UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED July 2, 2017

☐ 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 1-2451

NATIONAL PRESTO INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

WISCONSIN	**39-0494170**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3925 NORTH HASTINGS WAY EAU CLAIRE, WISCONSIN	**54703-3703**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **715-839-2121**

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐						

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 6,965,043 shares of the Issuer's Common Stock outstanding as of August 1, 2017.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
July 2, 2017 and December 31, 2016
(Dollars in thousands)

	July 2, 2017 (Unaudited)		December 31, 2016	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		$ 10,026		$ 27,034
Marketable securities		128,706		84,457
Accounts receivable, net		38,056		67,285
Inventories:				
Finished goods	$ 29,211		$ 25,200	
Work in process	83,178		66,528	
Raw materials	4,511	116,900	3,675	95,403
Assets held for sale		5,335		58,893
Other current assets		7,028		7,423
Total current assets		306,051		340,495
PROPERTY, PLANT AND EQUIPMENT	$ 103,552		$ 101,163	
Less allowance for depreciation	55,428	48,124	51,688	49,475
GOODWILL		11,485		11,485
INTANGIBLE ASSETS, net		4,589		4,961
NOTES RECEIVABLE		6,642		6,534
DEFERRED INCOME TAXES		4,910		-
OTHER ASSETS		8,138		4,644
		$ 389,939		$ 417,594

The accompanying notes are an integral part of the condensed consolidated financial statements.

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
July 2, 2017 and December 31, 2016
(Dollars in thousands)

	July 2, 2017 (Unaudited)		December 31, 2016	
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable		$ 31,175		$ 39,584
Federal and state income taxes		5,579		6,273
Accrued liabilities		12,342		12,244
Liabilities held for sale		17		6,253
Total current liabilities		49,113		64,354
DEFERRED INCOME TAXES		-		3,004
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY				
Common stock, $1 par value:				
Authorized: 12,000,000 shares				
Issued: 7,440,518 shares	$ 7,441		$ 7,441	
Paid-in capital	8,650		7,913	
Retained earnings	339,666		350,203	
Accumulated other comprehensive (loss)	(24)		(47)	
	355,733		365,510	
Treasury stock, at cost	14,907		15,274	
Total stockholders' equity		340,826		350,236
		$ 389,939		$ 417,594

The accompanying notes are an integral part of the condensed consolidated financial statements.

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three and Six Months Ended July 2, 2017 and July 3, 2016
(Unaudited)

(In thousands except per share data)	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
Net sales	$ 74,561	$ 69,516	$ 147,415	$ 135,458
Cost of sales	57,001	52,349	109,729	102,243
Gross profit	17,560	17,167	37,686	33,215
Selling and general expenses	5,418	5,614	11,178	11,441
Intangibles amortization	5	-	372	568
Operating profit	12,137	11,553	26,136	21,206
Other income	980	188	1,930	371
Earnings from continuing operations before provision for income taxes	13,117	11,741	28,066	21,577
Provision for income taxes from continuing operations	4,176	3,805	9,152	7,131
Earnings from continuing operations	$ 8,941	$ 7,936	$ 18,914	$ 14,446
Earnings from discontinued operations, net of tax	771	338	8,953	1,039
Net earnings	$ 9,712	$ 8,274	$ 27,867	$ 15,485
Weighted average shares outstanding:				
Basic and diluted	6,990	6,970	6,985	6,967
Earnings per share, basic and diluted:				
From continuing operations	$ 1.28	$ 1.14	$ 2.71	2.07
From discontinued operations	0.11	0.05	1.28	0.15
Net earnings per share	$ 1.39	$ 1.19	$ 3.99	$ 2.22
Comprehensive income:				
Net earnings	$ 9,712	$ 8,274	$ 27,867	$ 15,485
Other comprehensive income, net of tax:				
Unrealized gain (loss) on available-for-sale securities	(5)	13	23	18
Comprehensive income	$ 9,707	$ 8,287	$ 27,890	$ 15,503
Cash dividends declared and paid per common share	$ 0.00	$ 0.00	$ 5.50	$ 5.05

The accompanying notes are an integral part of the condensed consolidated financial statements.

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended July 2, 2017 and July 3, 2016
(Unaudited)
(Dollars in thousands)

	2017	2016
Cash flows from operating activities:		
Net earnings	$ 27,867	$ 15,485
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for depreciation	3,912	5,897
Intangibles amortization	372	568
Provision for doubtful accounts	14	8
Non-cash retirement plan expense	357	374
Gain on involuntary conversion of machinery and equipment	(1,997)	-
Gain on disposal of property, plant and equipment	(2)	-
Gain on divestiture of business	(11,413)	-
Other	133	497
Changes in operating accounts:		
Accounts receivable, net	29,060	14,094
Inventories	(21,191)	(17,822)
Other assets and current assets	(3,099)	599
Accounts payable and accrued liabilities	(9,675)	8,220
Federal and state income taxes	(8,656)	(1,416)
Net cash provided by operating activities	5,682	26,504
Cash flows from investing activities:		
Marketable securities purchased	(109,465)	(27,386)
Marketable securities - maturities and sales	65,250	3,391
Proceeds from divestiture of business, net	64,033	-
Notes issued	-	(2,419)
Purchase of property, plant and equipment	(4,509)	(2,579)
Sale of property, plant and equipment	1	2
Net cash provided by (used in) investing activities	15,310	(28,991)
Cash flows from financing activities:		
Dividends paid	(38,405)	(35,161)
Proceeds from sale of treasury stock	519	443
Other	(114)	-
Net cash used in financing activities	(38,000)	(34,718)
Net decrease in cash and cash equivalents	(17,008)	(37,205)
Cash and cash equivalents at beginning of period	27,034	56,222
Cash and cash equivalents at end of period	$ 10,026	$ 19,017

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTE A – BASIS OF PRESENTATION

The consolidated interim financial statements included herein are unaudited and have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). In the opinion of management of the Company, the consolidated interim financial statements reflect all the adjustments which were of a normal recurring nature necessary for a fair presentation of the results of the interim periods. The condensed consolidated balance sheet as of December 31, 2016 is summarized from audited consolidated financial statements, but does not include all the disclosures contained therein and should be read in conjunction with the 2016 Annual Report on Form 10-K. Interim results for the period are not indicative of those for the year.

On January 3, 2017, the Company and its wholly-owned subsidiary, Presto Absorbent Products, Inc. ("PAPI"), entered into an asset purchase agreement wherein substantially all PAPI assets were sold and certain liabilities were assigned to Drylock Technologies, LTD. ("Drylock") in exchange for $68,448,000. The proceeds amount differs from the amount previously disclosed because of the customary post-closing adjustments that were finalized during the second quarter of 2017, totaling $1,448,000. The asset purchase agreement also provides for additional proceeds of $4,000,000 upon the sale of certain delayed assets, consisting of machinery and equipment that were the subject of an involuntary conversion, at a future date. As a result of this transaction, effective in the fourth quarter of 2016, the Company classified its results of operations for all periods presented to reflect its Absorbent Products business as a discontinued operation and classified the assets and liabilities of its Absorbent Products business as held for sale. See Note I for further discussion.

NOTE B – RECLASSIFICATIONS

In addition to the reclassifications mentioned in Note A above, certain reclassifications have been made to the prior periods' financial statements to conform to the current period's financial statement presentation. These reclassifications did not affect net earnings or stockholders' equity as previously reported.

NOTE C – EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares and participating securities outstanding during the period. Diluted earnings per share also includes the dilutive effect of additional potential common shares issuable. Unvested stock awards, which contain non-forfeitable rights to dividends whether paid or unpaid ("participating securities"), are included in the number of shares outstanding for both basic and diluted earnings per share calculations.

NOTE D – BUSINESS SEGMENTS

In the following summary, operating profit represents earnings before other income and income taxes. The Company's segments operate discretely from each other with no shared manufacturing facilities. Costs associated with corporate activities (such as cash and marketable securities management) and the assets associated with such activities are included within the Housewares/Small Appliances segment for all periods presented.

