Detrex Corporation and Consolidated Subsidiary

2013 Annual Report

Detrex Corporation and Subsidiary
Contents

Highlights (1)

	2013	2012
Operations:		
Net sales from continuing operations	$ 41,038,085	$ 43,406,052
Environmental provision	-	15,724,767
Net income (loss) from continuing operations	2,599,748	(7,011,455)
Net income (2)	2,599,748	7,708,361
Per Diluted Common Share:		
Earnings per share:		
From continuing operations	1.51	(4.08)
Total	1.51	4.49
Financial Position and Other Data:		
Total assets	30,163,024	37,291,271
Total bank debt	7,740,000	-
Total liabilities (3)	15,811,536	26,158,680
Capital expenditures	1,464,396	1,758,471

(1) This information should be read in conjunction with the Consolidated Financial Statements and Management's Discussion and Analysis
(2) Income from discontinued operations of $14.7 million reflects the impact from the gain on the sale of Detrex Corporation's Harvel Plastics, Inc. subsidiary.
(3) The significant reduction in total liabilities included the transfer of $15 million of environmental obligations to a 3rd party and reduction in pension obligations.

DETREX COMPANY PROFILE

Detrex Corporation was incorporated in Michigan in 1925. Detrex Corporation through its subsidiary (the Elco Corporation) manufactures chemical products predominantly for use in the industrial manufacturing markets. As discussed in various parts of this Annual Report, the sale of its Harvel Plastics subsidiary was effective at the beginning of business on January 1, 2012. The sale has enabled the Company to realize the significant value of Harvel and use the sale proceeds to support its remaining subsidiary's growth, reduce legacy liabilities, and return cash to shareholders.

• ***The Elco Corporation*** is a manufacturer of high performance specialty chemicals serving three distinct business areas, namely additives for industrial petroleum products, high purity hydrochloric acid for the semiconductor industry, and specialty chemicals. Elco's petroleum additives are used for enhancing the properties of hydraulic oils, metalworking fluids, gear oils, greases and fuels. The Ultramax® hydrochloric acid product line meets the most demanding semiconductor specifications, and Detrex hydrochloric acid is used in various applications such as pharmaceutical manufacturing. Elco's products are manufactured in Cleveland, Ohio and Ashtabula, Ohio and sold domestically through a direct sales force and globally through agents and distributors. Websites: www.elcocorp.com and www.detrexchemicals.com

TO OUR SHAREHOLDERS:

2013 was a transformative year for our Company. We built on the momentum and resources generated by the Harvel sale in 2012 to move the Company along in its quest to deliver shareholder value. Most significantly, the Company completed the transfer of substantially all of its legacy environmental liabilities which has removed a major source of uncertainty while providing improved predictability and sustainability of earnings and cash flow. The legacy pension obligation was also much improved, and the Company's retirement plans are now in an overfunded position. The Company's subsidiary, The Elco Corporation, continued to perform well and generated solid earnings which enabled us to pay $1.00 per share in shareholder dividends.

Detrex generated net income of $2.6 million, or $1.51 per fully diluted share, in 2013 on sales of $41.0 million. In 2012, net sales were $43.4 million and the Company generated a net loss from continuing operations of $7 million, inclusive of pre-tax environmental charges of $15.7 million. The overall net income in 2012, including the gain on the sale of Harvel Plastics, Inc., was $7.7 million, or $4.49 per fully diluted share.

Elco increased its investment in personnel, processes, products and equipment during 2013. We hired additional technical, sales and administrative personnel and embarked on improving our capabilities in all of these areas. In addition, we opened a sales representative office in Shanghai, China to provide better access to that market. A significant number of new products were developed and introduced and are starting to generate revenue. Process improvements were made throughout the Company, including manufacturing processes and investment in equipment. Elco's financial results declined somewhat from 2012 levels partially as a result of the cost of these investments. This in combination with a 5.5% decline in sales resulted in pre-tax operating income of $7.3 million compared to $8.7 million in 2012. The year-over-year decline in sales is largely due to lower volume with a major customer and a general slow-down in our end markets during the second half of the year.

The environmental liability transfer transaction concluded the process which the Company undertook to quantify its environmental liabilities and provide more certainty about their impact on the Company. The transaction was closed in June 2013 and consisted of the complete transfer of environmental liabilities on twenty sites, approximately half of which were active. The total charge to the environmental reserve for this transaction was $14.3 million, made up of three components: a cash payment to the buyer of $12.9 million, transfer of title to five properties with a book value of $0.8 million, and payment of $0.6 million for an environmental liability policy. The contractual arrangements are spelled out in greater detail in Note 10 to the Financial Statements. We are confident that there are sufficient safeguards and layers of protection in place to ensure that the buyer's indemnification of Detrex for environmental liability will survive. The cash impact of this transaction is mitigated by the $5.0 million tax benefit it generated, $3.15 million of which will be realized in 2014.

We retained the liabilities associated with several remaining sites that have well defined and quantified exposure. At year end the environmental reserve for these sites was $1.9 million; this covers the estimated cost for remediating contamination from past operations on our Ashtabula manufacturing site, as well as costs at seven other non-owned sites where we are a member of a group of potentially responsible parties (PRP's). At the beginning of this year, we received approval from the EPA on a plan for the Ashtabula site. In 2014, we expect to spend approximately $685,000 on the liabilities primarily for construction of the Ashtabula remedy. In subsequent years we expect payments to be minimal.

Our pension plans moved from a $4 million underfunded position at the beginning of 2013 to an overfunded position of $1.4 million at the end of the year. This was accomplished through the combined effects of $1.7 million in cash contributions, pension asset portfolio investment performance and the increase in the discount rate from 4.25% to 5.0%. The Company is not required to, and does not plan to, make a contribution to the plans in 2014.

The major cash outlays for 2013 were the liability transfer transaction of $13.5 million, environmental spending of $0.7 million, pension contributions of $1.7 million, capital expenditures of $1.5 million, and dividends of $1.7 million. We borrowed approximately $9 million to fund the environmental liability transfer transaction. At year end, the loan balance net of cash on hand was $6.5 million which reflects favorable cash generation by Elco and a combination of federal, state, and local tax refunds. We have an escrow associated with the Harvel transaction which we hope to collect during 2014. It is, however, subject to a dispute that needs to be resolved. Given the outlook for much reduced legacy liability payments, additional tax refunds and Elco's strong cash flow, we expect the loan balance to be significantly reduced or eliminated by the end of 2014.

In 2013, we continued to deliver shareholder value and believe that significant progress was made. The Company is now much simpler, easier to understand with significantly reduced legacy liabilities and a solid operating business that is being groomed for growth. In the year to come, we will continue to evaluate and embrace strategic opportunity to generate shareholder value and we look forward to keeping you informed of our progress.

Thomas E. Mark	William C. King
President & CEO	Chairman

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Independent Auditor's Report

To the Board of Directors
Detrex Corporation and Consolidated Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Detrex Corporation and its subsidiary (the "Company") as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Detrex Corporation and its subsidiary at December 31, 2013 and 2012 and the consolidated results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

February 28, 2014

Detrex Corporation and Subsidiary
Consolidated Statements of Operations

	Year Ended December 31 2013	2012
Net Sales	$ 41,038,085	$ 43,406,052
Cost of sales (exclusive of depreciation)	26,956,820	28,282,357
Selling, general, and administrative expenses	8,468,205	8,502,733
Provision for depreciation and amortization	1,216,707	1,081,155
Provision for corporate environmental reserve	-	15,724,767
Other income - Net	(65,746)	(215,045)
Interest expense (income) - Net	140,960	(29,363)
Loss from asset disposals	56,099	15,826
Income (Loss) Before Income Taxes	4,265,040	(9,956,378)
Provision for income taxes (recovery)	1,665,292	(2,944,923)
Net Income (Loss) from Continuing Operations	2,599,748	(7,011,455)
Discontinued Operations		
Income from operation and sale of Harvel Plastics, Inc. - Net of income tax	-	14,464,666
Net Income	2,599,748	7,453,211
Net Loss Attributable to Noncontrolling Interest	-	255,150
Net Income Attributable to Detrex Corporation	**$ 2,599,748**	**$ 7,708,361**
Amount Attributable to Detrex Corporation Common Shareholders:		
Income (loss) from continuing operations, net of tax	$ 2,599,748	$ (7,011,455)
Discontinued operations, net of tax	-	14,719,816
Net Income attributable to Detrex Corporation	**$ 2,599,748**	**$ 7,708,361**
Basic Earnings (Loss) Per Common Share:		
From continuing operations attributable to Detrex Corp. shareholders	$ 1.55	$ (4.18)
From discontinued operations attributable to Detrex Corp. shareholders	-	8.78
Net earnings per share attributable to Detrex Corp. shareholders	**$ 1.55**	**$ 4.60**
Fully Diluted Earnings (Loss) Per Common Share:		
From continuing operations attributable to Detrex Corp. shareholders	$ 1.51	$ (4.08)
From discontinued operations attributable to Detrex Corp. shareholders	-	8.57
Net earnings per share attributable to Detrex Corp. shareholders	**$ 1.51**	**$ 4.49**
Number of Shares Outstanding, basic	1,675,939	1,675,939
Number of Shares Outstanding, fully diluted	1,725,242	1,717,568

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiary
Consolidated Statements of Comprehensive Income

