PLAINTIFF'S
EXHIBIT
GF-1956

ANNUAL REPORT 19

The RUBEROID Co.

GAF 12273

BOARD OF DIRECTORS

E J O'LEARY,** Chairman
HERBERT ABRAHAM*
GEORGE F BAHRS
E N. FUNKHOUSER
JACK D. GUNTHER
HARRY C HACHMEISTER
WILLIAM H KERSHAW*
FRANK J McGINLEY
SEYMOUR MILSTEIN*
LeROY A. PETERSEN
EDWARD M RAILTON*
LYLE L SHEPARD
WILLIAM J VAN AKIN
STANLEY WOODWARD*

*Member of Executive Committee
**Chairman of Executive Committee

The RUBEROID Co. 75TH ANNUAL REPORT 1961

OFFICERS

E J O'LEARY
Chairman of the Board of Directors and President

GEORGE F BAHRS
Vice President and Treasurer

THOMAS H DERMODY
Vice President and Comptroller

RICHARD N FUNKHOUSER
Vice President General Manager–Roofing Granule Division

KENNETH R MAC DONALD
Vice President–Purchasing

SEYMOUR MILSTEIN
Senior Vice President–Corporate Development

FREDERICK K SWEENEY
Vice President–Marketing

WILLIAM J VAN AKIN
Vice President–Operations

OSCAR A MAGGIA
Secretary and Assistant Treasurer

THOMAS A DENT
Assistant Vice President–Operations

IDA L GEIS
Assistant Secretary

Transfer Agent	The Bank of New York, New York
Registrar	The Chase Manhattan Bank, New York
General Counsel	Austin, Burns, Appell & Smith, New York
Auditors	Price Waterhouse & Co., New York

Annual Meeting of Ruberoid stockholders will be held in the company's offices South Bound Brook N J on April 27 1962 All stockholders are cordially invited to attend A notice of the meeting a proxy statement and a proxy solicited by the management will be mailed to each holder of capital stock

The data herein are published solely for the information of the company's stockholders No statement in this booklet is made for the purpose of inducing the purchase of any security issued by the company.

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TO OUR STOCKHOLDERS:

Sales of $119.119.256 for 1961 compared with 1960's volume of $120.077.391. Net income of $2.35 per share in 1961 compared with $2.45 in 1960. These results were achieved despite several unfavorable factors, namely, depressed economic conditions and exceptionally poor weather encountered during the first quarter, each of which contributed to a decline in building activity; generally increased costs throughout the year; and initial costs and expenses incurred in connection with the production and introduction of Polymerite floor tile.

Effective marketing resulted in greater sales for some of our more important building products. Industrial and automotive products registered further gains, and production and sales of our Asbestos Fibre Division continued satisfactory. In 1961, the use of our processes and trademarks in the manufacture and sale of floor tile products overseas was extended through a licensing agreement to Japan. Similar agreements had been consummated in Western Germany and Italy and others are pending.

There are indications that business will be operating in a more favorable economy in 1962. Government spending and renewed public confidence should result in more residential and commercial construction. Home repair and modernization should be similarly stimulated. As a large manufacturer of essential building and industrial products, Ruberoid should benefit by the opportunities presented.

As we confidently look ahead to a new year, the Board of Directors and management join in expressing appreciation to the men and women of Ruberoid for their efforts and to our stockholders for their support.

E. J. O'Leary
Chairman and President

February 27 1962

COMPARATIVE SUMMARY	1961	1960
OPERATIONS		
Net Sales	$119.119.256	$120.077.391
Profit before Income Tax	$8.411.257	$8.716.852
Net Income	$4.496.257	$4.667.852
Net Income Per Share	$2.35	$2.45
Cash Dividends	$3.824.368	$3.818.292
Dividends Per Share	$2.00	$2.00
FINANCIAL		
Current Assets	$40.957.076	$41.002.475
Current Liabilities	$7.359.871	$7.679.135
Net Working Capital	$33.597.205	$33,323.340
Current Asset Ratio	5.6 to 1	5.3 to 1
Stockholders' Equity	$70.323.688	$69.542.616
Equity Per Share	$36.74	$36.41
Shares Outstanding at Year-end	1.913.892	1.910.061

