiary covenant to take any action deemed necessary or convenient by the Bank and/or its nominee(s) and assignee(s) to enable the Bank and/or its nominee(s) and assignee(s) to continue to exercise its rights and remedies under this Waiver Agreement.

10.9 Survival of Representations and Warranties. All representations and warranties of the Borrower, the Guarantors, and the European Subsidiaries contained in this Waiver Agreement, the other Waiver Document, the other Loan Documents, and in all other documents and instruments executed in connection herewith or therewith shall survive the execution of this Waiver Agreement and are material and have been or will be relied upon by the Bank, notwithstanding any investigation made by any person, entity or organization on the Bank's behalf. No implied representations or warranties are created or arise as a result of this Waiver Agreement or the documents comprising or relating to this Waiver Agreement.

10.10 Headings. The headings and underscoring of articles, sections and clauses have been included herein for convenience only and shall not be considered in interpreting this Waiver Agreement.

10.11 Integration. This Waiver Agreement and all documents and instruments executed in connection herewith or otherwise relating to this Waiver Agreement, including, without limitation, the Loan Documents, constitute the sole agreement of the parties with respect to the subject matter hereof and thereof and supersede all oral negotiations and prior writings with respect to the subject matter hereof and thereof.

10.12 Amendment and Waiver. No amendment of this Waiver Agreement, and no waiver, discharge or termination of any one or more of the provisions thereof, shall be effective unless set forth in writing and signed by all of the parties hereto.

10.13 Successors and Assigns. This Waiver Agreement and the other Loan Documents: (a) shall be binding upon the Bank, the Borrower, each Guarantor, and each European Subsidiary and upon their respective officers, directors, employees, agents, trustees, representatives, nominees, parent corporation, subsidiaries, heirs, executors, administrators, successors or assigns, and (b) shall inure to the benefit of the Bank, the Borrower, each Guarantor, and each European Subsidiary provided, however, that neither the Borrower nor any Guarantor or European Subsidiary may assign any rights hereunder or any interest herein without obtaining the prior written consent of the Bank, and any such assignment or attempted assignment shall be void

and of no effect with respect to the Bank.

10.14 Severability of Provisions. Any provision of this Waiver Agreement that is held to be inoperative, unenforceable, void or invalid in any jurisdiction shall, as to that jurisdiction, be ineffective, unenforceable, void or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of that provision in any other jurisdiction, and to this end the provisions of this Waiver Agreement are declared to be severable. This Waiver Agreement shall remain valid and enforceable notwithstanding the invalidity, insufficiency, or unenforceability of any other Loan Document.

10.15 Conflicting Provisions. To the extent that any of the terms in this Waiver Agreement contradict any of the terms contained in any of the Loan Documents, the terms of this Waiver Agreement shall control.

10.16 Joint and Several Liability. The obligations and liabilities of the Borrower and each Guarantor hereunder are joint and several.

10.17 Intent to Limit Charges to Maximum Lawful Rate. In no event shall the interest rate or rates payable under Loan Documents, as amended by this Waiver Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. The parties hereto, in executing and delivering this Waiver Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided; however, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, ipso facto, as of the date hereof, the Borrower, the Guarantors, and the European Subsidiaries are and shall be liable only for the payment of such maximum as allowed by law, and payment received from the Borrower, the Guarantors, and the European Subsidiaries in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

10.18 Counterparts; Effectiveness. This Waiver Agreement may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Waiver Agreement. This Waiver Agreement shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the undersigned have caused this Waiver Agreement to be executed by their duly authorized officers on the date first above written.

ATTEST: FIRST UNION NATIONAL BANK

/s/ C. S. Orellana

By: /s/ Robert Cordell
Name: Robert Cordell
Title: Senior Vice President

ATTEST: SELAS CORPORATION OF
AMERICA

/s/ Judith L. Gatens

By: /s/ Francis A.

Toczylowski

Name: Francis A. Toczyłowski
Title: Vice President

ATTEST: SELAS SAS

/s/ Robert Pernelle
Bailliart
Sales Manager

By: /s/ Christian
Name: Christian Bailliart
Title: President

ATTEST: CFR-CECF FOFUMI RIPOCHE

/s/ Gerard Goset
Bailliart
Chief Operating Officer

By: /s/ Christian
Name: Christian Bailliart
Title: President

ATTEST: DEUER MANUFACTURING, INC.

/s/ Judith L. Gatens
Toczyłowski

By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President

ATTEST: RESISTANCE TECHNOLOGY, INC.,

/s/ Judith L. Gatens
Toczyłowski

By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President

ATTEST: RTI EXPORT, INC.

/s/ Judith L. Gatens
Toczyłowski

By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President

ATTEST: RTI ELECTRONICS, INC.

/s/ Judith L. Gatens
Toczyłowski

By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President

FIRST AMENDMENT TO
WAIVER AND AMENDMENT AGREEMENT

This First Amendment to Waiver and Amendment Agreement (the Amendment) dated as of February 28, 2002 is made and entered into by and among First Union National Bank, a national banking association, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the Bank), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the Borrower), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France (Selas SAS), CFR-CECF Fofumi Ripoche, a corporation organized under the laws of France (CFR); and together with Selas SAS, the European Subsidiaries), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 (Deuer), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 (RTI), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (RTIE), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 (RTI Electronics; and together with Deuer, RTI and RTIE, the Guarantors).

BACKGROUND

A. The Bank, the Borrower and the Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the Term Loans) and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the Revolving Credit).

B. The Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the Borrower Surety Agreements): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the Deuer Surety Agreement), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the RTI Surety Agreement), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the RTIE Surety Agreement), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the RTI Electronics Surety Agreement).

C. The Term Loans are evidenced by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars (\$900,000) (Term Note D), (ii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) (Term Note E), and (iii) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) (Term Note F; and together with Term Note D and Term Note E, the Term Notes). The Revolving Credit facility is evidenced by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) between the Borrower and the Bank (the Revolving Credit Note). The Term Notes and the Revolving Credit Note are collectively referred to hereinafter as the Notes.

D. First Union National Bank, London Branch (London Branch) and Selas SAS, a subsidiary of the Borrower, entered into that certain

Agreement dated as of February 2, 2001 (the Selas SAS Facility Agreement) pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an on demand basis, expiring on April 30, 2001 (the Selas SAS Facility) for the purposes of providing: discretionary advance payment guarantees on behalf of Selas SAS (the APG Facility); and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the Overdraft Facility). The London Branch and Selas SAS also entered into certain term loan agreements (collectively, the Selas SAS Term Loan Agreements), as follows: an agreement dated February 26, 1998 pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000) (the Selas SAS 1998 Term Loan Agreement); and an agreement dated January 2000 pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30) (the Selas SAS 2000 Term Loan Agreement).

E. The Borrower and Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (the Selas SAS Surety Agreements): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the Borrower Guaranty), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the Deuer Guaranty), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the RTI Guaranty), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the RTIE Guaranty), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the RTI Electronics Guaranty).

F. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrowers assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, and (b) all of Borrowers rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the Borrower Security Agreement); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the Borrower Pledge Agreement); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the Pennsylvania Property) pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998 and January 10, 2000 (as amended, the Borrower Mortgage and Security Agreement).

G. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuers assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the Deuer Security Agreement); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the Ohio Property) pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July 21, 1995, February 20, 1997, July 31, 1998, and January 10, 2000 (as amended, the Deuer Mortgage and Security Agreement).

H. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the RTI Security Agreement); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property pursuant to that certain Patent and Trademark Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the RTI Patent and Trademark Security Agreement); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the Minnesota Property) pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 (as amended, the RTI Mortgage and Security Agreement).

I. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the RTIE Security Agreement).

J. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronics assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the RTI Electronics Security Agreement).

K. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Waiver and Amendment Agreement dated as of November 20, 2001 (the Waiver Agreement), pursuant to which the Bank agreed to waive certain Financial Covenant Defaults (as defined therein) and provide a new credit facility pursuant to which the Banks London Branch agreed to issue certain advance payment guarantees.

J. The Waiver Agreement, the Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the Loan Documents.

K. The Bank, the Borrower, the Guarantors, and the European Subsidiaries, pursuant to the terms hereof, wish to amend the Credit Agreement, as provided herein.

NOW, THEREFORE, incorporating the Background by reference herein and for other good and valuable consideration, the Bank, the Borrower, the Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - DEFINED TERMS

1.1 Defined Terms. Terms used herein which are capitalized but not defined shall have the meanings ascribed to such terms in the Loan

Documents, as amended hereby.

ARTICLE II - AMENDMENT; COVENANTS

2.1 Amendment of the Definition of Revolving Credit Termination Date. The following definition in the Credit Agreement is hereby amended, restated and replaced as follows:

Revolving Credit Termination Date is hereby amended to mean the earlier of (i) March 20, 2002 (as such date may be extended from time to time in accordance with Section 2.8 hereof) or (ii) the date on which the Revolving Credit Commitment is terminated pursuant to Section 9.2 hereof.

2.2 Covenants. The Borrower shall provide to the Bank on or before March 8, 2002, a detailed cash flow projection; and a complete and detailed description of the purpose and use of funds in order to have considered any request for additional borrowing.

ARTICLE III - REAFFIRMATION

The Borrower, the Guarantors and the European Subsidiaries (i) acknowledge and consent to the terms and conditions set forth in this Amendment, (ii) hereby ratify, affirm and reaffirm in all respects each and all of the Loan Documents, including, without limitation, all terms, conditions, representations and covenants contained therein, and (iii) acknowledge the continued existence, validity and enforceability of the Loan Documents, and acknowledge and agree that the Bank holds a perfected security interest in the Collateral to secure the Borrower's Obligations and agrees that the terms, conditions, representations and covenants contained in the Security Agreement are binding upon it.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Amendment, the Borrower, the Guarantors and the European Subsidiaries make the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Amendment:

4.1 No violation of applicable laws. The execution, delivery and performance by the Borrower, the Guarantors and the European Subsidiaries of this Amendment are within their corporate powers, have been duly authorized by all necessary action taken by their duly authorized officers and, if necessary, by making appropriate filings with any governmental agency or unit and are the legal, binding, valid and enforceable obligations of the Borrower, the Guarantors and the European Subsidiaries; and do not (i) contravene, or constitute (with or without the giving of notice or lapse of time or both) a violation of any provision of applicable law, a violation of the organizational documents of the Borrower, the Guarantors and the European Subsidiaries or a default under any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower, the Guarantors and the European Subsidiaries, (ii) result in the creation or imposition of any lien on any of their assets (other than liens in favor of the Bank) or (iii) give cause for the acceleration of any obligations of the Borrower, the Guarantors or the European Subsidiaries to any other creditor.

4.2 Due Authorization. Each person executing this Amendment on behalf of the Borrower, the Guarantors and/or the European Subsidiaries is duly authorized by such respective entity to execute same.

4.3 Enforceability. This Amendment will be, the legal, valid and binding obligation of the Borrower, the Guarantors and the European Subsidiaries, enforceable against them in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting creditors' rights generally.

4.4 Compliance with Applicable Laws. The Borrower is in compliance in all material respects with all laws (including all applicable environmental laws), regulations, and requirements applicable to its business and has not received, and has no knowledge

of, any order or notice of any governmental investigation or of any violation or claim of violation of any law, regulation or other governmental requirement which would have a material adverse effect upon its business operations or financial condition.

4.5 Failure of Conditions. The Borrower has failed to satisfy the conditions precedent for issuance of Advance Payment Guarantees as disclosed on Exhibit 4.5 hereto.

4.6 Representation and Warranties. All representations and warranties made by the Borrower in the Loan Documents are true and correct as of the date of this Amendment as if such representations and warranties have been made on the date hereof.

ARTICLE V - CONDITIONS TO CLOSING

Conditions Precedent to Enforceability of This Amendment. This Amendment shall be deemed effective only after the occurrence of the following events:

5.1 Execution of Amendment. The Borrower's, Guarantors and European Subsidiaries execution and delivery to the Bank of this Amendment; and

5.2 Fees and Costs. The Borrower's payment to the Bank of an amount sufficient to cover all of the Bank's reasonable costs and expenses to date, including, without limitation, the Bank's reasonable costs and expenses incurred in connection with the preparation and negotiation of this Amendment (including the fees and expenses of the Bank's counsel) through the date of this Amendment.

ARTICLE VI - MISCELLANEOUS

6.1 Continuing Effect. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby ratified and confirmed.

6.2 No Waiver. Except as expressly provided in the Waiver Agreement, the Bank has not waived and does not waive any defaults or Events of Default, now or hereafter existing, whether known or unknown; and the Bank hereby reserves and preserves any and all rights and remedies available to it under the Loan Documents with respect to any such defaults or Events of Default.

6.3 Counterparts; Effectiveness. This Amendment may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Amendment. This Amendment shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

6.4 Governing Law. This Amendment shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania.

6.5 Integration. This Amendment contains the entire agreement between the parties hereto with respect to the subject matter hereof and may not be modified or changed in any way except in writing signed by all parties.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers on the date first above written.

ATTEST: FIRST UNION NATIONAL BANK

By: /s/ Kathleen M.

Hedrick

Name: Kathleen M. Hedrick
Title: Vice President

SELAS CORPORATION OF
AMERICA

By: /s/ Francis A.

Toczyłowski

Name: Francis A. Toczyłowski
Title: Vice President, Treasurer &
Secretary

SELAS SAS

By: /s/ Christian Bailliart
Name: Christian Bailliart
Title: President

CFR-CECF FOFUMI RIPOCHE

By: /s/ Christian Bailliart
Name: Christian Bailliart
Title: President

DEUER MANUFACTURING, INC.

By: /s/ Francis A.

Toczyłowski

Name: Francis A. Toczyłowski
Title: Vice President, Treasurer &
Secretary

RESISTANCE TECHNOLOGY, INC.,

By: /s/ Francis A.

Toczyłowski

Name: Francis A. Toczyłowski
Title: Vice President, Treasurer &
Secretary

RTI EXPORT, INC.

By: /s/ Francis A.

Toczyłowski

Name: Francis A. Toczyłowski
Title: Vice President, Treasurer &
Secretary

RTI ELECTRONICS, INC.

By: /s/ Francis A.

Toczyłowski

Name: Francis A. Toczyłowski
Title: Vice President, Treasurer &
Secretary

Pursuant to Section 4.2.2(d) of the Waiver Agreement, on February 28, 2002, the Borrower, the Guarantors and Selas SAS are required to repay amounts outstanding as necessary to reduce the Overdraft Facility to an amount not greater than E4,650,000 Euros. As of the date hereof, the Overdraft Facility has a balance of approximately E6,000,000 Euros and the Borrower, the Guarantors and Selas SAS have indicated an inability to make the necessary payment to reduce the Overdraft Facility to the required level.

Pursuant to Section 4.2.2(e) of the Waiver Agreement, on or before February 28, 2002, the Borrower is required to provide the Bank with a written certification that the 2001 fourth quarter pre-tax losses, if any, for the Borrower, the Guarantors, Selas SAS, CFR, and their affiliates, on a consolidated basis are not more than \$200,000. The Borrower has indicated that the consolidated 2001 fourth quarter pre-tax losses exceed \$200,000.

Pursuant to Section 4.2.2(f) of the Waiver Agreement, the Borrower is required to provide the Bank with a copy of a written offer to purchase Selas SAS on or before February 28, 2002. The Borrower has indicated an ability to obtain such an offer.

SECOND AMENDMENT TO
WAIVER AND AMENDMENT AGREEMENT

This Second Amendment to Waiver and Amendment Agreement (the Amendment) dated as of March 20, 2002 is made and entered into by and among First Union National Bank, a national banking association, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the Bank), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the Borrower), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France (Selas SAS), CFR-CECF Fofumi Ripoché, a corporation organized under the laws of France (CFR); and together with Selas SAS, the European Subsidiaries), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 (Deuer), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 (RTI), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (RTIE), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 (RTI Electronics; and together with Deuer, RTI and RTIE, the Guarantors).

BACKGROUND

A. The Bank, the Borrower and the Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the Term Loans) and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the Revolving Credit).

B. The Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the Borrower Surety Agreements): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the Deuer Surety Agreement), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the RTI Surety Agreement), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the RTIE Surety Agreement), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the RTI Electronics Surety Agreement).

C. The Term Loans are evidenced by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars (\$900,000) (Term Note D), (ii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) (Term Note E), and (iii) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) (Term Note F; and together with Term Note D and Term Note E, the Term Notes). The Revolving Credit facility is evidenced by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) between the Borrower and the Bank (the

Revolving Credit Note). The Term Notes and the Revolving Credit Note are collectively referred to hereinafter as the Notes.

D. First Union National Bank, London Branch (London Branch) and Selas SAS, a subsidiary of the Borrower, entered into that certain Agreement dated as of February 2, 2001 (the Selas SAS Facility Agreement) pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an on demand basis, expiring on April 30, 2001 (the Selas SAS Facility) for the purposes of providing: discretionary advance payment guarantees on behalf of Selas SAS (the APG Facility); and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the Overdraft Facility). The London Branch and Selas SAS also entered into certain term loan agreements (collectively, the Selas SAS Term Loan Agreements), as follows: an agreement dated February 26, 1998 pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000) (the Selas SAS 1998 Term Loan Agreement); and an agreement dated January 2000 pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30) (the Selas SAS 2000 Term Loan Agreement).

E. The Borrower and Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (the Selas SAS Surety Agreements): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the Borrower Guaranty), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the Deuer Guaranty), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the RTI Guaranty), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the RTIE Guaranty), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the RTI Electronics Guaranty).

F. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrowers assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, and (b) all of Borrowers rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the Borrower Security Agreement); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the Borrower Pledge Agreement); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the Pennsylvania Property) pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998 and January 10, 2000 (as amended, the Borrower Mortgage and Security Agreement).

G. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuers assets, then owned or thereafter

acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the Deuer Security Agreement); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the Ohio Property) pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July 21, 1995, February 20, 1997, July 31, 1998, and January 10, 2000 (as amended, the Deuer Mortgage and Security Agreement).

H. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the RTI Security Agreement); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property pursuant to that certain Patent and Trademark Security dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the RTI Patent and Trademark Security Agreement); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the Minnesota Property) pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 (as amended, the RTI Mortgage and Security Agreement).

I. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the RTIE Security Agreement).

J. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronics assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the RTI Electronics Security Agreement).

K. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Waiver and Amendment Agreement dated as of November 20, 2001, as amended by that certain First Amendment to Waiver and Amendment Agreement dated as of February 28, 2002 (as amended, the Waiver Agreement), pursuant to which the Bank agreed to waive certain Financial Covenant Defaults (as defined therein) and provide a new credit facility pursuant to which the Banks London Branch agreed to issue certain advance payment guarantees.

L. The Waiver Agreement, the Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security

Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the Loan Documents.

M. The Bank, the Borrower, the Guarantors, and the European Subsidiaries, pursuant to the terms hereof, wish to amend the Credit Agreement, as provided herein.

NOW, THEREFORE, incorporating the Background by reference herein and for other good and valuable consideration, the Bank, the Borrower, the Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - DEFINED TERMS

1.1 Defined Terms. Terms used herein which are capitalized but not defined shall have the meanings ascribed to such terms in the Loan Documents, as amended hereby.

ARTICLE II - AMENDMENTS

2.1 Amendment of the Definition of Revolving Credit Termination Date. The following definition in the Credit Agreement is hereby amended, restated and replaced as follows:

Revolving Credit Termination Date is hereby amended to mean the earlier of (i) April 15, 2002 (as such date may be extended from time to time in accordance with Section 2.8 hereof) or (ii) the date on which the Revolving Credit Commitment is terminated pursuant to Section 9.2 hereof.

2.2 Amendment of the Definition of Waiver Agreement. The definition of Waiver Agreement is hereby amended, as follows:

Waiver Agreement shall mean that certain Waiver and Amendment Agreement, dated as of November 20, 2001, by and among the Bank, the Borrower, the European Subsidiaries, and the Guarantors, as the same may be amended from time to time.

ARTICLE III - REAFFIRMATION

The Borrower, the Guarantors and the European Subsidiaries (i) acknowledge and consent to the terms and conditions set forth in this Amendment, (ii) hereby ratify, affirm and reaffirm in all respects each and all of the Loan Documents, including, without limitation, all terms, conditions, representations and covenants and General Release contained therein, all of which shall be effective as of the date hereof, and (iii) acknowledge the continued existence, validity and enforceability of the Loan Documents, and acknowledge and agree that the Bank holds a perfected security interest in the Collateral to secure the Borrower's Obligations and agree that the terms, conditions, representations and covenants contained in the Security Agreement are binding upon each of them.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Amendment, the Borrower, the Guarantors and the European Subsidiaries make the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Amendment:

4.1 No violation of applicable laws. The execution, delivery and performance by the Borrower, the Guarantors and the

European Subsidiaries of this Amendment are within their corporate powers, have been duly authorized by all necessary action taken by their duly authorized officers and, if necessary, by making appropriate filings with any governmental agency or unit and are the legal, binding, valid and enforceable obligations of the Borrower, the Guarantors and the European Subsidiaries; and do not (i) contravene, or constitute (with or without the giving of notice or lapse of time or both) a violation of any provision of applicable law, a violation of the organizational documents of the Borrower, the Guarantors and the European Subsidiaries or a default under any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower, the Guarantors and the European Subsidiaries, (ii) result in the creation or imposition of any lien on any of their assets (other than liens in favor of the Bank) or (iii) give cause for the acceleration of any obligations of the Borrower, the Guarantors or the European Subsidiaries to any other creditor.

4.2 Due Authorization. Each person executing this Amendment on behalf of the Borrower, the Guarantors and/or the European Subsidiaries is duly authorized by such respective entity to execute same.

4.3 Enforceability. This Amendment will be, the legal, valid and binding obligation of the Borrower, the Guarantors and the European Subsidiaries, enforceable against them in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting creditors' rights generally.

4.4 Compliance with Applicable Laws. The Borrower is in compliance in all material respects with all laws (including all applicable environmental laws), regulations, and requirements applicable to its business and has not received, and has no knowledge of, any order or notice of any governmental investigation or of any violation or claim of violation of any law, regulation or other governmental requirement which would have a material adverse effect upon its business operations or financial condition.

4.5 Failure of Conditions. The Borrower has failed to satisfy the conditions precedent for issuance of Advance Payment Guarantees as disclosed on Exhibit 4.5 hereto.

4.6 Representation and Warranties. All representations and warranties made by the Borrower in the Loan Documents are true and correct as of the date of this Amendment as if such representations and warranties have been made on the date hereof.

ARTICLE V - CONDITIONS TO CLOSING

Conditions Precedent to Enforceability of This Amendment. This Amendment shall be deemed effective only after the occurrence of the following events:

5.1 Execution of Amendment. The Borrower's, Guarantors and European Subsidiaries execution and delivery to the Bank of this Amendment; and

5.2 Fees and Costs. The Borrower's payment to the Bank of an amount sufficient to cover all of the Bank's reasonable costs and expenses to date, including, without limitation, the Bank's reasonable costs and expenses incurred in connection with the preparation and negotiation of this Amendment (including the fees and expenses of the Bank's counsel) through the date of this Amendment.

ARTICLE VI - MISCELLANEOUS

6.1 Continuing Effect. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby

ratified and confirmed.

6.2 No Waiver. Except as expressly provided in the Waiver Agreement, the Bank has not waived and does not waive any defaults or Events of Default, now or hereafter existing, whether known or unknown; and the Bank hereby reserves and preserves any and all rights and remedies available to it under the Loan Documents with respect to any such defaults or Events of Default.

6.3 Counterparts; Effectiveness. This Amendment may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Amendment. This Amendment shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

6.4 Governing Law. This Amendment shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania.

6.5 Integration. This Amendment contains the entire agreement between the parties hereto with respect to the subject matter hereof and may not be modified or changed in any way except in writing signed by all parties.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers on the date first above written.

FIRST UNION NATIONAL BANK

By: /s/ Constantin E.
Chepurny
Name: Constantin E. Chepurny
Title: Senior Vice President

SELAS CORPORATION OF
AMERICA

By: /s/ Francis A.
Toczyłowski
Name: Francis A. Toczyłowski
Title: Vice President, Treasurer &
Secretary

SELAS SAS

By: /s/ Christian
Bailliart
Name: Christian Bailliart
Title: President

CFR-CECF FOFUMI RIPOCHE

By: /s/ Christian
Bailliart
Name: Christian Bailliart
Title: President

DEUER MANUFACTURING, INC.

Toczyłowski By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President & Treasurer

RESISTANCE TECHNOLOGY, INC.,

Toczyłowski By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President & Treasurer

RTI EXPORT, INC.

Toczyłowski By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President & Treasurer

RTI ELECTRONICS, INC.

Toczyłowski By: /s/ Francis A.
Name: Francis A. Toczyłowski
Title: Vice President & Treasurer

Exhibit 4.5

Pursuant to Section 4.2.2(d) of the Waiver Agreement, on February 28, 2002, the Borrower, the Guarantors and Selas SAS are required to repay amounts outstanding as necessary to reduce the Overdraft Facility to an amount not greater than E4,650,000 Euros. As of the date hereof, the Overdraft Facility has a balance of approximately E6,000,000 Euros and the Borrower, the Guarantors and Selas SAS have indicated an inability to make the necessary payment to reduce the Overdraft Facility to the required level.

Pursuant to Section 4.2.2(e) of the Waiver Agreement, on or before February 28, 2002, the Borrower is required to provide the Bank with a written certification that the 2001 fourth quarter pre-tax losses, if any, for the Borrower, the Guarantors, Selas SAS, CFR, and their affiliates, on a consolidated basis are not more than \$200,000. The Borrower has indicated that the consolidated 2001 fourth quarter pre-tax losses exceed \$200,000.

Pursuant to Section 4.2.2(f) of the Waiver Agreement, the Borrower is required to provide the Bank with a copy of a written offer to purchase Selas SAS on or before February 28, 2002. The Borrower has indicated an ability to obtain such an offer.

SELAS CORPORATION OF AMERICA

AMENDED AND RESTATED
NON-EMPLOYEE DIRECTORS
STOCK OPTION PLAN

(July 24, 2001)

1. Purpose. This amended and restated Non-Employee Directors Stock Option Plan (the Plan, is intended to provide a means whereby Selas Corporation of America (Selas) may, through the grant to Non-Employee Directors (as defined in Section 3) of nonqualified stock options (Options) to acquire Common Shares, par value \$1.00 per share, of Selas (Shares), attract and retain capable independent directors and motivate such independent directors to promote the best interests of Selas and its subsidiaries.

As used in the Plan, the term subsidiary means any corporation (whether or not in existence at the time the Plan is adopted) which is a subsidiary of Selas under the definition of subsidiary corporation contained in section 424(f) of the Internal Revenue Code of 1986, as amended (Code), or any similar provision hereafter enacted. The term nonqualified stock options means Options which do not qualify as incentive stock options within the meaning of section 422 of the Code.

2. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors of Selas (the Committee), which shall consist of not less than two directors of Selas. Committee members shall be appointed by, and shall serve at the pleasure of, the Board of Directors of Selas (Board). Each member of the Committee, while serving as such, shall be deemed to be acting in his or her capacity as a director of Selas.

The Committee shall have full authority, subject to the terms of the Plan, to interpret the Plan. Subject to the terms of the Plan, the Committee may correct any defect, supply any omission, and reconcile any inconsistency in this Plan and in any Option granted hereunder in the manner and to the extent it shall deem desirable. The Committee also shall have the authority to establish such rules and regulations, not inconsistent with the provisions of the Plan, for the proper administration of the Plan, and to amend, modify, or rescind any such rules and regulations, and to make such determinations and interpretations under, or in connection with, the Plan, as it deems necessary or advisable. All such rules, regulations, determinations, and interpretations shall be binding and conclusive upon Selas, its shareholders, and all Non-Employee Directors (including former Non-Employee Directors), upon their respective legal representatives, beneficiaries, successors, and assigns, and upon all other persons claiming under or through any of them. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted hereunder.

The Board may take any action with respect to the Plan or any Option that the Committee is authorized to take.

3. Eligibility. The persons who shall be eligible to receive Options under the Plan (the Non-Employee Directors) shall be those directors of Selas who:

- (a) Are not employees of Selas or any subsidiary; and
- (b) Have not been employees of Selas or any subsidiary during

the immediately preceding 12-month period.

4. Shares Subject to the Plan. Subject to adjustment as provided in Section 8 hereof, 250,000 Shares shall be available for the grant of Options under the Plan, which Shares may be authorized but unissued Shares or reacquired Shares, as Selas shall determine.

If any Option granted under the Plan expires or otherwise terminates, in whole or in part, for any reason whatever (including, without limitation, the Non-Employee Directors surrender thereof) without having been exercised, the Shares subject to the unexercised portion of such Option shall be available for the granting of Options under the Plan as fully as if such Shares had never been subject to an Option.

5. Grants of Options.

(a) Initial Grants. An Option to acquire 5,000 Shares (as adjusted pursuant to Section 8) shall automatically be granted:

(i) on April 22, 1998 (the Effective Date), to each person who is a Non-Employee Director as of the close of business on the Effective Date; and

(ii) to a person who was not a Non-Employee Director on the Effective Date, on the date after the Effective Date he or she becomes a Non-Employee Director, whether by reason of his or her subsequent election by shareholders or appointment by the Board to be a director, or, if applicable, the expiration of the 12-month period specified in Section 3(b) with respect to a present or future director who had previously been an employee of Selas or any subsidiary; provided that if a Non-Employee Director who previously received a grant of an Option under this Plan terminates service as a director and is subsequently elected or appointed to the Board again, such director shall not be eligible to receive any additional grant of Options under this subsection (a).

(b) Discretionary Grants. On and after July 24, 2001, Options may be granted to Non-Employee Directors in such amounts and on such terms as the Committee shall determine from time to time.

6. Terms and Conditions of Options. Options granted pursuant to the Plan shall be subject to the following terms and conditions:

(a) Number of Shares. The number of Shares to which an Option pertains shall be the number provided by or pursuant to Section 5 on the date of grant of such Option (subject to adjustment pursuant to Section 8).

(b) Price. The option exercise price per share under each Option granted under the Plan shall be the greater of 100% of the fair market value of the Shares, or the par value thereof, on the date such Option is granted. The fair market value of a Share on any day shall mean (i) the mean between the highest and lowest selling prices of a Share on the date of grant, as quoted by the American Stock Exchange Composite Transactions Tape, or if not available or if the primary market for the Shares shall not be the American Stock Exchange, (ii) fair market value determined by using such other method as shall be permitted by the Code for the pricing of incentive stock options, or the rules or regulations thereunder, and adopted by the Committee from time to time.

(c) Term. Subject to earlier termination as provided in subsections (e), (f), and (g) below and in Section 8 hereof, the term of each Option shall be ten years from the date of grant.

- (d) Exercise. Options granted pursuant to Section 5(a) shall be exercisable in installments commencing one year after the date of grant in accordance with the following schedule:

Years After Date of Grant	Exercisable Portion
1	33-1/3%
2	66-2/3%
3	100%

Options granted pursuant to Section 5(b) shall be exercisable as determined by the Committee in its action granting the Options.

Except as otherwise provided in subsections (e), (f) and (g) below, Options shall only be exercisable by a Non-Employee Director while he or she remains a director of Selas. Subject to subsections (e), (f) and (g) below, any Shares the right to the purchase of which has accrued under an Option may be purchased at any time up to the expiration or termination of the Option. Options may be exercised, in whole or in part, from time to time by giving written notice of exercise to Selas at its principal office, specifying the number of Shares to be purchased and accompanied by payment in full of the aggregate price for such Shares. Only full Shares shall be delivered, and any fractional Share which might otherwise be deliverable upon exercise of an Option granted hereunder shall be forfeited.

The option exercise price shall be payable (i) in cash or its equivalent, (ii) through the transfer of Shares previously acquired by the Non-Employee Director, provided that if such Shares were acquired through the exercise of an incentive stock option or nonqualified stock option, such shares have been held by the Non-Employee Director for a period of more than one year on the date of exercise; or (iii) by delivering a properly executed notice of exercise of the Option to Selas and a broker, with irrevocable instructions to the broker promptly to deliver to Selas the amount of sale or loan proceeds necessary to pay the exercise price of the Option. In the event the option price is paid, in whole or in part, with Shares, the portion of the option price so paid shall be equal to the fair market value (determined as of the exercise date of the Option, rather than the date of grant) of the Shares so surrendered in payment of the option price.

- (e) Expiration of Term or Removal of Non-Employee Director as Director. If a Non-Employee Directors service as a director of Selas terminates prior to the expiration of the original term of the Non-Employee Directors Option (Expiration Date) for any reason (such as, without limitation, failure to be re-elected by the shareholders) other than those set forth in subsections (f) and (g) below, such Option may be exercised by the Non-Employee Director, to the extent of the number of Shares with respect to which the Non-Employee Director could have exercised it on the date of such termination of service as a director, at any time prior to the earlier of: (i) the Expiration Date of such Option, or (ii) the date three months after the date of such termination of service as a director, unless (in the case of this clause (ii)) the Committee provides for a different period in its action granting the Option.
- (f) Disability of Non-Employee Director. If a Non-Employee Director shall become disabled (within the meaning of section 22(e)(3) of the Code) during the period in which he or she is a director of Selas and, prior to the Expiration Date of the Non-Employee Directors Option, his or her position as a director of Selas is terminated as a consequence of such disability, such Option may be exercised, to the extent of the number of Shares with

respect to which the Non-Employee Director could have exercised it on the date he or she ceased to be a director, by the Non-Employee Director at any time prior to the earlier of: (i) the Expiration Date of such Option, or (ii) one year after the date on which the Non-Employee Director ceases to be a director of Selas by reason of disability, unless (in the case of this clause (ii)) the Committee provides for a different period in its action granting the Option. In the event of the Non-Employee Directors legal disability, such Option may be so exercised by the Non-Employee Directors legal representative.

- (g) Death of Non-Employee Director. If a Non-Employee Director ceases to be a director of Selas by reason of his or her death prior to the Expiration Date of the Non-Employee Directors Option, or if a Non-Employee Director who ceases to be a director for reasons described in subsections (e) and (f) above shall die following his or her ceasing to be a director but prior to the earlier of the Expiration Date of such Option or expiration of the period specified in subsection (e) or (f) above, such Option may be exercised, to the extent of the number of shares with respect to which the Non-Employee Director could have exercised it on the date of his or her death, by the Non-Employee Directors estate, personal representative or beneficiary who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of the Non-Employee Director, at any time prior to the earlier of: (i) the Expiration Date of such Option (which, in the case of death following a termination of service as director pursuant to subsection (e) or (f) above, shall be deemed to mean the expiration of the exercise period specified therein), or (ii) five years after the date of the Non-Employee Directors death, unless (in the case of this clause (ii)) the Committee provides for a shorter period in its action granting the Option.
- (h) Transferability. Except as provided in the following sentence, no Option shall be assignable or transferable otherwise than by will or by the laws of descent and distribution. Unless the Committee, in its discretion, determines in its action granting an Option that this sentence will not apply to such Option or that such Option will be subject to greater restrictions on transfer, all or a portion of an Option may be transferred to (i) the spouse, children, or grandchildren of the Non-Employee Director (Immediate Family Members), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, provided that there may be no consideration for any such transfer.

A transferred Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. The events of termination of service under this Section shall also continue to be applied with respect to the original Non-Employee Director, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified in or pursuant to, Section 6(e), (f), and (g).

- (i) Rights as a Shareholder. A Non-Employee Director shall have no rights as a shareholder with respect to any Shares covered by an Option until the issuance of a stock certificate representing such Shares.
- (j) Option Agreements. As soon as practicable after the grant of an Option, each Non-Employee Director receiving such grant shall enter into, and be bound by the terms of, a stock option agreement (the Option Agreement), which shall be in such form as the Committee shall, from time to time, approve. The Option Agreement shall contain such provisions, not inconsistent with the provisions of the Plan, as the Committee shall deem advisable.

7. Listing and Registration of Shares. Each Option shall be

subject to the requirement that, if at any time Selas shall determine, in its discretion, that the listing, registration or qualification of the Option or Shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Option or the exercise thereof, or that action by Selas or by the Non-Employee Director should be taken in order to obtain an exemption from any such requirement, no such Option may be exercised, in whole or in part, unless and until such listing, registration, qualification, consent, approval, or action shall have been effected, obtained, or taken under conditions acceptable to Selas. Without limiting the generality of the foregoing, each Non-Employee Director or his or her legal representative or beneficiary may also be required to give satisfactory assurance that Shares acquired upon exercise of an Option are being acquired for investment and not with a view to distribution, and certificates representing such Shares may be legended accordingly.

