

MINUTES OF: The regular annual meeting of the Board of Directors of the VICTOR MANUFACTURING & GASKET COMPANY, an Illinois corporation, held at the offices of said Company, 5750 West Roosevelt Road, in the City of Chicago, in the County of Cook and State of Illinois, on the 16th day of March, A. D. 1965, at 11:00 in the forenoon of said day (immediately following the meeting of the shareholders of said corporation) pursuant to the by-laws.

The following Directors, constituting all of the Board of Directors, were present in person:

George E. Victor
Orrin W. Clifton
William F. Victor
Henry E. Seyfarth
Wayne D. Neathery

The meeting was called to order by Mr. George E. Victor, Chairman. Mr. Wayne D. Neathery, Secretary of the corporation, acted as Secretary of the meeting and recorded the proceedings.

The Secretary reported that all of the Directors were present in person at the meeting; and, therefore, the meeting was legally constituted for the transaction of business.

The Chairman announced that the first order of business was the election of a Chairman of the Board; a Vice Chairman of the Board; a President; an Executive Vice President; a Vice President of Pricing & Purchasing; a Vice President of Replacement Sales; a Vice President of O.E.M. Sales; a Vice President of Cost & Inventory Control; a Vice President of Research & Development; a Vice President of Manufacturing; a Vice President of Finance; a Secretary and an Assistant Secretary; a Treasurer and an Assistant Treasurer; a Controller; a President - International Division; and a Vice President - International Division.

Thereupon the following persons were nominated for officers of the Company, to serve for the term provided in the by-laws:

George E. Victor	- Chairman of the Board
Wayne D. Neathery	- Vice Chairman of the Board
Orrin W. Clifton	- President
Robert M. Burns	- Executive Vice President
Edward Gammie	- Vice President of Replacement Sales
Benjamin S. Barrett	- Vice President of O.E.M. Sales
Adam R. Smith	- Vice President of Cost & Inventory Control
Wayne D. Neathery	- Secretary
Raymond I. Geraldson	- Assistant Secretary
Wayne D. Neathery	- Treasurer
Malcolm F. Hill	- Controller
Frank S. Wilson	- President - International Division
Paul F. Niessen	- Vice President - International Division

PLAINTIFF'S EXHIBIT

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No further nominations being made, the nominations were closed and the Directors proceeded to vote on the nominees. All of the Directors present at the meeting having voted and the vote having been counted, the Chairman announced that the aforesaid nominees had been duly elected to the offices set opposite their respective names by the affirmative vote of all the Directors present at the meeting, to serve for the term provided in the by-laws.

No nominations having been made for the offices of Vice President of Pricing & Purchasing, Vice President of Research & Development, Vice President of Manufacturing, Vice President of Finance, and Assistant Treasurer, those offices were left vacant.

The Treasurer then read the following report relative to the financial position of this corporation and the results of its operations for the fiscal year ending January 3, 1965:

<u>Comparative Statement of Sales and Profits</u>				
Fiscal year ending January 3, 1965 (000 omitted)				% of
	<u>1964</u>	<u>1963</u>	<u>Increase or (Decrease)</u>	<u>Increase or (Decrease)</u>
<u>Parent Company:</u> (Excluding Subsidiaries)				
Net Sales	\$36,251	\$35,048	\$1,203	3.4
Net Profit	1,314	1,186	128	
<u>Consolidated:</u>				
Net Sales	\$38,845	\$37,617	\$1,228	3.3
Net Profit	1,233	1,312	(79)	
% of Profit to Sales	3.2	3.5		

During the fiscal year, additions to land, land improvements, buildings, machinery and equipment amounted to \$4,356,633. Depreciation for the year amounted to about \$1,682,000. The consolidated net investment in property, plant, and equipment, less depreciation, increased during the year from about \$7,979,000 to about \$10,609,000. A net amount of \$326,228 was carried on the books as property held for sale at the end of the year. This consisted of property in Hanover Township near Elgin, Illinois.

The property held for sale at the end of last year included a building on South Iron Street in Chicago, which is now being more fully utilized than formerly and has been removed from the market. The property at Crawfordsville, Indiana, which was sold in 1964, was also included as property held for sale at the end of last year.

