

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

IN RE:

GARLOCK SEALING TECHNOLOGIES
LLC, et al.,

Debtors.¹

Case No. 10-31607

Chapter 11

Jointly Administered

**PERIODIC REPORT REGARDING VALUE, OPERATIONS
AND PROFITABILITY OF ENTITIES IN WHICH THE ESTATE OF THE
DEBTORS HOLD A SUBSTANTIAL OR CONTROLLING INTEREST**

This is the report of Garlock Sealing Technologies LLC on the value, operations and profitability of those entities in which the estate holds a substantial or controlling interest, as required by Bankruptcy Rule 2015.3. The estate of Garlock Sealing Technologies LLC holds a substantial or controlling interest in the following entities:

Name of Entity	Interest of the Estate
Garlock de Mexico, S.A.	99.9%
Garlock International, Inc.	100%
Garlock Overseas Corporation	100%
Garlock Pty Limited	100%
Garlock Valqua Japan, Inc.	49%

This periodic report (the “Periodic Report”) contains several exhibits regarding the value, operations and profitability of each entity listed above. Exhibit A contains a valuation estimate for each entity as of a date not more than two years prior to the date of this report. It also contains a description of the valuation method used. Exhibit B contains a balance sheet, a statement of income, a statement of cash flows, and general notes as of and for the six fiscal months ended July 3, 2010. Exhibit C contains a brief description of each entity’s business operations.

The financial information included in this Form 26 filing is unaudited. Although management has made reasonable efforts to ensure the financial information is accurate and complete based on the information that was available to them at the time of the preparation of these reports, subsequent information or discovery may result in material changes to the information, and inadvertent errors or omissions may exist. Nothing contained in this filing shall constitute a waiver of any rights of the Debtors, specifically including the Debtors’ right to amend the information contained herein.

¹ The Debtors include Garlock Sealing Technologies LLC, Garrison Litigation Management Group, Ltd. and The Anchor Packing Company.

The undersigned, having reviewed the above listing of entities in which the estate of Garlock Sealing Technologies LLC holds a substantial or controlling interest, and being familiar with Garlock Sealing Technologies LLC's financial affairs, verifies under the penalty of perjury that the listing is complete, accurate and truthful to the best of his knowledge.

By: /s/ Donald G. Pomeroy, II

Donald G. Pomeroy, II
Name of Authorized Individual

Vice President and Chief Financial Officer
Title of Authorized Individual

EXHIBIT A
Valuation Estimates

NAME OF ENTITY	INTEREST OF THE ESTATE	VALUE
Garlock International Inc	100%	\$13,888,000 (a)
Garlock de Mexico, S.A.	99.9%	\$19,961,000 (a)
Garlock Pty Limited	100%	\$34,949,000 (a)
Garlock Overseas Corporation	100%	\$19,981 (a)
Garlock Valqua Japan, Inc.	49%	\$1,387,000 (b)

(a) These values were based on the projected future discounted cash flows of the operations of each entity plus or minus specific non-operating assets and liabilities of the entity, as appropriate. The valuations were prepared using a variety of estimates and assumptions regarding future cash flows. These estimates and assumptions could vary significantly from actual future results; therefore, the valuation of each entity could change by a material amount over time.

The valuations were finalized in June 2010. The valuations were prepared using historical information for each entity and estimates and assumptions about future cash flows provided by Garlock Sealing Technologies LLC management.

(b) The value of Garlock Valqua Japan, Inc. represents the net book value of the Garlock Sealing Technologies LLC equity-method investment in the entity. Due to the unique and specific nature of the entity, the illiquidity of the investment, and the low probability of finding a willing buyer for the investment, the management of Garlock Sealing Technologies LLC believes the net book value of the investment is an appropriate estimate of the investment's value.

EXHIBIT B
Financial Statements for Direct Subsidiaries of Garlock Sealing Technologies LLC

GENERAL NOTES

Financial Statement Presentation - The financial statements in this Exhibit B are unaudited. The unaudited condensed financial statements have been prepared solely to fulfill the requirements of Rule 2015.3. The unaudited condensed financial statements have been condensed as allowed by Rule 2015.3. The unaudited condensed financial statements and these general notes do not conform to the financial statement presentation requirements of, or include all of the information and disclosures required by, US GAAP. The unaudited condensed financial statements included in this Periodic Report have been derived from the books and records of each entity.

Financial Statement Periods - For the initial report pursuant to Rule 2015.3, financial statements are required for the most recent fiscal year and as of and for the six-month period ended in the current fiscal year. Unaudited condensed financial statements for the most recent fiscal year, i.e., as of and for the year ended December 31, 2009, were filed on July 21, 2010. Unaudited condensed financial statements as of and for the six fiscal months ended July 3, 2010, which were not available when the report for 2009 was filed, are included in this Periodic Report.

Use of Estimates - The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Equity-method Investment - Unaudited condensed financial statements for Garlock Sealing Technologies LLC's equity-method 49% investment in Garlock Valqua Japan, Inc. are not included in this Periodic Report as they are not readily available in U.S. dollars.

Intercompany Transactions - Intercompany receivables and payables presented in the unaudited condensed balance sheets, and intercompany sales and gross profits presented in the unaudited condensed income statements, between the entities in this exhibit and their affiliates have not been eliminated. No conclusion as to the legal obligation related to these intercompany receivables and payables is made by the presentation herein.

Inventories - Pursuant to Rule 2015.3, details regarding inventories should be included on the face of the balance sheet or in the notes to the financial statements. While inventory details were not included on the face of the balance sheets, the details can be provided upon request.

Historical and future performance - The historical unaudited condensed financial position, results of operations, and cash flows in this Periodic Report are not necessarily indicative of results which may be expected for any future period.