8. Adjustments. The number of Shares which may be issued under the Plan, as stated in Section 4 hereof, the number of Shares specified in Section 5 hereof and the number of Shares issuable upon exercise of outstanding Options under the Plan (as well as the exercise price per share under such outstanding Options), shall be equitably adjusted by the Committee to reflect any stock dividend, stock split, share combination or similar change in the capitalization of Selas.

In the event of a proposed dissolution, liquidation or sale of a substantial portion of the assets of Selas, or of a merger, consolidation, share exchange, exchange of shares or other transaction in which holders of Shares are to receive cash, securities or other property, the Committee shall, in its unlimited discretion, have the power prior to such event (a) to terminate all outstanding Options upon at least seven days prior notice to each Non-Employee Director and, if the Committee deems it appropriate, to cause the Company to pay to each Non-Employee Director an amount in cash with respect to each Share to which a terminated Option pertains equal to the difference between the Option exercise price and the value, as determined by the Committee in its sole discretion, of the consideration to be received by the holders of Shares in connection with such transaction, or (b) to provide for the exchange of Options outstanding under the Plan for options to acquire securities or other property to be delivered in connection with the transaction and in connection therewith to make an equitable adjustment, as determined by the Committee in its sole discretion, in the Option exercise price and number of Shares or amount of property subject to the Option and, if deemed appropriate, provide for a cash payment to Optionees in partial consideration for such exchange.

9. Amendment or Discontinuance of the Plan. At any time and from time to time, the Board may suspend or discontinue the Plan or amend it, and the Committee may amend any outstanding Option, in any respect whatsoever; provided, however, that no such suspension, discontinuance, or amendment shall materially impair the rights of any holder of an outstanding Option without the consent of such holder.

10. Termination of Plan. No Options may be granted under the Plan after April 21, 2008, provided, however, that the Plan and all outstanding Options shall remain in effect until such Options have expired or are terminated in accordance with the Plan.

11. Governing Law. The operation of, and the rights of Non-Employee Directors under, the Plan, the Option Agreements, and any Options granted hereunder shall be governed by the laws of the Commonwealth of Pennsylvania.

12. Absence of Rights. Neither the adoption of the Plan nor any action of the Board or the Committee shall be deemed to give any individual any right to be granted an Option, or any other right hereunder, except as expressly provided in the Plan, and then his or her rights shall be only such as are provided by the Option

Agreement and the Plan. No Option under the Plan shall entitle the holder thereof to any rights as a shareholder of Selas prior to the exercise of such Option and the issuance of the shares pursuant thereto. Further, notwithstanding any provisions of the Plan or the Option Agreement with a Non-Employee Director, the granting of an Option to a Non-Employee Director shall not entitle that Non-Employee Director to continue to serve as a director of Selas or a subsidiary or affect the terms and conditions of such service.

13. No Obligation to Exercise Option. The granting of an Option shall impose no obligation upon a Non-Employee Director to exercise such Option.

14. Effective Date. The Plan was originally effective April 22, 1998. The terms of the Plan, as amended and restated herein, shall be effective on and after July 24, 2001.

November 30, 2001

PERSONAL/CONFIDENTIAL
HAND DELIVERED

Mr. Robert W. Ross
Vice President and Secretary
Selas Corporation of America
President
Heat Technology Group
2034 S. Limekiln Pike
Dresher, PA 19025

Re: Separation Package

Dear Bob:

This Letter Agreement will confirm our recent amicable discussions regarding your planned resignation from employment with Selas Corporation of America (Selas). We appreciate your past commitment and many contributions over the years to Selas. We have always found you to be an asset to Selas, and you have consistently acted with the highest integrity and professionalism. In recognition of your commitment and past contributions, Selas is pleased to offer you the separation package that is described below. Selas advises you to consult with legal counsel of your choice in making the determination of whether to accept this separation package.

1. You will resign, effective November 30, 2001 (Resignation Date), (a) your employment with Selas and each of its subsidiaries, (b) each position you hold as an officer of Selas and any of its subsidiaries, and (c) each position you hold as a director of any subsidiary of Selas. At the time you sign this Letter Agreement, you will also sign and deliver to me a letter of resignation in the form of Exhibit A, which is hereby incorporated.

2. Selas will pay an equivalent to the employers and the employees share of the premiums for medical and dental insurance through November 30, 2002 if you elect and receive COBRA coverage. Thereafter, you will remain eligible as provided by law for continuing your medical and dental insurance coverage for the remaining COBRA period (which, under current law, will expire 18 months after your Resignation Date) at your own expense. If you rescind this Letter Agreement pursuant to paragraph 14 below, Selas will not be obligated to make any payments specified in this paragraph. You will still have the right to continue to participate in Selas medical and dental plans upon timely payment of the full premiums therefore as provided under COBRA.

3. For purposes of general communication, your separation from employment will be represented by Selas and you as a voluntary resignation. You and I will announce to Selas staff your Resignation Date and your change in status at a mutually agreed upon time. However, I will immediately inform the Board of your Resignation Date, and you may immediately inform your direct reports. All internal announcements of your leaving will be consistent with a mutually agreeable statement that we will draft together prior to the internal announcement of your leaving. You and Selas will communicate with and respond to inquiries from persons outside Selas consistent with this mutually agreeable announcement. If you wish me to do so, I would be glad to provide you with a mutually agreeable letter of reference which we will draft together prior to your leaving your

employment.

4. Selas agrees to retain you as an independent consultant for consultation and assistance regarding any transition issues in the Heat Technology Group and the possible sale of Selas SAS (the Consulting Services). This independent contractor relationship will commence immediately after your Resignation Date and end on November 30, 2002, except that (a) you may terminate the consulting relationship at any time for any reason prior to November 30, 2002 with one months written notice, and (b) Selas may terminate the consulting arrangement immediately on written notice if you accept other consulting or employment elsewhere. Upon any such termination, all further payments of the retainer described below will cease. You agree to notify me immediately if you accept other consulting or employment elsewhere during this term. At all times during the consulting relationship, you shall be an independent contractor and not an employee, principal, agent, partner or joint venturer of Selas. During this term, you shall provide up to 60 hours of Consulting Services during each period of three calendar months beginning on December 1, 2001, March 1, 2002, June 1, 2002, and September 1, 2002, as requested by me or by the Chairman of the Board of Directors of Selas. You agree to be reasonably available in a manner consistent with the scope of the Consulting Services hereunder. Your liaison at Selas for purposes of your Consulting Services will be me or the Chairman of the Board of Directors of Selas. In consideration for your Consulting Services, Selas shall pay you a retainer of \$16,089 per month. In addition, Selas will also pay all reasonable business expenses you incur in providing the Consulting Services, including reasonable travel, lodging, meals, and other expenses related to those services, provided you submit to me a monthly expense report. Because you will perform the Consulting Services as an independent contractor, Selas will issue you a Form 1099 and not withhold any taxes. You will be solely responsible for all taxes. Your consulting retainer payment will be paid on the last day of each month during the consulting period and will be mailed to your home address of record. You will, however, not be entitled to any additional benefits such as vacation or sick pay during this consulting period since you will no longer be a Selas employee. During this consulting period, your Company stock options will not continue to vest. If you rescind this Letter Agreement pursuant to paragraph 14 below, Selas will not be obligated to make any payments specified in this paragraph.

5. As additional consideration for the promises contained in this Letter Agreement, Selas will pay you an amount equivalent to one (1) percent of the gross sale price of Selas SAS, not to exceed fifty thousand dollars (\$50,000), provided a purchase agreement and all closing documents are fully-executed by all parties on or before November 30, 2002. This payment will be paid in one lump sum amount within 30 calendar days after all closing documents are fully-executed and will be mailed to your home address of record. You acknowledge that Selas has not made any definite decision concerning the sale of Selas SAS, and that Selas will have no obligation to you under this paragraph if it decides not to, or otherwise does not, complete a sale of Selas SAS.

6. On your Resignation Date, Selas shall pay you accrued salary plus the amount of \$10,673.00 for accrued and/or carry-over vacation compensation to which you are entitled as of your Resignation Date. Total vacation pay as of your Resignation Date represents 15 days. The vacation pay will be paid to you on Selas next regularly scheduled pay date and mailed to your home address of record. In addition, Selas will allow you to use the automobile currently leased by Selas for your use, for the remainder of the current lease term. You will not be entitled to any bonus under any bonus plan for Selas employees.

7. You will receive retirement benefits in accordance with Selas Retirement Plan for Salaried Employees, as now in effect. The benefits to which you shall be entitled under Selas Supplemental Retirement Plan shall be modified so that you will receive \$24,000 per year in the form of a single life annuity

commencing on the first day of the month following the date you attain age 55.

8. All life insurance and disability insurance benefits provided to you by or through Selas will terminate on the Resignation Date.

9. The terms and conditions of this Letter Agreement will be treated as confidential by the undersigned parties and will not be disclosed to any person other than the parties attorneys, accountants, financial and tax advisors, and by you to your spouse and by Selas only to its employees and Board members who have been informed of the confidentiality requirements of this Letter Agreement, who have agreed to abide by those requirements, and who have a legitimate business need to know. Other disclosure may be made as required by law or by any legal proceeding required by either party to enforce its or your rights under the terms and conditions of this Letter Agreement. The parties acknowledge that Selas will be required to disclose the terms of this Agreement in its filings with the Securities and Exchange Commission.

10. Nothing in this Letter Agreement is intended to be or will be deemed to be an admission by Selas or you that Selas or you or any of Selas agents or employees has violated any state or federal statute, local ordinance, or principle of common law, or that Selas or you has engaged in any wrongdoing.

11. You agree that you will not disparage Selas, its Board, its management, or its employees in any respect. Selas agrees that its Board members and its management will not disparage you in any respect.

12. You agree that by signing this Letter Agreement you are, for yourself and anyone who asserts or obtains legal rights from you, releasing unconditionally and discharging Selas, its subsidiaries, affiliates and related entities, past and present Board members, officers, and employees and any entity affiliated with any of the foregoing, from any and all past or present claims, demands, obligations, actions, damages and expenses of any nature, whether known or unknown, whether based in tort, contract or other theory of recovery and whether for compensatory or punitive damages, which you now have, whether known or unknown, on account of or in any way growing out of the employment relationship between the parties, including but not limited to any claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Pennsylvania Human Relations Act, all other federal, state, or local civil rights law or common law, including but not limited to, retaliatory discharge, breach of contract, promissory estoppel, wrongful termination of employment, defamation, intentional or negligent infliction of emotional distress, and/or any other claims for unlawful employment practices, whether legal or equitable. You acknowledge that you have been paid all wages and benefits due you as an employee of Selas as of the date you sign this Letter Agreement, other than accrued salary and vacation compensation specified in paragraph 6. You agree not to institute or participate voluntarily in any law suit or proceeding brought by any individual relating in any way to your employment relationship with Selas up to the time of your signing this Agreement. You acknowledge that this release includes a waiver of any right to money damages or other individual remedies or damages awarded by any governmental agency including the EEOC.

13. You have 21 days, not counting the day you receive this Letter Agreement, to consider this separation package. You acknowledge that if you sign this Letter Agreement before the end of the 21-day period, it will be your personal, voluntary decision to waive the remainder of the consideration period. Selas and you agree that any changes in this Letter Agreement made prior to signing, whether material or not, do not restart the 21-day period for consideration.

14. You may rescind and revoke this Letter Agreement for

any reason within seven (7) days after you sign this Letter Agreement, and it will not become effective or enforceable until this seven-day period has expired. To be effective, the rescission must be in writing and delivered by hand or mailed to Mark Gorder, President, Selas Corporation of America, 1260 Red Fox Road, Arden Hills, MN 55112, within such seven-day period. If mailed, the rescission must be (a) postmarked within the seven-day period; (b) properly addressed to me as shown above; and (c) sent by certified mail, return receipt requested. This Letter Agreement shall not become effective until the rescission period has expired. You will not be entitled to any payment if you rescind this Letter Agreement, other than salary, vacation, or other benefits payable as of your Resignation Date.

15. You retain all stock options in the Companys Amended and Restated 1994 Stock Option Plan (the Stock Option Plan) that vest prior to your Resignation Date and that you shall be able to exercise these options under during a period of not more than three (3) months after your Resignation Date, all in accordance with the Companys Stock Option Plan.

16. You agree that you will not retain any copies of company property or documents, except for those that I specifically authorize that you may retain for purposes of performing the Consulting Services. You agree that this obligation is ongoing and that if you subsequently discover any additional Company property you will promptly return it to Selas. On or before your Resignation Date, you agree to return promptly all other Company property and equipment of any kind and all files, documents, and copies of such.

17. For the purposes of this paragraph, Confidential Information means information not readily available to persons not employed by Selas or others who are not in a confidential relationship with Selas. Confidential information includes financial, customer, pricing, sales, marketing, investments, and strategic planning information.

You recognize and acknowledge that during your employment with Selas, you had access to, worked with and became familiar with Confidential Information of Selas and its subsidiaries. You further agree that you have established longstanding relationships with Selas and its subsidiaries customers, that Selas and its subsidiaries are engaged in highly competitive activities, and that Selas and its subsidiaries could suffer irreparable harm if you engage in competitive activities.

You agree that until one year after the expiration or earlier termination of the consulting arrangement described in paragraph 4, you will not on your own behalf or as a partner, officer, director, employee, agent, or consultant of any other person or entity, directly or indirectly, engage in the business of providing products or services to customers of Selas or any of its subsidiaries which are the same or similar to services provided by Selas or any of its subsidiaries. You and Selas agree that the products and services which Selas and its subsidiaries provide to their customers include services related to specialized industrial heat-processing systems used by manufacturers of steel, glass, and other materials; hearing device components and systems, molded plastics, medical plastics, termistors, capacitors, and other high technology products; and tire holders, hoists and related products.

You also agree that until one year after the expiration or earlier termination of the consulting arrangement described in paragraph 4, you will not on your own behalf or as a partner, officer, director, employee, agent, or consultant of any other person or entity, solicit or induce any employee of Selas or any of its subsidiaries to leave their employment with Selas or any of its subsidiaries or consider employment with another person or entity.

You further agree that until one year after the expiration or earlier termination of the consulting arrangement described in paragraph 4, you will not solicit employment with any customers

of Selas or any of its subsidiaries. You also agree that until one year after the expiration or earlier termination of the consulting arrangement described in paragraph 4, you will not directly or directly solicit employment with a competitor of Selas or any of its subsidiaries. For purposes of this Letter Agreement, the term competitor includes, but is not limited to, any person, firm, company, corporation, or other legal entity engaged in the business of providing products or services which are the same or similar to services provided by Selas or any of its subsidiaries.

You further understand and agree that you will not disclose or communicate any Confidential Information to any third party without the consent of Selas and that you will not make use of Confidential Information on your own behalf or on behalf of any third party.

You understand that any breach of these paragraphs would cause irreparable harm to Selas, and that, therefore, Selas shall be entitled to an injunction prohibiting you from any such breach. This provision with respect to injunctive relief will not, however, diminish the rights of Selas to claim and recover damages in addition to injunctive relief. You expressly acknowledge that the undertaking regarding Confidential Information set forth above shall survive the expiration or termination of other agreements or duties in this Letter Agreement.

If you breach any of your obligations contained in this paragraph 17, all consulting amounts paid and/or owed to you pursuant to this Letter Agreement at the election of Selas, shall be forfeited and returned to Selas. If you breach any of your obligations contained herein, Selas shall be able to pursue all legal and equitable remedies available. You will also be liable to Selas for any and all costs, including attorneys fees, incurred in enforcing this Letter Agreement.

18. You acknowledge and agree that Selas payments to you and all other promises of Selas to you set forth in this Letter Agreement constitute full and adequate consideration for this Letter Agreement and that, if you do not sign this Letter Agreement or if you rescind pursuant to paragraph 14, or otherwise challenge the effectiveness of all or any part of this Letter Agreement at any time, or breach any of your obligations contained in this Letter Agreement at any time, Selas shall have no obligation to provide any portion of the consideration. If either you or Selas breaches this Letter Agreement, the breaching party will pay all reasonable costs, including attorneys fees, incurred by the non-breaching party in enforcing this Letter Agreement.

19. This Letter Agreement may not be modified or amended in any way except in a writing signed by both parties. This Letter Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, and assigns and shall be interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

20. If any provision of this Letter Agreement is held to be illegal, invalid or unenforceable under present or future laws, rules, or regulations, such provision shall be fully severable, and this Letter Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Letter Agreement, and the remaining provisions of this Letter Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Letter Agreement.

21. This Letter Agreement constitutes the entire agreement of the parties concerning its subject matter and supersedes all prior agreements, statements, promises and negotiations, written or oral, concerning such subject matter. Without limiting the generality of the preceding sentence, the Agreement on Termination Following Change of Control or Asset Sale between you

and Selas is hereby terminated.

22. By signing this Letter Agreement, you acknowledge that you have had the opportunity to be represented by your own attorney, that you have read and understood the terms of this Letter Agreement, and that you are voluntarily entering into this Letter Agreement to resolve any disputes with Selas and to receive the benefits of this separation package.

Please indicate your acceptance of this separation package by signing, dating, and returning to me the extra copy of this Letter Agreement that I have enclosed for you within the time provided in paragraph 13. I look forward to hearing from you.

SELAS CORPORATION OF AMERICA

By /s/ Mark S. Gorder
Mark S. Gorder, President

ACCEPTANCE

I accept and agree to the terms of this Letter Agreement.

Dated: November 30, 2001 /s/
Robert W. Ross
Robert W. Ross

Mr. Mark Gorder
President
Selas Corporation of America
1260 Red Fox Road, Arden Hills
MN 55112

Dear Mark:

I voluntarily resign, effective October 31, 2001, (a) my employment with Selas Corporation of America (Selas) and each of its subsidiaries, (b) each position I hold as an officer of Selas and any of its subsidiaries, and (c) each position I hold as a director of any subsidiary of Selas.

Yours truly,

/s/ Robert W. Ross

Robert W. Ross
Vice President and Secretary
Selas Corporation of America
President
Heat Technology Group

Exhibit A

Selas Corporation of America

Exhibit 13

(the Company) is a diversified firm with international operations and sales that engages in the design, development, engineering and manufacturing of a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, France, Germany, Japan, Portugal and Singapore, operates directly or through subsidiaries in three business segments.

Under the SelasTM name, the Heat Technology segment designs and manufactures specialized industrial heat processing systems for the aluminum and glassware industries worldwide, and replacement parts for steel, aluminum, glass and other manufacturers worldwide. The Companys Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components, systems and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. The companys Tire Holders, Lifts and related Products segment manufactures products, primarily based on cable winch designs, for use as original equipment by the pick-up truck and minivan segment of the automotive industry.

