

AFFIDAVIT OF CHARLES F. WILSON



I, CHARLES F. WILSON, being duly sworn and cautioned, depose and testify as follows:

1) I am the Assistant Secretary, an Officer of the corporation, of THE CELOTEX CORPORATION, a Defendant in various cases filed in Texas by plaintiffs alleging injury resulting from exposure to asbestos fibers.

2) I have personal knowledge of the events surrounding the acquisition by THE CELOTEX CORPORATION of the Panacon Corporation in 1972 as I have personally reviewed corporate records regarding that acquisition, and can competently testify thereto.

3) Prior to its acquisition by THE CELOTEX CORPORATION in 1972, approximately 75% of the outstanding shares of stock in the Panacon Corporation were owned by the Glen Alden Corporation. The remaining stock was owned by various stockholders. I am informed and believe that the Panacon Corporation was formed in 1970 by the merger of the Philip Carey Corporation with Briggs Manufacturing Company; the Philip Carey Corporation, (previously known as Philip Carey Manufacturing Company, XPRU Corporation, and Philip Carey Company, Inc.) in turn, was formed in 1966 following the merger of the Philip Carey Manufacturing Company into Glen Alden Corporation.

4) On April 17, 1972, THE CELOTEX CORPORATION purchased all the Panacon Corporation stock held by the Glen Alden Corporation. Said stock was paid for in cash. The Glen Alden Corporation did not acquire any shares of CELOTEX stock as a result of that transaction; nor did Glen Alden Corporation acquire any shares of the stock of Jim Walter Corporation, CELOTEX'S parent corporation, as a result of that transaction.

5) Subsequently, THE CELOTEX CORPORATION offered to buy all remaining outstanding shares of Panacon Corporation from their respective owners for \$6.00 per share. As a result of these transactions, CELOTEX bought all shares of the Panacon Corporation for cash, and no stockholders of the former Panacon Corporation became stockholders in THE CELOTEX CORPORATION or in any of CELOTEX'S parent or subsidiary corporations.

6) At the time of the acquisition of Panacon Corporation, all shares of THE CELOTEX CORPORATION were held by Jim Walter Corporation; at the present time, all shares of THE CELOTEX CORPORATION are held by Jim Walter Corporation.

7) Attached to this affidavit as Exhibit "A" and incorporated herein by reference is a true and correct copy of a letter dated June 28, 1972, addressed to the stockholders of Panacon Corporation from the Secretary of Panacon Corporation detailing the offer to buy the outstanding Panacon shares for cash, and notifying the stockholders of a meeting of Panacon shareholders to approve the acquisition of Panacon by CELOTEX.

8) Attached to this affidavit as Exhibit "B" is a true and correct copy of the proxy statement accompanying the notice of the shareholders' meeting detailing the method whereby CELOTEX acquired Panacon Corporation by cash purchase of all outstanding shares. Said proxy statement is dated June 28, 1972.

COMPANY
FILE COPY

9) Attached as Exhibit "C" to the affidavit is a true and correct copy of the merger agreement between Panacon Corporation and THE CELOTEX CORPORATION and an amendment thereto. This agreement states on page 5:

Each outstanding share of common stock of Panacon (other than each such share of common stock held by CELOTEX) shall be converted into the right to receive, without interest, \$6.00 (payable by bank check or by certified or cashier's check) from CELOTEX upon surrender of the certificate representing such share.

Said agreement further provided on page 5 that all Panacon Class A common stock shares and treasury stock would be canceled.

10) Prior to 1972, THE CELOTEX CORPORATION had no connection with or control over Panacon Corporation, Glen Alden Corporation, Briggs Manufacturing Company, Philip Carey Corporation, Philip Carey Manufacturing Company, or the parent and/or the subsidiary corporations affiliated with any of the aforementioned companies, or any of those companies' officers, directors or employees.

11) Neither THE CELOTEX CORPORATION, the parent and/or subsidiary companies of THE CELOTEX CORPORATION, Panacon Corporation, Philip Carey Corporation, Briggs Manufacturing Company, Glen Alden Corporation, Philip Carey Manufacturing Company, or the parents and/or subsidiary companies affiliated with the aforementioned companies were at any time Texas corporations, nor did they have their principal place of business in Texas at any time. None of the corporate transactions referred to in this affidavit were governed by Texas law.

Further affiant sayeth naught.

DATED: February 29, 1984

Charles F. Wilson
Charles F. Wilson, Asst. Secretary
to THE CELOTEX CORPORATION

STATE OF FLORIDA)
) SS
COUNTY OF HILLSBOROUGH)

On February 29, 1984 before me, the undersigned, a Notary Public in and for said State, personally appeared Charles F. Wilson, known to me to be the person whose name subscribed to the within instrument and acknowledged that he executed the same.

WITNESS my hand and official seal.

Barbara L Harris
Notary Public

My Commission expires: Notary Public State of Florida at Large
My Commission Expires Aug. 20, 1985.

PANACON CORPORATION

Notice of Special Meeting of Stockholders

June 28, 1972

To the Stockholders of
Panacon Corporation:

Notice is hereby given that a Special Meeting of Stockholders of Panacon Corporation ("Panacon") will be held at the Carrousel Inn, 8001 Reading Road, Cincinnati, Ohio 45237, on Wednesday, June 28, 1972, at 11:00 A.M., eastern daylight saving time, for the following purposes:

1. To act on a proposal by the Board of Directors (a) to approve an Agreement and Plan of Merger dated May 31, 1972 (the "Agreement") between Panacon and The Celotex Corporation ("Celotex"), a wholly-owned subsidiary of Jim Walter Corporation, providing for the merger of Panacon with and into Celotex on the terms set forth in said Agreement, and the receipt by Panacon stockholders, other than Celotex, of \$6.00 for each share of Panacon Common Stock, and (b) to take any and all other action necessary or appropriate to consummate such Agreement. A copy of said Agreement is included as Appendix I to the Proxy Statement accompanying this Notice.
2. To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed June 5, 1972, at the close of business, as the record date for the determination of stockholders entitled to notice of, and to vote, at the meeting. The stock transfer books will not be closed.

All stockholders are cordially invited to attend the meeting. However, if you are unable to attend, please date, sign and return promptly the enclosed proxy in the accompanying envelope, which requires no postage if mailed in the United States. Any proxy may be revoked at any time before its exercise by giving written notice of revocation to the Secretary of Panacon or by filing another proxy with him at any time prior to the voting of the proxy or by voting in person.

By the Order of the Board of Directors

L. A. PECHSTEIN, JR.
Secretary

Dated: June 5, 1972
Cincinnati, Ohio

EXHIBIT "A"

TABLE OF CONTENTS

	<u>Page</u>
Proxy Statement	3
Solicitation of Proxies	3
Proposed Merger	5
Introduction	5
Certain Significant Aspects of the Proposed Merger	5
Financial Arrangements Relating to the Proposed Merger	7
Federal Income Tax Consequences Relating to the Proposed Merger	7
Investigation by Federal Trade Commission	8
Terms of the Agreement	8
Termination Rights	8
Treatment of Panacon Warrants	9
Treatment of Panacon Stock Options	9
Exchange Agent	9
Effective Date and Certificate and Warrant Surrender	10
Amendments	10
Expenses of Merger	10
Dissenters' Rights of Appraisal	10
Capitalization of Panacon	12
Description of Panacon Capital Stock	13
Price Range of Panacon Common Stock	14
Dividends	15
Summary of Consolidated Operations of Panacon Corporation and Subsidiary Companies	16
Business of Panacon	20
Manufactured Products	21
Mining	23
Other Activities	24
Employees	24
Competition	25
Properties of Panacon	25
Pending Legal Proceedings	27
Certain Transactions	27
General	30
Expense of Solicitation	30
Index to Financial Statements	31
Agreement and Plan of Merger	Appendix I
Section 54 of Title 21-General Corporation Act of the Statutes of the State of Michigan	Appendix II-A
Paragraph 1 of Section 44 of Title 21-General Corporation Act of the Statutes of the State of Michigan	Appendix II-B

PANAICON CORPORATION

Proxy Statement

Special Meeting of Stockholders

June 28, 1972

This Proxy Statement should be read carefully. The Celotex Corporation ("Celotex") has the necessary voting power to cause the proposed merger discussed herein to be consummated even if all other stockholders of Panaicon Corporation ("Panaicon") vote against the merger, and Celotex intends to vote in favor of the proposed merger. Further, Celotex, through its stock ownership in Panaicon, has elected all the current directors of Panaicon, who have approved the proposed merger. Under the circumstances, stockholders of Panaicon might desire to give the terms of, and the consequences resulting from, the proposed merger more careful scrutiny than they would if the proposed merger had been negotiated and approved by an entirely disinterested and independent Panaicon Board of Directors.

The material under the following captions should be noted especially: "Solicitation of Proxies"; "Certain Significant Aspects of the Proposed Merger"; "Investigation by Federal Trade Commission"; "Dissenters' Rights of Appraisal"; and "Certain Transactions."

SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation of proxies by the Management of Panaicon with the authority of the Board of Directors to be used at the Special Meeting of Stockholders of Panaicon to be held at the Carrousel Inn, 8001 Reading Road, Cincinnati, Ohio 45237, on Wednesday, June 28, 1972, at 11:00 A.M., eastern daylight saving time, and at any adjournments thereof. The shares represented by each proxy received by Panaicon in the form solicited by Management will be voted on the proposal listed in the notice of special meeting as specified by the stockholder on the proxy, and will be voted FOR such proposal if no such specification is made. Any proxy may be revoked at any time before its exercise by giving written notice of revocation to the Secretary of Panaicon or by filing another proxy with him at any time prior to the voting of the proxy or by voting in person.

The only matter which Management of Panaicon intends to present to the meeting is set forth in the notice to stockholders. The Management of Panaicon knows of no other matters which will be brought before the meeting. However, if any other matters shall properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with the instructions of Management on such matters.

Solicitation of proxies will be made by mail, telephone and otherwise. Panaicon may utilize the services of some of its officers and regular employees (who will receive no compensation therefor in addition to their regular salaries) to solicit proxies personally. Panaicon also intends to request banks

and brokers who hold shares of its stock in their names or in their custody or in the names of others, to forward copies of the proxy material to those persons for whom they hold such shares and to request instructions for voting the proxies and will reimburse such banks and brokers for their regular out-of-pocket expenses incurred in connection therewith. (See "Expenses of Merger".)

All voting rights are vested in the holders of Panacon's Common Stock, \$1.00 par value, and Class A Common Stock, \$1.00 par value. Each share of Common Stock is entitled to one vote in respect to all matters which may be brought before the meeting, and each share of Class A Common Stock would normally be entitled to one one-thousandth (1/1000) of a vote in respect to all matters which may be brought before the meeting. However, under the statutes of the State of Michigan, for purposes of voting on the proposal contained in the Notice of Special Meeting of Stockholders accompanying this Proxy Statement, both the holders of the Common Stock and Class A Common Stock would be entitled to one vote per share. Also, under Michigan law, the holders of Common Stock and Class A Common Stock would vote separately by class, and two-thirds ($\frac{2}{3}$) affirmative vote of the total number of shares of each class of Panacon's outstanding capital stock would be required for adoption of such proposal. However, all of Panacon's authorized Class A Common Stock was converted, share for share, by Celotex on May 30, 1972 into Common Stock, and therefore two-thirds ($\frac{2}{3}$) affirmative vote of the total number of shares of outstanding Common Stock only is required for adoption of such proposal.