	Year Ended	
	December 31, 2013	December 31, 2012
Net Income (Including Noncontrolling Interest)	$ 2,599,748	$ 7,453,211
Other Comprehensive Income - Net of tax		
Defined benefit pension plans		
Net gain (loss)	2,348,466	(776,083)
Settlement of Harvel pension plan	-	1,701,003
Total defined benefit pension plans	2,348,466	924,920
Other Comprehensive Income	2,348,466	924,920
Comprehensive Income	**$ 4,948,214**	**$ 8,378,131**

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiary
Consolidated Balance Sheets

	December 31 2013	December 31 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 1,206,544	$ 4,010,683
Investments	-	3,037,134
Accounts receivable - Net of allowance for uncollectible accounts of $25,000 in 2013 and 2012	4,329,348	4,507,259
Inventories	5,326,478	5,604,668
Income taxes receivable	3,152,000	-
Prepaid expenses and other	212,207	385,728
Deferred income taxes	-	905,000
Sale proceeds held in escrow	2,550,000	2,550,000
Total Current Assets	16,776,577	21,000,472
Property and Equipment		
Land	51,509	705,810
Buildings and improvements	9,414,427	8,967,898
Machinery and equipment	18,293,140	17,242,404
Construction in progress	183,673	616,768
	27,942,749	27,532,880
Less allowance for depreciation and amortization	17,933,240	17,100,261
Property and Equipment - Net	10,009,509	10,432,619
Deferred Income Taxes	-	5,105,456
Pension Assets	2,798,640	-
Other Assets	578,298	752,724
Total Assets	**$ 30,163,024**	**$ 37,291,271**
Liabilities and Equity		
Current Liabilities		
Revolving credit facility	$ 2,250,000	$ -
Current portion of long-term debt	880,000	-
Current portion of capital lease obligation	-	37,441
Accounts payable	1,810,227	2,827,369
Current portion of environmental reserve	685,000	3,600,000
Deferred income taxes	408,000	-
Accrued compensation	604,260	382,655
Other accruals	1,565,001	1,947,051
Total Current Liabilities	8,202,488	8,794,516
Long-Term Portion of Capital Lease Obligation	-	6,472
Long-Term Debt, Net of current portion	4,610,000	-
Pension Obligations	1,403,321	3,957,497
Deferred Income Taxes	354,753	-
Environmental Reserve	1,240,974	13,400,195
Equity		
Common capital stock, $2 par value, authorized 4,000,000 shares, outstanding 1,675,939 shares	3,351,878	3,351,878
Additional paid-in capital	881,730	935,108
Retained earnings	18,118,260	17,194,451
Accumulated other comprehensive loss	(8,000,380)	(10,348,846)
Total Equity	14,351,488	11,132,591
Total Liabilities and Equity	**$ 30,163,024**	**$ 37,291,271**

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiary
Consolidated Statements of Equity

	Detrex Corporation Shareholders						Noncontrolling Interest			
	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Controlling Interest	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)	Total Noncontrolling Interest	Total Equity
Balance - January 1, 2012	$ 3,351,878	$ -	$ 779,730	$ 16,189,846	$(11,018,616)	$ 9,302,838	$ 2,875,850	$ (255,150)	$ 2,620,700	$ 11,923,538
Net income (loss)	-	-	-	7,708,361	-	7,708,361	(255,150)	-	(255,150)	7,453,211
Other comprehensive income	-	-	-	-	669,770	669,770	-	255,150	255,150	924,920
Stock-based compensation expense	-	-	103,560	-	-	103,560	-	-	-	103,560
Stock option redemptions	-	-	(180,250)	-	-	(180,250)	-	-	-	(180,250)
Excess tax benefit of stock compensation expense	-	-	232,068	-	-	232,068	-	-	-	232,068
Elimination of noncontrolling interest in connection with sale of subsidiary	-	-	-	-	-	-	(2,620,700)	-	(2,620,700)	(2,620,700)
Dividends	-	-	-	(6,703,756)	-	(6,703,756)	-	-	-	(6,703,756)
Balance - December 31, 2012	3,351,878	-	935,108	17,194,451	(10,348,846)	11,132,591	-	-	-	11,132,591
Net income	-	-	-	2,599,748	-	2,599,748	-	-	-	2,599,748
Other comprehensive income	-	-	-	-	2,348,466	2,348,466	-	-	-	2,348,466
Stock option redemptions	-	-	(70,800)	-	-	(70,800)	-	-	-	(70,800)
Excess tax benefit of stock compensation expense	-	-	17,422	-	-	17,422	-	-	-	17,422
Dividends	-	-	-	(1,675,939)	-	(1,675,939)	-	-	-	(1,675,939)
Balance - December 31, 2013	**$ 3,351,878**	**$ -**	**$ 881,730**	**$ 18,118,260**	**$ (8,000,380)**	**$ 14,351,488**	**$ -**	**$ -**	**$ -**	**$ 14,351,488**

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiary
Consolidated Statements of Cash Flows

	Year Ended December 31 2013	Year Ended December 31 2012
Cash Flows from Operating Activities		
Net income	$ 2,599,748	$ 7,453,211
Adjustments to reconcile net income to net cash from operating activities:		
Income from discontinued operations	-	(14,464,666)
Depreciation and amortization	1,216,707	1,081,155
Loss on disposal of property and equipment	56,099	15,826
Provision for uncollectible receivables	-	(13,000)
Stock-based compensation expense	-	103,560
Deferred income taxes	5,502,000	(2,199,000)
Environmental reserve provision	-	15,724,767
Pension expense (benefit)	(67,130)	232,039
Changes in operating assets and liabilities which provided (used) cash:		
Investments	-	(37,134)
Accounts receivable	177,911	(550,682)
Inventory	278,190	824,613
Income taxes receivable	(3,152,000)	-
Prepaid expenses and other	173,521	(170,778)
Other assets	(18,925)	(44,627)
Accounts payable	(1,017,142)	(33,734)
Environmental reserves	(14,274,221)	(2,835,714)
Pension obligations	(1,672,660)	(6,668,772)
Accrued and other liabilities	(160,445)	(1,945,361)
Net cash used in operating activities of continuing operations	(10,358,347)	(3,528,297)
Net cash used in operating activities of discontinued operations	-	(4,813,000)
Net cash used in operating activities	(10,358,347)	(8,341,297)
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,464,396)	(1,758,471)
Proceeds from disposition of property and equipment	14,700	1,500
Purchases of investments	-	(3,000,000)
Proceeds from sales of investments	3,037,134	-
Net cash provided by (used in) investing activities of continuing operations	1,587,438	(4,756,971)
Net cash provided by investing activities of discontinued operations	-	37,733,232
Net cash provided by investing activities	1,587,438	32,976,261
Cash Flows from Financing Activities		
Proceeds from revolving credit facility and long-term debt	12,500,000	-
Payments on revolving credit facility, long-term debt and capital lease obligations	(4,803,913)	(15,317,008)
Stock option redemptions	(70,800)	(180,250)
Excess tax benefit of stock compensation expense	17,422	232,068
Dividends paid	(1,675,939)	(6,703,756)
Net cash provided by (used in) financing activities	5,966,770	(21,968,946)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,804,139)	2,666,018
Cash and Cash Equivalents - Beginning of year	4,010,683	1,344,665
Cash and Cash Equivalents - End of year	**$ 1,206,544**	**$ 4,010,683**
Supplemental Cash Flow Information - Cash paid (collected) during the year for:		
Interest	$ 129,834	$ 143,438
Income taxes	(642,739)	4,813,000

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiary
Notes to Consolidated Financial Statements

Note 1 - Nature of Business and Customer Concentration

Detrex Corporation and through its wholly owned subsidiary, The Elco Corporation (Elco), (the “Company”) manufacture specialty chemicals including petroleum additives and high purity hydrochloric acid.

The Company sold its Harvel subsidiary to an unrelated party, effective at the beginning of business on January 1, 2012. The sale was completed on January 6, 2012 resulting in an after-tax pension charge of $1.7 million and an after-tax gain on sale of $16.2 million. As a result of the sale, Harvel's financial position and operating results are reported as discontinued operations in the Company's 2012 consolidated financial statements.

The buyer of Harvel has made a claim against the Company for approximately $4.7 million for alleged breach of a provision of the Harvel Stock Purchase Agreement (SPA). The Company has discussed the matters with the buyer and believes that the buyer’s damage claim is not supportable. In accordance with the terms of the SPA, the Company has filed an arbitration claim requesting that the remaining $2.55 million sales proceeds held in escrow be released. The Company expects that the buyer will likely counterclaim in the arbitration for the alleged breach of the SPA. The Company intends to vigorously prosecute its claim for release of the escrow and defend any allegations of breach. Based on information currently known, the Company has not accrued a loss in the accompanying consolidated financial statements for alleged financial damages. In the event that facts are discovered during the arbitration, an adjustment to the consolidated financial statements may be required.

The Elco business operates in highly competitive markets which are mainly national in scope, although approximately 26 percent of the Company’s total net revenue in 2013 and 31 percent in 2012 was generated outside the United States. For all manufactured products there are numerous competitors, with only a small number of companies being dominant. The Company operates in niche markets and its principal methods of competition in various markets include service, price and quality. Elco sells primarily to petro chemical and industrial manufacturing companies.

Sales to Elco's five largest customers totaled approximately 37 percent of the Company's consolidated revenues from continuing operations in 2013 and 30 percent in 2012; the loss of one or more of these significant customers could materially adversely impact operating results. Accounts receivable from those customers were approximately $1.1 million and $1.3 million at December 31, 2013 and 2012, respectively.