	(in thousands)			
	Housewares / Small Appliances	Defense Products	Assets Held for Sale	Total
Quarter ended July 2, 2017				
External net sales	$ 16,901	$ 57,660	$	$ 74,561
Gross profit	1,528	16,032		17,560
Operating profit (loss)	(949)	13,086		12,137
Total assets	222,165	162,439	5,335	389,939
Depreciation and amortization	308	1,870		2,178
Capital expenditures	463	1,372		1,835
Quarter ended July 3, 2016				
External net sales	$ 19,280	$ 50,236	$	$ 69,516
Gross profit	3,269	13,898		17,167
Operating profit	699	10,854		11,553
Total assets	161,310	155,032	60,145	376,487
Depreciation and amortization	257	1,776		2,033
Capital expenditures	453	1,090		1,543

	(in thousands)			
	Housewares / Small Appliances	Defense Products	Assets Held for Sale	Total
Six Months ended July 2, 2017				
External net sales	$ 36,948	$ 110,467	$	$ 147,415
Gross profit	4,697	32,989		37,686
Operating profit (loss)	(402)	26,538		26,136
Total assets	222,165	162,439	5,335	389,939
Depreciation and amortization	611	3,624		4,235
Capital expenditures	923	1,589		2,512
Six Months ended July 3, 2016				
External net sales	$ 40,676	$ 94,782	$	$ 135,458
Gross profit	7,556	25,659		33,215
Operating profit	1,913	19,293		21,206
Total assets	161,310	155,032	60,145	376,487
Depreciation and amortization	498	3,066		3,564
Capital expenditures	892	1,123		2,015

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company utilizes the methods of fair value as described in Financial Accounting Standard Board ("FASB") Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures,* to value its financial assets and liabilities. ASC 820 utilizes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying amounts for cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and accrued liabilities approximate fair value due to the immediate or short-term maturity of these financial instruments.

NOTE F - CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all highly liquid marketable securities with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market funds. The Company deposits its cash in high quality financial institutions. The balances, at times, may exceed federally insured limits. Money market funds are reported at fair value determined using quoted prices in active markets for identical securities (Level 1, as defined by FASB ASC 820).

The Company has classified all marketable securities as available-for-sale which requires the securities to be reported at estimated fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Highly liquid, tax-exempt variable rate demand notes with put options exercisable in three months or less are classified as marketable securities.

At July 2, 2017 and December 31, 2016, cost for marketable securities was determined using the specific identification method. A summary of the amortized costs and fair values of the Company's marketable securities at the end of the periods presented is shown in the following table. All of the Company's marketable securities are classified as Level 2, as defined by FASB ASC 820, with fair values determined using significant other observable inputs, which include quoted prices in markets that are not active, quoted prices of similar securities, recently executed transactions, broker quotations, and other inputs that are observable. There were no transfers into or out of Level 2 during the six months ended July 2, 2017.

	(In Thousands)			
	MARKETABLE SECURITIES			
	Amortized Cost	**Fair Value**	**Gross Unrealized Gains**	**Gross Unrealized Losses**
July 2, 2017				
Tax-exempt Municipal Bonds	$ 25,020	$ 24,983	$ 9	$ 46
Variable Rate Demand Notes	103,723	103,723	-	-
Total Marketable Securities	$ 128,743	$ 128,706	$ 9	$ 46
December 31, 2016				
Tax-exempt Municipal Bonds	$ 38,223	$ 38,151	$ 1	$ 73
Variable Rate Demand Notes	46,306	46,306	-	-
Total Marketable Securities	$ 84,529	$ 84,457	$ 1	$ 73

Proceeds from maturities and sales of available-for-sale securities totaled $38,415,000 and $2,128,000 for the three month periods ended July 2, 2017 and July 3, 2016, respectively, and totaled $65,250,000 and $3,391,000 for the six month periods then ended, respectively. There were no gross gains or losses related to sales of marketable securities during the same periods. Net unrealized gains (losses) included in other comprehensive income were $(8,000) and $19,000 before taxes for the three month periods ended July 2, 2017 and July 3, 2016, respectively, and were $34,000 and $28,000 before taxes for the six month periods then ended, respectively. No unrealized gains or losses were reclassified out of accumulated other comprehensive income during the same periods.

The contractual maturities of the marketable securities held at July 2, 2017 are as follows: $20,218,000 within one year; $16,324,000 beyond one year to five years; $4,764,000 beyond five years to ten years, and $87,400,000 beyond ten years. All of the instruments in the beyond five year ranges are variable rate demand notes which can be tendered for cash at par plus interest within seven days. Despite the stated contractual maturity date, to the extent a tender is not honored, the notes become immediately due and payable.

NOTE G – OTHER ASSETS

Other Assets includes prepayments that are made from time to time by the Company for certain materials used in the manufacturing process in the Housewares/Small Appliances segment. The Company expects to utilize the prepayments and related materials over an estimated period of up to three years. As of July 2, 2017 and December 31, 2016, $14,068,000 and $10,974,000 of such prepayments, respectively, remained unused and outstanding. At July 2, 2017 and December 31, 2016, $5,930,000 and $6,330,000, respectively, of these amounts were included in Other Current Assets, representing the Company's best estimate of the expected utilization of the prepayments and related materials during the twelve-month periods following those dates.

NOTE H – COMMITMENTS AND CONTINGENCIES

The Company is involved in largely routine litigation incidental to its business. Management believes the ultimate outcome of the litigation will not have a material effect on the Company's consolidated financial position, liquidity, or results of operations.

NOTE I – DISCONTINUED OPERATIONS

On January 3, 2017, the Company and its wholly-owned subsidiary, Presto Absorbent Products, Inc. ("PAPI"), entered into an asset purchase agreement wherein substantially all PAPI assets were sold and certain liabilities were assigned to Drylock Technologies, LTD. ("Drylock") in exchange for $68,448,000. The proceeds amount differs from the amount previously disclosed because of the customary post-closing adjustments that were finalized during the second quarter of 2017, totaling $1,448,000. The asset purchase agreement also provides for additional proceeds of $4,000,000 upon the sale of certain delayed assets, consisting of machinery and equipment that were the subject of an involuntary conversion, at a future date. As a result of this transaction, effective in the fourth quarter of 2016, the Company classified its results of operations for all periods presented to reflect its Absorbent Products business as a discontinued operation and classified the assets and liabilities of its Absorbent Products business as held for sale. The Company's pre-tax gain on sale of $11,413,000, net of one-time transaction costs, was recorded in the first six months of 2017 within earnings from discontinued operations. This amount differs from the gain previously reported as a result of the post-closing adjustments mentioned above that were finalized in the second quarter of 2017.

The following table summarizes the results of the Absorbent Products business within discontinued operations for each of the periods presented:

	Three Months Ended		Six Months Ended	
(in thousands) (unaudited)	**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Net sales	$ -	$ 18,469	$ 421	$ 39,024
Cost of sales	(17)	(17,220)	(485)	(36,042)
Selling and general expenses	2	(738)	(24)	(1,414)
Gain on divestiture, net	709	-	11,413	-
Other income	430	(3)	2,078	(3)
Earnings from discontinued operations before provision for income taxes	1,124	508	13,403	1,565
Provision for income taxes from discontinued operations	353	170	4,450	526
Earnings from discontinued operations, net of tax	$ 771	$ 338	$ 8,953	$ 1,039

The following table summarizes the major classes of assets and liabilities of the Absorbent Products business held for sale for each of the periods presented:

(in thousands)	July 2, 2017 (Unaudited)		December 31, 2016	
Accounts receivable, net	$	2,351	$	13,781
Inventories		-		10,747
Property, plant and equipment, net		2,984		34,365
Assets held for sale	$	5,335	$	58,893
Accounts payable	$	17	$	5,245
Accrued liabilities		-		1,008
Liabilities held for sale	$	17	$	6,253

The Consolidated Statements of Cash Flows do not present the cash flows from discontinued operations separately from cash flows from continuing operations. Cash provided by (used in) operating activities from discontinued operations was $(5,625,000) and $2,507,000 for the six months ended July 2, 2017 and July 3, 2016, respectively. Cash provided by (used in) investing activities related to discontinued operations was $62,036,000 and $(487,000) for the six months ended July 2, 2017 and July 3, 2016, respectively.

In connection with the asset purchase agreement discussed above, the Company entered into a 10-year lease agreement with Drylock for a portion of its manufacturing and warehouse facilities. The lease agreement provided for total annual payments of $1,288,000 initially. It also provides Drylock an option for early termination of the lease after the initial five years and an option to modify the space subject to the agreement. Drylock elected the latter option as of June 30, 2017. The agreement allows as well for adjustments to the rental payments based on certain price indices. The Company has also entered into a transition services agreement with Drylock which is expected to continue through the fourth quarter of 2017.