Only stockholders of record at the close of business on June 5, 1972, will be entitled to notice of and to vote at the meeting.

As of June 5, 1972, Panacon had outstanding 15,632,158 shares of Common Stock, \$1.00 par value.

To the knowledge of Management of Panacon, the only holder of record and beneficially of more than 10% of the outstanding Common Stock or Class A Common Stock of Panacon is Celotex, which on April 17, 1972, purchased from Glen Alden Corporation ("Glen Alden"), 6,528,739 shares of Common Stock and 7,356,000 shares of Class A Common Stock, constituting approximately 79% of the voting power of the Common Stock and 100% of the voting power of the Class A Common Stock of Panacon. Celotex is a wholly-owned subsidiary of Jim Walter Corporation ("Walter"), Tampa, Florida. Such stock was purchased by Celotex for \$62,000,000, or approximately \$4.47 per share. As the result of the conversion of all the Class A Common Stock purchased by it, Celotex became the owner of 13,884,739 shares of Common Stock, representing approximately 89% of the voting power of such Common Stock. At the same time Celotex purchased for \$1,350,000 Glen Alden's convertible (into Common Stock of Panacon at \$10.00 principal amount per share) subordinated notes receivable from Panacon with an aggregate principal amount of \$1,968,879. (See also Item 12 of "Certain Transactions" as to an offer by Celotex to purchase the remaining \$3,702,379 balance of such convertible subordinated notes held by 19 trade creditors.) The \$63,350,000 for such purchases was advanced to Celotex by Walter, which obtained such monies by borrowings, in short-term loan arrangements, from a group of commercial banks.

The principal business activities of Walter and its subsidiaries (including Celotex) are the manufacture and distribution of a wide range of building material products, and the sale, construction and financing of partially-finished homes.

The Board of Directors of Walter and Celotex have indicated their intention to vote the shares owned by Celotex FOR the proposal for which proxies are being solicited. Such votes by Celotex will be sufficient to adopt the Agreement and Plan of Merger and any other matters that might be voted on at the meeting. Consequently, unless a holder of Panacon Common Stock carefully follows the procedure for exercise of his appraisal rights (see "Dissenters' Rights of Appraisal"), or unless the proposed merger is abandoned, his shares of Panacon Common Stock will be converted into \$6.00 for each share.

PROPOSED MERGER

Introduction

At the Special Meeting, the stockholders of Panacon will consider and take action with respect to an Agreement and Plan of Merger dated May 31, 1972 (the "Agreement"), providing for the merger of Panacon into Celotex (the "Merger"). Under the Agreement, Panacon stockholders (other than Celotex) will be entitled to receive \$6.00 for each share of Panacon Common Stock held by them on the Effective Date of the Merger (as hereinafter defined). (See Item 1 of "Federal Income Tax Consequences Relating to the Proposed Merger"). All such payments to Panacon stockholders, as well as the payments to the Panacon warrant holders (See Item 5 of "Certain Significant Aspects of the Proposed Merger") will be made by bank check, or certified or cashier's check.

Certain Significant Aspects of the Proposed Merger

1. The terms of the Agreement were approved by the Boards of Directors of Celotex and Panacon on May 31, 1972. The price of \$6.00 for each share of Panacon Common Stock not held by Celotex (as compared to approximately \$4.47 per share paid by Celotex to Glen Alden, as described in "Solicitation of Proxies") was arrived at after consideration of various factors. The Panacon Board of Directors, which was elected by the stockholders of Panacon on the same May 31, 1972 date, consists of four directors who are also directors of Walter and one director who is a partner of the general counsel of Walter.

As noted, Celotex (and its parent company, Walter) caused the election of each of the directors of Panacon. Mr. F. J. Pizzitola, President of Walter, has also been President and Chief Executive Officer of Panacon since May 16, 1972. Therefore, the terms of the Agreement and of the Merger are not the result of arm's-length negotiations. In addition, the voting rights of Celotex will be sufficient to approve the Agreement and any other matters which may be brought before the Special Meeting.

2. Unless a holder of Panacon Common Stock carefully follows the procedure for exercise of his appraisal rights (see "Dissenters' Rights of Appraisal"), or unless the proposed Merger is abandoned, his shares of Panacon Common Stock will be converted into \$6.00 for each share.

3. The services of Loeb, Rhoades & Co., New York, investment bankers who are members of the New York Stock Exchange, Inc., were engaged by the Board of Directors of Celotex to assist the Boards of Directors of Panacon, Celotex and Walter in reviewing the terms of the Agreement. In the opinion of Loeb, Rhoades & Co., the proposed payment to be made to the Panacon stockholders (other than Celotex) is a reasonable price for Celotex to pay, and is fair and equitable to Panacon stockholders. (See the following paragraph as to transactions with and relationships of Walter (and Celotex) and Loeb, Rhoades & Co.) In rendering its opinion, said investment banking firm relied on information furnished by Panacon, Walter and Celotex, and on published financial data, and did not make any independent factual investigation of the affairs of Panacon. Such information furnished to Loeb, Rhoades & Co. included internal Panacon budgets and forecasts for 1972; reference is made to page 19 as to earnings information heretofore mailed to Panacon stockholders for the three month periods ended March 31, 1972 and 1971. (Also see Item 5 below.) Said firm will be paid \$12,500 in total by Celotex for its services as herein described.

In connection with the acquisition by Walter of United States Pipe and Foundry Company, Walter paid Loeb, Rhoades & Co. fees of \$350,000 each in 1970, 1971 and 1972. Walter also paid fees of \$150,000, \$400,000 and \$10,000 to Loeb, Rhoades & Co. in connection with the acquisitions by Walter of Brentwood Financial Corp., the building materials operations ("Barrett Business") of Allied Chemical Corporation ("Allied") and the assets of a lighting fixture operation in 1966, 1967 and 1970, respectively. Loeb, Rhoades & Co. was a principal underwriter in a secondary public offering in April 1968 by Allied of the 731,607 shares of Walter's \$2 Convertible Series 1-Third

Preferred Stock received by Allied in connection with the Barrett Business acquisition, and were principal underwriters of primary public offerings by Walter in January 1971 of \$35,000,000 aggregate principal amount of its 5¼% Convertible Subordinated Debentures Due 1991 and in February 1972 of \$50,000,000 aggregate principal amount of its 7½% Sinking Fund Debentures Due February 1, 1997. In June 1969, Loeb, Rhoades & Co. purchased from Walter for \$1,750,000, 17,500 shares of Walter's 5¼% Cumulative Convertible Voting Fifth Preferred Stock, \$100 par value per share, out of a private placement of 315,000 shares; of the 17,500 shares purchased, 15,800 shares were disposed of in 1971; and a partner of that firm (principally for his own account and that of members of his family) purchased from Walter for \$1,750,000 an additional 17,500 of such shares. Loeb, Rhoades & Co. is the principal underwriter for the proposed public offering of 1,500,000 units (consisting of 1,500,000 shares of beneficial interest and warrants to purchase 1,500,000 shares of beneficial interest) of Jim Walter Investors (a Florida business trust) for an estimated aggregate price to the public of \$30,000,000. Jim Walter Investors, which is intended to be a qualified real estate investment trust under Sections 856-858 of the Internal Revenue Code of 1954, as amended, was organized by Walter. Initially Walter will own 50,000 shares of beneficial interest and warrants to purchase an additional 50,000 shares (in addition to the shares and warrants to be offered to the public) at a cost of \$1,000,000, and Jim Walter Advisers, Inc., a wholly-owned subsidiary of Walter, will act as investment adviser to, and will administer the operations of, Jim Walter Investors. A partner of Loeb, Rhoades & Co. will serve as one of the initial trustees of Jim Walter Investors. In addition, as of January 21, 1972, partners of Loeb, Rhoades & Co., members of their families and trusts for their benefit owned beneficially 205,390 shares of Walter's common stock.

4. On the day before the Effective Date of the Merger, the convertible subordinated debt of Panacon due in varying semi-annual instalments through 1982, owned by Celotex, will be contributed to the capital of Panacon and will be cancelled. The notes evidencing this debt are convertible into Panacon Common Stock on the basis of one share for each \$10 of outstanding principal debt. (See "Solicitation of Proxies" and Item 12 of "Certain Transactions" for information as to purchase of this debt by Celotex from Glen Alden and an offer to purchase such debt from the other holders thereof.)

5. On the Effective Date of the Merger, outstanding Warrants of Panacon for the purchase of 81,736 (as of April 30, 1972) shares of Panacon Common Stock will be converted into \$.50 for each share purchasable under such Warrants. In the opinion of Loeb, Rhoades & Co. (See Item 3 above) such price is a reasonable one for Celotex to pay and is fair and equitable to the Panacon warrant holders. (See Item 2 of "Federal Income Tax Consequences Relating to the Proposed Merger" and "Treatment of Panacon Warrants".)

6. On the Effective Date of the Merger, as provided for in the Agreement, qualified holders of outstanding and unexercised Panacon employee stock options will have Walter qualified stock options substituted for such options. The number of shares and the option price per share to be included in such new Walter options will be determined so as to insure that the excess of the aggregate fair market value of the Walter shares subject to the new options at the Effective Date of the Merger over the aggregate option price of such Walter shares will be approximately the same as, but will not raise, the excess of the aggregate fair market value of the Panacon shares under the present options (computed using the \$6.00 per share price to be paid to holders of Panacon Common Stock pursuant to such Merger) over the present aggregate option price, and no such option will offer any additional benefits to the option holders. At March 31, 1972, officers and directors of Panacon as a group (none associated with Walter or Celotex) held options for the purchase of 186,000 shares of Panacon Common Stock at an average option price of \$2.57 per

share. (See Item 3 of "Federal Income Tax Consequences Relating to the Proposed Merger" and "Treatment of Panacon Stock Options".)

7. See "Investigation by Federal Trade Commission" as to requests for information by the Federal Trade Commission relating to the acquisition by Celotex of its present stock interest in Panacon.

Financial Arrangements Relating to the Proposed Merger

Celotex will obtain the funds required to make the payments to the Panacon stockholders and warrant holders, contemplated by the Agreement, aggregating approximately \$10,750,000, together with such other funds as may be needed to effectuate the Merger, by advances from its parent, Walter, which will obtain such funds through borrowings, in short-term loan arrangements, from commercial banks.

Federal Income Tax Consequences Relating to the Proposed Merger

Panacon has been advised by its counsel that for federal income tax purposes:

1. Each Panacon stockholder (other than Celotex) including any such stockholder who may exercise his dissenter's rights (See "Dissenters' Rights of Appraisal"), will recognize gain or loss, measured by the difference between his tax basis in his shares of Panacon Common Stock surrendered and the amount of cash which he receives. Such gain or loss will constitute a capital gain or loss if the surrendered Panacon Common Stock is a capital asset in his hands. If a long-term capital gain is realized by a Panacon stockholder, it will be considered a tax preference item under the Tax Reform Act of 1969 and could result in additional federal income tax under Section 56 and Section 57 of the Internal Revenue Code of 1954, as amended.

2. Each holder of a Panacon Warrant will recognize gain or loss, measured by the difference between his tax basis in his Warrants of Panacon surrendered and the amount of cash which he receives. Such gain or loss will constitute a capital gain or loss if the surrendered Panacon Warrant is a capital asset in his hands. If a long-term capital gain is realized by a Panacon warrant holder, it will be considered a tax preference item under the Tax Reform Act of 1969 and could result in additional federal income tax under Section 56 and Section 57 of the Internal Revenue Code of 1954, as amended.