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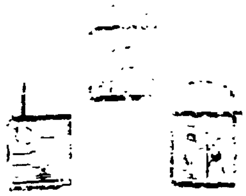

REVIEW OF THE YEAR 1961

SALES AND INCOME: Net sales of $119,119.256 for 1961 compared with 1960 sales of $120,077,-391. Net income for 1961 amounted to $4,496.257, equal to $2.35 per share on the average number of shares of capital stock outstanding during the year. For 1960, net income was $4,667,852. or $2.45 per share. Profit before federal income taxes totaled $8,411,257 in 1961 compared with $8.716.852 the year previous. Provision for federal income taxes amounted to $3.915.000 in 1961 and $4.049.000 in 1960.

The operations of Ruberoid's Building Products Division (its largest) were very gratifying for the year 1961, and better than in 1960. Through greater efficiency and an increase in the sale of these products, the Company was able to overcome such adverse factors as increased costs of material, labor, utilities and transportation.

Ruberoid's overall net income was affected, however, by results of operations of its Floor Tile Division, which were less favorable than in the preceding year. The decrease in operating results of this division was due primarily to costs and expenses incurred in the research, production and marketing of Polymerite floor tile. Such costs are not unusual for a new item of this nature. Polymerite floor tile products are fast becoming among the most popular in the industry

FINANCIAL CONDITION: No significant change occurred in Ruberoid s strong financial position during 1961. Current assets on December 31, 1961 totaled $40.957.076 compared with $41.002.475 at the close of 1960. Ratio of current assets to current liabilities was 5.6 to 1 as against 5.3 to 1 on December 31, 1960. Working capital at the 1961 year-end amounted to $33.597.205 or $17.55 per share, compared with $33.323.340, or $17.45 per share, at the end of the previous year.

During 1961, the Company's debt, consisting of 5% bank loans, was reduced to $1,200.000, which loan is scheduled for retirement by November, 1963.

PROPERTY, PLANT AND EQUIPMENT: Under a continuing program of plant modernization and mechanization, capital appropriations for various improvements totaled $2,719,791 in 1961 compared with $2,335,472 the previous year.

Expenditures for repair and maintenance to property, plant and equipment in 1961 totaled $6,904,539 compared with $6,518,996 the year before.

A 740-acre tract of land has been acquired and engineering studies are being completed for a new plant at Annapolis, Missouri, for the production and storage of roofing granules. As now planned, this new facility will be an important addition to the capacity of the Company's Roofing Granule Division.

At the close of 1961, the Company's plants and properties were carried at a net value of $37,720,184 compared with $38.450.565 at the 1960 year-end. Depreciation and depletion charges amounted to $3,193,917 in 1961 as against $3,213,058 in 1960.

DIVIDENDS AND STOCKHOLDERS: During 1961, quarterly dividends of 50 cents per share were paid on the Company's outstanding capital stock, marking the 73rd consecutive year that Ruberoid stockholders received a return on their investment. Similar payments totaling $2.00 per share were made in 1960.

There were 7.998 registered stockholders of Ruberoid at the end of 1961, holding 1.913,892 shares of the Company's capital stock.

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DISTRIBUTION OF THE RUBEROID 1961 INCOME DOLLAR

Net Income Retained in the Business	.6
Cash Dividends	3.2
Depreciation and Depletion	2.7
Federal Income Taxes	3.3
Wages and Salaries	25.8
Materials, Services and Other Costs	64.4

RESEARCH AND PROMOTION: Ruberoid products are basic to the economy. In providing shelter and protection, they perform a service that assumes greater importance each year. In order to meet the continually changing requirements of modern living, these products must undergo constant improvement and restyling. This important function of Ruberoid's research activities was responsible for important advances in 1961.

The Company has developed and will introduce shortly a heavyweight shingle having extraordinary qualities of durability, strength, weather-resistance and beauty. The trend towards the construction of higher priced homes should provide a worthwhile market for this premium roofing product.