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Statements

The consolidated financial statements comprise those of the Company and its subsidiary. All intercompany balances and transactions have been eliminated.

The Company follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure consistency in reporting financial condition, results of operations, and cash flows.

The noncontrolling interest for the year ended December 31, 2012 represents Harvel’s ownership interest not owned by the Company.

Cash and Cash Equivalents

The Company considers all investments with a maturity at purchase of three months or less to be cash equivalents.

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

During 2012, the Company invested some of its cash reserves in certain fixed income publicly traded mutual funds that had short maturity duration. The securities are marked to market and are carried in the December 31, 2012 balance sheet at their fair value as a current asset. The publicly traded mutual fund investments were sold at the end of 2012 and re-invested in a money market account. In addition, the Company funds a nonqualified deferred compensation obligation with publicly traded fixed income and equity mutual funds that are carried at fair value as noncurrent assets (in other assets). The fair value of the investments used to fund the deferred compensation obligation amounted to $480,000 and $364,000 at December 31, 2013 and 2012, respectively. The Company recorded income before income taxes on the investments of $60,000 in 2013 and $70,000 in 2012. See Note 7 for a description of the fair value on the investments.

Accounts Receivable

Trade accounts receivable are stated at cost, less an allowance for doubtful accounts. The allowance is established based on a specific assessment of all invoices that remain unpaid following the normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that such determination is made.

Inventories and Revenue Recognition

Finished goods inventories are stated at lower of cost or market. Raw materials, including raw materials in work in progress and finished goods inventories, are valued by using the first-in, first-out (FIFO) method. Labor and burden in inventory are determined by using the average cost method, which approximates FIFO.

Revenue and related cost of sales are recognized when title transfers, which is generally upon shipment of products.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment charges. Depreciation and amortization are provided over the estimated useful lives of the assets using the straight-line method for financial reporting purposes. Equipment accounted for as capital leases is amortized over the estimated useful life of the asset.

	Annual Depreciation Rates
Buildings and improvements	2.5-20%
Machinery and equipment	5-33%

Research and Development

Research and development costs are charged to operations as incurred, and approximated $638,000 for 2013 and $504,000 for 2012.

Earnings Per Common Share

The calculation of basic earnings per common share is based upon the average number of common shares outstanding during the year. Shares subject to in-the-money stock options are the only items impacting diluted earnings per share. At December 31, 2013 and 2012, all outstanding options were vested and were in-the-money; the potential dilution was 49,303 shares in 2013 and 41,629 shares in 2012 and resulted in a four cent and eleven cent per share dilution of earnings per share for net income attributable to Detrex Corporation in 2013 and 2012, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

Other Comprehensive Income (Loss)

Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as amounts recognized related to defined benefit pension plans (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the consolidated balance sheet. Such items, along with net income (loss), are considered components of comprehensive income (loss).

Changes in the components of accumulated other comprehensive income (loss) for the years ended 2013 and 2012 are as follows:

	Pension Plan Adjustments	Accumulated OCI Attributed to Noncontrolling Interest
Balance at January 1, 2012	$ (11,018,616)	$ (255,150)
Change in 2012 due to Harvel Sale (1)	1,445,853	255,150
Other change for 2012 (2)	(776,083)	-
Balance at December 31, 2012	(10,348,846)	-
Change for 2013 (2)	2,348,466	-
Balance at December 31, 2013	$ (8,000,380)	$ -

(1) Change in Harvel's pension plan related Accumulated Other Comprehensive Income (Loss) is net of tax of $744,833 and change in pension plan related Accumulated Other Comprehensive Income (Loss) attributed to noncontrolling interest is net of tax of $131,440.

(2) Change in pension plan related Accumulated Other Comprehensive Income (Loss) is net of tax of $1,264,560 in 2013 and $641,033 in 2012.

Income Taxes

A current tax liability or asset is recognized for the estimated taxes payable to or refundable from tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

The Company files a consolidated federal income tax return with its subsidiary. Current and deferred tax obligations or benefits are allocated to the members of the consolidated group as if each were a separate taxpayer. The Company participates in an arrangement with its subsidiary under which payments are made to, or amounts are received from, the subsidiary based on the subsidiary's share of the consolidated group's federal income tax liability. Amounts due to or from the subsidiary for federal income taxes are reported as income taxes payable or receivable.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximated fair value due to their short maturities. The carrying values of investments are based on quoted market values. The carrying value for debt under the Credit Agreement approximated fair value due to interest rates which reflect market rates. See Note 7 for further discussion of fair value measurements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Also see Note 10 concerning environmental matters.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 28, 2014, which is the date the consolidated financial statements were available to be issued.

Note 3 - Inventories

Inventories from continuing operations at December 31 consist of the following:

	2013	2012
Raw materials	$ 1,357,813	$ 1,737,861
Finished goods	3,968,665	3,866,807
Total inventory	$ 5,326,478	$ 5,604,668

Note 4 - Capital and Operating Leases

Capitalized leased assets included in machinery and equipment at December 31 are as follows:

	2013	2012
Machinery and equipment	$ 167,581	$ 167,581
Accumulated amortization	(88,362)	(70,080)
Leased assets, net	$ 79,219	$ 97,501

The capital lease obligation of $43,913 at December 31, 2012 represented the present value of the future minimum lease payments. The lease obligation was paid in full during 2013.

Rent expense applicable to operating leases, primarily for facility and equipment rental, approximated $145,000 for 2013 and $127,000 for 2012.

Note 5 - Revolving Credit Agreement and Long-Term Debt

During 2013, the Company amended its revolving credit and long-term financing arrangement with its principal lender, JPMorgan Chase Bank, N.A. ("Chase"). The amended agreement provides a $10 million long-term credit facility and a $5 million revolving credit facility to finance short-term financing needs and to fund letters of credit issued by the lender. Outstanding letters of credit at December 31, 2013 amounted to $106,000 and expire at various dates in 2015. At December 31, 2013, total outstanding indebtedness amounted to $7.74 million, of which $3.13 million is due currently and the remaining $4.61 million is due in 2015. The credit facilities for the revolver charge interest at one-half percent below the bank's prime lending rate and the credit facilities for the long-term debt charge interest at LIBOR plus 2.5 percent (actual borrowing rate of 2.75 percent at December 31, 2013 for both). The weighted average interest rate for all borrowings for the year ended December 31, 2013 was approximately 2.9 percent. The Company retired all of its previous indebtedness in early 2012 and there was no outstanding indebtedness to Chase at December 31, 2012. Borrowings under the credit agreement are subject to certain covenants covering minimum required levels of tangible net worth, minimum fixed interest charge, and maximum leverage ratios.

The obligations under the credit facility are collateralized by substantially all Company assets. Interest expense totaled $141,000 for 2013; interest expense for 2012 was immaterial.

Note 6 - Income Taxes

Income taxes (recovery) from continuing operations include the following components:

	2013	2012
Current:		
Federal	$ (3,564,350)	$ (713,376)
State and local	(272,358)	(32,547)
Total current	(3,836,708)	(745,923)
Deferred:		
Federal	5,467,000	(2,154,000)
State and local	35,000	(45,000)
Total deferred	5,502,000	(2,199,000)
Total provision for (recovery of) income taxes	$ 1,665,292	$ (2,944,923)

Income taxes from discontinued operations totaled $9,190,350 for 2012.

Detrex Corporation and Subsidiary
Notes to Consolidated Financial Statements

Note 6 - Income Taxes (Continued)

Deferred tax assets (liabilities) at December 31, 2013 and 2012 relate to the following temporary differences and carryforwards:

	2013	2012
Deferred tax assets:		
Environmental	$ 623,812	$ 5,994,623
Pension benefits	-	1,332,049
Inventory related	43,641	81,244
Alternative minimum tax credit carryforward	1,095,036	-
Other	367,171	234,705
Gross deferred tax assets	2,129,660	7,642,621
Deferred gain	(649,009)	(644,137)
Pension benefits	(390,914)	-
Property and depreciation	(1,755,717)	(898,176)
Other	(96,773)	(89,852)
Gross deferred tax liabilities	(2,892,413)	(1,632,165)
Net deferred tax (liability) asset	$ (762,753)	$ 6,010,456

During 2012, the Company utilized all of its net operating loss (NOL) and alternative minimum tax credit carryforwards. During 2013, due principally to the income tax deduction of environmental obligation payments, the Company incurred a NOL for tax purposes of $13.3 million. All of the NOL will be carried back which will result in income tax refunds of $3.2 million. At December 31, 2013, there is no remaining NOL carried forward.

The principal differences between the actual income tax provision from continuing operations and income taxes computed at the statutory rate of 34 percent are as follows:

	2013	2012
Expected tax provision (recovery)	$ 1,450,114	$ (3,385,168)
State and local income taxes - Net of federal tax benefit	(156,657)	(51,181)
Loss of manufacturing tax benefits due to NOL carryback	108,329	-
Nondeductible expenses and adjustment to prior year estimate - Net	263,506	491,426
Actual income tax provision	$ 1,665,292	$ (2,944,923)

Under FASB ASC Topic 740, *Income Taxes*, the Company may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The more likely than not threshold must continue to be met in each reporting period to support continued recognition of a tax benefit. Topic 740 also provides guidance on classification, interest, and penalties on income taxes, accounting in interim periods, and disclosures. The Company files income tax returns in multiple jurisdictions in the United States. The consolidated federal income tax returns have been examined by the Internal Revenue Service through the 2005 tax year. With few exceptions, the Company is no longer subject to income tax examinations before 2010.