3. Holders of Panacon stock options who receive substitute Walter stock options will have no taxable income as a result of such substitution, since it is planned that the number of shares of Walter common stock, the new option price and the other terms and conditions of such new Walter options will be determined in accordance with Section 425(a) of the Internal Revenue Code of 1954, as amended, and the applicable regulations thereunder. Neither Panacon, Celotex nor Walter will receive any federal income tax benefit upon such substitution of options. However, any holder of Panacon Common Stock who acquired such stock upon exercise of a Panacon stock option within the three year period preceding the Effective Date of Merger (i) will be treated as having received ordinary taxable income to the extent that the fair market value of the shares when they were acquired (as defined in the federal income tax regulations) exceeded the option price; provided however, that the amount treated as ordinary taxable income, generally, may not exceed the difference between the option price and the amount received on disposition on the Effective Date of the Merger, (ii) the optionee's basis in such shares will equal the option price plus the ordinary taxable income realized, and the difference between this basis and the

amount received for such shares on the Effective Date of the Merger will be treated as a long-term or short-term capital gain or loss, and (iii) Panacon will be allowed a federal income tax deduction of the amount, if any, treated as ordinary taxable income to the optionee. Any future holder of Walter common stock received upon exercise of the substitute Walter stock options who disposes of such stock within the three year period following exercise of such option, would be subject to the same general tax treatment as described in the preceding sentence, except that Walter or Celotex rather than Panacon would receive any tax deduction allowable under clause (iii) thereof. If a long-term capital gain is realized on the disposition on the Effective Date of the Merger of Panacon Common Stock or on the disposition of Walter common stock received by the holder upon exercise of a substitute Walter stock option, it will be considered a tax preference item under the Tax Reform Act of 1969 and could result in additional federal income tax under Section 56 and Section 57 of the Internal Revenue Code of 1934, as amended. In addition, upon the exercise of any Panacon or substitute Walter stock option, the excess of the fair market value at date of exercise over the option price would also be a tax preference item and could result in additional federal income tax.

Investigation by Federal Trade Commission

On May 19, May 25 and June 2, 1972, in response to a letter of April 21, 1972 from the Federal Trade Commission ("FTC"), Walter submitted certain information relating to the acquisition of Panacon stock by Celotex. By a letter to Walter dated May 5, 1972, the FTC has requested Walter to furnish certain additional information relating to Walter and its domestic subsidiaries and Panacon and its domestic subsidiaries in connection with such acquisition of Panacon stock by Celotex; the first portion of such information was submitted on May 31, 1972. Neither Panacon, Celotex nor Walter can predict what action, if any, the FTC will take as a result of such investigation.

TERMS OF THE AGREEMENT

Set forth below is a summary of certain provisions of the Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to the text of the Agreement, which is attached hereto as Appendix I.

Upon the Merger becoming effective, the holders of the outstanding shares of Panacon Common Stock (other than Celotex) will have the right upon surrender of certificates representing such shares (as hereinafter described) to receive, without interest, \$6.00 from Celotex, for each share of Panacon Common Stock held on the Effective Date of the Merger (as hereinafter defined), but will possess no other interest in, or rights as stockholders of, Celotex (see "Dissenters' Rights of Appraisal"). Shares of Panacon Common Stock held by Celotex or held as treasury shares by Panacon (if any), will be cancelled.

Termination Rights

The Agreement provides that it may be terminated at any time prior to effectiveness of the Merger:

1. By mutual agreement of the Boards of Directors of Panacon and Celotex;
2. By the Board of Directors of Celotex in the event of the discovery of a material breach of a representation or warranty made by Panacon in such Agreement; or
3. By the Board of Directors of Panacon in the event of the discovery of a material breach of a representation or warranty made by Celotex in such Agreement.

The Agreement shall terminate, unless extended, in the event the Merger is not consummated on or before September 30, 1972. See "Certain Significant Aspects of the Proposed Merger" for information as to Walter's and Celotex' control of Panacon's Board of Directors.

Treatment of Panacon Warrants

Upon the Effective Date of the Merger, the holders of each outstanding Common Stock Purchase Warrant of Panacon shall have the right to receive, without interest, \$.50 from Celotex for each share of Panacon Common Stock purchasable under such Warrant. At April 30, 1972, Warrants were outstanding for the purchase of 81,738 shares of Panacon Common Stock at a price of \$6.50 per share prior to July 1, 1972 and \$7.50 per share after July 1, 1972 but on or prior to July 1, 1973 (on which date such Warrants would expire).

Treatment of Panacon Stock Options

Upon the Effective Date of the Merger, Panacon's 1967 Qualified Stock Option Plan shall be terminated, and each outstanding and unexercised option to purchase Panacon Common Stock theretofore granted pursuant to Panacon's 1967 Qualified Stock Option Plan then held by a Qualified Employee shall have substituted therefore an option to purchase shares of Walter common stock, 16 $\frac{2}{3}$ cents par value per share, pursuant to Walter's 1968 Employees Qualified Stock Option Plan. The number of shares of the said Walter common stock covered by such an option, the purchase price for the shares of Walter common stock, and the other terms and conditions of the said option shall be determined in accordance with Section 425(a) of the Internal Revenue Code of 1954, as amended, and the applicable regulations thereunder.

At May 15, 1972 Panacon stock options were outstanding as follows:

<u>Date Granted</u>	<u>Total Shares</u>	<u>Shares Exercisable at May 15, 1972</u>	<u>Option Price Per Share</u>
June 5, 1967	21,000	21,000	\$2.10
December 21, 1967	18,000	18,000	3.25
May 13, 1968	1,000	1,000	4.00
December 2, 1968	2,000	2,000	4.875
February 24, 1969	7,500	7,500	5.75
July 25, 1969	3,500	3,500	3.875
May 15, 1970	184,000	138,000	2.50
August 12, 1971	5,000	1,250	3.25
Total	242,000	192,250	

The Panacon options granted June 5, 1967 expire on June 5, 1972 if not previously exercised.

Exchange Agent

The First National Bank of Chicago, a transfer agent for the Common Stock of Panacon, will act as Exchange Agent for the exchange of Panacon Common Stock for the cash to be delivered in connection with the proposed Merger. Such bank will also act as Exchange Agent for the exchange of Panacon Warrants for the cash to be delivered in connection with the proposed Merger.

Effective Date and Certificate and Warrant Surrender

The Merger will become effective at 9:00 A.M., New York City Time, on the day following the day that the later of the filing of the Agreement in the States of Michigan or Delaware shall have been completed (the "Effective Date of the Merger"). It is presently anticipated that the Effective Date of the Merger will be June 30, 1972 or as soon thereafter as practicable.

As promptly as practicable thereafter the stockholders and warrant holders of Panacon will be notified of the Effective Date of the Merger and will be advised as to the procedure for the surrender of their certificates and Warrants in exchange for the payment to which they are entitled. All holders of Panacon Common Stock (other than Celotex) and Warrants will be required to surrender their Panacon stock certificates and Warrants in order to receive the payments to which they are entitled as a result of the Merger. No interest will be paid or accrued on the amounts payable upon surrender of the Panacon stock certificates or Warrants.

On the Effective Date of the Merger, the total amount such stockholders and warrant holders will be entitled to receive as a result of the Merger will be deposited with The First National Bank of Chicago for the account of such bank as Exchange Agent and for the benefit of Panacon stockholders and warrant holders. After the expiration of 90 days from the Effective Date of the Merger, the Exchange Agent will pay to Celotex that part of the amount deposited in respect of shares of Panacon Common Stock for which the holders have demanded payment directly from Panacon or Celotex under Michigan law (see "Dissenters' Rights of Appraisal").

Amendments

The Agreement may be amended or modified by a written instrument signed by the proper officers of the respective parties, if authorized by the respective boards of directors of the parties, provided that the price of \$6.00 per share to be paid to each Panacon stockholder (other than Celotex) and of \$.50 for each share included within Panacon Warrants may not be reduced.

Expenses of Merger

Celotex will bear the expenses of the Merger. If the Merger does not become effective, Panacon will bear only its own internal expenses and Celotex will bear all other expenses in connection with the proposed transaction including the fees and expenses of counsel, advisers and accountants and all printing expenses.

Dissenters' Rights of Appraisal

Subject to and by compliance with Section 54 and Paragraph 1 of Section 44 of the Michigan General Corporation Act, any stockholder of Panacon who dissents from the proposed merger might receive a different amount of payment for his shares. The complete texts of Section 54 and Paragraph 1 of Section 44 are attached hereto as Appendices II-A and II-B and reference is made to such Appendices for the complete statement of such provisions, the following statements being qualified in their entirety by such reference.

A stockholder intending to enforce his rights to receive a different payment for his shares must be a stockholder at the time the Merger is authorized by the stockholders, must vote against the proposed Merger (record date for special stockholders meeting is June 5, 1972) and must, within 20 days after such special meeting, object thereto in writing, surrender to Panacon or Celotex his certificate or certificates for his shares and demand from Panacon or Celotex payment of the fair cash value of such shares as of the day preceding the day of the Special Meeting. All such objections, demands for ap-

praisal rights and other correspondence, together with such dissenter's stock certificates, should be mailed to either Mr. L. A. Pechstein, Jr., Secretary, Panacon Corporation, 320 South Wayne Avenue, Cincinnati, Ohio 45215, or Mr. R. Thompson, Vice President, The Celotex Corporation, 1500 North Dale Mabry Highway, Tampa, Florida 33607. The 20 day period commences on the date of the Panacon Special Stockholders Meeting, set for June 23, 1972 and correspondence must be post marked no later than 20 days thereafter to effect appraisal rights. No consideration is given to any appreciation or depreciation in the value of the shares as a result of the Merger.

If within 30 days after receipt by Panacon or Celotex of such demand from a stockholder the parties cannot agree upon such fair cash value of the shares, such stockholders of Panacon or Celotex may secure an appraisal by three (3) disinterested persons, who shall be appointed by any circuit judge in Wayne County, Michigan, upon petition by either the dissenting stockholder, Panacon or Celotex. Once the appraisers have been appointed by the court, all other demands for payment which have not been resolved by agreement, shall be determined by such appraisers. The determination of such fair cash value of the shares by such appraisers, after submission thereof to the circuit court of Wayne County and upon entry of an order confirming said report, shall be final and conclusive and from such order there shall be no appeal. If such fair cash value shall be determined by agreement between the stockholder and Panacon or Celotex, such agreed fair cash value shall be final and conclusive. If such agreed or awarded fair cash value is not paid within 60 days after the agreement or after the entry of the order, it may be collected as other debts are by law collectible.

Once a demand is made upon Panacon or Celotex for payment under Section 54, such demand may not be withdrawn without the consent of the Board of Directors of such company. Any stockholder who demands payment for his shares may not vote his shares or receive any dividends or distributions thereon or exercise any rights with respect thereto unless the proposed Merger is abandoned or the demand for payment is withdrawn with the consent of the Board of Directors of such company.

The relief provided by Section 54 is the exclusive right of dissenting stockholders. In the opinion of counsel for Panacon the receipt of payment by a dissenting stockholder will result in recognizable gain or loss for federal income tax purposes in the same manner as described in Item 1 of "Federal Income Tax Consequences Relating to the Proposed Merger".