The Company's investment in the development of Polymerite floor tile has led to the creation of a completely new resilient flooring product—Vinyl-Polymerite—which was placed in national distribution in January, 1962. Utilizing modification of the original polymerite binder, Vinyl-Polymerite offers superior qualities of grease-resistance, flame-retardance and durability plus the advantages of greater flexibility. This new tile has been developed specifically for the over-the-counter market—the do-it-yourselfer who seeks ease of handling and installation as well as high styling and dramatic colors. It possesses to a remarkable degree the most desirable features of much higher priced floor tile yet is priced considerably lower. Vinyl-Polymerite is expected to make a strong impact on this substantial and still-growing market.

An important change in the merchandising of the Company's floor tile was effected at the end of 1961 with the adoption of the trade name "Ruberoid/Matico" for all resilient flooring products, whether distributed through Ruberoid

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building materials channels or through outlets of the Floor Tile Division. This step should result in economies and increased promotional benefits.

Ruberoid's "Open House Plan"—a point-of-sale aid program for home builders—completed its second year in 1961. Several hundred leading builders throughout the country are presently participating in the Plan and more are expected in 1962. This has been one of our most successful programs to encourage builders to use and promote Ruberoid quality building materials in residential construction.

In 1961, the Third Annual Ruberoid/Matico Architectural Competition generated wide interest and favorable comment among architects throughout the country. The program is being continued in 1962 because of its value as a prestige builder with this important profession, with the vital subject of Urban Renewal as this year's theme.

Product advertising, an indispensable part of the Company's sales activities, was vigorously maintained in 1961. Ruberoid products for home, farm and industry were supported by advertisements in consumer and shelter magazines as well as leading industrial and trade publications.

INDUSTRIAL RELATIONS: Employee relations continue to be good and negotiations with labor unions were completed in all but one instance without loss in operating time.

ORGANIZATIONAL CHANGES: Towards the end of 1961 a number of changes were made to improve the organizational structure and provide for expansion of the Company's activities.

Mr. Seymour Milstein, a vice president and a member of the Company's board of directors, was named to the newly-created position of Senior Vice President for Corporate Development. His responsibility lies in the field of plans, programs and procedures for corporate expansion and acquisition, both in this country and abroad.

Mr. Frederick K. Sweeney was appointed Vice President-Marketing, a new post with overall responsibility for sales, advertising and sales promotion activities.

Mr. William J. Van Akin was appointed Vice President-Operations, a new position with full responsibility for manufacturing, engineering, research and labor relations. Mr. Thomas A. Dent was named Assistant Vice President-Operations.

At the divisional level, several appointments were made. Charles T. Limerick and Joseph G. Hall were appointed Vice President-Manufacturing, and Vice President-Sales, respectively, of the Building Products Division.

Arthur W. Colley and Robert L. Fisher were named Vice President-Manufacturing, and Vice President-Sales, respectively, of the Floor Tile Division.

PRICE WATERHOUSE & CO.
56 Pine Street • New York

February 27 1962

To Stockholders of The Ruberoid Co

In connection with our examination of the financial statements of The Ruberoid Co at December 31 1961 as reported upon in our certificate appearing on Page 11 we have also reviewed the statistical data set forth elsewhere in this annual report Such information in our opinion, has been compiled properly from the records and reports available to the company