Note 7 - Fair Value Measurements

The following section discusses information about the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012 and the techniques used by the Company to determine those fair values in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*. Disclosures also apply to nonfinancial assets and liabilities measured at fair value on a nonrecurring basis. FASB ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs; the Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology (Level 1 inputs) applies to the Company's investment accounts, which consist of mutual funds, exchange-traded funds, and money market funds totaling approximately $480,000 at December 31, 2013 and $3,401,000 at December 31, 2012, classified as follows on the consolidated balance sheet:

	2013	2012
Investments (current assets)	$ -	$ 3,037,000
Other assets (noncurrent assets)	480,000	364,000
Total	$ 480,000	$ 3,401,000

The Company had no financial assets valued using Level 2 or Level 3 inputs during 2013 or 2012.

See Note 9 for discussion of the fair value of the pension plan assets.

Note 8 - Parts Cleaning Technologies Exit

The Company exited its Parts Cleaning Technologies ("PCT") segment in 2001-2002. Properties relating to this discontinued segment consisted of real estate at two separate locations and are classified as other noncurrent assets, as they are remediated and prepared for ultimate disposition. At December 31, 2012, the net carrying value of these PCT properties was approximately $200,000. During 2013, the Company transferred its PCT properties with an agreed-upon value of $200,000 as partial consideration for the environmental liability transfer discussed in Note 10.

Note 9 - Pension and Other Postretirement Benefit Plans

The Company and its subsidiary sponsor non-contributory, defined benefit pension plans which cover substantially all employees. The plans were frozen during 2009 and 2010. Benefits for employee participants were based on years of services prior to the freeze date and the employee's average monthly compensation using the highest five consecutive years preceding retirement. These benefits were generally based on a specified monthly payment for each year of service prior to the freeze date. Accordingly, no benefits accrued to plan participants after the respective freeze dates.

The Harvel subsidiary, which was sold in January 2012, was classified as a discontinued operation in the accompanying consolidated financial statements. Accordingly, the pension plan disclosures have been adjusted to segregate the impact of Harvel as a discontinued operation.

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

The Company's funding policy is to contribute amounts sufficient to provide for benefits earned to date and those expected to be payable in the future. The Company's contributions to the plans totaled $1,673,000 in 2013 and $6,669,000 in 2012, including a 2012 discretionary contribution totaling $5 million.

The goals of the investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Company, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures payment of retirement benefits.

The Company's pension plan investment allocation target and actual investment allocation at December 31, by investment category, as a percentage of total investments, are as follows:

		Actual Allocation	
	Target Range	2013	2012
Equity securities	40-70%	72.1 %	38.0 %
Debt securities	30-50%	20.9 %	58.8 %
Cash equivalents	0-10%	7.0 %	3.2 %
Total	100.0 %	100.0 %	100.0 %

Equity securities primarily include investments in large, mid and small cap companies (both U.S. and international). Fixed income securities include corporate bonds of companies from diversified industries (both U.S. and international), mortgage-backed securities, state and local municipal bonds, and U.S. Treasuries.

The following fair value of plan assets information includes only pension assets from continuing operations because the Harvel pension plan was divested as part of the Harvel sale. The fair value of plan assets by category is as follows:

Fair Value Measurements at December 31, 2013

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Cash and cash equivalents	$ 2,194,620	$ -	$ 2,194,620	$ -
Mutual funds institutional equity (a)	10,477,063	10,477,063	-	-
Mutual funds institutional international equity (b)	6,650,994	6,650,994	-	-
Exchange traded funds equity (c)	2,700,639	2,700,639	-	-
Exchange traded funds international equity (d)	2,839,639	2,839,639	-	-
Exchange traded funds fixed income (e)	671,759	671,759	-	-
Mutual funds institutional fixed income (f)	5,622,188	5,622,188	-	-
Annuity contracts	259,250	-	259,250	-
Total	$ 31,416,152	$ 28,962,282	$ 2,453,870	$ -

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

Fair Value Measurements at December 31, 2012

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Cash equivalents	$ 932,219	$ -	$ 932,219	$ -
Mutual funds institutional equity (a)	3,866,624	3,866,624	-	-
Mutual funds institutional international equity (g)	221,863	221,863	-	-
Exchange traded funds equity (c)	4,214,303	4,214,303	-	-
Exchange traded funds international equity (d)	1,187,363	1,187,363	-	-
Exchange traded funds fixed income (e)	1,312,327	1,312,327	-	-
Mutual funds institutional fixed income (h)	15,357,836	15,357,836	-	-
Annuity contracts	281,064	-	281,064	-
Limited partnership interest (i)	1,454,571	-	-	1,454,571
Total	$ 28,828,170	$ 26,160,316	$ 1,213,283	$ 1,454,571

(a) Includes large cap issues focused on managed volatility and small and midcap issues

(b) Invests in developed and emerging markets non-U.S. equity funds

(c) Investments consist primarily of ETFs of large cap growth and value issues, small and mid cap issues, and commodity based issues

(d) Invests in the MCSI Index for emerging markets issues

(e) Invests in indexes; U.S. Treasuries, non U.S. bonds, and other

(f) Invests primarily in U.S. Treasuries, high yield bond funds, and international developed and emerging markets global corporate bond funds

(g) Investment in Chinese based issues

(h) Invests primarily in institutional core fixed income, high yield bond funds, short and mid-term bonds, and global corporate bond funds

(i) Opportunistic hedge fund employing multiple strategies including credit hedging, long/short investing, arbitrage, event driven investing, and other multi strategy investing

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

The following table sets forth a summary of the changes in the fair value of the pension plans' Level 3 investment assets for the years ended December 31, 2013 and 2012.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2013	2012
Beginning balance	$ 1,454,571	$ 1,415,134
Unrealized gains	-	39,437
Redemption of security	(1,454,571)	-
Ending balance	$ -	$ 1,454,571

The Company's pension plans expect to pay the following for pension benefits in the next 10 years:

Year Ending December 31	Amount
2014	$ 2,060,011
2015	2,086,704
2016	2,082,455
2017	2,017,746
2018	2,224,645
2019-2023	11,017,314

Detrex Corporation and Subsidiary
Notes to Consolidated Financial Statements

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

The following tables set forth the information required under FASB ASC 715, *Retirement Benefits*:

	2013	2012
Change in Projected Benefit Obligation		
Benefit obligation at January 1	$ 32,785,667	$ 30,675,797
Interest cost	1,345,817	1,517,467
Actuarial loss (gain)	7,579	(642,241)
Benefits paid in measurement year	(1,869,501)	(2,017,973)
Change in actuarial assumption	(2,248,729)	3,252,617
Benefit obligation at December 31	$ 30,020,833	$ 32,785,667
Change in Plan Assets		
Fair value of assets at January 1	$ 28,828,170	$ 21,698,682
Actual return on assets	2,784,823	2,478,689
Contributions	1,672,660	6,668,772
Benefits paid in measurement year	(1,869,501)	(2,017,973)
Fair value of assets at December 31	$ 31,416,152	$ 28,828,170
Funded Status as of December 31	$ 1,395,319	$ (3,957,497)
Presentation on Consolidated Balance Sheet		
Non-current pension asset	$ 2,798,640	$ -
Non-current pension obligation	$ (1,403,321)	$ (3,957,497)
Items Not Yet Recognized as a Component of Net Periodic Pension Cost - Unrecognized net loss	$ 12,308,276	$ 15,921,302
Net Periodic Pension Cost		
Interest cost	$ 1,345,817	$ 1,517,467
Expected return on assets	(2,114,029)	(1,876,202)
Net amortization	701,082	590,774
Net periodic pension cost (benefit) from continuing operations	(67,130)	232,039
Net periodic pension cost (benefit) from discontinued operations	-	2,577,276
Net periodic pension cost (benefit)	$ (67,130)	$ 2,809,315
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income		
Asset investment gain	$ (670,794)	$ (602,486)
Change in discount rate assumption	(2,248,729)	3,252,617
Amortization of net loss	(701,082)	(590,774)
Experience loss (gain)	7,579	(642,241)
Total recognized in other comprehensive income from continuing operations	(3,613,026)	1,417,116
Total recognized in other comprehensive income from discontinued operations	-	(2,577,276)
Total recognized in other comprehensive income	$ (3,613,026)	$ (1,160,160)
Total recognized in net period benefit cost and other comprehensive income	$ (3,680,156)	$ 1,649,155

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

At December 31, 2013, two of the Company sponsored plans were overfunded in the amount of $2,798,640 and supplemental employee retirement plans were underfunded by $1,403,321. At December 31, 2012, all of the pension plans were in total underfunded by $3,957,497. The overfunded pensions are presented on the December 31, 2013 consolidated balance sheet as a non-current pension asset and the underfunded plans are reported as a non-current pension obligation at December 31, 2013 and 2012.

The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2014 is $501,000.

The actuarial assumptions used to determine the benefit obligations at December 31 are as follows:

	2013	2012
Discount rate	5.00 %	4.25 %
Expected rate of return on plan assets	7.50 %	7.50 %

The actuarial assumptions used to determine net periodic pension cost for the years ended December 31 are as follows:

	2013	2012
Discount rate	4.25 %	5.25 %
Expected rate of return on plan assets	7.50 %	7.50 %

The overall expected long-term rate of return on plan assets represents a weighted average composite rate based on the historical rates of return of the respective asset classes adjusted for anticipated future market movements and investment trends.