CAPITALIZATION OF PANACON

The indebtedness and shareholders' equity of Panacon and its subsidiary companies at April 30, 1972 was as follows:

<u>Title of Class</u>	<u>Amount Outstanding</u>
Long-term debt (including current maturities):	
Notes payable:	
Note payable to bank—due semi-annually through 1974 (interest at 1% above prime rate)	\$ 3,900,000
6½% mortgage note payable to insurance company— due monthly through 1984	5,177,900
6½% inventory note payable to insurance company— due quarterly by 1974(a)	1,393,200
8½% notes due in varying annual instalments through 1974(b)	8,000,000
Note payable to bank—due annually through 1975 (interest at 1% above prime rate)	1,080,000
4% mortgage note payable to bank—due monthly through 1986	1,043,701
5½% note—due annually through 1974	360,000
6% mortgage note payable to insurance company— due monthly through 1982	331,915
5½% mortgage note payable to insurance company—due in varying monthly instalments through 1983	274,855
Due to holders of 5% to 6¾% industrial revenue bonds in varying annual instalments from 1973 to 1979	857,422
Sundry indebtedness—due 1972 to 1977	96,947
Total	<u>22,515,940</u>
Subordinated debt—non-interest bearing; due in varying semi-annual instalments through 1982(c)	5,671,257
Total	<u>\$28,187,197</u>
 Shareholders' Equity:	
Common Stock, \$1.00 par value(d)	25,000,000 \$ 8,265,156
Class A Common Stock, \$1.00 par value(e)	7,356,000 7,356,000
Paid-in capital	13,301,034
Retained earnings	27,450,791
Total	<u>\$56,372,981</u>

(a) This note is guaranteed as to one-half of principal and accrued interest by Glen Alden.

(b) These notes were issued as a dividend to Glen Alden. In January 1971, Glen Alden sold these notes and, under certain circumstances, may be obligated to repurchase such notes at any time prior to maturity thereof. Panacon has been informed that one half (\$4,000,000) of such notes

have recently been repurchased by Glen Alden. See Item 5 of "Certain Transactions" elsewhere herein.

- (c) Represents agreements with certain trade and other creditors. Unpaid balances may be converted into Common Stock of Panacon at the rate of one share of Common Stock for each \$10 of unpaid principal. At April 30, 1972, Celotex held \$1,963,679 of these notes which it purchased from Glen Alden for \$1,350,000 in cash on April 17, 1972. (See also Item 12 of "Certain Transactions".)
- (d) Includes 8,529,739 shares of Panacon Common Stock owned by Celotex, which stock was purchased by Celotex from Glen Alden, along with all of the Class A Common Stock (see Note (e) below) for an aggregate of \$62,000,000 in cash on April 17, 1972. Shares of Panacon Common Stock reserved for issuance at April 30, 1972 are as follows:

Upon conversion of:	
Class A Common Stock (see note e) . . .	7,356,000
Subordinated notes (see note c)	567,126
Upon exercise of:	
Stock options granted	242,000
Stock options available for grant	186,500
Warrants	81,736
Total	<u>8,433,362</u>

- (e) All 7,356,000 issued and outstanding shares of Class A Common Stock were owned by Celotex on April 30, 1972 (also see Note (d) above) and were converted, share for share, into Common Stock of Panacon on May 30, 1972.
- (f) The aggregate of long-term debt maturing during the five years ending April 30, 1977 is as follows:

<u>Years Ending April 30,</u>	<u>Amount</u>
1973	\$4,872,909
1974	5,418,643
1975	7,911,991
1976	1,664,357
1977	1,708,705

- (g) Reference is made to Note 9 of the Notes to Financial Statements for information with respect to Panacon's lease commitments as of December 31, 1971.
- (h) Although Panacon maintains active accounts with a number of banks with which it has or hopes in the future to have credit facilities, there is no specific requirement in any of Panacon's short or long-term debt obligations that it maintain compensating balances with any of such banks.

DESCRIPTION OF PANACON CAPITAL STOCK

Panacon has authorized capital stock of (i) 25,000,000 shares of Common Stock, \$1.00 par value, of which 8,265,156 shares were issued and outstanding on April 30, 1972, and (ii) 7,356,000 shares of Class A Common Stock, \$1.00 par value, all of which were issued and outstanding on said date.

Subject to restrictions on dividends contained in certain loan agreements of Panacon, the holders of Common Stock and Class A Common Stock are entitled to receive dividends in equal amounts per share when, as and if declared by the Board of Directors out of funds legally available therefor. Under the loan agreements, dividends are restricted to the lesser of (i) earnings after January 1, 1970, in

excess of \$10,000,000, or (ii) one-half of aggregate earnings after January 1, 1970. Upon liquidation, the holders of Class A Common Stock are entitled to a first preference to the extent of \$3.00 per share and thereafter the holders of Common Stock are entitled to a second preference to the extent of \$3.00 per share and thereafter the holders of Common Stock and Class A Common Stock are entitled to share ratably in the net assets available for distribution. Each holder of outstanding Common Stock is entitled to one vote for each share of Common Stock held. Except as otherwise specifically required by Michigan law, each holder of outstanding Class A Common Stock is entitled to one one-thousandth (1/1000) of a vote per share. However, under Michigan law, each such holder is entitled to one vote for each share held in the event of mergers, liquidations and certain other actions. Therefore, for purposes of voting on the proposal contained in the Notice of Special Meeting of Stockholders accompanying this Proxy Statement, each share of Class A Common Stock would be entitled to one vote per share. Also, under Michigan law, the holders of Common Stock and Class A Common Stock would vote separately by class, and two-thirds ($\frac{2}{3}$) affirmative vote of the total number of shares of each class of Panacon's outstanding capital stock would be required for adoption of such proposal. However, on May 30, 1972, all outstanding shares of Class A Common Stock were converted into Common Stock. All stockholders are entitled to vote cumulatively for the election of directors.

The holders of outstanding shares of Common Stock and Class A Common Stock do not have any preemptive, redemption or conversion rights nor is there any sinking fund in respect to such shares, except that the Class A Common Stock is convertible into Common Stock on a share-for-share basis at the option of the holder thereof. All shares of Common Stock presently outstanding are fully paid and non-assessable, with no personal liability attached thereto except for statutory liability with respect to unpaid wages and other similar claims.

PRICE RANGE OF PANACON COMMON STOCK

The shares of Panacon Common Stock are and have been listed on the Detroit Stock Exchange and were listed on the Midwest Stock Exchange on June 17, 1971. The following table sets forth the range of reported high and low closing prices of Panacon's (Briggs prior to April 9, 1970 and Panacon thereafter) Common Stock on the Detroit Stock Exchange through June 17, 1971, and on the Midwest Stock Exchange through June 2, 1972:

	High	Low
1967	4 $\frac{3}{4}$	1 $\frac{1}{4}$
1968	6 $\frac{1}{2}$	3 $\frac{1}{2}$
1969	9	3 $\frac{3}{4}$
1970 1st Quarter.....	4 $\frac{1}{2}$	3 $\frac{1}{2}$
2nd Quarter.....	4 $\frac{1}{2}$	1 $\frac{3}{4}$
3rd Quarter.....	2 $\frac{1}{2}$	2 $\frac{1}{2}$
4th Quarter.....	2 $\frac{1}{2}$	2 $\frac{1}{2}$
1971 1st Quarter.....	4	2 $\frac{1}{2}$
2nd Quarter.....	4 $\frac{1}{4}$	3 $\frac{1}{4}$
3rd Quarter.....	4 $\frac{1}{4}$	3 $\frac{1}{4}$
4th Quarter.....	3 $\frac{3}{4}$	3 $\frac{1}{4}$
1972 1st Quarter.....	4 $\frac{3}{4}$	3
2nd Quarter (through June 2, 1972)	5 $\frac{3}{4}$	4

On May 30, 1972 (the day before the public announcement of the \$6.00 price per share of Panacon Common Stock contained in the Agreement described elsewhere herein) the closing sales price of Panacon's Common Stock on the Midwest Stock Exchange was \$5.125.

DIVIDENDS

Panacon (formerly Briggs) declared no dividends on its stock for more than the past five (5) years. Carey and its predecessor, prior to merger with Panacon, paid dividends of \$403,000 in 1967; \$1,500,000 in 1968; and \$10,000,000 in 1969. The 1969 dividend was an 8½% note payable in varying annual amounts through 1974. Both the 1968 and 1969 dividends were paid to Glen Alden.

Agreements covering certain of the indebtedness of Panacon contain covenants restricting the amount of dividends payable (see "Description of Panacon Capital Stock"). Under the most restrictive of such covenants, approximately \$4,456,000 of retained earnings were available for payment of dividends at December 31, 1971.

SUMMARY OF CONSOLIDATED OPERATIONS OF PANACON CORPORATION AND SUBSIDIARY COMPANIES

The following Summary of Consolidated Operations of Panacore Corporation and subsidiary companies has been prepared to give effect to the merger of Philip Carey Corporation into Briggs Manufacturing Company in April 1970 as more fully explained in Note A and Note 1 to Financial Statements. Such summary has been examined by Haskins & Sells as stated in their opinion which as to amounts included for Briggs Manufacturing Company and subsidiary companies for the three years ended December 31, 1969 is based upon the opinion of Price Waterhouse & Co. The opinions of such independent certified public accountants appear elsewhere herein. This summary should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein.

	(In Thousands of Dollars)				
	1967	1968	1969	1970	1971
Net sales (Note A)	\$126,338	\$144,147	\$158,578	\$157,152	\$180,925
Cost of products sold	\$108,731	\$117,171	\$123,161	\$131,033	\$145,787
Interest expense (Note B)	\$ 1,926	\$ 1,750	\$ 1,989	\$ 3,024	\$ 2,267
Provision for income taxes (Note C)	\$ 1,031	\$ 4,225	\$ 5,180	\$ 2,188	\$ 5,581
Income (loss) before extraordinary items ..	\$ (1,661)	\$ 2,651	\$ 4,184	\$ 3,072	\$ 6,138
Extraordinary items (Note D)	(411)	384	406	793	4,453
Net income (loss) (Note A)	\$ (2,072)	\$ 3,035	\$ 4,590	\$ 3,865	\$ 10,591

Earnings per share (Note E):

Primary:

Income (loss) before extraordinary items	\$(.11)	\$.17	\$.27	\$.20	\$.39
Extraordinary items	(.03)	.03	.03	.05	.28
Net income (loss)	\$(.14)	\$.20	\$.30	\$.25	\$.67

Fully diluted:

Income (loss) before extraordinary items	*	\$.17	\$.26	\$.19	\$.38
Extraordinary items	*	.02	.03	.05	.27
Net income (loss)	*	\$.19	\$.29	\$.24	\$.65

*Antidilutive

See notes to Summary of Consolidated Operations.

NOTES TO SUMMARY OF CONSOLIDATED OPERATIONS

A. Reconciliation of Net Sales and Net Income (Loss):

In April 1970, Philip Carey Corporation ("Carey"), an Ohio corporation, was merged into Briggs Manufacturing Company ("Briggs") and Briggs as the surviving corporation, changed its name to Panacon Corporation ("Panacon"). The Summary of Consolidated Operations has been restated to reflect this merger as a pooling of interests. The reconciliation of net sales and net income (loss) as previously reported to those shown in the summary is as follows:

(In Thousands of Dollars)			
	<u>1967</u>	<u>1968</u>	<u>1969</u>
Net sales:			
Briggs, as previously reported	\$ 41,291	\$ 47,515	\$ 52,386
Adjustment to reflect the pooling of Carey	85,047	96,632	106,192
Net sales, as adjusted	<u>\$126,338</u>	<u>\$144,147</u>	<u>\$158,578</u>
Net income (loss):			
Briggs, as previously reported	\$ (3,352)	\$ (1,635)	\$ 781
Adjustment to reflect the pooling of Carey	1,280	4,670	3,809
Net income (loss), as adjusted	<u>\$ (2,072)</u>	<u>\$ 3,035</u>	<u>\$ 4,590</u>

B. Interest Expense:

Interest expense includes amortization of financing charges: 1967—\$118,000; 1968—\$156,500; 1969—\$135,000; 1970—\$125,000; 1971—\$117,000.