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Companys primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries form the Companys large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue and a loss from operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries. See further information in note 2 to the consolidated financial statements.

Financial Highlights

Years ended December 31	2001 (a)	2000
Net sales	\$ 86,310,000	\$ 89,304,000
Income from continuing operations, Net of tax	658,000	3,005,000
(Loss) from discontinued operations, net of tax	(5,275,000)	(69,000)
Net income (loss)	(4,617,000)	2,936,000
Basic earnings (loss) per share:		
Continuing operations . . . . .	.13	.59
Discontinued operations	(1.03)	(.02)
Basic income (loss) per share	(.90)	.57
Diluted earnings (loss) per share		
Continuing operations . . . . .	.13	.59
Discontinued operations	(1.03)	(.02)
Diluted income (loss) per share	(.90)	.57
Working capital	6,978,000	14,839,000
Total assets	76,100,000	74,593,000
Total shareholders equity	38,605,000	44,098,000

(a) The Companys large custom-engineered subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue in 2001 and 2000, respectively, and a loss from discontinued operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. These sales have been reclassified to discontinued operations.

Market and Dividend Information

2001

2000

Quarter	Market Price Range		Market Price Range	
	High	Low	High	Low
First	\$4.000	\$3.100	\$6.750	\$4.875
Second	4.750	3.300	7.625	5.250
Third	4.500	2.850	7.500	4.625
Fourth	3.600	2.000	5.937	2.750

At February 7, 2002 the Company had 413 shareholders of record.

	2001	2000	1999
Dividends per share:			
First Quarter . . .	\$.045	\$.045	\$.045
Second Quarter. . .	.045	.045	.045
Third Quarter . . .	.045	.045	.045
Fourth Quarter. . .	.000	.045	.045

The payment of any future dividends is subject to the discretion of the Board of Directors and is dependent on a number of factors, including the Company's capital requirements, financial condition, financial covenants and cash availability.

Selas is an equal opportunity employer.

THE COMMON STOCK OF SELAS CORPORATION OF AMERICA IS LISTED ON THE AMERICAN STOCK EXCHANGE UNDER THE SYMBOL SLS.

Selas Corporation of America
Five-Year Summary of Operations
(In thousands, except for share and per share data)

Years ended December 31	2001(a)	2001(b)	1999
Sales, net	\$ 86,310	\$ 89,304	\$77,839
Cost of sales	66,974	68,384	57,640
Selling, general and administrative expenses	17,143	15,935	15,857
Interest expense	515	574	534
Interest income	(97)	(51)	(45)
Other (income) expense, net	144	(409)	318
Income from continuing operations			
before income taxes	1,631	4,865	3,541
Income taxes	973	1,860	1,803
Income from continuing operations	658	3,005	1,738
Income (loss) from discontinued operations, net of income taxes	(5,275)	(69)	(9)
Net income (loss)	(4,617)	2,936	1,729
Basic earnings (loss) per share:			
Continuing operations	.13	.59	.33
Discontinued operations	(1.03)	.(02)	
Net income (loss)	(.90)	.57	.33
Diluted earnings (loss) per share:			
Continuing operations	.13	.59	.33
Discontinued operations	(1.03)	.(02)	
Net income (loss)	(.90)	.57	.33
Comprehensive income (loss)	(4,802)	1,746	1,672

Weighted average number of

Shares outstanding during
year

Basic	5,119,214	5,121,513	5,196,072
Diluted	5,134,084	5,134,494	5,208,090

Selas Corporation of America
Five-Year Summary of Operations
(In thousands, except for share and per share data)

Years ended December 31	1998 (c)	1997 (d)
Sales, net	\$ 81,488	\$ 71,912
.		
Cost of sales	59,455	52,470
.		
Selling, general and administrative expenses	14,559	13,380
Interest expense	634	660
Interest income	(73)	(63)
Other (income) expense, net . .	(47)	(502)
Income from continuing operations before income taxes	6,960	5,967
.		
Income taxes	1,680	1,777
Income from continuing operations	5,280	4,190
Income (loss) from discontinued operations, net of income taxes	(1,670)	197
Net income (loss)	3,610	4,387
Basic earnings (loss) per share:		
Continuing operations	1.01	.80
Discontinued operations	(.32)	.04
Net income (loss) . . . . .	.69	.84
Diluted earnings (loss) per share:		
Continuing operations	1.00	.78
.		
Discontinued operations	(.32)	.04
.		
Net income (loss)	.68	.82
Comprehensive income (loss) .	3,665	4,802
Weighted average number of shares outstanding during year		
Basic	5,233,016	5,213,124
.		
Diluted	5,310,354	5,354,978
.		

Other Financial Highlights
(In thousands, except for share and per share data)

Years ended December 31	2001 (a)	2000 (b)	1999
-------------------------	----------	----------	------

Working capital	\$ 6,978	\$ 14,839	\$ 11,551
Total assets	76,100	74,593	67,044
Long-term debt	3,215	808	1,617
Long-term benefit obligations	3,879	3,773	3,847

Shareholders equity:

Capital stock and additional paid-in capital	17,647	17,647	17,647
Retained earnings	23,298	28,607	26,593
Accumulated other comprehensive income (loss)	(1,075)	(891)	299
Treasury stock	(1,265)	(1,265)	(1,203)
Total shareholders equity	38,605	44,098	43,336
Depreciation and amortization	4,025	3,773	3,690
Dividends per share	.135	.18	.18

Other Financial Highlights

(In thousands, except for share and per share data)

Years ended December 31	1998 (c)	1997 (d)
Working capital	\$ 13,467	\$ 13,546
Total assets	70,337	61,912
Long-term debt	3,102	5,518
Long-term benefit obligations	3,770	3,711

Shareholders equity:

Capital stock and additional paid-in capital	17,556	17,382
Retained earnings	25,798	23,130
Accumulated other comprehensive income (loss)	357	302
Treasury stock	(382)	(382)
Total shareholders equity	43,329	40,432
Depreciation and amortization	3,539	3,221
Dividends per share	.18	.178

The Companys large custom-engineered furnace subsidiaries have been accounted for as a discontinued operation. Accordingly, the historical financial information has been reclassified. See Note 2 to the consolidated financial statements.

(a) On January 11, 2001, the Company acquired the stock of Lectret, a Singapore based company.

On April 25, 2001, the Company sold a minority interest of Nippon Selas, a Tokyo, Japan based company to three directors of Nippon Selas.

(b) On January 12, 2000, a subsidiary of the Company acquired the stock of Ermat S.A.

On June 6, 2000, the Company acquired the remaining 50.1% interest of Nippon Selas.

(c) On February 28, 1998, a subsidiary of the Company acquired the stock of CFR.

On May 27, 1998, a subsidiary of the Company acquired the stock of IMB Electronic Products, Inc.

On October 28, 1998, a subsidiary of the Company, RTI Technologies PTE LTD, acquired certain assets and liabilities of Lectret.

(d) February 21, 1997, a subsidiary of the Company acquired the assets of RII Electronics, Inc.

Managements Discussion and Analysis of Financial Condition and Results of Operations

2001 compared with 2000

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Companys primary custom-engineered furnace business, Selas SAS Paris, along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries form the Companys large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue and a loss from operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries. See further information in note 2 to the consolidated financial statements.

Consolidated net sales decreased 3.3% to \$86.3 million in 2001 from \$89.3 million in 2000. Net sales for the heat technology segment increased to \$33.5 million in 2001 compared to \$31.8 million in 2000. The increase in sales in 2001 is attributable to a contract in backlog at the beginning of the year along with higher sales of replacement parts and burners partially offset by lower sales of smaller heat treating furnaces produced by the Companys CFR and Ermat subsidiaries. CFR and Ermat manufacture small heat treating furnaces utilized in the aluminum and glassware industries worldwide. Sales and earnings of heat treating contracts are recognized on the percentage of completion method and generally require more than twelve months to complete. The Company is not dependent on any one heat technology customer on an ongoing basis. Backlog for the heat technology segment was \$16.8 million as of December 31, 2001 compared to \$20.4 million as of December 31, 2000.

The Company's precision miniature medical and electronic products segment net sales decreased to \$37.8 million in 2001 from \$39.7 million in 2000. Revenue decreased in the current year compared to 2000 because of lower sales of thermistor and capacitor parts to the electronics and telecommunications industries and lower shipments of component parts to the hearing health industry. These decreases were partially offset by the inclusion in the current year of the sales of approximately \$3 million of Lectret, a Singapore manufacturer of microphone capsules acquired in January, 2001. The Companys sales in this segment are affected by the telecommunications industry which continues its ongoing slump and the hearing health markets which have been flat for the last several years.

Net sales for the tire holders, lifts and related products segment decreased to \$15.0 million in 2001 compared to \$17.8 million in 2000. The decline in revenue is due to lower sales of tire lift products to the Companys automotive customers, reflecting the conditions within this industry and the loss of a contract at the beginning of the year to supply tire lifts for one of its customers new car models.

The Company's gross profit margin as a percentage of sales decreased to 22.4% in 2001 from 23.4% in 2000. Gross profit margins for the heat technology segment increased to 21.0% for 2001 compared to 17.1% for 2000. Heat technology gross profit margins vary markedly from contract to contract, depending on customer specifications and other conditions related to the contract. Revised costs may be affected by changes in material purchase price estimates, labor and subcontractor completion estimates and other factors related to the contract. The gross profit margins for 2001 were higher because of the increased revenue generated by sales of replacement parts and burners, which typically have better profit margins than heat treating contracts. This improvement was partially offset by cost overruns on some of the smaller furnace orders at the Company's CFR subsidiary. Heat technology reserves for guarantee obligations and estimated future costs of services increased to \$.9 million in 2001 from \$.5 million in 2000 due to the completion or near-completion of several contracts during the year. Guarantee obligations and estimated future service costs on contracts extend for up to one year from completion.

Gross profit margins for the precision miniature medical and electronic products segment decreased to 26.1% in 2001 from 29.1% in 2000. The lower margins in the current year are attributable to the mix of product sales between the periods as hearing health component parts, whose sales have been declining, have higher profit margins compared to some of the segments other products, particularly hearing health system parts, whose sales have been increasing.

Gross profit margins for the tire holders, lifts and related products segment decreased to 16.2% in 2001 from 22.1% in 2000. The lower margins in the current year are due to a loss of efficiencies in the tire lift production process resulting from the decline in sales to the automotive industry.

Selling, general and administrative expenses (SG&A) increased 7.6% to \$17.1 million in 2001 compared to \$15.9 million in 2000. The higher selling, general and administrative expenses in the current year are due primarily to the January 2001 acquisition of Lectret, a Singapore microphone capsule manufacturer and the inclusion of Nippon Selas results for a full year. The remaining equity investment in Nippon Selas was acquired in June, 2000.

Research and development costs increased to \$1.5 million in 2001 compared to \$1.2 million in 2000 due to increased activity at the precision miniature medical segment. Interest expense was basically unchanged at \$.5 million in 2001 compared to \$.6 million in 2000. Interest income increased to \$97,000 in 2001 compared to \$45,000 in 2000 due mainly to interest imputed on a trade note receivable.

Other (income) expense includes gains on foreign exchange of \$46,000 and \$38,000 in 2001 and 2000, respectively. Other income in 2000 also includes investment income of approximately \$247,000.

The effective tax rate in 2001 and 2000 on income before income taxes was 59.7% and 38.2%, respectively. See note 12 to the consolidated financial statements regarding the reconciliation of the statutory income tax rate to the effective tax rate. In 2001, the Company recognized an increase to the valuation allowance related to certain foreign net operating losses which the Company believes are not more than likely to be realized in the coming years.

Consolidated net (loss) of \$4.6 million in 2001 decreased from an income of \$2.9 million in 2000. The Company's heat technology segment had income of \$.5 million in 2001 compared to \$.5 million in 2000. The precision miniature medical and electronic products segment's income decreased to \$.3 million in 2001 compared to \$1.8 million in 2000 due to the decline in sales of parts to the electronics and hearing health industries and higher SG&A expenses related to the acquisition of Lectret. The Company's tire holders, lifts and related products segment decreased its net income to \$.7 million in 2001 compared to \$1.4 million in 2000 because of lower tire lift sales to the automotive industry and a loss of production efficiencies in the manufacturing process. General corporate expenses, net, increased to \$852,000 in 2001 from \$679,000 in 2000.

Discontinued operations generated a \$5.3 million loss in 2001 compared to a loss of \$69,000 in 2000. The increase in the loss is due to the delay in the receipt of a large engineered contract and lower gross profit margins on certain orders completed in 2001 and cost overruns on contracts started in 2000. In the fourth quarter of 2001, the Company determined that the realizability of the deferred tax assets associated with their European discontinued operations were not recoverable. The Company recognized a valuation allowance of approximately \$2.7 million.

Liquidity and Capital Resources

Consolidated net working capital decreased to \$7.0 million at December 31, 2001 from \$14.8 million at December 31, 2000. The decrease is due primarily to the purchases of property and equipment, paydown of long-term debt and payment of dividends offset by net assets acquired through acquisitions. The major changes in components of working capital for the year were lower accounts receivable of \$5.5 million, higher inventories of \$2.4 million, higher notes payable of \$3.1 million, lower income taxes payable of \$.7 million, and higher current maturities of long-term debt of \$.7 million. These changes relate mainly to the ongoing operations of the Company and to a lesser extent, the acquisition of Lectret in January, 2001. As part of the ongoing operations of the Company, management periodically performs a strategic analysis of all assets of the Company to ensure that an appropriate rate of return is achieved from the invested capital.

The Company's long-term debt at December 31, 2001 was \$3.2 million. The increase in long-term debt is due to the refinancing in January, 2001 of the Company's credit facilities referred to above partially offset by repayments. The increase in notes payable relates to the same credit facility refinancing and repayments during the year.

At September 30, 2001, the Company did not meet the tangible capital funds covenant of its existing loan and revolving credit facilities. The Company has obtained waivers from the bank through April 15, 2002. The Company has been negotiating with the bank to obtain new domestic revolving credit facilities, new domestic long-term financing and a new European working capital credit arrangement that is used for working capital or guarantees for customer advance payments on contracts.

On April 15, 2002, the Company entered into a second waiver and amendment agreement for its domestic and foreign revolving credit and term loan facilities and obtained a new domestic supplemental credit facility in the amount of \$5,000,000 to be used for additional domestic borrowing and for the issuance of advance payment guarantees. Borrowings under the amended credit facilities bear interest at LIBOR plus 1.5% to 2.5% until the sale of the discontinued operations at which time the remaining credit facilities after paydown with proceeds, if any, from the sale bear interest at LIBOR plus 1.5% to 2.0% for the remaining term of the loan and a commitment fee of .25% per annum is payable on the unborrowed portion. In addition the company has agreed to pay a nonrefundable commitment fee of \$150,000 plus an amount equal to 2% of that portion of the gross price of the sale of the European discontinued operation in excess of 7,000,000 Euros.

The Company's domestic revolving credit loan facilities of \$2,977,526 mature on January 31, 2003. The European term loan and credit facilities of \$1,499,311 and \$5,328,390 respectively, mature on the earlier of January 31, 2003 or the date of sale of the discontinued operations. The domestic term loan credit facilities of \$2,465,833 continue to expire during the period from July 1, 2004 and February 1, 2006. The Company's guarantee customer advance payments of \$1,960,418 expire on the earlier of January 31, 2003 or the date of sale of the discontinued operations. The new domestic supplemental credit facility of \$5,000,000 matures on the earlier of January 31, 2003 or the date of the sale of the discontinued operations.

In connection with the second waiver and amendment agreement, the Company has pledged as collateral substantially all of the assets of the Company's domestic and foreign subsidiaries except for those assets that are impractical to pledge under local law. The credit facilities contain restrictive covenants regarding the payment of cash dividends, capital expenditures, acquisitions, maintenance of working capital, net worth and shareholders equity, along with the maintenance of certain financial ratios.

As of December 31, 2001, the Company was not required to maintain any financial covenants due to the receipt of a waiver from the financial institution. The impact of the amended credit facilities is expected to be an increase in interest expense of approximately \$200,000. Management believes that the Company will be able to maintain the amended covenants through January 1, 2003.

We believe that the amended credit facility combined with funds expected to be generated from operations, the available borrowing capacity through its revolving credit loan facilities, the potential sale of the European subsidiaries, curtailment of the dividend payment and control of capital spending will be sufficient to meet its anticipated cash requirements for operating needs.

Contractual Obligations

The following tables represent the Companys contractual obligations and commercial commitments as of December 31, 2001.

Period	Payments Due by					
	Contractual Obligations	Total	Current	2-3 Years	4-5 Years	After 5 Years
Long-term debt	\$4,711,000	\$1,496,000	\$2,458,000	757,000		
Operating leases	9,754,000	1,441,000	2,787,000	2,358,000	3,168,000	
Other long-term Obligations	2,572,000	718,000	1,854,000			
Total contractual Cash obligations	17,037,000	3,655,000	7,099,000	3,115,000	3,168,000	

Period	Amount of Commitment Expiration By					
	Other Commercial Commitments	Total Amounts Committed	Current	2-3 Years	4-5 Years	Over 5 Years
Lines of credit	\$9,422,000	\$9,422,000				
Guarantees	2,553,000	2,390,000	163,000			
Total commercial commitments	11,975,000	11,812,000	163,000			

A significant portion of the heat technology segment sales and the discontinued operations are denominated in foreign currencies, primarily the French franc. Generally, the income statement effect of changes in foreign currencies is partially or wholly offset by the European subsidiaries ability to make corresponding price changes in the local currency. From time to time the impact of fluctuations in foreign currencies may have a material effect on the financial results of the Company. See note 14 to the consolidated financial statements.

The Company is a defendant along with a number of other parties in approximately 253 lawsuits as of December 31, 2001 (approximately 100 as of December 31, 2000) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Companys excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period

will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially affect the Company's consolidated financial position, liquidity, or results of operations.

Beginning in January 2002, new Euro-denominated bills and coins were issued, and legacy currencies have been withdrawn from circulation. The Company has recognized this situation and has developed a plan to address any issue being raised by the currency conversion. Possible issues include, but are not limited to, the need to adapt computer and financial systems to recognize Euro-denominated transactions, as well as the impact of one common European currency on pricing. The Company believes that all issues have been resolved during 2001. No issues have arisen in 2002 that impact the Company's ability to operate.