Price Waterhouse & Co

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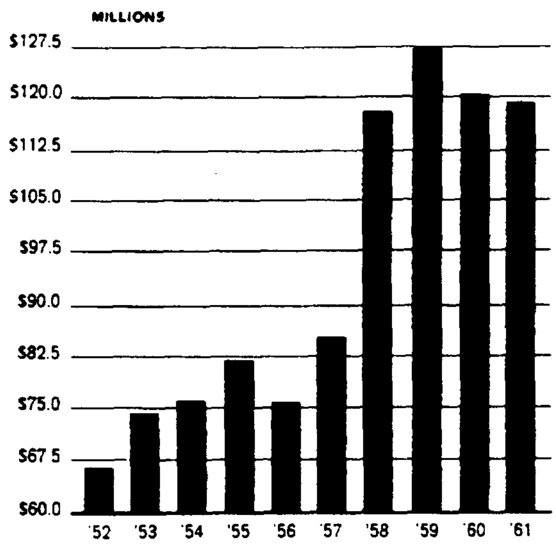
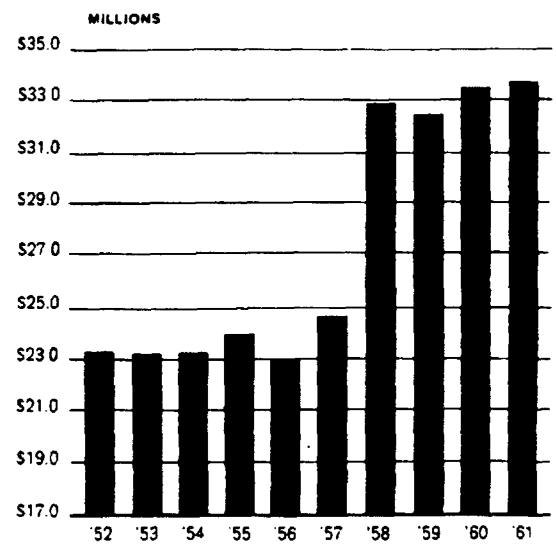
TEN YEAR REVIEW 1952-1961

NET SALES



WORKING CAPITAL



ALL DOLLAR FIGURES EXCEPT THOSE PER SHARE ARE EXPRESSED IN THOUSANDS

						NET INCOME			DIVIDENDS		
YEAR	NET SALES	MATERIALS AND OTHER COSTS—NET	WAGES AND SALARIES	INCOME BEFORE TAXES	FEDERAL INCOME TAXES	Amount	Per Share†‡	% to Sales	Amount	Per Share‡	Stock
1952	$66.058	$37.416	$17.875	$9.123	$5.077	$4.046	$3.13	6.1	$2.062	$1.75	5%
1953	74.484	42.485	20.193	9.937	5.361	4.576	3.25	6.1	2.286	1.75	5%
1954	76 424	45.087	20,236	8.861	4.232	4.629	3.19	6.1	2.497	1.75	2.5%
1955	82.134	49.590	21.098	8.967	4 456	4.511	3.05	5.5	2.960	2.00	–
1956	76.360	46.181	19.509	8,117	3.825	4.292	2.90	5 6	2.960	2.00	–
1957*	85.257	50.946	21.568	9.792	4.570	5.222	3.26	6 1	3.191	2.10	–
1958*	118.377	77.519	29.312	8.376	3.521	4,855	2.56	4.1	3 042	2.00	–
1959*	127,308	81.177	30,883	12,087	5.457	6.630	3.49	5.2	3.764	2.20	–
1960	120.077	77,190	30.957	8.717	4.049	4,668	2 45	3 9	3.818	2.00	–
1961	119 119	76 808	30 705	8 412	3 915	4 496	2 35	3 8	3.824	2.00	–

* Adjusted for pooling of interests of The Ruberoid Co with The Funkhouser Company in 1957 and 1958 and with The Mastic Tile Corporation of America in 1958 and 1959

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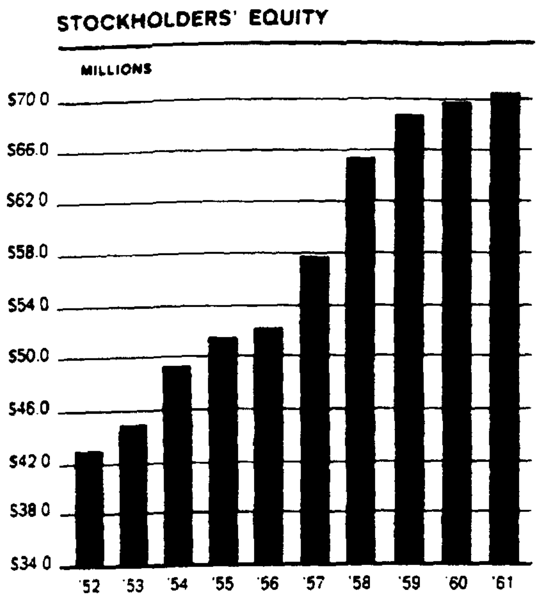