C. Provision for Income Taxes:

(In Thousands of Dollars)						
		<u>Current</u>			<u>Deferred</u>	
	<u>Total</u>	<u>United States</u>	<u>Canadian</u>	<u>Other</u>	<u>United States</u>	<u>Canadian</u>
1967	\$1,031	\$ (925)	\$1,252	\$ 1	\$281	\$422
1968	4,225	2,033	2,059	45	317	(229)
1969	5,180	2,299	2,142	57	443	239
1970	2,188	(11)	1,090	40	689	380
1971	5,581	4,387	1,453	204	(767)	304

The United States current provision has been reduced by investment tax credits utilized as follows: 1967—\$65,000; 1968—\$500,000; 1969—\$75,000 and 1971—\$66,000. The investment tax credit was repealed during 1969 and was restored during 1971.

C. Provision for Income Taxes (Continued):

Prior to June 1967, The Philip Carey Manufacturing Company, predecessor of Carey, filed separate income tax returns; after that date Carey joined with its parent company, Glen Alden Corporation ("Glen Alden"), in filing consolidated United States and certain state income tax returns. The year ended December 31, 1967 includes a resultant earnings benefit of approximately \$230,000 (\$.02 per share primary). Upon consummation of the merger of Carey into Briggs in April 1970, Panacon and its subsidiaries did not qualify for inclusion in Glen Alden's consolidated income tax returns.

The United States current provision includes \$406,000 in 1969, \$793,000 in 1970, and \$4,453,000 in 1971 representing a charge equivalent to the tax benefits arising from utilization of the operating loss carryforwards of prior years; the benefit has been shown as an extraordinary item in the summary. Panacon has federal income tax loss carryforwards approximating \$3,550,000 as of December 31, 1971, of which approximately \$1,968,000 expires in 1972, and \$1,582,000 in 1973. The federal income tax returns for the years in which these and other losses arose are subject to examination by the Internal Revenue Service.

D. Extraordinary Items:

	(In Thousands of Dollars)				
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Loss on the abandonment of certain plant assets, less applicable income tax effect of \$334..	\$(362)				
Loss on disposals of subsidiaries, plant and equipment.....	(49)				
Excess of insurance proceeds received over net book value of assets destroyed by fire, less applicable income tax effect of \$142.....		\$384			
Tax benefit from utilization of federal income tax operating loss carryforwards.....			\$406	\$793	\$4,453
Total.....	<u>\$(411)</u>	<u>\$384</u>	<u>\$406</u>	<u>\$793</u>	<u>\$4,453</u>

E. Earnings per Share:

Shares used in computing earnings per share are as follows:

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Primary	15,327,243	15,327,243	15,352,189	15,596,197	15,665,305
Fully diluted	15,573,852	15,575,947	15,963,715	16,185,249	16,236,579

Primary earnings per share are based on the weighted average number of common shares outstanding during the respective years and give effect to the assumed conversion of the Class A common stock outstanding into common stock, and the exercise of dilutive stock options with proceeds therefrom applied to the purchase of common treasury stock.

Fully diluted earnings per share give effect to the assumed conversion of dilutive subordinated debt into common stock.

A change in the actuarial assumptions used in computing pension cost in 1969 increased net income by approximately \$288,000 and primary and fully diluted earnings by \$.02 per share.

F. Dividends:

Panacon (formerly Briggs) declared no dividends during the five years ended December 31, 1971. Carey and its predecessor prior to the pooling transaction with Briggs, paid dividends of \$403,000 in 1967; \$1,500,000 in 1968; and \$10,000,000 in 1969. The 1969 dividend was an 8½ % note payable in varying annual amounts through 1974; both the 1968 and 1969 dividends were paid to Glen Alden.

Agreements covering certain of the indebtedness of the Company and Glen Alden contain covenants on indebtedness, capital asset transactions, mergers, working capital, dividends and net worth. Under the most restrictive of such covenants, approximately \$4,456,000 of retained earnings were available for payment of dividends at December 31, 1971.

For the three month periods ended March 31, 1972 and 1971, net sales of Panacon Corporation and subsidiary companies were \$41,739,000 and \$36,740,000, income (loss) before extraordinary item was \$1,842,000 and (\$38,000) and net income (loss) was \$2,909,000 and (\$38,000), all respectively. The extraordinary item is the tax benefit from utilization of federal income tax operating loss carry-forwards.

For such periods earnings per share were as follows:

	Three Months Ended March 31,	
	1972	1971
Primary:		
Income before extraordinary item	\$.12	\$ —0—
Extraordinary item	.07	—0—
Net income	<u>\$.19</u>	<u>\$ —0—</u>
Fully diluted:		
Income before extraordinary item	\$.11	\$ —0—
Extraordinary item	.07	—0—
Net income	<u>\$.18</u>	<u>\$ —0—</u>

All of such amounts are unaudited, but, in the opinion of the management of Panacon Corporation, all adjustments consisting only of normal recurring adjustments, necessary for a fair statement of the results of such periods have been made. The results for the three months ended March 31, 1972 are not necessarily indicative of results of operations for a full fiscal year.

In the opinion of the management of Panacon Corporation, the increases in net sales, income before extraordinary item and net income in calendar 1971 as compared to calendar 1970 and in the three months ended March 31, 1972 as compared to the three months ended March 31, 1971 are attributable to the general improvement in economic conditions in the construction industry.

BUSINESS OF PANACON

Panacon is engaged primarily (i) in the manufacture and sale of a wide variety of products for use in the building construction industry and (ii) in the mining and milling of asbestos fibres, substantially all of which are used in the manufacture of products for the building construction industry by Panacon and by others.

Panacon is the surviving corporation of a merger whereby Philip Carey Corporation ("New Carey") merged into Briggs Manufacturing Company ("Briggs") with the survivor's name being changed to Panacon. The following description is principally a description of the business of Panacon as presently constituted. For a discussion of prior changes in the business of Panacon, Briggs, and New Carey, see "Certain Transactions," elsewhere herein.

The following table shows the percentage contributions of each significant line of business of Panacon to its net sales and operating income for the years 1967 through 1971, restated for the years 1967-1969, to reflect the merger between New Carey and Briggs on a pooling of interests basis:

<u>Line of Business</u>	<u>Net Sales(1)</u>					<u>Operating Income(2)</u>				
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Manufacture of Building Construction Products . . .	80%	83%	84%	87%	91%	(151%)	57%	63%	60%	78%
Mining and Sale of Asbestos Fibres . .	6%	6%	6%	6%	6%	231%	43%	35%	49%	25%

1. Excludes intercompany sales.

2. Operating income represents income before interest expense, income taxes and extraordinary items. In the case of manufactured products which incorporate asbestos fibres produced by Panacon, the entire income has been attributed to manufactured products.

The income from the manufacture of building construction products, the market for which is very competitive, is affected by various economic factors, including higher interest rates, which reduce the demand for such products by the building construction industry.

The following table shows the percentage contributions to Panacon's net sales for the years 1967 through 1971 of each product group which contributed 10% or more to net sales in either 1970 or 1971:

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Asphalt Roofing Products	28%	31%	32%	33%	38%
Water Heaters	3%	10%	11%	13%	12%

Panacon's activities are conducted by the following divisions and subsidiaries:

<u>Division or Subsidiary</u>	<u>Principal Business</u>
Philip Carey Company	Building and industrial products
Philip Carey Corporation	Asbestos paper
Briggs Manufacturing Company	Porcelain-on-steel and vitreous china plumbing fixtures
Republic Heater Company	Water heaters
Miami-Carey Company	Cabinets, hoods, etc.
Miami-Carey Ltd.	Cabinets, hoods, etc.
Carey-Canadian Mines, Ltd.	Asbestos fibres (mining and milling)
Carey-Canadian Asbestos	Asbestos fibres (sales)

Manufactured Products

Philip Carey Company manufactures and sells a variety of building and industrial products, including asphalt roofing products, such as asphalt shingles, roll roofing and asphalt plastic cement, other asphalt based products, such as asphalt plank and tile and asphalt compounds for electronic equipment, and a number of asbestos based products, such as asbestos cement flat and corrugated sheets, gasket stock, and millboard. The product line includes over 400 different products. The division also markets certain products manufactured by others, such as asphalt, glass fibre insulation, tar pitch, vapor barriers, mineral fibre siding and vinyl siding. Philip Carey Corporation manufactures asbestos paper which is sold through the sales organization of Philip Carey Company.

The principal raw materials used in the manufacture of the products of Philip Carey Company are asphalt, asbestos fibre, cement, waste wood, roofing granules, stone dust, talc, tar and waste paper. During the last four years the division has purchased between 40% and 55% of its fibre requirements from its Carey-Canadian operations. The division purchases the balance of its fibre requirements (some of which are of different grades and types) from a number of other mines. Substantial quantities of fibre are purchased from one unaffiliated mine pursuant to a requirements contract which expires in June, 1976, subject to renewal by the division for an additional 10-year period. All of the raw materials required by this division are in adequate supply. Except for certain roofing granules which in the quantity and quality needed by the division are available only from two sources, all such raw materials are available from a number of sources. Currently approximately 39% of the division's asphalt requirements for its manufactured products are obtained pursuant to a contract expiring on December 31, 1972, with a major oil company.

Philip Carey Company has its own sales organization which operates through ten sales offices throughout the United States.

Briggs Manufacturing Company manufactures porcelain-on-steel plumbing fixtures, such as bathtubs, lavatories (bathroom sinks) and kitchen sinks, and vitreous china plumbing fixtures, such as water-closets (toilets) and lavatories for residential, mobile home and institutional use. In addition, the division conducts contract stamping for the plumbing industry and painting operations for the automotive industry.

The plumbing fixtures manufactured by this division are marketed by its sales office under the product names "Briggs" and "Case" as well as under private labels for others. In the past, products sold under the "Briggs" name were designed for the low to medium price market while the "Case" line was designed for the higher quality, higher price market. Currently, both the "Briggs" and "Case" product lines are designed to offer fixtures in a full price range.

The principal raw materials and components used in the manufacture of these products are steel, clays, brass fittings, cartons and frit and oxides. All of these raw materials are in adequate supply and are available from a number of sources.

Republic Heater Company manufactures a complete line of gas and electric water heaters for the residential, commercial and mobile home markets. Republic Heater Company's residential water heaters are marketed under the trade names "Republic", "Briggs", "Heatmaster", and various private labels for others. A line of commercial water heaters is marketed under the trade name "Atlas". Management estimates that more than 50% of the water heaters sold are for the replacement market and the balance are used in connection with new building construction and for the mobile home industry. This division is divided into three subdivisions with plant sites in Dallas, Texas; Los Angeles, California; and Portland, Oregon. Each of these subdivisions has its own general manager, and sales, produc-

tion and financial staff. In December, 1971, Republic Heater Company closed operations at its Erie, Pennsylvania plant.

The principal raw materials and components used in the manufacture of this division's products are steel, thermostats and other controls, dip tubes, cartons and insulation material. In the manufacture of water heaters, this division has recently found it economical to use a significant amount of foreign steel. All of such materials are currently in adequate supply and are available from a number of sources.