During the first quarter of 1999, the Company implemented a program to repurchase up to 250,000 shares of its common stock, which at the time represented approximately 5% of its total shares outstanding. The shares have been purchased from time to time on the open market during 1999 and 2000. As of December 31, 2001, the Company has repurchased a total of 152,190 shares of its common stock at a cost of \$883,141.

New Accounting Pronouncements

In July, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations". Statement 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company had no significant acquisitions after June 30, 2001.

Also in July, 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which replaces the requirement to amortize intangible assets with indefinite lives and goodwill with a requirement for a transitional impairment test. Statement 142 requires an evaluation of intangible assets and their useful lives. After transition, the impairment tests will be performed annually in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Intangible assets with definite useful lives are required to be amortized over their respective estimated useful lives and also reviewed for impairment in accordance with SFAS No. 121.

As of the date of adoption, the Company has unamortized goodwill in the amount of \$15,632,000, which will be subject to the transition provisions of Statements 141 and 142. Amortization expense related to goodwill was approximately \$664,036 and \$733,000 for the year ended December 31, 2001 and 2000, respectively. Because of the extensive effort needed to comply with adopting Statements 141 and 142, it is not practical to reasonably estimate the impact of adopting these Statements on the Company's financial statements at the date of this report.

In July 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. Adoption is required for fiscal years

beginning after June 15, 2002, with earlier adoption encouraged. The Company is in the process of analyzing the implications of SFAS 143 and does not believe that the adoption of this statement will have a material impact on the net earnings of the Company.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS Statement 144 supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. SFAS Statement 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS Statement 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of analyzing the implications of this statement and does not expect the guidance to have a material impact on the net earnings of the Company.

2000 Compared with 1999

Consolidated net sales increased 14.7% to \$89.3 million in 2000 from \$77.8 million in 1999. Net sales for the heat technology segment increased to \$31.8 million in 2000 compared to \$23.8 million in 1999. The increase in sales in 2000 is attributable to higher sales generated by CFR and sales from Ermat S.A., the French small furnace manufacturer acquired in January, 2000. Sales and earnings of engineered contracts are recognized on the percentage of completion method and generally require more than twelve months to complete. The Company is not dependent on any one heat technology customer on an ongoing basis. Backlog for the heat technology segment was \$20.4 million as of December 31, 2000 compared to \$8.9 million as of December 31, 1999.

The Company's precision miniature medical and electronic products segment net sales increased to \$39.7 million in 2000 from \$35.5 million in 1999. Revenue increased compared to 1999 due to higher sales to the hearing health, medical infusion and electronic products industries, reflecting the improved conditions in those markets during the current year.

Net sales for the tire holders, lifts and related products segment decreased to \$17.8 million in 2000 compared to \$18.6 million in 1999. The decrease in revenue results from lower unit sales of tire lifts to the automotive industry due to a downturn in that market toward the end of the year. The downturn in the market continued through 2001.

The Company's gross profit margin as a percentage of sales decreased to 23.4% in 2000 from 26% in 1999. Gross profit margins for the heat technology segment decreased to 17.1% for 2000 compared to 24% for 1999. Heat technology gross profit margins vary markedly from contract to contract, depending on customer specifications and other conditions related to the contract. The gross profit margins for 2000 were impacted by revenue recognized on contracts that had higher than expected costs, partially offset by higher sales of spare and replacement parts, which generally have higher profit margins. Heat technology reserves for guarantee obligations and estimated future costs of services were unchanged at \$.5 million in 2000 and \$.5 million in 1999. Guarantee obligations and estimated future service costs on contracts extend for up to one year from completion.

Gross profit margins for the precision miniature medical and electronic products segment decreased to 29.1% in 2000 from 30.2% in 1999. The reduction in margins in 2000 is partially attributable to the mix of product sales between the years as precision miniature systems, medical infusion parts and electronic products have varying profit margins. Partially offsetting the lower margins due to product mix in 2000 were lower costs resulting from the consolidation of the production facilities of RTI Electronics into one location, which was completed in 1999.

Gross profit margins for the tire holders, lifts and related products segment improved to 22.1% in 2000 from 20.9% in 1999. The improvement in 2000 is due to efficiencies from higher production through most of the period partially offset by the decrease in sales over the last several months of the year.

Selling, general and administrative expenses were unchanged at \$15.9 million in 2000 and \$15.9 million in 1999.

Research and development costs decreased to \$1.2 million in 2000 compared to \$1.3 million in 1999. Interest expense increased slightly to \$.6 million in 2000 compared to \$.5 million in 1999 due to higher average borrowings of notes payable and higher interest rates offset by repayments of long-term debt. Interest income decreased to \$45,000 in 2000 compared to \$51,000 in 1999, due to lower average funds available for investment in 2000.

Other (income) expense includes gains on foreign exchange of \$38,000 and losses of \$191,000 in 2000 and 1999, respectively. Other income in 2000 also includes investment income of approximately \$247,000.

The effective tax rate in 2000 and 1999 on income before income taxes was 38.2% and 50.9%, respectively. See note 12 to the consolidated financial statements regarding the reconciliation of the statutory income tax rate to the effective tax rate.

Consolidated net income of \$2.9 million in 2000 increased 70.5% from \$1.7 million in 1999. The Company's heat technology segment had income of \$.5 million compared to a loss of \$.3 million in 1999 due to higher sales partially offset by several contracts that had higher than expected costs. The precision miniature medical and electronic products segment's income increased to \$1.8 million in 2000 compared to \$1.3 million in 1999 as a result of higher sales and lower costs due to the consolidation of RTI Electronics production facilities. The Company's tire holders, lifts and related products segment increased its net income to \$1.4 million in 2000 compared to \$1.3 million in 1999 despite lower sales because of increased efficiencies in its tire lift production through most of the year. General corporate expenses, net of tax, increased to \$679,000 in 2000 from \$613,000 in 1999.

Discontinued operations increased its net loss in 2000 to \$69,000 from \$9,000 in 1999. The marginal increase in the loss was due to higher SG&A expenses partially offset by improved gross profit margins.

In 1999, the Company was informed by an automotive customer that the Company will not supply the tire lift for a 2001 model year vehicle. The Company will continue to supply the tire lift for the current vehicle model on a declining volume basis through 2002. The Company continues to pursue tire lift orders for other vehicles with this customer as well as other customers during the year 2001.

Significant Accounting Policies

The significant accounting policies of the Company are described in note 1 to the consolidated financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period.

Certain accounting estimates and assumptions are particularly sensitive because of their significance to the consolidated financial statements and possibility that future events affecting them may differ markedly. The accounting policies of the Company with significant estimates and assumptions are described below.

Revenue Recognition

A portion of the Company's net sales from its heat technology segment is generated pursuant to contracts that require substantial time to

complete and are accordingly accounted for on a percentage-of-completion basis. Under this method of accounting, the sales recognized on each contract during a particular accounting period are determined by multiplying the total contract amount by the ratio of costs incurred to estimated total costs and deducting sales recognized in prior accounting periods. Such contract costs and expenses incurred on a progress basis at the time the sales value is recorded are charged to cost of sales. Under percentage-of-completion accounting, revisions in cost estimates during the progress of the work under the contracts have the effect of including in the current accounting period adjustments necessary to reflect the results indicated by the revised estimates of the final cost. Revised costs may be affected by changes in material purchase price estimates, labor and subcontractor completion estimates and other factors related to the contract. In addition, the Company provides reserves for guarantee obligations and estimated future costs of service under these contracts based on its past experience with similar projects and provides currently for any anticipated or known contract losses.

The Companys custom-engineered systems business is cyclical in nature. While customers for the Companys custom-engineered systems are located throughout the world, there is a finite market for the Companys custom-engineered furnaces. These furnaces have long useful lives, and replacement business is not a significant factor in sales of such installations.

Discontinued Operations

The Company continuously assesses the return on their business segments. When management with the appropriate level of authority determines that a plan is in place to restructure the operations of a business or discontinue an operation, contractual commitments and obligations are recorded. See a discussion in note 2 to the consolidated financial statements.

Deferred Taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, along with reasonable and prudent tax planning strategies and the expiration dates of carryforwards, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2001.

Litigation

The Company is involved in lawsuits arising in the normal cost of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially offset the Companys consolidated financial position, liquidity or results of operations.

Risk Factors

The Company has experienced and expects to continue to experience fluctuations in its results of operations. Factors that affect the Companys results of operations include the volume and timing of orders received, changes in the global economy and financial markets, changes in the mix of products sold, market acceptance of the Companys and its customers products, competitive pricing pressures, global currency valuations, the availability of electronic components that the Company purchases from suppliers, the Companys ability to meet increasing demand, the Companys ability to introduce new products on a timely basis, the timing of new product announcements and introductions by the Company or its competitors, changing customer requirements, delays in new product qualifications, and the timing and extent of research and development expenses. As a result of the foregoing or other factors,

there can be no assurance that the Company will not experience material fluctuations in future operating results on a quarterly or annual basis, which would materially and adversely affect the Companys business, financial condition and results of operations.

Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by general economic conditions and by financial, competitive, political, business and other factors. Many of these factors are beyond our control. We believe that the amended credit facility combined with funds expected to be generated from operations, the available borrowing capacity through its revolving credit loan facilities, the potential sale of the European subsidiaries, curtailment of the dividend payment and control of capital spending will be sufficient to meet its anticipated cash requirements for operating needs. If, however, we do not generate sufficient cash or complete such financings on a timely basis, we may be required to seek additional financing or sell equity on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition.

Forward-Looking and Cautionary Statements

Certain statements herein that include forward-looking terminology such as may, will, should, expect, anticipate, estimate, plan or continue or the negative thereof or other variations thereon are, or could be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are affected by known and unknown risks, uncertainties and other factors that may cause the Companys actual results, performance or achievements to differ materially from the results, performance and achievements expressed or implied in the Companys forward-looking statements. These risks, uncertainties and factors include competition by competitors with more resources than the Company, foreign currency risks arising from the Companys foreign operations, and the cyclical nature of the market for large heat technology contracts. Reference is made to the Companys 2001 Annual Report on Form 10-K regarding other important factors that could cause the actual results, performance or achievement of the Company to differ materially from those contained in or implied by any forward-looking statement made by or on behalf of the Company, including forward-looking statements contained herein.

Selas Corporation of America Consolidated Statements of Operations

Years ended December 31	2001	2000	1999
Sales, net	\$ 86,309,803	\$ 89,304,452	\$ 77,838,926
Operating costs and expenses			
Costs of sales	66,973,503	68,384,514	57,639,610
Selling, general and administrative expenses	17,143,105	15,934,687	15,856,986
Operating income	2,193,195	4,985,251	4,342,330
Interest expense	515,347	573,893	534,196
Interest income	(97,401)	(44,572)	(50,872)
Other (income) expense, net	143,873	(408,910)	317,915
Income from continuing operations before income taxes	1,631,376	4,864,840	3,541,091
Income taxes	973,761	1,860,305	1,802,649
Income from continuing operations	657,615	3,004,535	1,738,442

(Loss) from discontinued operations, net of income taxes	(5,274,930)	(68,749)	(9,282)
Net income (loss)	(4,617,315)	2,935,786	1,729,160
Basic earnings (loss) per share:			
Continuing operations	.13	.59	.33
Discontinued operations	(1.03)	(.02)	.00
Net income (loss)	(.90)	.57	.33
Diluted earnings (loss) per share:			
Continuing operations	.13	.59	.33
Discontinued operations	(1.03)	(.02)	.00
Net income (loss)	(.90)	.57	.33
Comprehensive income (loss)	(4,802,477)	1,746,209	1,671,549

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

Assets	2001	2000
Current assets		
Cash, including cash equivalents of \$391,000 in 2001 and \$428,000 in 2000	\$ 3,636,673	\$ 3,782,359
Accounts and notes receivable (including unbilled receivables of \$1,857,000 in 2001 and \$3,775,000 in 2000), less allowance for doubtful accounts of \$456,000 in 2001 and \$453,000 in 2000	17,376,784	22,837,518
Inventories	13,810,209	11,376,744
Deferred income taxes	1,521,809	1,457,385
Other current assets	1,033,689	1,298,897
Total current assets	37,379,164	40,752,903
Property, plant and equipment		
Land	554,943	554,943
Buildings	7,143,408	7,161,309
Machinery and equipment	32,502,680	30,436,805
	40,201,031	38,153,057
Less: Accumulated depreciation	25,621,190	22,701,389
Net property, plant and equipment	14,579,841	15,451,668
Net assets of discontinued operations	6,636,127	1,676,929
Excess of cost over net assets of acquired subsidiaries, less accumulated amortization of \$4,562,000 and \$3,898,000	15,631,502	15,599,884
Deferred income taxes	350,014	264,776
Other assets, less amortization	1,523,320	846,607
	76,099,968	74,592,767

See accompanying notes to the consolidated financial statements.

December 31, 2001 and 2000

Liabilities and Shareholders Equity	2001	2000
Current liabilities		
Notes payable	\$ 9,422,202	\$ 6,264,415
Current maturities of long-term debt	1,496,033	818,460
Accounts payable	10,232,880	9,908,141
Federal, state and foreign income taxes	461,393	1,201,720
Customers advance payments on contracts	2,809,988	2,624,038
Guarantee obligations and estimated future costs of service	878,952	506,102
Other accrued liabilities	5,100,021	4,590,936
Total current liabilities	30,401,469	25,913,812
Long-term debt	3,214,934	807,936
Other postretirement benefit obligations	3,878,948	3,772,574
Contingencies and commitments		
Shareholders equity		
Common shares, \$1 par; 10,000,000 shares authorized; 5,634,968 shares issued	5,634,968	5,634,968
Additional paid-in capital	2,012,541	12,012,541
Retained earnings	23,297,747	28,606,413
Accumulated other comprehensive loss	(1,075,561)	(890,399)
	39,869,695	45,363,523
Less: 515,754 common shares, respectively, held in treasury, at cost	(1,265,078)	(1,265,078)
Total shareholders equity	38,604,617	44,098,445
	76,099,968	74,592,767

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December, 31	2001	2000
Cash flows from operating activities:		
Net income (loss)	\$ (4,617,315)	\$ 2,935,786
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,025,394	3,772,752
Equity in loss of unconsolidated Affiliate		9,341
(Gains) losses on sale of property and equipment	(1,982)	(9,247)
Deferred taxes	(62,571)	(327,733)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	3,873,518	(4,796,697)
(Increase) decrease in inventories	(2,235,897)	(867,358)
(Increase) decrease in other assets	(1,203,959)	204,559
Increase (decrease) in accounts payable	(313,580)	4,028,946
Increase (decrease) in accrued expenses	405,504	247,679
Increase in customer advances	286,611	1,788,403
Increase (decrease) in other liabilities	160,889	(512,764)
Net cash provided by operating activities	316,612	6,473,667
Net cash provided (used) by discontinued operations	3,071,679	(158,226)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,332,113)	(3,675,930)
Proceeds from sales of property and equipment	11,847	24,260
Dividend from unconsolidated affiliate		
Acquisition of subsidiary companies, net of cash acquired	(65,155)	365,357
Net cash (used) by investing Activities	(2,385,421)	(3,286,313)
Cash flows from financing activities:		
Proceeds from short-term borrowings	3,396,314	2,227,453
Repayments of short-term borrowings	(3,942,418)	(92,730)
Proceeds from borrowings used to acquire subsidiaries	672,136	
Proceeds from long-term debt	1,919,191	
Repayments of long-term debt	(2,250,140)	(1,261,863)
Proceeds from exercise of stock options		
Purchase of treasury shares		(62,308)
Payment of dividends	(691,351)	(922,053)
Net cash (used) by financing activities	(896,268)	111,501)
Effect of exchange rate changes on cash	(252,288)	(271,137)
Increase (decrease) in cash and cash equivalents	(145,686)	2,646,490
Cash and cash equivalents beginning of year	3,782,359	1,135,869
Cash and cash equivalents end of year	3,636,673	3,782,359

See accompanying notes to the consolidated financial statements.

Cash flows from operating activities:	
Net income (loss)	\$ 1,729,160
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	3,689,944
Equity in loss of unconsolidated affiliate	2,181
(Gains) losses on sale of property and equipment	20,288
Deferred taxes	549,253
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(89,376)
(Increase) decrease in inventories	687,363
(Increase) decrease in other assets	(1,063,592)
Increase (decrease) in accounts payable	493,690
Increase (decrease) in accrued expenses	(495,480)
Increase in customer advances	617,885
Increase (decrease) in other liabilities	(25,661)
Net cash provided by operating activities.	6,115,655
Net cash provided (used) by discontinued operations	(400,150)
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,842,191)
Proceeds from sales of property and equipment	117,444
Dividend from unconsolidated affiliate	14,476
Acquisition of subsidiary companies, net of cash acquired	(37,895)
Net cash (used) by investing activities	(3,748,166)
Cash flows from financing activities:	
Proceeds from short-term borrowings	1,914,792
Repayments of short-term borrowings	(1,132)
Proceeds from borrowings used to acquire subsidiaries	
Proceeds from long-term debt	1,014,186
Repayments of long-term debt	(3,665,315)
Proceeds from exercise of stock options	83,540
Purchase of treasury shares	(820,833)
Payment of dividends	(934,303)
Net cash (used) by financing activities	(2,409,065)
Effect of exchange rate changes on cash	(147,880)
Increase (decrease) in cash and cash equivalents	(589,606)
Cash and cash equivalents beginning of year	1,725,475
Cash and cash equivalents end of year	1,135,869

Consolidated Statements of Shareholders Equity
Years ended December 31, 2001, 2000 and 1999

	Common Stock		Additional
	Number of	Amount	Paid-in
	Shares		Capital
Balance January 1, 1999	5,615,081	\$5,615,081	\$11,941,498
Net income			
Translation (loss)			
Exercise of 19,887 stock Options	19,887	19,887	71,043
Purchase of 141,290 treasury shares			
Cash dividends paid (\$.18 per share)			

Comprehensive income			
Balance December 31, 1999	5,634,968	5,634,968	12,012,541
Net income			
Translation (loss)			
Purchase of 10,900 treasury shares			
Cash dividends paid (\$.18 per share)			
Comprehensive income			
Balance December 31, 2000	5,634,968	5,634,968	12,012,541
Net (loss)			
Translation (loss)			
Derivative financial instrument fair value adjustment			
Cash dividends paid (\$.135 per share)			
Comprehensive (loss)			
Balance December 31, 2001	5,634,968	5,634,968	12,012,541

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders Equity
Years ended December 31, 2001, 2000 and 1999

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)
Balance January 1, 1999	25,797,823	356,789	
Net income	1,729,160		1,729,160
Translation (loss)		(57,611)	(57,611)
Exercise of 19,887 stock Options			
Purchase of 141,290 treasury shares			
Cash dividends paid (\$.18 per share)	(934,303)		
Comprehensive income			1,671,549
Balance December 31, 1999	26,592,680	299,178	
Net income	2,935,786		2,935,786
Translation (loss)		(1,189,577)	(1,189,577)
Purchase of 10,900 treasury shares			
Cash dividends paid (\$.18 per share)	(922,053)		
Comprehensive income			1,746,209
Balance December 31, 2000	28,606,413	(890,399)	
Net (loss)	(4,617,315)		(4,617,315)
Translation (loss)		(222,013)	(222,013)
Derivative financial instrument fair value adjustment		36,851	36,851

Cash dividends paid (\$.135 per share)	(691,351)	
Comprehensive (loss)		(4,802,477)
Balance December 31, 2001	23,297,747	(1,075,561)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders Equity
Years ended December 31, 2001, 2000 and 1999

	Treasury Stock	Total Shareholders Equity
Balance January 1, 1999	\$ (381,937)	\$43,329,254
Net income		1,729,160
Translation (loss)		(57,611)
Exercise of 19,887 stock Options		90,930
Purchase of 141,290 treasury shares	(820,833)	(820,833)
Cash dividends paid (\$.18 per share)		(934,303)
Comprehensive income		
Balance December 31, 1999	(1,202,770)	43,336,597
Net income		2,935,786
Translation (loss)		(1,189,577)
Purchase of 10,900 treasury shares	(62,308)	(62,308)
Cash dividends paid (\$.18 per share)		(922,053)
Comprehensive income		
Balance December 31, 2000	(1,265,078)	44,098,445
Net (loss)		(4,617,315)
Translation (loss)		(222,013)
Derivative financial instrument fair value adjustment		36,851
Cash dividends paid (\$.135 per share)		(691,351)
Comprehensive (loss)		
Balance December 31, 2001	(1,265,078)	38,604,617

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Selas Corporation of America is a diversified firm with international operations and sales that engages in the design, development, engineering and manufacturing of a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, France, Germany, Japan, Portugal and Singapore,

operates directly or through subsidiaries in three business segments.