Summary information and status of pension plans from continuing operations is as follows (amount in millions):

	December 31	
	2013	2012
Projected benefit obligation	$ 30.0	$ 32.8
Accumulated obligation	30.0	32.8
Fair value of plan assets	31.4	28.8

The Company contributed $1,672,660 in 2013 and $6,668,772 in 2012 to its pension plans from continuing operations. The pension investment portfolios realized a net gain of 10 percent in 2013 and a net gain of 9.80 percent in 2012. The plan increased the discount rate by .75 percent in 2013 and decreased the discount rate by 1.00 percent in 2012. The investment results and contributions made coupled with the changes in the plans' discount rates in 2013 and 2012, along with the the 2012 divestiture of Harvel and its pension plan, were the principal factors in the decrease in the plans' underfunded status.

The Company estimates, based on preliminary estimates from its actuary, 2014 consolidated pension credit from continuing operations of $147,000 compared to a $67,000 pension credit in 2013. The Company is not required to make pension contributions during 2014. In future years, assuming a constant discount rate, if actual rates of return on the pension portfolio exceed the expected 7.5 percent rate of return, contribution levels and expense could decline; if actual investment returns are less than expected, required contributions and expense could increase. Assuming a constant rate of return, if the discount rate rises, future contributions and expense would decline; if the discount rate declines, contributions and expense would rise.

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

401(k)

The Company sponsors a 401(k) defined contribution plan covering its salaried employees. Employees can contribute up to 100 percent of their salaries. The Company is committed to contribute 3 percent of eligible participant wages into the 401(k) plan under its Safe Harbor Employer Contribution Program. Total contributions approximated $178,000 in 2013 and $203,000 in 2012.

Note 10 - Contingencies and Environmental Matters

The Company records financial reserves for anticipated future expenditures to conduct investigations, feasibility studies, remedial design, and remediation relating to the cleanup of environmental contamination at various properties that the Company has currently or in the past either owned or leased. Most of the properties were sold or the leases terminated many years ago. Evaluation and remediation have been completed on a number of sites, but are ongoing on several sites. In some cases, the methods of remediation remain to be agreed upon.

The Company conducts regular reviews of its environmental matters and has made provisions in its financial statements for these matters. During 2012, in an effort to aggressively determine the costs and settle its environmental obligations, the Company engaged nationally recognized environmental consultants to assess and measure Detrex's environmental liability exposure on a large number of sites currently or previously owned, leased or utilized by Detrex or its previously owned subsidiaries. The consultants, working with significant current and historical data, made an independent determination of the financial costs required to clean up the sites and developed a comprehensive estimate of a charge that a third party would require to assume Detrex's obligation for managing and cleaning up the various sites, thereby relieving Detrex of its ongoing clean-up obligation on those sites. In addition, there are seven other sites (all of which are under the supervision of the United States Environmental Protection Agency (EPA) or its state counterpart) for which Detrex and other potentially responsible parties (PRP) would retain the obligation for clean-up and periodic monitoring and maintenance.

As a result of the in-depth studies and evaluation set forth above and in light of the Company's 2012 environmental spending of $2.8 million (excluding a final $250,000 installment payment to the EPA to settle the EPA's previous year's settlement on another site), the Company recorded a pre-tax charge to the environmental reserve of $15.7 million. The post-environmental charge reserve at December 31, 2012 totaled $17 million, of which $3.6 million was expected to be spent during 2013 in the absence of an environmental liability transfer transaction. The Company believes that the recorded environmental reserve at December 31, 2012 was the best estimate of the long-term costs to remediate contaminated properties or other potentially contaminated properties for which Detrex is a likely responsible party.

In June 2013, the Company and an independent organization (the Acquirer) executed an agreement to transfer the obligation and responsibility for all environmental matters on 20 sites that were previously owned, leased, or operated by the Company. Five of these properties were owned by the Company. The consideration paid by the Company to the Acquirer included a cash payment of approximately $12.9 million and the transfer of the five real estate parcels which had a carrying value of approximately $800,000. The Company also paid a one-time insurance premium of $636,000 to cover third-party liability. Under terms of the liability transfer agreement, the Acquirer deposited approximately $11 million of the Company's payment into an escrow account from which future environmental clean-up and other defined costs incurred by the Acquirer on the various sites would be paid. The Acquirer is also required to deposit net proceeds from the sale of the five properties acquired from Detrex into the escrow account. The unspent escrowed funds will not be released until certain defined environmental clean-up milestones are achieved on all active sites. In addition, the Acquirer provided additional security for performance under the liability transfer agreement. Under the federal and state environmental laws, the Company is contingently liable for environmental obligations if the Acquirer fails to perform on their assumed clean-up obligations. The Company believes this contingency is remote. The liability transfer agreement did not result in any material gain or loss to the Company.

Note 10 - Contingencies and Environmental Matters (Continued)

The liability transfer transaction removed approximately $14.3 million of the Company's environmental reserves. The remaining environmental reserves at December 31, 2013 represent the Company's best estimate of the long-term costs to remediate remaining contaminated properties or other potentially contaminated properties for which Detrex is a likely responsible party. A summary of the Company's most significant active environmental obligations on the remaining material environmental sites as of December 31, 2013 is described below.

The remediation of the Fields Brook in Ashtabula, Ohio was completed by the Fields Brook Action Group (FBAG) in 2002. Subsequently, additional contamination was discovered and additional clean-up efforts have been made. In 2013, the Company's share for these clean-up costs was $95,000. The Company believes that its December 31, 2013 environmental reserve of $405,000 for this site is adequate to provide for its future share of future sampling and maintenance costs.

The Company has been characterizing and remediating its owned Ashtabula, Ohio property for many years. In 2011, additional contamination was discovered at the site, which required a significant cleanup effort. In 2011, the Company recorded a $600,000 cleanup charge and spent $943,000. Construction to complete the clean up and to excavate and place extraction wells at the Ashtabula site was continued through 2012 at a cost of $758,000, including significant EPA staff oversight charges. In 2012, the Company recorded an environmental charge of $1.4 million resulting in a reserve of $1 million for the site as of December 31, 2012. The Company believed that the reserve as of December would be sufficient to meet the Company's obligation to clean up and monitor the site in the future. During 2013, the Company spent $243,000 on this site. However, based on developments with the EPA, the Company adjusted the environmental reserve to approximately $500,000 as of December 31, 2013. The Company believes that it is adequate to meet its future spending obligation to oversee and manage its testing, maintenance, and monitoring activities.

Environmental reserve of $771,000 represents the estimated long-term spending to test and report findings to the EPA on four superfund sites in which the Company is one of several participants. The Company spent $78,000 on those sites during 2013 and estimates that 2014 spending on those sites will approximate $75,000.

The Company believes, based on current conditions, that its overall reserve levels at December 31, 2013 are sufficient to address its anticipated remediation requirements for known contaminated sites. However, should the scope of remediation requirements change significantly from those currently projected, or if unforeseeable unanticipated conditions are discovered during the remediation process, the Company may be required to record additional charges to its environmental reserves. The Company will spend cash in future years that will be charged against the Company's environmental reserve liability as actual environmental investigation and remediation proceeds. However, the Company does not believe that it will be required to record material additional environmental expenses (provisions) in the foreseeable future.

In addition to the above, there are several other claims, including product liability claims, and lawsuits pending against the Company and its subsidiary. The Company's liability with respect to remediation costs for various sites, and the liability for other claims and lawsuits against the Company, was based on available data. The Company has established its reserves in accordance with U.S. generally accepted accounting principles. In the event that any additional accruals should be required in the future with respect to such matters, the amounts of such additional accruals could have a material impact on the results of operations to be reported for a specific accounting period and could have a material impact on the Company's consolidated financial position.

Note 11 - Preferred Stock

The Company has authorized 1,000,000 shares of $2 par value preferred stock, issuable in series. No shares were issued or outstanding as of December 31, 2013 and 2012.

Note 12 - Stock Purchase Rights

The Company has in place a Shareholder Rights Plan, under which preferred stock purchase rights were distributed to shareholders as a dividend of one Right for each outstanding share of Common Stock. Each Right will entitle shareholders to buy one one-hundredth of a newly issued share of Series A Preferred Stock of the Company at an exercise price of $30, subject to adjustment. The Right will be exercisable only if a person or group acquires beneficial ownership of 40 percent (previously 30 percent) or more of the Company's outstanding Common Stock or commences a tender or exchange offer upon consummation of which a person or group would beneficially own 40 percent or more of the Company's outstanding Common Stock. Until they become exercisable, the Rights will be evidenced by the Common Stock certificates and will be transferred only with such certificates.