The principal fabricated products of Miami-Carey Company are bathroom cabinets, kitchen range hoods, bathroom and kitchen ventilating fans, apartment mailboxes, framed wall mirrors, door chimes, and bathroom lighting fixtures. Certain component parts, such as a portion of the lighting fixtures for bathroom cabinet units, electric motors used in ventilating fans, and glass for mirrors, are purchased.

In addition to its manufactured products, the division sells, under the "Miami-Carey" trademark, bathroom accessories (such as towel bars, soap and glass holders, and electric bathroom heaters) and a line of commercial washroom equipment, all of which it purchases from others.

The principal raw materials and components used by Miami-Carey Company are steel, plate and float glass, and electric motors and switches, all of which are available in adequate supply from a number of sources.

This division has its own sales organization which operates through eight sales offices throughout the United States. Primary channels of distribution are building material distributors, cash and carry chains, electrical wholesalers, plumbing supply houses and glass distributors.

Miami-Carey Ltd., a wholly-owned subsidiary of Panacore located in Toronto, Ontario, is presently engaged in substantially the same type of operations as Miami-Carey Company, and also manufactures prefabricated electric fireplaces, access doors, synthetic marble vanity tops and other products for residential bathrooms and kitchens.

In addition to its manufactured products, Miami-Carey Ltd. sells, through territory sales representatives, bathroom accessories, electric bathroom heaters, commercial washroom equipment and wood-burning fireplaces and accessories which it purchases from others, and door chimes, bells and buzzers produced by a Miami-Carey Company plant in the United States.

Panacore advertises products manufactured by its divisions primarily in trade and consumer magazines designed to reach general contractors, architects, builders, building material distributors and dealers and other persons related to the building industry. Warehouse and storage facilities are maintained at each plant. In addition, Panacore maintains leased warehouses in nine other locations. Transportation of Panacore's products is primarily by truck (utilizing common and contract carriers and company owned or leased vehicles). In addition, significant quantities of goods are transported by rail.

Panacore has no material long-term sales contracts or agreements with distributors or jobbers. Because most orders are filled currently, Panacore's order backlog is not significant.

Panacore's bonded roof reserve in the amount of \$4,126,000 at December 31, 1971 represents the estimated liability to repair built-up roofs sold by Panacore, for which customers have purchased a roofing bond. Bond premiums are credited and costs of repairing such roofs are charged to the reserve which is adjusted annually, through income, to the estimated future liability for repairs based on square footage of roofs under bond and a five year average repair cost. Based on experience to date management believes such reserve is adequate.

Mining

Since 1915 Carey-Canadian Mines, Ltd., or its predecessor, has been engaged in asbestos mining operations in the East Broughton, Quebec area.

The present mining area has been divided by management for convenience into five zones, designated as Zones B, C, D, E and T. Carey-Canadian owns the land area of Zones C, D and E. It has open pit mining rights in the land area of Zone B granted by the land owners and mining rights in the land area of Zone T granted by the government of the Province of Quebec.

Zones B and C have been extensively tested by diamond drilling for the purpose of determining the character of the materials and the tonnage of underlying asbestos-bearing rock available for open pit mining. Open pit mining has been conducted in Zone B during the past seven years and in Zone C during the past twelve years.

Based on the drilling and mining completed through December 31, 1971, management estimates that there are reserves of approximately 3,400,000 tons in Zone B and 26,300,000 tons in Zone C of asbestos ore. It further estimates that the ore to be mined contains approximately 14.5% of asbestos fibre. Based on the current rate of mining (approximately 1,500,000 tons per year) and such estimated yields, this amounts to approximately 19½ years of reserves.

Drilling performed in other portions of these two zones and in the other three zones indicates the existence of approximately 68,700,000 additional tons of asbestos-bearing material. Test drilling to date tentatively indicates that approximately 28,700,000 tons of this additional material is of substantially the same quality as the fibre currently being mined. The balance appears to be of a lower quality; but exploration work and additional studies to date are insufficient to enable Carey-Canadian to predict to what extent any of this material can be mined commercially.

The Carey-Canadian mines are known as short fibre mines, and the fibres produced are predominantly in the lower priced "Asbestos Shorts" grades which are used in the manufacture of floor tile, plastics, joint-cement, and similar products. Significant production is also obtained of fibres falling in the "Asbestos Fibres" grades which are used principally in the manufacture of asbestos papers and asbestos cement products. The grade and type of fibre produced can be varied to a limited extent by modifications in the ore processing operations at the highly automated mill at East Broughton which Carey-Canadian owns and operates.

The following table sets forth certain information with respect to the mining and milling operations of Carey-Canadian's mines. Intercompany sales have not been excluded.

Year	Thousands of Tons		Percentage of Fibre Recovered	Direct Operating Costs Per Ton of Rock Milled*	Revenue Per Ton of Rock Milled	Percentage of Revenue Value Attributable To	
	Rock Milled	Fibre Recovered				Fibre	Shorts
1967	1,051	177	16.8%	\$4.25	\$8.85	30%	70%
1968	1,288	200	15.5	3.86	8.44	35	65
1969	1,351	200	14.8	3.92	8.45	37	63
1970	1,406	195	13.9	3.93	7.43	38	62
1971	1,505	206	13.7	4.04	6.86	30	70

* Direct operating costs exclude depreciation, depletion and selling and administrative expenses. The costs per ton of rock milled for such excluded cost items for the years ended December 31, 1967, 1968, 1969, 1970 and 1971, were \$.96, \$.81, \$.82, \$.88 and \$.88 respectively.

There have been no material changes in mining conditions or in the deposit being mined at these mines over the past several years and none are anticipated, other than normal variations which may result from the relocation, if any, of mining operations and the type and quantity of fibre produced.

The Percentage of Fibre Recovered and the percentage of such Fibre which is classified as "Asbestos Shorts" as compared with "Asbestos Fibres" varies from one site of extraction to another. The downward trends in Percentage of Fibre Recovered and amount attributable to Asbestos Shorts reversed during 1971. Part of the downward trend to recovery of Asbestos Shorts during the period prior to 1971 resulted from a lesser recovery of Asbestos Shorts rather than a higher recovery of Asbestos Fibres. This was caused by the need for more cleanliness in the products with the result that more fine material must be disposed of. Costs may increase in the future due to increased ratio of waste removed to asbestos-bearing rock obtained as the depth of the pits increases. Hauling and water pumping costs also increase for the same reason.

All fibre sales of Carey-Canadian, except to customers in Canada, are made through Carey-Canadian Asbestos. In 1971 Philip Carey Company and Philip Carey Corporation accounted for approximately 13% of total fibres shipped by Carey-Canadian in terms of sales value and approximately 8% in terms of tonnage. During the year ended December 31, 1971, approximately 48% of fibre sales by Carey-Canadian and Panacon (excluding intercompany sales) were to customers in the United States; 6% were to customers in Canada and the remaining sales were to customers in foreign countries. Of these sales, 72% were made to seven customers and to nineteen distributors who re-sell to a number of customers.

Other Activities

Prior to January 1, 1972, Panacon operated a chain of retail outlets engaged in the sale of tires, batteries, and auto accessories through its Western Tire Auto Stores division. The chain, located in nine states, consisted, as of December 31, 1971, of one leased retail store and twenty-two leased departments in discount stores. During 1970 and 1971 respectively, Western Tire closed eleven unprofitable retail stores and eleven leased departments and the division was sold effective January 1, 1972. See Item 9 of "Certain Transactions", elsewhere herein.

Panacon provides management assistance to Clark Supply Company, a wholesaler of supplies for the mobile home industry. Panacon holds an option to purchase all of the common stock of Clark Supply Company for \$500. In June, 1971, Panacon discontinued a similar arrangement with Pinnix Corporation, a retailer of mobile homes, and released a similar option.

Employees

Panacon has approximately 5,500 full-time employees in the United States and Canada. Substantially all of its approximately 4,000 production and maintenance hourly-rated employees are represented by labor unions. Panacon has sixteen principal labor agreements. Nine expire in 1972, one in 1973, four in 1974 and two in 1975. There were several short-term work stoppages in 1968 and 1969 at plants of Briggs. There were no material work stoppages in 1970. In October, 1971 there was a strike at the Erie plant of Republic Heater Company which continued until the plant was closed in December. During most of April, 1972 there was a strike at the Abingdon plant of Briggs. In the judgment of Panacon's management, neither strike had nor will have a significant effect on earnings for 1971 and 1972. There have been no other material work stoppages in 1971 and 1972. Panacon considers its relationship with its employees and the unions representing them to be satisfactory.

Panacon has in effect pension plans for most of its salaried and hourly-rated employees, and has other employee benefit plans providing life insurance, sickness and accident benefits, and hospital and surgical benefits.

Competition

There is strong competition with respect to all of the products sold by Panacon. It competes with a large number of both smaller and larger companies. Management believes, on the basis of information available to it, that Carey-Canadian Mines, Ltd. is one of the free world's leading producers of asbestos fibres and ranks fifth in sales volume among asbestos mines in Canada. Briggs Manufacturing Company is believed by management to be one of the leading producers of porcelain-on-steel bathtubs in the United States, which bathtubs represent approximately 40% of the total United States bathtub market, the balance consisting almost entirely of porcelain-on-cast iron bathtubs which generally sell at higher prices than porcelain-on-steel bathtubs. The business of Panacon is significantly dependent upon conditions in the building construction industry, an industry subject to cyclical and seasonal effects.

PROPERTIES OF PANACON

Philip Carey Company owns seven plants of widely varying age and of different types of construction. These plants have capacity for substantially increased production, except with respect to dry felt, production facilities for which are currently being used close to their capacity. Dry felt is an essential ingredient in most of the division's asphalt roofing products and certain of its other products. Each plant has adequate rail and trucking facilities, including a fleet of leased trucks, for transportation of both raw materials and finished products. The plant locations and their principal operations are as follows:

<u>Location</u>	<u>Principal Operations</u>	<u>Buildings</u>
Lockland, Ohio (Cincinnati)	Manufacture of the division's complete line of building and industrial products.	1,090,660 sq. ft.
Perth Amboy, New Jersey	Manufacture of dry felt, saturated felts, asphalt shingles and roll roofings, and asphalt sealants and coatings.	219,130 sq. ft.
Wilmington, Illinois	Manufacture of dry felt, saturated felts, asphalt shingles and roll roofings, and asphalt sealants and coatings.	278,630 sq. ft.
Memphis, Tennessee	Manufacture of dry felt, saturated felts, asphalt shingles and roll roofings, and asphalt sealants and coatings.	133,400 sq. ft.
Houston, Texas	Manufacture of dry felt, saturated felts, asphalt shingles and roll roofings, and asphalt sealants and coatings.	88,700 sq. ft.
Linden, New Jersey	Manufacture of asbestos papers.	80,472 sq. ft.
Miamisburg, Ohio	Manufacture of dry felt.	70,000 sq. ft.

A plant for the manufacture of urethane insulation was recently constructed at Elizabethtown, Kentucky and is currently commencing operations. The plant, comprising 40,000 square feet, was financed in part by Industrial Revenue Bonds.

Briggs Manufacturing Company has three plants. The locations and principal operations of each are as follows:

<u>Location</u>	<u>Principal Operations</u>	<u>Buildings</u>
Sterling Heights, Michigan	Manufacture of porcelain-on-steel plumbing fixtures and contract stamping and painting operations.	371,000 sq. ft.
Abingdon, Illinois	Manufacture of vitreous china plumbing fixtures.	339,688 sq. ft.
Robinson, Illinois	Manufacture of vitreous china plumbing fixtures.	411,678 sq. ft.