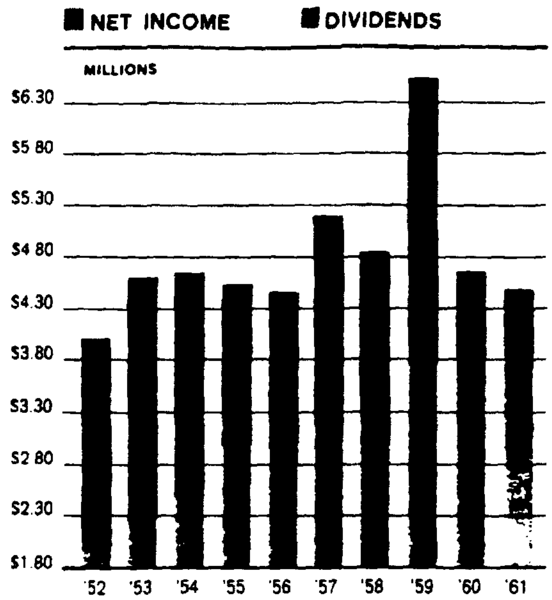

YEAR	AVERAGE NO. OF SHARES	STOCKHOLDERS' EQUITY Amount	STOCKHOLDERS' EQUITY Per Share‡	TOTAL ASSETS	PROPERTY, PLANT AND EQUIPMENT	DEPRECIATION AND DEPLETION	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	RATIO Current Assets to Current Liabilities
1952	1.293.890	$42.683	$30.36	$46.755	$21,625	$1.644	$25.130	$1.949	$23,181	12.9:1
1953	1.406.007	44.973	31.99	49,303	23,871	1.869	25.044	1.901	23.143	13.2:1
1954	1 452.284	49.485	33.44	54.576	28,635	2.240	25.595	2.408	23.186	10.6:1
1955	1 479.986	51.037	34.48	56.248	30.121	2.479	26.127	2.403	23.724	10.9:1
1956	1.479.986	52,369	35.38	57.592	32.319	2.553	25.273	2.271	23.002	11.1:1
1957*	1 600 332	57.358	35.82	62.528	35.725	2.951	26.803	2.146	24.657	12.5:1
1958*	1.893.875	65.443	34.50	80.306	38,301	3.170	41.706	8.743	32.963	4.8:1
1959*	1.901.276	68.528	35.99	83,413	38.815	3.161	42,598	10.089	32.509	4.2:1
1960	1 908.739	69.542	36.41	81.613	38.451	3,213	41,002	7.679	33.323	5.3:1
1961	1 911 903	70 324	36 74	81 557	37 720	3 194	40 957	7.360	33 597	5.6:1

* Average number of shares outstanding during year

‡ Adjusted for two-for-one stock split in 1954 and for stock dividends distributed in years 1952 to 1954 inclusive

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FINANCIAL STATEMENTS

INCOME AND INCOME RETAINED IN THE BUSINESS

	1961	1960*
REVENUES:		
Net sales	$119.119.256	$120.077.391
Other income, net	212.996	233.919
	119.332.252	120.311.310
COSTS AND EXPENSES:		
Cost of goods sold	94 395 016	95,309,341
Selling and administrative	13.332.062	13.072.059
Depreciation and depletion	3.193.917	3.213.058
Federal income taxes	3.915 000	4.049.000
	114 835 995	115.643 458
NET INCOME FOR THE YEAR	4 496 257	4.667 852
INCOME RETAINED IN THE BUSINESS AT BEGINNING OF THE YEAR	33 983 467	33.133.907
CASH DIVIDENDS PAID – $2.00 per share	(3 824 368)	(3,818.292)
INCOME RETAINED IN THE BUSINESS AT END OF THE YEAR	$ 34 655 356	$ 33.983.467

*Restated for comparison

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FINANCIAL POSITION AT DECEMBER 31