NOTE J – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the performance of Step 2 from the goodwill impairment test. In performing its annual or interim impairment testing, an entity will instead compare the fair value of the reporting unit with its carrying amount and recognize any impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which provides guidance in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those periods, with early adoption permitted under certain circumstances. The Company does not expect the adoption of ASU 2017-01 to have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 provides guidance on the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance requires a modified retrospective transition method and early adoption is permitted. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The guidance is effective for reporting periods (interim and annual) beginning after December 15, 2017. The Company does not expect the adoption of ASU 2016-01 to have a material effect on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. The amendment may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company expects to adopt ASU 2014-09 as of January 1, 2018, and continues to deliberate on the transition method. While the Company's evaluation of the impact of the standard is ongoing, representative samples of existing revenue contracts have been considered. The Company continues to evaluate if there will be any effect on the timing and pattern of revenue recognition, and additional disclosures may be required. The Company will continue assessing the impact of ASU 2014-09 on its consolidated financial statements through the date of adoption.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, elsewhere in this Form 10-Q, in the Company's 2016 Annual Report to Shareholders, in the Proxy Statement for the annual meeting held on May 16, 2017, and in the Company's press releases and oral statements made with the approval of an authorized executive officer are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed herein and in the Notes to Consolidated Financial Statements, among the other factors that could cause actual results to differ materially are the following: consumer spending and debt levels; interest rates; continuity of relationships with and purchases by major customers; product mix; the benefit and risk of business acquisitions; competitive pressure on sales and pricing; development and market acceptance of new products; increases in material, freight/shipping, or production cost which cannot be recouped in product pricing; delays or interruptions in shipping or production; reliance on third-party suppliers in Asia; shipment of defective product which could result in product liability claims or recalls; work or labor disruptions stemming from a unionized work force; changes in government requirements, military spending, and funding of government contracts, which could result in, among other things, the modification or termination of existing contracts; dependence on subcontractors or vendors to perform as required by contract; the efficient start-up and utilization of capital equipment investments; political actions of federal and state governments which could have an impact on everything from the value of the U.S dollar vis-à-vis other currencies to the availability of affordable labor and energy; and information technology system failures or security breaches. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings.

Discontinued Operations

On January 3, 2017, the Company and its wholly-owned subsidiary, Presto Absorbent Products, Inc. ("PAPI"), entered into an asset purchase agreement wherein substantially all PAPI assets were sold and certain liabilities were assigned to Drylock Technologies, LTD. As a result of this transaction, effective in the fourth quarter of 2016, the Company classified its results of operations for all periods presented to reflect its Absorbent Products business as a discontinued operation and classified the assets and liabilities of its Absorbent Products business as held for sale. The operations of PAPI previously comprised the Company's Absorbent Products segment.

Comparison of Second Quarter 2017 and 2016

Readers are directed to Note D to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's two business segments for the quarters ended July 2, 2017 and July 3, 2016.

On a consolidated basis, sales increased by $5,045,000 (7%), gross profit increased by $393,000 (2%), and selling and general expenses decreased by $196,000 (4%). Other income increased by $792,000 (421%), while earnings from continuing operations before provision for income taxes increased by $1,376,000 (12%), and earnings from continuing operations increased by $1,005,000 (13%). Earnings from discontinued operations, net of tax, increased $433,000. Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales decreased by $2,379,000 from $19,280,000 to $16,901,000, or 12%, primarily attributable to a decrease in shipments. Defense net sales increased by $7,424,000 from $50,236,000 to $57,660,000, or 15%, primarily reflecting an increase in units shipped.

Housewares/Small Appliance gross profit decreased $1,741,000 from $3,269,000 to $1,528,000, largely reflecting the decrease in sales mentioned above, along with increases in various operating costs that are part of cost of sales. Defense gross profit increased $2,134,000 from $13,898,000 to $16,032,000, primarily reflecting the increase in sales mentioned above.

Selling and general expenses for the Housewares/Small Appliance segment were essentially flat, decreasing $93,000. Selling and general expenses for the Defense segment decreased $103,000, primarily reflecting the absence of the prior quarter's non-cash write-down of the book value of equipment of $353,000, partially offset by increased administrative costs.

The above items were largely responsible for the change in operating profit.

Other income increased $792,000, approximately a third of which is attributable to interest income, reflecting increased interest rates and funds invested. The balance of the increase is attributable to lease and transition services income mentioned in Note I to the Consolidated Financial Statements.

Earnings from continuing operations before provision for income taxes increased $1,376,000 from $11,741,000 to $13,117,000. The provision for income taxes from continuing operations increased from $3,805,000 to $4,176,000, which resulted in an effective income tax rate of 32% for both quarters. Earnings from continuing operations increased $1,005,000 from $7,936,000 to $8,941,000, or 13%.

On January 3, 2017, the Company and its wholly-owned subsidiary, Presto Absorbent Products, Inc. ("PAPI"), entered into an asset purchase agreement wherein substantially all PAPI assets were sold and certain liabilities were assigned to Drylock Technologies, LTD. As a result of this transaction, effective in the fourth quarter of 2016, the Company classified its results of operations for all periods presented to reflect its Absorbent Products business as a discontinued operation and classified the assets and liabilities of its Absorbent Products business as held for sale. Earnings from discontinued operations, net of tax, increased $433,000, from $338,000 to $771,000. The increase was primarily attributable to an expected, customary post-closing adjustment related to the gain on sale mentioned above of $709,000, before taxes, and a gain on the involuntary conversion of machinery and equipment of $418,000, before taxes. These were partially offset by the absence of sales and production during the three months ended July 2, 2017.

Net earnings increased $1,438,000 from $8,274,000 to $9,712,000.

Comparison of First Six Months 2017 and 2016

Readers are directed to Note D to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's two business segments for the first six months ended July 2, 2017 and July 3, 2016.

On a consolidated basis, sales increased by $11,957,000 (9%), gross profit increased by $4,471,000 (14%), selling and general expenses decreased by $263,000 (2%), and intangibles amortization decreased by $196,000 (35%). Other income increased by $1,559,000 (420%), while earnings from continuing operations before provision for income taxes increased by $6,489,000 (30%), and earnings from continuing operations increased by $4,468,000 (31%). Earnings from discontinued operations, net of tax, increased $7,914,000. Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales decreased by $3,728,000 from $40,676,000 to $36,948,000, or 9%, approximately 85% of which was attributable to a decrease in shipments, with the remainder attributable to a decrease in prices. Defense net sales increased by $15,685,000 from $94,782,000 to $110,467,000, or 17%, primarily reflecting an increase in units shipped.

Housewares/Small Appliance gross profit decreased $2,859,000 from $7,556,000 to $4,697,000, largely reflecting the decrease in sales mentioned above, along with increases in various operating costs that are part of cost of sales. Defense gross profit increased $7,330,000 from $25,659,000 to $32,989,000, primarily reflecting the increase in sales mentioned above and an improved product mix.

Selling and general expenses for the Housewares/Small Appliance segment decreased $544,000, primarily reflecting lower employee benefit cost accruals. Selling and general expenses for the Defense segment increased $281,000, primarily reflecting increased legal and professional costs of $360,000. These were largely offset by the absence of the prior period's non-cash write-down of the book value of equipment of $353,000.

Intangibles amortization decreased by $196,000. The decrease primarily reflects amortization of the customer contract intangible asset corresponding to the quarter's comparatively lower shipments of a portion of the backlog acquired in late 2013 from DSE, Inc., one of the Company's former competitors in the Defense segment. The DSE asset acquisition is described in Note Q to the Company's 2016 Consolidated Financial Statements on Form 10-K. For the six months ended July 2, 2017 and July 3, 2016, the Company recorded amortization expense of $361,000 and $568,000, respectively, associated with the customer contract intangible asset.

The above items were responsible for the change in operating profit.

Other income increased $1,559,000, approximately a third of which is attributable to interest income, reflecting increased interest rates and funds invested. The balance of the increase is attributable to lease and transition services income mentioned in Note I to the Consolidated Financial Statements.