The Sterling Heights and Abingdon plants are owned. The Robinson plant is leased under a lease expiring in 1984. See Item 10 of "Certain Transactions" elsewhere herein. The Sterling Heights plant has capacity available for substantially increased production while the Abingdon and Robinson plants are operating at or near capacity.

Republic Heater Company has four plants. The locations and principal operations of each are as follows:

<u>Location</u>	<u>Principal Operations</u>	<u>Buildings</u>
Dallas, Texas	Manufacture of gas and electric water heaters.	138,000 sq. ft.
Los Angeles, California	Manufacture of gas water heaters.	110,000 sq. ft.
Portland, Oregon	Manufacture of electric water heaters.	86,000 sq. ft.
Erie, Pennsylvania	Currently inactive.	93,870 sq. ft.

The Dallas and Erie plants are owned and the Los Angeles and Portland plants are leased under agreements expiring on November 30, 1978, and October 31, 1978, respectively. All of Republic Heater's plants and equipment are in adequate condition. However, the Erie plant and equipment are old and in need of repairs and are currently not being utilized. The Portland plant is being used at capacity. There is some limited additional capacity available at the Dallas and Los Angeles plants on a second shift basis.

Miami-Carey Company has four plants. The locations and principal operations of each are as follows:

<u>Location</u>	<u>Principal Operations</u>	<u>Buildings</u>
Monroe, Ohio	Manufacture of bathroom cabinets, mirrors, range hoods, kitchen and bathroom fans and fluorescent light fixtures.	318,400 sq. ft.
Swainsboro, Georgia	Manufacture of door bells, buzzers, door chimes, transformers and push buttons.	35,000 sq. ft.
Santa Fe Springs, California (Los Angeles)	Manufacture of bathroom cabinets, range hoods, apartment mail boxes and assembly of decorative wall mirrors.	87,300 sq. ft.
Cincinnati, Ohio	Manufacture of urethane mirror frames.	11,200 sq. ft.

The Monroe and Swainsboro plants are owned. The lease on the Santa Fe Springs plant expires in 1996 and the lease on the Cincinnati plant expires in 1974. These plants have capacity for substantially increased production.

Miami-Carey Ltd. owns a plant in Toronto, Canada, aggregating approximately 88,000 square feet, which includes its general office, a warehouse and production facilities.

Carey-Canadian Mines, Ltd. owns and operates a highly automated mill at East Broughton, Quebec at which it processes the ore from its mining operations. The mill complex, built in 1958 and significantly expanded since that date, contains a 343,000 square foot plant, including machine shop, research laboratory, warehousing and other facilities. Ore processing at the mill currently averages over 5,000 tons per day, close to the mill's existing capacity. It is served by the Quebec Central Railroad Company and by paved highways, suitable for the shipment of asbestos fibres by truck.

See "Business of Panacon—Mining," elsewhere herein, for a description of Carey-Canadian Mines, Ltd.'s mining properties.

PENDING LEGAL PROCEEDINGS

Panacon is involved in the following material pending legal proceedings:

On October 6, 1966, Briggs and virtually every other domestic vitreous china plumbing fixture manufacturer were indicted for alleged violations of Section 1 of the Sherman Antitrust Act. Without admitting the validity of these charges, Briggs pleaded nolo contendere to the charges and paid fines aggregating \$20,000; consented to the entry of a judgment in a related civil suit brought by the Department of Justice enjoining it from violating the Act in the future; and agreed with the United States Government to pay \$5,000 civil damages to it. Beginning in December, 1966, a great number of private civil actions have been commenced by certain plaintiffs against the corporate defendants (including Briggs) named in the above indictments in various federal district courts, some of which are alleged to be class actions. Pursuant to an order of the Judicial Panel on Multidistrict Litigation, these cases have been consolidated for pre-trial proceedings in the Eastern District of Pennsylvania. All of the plaintiffs in the private civil actions claim treble damages for unspecified amounts based upon the alleged violations charged in the above-mentioned indictments. All of the defendants, except Briggs, have settled with most of the plaintiffs.

In January, 1972, Brand Insulations, Inc. filed suit against Panacon for compensatory damages of approximately \$492,000 (including interest of approximately \$122,000) and for punitive damages of \$500,000 in connection with the sale by Panacon of certain contract operations on or about October 5, 1970 to Brand Insulations, Inc.

CERTAIN TRANSACTIONS

1. On April 9, 1970, pursuant to approval voted by stockholders on said date, New Carey was merged into Briggs, which continued as the surviving corporation under the name "Panacon Corporation." The terms and conditions of the proposed merger were not the result of arm's-length bargaining. Both parties at the time of the merger were under common control of Glen Alden, and its parent, Rapid-American Corporation ("Rapid"). Glen Alden, at the time of the merger, owned all of the capital stock of New Carey and all of the directors of New Carey, except Mr. S. A. Spencer, were directors or officers of Glen Alden. At the time of the merger, Glen Alden owned approximately 48% of the Briggs Common Stock and two of the five directors of Briggs were directors and officers of Glen Alden. In addition, Messrs. S. A. Spencer, then President and a director of Briggs, and P. A. Johnston were directors of both Briggs and New Carey. As a result of the merger and the exercise of an option to acquire shares held by Bankers Life and Casualty Company ("Bankers Life"), Glen Alden became the owner of 6,528,739 shares of the Common Stock of Panacon and 7,356,000 shares of the Class A Common Stock of Panacon. These shares represented approximately 79% of the voting power of the outstanding securities of Panacon.

2. A predecessor to New Carey, The Philip Carey Manufacturing Company ("Old Carey"), which continued a business founded in 1873, was merged into Glen Alden on June 1, 1967, which simultaneously therewith transferred the assets and business of Old Carey to New Carey which it had formed for such a purpose. From and after September, 1967, there were substantial management changes at all levels of management of New Carey. Briggs faced severe financial difficulties in 1966. Glen Alden and Bankers Life assumed working control over Briggs in July, 1966, pursuant to a voting trust agreement (no longer in effect) made in connection with a financing arrangement, and there were significant management changes in Briggs at that time. From the period July, 1966, to the merger of New Carey and Briggs in April, 1970, the Briggs management discontinued substantial plant operations and terminated the brass fittings, air conditioning, sign manufacturing, and aircraft engine repair businesses in which Briggs and certain of its subsidiaries had previously been engaged. Pursuant to the merger agreement between New Carey and Briggs effective April 9, 1970, the chief executive and administrative officers of New Carey assumed comparable positions with Panacon and a new management team was installed in the Briggs Manufacturing Division.

3. New Carey was included in the consolidated tax returns of Glen Alden to the date of the merger of New Carey into Briggs. Panacon has not been included in Glen Alden's consolidated tax returns from the date of the merger. From June, 1967, to the date of merger, New Carey reimbursed Glen Alden an aggregate of \$56,698 as its allocable share of certain audit and legal fees incurred by Glen Alden.

4. Prior to April, 1970, New Carey from time to time made interest-bearing loans to Glen Alden or its subsidiaries. The largest principal amount of such loans outstanding at any one time within the last three years was \$2,200,000. All of such loans have been discharged, except for an 8½% \$750,000 (Canadian dollars) loan to an affiliated company of Glen Alden due on or before December 27, 1974.

5. Prior to the merger of New Carey into Briggs, New Carey, in December, 1969, issued its 8½% \$10,000,000 Promissory Note, maturing June 30, 1974, to Glen Alden as a dividend. Said Note was payable as follows: \$1,000,000 on December 31, 1970; \$1,000,000 on December 31, 1971; \$1,000,000 on December 31, 1972; \$2,000,000 on December 31, 1973; and \$5,000,000 on June 30, 1974. On January 26, 1971, Glen Alden subdivided the Note and sold the remaining Notes to two unaffiliated third parties. The installments due in 1970 and 1971 have been paid by Panacon. Glen Alden may, under certain circumstances, be obligated to repurchase such Notes at any time prior to maturity. Panacon has been informed that one of such Notes (\$4,000,000 at April 30, 1972) has recently been repurchased by Glen Alden. To the date of sale, a total of \$913,750 in interest was paid or accrued by Panacon on said Note. As of December 31, 1971, total net indebtedness owed by Panacon to Glen Alden and subsidiary companies amounted to \$1,895,451 and the aggregate interest paid to Glen Alden and its subsidiaries during the year then ended was \$1,968.

6. As an incident to the merger, amendments were made in the terms of various long-term indebtedness of Briggs including certain indebtedness held by or guaranteed by Bankers Life and Glen Alden, in order to reduce the aggregate payment obligations of Panacon after the merger and relax certain restrictions which would otherwise have been applicable to it by reason of the terms of said indebtedness. The indebtedness so modified consisted of the following (amounts shown are as of November 30, 1969):

(i) 6½% mortgage note payable to Bankers Life in the aggregate principal amount of \$8,569,000;

(ii) 6½% inventory note payable to Bankers Life and guaranteed as to one-half of principal and accrued interest by Glen Alden, in the principal amount of \$3,575,000 including accrued interest;

(iii) subordinated debt payable to trade creditors in the principal amount of \$3,989,000 (see Item 12 below); and

(iv) subordinated debt payable to Glen Alden in the principal amount of \$2,042,000. (These notes with remaining principal balance of \$1,968,579 were sold by Glen Alden to Celotex for \$1,350,000 in cash on April 17, 1972.)

The difference between the above amounts and comparable items shown in the Capitalization table elsewhere herein, represents principal payments made during the period November 30, 1969 through April 30, 1972.

There are no minimum deposit requirements under any of the foregoing indebtedness, no amendment was made in the interest payable on items (i) and (ii) above, and, as a result of the amendments made, items (iii) and (iv) above do not bear any interest. Insofar as the changes to items (i), (ii) and (iv) above are concerned, the amendments made did not represent arm's-length bargaining. Rapid has no borrowings from Bankers Life. Glen Alden has guaranteed mortgage notes previously sold by Glen Alden or its subsidiaries to Bankers Life in the approximate amount of \$2,400,000.

7. In order to induce the holders of the deferred indebtedness of \$3,989,000 payable to trade creditors of Briggs and \$2,042,000 payable to Glen Alden to agree to the amendments referred to above, on December 29, 1969, Briggs issued to the holders of such indebtedness 244,356 "bonus shares" of Briggs common stock which Briggs had previously been obligated to issue by 1972. Of these "bonus shares," 81,031 shares were received by Glen Alden. The remaining 163,325 shares of stock were received by other trade creditors. None of the other recipients of such shares was an affiliate or associate of Briggs or Glen Alden. On December 29, 1969, the date of issuance of the "bonus shares," the closing price of Briggs common stock on the Detroit Stock Exchange was \$3.75 per share. Thus, based solely on that price, the total number of bonus shares issued had an aggregate market quotation value of \$916,335, and the shares received by Glen Alden had an aggregate market quotation value of \$303,866.

8. During the years ended December 31, 1970 and 1971 and the period January 1, through May 16, 1972, Panacon paid Glen Alden, pursuant to a reimbursement agreement, \$229,820, \$192,732 and \$93,141, respectively, in reimbursement of compensation paid to certain of Glen Alden's employees assigned to Panacon. Included in such amounts are \$150,000, \$145,000 and \$76,875 (including bonuses of \$25,000, \$20,000 and \$30,000), all respectively, for reimbursement for services of Mr. C. E. Tenneson, Jr. Of the amounts paid for Mr. Tenneson's services, \$125,000, \$125,000 and \$46,875, respectively, were pursuant to an employment agreement with Glen Alden dated January 1, 1969, as amended July 30, 1970 for his full time services from January 1, 1970 to December 31, 1973 as an executive of Glen Alden and/or its subsidiaries. Mr. Tenneson resigned as President and director of Panacon effective May 16, 1972. In connection with the purchase by Celotex of Glen Alden's stock interest in Panacon, Celotex terminated such reimbursement arrangement to Glen Alden for Mr. Tenneson's salary, effective May 16, 1972.