If any person or group becomes the beneficial owner of 40 percent or more of the Company's outstanding Common Stock, or if a holder of 40 percent or more of the Company's Common Stock engages in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its Common Stock remains outstanding, then each Right not owned by such person or certain related parties will entitle its holder to purchase, at the Right's then-current exercise price, shares of the Company's Common Stock (or, in certain circumstances, units of the Company's Series A Preferred Stock, cash, property, or other securities of the Company) having a market value equal to twice the then-current exercise price. In addition, if after a person or group becomes the beneficial owner of 40 percent or more of the Company's outstanding Common Stock, the Company is involved in a merger or other business combination transaction with another person after which its Common Stock does not remain outstanding, or sells 50 percent or more of its assets or earning power to another person, each Right will entitle its holder to purchase, at the Right's then-current exercise price, shares of common stock of such other person having a market value equal to twice the then-current exercise price. The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the tenth business day following a public announcement that a person or group has acquired 40 percent or more of the Company's Common Stock. The plan was extended in 2010 and will expire on May 4, 2020 unless the Rights are earlier redeemed by the Company.

Note 13 - Stock Options

The Company sponsors a stock option plan available for the Company's executive employees and directors. There were no options granted during 2013 and 20,000 options granted during 2012. At December 31, 2013, there were no additional options available for future grants.

A summary of the fixed stock option grants outstanding under the Plan as of December 31, 2013 and 2012 and changes during the years is presented below.

	Shares Under Option	Weighted Average Exercise Price
2012		
Outstanding at beginning of year	70,000	$ 6.77
Granted	20,000	15.42
Exercised	14,000	7.75
Forfeited	-	-
Outstanding at end of year	76,000	$ 8.87
2013		
Granted	-	-
Exercised	4,000	14.55
Forfeited	-	-
Outstanding at end of year	72,000	$ 8.55

Note 13 - Stock Options (Continued)

At December 31, 2013, all 72,000 options outstanding that had a weighted average remaining life of 3.53 years were exercisable, and are in the money. The per share exercise prices range from $6.50 to $16.00. The aggregate intrinsic value of options exercised during 2013 was approximately $70,800.

The following table summarizes information about stock options outstanding at December 31, 2013:

	Options Outstanding and Exercisable		
Exercise Price	Shares Under Option	Weighted Average Remaining Life	Exercise Price
$6.50	55,000	2.20	$ 6.50
$8.00	1,000	2.34	8.00
$14.55	4,000	8.19	14.55
$16.00	12,000	8.19	16.00
	72,000	3.53	8.55

The aggregate intrinsic value of options outstanding, all of which were exercisable, was approximately $1,580,000 at December 31, 2013.

Share based compensation of $103,560 was recognized on the grant of 20,000 options during 2012. At the share grant date, the fair value of options granted in 2012 amounted to $103,560 ($5.37/share for 12,000 shares and $4.89/share for 8,000 shares). The fair value of the stock option grant made during 2012 was estimated on the grant date using the Black-Scholes option pricing model under the following weighted average assumptions:

Expected dividend yield	1.3%
Expected volatility	61.0%
Risk-free interest rate	3.22%
Expected holding period	2 years

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Unaudited

Detrex Corporation completed a significant transfer of much of its environmental obligation during 2013. The Company negotiated and executed a transaction with an independent organization to assume all of the Company's environmental obligations on 20 sites. The Company paid nearly $13.5 million to transfer its obligation on those sites; the transaction left the Company with only seven remaining sites. At December 31, 2013, the Company's environmental reserve totaled $1.9 million. The Company believes that reserve is appropriate and the seven remaining sites can be managed without significant additional environmental charges in the future. The environmental transfer follows the Company's 2012 sale of its Harvel Plastics subsidiary that resulted in an after-tax gain on sale of approximately $14.5 million, net of the required accounting for Detrex's share of Harvel's after tax pension expense of $1.7 million that is required to be recognized under generally accepted accounting principles. The accompanying Management's Discussion and Analysis will include the actual 2013 and 2012 operating results for Detrex Corporation and its remaining subsidiary, The Elco Corporation.

During 2013, the Company reported a pre-tax income of $4.3 million from continuing operations, compared to a pre-tax loss of $9.96 million in 2012. The 2013 pre-tax operating results did not include an environmental charge because the environmental reserve at December 31, 2012 was sufficient to fund the 2013 environmental transfer obligation, other 2013 environmental expenditures and future environmental remediation and operating matters on the remaining environmental sites. However, the 2012 pre-tax results was net of a $15.7 million pre-tax environmental charge. Total Company 2013 revenues of $41.0 million represents a decrease of $2.4 million (5.5 percent) compared to 2012. Consolidated selling, general and administrative (SGA) expenses decreased slightly compared to 2012.

There was no 2013 environmental provision, compared with the Company's 2012 environmental provision of $15.7 million, which provided for future expenditures of remedial activities, including the environmental transfer transaction described above.

The Detrex Corporation 2013 net income of $2.6 million compares with the Company's share of total 2012 net income of $7.7 million (comprised of net loss from continuing operations of $7 million and $14.7 million net income from discontinued operations resulting from the sale of Harvel Plastics). The 2012 $7 million net loss from continuing operations resulted from the $15.7 million environmental charge.

The lower 2013 revenues of $41.0 million were due to the absence of tolling revenues in 2013, lower sales to a major customer, and overall sluggish industrial lubricant activity. Gross margins, expressed as a percentage of sales, were 34.3 percent in 2013 compared to 34.8 percent in 2012. The higher 2012 margin percentage was realized principally due to higher sales. Elco's 2013 SGA expenses increased by approximately $246k compared to 2012 as a result of Elco's planned spending to support growth, including opening an office and hiring an employee in China. Elco's overall operating earnings decreased to $7.3 million in 2013 from $8.7 million in 2012.

Detrex's consolidated results from continuing operations for 2013 reflected consolidated SGA expenses of $8.5 million which was about the same as SGA expenses for 2012.

The 2013 provision for depreciation and amortization increased as expected due to the continued capital investments made in the Elco business unit. Modestly higher depreciation and amortization provisions are expected in 2014.

The Company's 2013 interest expense of $141,000 for revolving credit and the term loan facilities increased substantially compared with insignificant 2012 interest expense due to borrowing in June 2013 to fund the environmental transfer transaction.

The Company's income tax provisions are based on the pre-tax income, adjustments of estimates, and state and local tax expense. The Company's combined federal, state, and local 2013 income tax expense from continuing operations increased by $4.6 million compared to the 2012 tax recovery, due to the 2012 significant environmental charge that reduced pre-tax income and an income tax expense adjustment recorded in 2012 to settle tax estimates made in previous years. All of Detrex Corporation's net operating loss and minimum tax credit carryforwards were utilized in 2012 as a result of the gain from discontinued operations. However, the Company incurred a 2013 tax based net operating loss (NOL) of approximately $13.3 million which will be carried back to 2012. The 2013 tax based NOL carryback will result in carryforwards to 2014 of minimum tax and other credits that are recorded in the Company's December 31, 2013 deferred tax assets.

Comparative Operating Data

Comparative data includes continuing operations only.

($ in table in thousands)	2013		2012	
	$	%	$	%
Net sales	41,038	100.0	43,406	100.0
Gross margin	14,081	34.3	15,124	34.8
Selling, general, and administrative expenses	5,607	13.7	5,361	12 4
Depreciation and amortization	1,213	3.0	1,077	2.5
Elco pre-tax income	7,261	17.7	8,686	20.0
Detrex Corporation				
Selling, general, and administrative expenses	2,862	7.0	3,141	7.2
Depreciation and amortization	4	-	4	-
Environmental provision	-	-	15,725	36 .2
Total consolidated pre-tax income (loss)	4,265	10.4	(9,956)	(22.9)

The 2012 Harvel sale resulted in a significant improvement in Detrex's financial liquidity that enabled the Company to address a number of strategic initiatives, including payments on pension obligations and management of its legacy environmental obligations. Detrex contributed $1.7 million and $6.7 million to its pension plans in 2013 and 2012, respectively, which resulted in a significantly improved funding level for both of its pension plans. The liquidity also enabled the Company to engage national environmental experts to better evaluate and ultimately transfer its environmental obligations on twenty sites. In connection with the environmental liability transfer transaction, the Company also sold real estate parcels (with a financial statement carrying value of approximately $0.8 million) which has enabled the Company to deduct approximately $2.3 million of loss against current and prior year income taxes, the tax benefits of which were previously recorded by Detrex as deferred tax assets. The environmental transfer transaction also resulted in significant income tax deductions that resulted in refundable income tax of $3.2 million at December 31, 2013.

Liquidity, Financial Condition, and Capital Resources

During 2013, the Company amended its agreement with JPMorgan Chase which provides up to a $5 million revolving credit line and a $10 million term loan credit line. The Company initiated borrowing from the credit facility in part to fund its $13.5 million payments under the June 18th environmental transfer transaction. Other significant 2013 expenditures included capital spending of $1.5 million, pension contributions of $1.7 million, environmental spending of $.8 million, and shareholder dividends of $1.7 million.

Management believes that due to the available credit facility and the profit outlook at the Elco business subsidiary, the Company's financial condition will have sufficient financial liquidity to meet all of its financial obligations and to fund ongoing operations.

Outlook

There is continued optimism regarding the economic opportunities in the markets that Elco serves. Elco posted another solid financial performance in 2013 which is expected to continue. Although Elco's 2013 sales were $2.4 million lower than 2012 due to the absence of tolling revenues, lower sales to a major customer and an overall sluggish industrial lubricant market, margins remained strong and 2013 pre-tax income totaled $7.2 million. Elco strategies to achieve higher future profits include expansion into international markets and continued growth in high value, higher margin products while continuing to control expenses. The cash on hand and the existing credit agreement should provide sufficient liquidity and capital to operate and expand the business.