	1961	1960*
CURRENT ASSETS:		
Cash	$ 8.418.143	$ 8,558,659
Marketable securities, at cost (which approximates market value)	126,143	126,143
Receivables, less allowances	18.146 639	18,463,777
Inventories, at lower of average cost or market:		
Raw materials and supplies	6.275.317	6,933,611
Finished products and work in process	6.658.204	5,907,824
Prepaid expenses	1.332.630	1,012,461
Total current assets	40.957.076	41.002.475
LESS – CURRENT LIABILITIES:		
Current portion of 5% notes payable	600.000	500,000
Accounts payable	3.256.988	3,348.528
Accrued expenses	1 858 941	2,012.703
Federal income taxes	1 64[illegible]	1.817.904
Total current liabilities	7 35[illegible]	7.679.135
WORKING CAPITAL	33 59[illegible]5	33,323,340
INVESTMENT in and advances to Cumberland Chemical Corporation, at cost	2.88[illegible]00	2,160,000
PROPERTY, PLANT AND EQUIPMENT, substantially at cost; less accumulated depreciation and depletion of $37,431,941 through 1961 and $34,410.923 through 1960	37 720 184	38.450.565
WORKING CAPITAL AND OTHER ASSETS	74,197 389	73.933.905
Less:		
Reserves for guaranteed roofs and compensation insurance	2 259 701	2.430.289
Deferred federal income taxes	1.014 000	761,000
Long-term 5% notes due in instalments to 1963	600 000	1 200.000
	3 873 701	4.391.289
STOCKHOLDERS' EQUITY	$70.323 688	$69.542.616
Represented by:		
Capital stock – authorized 3.000,000 shares of $1 par value – issued and outstanding 1961 – 1,913,892 shares, 1960 – 1,910,061 shares (Note)	$35.668 332	$35.559,149
Income retained in the business, excluding amounts transferred to capital stock	34 655 356	33.983.467
	$70 323 688	$69 542.616

*Restated for comparison

01-0306843

GAF 12282

NOTE TO FINANCIAL STATEMENTS

STOCK OPTION PLAN:

The company's incentive stock option plan for officers and key employees dated April 26, 1957, as amended April 29, 1960, provides for the granting of options not exceeding, in the aggregate, 200,000 shares of capital stock at not less than 95% of the fair market price at the date the options are granted, with the stipulation that no one employee be granted an option for more than 10,000 shares. The optionee may exercise up to 40% of the shares subject to option in each of the first two years following the date of grant, and the remainder at any time thereafter up to ten years from the date the options are granted. Options become cumulative, if not exercised, for the duration of the option period.

Particulars relating to shares of capital stock issuable under options granted under the plan follow:

OPTION DATE AND PRICE PER SHARE	SHARES UNDER OPTION DECEMBER 31, 1960	EXERCISED DURING 1961	SHARES UNDER OPTION DECEMBER 31, 1961	EXERCISABLE AT DECEMBER 31, 1961
June 25, 1957 – $28.50	25,148	3,831	21,317	21,317
Feb. 25, 1958 – $34.25	2,400	–	2,400	2,400
Feb. 24, 1959 – $40.00	5,900	–	5,900	5,900
Jan. 26, 1960 – $38.75	26,750	3,200*	23,550	18,830
Oct. 14, 1960 – $31.75	15,500	–	15,500	12,400
Totals	75,698	7,031	68,667	60,847

*Shares under options terminated during the year

In all cases the option price represents 95% of the market price of the stock on the date the options were granted. At December 31, 1961, there were 107,525 shares available under the plan for the granting of additional options. The proceeds of the shares sold have been credited to the capital stock account.

01-0206248 GAF 12283

SOURCE AND APPLICATION OF FUNDS—1961

ADDITIONS TO WORKING CAPITAL	
Net income for the year	$4,496,257
Charges to income for depreciation and depletion, not requiring a cash outlay	3,193,917
Proceeds from sale of capital stock	109,183
Increase in deferred income tax reserves	253,000
	8,052,357
DEDUCTIONS FROM WORKING CAPITAL	
Cash dividends	3,824,368
Net additions to property, plant and equipment	2,463,536
Reduction of long-term debt	600,000
Reduction in reserves for guaranteed roofs and compensation insurance	170,588
Increase in investments and advances to Cumberland Chemical Corporation	720,000
	7,778,492
INCREASE IN WORKING CAPITAL	$ 273,865

PRICE WATERHOUSE & CO. · 56 PINE STREET · NEW YORK, N.Y.