Investments in international operations increased by approximately \$600,000 during 1964 to about \$1,000,000 at the end of the year. Most of the increase is accounted for by the investment of \$250,000 in Mexico, \$283,000 in Denmark, and \$31,700 in Colombia. Income from dividends and royalties increased from about \$35,000 in 1963 to more than \$92,000 in 1964, and additional increases are anticipated

in 1963.

Long-term debt was increased during the year from approximately \$4,010,750 at the beginning of the year to \$5,908,600 at the end of the year. The end of the year balance is composed of:

- (a) \$5,500,000 owed to The Prudential Insurance Company of America.
- (b) \$408,600 notes payable to the former shareholders of Victor Real Estate Company at the rate of \$102,150 annually on the 25th of February each year through 1968.

Contributions to the Trustee of the Victor Pension Trust in the amount of \$400,000 were authorized in 1964. Payment of the \$400,000 is to be made during the first part of 1965. This will bring the total contributions to the Pension Trust to approximately \$4,960,000. The unfunded actuarial liability for past service costs at the end of 1964 was approximately \$2,910,000. At the end of 1964, 120 persons were drawing pension checks amounting to \$7,166.91 per month.

The dividend record on the common stock of the Company during the past eight years is as follows:

1957	-	\$3.00
1958	-	3.50
1959	-	4.00
1960	-	4.50
1961	-	5.00
1962	-	5.00
1963	-	5.50
1964	-	6.25

On the 15th of this month, a common stock dividend of \$1.75 per share was paid.

Upon consideration of the report of the Treasurer, and upon motion by Mr. William F. Victor, seconded by Mr. Henry E. Seyfarth, and unanimously approved, it was

RESOLVED that the report of the Treasurer, submitted and read to the meeting by him, be received and approved, and that the same be placed on file for purposes of reference.

FURTHER RESOLVED that the acts of the President and other officers of this corporation in making available the means necessary and making the expenditures and commitments aforesaid, for additional land, build-

ings, and machinery, whether owned or leased or otherwise acquired, be and the same are hereby ratified, approved, and confirmed in all respects.

Upon motion by Mr. Henry E. Seyfarth, seconded by Mr. William F. Victor, and unanimously approved, it was

RESOLVED that the President of this corporation be, and he hereby is, authorized and empowered to purchase or lease such real estate and to make necessary rehabilitation thereof and alterations thereto, and to make such other expenditures as are or may be required for the further proper needs and uses of this corporation for any purpose; and he hereby is further authorized and empowered to purchase any and all of the foregoing in such quantities and amounts, upon such prices, terms, conditions and deliveries as he deems advisable and necessary.

The Treasurer reported that during the varying sales volume periods of the operations of this corporation, and as a result of long-time borrowings, cash balances are accumulated in the depositories of this corporation, which such cash balances are required during low peak business periods for necessary or advisable expenditures in behalf of this corporation.

The Treasurer further reported that it had been the practice of this corporation in the past to purchase income securities with such accumulated cash balances aforesaid, in order to put such accumulated cash balances on an investment-return basis, until required in the business of this corporation, at which time such securities are re-sold to supply the necessary cash to meet the peak requirements; such purchases to be subject to the terms of the Note Agreement with The Prudential Insurance Company of America dated December 11, 1964, and effective until said Note Agreement is terminated or otherwise superseded.

The Treasurer stated further that he deemed it advisable that such practice be continued.

Upon consideration of the report of the Treasurer, and upon motion by Mr. Henry E. Seyfarth, seconded by Mr. William F. Victor, the following preambles and resolutions were unanimously adopted:

WHEREAS in the past it has been the practice of this corporation to put to work its accumulated cash balances carried in its accounts as aforesaid, by the purchase of income bearing securities, and to sell such securities when the needs of the business require the cash so invested in said securities; and

WHEREAS it is the sense of this Board that such practice should continue (subject to the terms of the Note Agreement with The Prudential Insurance Company of America

dated December 11, 1964); and it is the sense of this Board that it is advantageous and for the best interests of this corporation that such practices be continued as aforesaid, in order to secure reasonable earnings upon such accumulated cash balances during the period when currently in low peak sales and manufacturing operations;

NOW THEREFORE BE IT RESOLVED that the President and the Treasurer of this corporation be and they hereby are jointly and severally authorized and empowered, for and on behalf of this corporation, and in such denominations, maturities and amounts as they may, in their discretion, deem advisable to buy, from such accumulated cash balances, securities, subject to the terms of the Note Agreement with The Prudential Insurance Company of America dated December 11, 1964.