Earnings from continuing operations before provision for income taxes increased $6,489,000 from $21,577,000 to $28,066,000. The provision for income taxes from continuing operations increased from $7,131,000 to $9,152,000, which resulted in an effective income tax rate of 33% for both periods. Earnings from continuing operations increased $4,468,000 from $14,446,000 to $18,914,000, or 31%.

On January 3, 2017, the Company and its wholly-owned subsidiary, Presto Absorbent Products, Inc. ("PAPI"), entered into an asset purchase agreement wherein substantially all PAPI assets were sold and certain liabilities were assigned to Drylock Technologies, LTD. As a result of this transaction, effective in the fourth quarter of 2016, the Company classified its results of operations for all periods presented to reflect its Absorbent Products business as a discontinued operation and classified the assets and liabilities of its Absorbent Products business as held for sale. Earnings from discontinued operations, net of tax, increased $7,914,000, from $1,039,000 to $8,953,000. The increase was primarily attributable to the gain on sale mentioned above of $11,413,000, before taxes, and a gain on the involuntary conversion of machinery and equipment of $1,997,000, before taxes. These were partially offset by the absence of sales and production during the remainder of the six month period ended July 2, 2017.

Net earnings increased $12,382,000 from $15,485,000 to $27,867,000.

Liquidity and Capital Resources

Net cash provided by operating activities was $5,682,000 and $26,504,000 for the six months ended July 2, 2017 and July 3, 2016, respectively. The principal factors contributing to the decrease can be found in the changes in the components of working capital within the Consolidated Statements of Cash Flows. Of particular note during the first six months of 2017 were net earnings of $27,867,000, which included total non-cash depreciation and amortization expenses of $4,284,000, and non-cash gains on the sale of the Absorbent Products business and on an involuntary conversion of machinery and equipment of $11,413,000 and $1,997,000, respectively. Contributing to the decrease were increases in inventory levels and deposits made with raw material suppliers included in other assets and current assets, and decreases in payable and accrual levels. These were partially offset by a decrease in accounts receivable levels stemming from cash collections on customer sales. Cash used in operating activities from discontinued operations was $5,625,000. Of particular note during the first six months of 2016 were net earnings of $15,485,000, which included total non-cash depreciation and amortization expenses of $6,465,000, a decrease in accounts receivable levels stemming from cash collections on customer sales, a net increase in payable and accrual levels, and a decrease in deposits made with raw material suppliers included in other assets and current assets. These were partially offset by an increase in inventory levels. Cash provided by operating activities from discontinued operations was $2,507,000.

Net cash provided by (used in) investing activities was $15,310,000 during the first six months of 2017 as compared to $(28,991,000) during the first six months of 2016. Significant factors contributing to the change in investing cash flows were the proceeds from the 2017 sale of the Absorbent Products business and the issuance of a note receivable during 2016. These were partially offset by increases in net purchases of marketable securities and the acquisition of property, plant, and equipment. Cash provided by (used in) discontinued operations for the first six months of 2017 and 2016 were $62,036,000 and $(487,000), respectively.

Cash flows from financing activities for the first six months of 2017 and 2016 primarily differed as a result of the comparative $0.45 per share increase in the extra dividend paid during the 2017 period. Cash flows for both six-month periods also reflected the proceeds from the sale of treasury stock to a Company sponsored retirement plan.

Working capital decreased by $19,202,000 during the first six months of 2017 to $256,939,000 at July 2, 2017 for the reasons stated above. The Company's current ratio was 6.2 to 1.0 at July 2, 2017 and 5.3 to 1.0 at December 31, 2016.

The Company expects to continue to evaluate acquisition opportunities that align with its business segments and will make further acquisitions, as well as continue to make capital investments in these segments per existing authorized projects and for additional projects, if the appropriate return on investment is projected.

The Company has substantial liquidity in the form of cash and cash equivalents and marketable securities to meet all of its anticipated capital requirements, to make dividend payments, and to fund future growth through acquisitions and other means. The bulk of its marketable securities are invested in the tax exempt variable rate demand notes described above and in fixed rate municipal notes and bonds. The Company intends to continue its investment strategy of safety and short-term liquidity throughout its investment holdings.

Critical Accounting Policies

The preparation of the Company's Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and revenues and expenses during the periods reported. Actual results may differ from those estimates. The Company reviewed the development and selection of the critical accounting policies and believes the following are the most critical accounting policies that could have an effect on the Company's reported results. These critical accounting policies and estimates have been reviewed with the Audit Committee of the Board of Directors.

<u>Inventories</u>
New Housewares/Small Appliance product introductions are an important part of the Company's sales to offset the morbidity rate of other Housewares/Small Appliance products and/or the effect of lowered acceptance of seasonal products due to weather conditions. New products entail unusual risks and have occasionally in the past resulted in losses related to obsolete or excess inventory as a result of low or diminishing demand for a product. There were no such obsolescence issues that had a material effect during the current period, and accordingly, the Company did not record a reserve for obsolete product. In the future should product demand issues arise, the Company may incur losses related to the obsolescence of the related inventory. Inventory risk for the Company's Defense segment is not deemed to be significant, as products are largely built pursuant to customers' specific orders.

<u>Self-Insured Product Liability and Health Insurance</u>
The Company is subject to product liability claims in the normal course of business and is self-insured for health care costs, although it does carry stop loss and other insurance to cover claims once a health care claim reaches a specified threshold. The Company's insurance coverage varies from policy year to policy year, and there are typically limits on all types of insurance coverage, which also vary from policy year to policy year. Accordingly, the Company records an accrual for known claims and incurred but not reported claims, including an estimate for related legal fees in the Company's Consolidated Financial Statements. The Company utilizes historical trends and other analysis to assist in determining the appropriate accrual. There are no known claims that would have a material adverse impact on the Company beyond the reserve levels that have been accrued and recorded on the Company's books and records. An increase in the number or magnitude of claims could have a material impact on the Company's financial condition and results of operations.

<u>Sales and Returns</u>
Sales are recorded net of discounts and returns for the Housewares/Small Appliance segment. The latter pertain primarily to warranty returns, returns of seasonal items, and returns of those newly introduced products sold with a return privilege. The calculation of warranty returns is based in large part on historical data, while seasonal and new product returns are primarily developed using customer provided information.

<u>Impairment and Valuation of Long-lived Assets</u>
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Long-lived assets consist of property, plant and equipment and intangible assets, including the value of a government sales contract. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, the amounts of the cash flows and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. The Company uses internal discounted cash flows estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. The Company derives the required cash flow estimates from its historical experience and its internal business plans.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's interest income on cash equivalents and marketable securities is affected by changes in interest rates in the United States. Cash equivalents primarily consist of money market funds. Based on the accounting profession's interpretation of cash equivalents under FASB ASC Topic 230, the Company's seven-day variable rate demand notes are classified as marketable securities rather than as cash equivalents. The demand notes are highly liquid instruments with interest rates set every seven days that can be tendered to the trustee or remarketer upon seven days notice for payment of principal and accrued interest amounts. The seven-day tender feature of these variable rate demand notes is further supported by an irrevocable letter of credit from highly rated U.S. banks. To the extent a bond is not remarketed at par plus accrued interest, the difference is drawn from the bank's letter of credit. The Company has had no issues tendering these notes to the trustees or remarketers. Other than a failure of a major U.S. bank, there are no risks of which the Company is aware that relate to these notes in the current market. The balance of the Company's investments is held primarily in fixed and variable rate municipal bonds with a weighted average life of 0.7 years. Accordingly, changes in interest rates have not had a material effect on the Company, and the Company does not anticipate that future exposure to interest rate market risk will be material. The Company uses sensitivity analysis to determine its exposure to changes in interest rates.

The Company has no history of, and does not anticipate in the future, investing in derivative financial instruments. Most transactions with international customers are entered into in U.S. dollars, precluding the need for foreign currency cash flow hedges. As the majority of the Housewares/Small Appliance segment's suppliers are located in China, periodic changes in the U.S. dollar and Chinese Renminbi (RMB) exchange rates do have an impact on that segment's product costs. It is anticipated that any potential material impact from fluctuations in the exchange rate will be to the cost of products secured via purchase orders issued subsequent to the revaluation.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "1934 Act") as of July 2, 2017. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date.

There were no changes to internal controls over financial reporting during the quarter ended July 2, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note H to the Consolidated Financial Statements set forth under Part I - Item 1 above.