Exhibit B-1

Garlock Sealing Technologies LLC
 Condensed Balance Sheets of Direct Majority-owned Subsidiaries -- UNAUDITED
 As of July 3, 2010
 (\$000s)

	<u>Garlock International Inc</u>	<u>Garlock de Mexico, S.A.</u>	<u>Garlock Pty Limited</u>	<u>Garlock Overseas Corporation</u>
ASSETS				
Cash and cash equivalents	\$ 1,519	\$ 437	\$ 714	\$ -
Accounts and notes receivable	4,390	1,452	2,324	-
Inventories	3,693	1,275	1,595	-
Other current assets	342	144	415	-
Intercompany receivables	1,342	1,543	72	-
Current assets	11,286	4,851	5,120	-
Property, plant, and equipment	3,852	1,779	726	-
Goodwill and other intangible assets	-	741	1,818	-
Other assets	19	527	151	-
Long-term intercompany	6,956	889	14,798	484
Total assets	\$ 22,113	\$ 8,787	\$ 22,613	\$ 484
LIABILITIES AND SHAREHOLDER(S') EQUITY				
Accounts payable	\$ 1,315	\$ 1,038	\$ 519	\$ -
Accrued expenses	3,940	548	970	-
Intercompany payables	1,539	320	661	-
Current liabilities	6,794	1,906	2,150	-
Other liabilities	4,023	66	-	-
Long-term intercompany payables	7,186	57	41	-
Liabilities	18,003	2,029	2,191	-
Shareholder(s') equity	4,110	6,758	20,422	484
Total liabilities and shareholder(s') equity	\$ 22,113	\$ 8,787	\$ 22,613	\$ 484

See notes regarding this exhibit elsewhere in this Periodic Report.

Exhibit B-2

Garlock Sealing Technologies LLC
Condensed Income Statements of Direct Majority-owned Subsidiaries -- UNAUDITED
For the Six Fiscal Months Ended July 3, 2010
(\$000s)

	<u>Garlock International</u>	<u>Garlock de Mexico,</u>	<u>S.A.</u>	<u>Garlock Pty Limited</u>	<u>Garlock Overseas Corporation</u>
	<u>Inc</u>				
Net sales	\$ 22,092	\$ 9,774	\$ 8,087	\$ -	
Cost of sales	18,473	5,985	4,127	-	
Gross profit	3,619	3,789	3,960	-	
Selling, general, and administrative expenses	2,465	1,702	2,622	-	
Operating income	1,154	2,087	1,338	-	
Other (income) expenses	656	138	(206)	-	
Income before income taxes	498	1,949	1,544	-	
Income tax expense	227	595	464	-	
Net income	\$ 271	\$ 1,354	\$ 1,080	\$ -	

See notes regarding this exhibit elsewhere in this Periodic Report.

Exhibit B-3

Garlock Sealing Technologies LLC
 Condensed Statements of Cash Flows of Direct Majority-owned Subsidiaries -- UNAUDITED
 For the Six Fiscal Months Ended July 3, 2010
 (\$000s)

	<u>Garlock International Inc</u>	<u>Garlock de Mexico, S.A.</u>	<u>Garlock Pty Limited</u>	<u>Garlock Overseas Corporation</u>
Net cash provided by (used in) operating activities	\$ 1,170	\$ (479)	\$ 632	\$ -
Cash flows from investing activities				
Capital expenditures	(77)	(54)	(130)	-
Other	-	1	(78)	-
Net cash provided by (used in) investing activities	(77)	(53)	(208)	-
Net cash from financing activities	-	-	-	-
Effect of exchange rate changes on cash and cash equivalents	(32)	21	(26)	-
Net increase (decrease) in cash and cash equivalents	1,061	(511)	398	-
Cash and cash equivalents at beginning of year	458	948	316	-
Cash and cash equivalents at end of year	<u>\$ 1,519</u>	<u>\$ 437</u>	<u>\$ 714</u>	<u>\$ -</u>

See notes regarding this exhibit elsewhere in this Periodic Report.

EXHIBIT B-4
Statement of Changes in Shareholders' Equity
for Direct Subsidiaries of Garlock Sealing Technologies LLC
for the six fiscal months ended July 3, 2010

Statements of Changes in Shareholder's(s') Equity have not been included in this form. The entities included in this Periodic Report did not change their number of shares outstanding or participate in any significant equity transactions during 2010.

EXHIBIT C

Description of Operations for Direct Subsidiaries of Garlock Sealing Technologies LLC

Garlock International Inc -- This entity owns 100% of the stock of Garlock of Canada Ltd. Garlock International Inc has no operations, and has no significant assets or liabilities beyond its investment in Garlock of Canada Ltd. Garlock of Canada Ltd primarily manufactures, sells and/or distributes a multitude of sealing products, heavy-duty truck products, heavy-duty engine parts, and reciprocating compressor products. Garlock of Canada Ltd also has heavy-duty engine and compressor service businesses.

Garlock de Mexico, S.A. -- This entity primarily manufacturers, sells and distributes a multitude of sealing products.

Garlock Pty Limited -- This entity primarily manufacturers, sells and distributes a multitude of sealing products, heavy-duty truck products, and reciprocating compressor products.

Garlock Overseas Corporation -- This entity owns 0.1% of Garlock de Mexico, S.A. Garlock Overseas Corporation has no other significant assets or liabilities.

Garlock Valqua Japan, Inc. -- This entity is a joint venture between Garlock Sealing Technologies LLC and Nippon Valqua Industries, Ltd. The purpose of the joint venture is to market and sell high-performance Garlock seals in specific Asian markets.