BE IT FURTHER RESOLVED that the President and the Treasurer of this corporation be and they hereby are jointly and severally authorized and empowered to hypothecate and/or sell at any time any such securities owned by this corporation, upon such terms and at such prices and in such amounts as in their discretion they may deem advisable and in the best interest of this corporation.

The Treasurer reported that seasonal fluctuations in the need for working capital resulting from inventory accumulations prior to the vacation period and seasonal fluctuations in sales have made it necessary to borrow substantial sums on a short-term basis from time to time for working capital requirements. He further stated that in his opinion such short-term borrowing to meet peak requirements for working capital is in the best interests of the Company.

Upon consideration of the report of the Treasurer and on motion by Mr. Henry E. Seyfarth, seconded by Mr. William F. Victor, and unanimously approved, the following resolution was adopted:

RESOLVED that the officers of this corporation be, and they hereby are, authorized and directed to borrow, in behalf of this corporation, from such banks or trust companies as they may in their judgment determine, an amount not exceeding Two Million (\$2,000,000) Dollars on a short-term basis for such period of time and upon such terms and rate of interest as may to them in their discretion seem advisable, and to execute notes in respect thereto in the name of the corporation for the payment of the amount so borrowed.

The Chairman announced that the Note Agreement with The Prudential Insurance Company of America dated December 11, 1964, has been amended to

remove from Paragraph 105 the provision that Acorn Manufacturing Company shall not be deemed to be a subsidiary.

After discussion, upon motion by Mr. William F. Victor, seconded by Mr. Henry E. Seyfarth, and unanimously approved, it was

RESOLVED that the actions of the officers of this Company in agreeing to an amendment to the Note Agreement with The Prudential Insurance Company of America dated December 11, 1964, be, and they hereby are, approved.

FURTHER RESOLVED that a copy of the amendment be made a part of the minutes of this meeting.

The Treasurer reported that seasonal variations in the operations of this Company's wholly-owned subsidiary, Victor Juntas Interamericanas Inc., are expected to result in fluctuations in working capital requirements. Lack of any operating results for that company makes it advisable that short-term needs be met by direct loans from this Company.

After discussion, upon motion by Mr. Henry E. Seyfarth, seconded by Mr. Orrin W. Clifton, and unanimously approved, it was

RESOLVED that the officers of this Company be, and they hereby are, authorized to lend to Victor Juntas Interamericanas Inc. such sums as they shall from time to time deem necessary; the total, however, to not exceed Fifty Thousand Dollars (\$50,000) at any time.

The Chairman reported that this Company has from time to time loaned to Smith & Kanzler Company varying amounts within the limits authorized by the Board on June 22, 1964. He called attention to the one-year limitation contained in that authorization and he asked that consideration be given to extending the authorization.

After discussion, upon motion by Mr. Henry E. Seyfarth, seconded by Mr. William F. Victor, and unanimously approved, it was

RESOLVED that the officers of this Company be, and they hereby are, authorized to lend to Smith & Kanzler Company at an interest rate of five and one-half per cent (5-1/2%) per annum such sums as they may from time to time deem necessary; such sums, however, not to exceed at any time One Million Five Hundred Thousand Dollars (\$1,500,000).

The Chairman said that the Board of Directors of this Company at a meeting on November 2, 1961, authorized sale of the property in Hanover Township near Elgin, Illinois, owned by this Company. Efforts to find a buyer

parts of the property could have been sold as developed industrial property if the necessary utilities and other improvements were made available. Recently the Elgin Sweeper Company of Elgin, Illinois, has expressed interest in buying 20 acres for the construction of a new plant.

After discussion, upon motion by Mr. Henry E. Seyfarth, seconded by Mr. Orrin W. Clifton, and unanimously approved, it was

RESOLVED that the officers of this Company be, and they hereby are, authorized to expend such sums as may be necessary to develop the property in Hanover Township for sale as improved industrial property.

FURTHER RESOLVED that the officers of this Company be, and they hereby are, authorized to sell portions of the Hanover Township property on such terms and conditions as they shall deem appropriate.

There being no further business, the meeting thereupon adjourned.

Wayne D. Neathem
Secretary

APPROVED:

[Signature]
O. W. Clifton
[Signature]
H. E. Seyfarth
Wayne D. Neathem

DIRECTORS