Under the Selas™ name, the Heat Technology segment designs and manufactures specialized industrial heat processing systems for the aluminum and glassware industries worldwide, and replacement parts for steel, aluminum, glass and other manufacturers worldwide. The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components, systems and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. The Company's Tire Holders, Lifts and Related Products segment manufactures products, primarily based on cable winch designs, for use as original equipment by the pick-up truck and minivan segment of the automotive industry.

Basis of Presentation In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. Derbyshire. These subsidiaries form the Company's large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries. See further information in note 2 to the consolidated financial statements.

Consolidation The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions have been eliminated in consolidation.

Affiliated Company The Company accounts for its majority interest in Nippon Selas Company Ltd., Tokyo, Japan on the equity method.

Cash equivalents The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories Inventories, other than inventoried costs relating to long-term contracts, are stated at the lower of cost or market. The cost of the inventories was determined by the average cost and first in, first out method. Inventoried costs relating to long-term contracts are stated at the production and engineering cost, including overhead as well as actual costs incurred from sub-contractors, which are not in excess of estimated realizable value.

Revenue Recognition As long-term contracts progress, the Company records sales and cost of sales based on the percentage-of-completion method, whereby the sales value is determined by multiplying the total contract amount by the percent of costs incurred to estimated total costs. Such contract costs and expenses incurred on a progress basis at the time the sales value is recorded are charged to cost of sales. Revised costs may be affected by changes in material purchase price estimates, labor and subcontractor completion estimates and other factors related to the contract. General and administrative costs are expensed as incurred. The Company provides currently for anticipated and known contract losses. Guarantee obligations and estimated future contract costs of services on engineered contracts are based on past experience of similar projects. Due to the nature of engineered contracts, the guarantee obligations and estimated future costs will vary significantly from contract to contract. Revisions in cost estimates during the progress of the work under the contracts have the effect of including in the current accounting period adjustments necessary to reflect the results indicated by the revised estimates of final cost. Sales of manufactured products not sold under long-term contracts are recorded upon shipment to the customer.

Property, Plant and Equipment Property, plant and equipment are carried at cost. Depreciation is computed by straight-line and accelerated methods using estimated useful lives of 5 to 50 years for buildings and improvements, and 3 to 12 years for machinery and equipment. Improvements are capitalized and expenditures for maintenance, repairs and minor renewals are charged to expense when

incurred. At the time assets are retired or sold, the costs and accumulated depreciation are eliminated and the resulting gain or loss, if any, is reflected in the consolidated statement of operations.

Excess of Cost Over Net Assets of Acquired Subsidiaries Goodwill represents the excess of purchase price over fair value of net assets acquired and is amortized on a straight-line basis over the expected periods to be benefited, which currently is between fifteen and forty years.

Patents and other intangible assets are valued at the lower of amortized cost or fair market value and are amortized on a straight-line basis over the expected periods to be benefited, which currently is 5 to 20 years. Costs related to start-up activities and organization costs are expensed as incurred.

The Company assesses the recoverability of intangible assets by determining whether the amortization of the balance over its remaining life can be recovered through projected undiscounted future cash flows of the business for which the intangible assets arose. The amount of the impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds or fair value of the asset, where appropriate. The assessment of the recoverability of intangible assets will be impacted if estimated future operating cash flows are not achieved.

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 amounts 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.

Derivative Financial Instruments The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are used to manage well-defined interest rate and foreign currency risks. The differential to be paid or received on interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense. The gains and losses on foreign currency exchange contracts are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items.

Employee Benefit Obligations The Company provides health care insurance for certain domestic retirees and employees. The Company also provides retirement related benefits for certain foreign employees. The Company measures the costs of its obligation based on its best estimate. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefit.

Deferred pension costs are actuarially determined and are amortized on a straight-line basis over the expected periods to be benefited, which currently is 15 years.

Research and Development Costs Research and development costs, including supporting services, amounted to \$1,523,000 in 2001, \$1,182,000 in 2000 and \$1,260,000 in 1999. Such costs are charged to expense when incurred.

Earnings Per Share Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share reflects the potential dilution of securities that could share in the earnings.

Reclassifications Certain prior year balances have been reclassified to be consistent with the current year presentation.

Use of Estimates Management of the Company has made a number of

estimates and assumptions relating to the reporting of assets and liabilities, the recording of reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Comprehensive Income (Loss) Comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments, and derivative financial instrument gains and is presented in the consolidated statements of shareholders equity.

Segment Disclosures The Company's reporting segments reflect separately managed, strategic business units that provide different products and services, and for which financial information is separately prepared and monitored. The segment disclosure is consistent with the management decision making process that determines the allocation of resources to a segment and the measuring of their performance.

New Accounting Standards Adopted The Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133 as of January 1, 2001. These Statements establish accounting and reporting standards for derivative instruments. The cumulative effect of the adoption of these statements was a decrease to other comprehensive (loss) of less than \$45,000.

New Accounting Pronouncements - In July, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations". Statement 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company had no significant acquisitions after June 30, 2001.

Also in July, 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which replaces the requirement to amortize intangible assets with indefinite lives and goodwill with a requirement for a transitional impairment test. Statement 142 requires an evaluation of intangible assets and their useful lives. After transition, the impairment tests will be performed annually in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Intangible assets with definite useful lives are required to be amortized over their respective estimated useful lives and also reviewed for impairment in accordance with SFAS No. 121.

As of the date of adoption, the Company has unamortized goodwill in the amount of \$15,632,000, which will be subject to the transition provisions of Statements 141 and 142. Amortization expense related to goodwill was approximately \$664,036 and \$733,000 for the year ended December 31, 2001 and 2000, respectively. Because of the extensive effort needed to comply with adopting Statements 141 and 142, it is not practical to reasonably estimate the impact of adopting these Statements on the Company's financial statements at the date of this report.

In July 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. Adoption is required for fiscal years beginning after June 15, 2002, with earlier adoption encouraged. The Company is in the process of analyzing the implications of SFAS 143 and does not believe that the adoption of this statement will have a material impact on the net earnings of the Company.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS Statement 144 supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived

Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. SFAS Statement 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS Statement 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of analyzing the implications of this statement and does not expect the guidance to have a material impact on the net earnings of the Company.

2. DISCONTINUED OPERATIONS

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries form the Company's large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue and a loss from discontinued operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries.

The following table shows the results of operations of the Company's large custom engineering business.

	Years ended December 31		
	2001	2000	1999
	(000 s Omitted)		
Sales, net	\$ 15,624	\$ 27,322	\$ 25,249
Costs and expenses	19,057	26,754	25,514
Operating income (loss) from operations	(3,433)	568	(265)
Other income (expense), net	(453)	(670)	(584)
(Loss) from operations before tax (benefit)	(3,886)	(102)	(849)
Income tax (benefit)	1,389	(33)	(840)
Net (loss) from discontinued operations	(5,275)	(69)	(9)

The following table shows the component assets and liabilities of the Company's net assets of the discontinued operations.

	December 31,	
	2001	2000
	(000s Omitted)	
Current assets	\$ 13,692	\$ 19,296
Property plant and equipment, net	3,316	3,657
Other assets	8	462
Current liabilities	(9,755)	(18,713)
Other liabilities	(625)	(3,025)
Net assets of the discontinued operations	6,636	1,677

The Company anticipates paying the discontinued operations long-term debt of \$2,273,216 and notes payable of \$5,940,979 and therefore has reclassified these amounts into continuing operations as of December 31, 2001.

Certain notes to these consolidated financial statements have been restated to reflect the Company's presentation of discontinued operations.

3. ACQUISITIONS

On January 11, 2001, the Company acquired the stock of Lectret, a Singapore manufacturer of microphone capsules. The purchase price was approximately \$1.1 million with provision for contingent consideration that could increase the total purchase price to approximately \$1.7 million. The purchase price was funded by additional bank borrowings of approximately \$.4 million and notes payable to previous shareholders of approximately \$.6 million. In October, 1998, the Company acquired a product manufacturing line from Lectret which was newly formed as RTI Technologies PTE LTD.

On April 25, 2001, a minority interest in Nippon Selas was sold to three directors of Nippon Selas for approximately \$15,000.

On June 6, 2000, the Company acquired the remaining 50.1% equity interest in Nippon Selas, a Japanese sales and engineering firm previously accounted for on the equity method. The purchase price was \$50,000 and the acquisition was accounted for as a purchase.

On January 12, 2000, the Company acquired the stock of Ermat S.A., a French furnace manufacturer. Ermat produces furnaces for heat treating both ferrous and non-ferrous metals. The purchase price was 11.5 million French francs (FF) or approximately \$1.8 million.

The acquisitions were accounted for as a purchase and the excess of the fair value of the assets (goodwill) will be amortized on a straight-line basis over 20 years. The pro forma results of operations as if the acquisitions had occurred in the beginning of 2001 and 2000 have not been presented as the impact is not material.

4. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

	Years ended December 31		
	2001	2000	1999
Interest received	\$ 22,507	\$ 59,922	\$ 50,875
Interest paid	543,243	540,965	541,240
Income taxes paid	1,520,975	1,422,539	1,121,582

5. BUSINESS SEGMENT INFORMATION

The Company has three operating segments. The Company is engaged in providing engineered heat technology equipment, replacement parts and services to industries throughout the world, the manufacture of precision miniature medical and electronic products and the manufacture of spare tire holders and lifts for manufacturers of original equipment for light trucks and vans. The results of operations and assets of these segments for the years ended December 31, 2001, 2000 and 1999 are prepared on the same basis as the consolidated financial statements. The accounting policies for each segment are described in the Company's summary of significant accounting policies. See note 1 for further information. Interest expense has been allocated to the segments based on the specific loan balance outstanding during the year. The corporate component of operating income represents corporate, general and administrative expenses. (Losses) from discontinued operations have not been allocated to any one of the business segments.

For the year ended

December 31, 2001

Segments

	Heat Technology	Tire Holders, Lifts and Related Products
	(a)	
Sales, net	\$ 33,515,080	\$15,007,961
Operating costs and expenses	1,967,080	13,964,608
General corporate expenses, net		
Operating income	1,548,000	1,043,353
Interest expense	144,446	--
Interest expense corporate	--	--
Interest (income)	(17,046)	--
Other (income) expense, net	69,301	(12,636)
Income from continuing operations before income taxes	1,351,299	1,055,989
Income taxes	820,219	376,535
Income taxes (benefits) general corporate expenses, net	--	--
Income from continuing operations	531,080	679,454
(Loss) from discontinued operations, net of income tax	--	--
Net income (loss)	531,080	679,454
Depreciation and amortization	471,439	199,204
Property, plant and equipment additions	193,629	19,571
Total assets continuing operations	22,275,232	6,289,412
Total assets discontinued operations	--	--
Total assets	22,275,232	6,289,412

(a) The Company's large custom-engineered subsidiaries generated approximately \$15.6 million, \$27.3 million and \$25.2 million of revenue in 2001, 2000 and 1999, respectively, and a loss from discontinued operations of \$5.3 million, \$69,000 and \$9,000 in 2001, 2000 and 1999 respectively. These sales have been reclassified to discontinued operations.

For the year ended
December 31, 2001

Segments

	Precision Miniature Medical and Electronic Products	Total
Sales, net	\$37,786,762	\$ 86,309,803
Operating costs and expenses	36,924,326	82,856,014
General corporate expenses, net		1,260,594
Operating income	862,436	2,193,195
Interest expense	211,625	356,071
Interest expense corporate	--	159,276
Interest (income)	(80,355)	(97,401)
Other (income) expense, net	87,208	143,873
Income from continuing operations before income taxes	643,958	1,631,376
Income taxes	344,955	1,541,709
Income taxes (benefits) general		

corporate expenses, net	--	(567,948)
Income from continuing operations	299,003	657,615
(Loss) from discontinued operations, net of income tax	--	(5,274,930)
Net income (loss)	299,003	(4,617,315)
Depreciation and amortization	3,354,751	4,025,394
Property, plant and equipment additions	2,118,913	2,332,113
Total assets continuing operations	40,899,197	69,463,841
Total assets discontinued operations	--	6,636,127
Total assets	40,899,197	76,099,968

For the year ended
December 31, 2000

	Segments	
	Heat Technology (a)	Tire Holders, lifts and Related Products
Sales, net	\$31,857,192	\$17,784,697
Operating costs and expenses	31,405,853	15,624,462
General corporate expenses, net		
Operating income	451,339	2,160,235
Interest expense	115,392	--
Interest expense corporate		
Interest (income)	(20,009)	--
Loss of affiliate	9,341	--
Other (income) expense, net	(415,283)	(9,611)
Income from continuing operations before income taxes	761,898	2,169,846
Income taxes	295,498	801,342
Income taxes (benefits) general corporate expenses, net	--	--
Income from continuing operations	466,400	1,368,504
(Loss) from discontinued operations, net of income tax	--	--
Net income	466,400	1,368,504
Depreciation and amortization	548,463	210,548
Property, plant and equipment additions	339,083	244,486
Total assets continuing operations	26,628,396	6,160,277
Total assets discontinued operations	--	--
Total assets	26,628,396	6,160,277

For the year ended
December 31, 2000

	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales, net	\$39,662,563	\$ 89,304,452
Operating costs and expenses	36,308,306	83,338,621
General corporate expenses, net		980,580
Operating income	3,354,257	4,985,251
Interest expense	307,080	422,472
Interest expense corporate		151,421
Interest (income)	(24,563)	(44,572)
Loss of affiliate		9,341
Other (income) expense, net	6,643	(418,251)
Income from continuing operations before income taxes	3,065,097	4,864,840
Income taxes	1,216,265	2,313,105
Income taxes (benefits) general corporate expenses, net	--	(452,800)
Income from continuing operations	1,848,832	3,004,535
(Loss) from discontinued operations, net of income tax	--	(68,749)
Net income	1,848,832	2,935,786
Depreciation and amortization	3,013,741	3,772,752
Property, plant and equipment additions	3,092,361	3,675,930
Total assets continuing operations	40,127,165	72,915,838
Total assets discontinued operations	--	1,676,929
Total assets	40,127,165	74,592,767

For the year ended
December 31, 1999

	Segments	
	Heat Technology (a)	Tire Holders, Lifts and Related Products
Sales, net	\$ 23,772,918	\$18,565,455
Operating costs and expenses	22,987,265	16,444,340
General corporate expenses, net		
Operating income	785,653	2,121,115
Interest expense	48,547	--
Interest expense corporate		
Interest (income)	(17,309)	--
Loss of affiliate	2,181	--
Other (income) expense, net	214,424	(1,575)
Income from continuing operations before income taxes	537,810	2,122,690
Income taxes	824,400	774,212

Income taxes (benefits) general corporate expenses, net	--	--
Income (loss) from continuing operations	(286,590)	1,348,478
(Loss) from discontinued operations, net of income tax	--	--
Net income (loss)	(286,590)	1,348,478
Depreciation and amortization	442,696	210,848
Property, plant and equipment additions	768,627	147,614
Total assets continuing operations	19,115,220	6,291,998
Total assets discontinued operations	--	--
Total assets	19,115,220	6,291,998

For the year ended
December 31, 1999

	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales, net	\$35,500,553	\$ 77,838,926
Operating costs and expenses	33,108,532	72,540,137
General corporate expenses, net		956,459
Operating income	2,392,021	4,342,330
Interest expense	419,813	468,360
Interest expense corporate		65,836
Interest (income)	(33,563)	(50,872)
Loss of affiliate	--	2,181
Other (income) expense, net	102,885	315,734
Income from continuing operations before income taxes	1,902,886	3,541,091
Income taxes	612,955	2,211,567
Income taxes (benefits) general corporate expenses, net	--	(408,918)
Income (loss) from continuing operations	1,289,931	1,738,442
(Loss) from discontinued operations, net of income tax	--	(9,282)
Net income (loss)	1,289,931	1,729,160
Depreciation and amortization	3,036,400	3,689,944
Property, plant and equipment additions	2,925,950	3,842,191
Total assets continuing operations	37,072,946	62,480,164
Total assets discontinued operations	--	4,563,551
Total assets	37,072,946	67,043,715

The geographical distribution of identifiable assets and net sales to geographical areas for the years ended December 31, 2001, 2000 and 1999 are set forth below:

Identifiable Assets	2001	2000	1999
United States	\$ 58,343,853	\$ 58,700,344	\$ 54,083,677
Other	11,119,988	14,215,494	8,396,487
Discontinued operations	6,636,127	1,676,929	4,563,551
Consolidated	76,099,968	74,592,767	67,043,715

Discontinued operations are primarily located in France.