Risks and Uncertainties

The Company's June 18th environmental liability transfer transaction has significantly reduced the ongoing and future environmental spending risk. Under the federal and state environmental laws, the Company is contingently liable for environmental obligations if the Acquirer fails to perform on their assumed cleanup obligations. The 20 sites that were transferred in connection with the transaction have left the Company with only seven remaining environmental sites, all of which are under U.S. Environmental Protection Agency (EPA) oversight and all but one site involves other potentially responsible parties (PRPs). The Company cost estimates are reviewed periodically throughout the year to assess changed conditions; adjustments to recorded amounts are made if the changed conditions have a significant effect on cost estimates. However, the 2013 environmental liability transfer transaction has left the Company with only seven environmental sites, which Detrex's management believes can be managed without significant additional environmental charges in the future. The Company is committed to aggressively settling environmental matters at the remaining sites as practically as possible. However, such estimates for remediation, as well as cost to transfer the environmental risk to a third party, could change significantly in future periods to reflect new laws, regulations or regulatory approaches, advances in remediation technologies, changes in remediation approaches, additional sites requiring remediation, or the discovery of unanticipated conditions. However, it is not possible to determine whether actual losses will occur or accurately estimate the amount or range of any potential additional loss. Spending requirements for 2014 are projected to approximate $0.7 million. Estimates of the amount and timing of future costs are unpredictable, in part because estimates change as new facts are uncovered and environmental regulatory requirements and technologies continue to change. It is possible that future costs could exceed current environmental provisions; however, the amounts are not reasonably determinable based on current conditions. The Company believes that the recorded liability is a better estimate of long-term environmental remediation for the remaining seven contaminated sites and significant accounting environmental charges are not likely to occur in the foreseeable future. For further discussion of these matters, see Note 10 to the 2013 consolidated financial statements.

The Company's pension plans have been underfunded for many years. Pension plans cover current and former employees of Detrex Corporation and Elco. The Company recognized pension costs (benefits) from continuing operations of ($67,000) in 2013, $232,000 in 2012, and $205,000 in 2011. As a result of the Harvel sale, the Harvel Plastics Pension Plan obligation of $2.1 million was assumed by the buyer (beginning in 2012). On a continuing operations basis, the underfunded status of the plans decreased from $9 million at December 31, 2011 to $4 million at December 31, 2012 due to significant contributions (totaling $6.7 million) made to the pension plans in 2012 and increased to a net overfunded level of $1.4 million at December 31, 2013. Due in large part to the plan freezes prior to 2011, the significant contributions made to the plans in 2012, and the elimination of the Harvel's pension plan obligation in connection with the 2012 sale, the annual pension expense from continuing operations is expected to result in a pension benefit of $147,000 in 2014. Funding of the pension obligation for continuing operations was $1.7 million in 2013 compared to $6.7 million (of which $5 million was made at the Company's discretion) in 2011. The Company is not required to make a 2014 pension contribution due to the net overfunded status of the plans. Depending on actual rates of return on the pension investment portfolio, and changes in discount rates, mortality assumptions and other factors, the recorded expense, obligations, and funding requirements could change significantly (see Note 9 to the consolidated financial statements and "Liquidity, Financial Condition, and Capital Resources").

The Company's operating strategy in recent years has been to build shareholder value by strategically allocating capital, including opportunistic divestitures and investing in stable and consistently profitable businesses such as Elco. The Harvel sale resulted in after-tax cash proceeds to Detrex of nearly $32 million (net of escrowed sale proceeds) that enabled Detrex to retire all of its bank debt, fund pension and environmental legacy obligations, pay significant dividends to shareholders, and continue funding Elco's capital requirements. The Detrex bank credit agreement provides significant borrowing capacity to enable the Company to invest in economically beneficial opportunities and meet its ongoing business obligations. The Company must continue to operate profitably to fund its current operating needs, fund capital expenditures, pension, environmental obligations, and fund dividend payments. However, the Company's profitability and available bank credit facility significantly mitigates the financial risk and will likely enable the Company to meet its financial obligations and fund strategic objectives.

Application of Critical Accounting Policies

The management of the Company has evaluated the accounting policies used in the preparation of the accompanying consolidated financial statements and related notes and believes those policies to be reasonable and appropriate. In applying accounting principles in accordance with United States generally accepted accounting principles, the Company is required to make estimates and assumptions about future events that affect the amounts reported in the Company's financial statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, management must make estimates, which require the exercise of judgment. Actual results could differ from these estimates, and any such differences may be material to the consolidated financial statements.

The Company considers an accounting estimate to be critical if: (1) the accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Management has discussed the development, selection and disclosure of critical accounting estimates set forth in the following paragraphs with the Audit Committee of the Company's Board of Directors. In addition, there are other items within the consolidated financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items have had in the past, and could have in the future, a material impact on our consolidated financial statements.

Environmental Reserves

The liability for environmental obligations represents a significant estimate on the Company's consolidated balance sheet, and by its nature is very difficult to estimate. Furthermore, any changes the Company makes to the environmental liability can have a large and adverse effect on its operating results. The Company determines its environmental obligation based on evaluations of site conditions, current law, and existing technologies. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technology. In addition, estimates of environmental costs may be affected by the willingness of regulatory authorities to conclude that remediation and/or monitoring performed by the Company is adequate. Management meets regularly to review its environmental matters, and makes use of both internal and third-party data to develop a basis for recording environmental related cost estimates in the Company's consolidated financial statements. The recorded liabilities are periodically adjusted as remediation efforts progress or additional technical or legal information becomes available. The Company had a total of $1.9 million accrued for environmental obligations at December 31, 2013 and $17 million accrued for these obligations at December 31, 2012. These are the Company's best estimates of the future costs with respect to known environmental matters. During 2012, the Company engaged nationally recognized environmental consultants to assess and measure the Company's environmental liability exposure. This in-depth study on a number of contaminated sites produced significant data for a more comprehensive evaluation of the Company's environmental obligation. Based on that knowledge and desire to aggressively gain closure on certain sites, management recorded significant additional environmental reserves during 2012. The 2013 environmental liability transfer transaction in which the Company spent $13.5 million to transfer its environmental obligation for 20 sites was charged against the 2012 environmental reserve. Management believes that the December 31, 2013 accrued environmental reserve of $1.9 million represents an appropriate estimate and will likely reduce the need for significant additional environmental provisions in the foreseeable future. While the uncertainty is expected to decline as the projects are completed, it is during the construction and/or remediation of these projects when further contamination or problems may be encountered. Accordingly, it is during these times when further charges may be required. For further discussion, see Note 10 to the consolidated financial statements and the Risks and Uncertainties section of the Management's Discussion and Analysis of Financial Condition.

Pensions

The amounts recognized in the consolidated financial statements related to pensions are determined from actuarial valuations. Inherent in these valuations are principal assumptions, including the expected long-term return on plan assets, discount rates at which the liabilities could be settled at December 31, 2013, and mortality rates. These assumptions are updated annually and are disclosed in Note 9 to the consolidated financial statements. In accordance with generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore will affect expense recognized, funding requirements, and obligations recorded in future periods. The plans are funded in accordance with ERISA and IRS regulations; required funding is determined based upon the funded status of the plans. The plans for union and nonunion employees were frozen during 2009 and 2010. During 2013, the pension funding obligation improved by $5.4 million (from an underfunded status of $4.0 million at December 31, 2012 to a net overfunded status of $1.4 million at December 31, 2013). During 2013, the Company increased the discount rate assumption used to measure the future benefit obligation from 4.25 percent to 5.0 percent. The discount rate change decreased the benefit obligation by $2.2 million. This was supplemented by the pension plans' 2013 net investment return exceeding the actuarial assumption and the $1.7 million pension contribution.

The expected long-term rate of return on assets is developed with input from the Company's actuarial firm and independent investment consultants. The Company's historical pension fund asset performance and comparisons to expected returns of other companies are also considered. The long-term rate of return assumption used for determining net periodic pension expense was 7.5 percent for 2013 and 2012. Actual market investment returns (net of plan expenses) for plans sponsored from continuing operations were approximately 11 percent in 2013 and 10 percent in 2012. Assuming a constant discount rate, if actual rates of return on the pension investment portfolio exceed the 2013 expected 7.5 percent rate of return, contribution and expense levels could decline; if actual returns are less than the expected rate of return, required contributions and expense could be higher.

The Company bases the determination of pension expense or income on a market related valuation of plan assets; this market related valuation recognizes investment gains or losses over a five-year period from the year in which they occur, which reduces year-to-year volatility. Investment gains or losses represent the difference between the expected return calculated using the market related value of plan assets, and the actual return based on the market value of plan assets. Since the market related value of plan assets recognizes gains or losses over a five-year period, the future value of plan assets will be affected when previously deferred gains or losses are recognized. These gains or losses will affect future pension income or expense when they are recognized.

The discount rate used for determining future pension plans' obligations is based on rates of high quality long-term corporate bonds. The assumed discount rate was 5.0 percent and 4.25 percent at December 31, 2013 and 2012, respectively. Assuming a constant rate of return, if the discount rate rises, future contributions and expense would decline; if the discount rate declines, contributions and expense would rise.

The actuarial assumption regarding the long-term rate of annual increases in future compensation levels for the pension plans are no longer material due to the plan freezes.

The Company reviews the actuarial assumptions annually and may change the assumptions in the future.