Item 6. Exhibits

Exhibit 3(i)	Restated Articles of Incorporation - incorporated by reference from Exhibit 3 (i) of the Company's annual report on Form 10-K for the year ended December 31, 2005
Exhibit 3(ii)	By-Laws - incorporated by reference from Exhibit 3 (ii) of the Company's current report on Form 8-K dated July 6, 2007
Exhibit 9.1	Voting Trust Agreement - incorporated by reference from Exhibit 9 of the Company's quarterly report on Form 10-Q for the quarter ended July 6, 1997
Exhibit 9.2	Voting Trust Agreement Amendment - incorporated by reference from Exhibit 9.2 of the Company's annual report on Form 10-K for the year ended December 31, 2008
Exhibit 10.1	2017 Incentive Compensation Plan
Exhibit 10.2	Form of Restricted Stock Award Agreement - 2017 Incentive Compensation Plan
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101	The following financial information from National Presto Industries, Inc.'s Quarterly Report on Form 10-Q for the period ended July 2, 2017, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements 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.

NATIONAL PRESTO INDUSTRIES, INC.

/s/ Maryjo Cohen

Maryjo Cohen, Chair of the Board,
President, Chief Executive Officer
(Principal Executive Officer), Director

/s/ Randy F. Lieble

Randy F. Lieble, Director, Vice President,
Chief Financial Officer (Principal
Financial Officer), Treasurer

Date: August 11, 2017

National Presto Industries, Inc.
Exhibit Index

Exhibit Number	Exhibit Description
10.1	2017 Incentive Compensation Plan
10.2	Form of Restricted Stock Award Agreement – 2017 Incentive Compensation Plan
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from National Presto Industries, Inc.'s Quarterly Report on Form 10-Q for the period ended July 2, 2017, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

EXHIBIT 10.1

NATIONAL PRESTO INDUSTRIES, INC.
2017 INCENTIVE COMPENSATION PLAN

SECTION 1.
PURPOSE AND DURATION

1.1 Purpose. The purpose of the National Presto Industries, Inc. 2017 Incentive Compensation Plan (the "Plan") is to attract and retain qualified employees of National Presto Industries, Inc. (the "Company") and its Subsidiaries. By encouraging employees of the Company and its Subsidiaries to acquire a proprietary interest in the Company's growth and performance, the Company intends to motivate employees to achieve long-term Company goals and to more closely align the interests of such persons with those of the Company's stockholders.

1.2 Duration of the Plan. The Plan shall become effective as of May 16, 2017, subject to the approval of the stockholders of the Company at the Annual Meeting on May 16, 2017 (the "Effective Date"). The Plan shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Section 6 hereof, until the date all Shares subject to the Plan shall have been issued or acquired and the Restrictions on all Awards granted under the Plan shall have lapsed, according to the Plan's provisions.

SECTION 2.
DEFINITIONS

As used in the Plan, in addition to terms elsewhere defined in the Plan, the following terms shall have the meanings set forth below:

2.1 "Award" or "Restricted Stock Award" means an award of Restricted Stock granted to an Eligible Person under this Plan.

2.2 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing any Award granted hereunder between the Company and a Grantee.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Change in Control" means the occurrence of any one or more of the following:

(a) An acquisition of outstanding or newly issued Company securities that results in any Person with Beneficial Ownership (as each are defined within the meaning of Rule 13d-3 under the Exchange Act) of more than 50% (other than any Person who, as of the date hereof, already has Beneficial Ownership of at least 20%) of either (x) the then outstanding shares of the Company's Common Stock (the "Outstanding Company Common Stock"), or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); or

(b) A change in the composition of the Board in connection with a tender or exchange offer, a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Corporate Transaction") or a direct purchase of securities from the Company such that (i) the individuals who, as of the date hereof, constitute the members of the Board (the "Incumbent Board") cease to constitute at least a majority of the Board, or (ii) a majority of the individuals who, as of the date hereof, constitute the Incumbent Board resign or are removed from the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

(c) The approval by the stockholders of the Company of a Corporate Transaction or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (i) all or substantially all of the Beneficial Owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will Beneficially Own, directly or indirectly, more than 50% of the Outstanding Company Common Stock, or more than 50% of the Outstanding Company Voting Securities of the Company resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (other than the Company, any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or such corporation resulting from such Corporate Transaction) will Beneficially Own, directly or indirectly, 20% or more of, respectively, the Outstanding Company Common Stock or Outstanding Company Voting Securities resulting from such Corporate Transaction except to the extent that such ownership existed with respect to the Company prior to the Corporate Transaction, and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Despite all of the foregoing, no Change in Control is deemed to have occurred with respect to a Grantee if a Grantee is part of a purchasing group which consummates the Change in Control transaction. A Grantee is deemed "part of a purchasing group" for purposes of the preceding sentence if the Grantee is an equity participant in the purchasing company or group except for (i) passive ownership of less than three percent (3%) of the stock of the purchasing company or (ii) ownership of an equity participation in the purchasing company or group which is otherwise not significant, as determined prior to the Change in Control by a majority of the Incumbent Board.

2.5 "Code" means the Internal Revenue Code of 1986 (and any successor thereto), as amended from time to time, and applicable regulations and rulings thereunder.

2.6 "Committee" has the meaning set forth in Section 3.1.

2.7 "Common Stock" means common stock, par value $1.00 per share, of the Company.

2.8 "Company" has the meaning set forth in Section 1.1.

2.9 "Covered Employee" means a Grantee who, as of the last day of the fiscal year in which the value of an Award is includable in income for federal income tax purposes, is one of the group of "covered employees," within the meaning of Code Section 162(m), with respect to the Company.

2.10 "Disability" means the disability of the Grantee such as would entitle the Grantee to receive disability income benefits pursuant to the long-term disability plan of the Company or Subsidiary then covering the Grantee or, if no such plan exists or is applicable to the Grantee, the permanent and total disability of the Grantee in the sense that he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

2.11 "Effective Date" has the meaning set forth in Section 1.2.

2.12 "Eligible Person" means any employee of an Employer.

2.13 "Employer" means the Company or any Subsidiary.

2.14 "Exchange Act" means the Securities and Exchange Act of 1934, as amended, or any successor thereto, and the rules and regulations promulgated thereunder, all as shall be amended from time to time.

2.15 "Fair Market Value" means, as of any applicable date, (a) the last sale price for one Share on such date as reported on the New York Stock Exchange or, if the foregoing does not apply, on such other market system or stock exchange on which the Company's Common Stock is then listed or admitted to trading, or on the last previous day on which a sale was reported if no sale of a Share was reported on such date, or (b) if the foregoing subsection (a) does not apply, the fair market value of a Share as reasonably determined in good faith by the Board.

2.16 "Grant Date" means the date designated in a resolution by the Committee as the date on which an Award is granted. In no event shall the Grant Date be earlier than the date on which the Committee approves the granting of the Award.

2.17 "Grantee" means an Eligible Person who has been granted an Award.

2.18 "Including" or "includes" means "including, but not limited to," or "includes, but is not limited to," respectively.

2.19 "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code Section 162(m).

2.20 "Performance Goal" means the objective or subjective criterion or criteria determined by the Committee, the degree of attainment of which will affect the amount of the Award the Grantee is entitled to receive or retain, and to the extent the Committee intends an Award to comply with the Performance-Based Exception, the Performance Goal(s) shall be chosen from among the Performance Measures set forth in Section 4.4(a).

2.21 "Performance Measure" has the meaning set forth in Section 4.4(a).

2.22 "Person" means any individual, sole proprietorship, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

2.23 "Restricted Stock" means any Share issued under the Plan that is subject to Restrictions.

2.24 "Restrictions" means any restriction on a Grantee's free enjoyment of the Shares or other rights underlying Awards, including (a) that the Grantee or other holder may not sell, transfer, pledge, or assign a Share or right, and (b) such other restrictions as the Committee may impose in the Award Agreement (including any restriction on the right to vote such Share and the right to receive any dividends). Restrictions may be based upon the passage of time or the satisfaction of performance criteria or the occurrence of one or more events or conditions, and shall lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Committee shall specify. Awards subject to a Restriction shall be forfeited if the Restriction does not lapse prior to such date or the occurrence of such event or the satisfaction of such other criteria as the Committee shall determine.