Net Sales to Geographical Areas

United States	\$ 42,348,803	\$ 55,145,248	\$ 47,338,457
France	11,690,565	9,699,839	9,830,126
Germany	3,018,314	1,893,345	2,088,390
All other countries	29,252,121	22,566,020	18,581,953
Consolidated	86,309,803	89,304,452	77,838,926

Due to the nature of the Companys heat technology products, one contract may account for a large percentage of sales in a particular period; however, the Company is not dependent on any one heat technology customer on an ongoing basis.

Geographic net sales are allocated based on the location of the customer. All other countries include net sales primarily to the United Kingdom, Singapore and Canada.

Consolidated net sales in 2001 do not result from sales to any one individual customer in excess of 10% of total sales. Consolidated net sales in 2001 include approximately \$22,167,000 attributable to customers in the steel industry.

Consolidated net sales in 2000 do not result from sales to any one individual customer in excess of 10% of total sales. Approximately \$1,855,000 of consolidated net sales were attributable to customers in the steel industry.

Consolidated net sales in 1999 include approximately \$7,983,000 or 10.3% from one customer executed by the Companys tire holders and lifts group. Approximately \$957,000 of consolidated net sales were attributable to customers in the steel industry.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of the Companys financial instruments at December 31, 2001 and 2000. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2001	
	Carrying Amount	Fair Value
Financial assets		
Cash, including cash equivalent	\$ 3,636,673	\$ 3,636,673
Accounts and notes receivables	17,376,784	17,376,784
Financial liabilities		

Notes payable	9,422,202	9,422,202
Trade accounts payables	10,232,880	10,232,880
Customers advance payments on contracts	2,809,988	2,809,988
Other accrued liabilities	5,100,021	5,100,021
Long-term debt	3,214,934	3,335,292

	2000	
	Carrying Amount	Fair Value
Financial assets		
Cash, including cash equivalents	\$ 3,782,359	\$ 3,782,359
Accounts and notes receivables	22,837,518	22,837,518
Financial liabilities		
Notes payable	6,264,415	6,264,415
Trade accounts payables	9,908,141	9,908,141
Customers advance payments on contracts	2,624,038	2,624,038
Other accrued liabilities	4,590,936	4,590,936
Long-term debt	807,936	773,456

The carrying amounts shown in the table are included in the statement of financial position under the indicated captions.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, including cash equivalents, short-term accounts and notes receivables, other current assets, notes payable to banks, trade accounts payables, and other accrued expenses: The carrying amounts approximate fair value because of the short maturity of those instruments.

Long-term debt: The fair value of the Companys long-term debt is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Companys bankers.

The estimated fair value of financial instruments has been determined based on available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company might realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

7. INVENTORIES

Inventories consist of the following:

December 31	Raw materials	Work-in process	Finished products and components	Total
2001				
Domestic	\$4,042,514	\$3,584,804	\$4,122,735	\$11,750,053
Foreign	551,315	1,270,233	238,608	2,060,156
Total	4,593,829	4,855,037	4,361,343	13,810,209
2000				
Domestic	3,282,829	2,461,074	4,444,169	10,188,072
Foreign	455,365	533,196	200,111	1,188,672
Total	3,738,194	2,994,270	4,644,280	11,376,744

8. LONG-TERM CONTRACTS AND RECEIVABLES

Accounts and notes receivable at December 31, 2001 and 2000 include the following elements from long-term contracts:

	2001	2000
Amounts billed	\$ 686,150	\$ 2,277,383
Retainage, due upon completion		69,146
Unbilled receivables	1,118,641	738,034
Total	1,804,791	3,084,563

The balances billed but not paid by customers, pursuant to retainage provisions included in long-term contracts, will be due upon completion of the contracts and acceptance by the customer.

The unbilled receivables are comprised principally of amounts of revenue recognized on contracts (on the percentage-of-completion method) for which billings had not been presented to the customers because the amounts were not billable under the contract terms at the balance sheet date. In accordance with the contract terms the unbilled receivables at December 31, 2001 will be billed in 2002.

Inventories include \$145,616 relating to long-term sales contracts at December 31, 2001 and \$11,897 at December 31, 2000.

At December 31, 2001 and 2000, the Company had \$1,689,816 and \$1,457,509, respectively, of trade accounts receivable due from major U.S. automotive manufacturers. At December 31, 2001 and 2000, the Company had \$4,041,653 and \$5,315,136, respectively, of trade accounts receivable due from hearing aid manufacturers. The Company also had \$505,064 and \$2,057,770 at December 31, 2001 and 2000, respectively, in currently billed and unbilled receivables from long-term contracts for customers in the aluminum and glassware industry in North America and Europe.

The following analysis provides a detail of revenue recognition methodology by segment for the year ended December 31, 2001.

	Heat Technology	Tile Holders Lifts and Related Products	Precision Miniature Medical and Electronic Products	Total
Upon shipment	\$ 9,853,850	\$15,007,961	\$37,786,762	\$ 62,648,573
Percentage of completion	23,661,230			23,661,230
Total revenue	33,515,080	15,007,961	37,786,762	86,309,803

9. NOTES PAYABLE AND LONG-TERM DEBT

Notes Payable

Notes payable at December 31, 2001 and 2000 are summarized below:

	2001	2000
Notes payable:		
Short term borrowings, European banks	\$6,140,731	\$ 882,415
Short-term borrowings, domestic banks	2,977,526	5,382,000
Short-term borrowings, Asian banks	303,945	--
Total notes payable	9,422,202	6,264,415

Consolidated European subsidiaries have working capital credit arrangements with European banks aggregating \$8,694,000. Of this amount, \$6,141,000 may be used to borrow funds for working capital or guarantee customer advance payments on contracts. The remaining \$2,553,000 may be used only for guaranteeing customer advance payments, of which \$2,553,000 was utilized at December 31, 2001 at interest rates

ranging from .5% to .75%. At December 31, 2001 the Companys European subsidiaries had borrowings of \$6,141,000, which bear interest at annual rates ranging from 5.5% to 9.05%. Certain of these credit arrangements have no expiration dates and are guaranteed by the Company. The European working capital credit arrangements were scheduled to expire April 15, 2002.

The maximum amounts of short-term borrowings and bank guarantees at any month end were \$10,055,000 in 2001, \$3,439,000 in 2000, and \$2,327,000 in 1999. The average short-term borrowings and bank guarantees outstanding during 2001, 2000 and 1999 amounted to \$8,264,000, \$2,665,000 and \$1,395,000, respectively. The average short-term interest rates in 2001, 2000 and 1999 for outstanding borrowings were 5.0%, 7.9% and 8.3%, respectively.

The Company and its domestic subsidiaries, entered into revolving credit loan facilities under which borrowings or letters of credit aggregating \$4,500,000 and a Singapore dollar denominated term loan in the amount of \$934,066 (S\$1,700,000) could be outstanding at any one time. Borrowings of \$2,978,000 as of December 31, 2001 under the facility bear interest at a rate of 1.5% above LIBOR (3.37375% at December 31, 2001) and a commitment fee of .25% per annum is payable on the unborrowed portion of the line. The domestic revolving loan credit facilities were scheduled to expire April 15, 2002.

The maximum amounts of short-term borrowings at any month end 2001 were \$4,112,000. The average short-term borrowings outstanding during 2001 were \$2,897,000. The average short-term interest rate in 2001 was 5.3%.

A subsidiary of the Company located in Singapore has a credit facility in the amount of \$659,341 (S\$1,200,000) of which \$304,000 was outstanding at December 31, 2001. Maximum borrowings were \$433,000 and average borrowings were \$321,000. Borrowings under the facility bear interest at 6%, payable monthly. The Singapore credit facility was scheduled to expire April 15, 2002.

Long-Term Debt

Long-term debt at December 31, 2001 and 2000 is summarized below:

	2001	2000
Long-term debt:		
Term loans, domestic banks	\$1,783,333	\$ 816,667
Term loans, European banks	2,236,365	25,938
Mortgage note	682,500	772,500
Other borrowings	8,769	11,291
	4,710,967	1,626,396
Less: current maturities	1,496,033	818,460
	3,214,934	807,936

The terms of the domestic loan agreements require monthly principal payments of approximately \$33,333 through February, 2006 and \$58,333 to February 2002. Additional payments of principal are required depending upon the annual earnings of the Companys domestic operations and as a result of this requirement, no payment is due in 2002. At December 31, 2001, the borrowings under the credit agreement bore interest, payable monthly, at an interest rate of 1.5% above LIBOR (3.37375% at December 31, 2001). The credit agreement is subject to a prepayment penalty of 3%, to the extent the loan is paid off with additional borrowings.

The Companys French subsidiary, Selas (SAS), financed its premises outside of Paris with bank borrowings maturing August 31, 2006 with required quarterly installments of principal of \$40,773 (FF 300,000). The loan carries interest payable quarterly at the Euro Interbank Offered Rate (EURIBOR) plus .7% (4.03% at December 31, 2001). The loan balance as of December 31, 2001 was \$773,905 (FF 5,400,000). This loan can be prepaid, subject to a premium of 3% of the amount prepaid. The debt is secured by the land and building of Selas S.A.

The mortgage note is payable monthly at \$7,500 per month and carries a variable interest rate of LIBOR plus 1.25%. At December 31, 2001 the

principal balance was \$682,500 and the interest rate was 3.12375%. The aggregate maturities of long-term debt for the five years ending December 31, 2006 and thereafter are as follows:

Years ending December 31	Aggregate Maturity
2002	\$ 1,496,033
2003	1,074,077
2004	1,383,546
2005	644,247
2006	113,064
2007 and thereafter	
	4,710,967

The domestic loan and the revolving credit loan facilities are secured by the Companys domestic assets, and the Companys domestic subsidiaries stock. The agreements contain restrictive covenants regarding the payment of cash dividends, maintenance of working capital, net worth, and shareholders equity, along with the maintenance of certain financial ratios. The Company and its domestic subsidiaries are required to maintain consolidated tangible capital funds of approximately \$26.6 million through December 31, 2001 consisting of shareholders' equity, plus subordinated debt, less intangible assets increased annually by 60% of net income and 60% of the aggregate amount of contributions to capital.

At September 30, 2001, the Company did not meet the tangible capital funds covenant of its existing loan and revolving credit facilities. The Company has obtained waivers from the bank through April 15, 2002. The Company has been negotiating with the bank to obtain new domestic revolving credit facilities, new domestic long-term financing and a new European working capital credit arrangement that is used for working capital or guarantee customer advance payments on contracts.

On April 15, 2002, the Company entered into a second waiver and amendment agreement for its domestic and foreign revolving credit and term loan facilities, and obtained a new domestic supplemental credit facility in the amount of \$5,000,000 to be used for additional domestic borrowings and for the issuance of advance payment guarantees. Borrowings under the amended credit facilities bear interest at LIBOR plus 1.5% to 2.5% until the sale of the discontinued operations at which time the remaining credit facilities after paydown with proceeds, if any, from the sale bear interest at LIBOR plus 1.5% to 2.0% for the remaining term of the loan and a commitment fee of .25% per annum is payable on the unborrowed portion. In addition, the Company has agreed to pay a nonrefundable commitment fee of \$150,000 plus an amount equal to 2% of that portion of the gross price of the sale of the European discontinued operation in excess of 7,000,000 Euros.

The Companys domestic revolving credit loan facilities of \$2,977,526 mature on January 31, 2003. The European term loan and credit facilities of \$1,499,311 and \$5,328,390, respectively, mature on the earlier of January 31, 2003 or the date of sale of the discontinued operations. The domestic term loan credit facilities of \$2,465,833 continue to expire during the period from July 1, 2004 and February 1, 2006. The Companys guarantee customer advance payments of \$1,960,418 expire on the earlier of January 31, 2003 or the date of sale of the discontinued operations. The new domestic supplemental credit facility of \$5,000,000 matures on the earlier of January 31, 2003 or the date of the sale of the discontinued operations.

In connection with the second waiver and amendment agreement, the Company has pledged as collateral substantially all of the assets of the Companys domestic and foreign subsidiaries except for those assets that are impractical to pledge under local law. The credit facilities contain restrictive covenants regarding the payment of cash dividends, capital expenditures, acquisitions, maintenance of working capital, net worth and shareholders equity, along with the maintenance of certain financial ratios.

As of December 31, 2001, the Company was not required to maintain any financial covenants due to the receipt of a waiver from the financial institution. Management believes that the Company will be able to maintain the amended covenants through January 1, 2003.

Our ability to pay the principal and interest on our indebtedness as it comes

due will depend upon our current and future performance. Our performance is affected by general economic conditions and by financial, competitive, political, business and other factors. Many of these factors are beyond our control. We believe that the amended credit facility combined with funds expected to be generated from operations, the available borrowing capacity through its revolving credit loan facilities, the potential sale of the European subsidiaries, curtailment of the dividend payment and control of capital spending will be sufficient to meet its anticipated cash requirements for operating needs. If, however, we do not generate sufficient cash or complete such financing on a timely basis, we may be required to seek additional financing or sell equity on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements are used to reduce the potential impact of increases in interest rates on floating rate long-term debt. At December 31, 2001, the Companys French subsidiary was a party to one interest rate swap agreement. The interest rate swap agreement is with major European financial institutions and has a total notional amount of \$.9 million at December 31, 2001. The notional amount will decrease consistent with the terms of the related long-term debt agreement. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May, 2006. The subsidiary continually monitors its position and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties. Additional interest incurred during 2001, 2000 and 1999 in connection with the swap agreement amounted to \$32,943, \$47,648 and \$69,293, respectively.

The fair value of the interest rate swap agreement was \$.8 million at December 31, 2001. The fair value of this financial instrument (used for hedging purposes) represents the aggregate replacement cost based on financial institution quotes. The Company is exposed to market risks from changes in interest rates and fluctuations in foreign exchange rates.

The Companys policy is to minimize its cash flow exposure to adverse changes in interest rates. This is accomplished through a controlled program of risk management that includes the use of derivative financial instruments. The Companys objective is to maintain economically balanced interest risk management strategies that provide adequate protection from significant fluctuations in the interest markets.

Hedge ineffectiveness and the portions of derivative gains and losses excluded from assessments of hedge effectiveness related to the Companys outstanding cash flow hedges and which were recorded to earnings for the year ended December 31, 2001, were less than \$.1 million. Changes in fair value of derivatives qualifying as cash flow hedges are recorded in accumulated other comprehensive income (loss). The cumulative effect of the adoption of these statements was a decrease to other comprehensive (loss) of less than \$45,000. At December 31, 2001, the net deferred after-tax hedging gain in accumulated other comprehensive income was \$36,851 all of which is expected to be realized in earnings over the next twelve months ending December 31, 2002, at the time the underlying hedging transactions are realized. At various times subsequent to December 31, 2002, the Company expects gains from cash flow hedge transactions to total in the aggregate, approximately \$100,000. The Company recognized its derivative gains and losses in the interest expense line of the consolidated statement of operations.

Fair values relating to derivative financial instruments reflect the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date based on quoted market prices of comparable contracts as of December 31, 2001 and 2000. At December 31, 2001 and 2000, derivative financial instruments consisted

primarily of interest rate swap contracts.

11. OTHER ACCRUED LIABILITIES:

Other accrued liabilities at December 31, 2001 and 2000 are as follows:

	2001	2000
Salaries, wages and commissions	\$ 1,803,782	\$ 1,834,511
Taxes, including payroll withholdings And VAT, excluding income taxes	992,733	681,551
Accrued pension costs	951,923	964,958
Accrued professional fees	579,200	330,955
Accrued insurance	101,463	202,534
Other	670,920	576,427
	5,100,021	4,590,936

12. DOMESTIC AND FOREIGN INCOME TAXES

Domestic and foreign income taxes (benefits) are comprised as follows:

	Years ended December 31		
	2001	2000	1999
Current			
Federal	\$ 765,897	\$1,596,045	\$ 501,519
State	57,858	322,603	7,194
Foreign	212,577	269,390	744,683
	1,036,332	2,188,038	1,253,396
Deferred			
Federal	(63,773)	(67,999)	496,490
State	(16,575)	(5,942)	125,358
Foreign	17,777	(253,792)	(72,595)
	(62,571)	(327,733)	549,253
Income taxes	973,761	1,860,305	1,802,649
Income (loss) before income taxes is as follows:			
Foreign	(284,348)	162,322	654,125
Domestic	1,915,724	4,702,518	2,886,966
	1,631,376	4,864,840	3,541,091

The following is a reconciliation of the statutory federal income tax rate to the effective tax rate based on income (loss):

	Years ended December 31		
	2001	2000	1999
Tax provision at statutory rate	34.0%	34.0%	34.0%
Valuation allowances-			
foreign losses	17.7	1.2	.1
Effect of foreign tax rates	2.4	(.9)	12.6
Goodwill amortization	8.5	1.9	3.9
State taxes net of federal benefit	1.7	4.4	2.5
Tax benefits related to export sales	(7.4)	(2.7)	(3.9)
Other	2.8	.3	1.7
Domestic and foreign income tax rate	59.7%	38.2%	50.9%

The significant components of deferred income taxes (benefits) for the years ended December 31, 2001, 2000 and 1999 are as follows:

	Years ended December 31		
	2001	2000	1999
Deferred income tax (benefit)	\$ (66,747)	\$ (320,747)	\$ 712,953
Increase (decrease) in beginning-of-the year balance of the valuation allowance for deferred tax assets .	20,154	(15,661)	(176,524)
Currency translation adjustment	(15,978)	8,675	12,824
	(62,571)	(327,733)	549,253
Continuing operations income tax	973,761	1,860,305	1,802,649
Discontinued operations income tax (benefit)	1,388,738	(32,927)	(839,574)
Total income tax	2,362,499	1,827,378	963,075

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 are presented below:

	2001	2000
Deferred tax assets:		
Postretirement benefit obligations	\$1,197,427	\$1,234,452
Net operating loss carryforwards	1,386,218	1,387,575
State income taxes	464,332	356,371
Guarantee obligations and estimated future costs of service accruals	167,595	90,748
Employee pension plan obligations	323,654	328,086
Compensated absences, principally due to accrual for financial reporting purposes	204,508	191,541
Other	274,370	373,760
Total gross deferred tax assets	4,018,104	3,962,533
Less: valuation allowance	1,105,870	1,085,716
Net deferred tax assets	2,912,234	2,876,817
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation and capitalized interest	899,624	980,238
Other	140,787	174,418
Total gross deferred tax liabilities	1,040,411	1,154,656
Net deferred tax assets	1,871,823	1,722,161

Domestic and foreign deferred taxes are comprised as follows:

December 31, 2001	Federal	State	Foreign	Total
Current deferred asset	\$ 1,068,263	\$ 122,150	\$ 331,396	\$1,521,809
Non-current deferred asset (liability)	149,066	271,454	(70,506)	350,014
Net deferred tax asset	1,217,329	393,604	260,890	1,871,823
December 31, 2000	Federal	State	Foreign	Total
Current deferred asset	\$ 1,081,603	\$ 7,050	\$ 368,732	\$1,457,385
Non-current deferred asset (liability)	89,883	271,679	(96,786)	264,776
Net deferred tax asset	1,171,486	278,729	271,946	1,722,161

The valuation allowance for deferred tax assets as of January 1, 2001 was \$1,085,716. The net change in the total valuation allowance for the year ended December 31, 2001 was an increase of \$20,154. The remaining valuation allowance of \$1,105,870 is maintained against deferred tax assets which the Company has determined are not more than likely to be realized. Subsequently recognized tax benefits, if any, relating to the valuation allowance for deferred tax assets will be reported in the consolidated statements of operations.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, along with reasonable and prudent tax planning strategies and the expiration dates of carryforwards, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2001.