TO THE BOARD OF DIRECTORS of The RUBEROID Co. January 29, 1962

In our opinion, the accompanying statements present fairly the financial position of The Ruberoid Co. at December 31, 1961 and December 31, 1960, and the results of operations for the two years, in conformity with generally accepted accounting principles applied each year on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

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RUBEROID PLANTS, MINES AND QUARRIES

A. Hyde Park, Vt.—Mine: Asbestos Fibres.

B. Millis, Mass.—Plant: Asphalt Roofing Products, Paints, Plastics; Waterproofing Papers; Reflective Insulation

C. Wheatland, N. Y.—Mine; Plant: Gypsum Wallboard, Lath, Plaster.

D. Newburgh, N. Y.—Plant: Polymerite. Vinyl-Polymerite. Asphalt and Vinyl-Asbestos Floor Tiles and Flooring Adhesives.

E. South Bound Brook, N. J.—Plant: Asphalt Roofing Products: Asbestos-Cement Products: Electrical Insulating Tapes.

F. Gloucester City, N. J.—Plant: Unsaturated Roofing and Flooring Felts. Industrial Thermal Insulations.

G. Erie, Pa.—Two Plants: Asphalt and Tar Roofing Products; Asbestos Papers and Insulations; Pipe Line Protectives.

H. Baltimore, Md.—Plant: Asphalt and Tar Roofing Products; Asphalt Paints and Plastics.

I. Charmian, Pa.—Quarry; Plant: Roofing Granules Fillers.

J. Delta, Pa.—Quarry; Plant: Roofing Granules; Fillers.

K. Fairmount, Ga.—Quarry; Plant: Roofing Granules; Fillers.

L. Hartwell, Ga.—Quarry, Plant: Mica.

M. Savannah, Ga.—Plant: Asphalt Roofing Products, Unsaturated Roofing Felt.

N. Mobile, Ala.—Plant: Asphalt Roofing Products, Paints, Plastics; Asbestos-Cement Products; Unsaturated Roofing Felt.

O. Joliet, Ill.—Two Plants: Unsaturated Roofing Felt; Asphalt and Tar Roofing Products; Asphalt Paints and Plastics: Automotive Sound Deadening Products; Tar Products. Polymerite, Vinyl-Polymerite. Asphalt and Vinyl-Asbestos Floor Tiles and Flooring Adhesives.

P. Kansas City, Mo.—Plant: Asphalt Roofing Products, Paints Plastics: Unsaturated Roofing Felt.

Q. St. Louis, Mo.—Plant: Asbestos-Cement Products.

R. Minneapolis, Minn.—Plant: Asphalt Roofing Products, Paints, Plastics.

S. Calvert City, Ky.—Plant: Vinyl Resins and Plasticizers

T. Dallas, Texas—Plant: Asphalt and Tar Roofing Products. Unsaturated Roofing Felt; Asbestos-Cement Products.

U. Houston, Texas—Plant: Polymerite. Vinyl-Polymerite. Asphalt, Vinyl-Asbestos and Solid Vinyl Floor Tiles

V. Denver, Colo.—Plant: Asphalt Roofing Products.

W. Long Beach, Calif.—Plant: Polymerite, Vinyl-Polymerite. Asphalt and Vinyl-Asbestos Floor Tiles and Flooring Adhesives.

SALES OFFICES: Millis, Mass.; Wheatland and Newburgh, N. Y., South Bound Brook, N. J; Erie, Pa.; Hagerstown and Baltimore, Md., Savannah, Ga., Mobile, Ala.; Joliet, Ill; Detroit, Michigan; Kansas City and St. Louis, Mo, Minneapolis, Minn.; Dallas and Houston, Texas; Denver, Colo: Long Beach, Calif.

01-0206846

GAF 12285

The RUBEROID Co.

EXECUTIVE OFFICES

733 THIRD AVENUE · NEW YORK 17, N. Y.

MANUFACTURERS OF SUPERIOR BUILDING MATERIALS SINCE 1886

01-0206047

GAF 12286