2.25 "Retirement" means (a) the Termination of Service at or after age 65 or (b) the Termination of Service at or after the age of 60 if the combination of the sum of the Grantee's years of service to the Company plus the age of the Grantee exceeds 85 years and the Grantee does not intend to continue employment at another company or for oneself at the time of retirement.

2.26 "Section 16 Person" means a person who is subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.27 "Share" means a share of the Common Stock of the Company.

2.28 "Subsidiary" means any Person that directly, or through one (1) or more intermediaries, is controlled by the Company.

2.29 "Termination of Service" occurs on the first day on which an individual is for any reason no longer providing services to an Employer in the capacity of an employee.

2.30 "Year" means a calendar year.

SECTION 3.
ADMINISTRATION

3.1 Committee. The Plan shall be administered by the Compensation Committee of the Board unless otherwise determined by the Board (the "Committee"). The members of the Committee shall be appointed by the Board from time to time and may be removed by the Board from time to time. Subject to Section 4.4(c), the Committee may delegate to the Chief Executive Officer of the Company any or all of the authority of the Committee with respect to the grant of Awards to Grantees, other than Grantees who are executive officers, or are (or are expected to be) Covered Employees and/or are Section 16 Persons at the time any such delegated authority is exercised.

3.2 Powers of the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority and sole discretion as follows:

(a) to determine when, to whom and in what amounts Awards should be granted;

(b) to grant Awards to Eligible Persons in any number, and to determine the terms and conditions applicable to each Award (including without limitation conditions intended to comply with Code Sections 409A and 162(m)), the number of Shares to be awarded, any purchase price to be paid by the Grantee, any Restriction, the length of the restricted period, any schedule for or performance conditions relating to the earning of the Award or the lapse of forfeiture restrictions, restrictive covenants, restrictions on transferability, any performance period, any Performance Goals, including those relating to the Company and/or a Subsidiary and/or any division thereof and/or an individual, and/or vesting based on the passage of time;

(c) to determine whether any performance or vesting conditions, including Performance Measures or Performance Goals, have been satisfied;

(d) except as provided in Sections 5.8(b) and 5.9, to determine whether, to what extent and under what circumstances an Award may be accelerated, vested, canceled, forfeited or surrendered, or any terms of the Award may be waived;

(e) to interpret and administer the Plan and any instrument or agreement, including any Award Agreement, relating to the Plan;

(f) to establish, amend, suspend or waive rules and regulations for the proper administration of the Plan;

(g) to determine the terms and conditions of all Award Agreements applicable to Eligible Persons (which need not be identical) and, with the consent of the Grantee (except as provided in this Section 3.2(g) and 6.2), to amend any such Award Agreement at any time; provided that the consent of the Grantee shall not be required for any amendment (i) which does not adversely affect the rights of the Grantee, or (ii) which is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new applicable law or regulation or change in an existing applicable law or regulation or interpretation thereof, or (iii) to the extent the Award Agreement specifically permits amendment without consent;

(h) to impose such additional terms and conditions upon the grant or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate;

(i) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, and Award Agreement or any other instrument entered into or relating to an Award under the Plan; and

(j) to take any other action with respect to any matters relating to the Plan and to make all other decisions and determinations, including factual determinations, as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.3 Decisions Binding. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all Persons, including the Company, its Subsidiaries, any Grantee, any Eligible Person, any Person claiming any rights under the Plan from or through any Grantee, and stockholders. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

SECTION 4.
SHARES SUBJECT TO THE PLAN AND ADJUSTMENTS; CODE SECTION 162(M)

4.1 Number of Shares Available for Grants.

(a) Subject to adjustment as provided in Section 4.2, the aggregate number of Shares which may be delivered under the Plan shall not exceed 150,000 Shares. If any Shares subject to an Award granted hereunder are forfeited or such Award otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan.

(b) The Committee shall from time to time determine the appropriate methodology for calculating the number of Shares that have been delivered pursuant to the Plan. Shares delivered pursuant to the Plan shall be treasury Shares, including Shares repurchased by the Company for purposes of the Plan.

4.2 Adjustments in Authorized Shares and Awards. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, or other securities or property), stock split or combination, forward or reverse merger, reorganization, subdivision, consolidation or reduction of capital, recapitalization, consolidation, scheme of arrangement, split-up, spinoff or combination involving the Company or repurchase or exchange of Shares, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of: (i) the number and type of Shares (or other securities or property) with respect to which Awards may be granted under the Plan, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the number of Shares with respect to which Awards may be granted to a Grantee, and provided further that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

4.3 Compliance With Code Section 162(m).

(a) Section 162(m) Compliance. To the extent the Committee determines that compliance with the Performance-Based Exception is desirable with respect to an Award, Sections 4.3 and 4.4 shall apply (it being understood that compliance with 162(m) is not mandated under the Plan with respect to Awards). In the event that changes are made to Code Section 162(m) to permit flexibility with respect to any Awards available under the Plan, the Committee may, subject to Sections 4.3 and 4.4, make any adjustments to such Awards as it deems appropriate.

(b) Eligible Persons. The Committee shall designate the Eligible Persons (each of whom shall be Covered Employees) to be granted an Award intended to comply with Performance-Based Exception within the time period prescribed by Section 162(m) of the Code (i.e., within the first ninety (90) days of each Year subject to any exception stated therein); provided that for a hiring or promotion after such period, the designation shall not be later than the elapse of 25% of the remainder of such Year after such hiring or promotion.

(c) Time Frame Required to Establish Performance Measures. The Committee shall set the objective-based Performance Measures (as set forth in Section 4.4 below) in writing within the time period prescribed by Section 162(m) of the Code (i.e., within the first ninety (90) days of each Year subject to any exception stated therein).

(d) Committee Certification and Determination of Amount of Award. The Committee shall determine and certify in writing (resolutions or minutes are acceptable) the degree of attainment of Performance Measures for any Award intended to comply with Performance-Based Exception as soon as administratively practicable after the end of each Year but not later than sixty (60) days after the end of such Year. The Committee reserves the discretion to reduce (but not below zero) the amount of an individual's Award below the maximum Award. The determination of the Committee to reduce (or not pay) an individual's Award for a Year shall not affect the maximum Award payable to any other individual.

(e) 162(m) Award Limitations. The aggregate number of Shares subject to Restricted Stock Awards granted under this Plan to any single Grantee shall not exceed 7,500 Shares during any calendar year. The foregoing limitation shall be subject to adjustment under Section 4.2(a), but only to the extent that such adjustment will not affect the status of any Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

4.4 Performance Based Exception Under Section 162(m).

(a) Performance Measures. Subject to Section 4.4(d), unless and until the Committee proposes for stockholder vote and stockholders approve a change in the general Performance Measures set forth in this Section 4.4(a), for Awards designed to qualify for the Performance-Based Exception, the objective performance criteria shall be based upon one or more of the following (each a "Performance Measure"):

(i) Earnings before interest, tax, depreciation or amortization (actual and adjusted and either in the aggregate or on a per-Share basis);

(ii) Earnings (either in the aggregate or on a per-Share basis);

(iii) Net income or loss (either in the aggregate or on a per-Share basis);

(iv) Operating profit;

(v) Growth or rate of growth in cash flow;

(vi) Cash flow provided by operations (either in the aggregate or on a per-Share basis);

(vii) Free cash flow (either in the aggregate on a per-Share basis);

(viii) Gross revenues;

(ix) Reductions in expense levels, operating and maintenance cost management and employee productivity;

(x) Stockholder returns and return measures (including return on assets, investments, equity, or gross sales);

(xi) Growth or rate of growth in return measures;

(xii) Share price (including growth measures and total stockholder return or attainment by the Shares of a specified value for a specified period of time);

(xiii) Net economic value and/or economic value added;

(xiv) Aggregate product unit and pricing targets;

(xv) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures;

(xvi) Achievement of business or operational goals such as market share and/or business development;

(xvii) Results of customer satisfaction surveys;

(xviii) Debt ratings, debt leverage and debt service; and/or

(xix) Maintenance of the asset base;

provided that applicable Performance Measures may be applied on a pre- or post-tax basis; and provided further that the Committee may, on the Grant Date of an Award intended to comply with the Performance-Based Exception, and in the case of other Awards, at any time, provide that the formula for such Award may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual, nonrecurring gain or loss.