SUPPLEMENTARY INFORMATION (Unaudited)
Selected Quarterly Data

	2013 Quarters				2012 Quarters			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
	(Thousands of dollars, except per share amounts)							
Net sales – Continuing operations	$ 8,520	$ 10,127	$ 11,224	$ 11,167	$ 9,904	$10,102	$11,129	$12,271
Gross margin on sales – Continuing operations	2,917	3,511	3,889	3,765	3,606	3,469	3,872	4,176
Pre-tax earnings (loss) – Continuing operations (1)	390	916	1,336	1,623	(12,755)	718	890	1,191
Net income – Continuing operations	(150)	797	914	1,039	(8,770)	448	585	726
Net income – Discontinued operations	-	-	-	-	(1,740)	(85)	(401)	16,946
Net income attributable to Detrex	(150)	797	914	1,039	(10,510)	363	183	17,672
Basic earnings per common share attributable to Detrex shareholders:								
From continuing operations	(0.09)	.48	.55	.61	(5.23)	0.27	0.35	0.43
From discontinued operations	-	-	-	-	(1.04)	(0.05)	(0.24)	10.11
Total basic earnings per share	(0.09)	.48	.55	.61	(6.27)	0.22	0.11	10.54

(1) Includes 2012 environmental charge of $600 in each of the first three quarters and $13,925 in the fourth quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Unaudited

BUSINESS

Detrex Corporation was incorporated in Michigan in 1925. Detrex Corporation and its Elco subsidiary (the "Company") manufacture chemical products predominantly for use in industrial manufacturing. The following describes Detrex's subsidiary's product offerings during 2013:

Subsidiary of Detrex Corporation

- ***The Elco Corporation*** — a manufacturer of high performance specialty chemicals serving three distinct business areas, namely additives for industrial petroleum products, high purity hydrochloric acid for the semiconductor industry, and specialty chemicals. Elco's petroleum additives are used for enhancing the properties of hydraulic oils, metalworking fluids, gear oils, greases, and fuels. The Ultramax® hydrochloric acid product line meets the most demanding semiconductor specifications, and Detrex hydrochloric acid is used in various applications such as pharmaceutical manufacturing. Elco's products are manufactured in Cleveland, Ohio and Ashtabula, Ohio and sold domestically through a direct sales force and globally through agents and distributors. Websites: www.elcocorp.com and www.detrexchemicals.com

Net sales (in thousands) of the Elco business unit amounted to $41,038 in 2013 and $43,406 in 2012.

The backlog of orders at any one time is generally not significant to the Company's business. Raw materials essential to the Company's various products are generally commodity materials and are generally available from competitive sources.

The Company owns a limited number of trademarks which aid in maintaining the Company's competitive position; these expire at various times. The expiration of such trademarks should not have a materially adverse effect on the Company's operations. No material portion of the Company's business is seasonal or subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Elco's five largest customers generated approximately 37 percent of the Company's 2013 consolidated revenues from continuing operations. If business from significant customers is lost, the Company's operating results could be adversely impacted. Elco has significant suppliers that supply a significant percentage of raw materials. The majority of these materials can be sourced from other suppliers. Efforts are made to seek to qualify alternative supply sources for limited sourced materials.

The Company expects to continue to incur professional fees and remediation expenses in connection with its remaining environmental compliance efforts. The Company maintains environmental reserves which at December 31, 2013 totaled $1.9 million, of which $0.7 million is estimated to be spent in 2014. A more detailed discussion of environmental matters is included in Note 10 to the 2013 consolidated financial statements.

The Company employed 68 persons as of December 31, 2013.

The Company is not engaged in manufacturing operations in foreign countries.

PROPERTIES

The Company's administrative offices are located in approximately 3,000 square feet of leased space at 24901 Northwestern Hwy., Suite 410, Southfield, Michigan 48075.

During 2013, Detrex and its subsidiaries conducted manufacturing, research and warehouse operations in several locations, of which six are owned and one is leased.

Manufacturing properties owned at December 31, 2013 are as follows:

1) The Elco Corporation ("Elco") manufactures gear and oil additives in a plant it owns in Cleveland, Ohio on five acres of land and 59,000 square feet of office, research, and plant space. This plant is equipped with chemical reactors, mixing and blending equipment, and storage facilities.

2) Facilities located on 57 acres in Ashtabula, Ohio are used in connection with the manufacture of hydrochloric acid, sulfurized and zinc-based lubricant additives. These facilities are owned by Detrex Corporation and managed by Elco.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Unaudited

FORWARD-LOOKING STATEMENTS

This document, including the letter to shareholders and the 2013 Annual Report, contains statements that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “1995 Reform Act”). The words “expect,” “plan,” “estimate,” “anticipate,” “predict,” “believe,” and similar expressions and variations thereof are intended to identify forward-looking statements. Additional oral or written forward-looking statements may be made by or on behalf of the Company from time to time and such statements may be included in documents other than this document. Such forward-looking statements involve a number of known and unknown risks and uncertainties. While these statements represent the Company’s current judgment with respect to its business, readers of this document are cautioned that forward-looking statements are not guarantees of future performance and that such risks and uncertainties could cause actual results, performance and achievements, or industry results, to differ materially from those suggested herein. The Company undertakes no obligation to release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Forward-looking statements in this document and elsewhere may include, without limitation, statements relating to the Company’s plans, strategies, objectives, expectations, intentions, and adequacy of resources. All forward-looking statements in this document and elsewhere are intended to be made pursuant to the safe harbor provisions of the 1995 Reform Act. Factors that could cause results to differ materially from those projected in the forward-looking statements include: geopolitical unrest, market conditions, cooperation of lenders, environmental remediation costs, liquidation value of assets, costs to exit leased facilities, cost and availability of environmental liability insurance, marketability of real estate, availability of buyers, execution of orders in backlog, retention of key personnel, and other factors.

SELECTED FINANCIAL DATA
(From continuing operations)

	2013	2012	2011	2010	2009
	(Dollars in thousands, except per share amounts)				
Net sales from continuing operations	$41,038	$43,406	$48,918	$35,289	$24,150
Net income (loss) from continuing operations	2,600	(7,011)	2,423	1,529	(1,349)
Net income (loss)	2,600	7,453	4,632	2,222	(2,923)
Net income (loss) attributable to Detrex	2,600	7,708	4,277	2,088	(2,963)
Basic earnings (loss) per common share:					
From continuing operations	1.55	(4.18)	1.45	0.97	(0.85)
From discontinued operations	-	8.78	1.10	0.35	(1.02)
Net earnings (loss) per share attributable to Detrex Corporation	1.55	4.60	2.55	1.32	(1.87)
Total assets	30,163	37,291	54,130	50,318	47,741
Net working capital	8,574	12,206	12,057	9,562	9,745
Capital expenditures	1,464	1,758	2,304	1,392	560
Total bank debt	7,740	-	15,282	16,674	16,056
Pension plan contributions	1,673	6,669	1,579	1,381	706
Environmental expenditures	14,274	2,836	2,216	2,071	4,113
Stockholder's equity	14,351	11,133	9,303	7,165	4,668
Stockholder's equity per common share	8.56	6.64	5.55	4.52	2.95
Number of employees	68	65	69	62	59
Percentages to net sales:					
Gross margin	34.3%	34.8%	32.8%	34.96%	28.84%
Net income (loss) from continuing operations	6.33%	(16.15%)	4.95%	4.33%	(5.59%)
Net income (loss) from continuing operations as a percent of:					
Average total assets	7.71%	(15.34%)	4.60%	3.12%	(2.70%)
January 1st Detrex stockholders’ equity	23.35%	(75.37%)	33.80%	32.76%	(30.54%)
Current ratio	2.0	2.4	1.7	1.6	1.8

DIRECTORS

WILLIAM C. KING
Chairman of the Board

THOMAS E. MARK
President and Chief Executive Officer

BENJAMIN W. McCLEARY
Member, SeaView Capital LLC,
Investment Bankers, Wakefield, Rhode Island

JOHN C. RUDOLF
Founder and Manager Glacier Peak Capital
Bellevue, Washington

DAVID R. ZIMMER
Retired Managing Partner, Stonebridge Business Partners, LLC,
Financial and Business Advisors, Troy, Michigan

AUDIT COMMITTEE

DAVID R. ZIMMER, Chairman
WILLIAM C. KING
BENJAMIN W. McCLEARY
JOHN C. RUDOLF

CORPORATE OFFICERS

T. E. MARK
President and Chief Executive Officer

R. M. CURRIE
Vice President, General Counsel and Secretary - Treasurer

D. A. CHURCH
Executive Vice President

BUSINESS UNIT EXECUTIVE

D. A. CHURCH
President, The Elco Corporation and
General Manager, Chemicals Division
www.elcocorp.com and www.detrexchemicals.com

TRANSFER AGENT AND REGISTRAR

COMPUTERSHARE, N.A.

AUDITORS

PLANTE & MORAN, PLLC

LEGAL COUNSEL

CLARK HILL PLC

A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR 2013 WILL BE FURNISHED WITHOUT CHARGE TO SHAREHOLDERS UPON WRITTEN REQUEST. REQUESTS ARE TO BE SENT TO TREASURER, DETREX CORPORATION, 24901 NORTHWESTERN HWY., SUITE 410, SOUTHFIELD, MICHIGAN 48075.

DETREX CORPORATION

GENERAL OFFICES — 24901 NORTHWESTERN HWY., SUITE 410, SOUTHFIELD, MICHIGAN 48075

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