At December 31, 2001 the Company has net operating loss carryforwards for foreign income tax purposes of \$3,995,486 of which \$617,277 expire in 2005, \$914,065 expire in 2006 and \$2,464,144 have no expiration date and are available to offset future foreign taxable income. The Company has recognized a valuation allowance for certain net operating loss carryforwards at foreign operations where utilization will not be realized.

No provision has been made for United States income tax which may be payable on undistributed income of the Companys foreign subsidiaries since it is the Companys intention to reinvest the unremitted earnings. Furthermore, based on current federal income tax laws, the federal income tax on future dividends will be offset by foreign tax credits in certain instances. At December 31, 2001 the Company has not recognized a deferred tax liability of approximately \$57,000 on undistributed retained earnings of such subsidiaries of \$169,000.

13 EMPLOYEE BENEFIT PLANS

The Company has two defined benefit pension plans. One covers salaried employees and the other plan covers union employees. The following table sets forth the plans funded status and amounts recognized in the Companys statements of financial position at December 31, 2001 and 2000:

	December 31	
	2001	2000
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	\$ 5,185,872	\$ 4,996,028
Service cost (excluding administrative expenses)	157,664	188,700
Interest cost	358,074	347,668
Actuarial (gain) loss	74,144	(19,148)
Benefits paid	(353,435)	(327,376)
Projected benefit obligation at December 31	5,422,319	5,185,872
Change in Fair Value of Plan Assets		
Fair value of plan assets at January 1	5,345,128	5,450,575
Actual return on plan assets	(387,451)	262,929
Employer contributions	93,069	
Expenses	(33,014)	(41,000)
Benefits paid	(353,435)	(327,376)

Fair value of plan assets at December 31	4,664,297	5,345,128
Funded status	(758,022)	159,256
Unrecognized net actuarial (gain)	(196,216)	1,127,997
Unrecognized prior service cost	2,315	3,783
(Accrued) pension cost at December 31	(951,923)	(964,958)

Net periodic pension cost for these plans for the years 2001, 2000 and 1999 included the following components:

	Years ended December 31		
	2001	2000	1999
Service cost benefits earned during the period	\$ 185,465	\$ 217,458	\$ 240,928
Interest cost on projected benefit obligation	358,074	347,668	330,527
Expected return on assets	(410,366)	(421,230)	(376,931)
Amortization of net obligation		55,124	55,121
Amortization of prior service cost	1,468	2,146	10,427
Recognized net actuarial (gain)	(54,607)	(65,446)	(2,628)
Net periodic pension cost	80,034	135,720	257,444

The discount rate used to determine the projected benefit obligation for both the salaried and union plans was 7% for 2001 and 7.25% for 2000 and 1999.

The projected benefit obligation was determined by using an assumed rate of increase in compensation levels of 5% for the years 2001, 2002 and 1999 for the salaried plan. The expected long-term rate of return on assets for both plans was 8%.

The Companys French subsidiary, CFR, is obligated to contribute to an employee profit sharing plan under which annual contributions are determined on the basis of a prescribed formula using capitalization, salaries and certain revenues. There was no contribution to profit sharing in 2001 or 2000, however, 1999 had expense of \$110,337.

The Company has defined contribution plans for most of its domestic employees. Under these plans, eligible employees may contribute amounts through payroll deductions supplemented by employer contributions for investment in various investments specified in the plans. The Company contribution to these plans for 2001, 2000 and 1999 was \$377,701, \$328,452, and \$383,015, respectively.

The Company provides postretirement medical benefits to certain domestic full-time employees who meet minimum age and service requirements. In 1999 a plan amendment was instituted which limits the liability for postretirement benefits beginning January 1, 2000 for certain employees who retire after that date. This plan amendment resulted in a \$1.1 million unrecognized prior service cost reduction which will be recognized as employees render the services necessary to earn the postretirement benefit. The Companys policy is to pay the cost of these postretirement benefits when required on a cash basis. The Company also has provided certain foreign employees with retirement related benefits.

The following table presents the amounts recognized in the Companys consolidated balance sheet at December 31, 2001 and 2000 for

postretirement medical benefits:

Accumulated postretirement medical benefit obligation:

	December 31	
	2001	2000
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	\$1,377,085	\$ 1,476,501
Service cost (excluding administrative expenses)	35,802	33,382
Interest cost	94,401	98,656
Actuarial (gain) loss	33,941	(92,154)
Benefits paid	(159,621)	(139,300)
Projected benefit obligation at December 31	1,381,608	1,377,085
Change in Fair Value of Plan Assets		
Employer contribution	159,621	139,300
Benefits paid	(159,621)	(139,300)
Fair value of plan assets at December 31	0	0
Funded status	1,381,608	1,377,085
Unrecognized net actuarial gain	606,319	676,156
Unrecognized prior service cost	984,036	1,059,731
Accrued postretirement benefit cost	2,971,963	3,112,972

Accrued postretirement medical benefit costs are classified as other postretirement benefit obligations as of December 31, 2001 and 2000.

Net periodic postretirement medical benefit costs for 2001, 2000 and 1999 include the following components:

	Years ended December 31		
	2001	2000	1999
Service cost	\$ 35,802	\$ 33,382	\$ 34,920
Interest cost	94,401	98,656	170,180
Amortization of unrecognized prior service cost	(75,695)	(75,695)	
Amortization of unrecognized gain	(35,896)	(31,168)	(16,979)
Net periodic postretirement medical benefit cost	18,612	25,175	188,121

For measurement purposes, a 8.5% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 2001; the rate was assumed to decrease gradually to 5% by the year 2009 and remain at that level thereafter. The health care cost trend rate assumption may have a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement medical benefit obligation as of December 31, 2001 by \$4,183 and the aggregate of the service and interest cost components of net periodic postretirement medical benefit cost for the year ended December 31, 2001 by \$2,145.

The weighted-average discount rate used in determining the accumulated postretirement medical benefit obligation at December 31, 2001 was 7.0% and 2000 and 1999 were 7.25%.

The Company provides retirement related benefits to former executive employees, and to certain foreign subsidiary employees in accordance with industry-wide collective labor agreements. The liabilities established for these benefits at December 31, 2001 and 2000 were \$906,985 and \$659,602, respectively, and are classified as other postretirement benefit obligations as of December 31, 2001 and 2000.

14. CURRENCY TRANSLATION ADJUSTMENTS

All assets and liabilities of foreign operations are translated into U.S. dollars at prevailing rates of exchange in effect at the balance

sheet date. Revenues and expenses are translated using average rates of exchange for the year. The functional currency of the Company's foreign operations is the currency of the country in which the entity resides; such currencies are the French franc, German mark, Italian lira, British pound, Singapore dollar, Portugal escudo and Japanese yen. Adjustments resulting from the process of translating the financial statements of foreign subsidiaries into U.S. dollars are reported as a separate component of shareholders' equity, net of tax where appropriate. Gains and losses arising from foreign currency transactions are reflected in the consolidated statements of operations as incurred. Foreign currency transaction gains (losses) included in the statements of operations for 2001, 2000 and 1999 were \$46,007, \$38,101 and (\$191,420), respectively.

15. COMMON STOCK AND STOCK OPTIONS

Under the Company's 1985 and 1994 Stock Option Plans, options to an aggregate of 900,000 shares of common stock may be granted to certain officers and key employees. In 1998 the Board of Directors established a 1998 Stock Option Plan to issue up to 75,000 shares to certain non-employee Directors, both at no less than 100% of the fair market value at the date of grant. All options are exercisable until the earlier of termination pursuant to the plans or ten years from date of grant.

On February 20, 2001, the Board of Directors approved the 2001 Stock Option Plan where options of up to an aggregate of 1,000,000 common stocks may be awarded. At December 31, 2001 there were 975,000 shares available for grant.

At December 31, 2001, there were 40,000 additional shares available for grant under the 1998 plan. The per share weighted-average fair values of stock options granted in 2001 ranged from \$.88 to \$1.54 on the date of the grants using the Black Scholes option-pricing model with the following weighted average assumptions: 2001 expected dividend yield 2.2%; risk-free interest rates ranged from 4.46% to 4.99%; expected life of 6.5 years and expected volatility of the stock over the life of the options which is based on the past 11 years of the stocks activity.

The Company applies APB Opinion No. 25 in accounting for its Plans, and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amount indicated below:

	2001	2000	1999
Net income (loss) as reported	\$ (4,617,315)	\$ 2,935,786	\$ 1,729,160
Net income (loss) pro forma	(4,753,476)	2,740,476	1,510,137
Basic earnings (loss) per share as reported	(.90)	.57	.33
Basic earnings (loss) per share pro forma	(.93)	.54	.29

Options of 40,000 were granted in 2001 and options of 131,700 were granted in 2000. No options were granted in 1999. Pro forma net income reflects options granted in 2001 and 2000. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options vesting periods of 3 to 5 years and compensation cost for options granted prior to January 1, 1998 is not considered.

Stock option activity during the periods indicated is as follows:

Number of Shares	Weighted-average Exercise Price
------------------	---------------------------------

Outstanding at January 1, 1999	603,888	\$8.14
Options exercised	(19,888)	4.20
Options forfeited	(13,600)	8.40
Outstanding at December 31, 1999	570,400	8.27
Options forfeited	26,400)	9.35
Options expired	(3,750)	11.42
Options granted	131,700	3.13
Outstanding at December 31, 2000	671,950	7.20
Options forfeited	(14,550)	8.04
Options expired	(78,000)	9.46
Options granted	40,000	3.09
Outstanding at December 31, 2001	619,400	6.63

The following summarizes information about the Companys stock options outstanding at December 31, 2001:

Range of Exercise Prices	Number Outstanding at 12/31/01	Options Outstanding	
		Weighted Average Remaining Contractual Life	Weighted-Average Exercise Price
\$2.06	15,000	10.0	\$2.06
3.12-3.7	156,700	9.16	3.22
5.35-7.75	223,000	3.53	6.26
9.06-10.50	224,700	6.0	9.72

Options Excercisable

Number Exercisable at 12/31/01	Weighted-Average Exercise Price
15,000	\$ 2.06
27,007	3.13
213,000	6.19
188,820	9.77

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of unaudited quarterly results of operations.

2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (b)
Net sales (a)	\$23,571,000	\$24,918,000	\$18,696,000	\$19,125,000
Gross Profit	5,586,000	5,554,000	3,302,000	4,894,000
Income (loss) from continuing operations net of tax	629,000	724,000	(794,000)	98,000
(Loss) from discontinued operations net of tax	(331,000)	(589,000)	(582,000)	(3,772,000)
Net income (loss)	298,000	135,000	(1,376,000)	(3,674,000)
Earnings (loss) per share				
Basic income (loss) per share				
Continuing operations	.12	.14	(.16)	.02
Discontinued operations	(.06)	(.11)	(.11)	(.74)
Basic income (loss) per share	.06	.03	(.27)	(.72)
Diluted income (loss) per share				
Continuing operations	.12	.14	(.16)	.02
Discontinued operations	(.06)	(.11)	(.11)	(.73)
Diluted income (loss) per share	.06	.03	(.27)	(.71)

(a) The Company's large custom-engineered subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue in 2001 and 2000, respectively, and a loss from discontinued operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. These sales have been reclassified to discontinued operations.

(b) In the fourth quarter of 2001, the Company determined that the realizability of the deferred tax assets associated with their European discontinued operations were not recoverable. The Company recognized a valuation allowance of approximately \$2.7 million.

2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$22,411,000	\$22,290,000	\$22,687,000	\$21,915,000
Gross Profit	5,840,000	5,446,000	4,637,000	4,997,000
Income from continuing operations net of tax	936,000	760,000	589,000	720,000
Income (loss) from discontinued operations net of tax	265,000	259,000	(187,000)	(406,000)
Net income	1,201,000	1,019,000	402,000	314,000
Earnings (loss) per share				
Basic income (loss) per share				
Continuing operations	.18	.15	.12	.14
Discontinued operations	.05	.05	(.04)	(.08)
Basic income per share	.23	.20	.08	.06
Diluted income (loss) per share				
Continuing operations	.18	.15	.12	.14
Discontinued operations	.05	.05	(.04)	(.08)
Diluted income per share	.23	.20	.08	.06

Note: The sum of quarterly earnings may differ from full year amounts due to rounding.

17. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	2001		
	Income Numerator	Per Shares Denominator	Share Amount
Basic Earnings Per Share			
Income (loss) Available			
To common Shareholders	\$ (4,617,315)	5,119,214	\$ (.90)
Effect of Dilutive Securities			
Stock options		14,870	
Diluted earnings Per share	(4,617,315)	5,134,084	(.90)

For additional disclosures regarding the stock options, see note 15.

	2000		
	Income Numerator	Shares Denominator	Per Share Amount
Basic Earnings Per Share Income (loss) Available To common Shareholders	\$2,935,786	5,121,513	\$0.57
Effect of Dilutive Securities			
Stock options		12,981	
Diluted earnings Per share	2,935,786	5,134,494	0.57

For additional disclosures regarding the stock options, see note 15.

	1999		
	Income Numerator	Shares Denominator	Per Share Amount
Basic Earnings Per Share Income (loss) Available to common Shareholders	\$1,729,160	5,196,072	\$0.33
Effect of Dilutive Securities			
Stock options		12,018	
Diluted earnings per share	1,729,160	5,208,090	0.33

For additional disclosures regarding the stock options, see note 15.

18. CONTINGENCIES AND COMMITMENTS

The Company is a defendant along with a number of other parties in approximately 253 lawsuits as of December 31, 2001 (approximately 100 as of December 31, 2000) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the

defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially affect the Company's consolidated financial position, liquidity, or results of operations.

Total rent expense for 2001, 2000, and 1999 under leases pertaining primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more, aggregated \$1,496,000, \$1,318,000 and \$1,339,000, respectively. Remaining rentals payable under such leases are as follows: 2002 - \$1,441,000; 2003 - \$1,431,000; 2004 - \$1,356,000; 2005 - \$1,237,000; 2006 and thereafter - \$4,289,000.

One of the Company's subsidiaries has a contractual obligation with one of its suppliers to pay minimum royalties of \$450,000 and to guarantee minimum purchases of \$2,122,000 of one of the suppliers products. The payments due the supplier are as follows: 2002 - \$718,000; 2003 - \$1,333,000; 2004 - \$521,000.

19. RELATED-PARTY TRANSACTIONS

One of the Company's subsidiaries leases office and factory space from a partnership consisting of three present or former officers of the subsidiary. The subsidiary is required to pay all real estate taxes and operating expenses. In the opinion of management, the terms of the lease agreement are comparable to those which could be obtained from unaffiliated third parties. The total rent expense incurred under the lease was approximately \$330,000 for 2001, 2000 and 1999. Annual lease commitments approximate \$330,000 through December, 2002.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Selas Corporation of America:

We have audited the accompanying consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Selas Corporation of America and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

/s/ KPMG LLP

Philadelphia, Pennsylvania`
April 15, 2002

EXHIBIT 21

Significant Subsidiaries
of Selas
Corporation of America

Subsidiary	Place of Incorporation
CFR-CECF Forumi-Ripoche	France
CFR Portugal	Portugal
Deuer Manufacturing, Inc.	Ohio
Nippon Selas	Japan
Resistance Technology GmbH Vertrieb von Elecktronikteilen	Germany
Resistance Technology, Inc.	Minnesota
RTI Electronics, Inc.	Delaware
RTI Tech PTE LTD.	Singapore
RTI Technologies PTE LTD	Singapore
RTI Export, Inc.	Barbados
SEER	France
Ermat S.A.	France
Selas SAS	France
Selas Italiana, S.A.	Italy
Selas Engineering UK Ltd.	England
Selas Waermetechnik, GmbH	Germany

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Selas Corporation of America:

We consent to the incorporation by reference in the Registration Statements No. 33-33712 on Form S-3, No.333-16377 on Form S-8, No. 333-66433 on Form S-8 and No. 333-59694 on Form S-8 of Selas Corporation of America and subsidiaries of our reports dated April 15, 2002, relating to the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, shareholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 2001, which reports are included in the December 31, 2001

annual report on Form 10-K of Selas Corporation of America.

Our report refers to a change in the method of accounting for derivative instruments and hedging activities in 2001.

/s/KPMG LLP
Philadelphia, Pennsylvania
April 15, 2002

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned does hereby consent and appoint Mark S. Gorder and Francis A. Toczykowski, or either of them, his attorney to do any and all acts, including the execution of documents, which said attorneys, or either of them, may deem necessary or advisable to enable Selas Corporation of America (the "Company") to comply with the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission, in connection with the filing under said Act of an annual report of the Company on Form 10-K for the year ended December 31, 2001, including the power and authority to sign in the name and on behalf of the undersigned, in any and all capacities in which the signature of the undersigned would be appropriate, such annual report and any and all amendments thereto and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this day of April, 2002.

/s/Frederick L. Bissinger

/s/John H. Duerden

/s/Nicholas A. Giordano

/s/Robert Masucci

/s/Michael J. McKenna