(b) Flexibility in Setting Performance Measures. The levels of performance required with respect to Performance Measures may be expressed in absolute or relative levels and may be based upon a set increase, set positive result, maintenance of the status quo, set decrease or set negative result. Performance Measures may differ for Awards to different Grantees. The Committee shall specify the weighting (which may be the same or different for multiple objectives) to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. Any one or more of the Performance Measures may apply to the Grantee, a department, unit, division or function within the Company or any one or more Subsidiaries; and may apply either alone or relative to the performance of other businesses or individuals (including industry or general market indices).

(c) Adjustments. The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established Performance Measures; provided, however, that Awards which are designed to qualify for the Performance-Based Exception may not (unless the Committee determines to amend the Award so that it no longer qualified for the Performance-Based Exception) be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward). The Committee may not, unless the Committee determines to amend the Award so that it no longer qualifies for the Performance-Based Exception, delegate any responsibility with respect to Awards intended to qualify for the Performance-Based Exception. All determinations by the Committee as to the achievement of the Performance Measure(s) shall be in writing prior to payment of the Award.

(d) Changes to Performance Measures. In the event that applicable laws, rules or regulations change to permit Committee discretion to alter the governing Performance Measures without obtaining stockholder approval of such changes, and still qualify for the Performance-Based Exception, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

SECTION 5.
RESTRICTED STOCK AWARDS

5.1 Grant of Restricted Stock. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock to any Eligible Person in such amounts as the Committee shall determine.

5.2 Award Agreement. Each grant of Restricted Stock shall be evidenced by an Award Agreement that shall specify the Restrictions, the number of Shares subject to the Restricted Stock Award, and such other provisions not inconsistent with the provisions of this Plan as the Committee shall determine. The Committee may impose such Restrictions on any Restricted Stock Award as it deems appropriate, including time-based Restrictions, performance –based Restrictions, Restrictions based on the occurrence of a specified event, and/or Restrictions under applicable securities laws.

5.3 Consideration for Award. The Committee shall determine the amount, if any, that a Grantee shall pay for Restricted Stock.

5.4 Vesting. Shares subject to a Restricted Stock Award shall become vested as specified in the applicable Award Agreement. For purposes of calculating the number of Shares of Restricted Stock that become vested, Share amounts shall be rounded to the nearest whole Share amount.

5.5 Effect of Forfeiture. If Restricted Stock is forfeited, and if the Grantee was required to pay for such Shares, the Grantee shall be deemed to have resold such Restricted Stock to the Company at a price equal to the lesser of (a) the amount paid by the Grantee for such Restricted Stock and (b) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the deemed sale price as soon as is administratively practical. Such Restricted Stock shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the event causing the forfeiture, whether or not the Grantee accepts the Company's tender of payment for such Restricted Stock.

5.6 Escrow; Legends. The Committee may provide that the certificates for any Restricted Stock (a) shall be held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such Restricted Stock becomes non-forfeitable or is forfeited and/or (b) shall bear an appropriate legend restricting the transfer of such Restricted Stock under the Plan. If any Restricted Stock becomes non-forfeitable, the Company shall cause certificates for such Shares to be delivered without such legend or shall cause a release of restrictions on a book entry account maintained by the Company's transfer agent.

5.7 Payment of Withholding Taxes. The Company has the right to withhold amounts from Awards to satisfy federal, state, local or foreign tax withholding requirements as it deems appropriate. The Company may decide to satisfy the withholding obligations through additional withholding on salary or other wages or by requiring the Grantee to promptly remit the amount of withholding to the Company prior to the delivery of the Shares with respect to the Award, or the Company may in its discretion withhold from the Shares to be delivered Shares sufficient to satisfy all or a portion of such tax withholding requirements.

5.8 Rights Upon Termination of Service.

(a) General. Except to the extent that the Committee provides otherwise in an Award Agreement, in the event the Grantee's Termination of Service is due to any reason other than death, Disability or Retirement, all unvested Restricted Stock Awards then held by the Grantee shall be cancelled and forfeited to the Company

(b) Termination of Service Due to Death, Disability or Retirement. In the event the Grantee's Termination of Service is due to death, Disability or Retirement, all unvested Restricted Stock Awards then held by the Grantee that are not subject to performance-based vesting conditions will become fully vested. If the unvested Restricted Stock Awards then held by the Grantee are subject to performance-based vesting conditions, the vesting of such Restricted Stock Awards shall occur only when and to the extent the applicable Performance Goals are satisfied.

5.9 Change in Control. In the event of a Change in Control, all unvested Restricted Stock Awards will become immediately fully vested and non-forfeitable and any Performance Goals applicable to the Restricted Stock Awards will be deemed to have been satisfied to the maximum degree specified in the Award.

5.10 Non-Transferability of Awards. No right or interest of any Grantee in a Restricted Stock Award prior to vesting may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee other than by will or by the laws of descent and distribution. Nothing herein shall be construed as requiring the Committee to honor the order of a domestic relations court regarding an Award, except to the extent required under applicable law.

5.11 Beneficiary Designation. Each Grantee under the Plan may, from time to time, name a beneficiary to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. If no beneficiary has been designated or if a beneficiary designated by the Grantee fails to survive the Grantee, benefits remaining unpaid at the Grantee's death shall be paid to the Grantee's estate.

5.12 Stockholder Rights in Restricted Stock. Restricted Stock, whether held by a Grantee or in escrow or other custodial arrangement by the Secretary of the Company, shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan or Award Agreement. At the time of a grant of Restricted Stock, the Committee may require the payment of cash dividends thereon to be deferred and, if the Committee so determines, reinvested in additional Shares of Restricted Stock. Stock dividends and deferred cash dividends issued with respect to Restricted Stock shall be subject to the same restrictions and other terms as apply to the Shares of Restricted Stock with respect to which such dividends are issued.

SECTION 6.
AMENDMENTS AND TERMINATION

6.1 Amendment and Termination. Subject to Section 6.2, the Board may at any time amend, alter, suspend, discontinue or terminate the Plan in whole or in part without the approval of the Company's stockholders, provided that any amendment shall be subject to the approval of the Company's stockholders if such approval is required by any federal or state law or regulation or any stock exchange or automated quotation system on which the Shares may then be listed or quoted.

6.2 Previously Granted Awards. Except as otherwise specifically provided in the Plan or an Award Agreement, no termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan without the written consent of the Grantee of such Award.

SECTION 7.
GENERAL PROVISIONS

7.1 Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Wisconsin other than its law respecting choice of laws and applicable federal law.

7.2 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business and/or assets of the Company.

7.3 Securities Law Compliance. If the Committee deems it necessary to comply with any applicable securities law, or the requirements of any securities exchange or market upon which Shares may be listed, the Committee may impose any restriction on Awards or Shares acquired pursuant to Awards under the Plan as it may deem advisable. All evidence of Share ownership delivered pursuant to any Award shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations or other requirements of the SEC, any securities exchange or market upon which Shares are then listed, and any applicable securities law. If so requested by the Company, the Grantee shall make a written representation and warranty to the Company that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1933, as amended, and any applicable state securities law or unless he or she shall have furnished to the Company an opinion of counsel, in form and substance satisfactory to the Company, that such registration is not required.

If the Committee determines that non-forfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any national securities exchange or national market system on which are listed any of the Company's equity securities, then the Committee may postpone any such non-forfeitability or delivery to comply with all such provisions at the earliest practicable date.

7.4 Section 409A. To the extent applicable and notwithstanding any other provision of this Plan, this Plan and Awards hereunder shall be administered, operated and interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date on which the Board approves the Plan; provided, however, in the event that the Committee determines that any amounts payable hereunder may be taxable to a Grantee under Code Section 409A and related Department of Treasury guidance prior to the payment and/or delivery to such Grantee of such amount, the Company may (a) adopt such amendments to the Plan and related Award, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to comply with or exempt the Plan and/or Awards from the requirements of Code Section 409A and related Department of Treasury guidance, including such Department of Treasury guidance and other interpretive materials as may be issued after the date on which the Board approves the Plan. The Company and its Subsidiaries make no guarantees to any Person regarding the tax treatment of Awards or payments made under the Plan, and, notwithstanding the above provisions and any agreement or understanding to the contrary, if any Award, payments or other amounts due to a Grantee (or his or her beneficiaries, as applicable) results in, or causes in any manner, the application of an accelerated or additional tax, fine or penalty under Code Section 409A or otherwise to be imposed, then the Grantee (or his or her beneficiaries, as applicable) shall be solely liable for the payment of, and the Company and its Subsidiaries shall have no obligation or liability to pay or reimburse (either directly or otherwise) the Grantee (or his or her beneficiaries, as applicable) for, any such additional taxes, fines or penalties.

7.5 No Right to Continued Employment or Awards. No employee shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award. The grant of an Award shall not be construed as giving a Grantee the right to be retained in the employ of the Company or any Subsidiary or to be retained as a director of the Company or any Subsidiary. Further, the Company or a Subsidiary may at any time terminate the employment of a Grantee free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

7.6 Construction. The following rules of construction will apply to the Plan: (a) the word "or" is disjunctive but not necessarily exclusive, and (b) words in the singular include the plural, words in the plural include the singular, and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine gender include the other neuter genders. The headings of sections and subsections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

7.7 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

7.8 Plan Document Controls. This Plan and each Award Agreement constitute the entire agreement with respect to the subject matter hereof and thereof; provided that in the event of any inconsistency between this Plan and such Award Agreement, the terms and conditions of the Plan shall control unless otherwise expressly stated in the Award Agreement.

EXHIBIT 10.2

NATIONAL PRESTO INDUSTRIES, INC.
RESTRICTED STOCK AWARD AGREEMENT

This **RESTRICTED STOCK AWARD AGREEMENT** (the *"Agreement")* is made this _____ day of___________ ___, by and between **National Presto Industries, Inc.,** a Wisconsin corporation (the *"Company")* and _______________________, an individual resident of Wisconsin *("Participant").*

1. Award. The Company hereby grants to Participant a restricted stock award of ____________ shares (the *"Shares")* of Common Stock of the Company according to the terms and conditions set forth herein and in the National Presto Industries, Inc. 2017 Incentive Compensation Plan (the *"Plan").* The Shares are Restricted Stock granted under Section 5 of the Plan. A copy of the Plan will be furnished upon request of Participant.

2. Vesting. Except as otherwise provided in this Agreement, the Shares shall vest in accordance with the following schedule:

On or after each of the following dates	Number of Shares Vested

3. Restrictions on Transfer. Until the Shares vest pursuant to Section 2 or Section 4 hereof, none of the Shares may be assigned, pledged, alienated, attached, sold or otherwise transferred or encumbered, and any purported assignment, pledge, alienation, attachment, sale or transfer or encumbrance shall be void and unenforceable against the Company, and no attempt to transfer the Shares, whether voluntary or involuntary, by operation of law or otherwise, shall vest the purported transferee with any interest or right in or with respect to the Shares.

4. Forfeiture; Early Vesting. If Participant ceases to be an employee of the Company or any Subsidiary (as defined in the Plan) prior to vesting of the Shares pursuant to Section 2 or Section 4 hereof, all of Participant's rights to all of the unvested Shares shall be immediately and irrevocably forfeited, except that (i) if Participant ceases to be an employee by reason of death prior to the vesting of Shares under Section 2 hereof, or (ii) if Participant ceases to be an employee by reason of Disability (as defined in the Plan) prior to the vesting of Shares under Section 2 hereof, or (iii) if Participant ceases to be an employee by reason of Retirement (as defined in the Plan) prior to the vesting of Shares under Section 2 hereof, all Shares granted hereunder shall vest as of such termination of employment. Further, in the event of a Change in Control (as defined in the Plan) of the Company, any Shares that are not vested shall become fully vested immediately prior to the Change in Control. Upon forfeiture, Participant will no longer have any rights relating to the unvested Shares, including the right to vote the Shares and the right to receive dividends declared on the Shares.

5. Rights of a Shareholder. Except as provided herein, the Participant shall have all of the rights of a shareholder of the Company with respect to the Shares of Restricted Stock, including the right to vote the Shares and receive dividends and other distributions with respect thereto.

6. Tax Matters.

(a) Participant shall be liable for any and all taxes, including withholding taxes, arising out of this Award or the vesting of Restricted Stock hereunder. The Company shall have the right to deduct from any and all payments made in connection with the Award, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by the Company with respect to the Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Common Stock issuable to the Participant upon the vesting of the Restricted Stock until the Company's tax withholding obligations have been satisfied by the Participant.

(b) The Company shall have the right, but not the obligation, to deduct from the shares of Common Stock issuable to the Participant upon the vesting of the Restricted Stock, or to accept from the Participant the tender of, a number of whole shares of Common Stock having a Fair Market Value equal to all or any part of the tax withholding obligations of the Company. The Fair Market Value of any shares of Common Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the minimum amount of tax required to be withheld with respect to the transaction.

(c) Participant acknowledges that, at his or her option, Participant (i) shall be entitled to make an election permitted under section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), to include in gross income in the taxable year in which the Restricted Stock is granted, the Fair Market Value of such shares on the Grant Date, notwithstanding that such shares may be subject to a substantial risk of forfeiture within the meaning of the Code, or (ii) may elect to include in gross income the Fair Market Value of the Restricted Stock as of the date on which such restriction lapses. The Participant agrees to give the Company's Human Resources Department prompt written notice of any election made by such Participant under Code Section 83(b).

7. Miscellaneous.

(a) Plan Incorporation; Defined Terms. The provisions of the Plan are incorporated into this Agreement by reference. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Plan.

(b) Legends; Certificates. Participant agrees that each certificate, if any, representing unvested Shares will bear any legend required by law and a legend reading substantially as follows:

> The securities represented by this certificate are subject to the provisions of a Restricted Stock Award Agreement dated as of _________. None of the securities represented by this certificate

may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance shall be void and unenforceable against the Company, and no attempt to transfer the Shares, whether voluntary or involuntary, by operation of law or otherwise, shall vest the purported transferee with any interest or right in or with respect to the Shares.

Participant agrees that the Company shall hold any certificate representing unvested Shares in escrow until such time such Shares are vested.

(c) Delivery of Title to Shares. Subject to any governing rules or regulations, the Company shall deliver any shares of Common Stock acquired in connection with the vesting of the Restricted Stock to or for the benefit of the Participant either (a) by delivering to the Participant stock certificates for vested shares of Common Stock, (b) by delivering to the Participant evidence of book entry shares of Common Stock credited to the account of the Participant, or (c) by depositing such shares of Common Stock for the benefit of the Participant with a broker designated by the Company. The Company shall not be required to issue stock certificates for any shares of Common Stock acquired in connection with the vesting of the Restricted Stock.

(d) Company Policies. Participant agrees that he or she has read and will comply with the Company's Insider Trading Policy and its Corporate Code of Conduct.

(e) Plan Provisions Control. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(f) No Right to Employment. The issuance of the Shares shall not be construed as giving Participant the right to be retained in the employ of the Company or any Subsidiary, nor will it affect in any way the right of the Company or any Subsidiary to terminate such employment or position at any time, with or without cause. In addition, the Company or any Subsidiary may at any time dismiss Participant from employment, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Subsidiary, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or any Subsidiary. The Award granted hereunder shall not form any part of the wages or salary of Participant for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Subsidiary be entitled to any compensation for any loss of anyright or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Participant shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(g) Entire Agreement. This Agreement and the Plan constitute the entire understanding and agreement between Participant and the Company regarding this Award. Participant acknowledges that any other agreement, statement, understanding or promise with respect to the Award, whether oral or in writing, not contained in this Agreement or the Plan shall not be valid or binding. Any modification of or amendment to this Agreement shall be effective only if it is in writing and signed by both parties, except as otherwise provided in the Plan.

(h) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Wisconsin.

(i) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(j) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other person.

(k) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

IN WITNESS WHEREOF, the Company and Participant have executed this Agreement on the date set forth in the first paragraph.

National Presto Industries, Inc.:	**Participant:**
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________

EXHIBIT 31.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Maryjo Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Presto Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2017

/S/ Maryjo Cohen

Maryjo Cohen
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Randy Lieble, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Presto Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2017

/S/ Randy Lieble
Randy Lieble
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I the undersigned Chief Executive Officer of National Presto Industries, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 2, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 11, 2017

/S/ Maryjo Cohen
Maryjo Cohen,
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I the undersigned Chief Financial Officer of National Presto Industries, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 2, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 11, 2017

/S/ Randy Lieble
Randy Lieble
Chief Financial Officer