9. Until December 31, 1971, Panacon's Western Tire Auto Stores division operated stores in various cities throughout the United States. Effective January 1, 1972, the Western Tire Auto Stores division was sold to a corporation, the majority of the stock of which is owned by A. Rosenbaum. Vice President-Finance and Administration and Treasurer of Panacon, for approximately \$1.2 million. Panacon received \$75,000 cash and 6½% promissory notes of the acquiring corporation payable in various instalments from June 30, 1974 through December 31, 1986 for the balance.

10. Panacon is obligated under an agreement dated October 28, 1964 to pay rental of \$10,000 per month with respect to most of the plant facilities, machinery and equipment located at its Robinson,

Illinois, plant, which are leased from Panacon's Hourly Paid Employees' Retirement Plan and Salaried Employees' Pension Plan. In the opinion of Management of Panacon, the rentals payable are comparable to rentals which would be payable for similar facilities, machinery and equipment leased from unaffiliated persons.

11. Panacon and Celotex and United States Pipe and Foundry Company ("U. S. Pipe"), another wholly-owned subsidiary of Walter, in the normal course of conduct of their respective businesses occasionally make sales to or purchases from each other. For the calendar year 1971 and the first three months of 1972, Panacon purchased an aggregate of approximately \$450,000 of materials from Celotex. During the same period Panacon made sales of approximately \$325,000 of its materials to Celotex and U. S. Pipe.

12. In addition to the subordinated debt of Panacon purchased by Celotex from Glen Alden for \$1,350,000 (See "Solicitation of Proxies") Celotex has made an offer to the holders thereof to purchase the remaining \$3,702,379 in aggregate outstanding principal balance of similar subordinated debt from trade creditors of Panacon for a total consideration of \$2,538,608, representing approximately the same 68.567% of principal amount paid by Celotex to Glen Alden for its comparable debt of Panacon. Such offer expires June 21, 1972. (See Item 7 above for additional information as to such debt). Celotex has agreed with Panacon that in the event that the Merger is not consummated for any reason that Panacon will not have to pay to Celotex on any such notes purchased from trade creditors (other than Glen Alden) an amount in excess of the amount paid by Celotex for such notes. Celotex will obtain the monies used to make such note purchases from Walter who will borrow such monies from a group of commercial banks on short-term arrangements.

GENERAL

A majority of the outstanding Common Stock of Panacon, represented at the meeting in person or by proxy, will be required for a quorum for the transaction of business. However, under the Statutes of the State of Michigan, a two-thirds ($\frac{2}{3}$) affirmative vote of the total number of shares of Panacon's Common Stock is required for adoption of the Agreement. The Board of Directors of Celotex has indicated its intention to vote all of Celotex' stock interest in Panacon FOR the proposal for which proxies are being solicited. Such votes are in themselves sufficient to approve the Agreement.

EXPENSE OF SOLICITATION

Celotex will bear the expense of preparing and mailing the proxy material. Solicitation of proxies will be by mail and Celotex (through Panacon) will reimburse brokerage houses, custodians, nominees and fiduciaries for their expenses in mailing proxy material to principals.

BY ORDER OF THE BOARD OF DIRECTORS

L. A. Pechstein, Jr.
Secretary

Dated: June 5, 1972
Cincinnati, Ohio

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Summary of Consolidated Operations	16
Opinions of Independent Certified Public Accountants	32
Statement of Consolidated Income	33
Consolidated Balance Sheet	34
Statement of Shareholders' Equity	36
Statement of Changes in Consolidated Financial Position	37
Notes to Financial Statements	38

OPINIONS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Panacon Corporation:

We have examined the consolidated balance sheet of Panacon Corporation and subsidiary companies as of December 31, 1971, the related statements of consolidated income, shareholders' equity, and changes in financial position for the three years then ended, and the summary of consolidated operations for the five years then ended (exclusive of amounts applicable to Briggs Manufacturing Company and subsidiary companies [Briggs] included for the years prior to 1970). Our examination 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. As to Briggs (whose sales constitute approximately one-third of consolidated sales in each such year) we were furnished with the opinion of Price Waterhouse & Co. on their examination of the consolidated financial statements of Briggs for the three years ended December 31, 1969.

In our opinion, based on our examination and the opinion of Price Waterhouse & Co. referred to above, the above-mentioned consolidated financial statements present fairly the financial position of Panacon Corporation and subsidiary companies at December 31, 1971 and the results of their operations and changes in their financial position for the three years then ended, and the summary of consolidated operations summarizes fairly the results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Cincinnati, Ohio
February 10, 1972

HASKINS & SELLS

To the Stockholders and
Board of Directors of
Briggs Manufacturing Company:

We have examined the consolidated financial statements of Briggs Manufacturing Company and subsidiary companies for the three years ended December 31, 1969, prior to the effective date of the merger of Philip Carey Corporation into Briggs Manufacturing Company. Our examinations were 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.

As more fully explained in Note 1 to the financial statements of Panacon Corporation and subsidiary companies, on April 9, 1970 Philip Carey Corporation was merged into Briggs Manufacturing Company.

In our opinion, the consolidated statements of income and deficit and changes in financial position (not presented separately herein) present fairly the results of operations and the changes in financial position of Briggs Manufacturing Company and subsidiary companies as then constituted for the year ended December 31, 1969, and the summary of consolidated operations of Briggs Manufacturing Company and subsidiary companies as then constituted (not presented herein) presents fairly the data shown therein for the three years ended December 31, 1969, all in conformity with generally accepted accounting principles consistently applied.

211 W. Fort Street
Detroit, Michigan
March 25, 1970 (except for the matter
described in the second preceding paragraph for which the date is April 9, 1970)

PRICE WATERHOUSE & CO.

**PANACON CORPORATION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF CONSOLIDATED INCOME
FOR THE THREE YEARS ENDED DECEMBER 31, 1971**

	1969	1970	1971
REVENUES:			
Net sales (Note A).....	\$158,578,150	\$157,152,392	\$180,925,025
Other—net.....	1,013,938	491,886	203,626
Total.....	<u>159,592,088</u>	<u>157,644,278</u>	<u>181,128,651</u>
COSTS AND EXPENSES:			
Cost of products sold.....	128,161,792	131,032,535	145,786,753
Marketing, administrative and other expenses.....	20,076,419	18,328,879	21,355,087
Interest and debt expense (Notes 4 and B):			
Short-term.....	426,153	560,374	256,187
Long-term.....	1,563,390	2,463,452	2,011,082
Federal, foreign, and state income taxes (Notes 6 and C)...	5,180,000	2,187,546	5,581,249
Total.....	<u>155,407,754</u>	<u>154,572,786</u>	<u>174,990,358</u>
INCOME BEFORE EXTRAORDINARY ITEM.....	4,184,334	3,071,492	6,138,293
TAX BENEFIT FROM UTILIZATION OF FEDERAL INCOME TAX OPERATING LOSS CARRY FORWARD.....			
	406,000	793,412	4,453,000
NET INCOME (Note A).....	\$ 4,590,334	\$ 3,864,904	\$ 10,591,293
EARNINGS PER SHARE (Notes 13 and E):			
Primary:			
Income before extraordinary item.....	\$.27	\$.20	\$.39
Extraordinary item.....	.03	.05	.28
Net income.....	<u>\$.30</u>	<u>\$.25</u>	<u>\$.67</u>
Fully diluted:			
Income before extraordinary item.....	\$.26	\$.19	\$.38
Extraordinary item.....	.03	.05	.27
Net income.....	<u>\$.29</u>	<u>\$.24</u>	<u>\$.65</u>

See notes to financial statements for numerical references and notes to Summary of Consolidated Operations for alphabetical references.

**PANACON CORPORATION
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1971**

ASSETS

CURRENT ASSETS:

Cash.....	\$ 6,464,504
Trade receivables, less allowance of \$1,333,030	25,225,135
Inventories (Note 2)	25,374,746
Other receivables and prepaid expenses	3,484,572
Total current assets	<u>60,548,957</u>

PROPERTY, PLANT AND EQUIPMENT (Note 3)	91,529,468
Less accumulated depreciation and depletion	49,579,199
Property, plant and equipment—net	<u>41,950,269</u>

OTHER ASSETS:

Intangibles (Note 4)	453,974
Unamortized debt expense (Note 4)	553,480
Deferred charges and sundry, less allowance of \$135,000	2,501,452
Total	<u>3,508,906</u>

Total	<u><u>\$106,008,132</u></u>
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See notes to financial statements.

**PANACON CORPORATION
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1971**

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of long-term debt (Notes 2 and 5).....	\$ 4,961,709
Trade payables.....	9,003,096
Accrued liabilities:	
Salaries, wages, commissions and bonuses.....	2,561,702
Miscellaneous taxes withheld and accrued.....	1,314,034
Interest.....	278,249
Other.....	2,059,691
Total current liabilities.....	<u>20,178,481</u>

LONG-TERM DEBT, LESS CURRENT MATURITIES (Notes 2 and 5):

Notes payable.....	18,639,438
Subordinated debt.....	5,360,475
Total.....	<u>23,999,913</u>

RESERVES AND OTHER LIABILITIES:

Bonded roofs.....	4,125,941
Deferred income taxes (Note 6).....	3,428,028
Pensions (Note 8).....	1,922,011
Total.....	<u>9,475,980</u>

SHAREHOLDERS' EQUITY (see statement):

Common stock (Notes 7, 10 and 11).....	8,251,269
Class A common stock (Note 7).....	7,356,000
Paid-in capital.....	13,284,967
Retained earnings (Note 5).....	23,461,522
Shareholders' equity.....	<u>52,353,758</u>

COMMITMENTS AND CONTINGENT LIABILITIES (Note 12).

Total.....	<u>\$106,008,132</u>
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See notes to financial statements.

**PANACON CORPORATION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 1971**

	Common Stock	Class A Common Stock	Paid-In Capital	Retained Earnings
BALANCE, DECEMBER 31, 1968.....	\$ 7,971,243	\$ 7,356,000	\$13,172,995	\$14,414,991
Net income.....				4,590,334
Shares issued to trade creditors.....	244,356		267,644	
Stock options exercised and other shares issued.....	18,500		42,900	
Dividend of merged company.....				(10,000,000)
BALANCE, DECEMBER 31, 1969.....	8,234,099	7,356,000	13,483,539	9,005,325
Net income.....				3,864,904
Merger expenses.....			(221,193)	
Sundry.....	24		139	
BALANCE, DECEMBER 31, 1970.....	8,234,123	7,356,000	13,262,485	12,870,229
Net income.....				10,591,293
Stock options and warrants exercised.....	17,146		22,482	
BALANCE, DECEMBER 31, 1971.....	<u>\$ 8,251,269</u>	<u>\$ 7,356,000</u>	<u>\$13,284,967</u>	<u>\$23,461,522</u>

See notes to financial statements.

**PANACON CORPORATION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
FOR THE THREE YEARS ENDED DECEMBER 31, 1971**

	1969	1970	1971
SOURCE OF FUNDS:			
Operations:			
Income before extraordinary item.....	\$ 4,184,334	\$ 3,071,492	\$ 6,138,293
Provision for depreciation and depletion.....	3,273,907	3,360,352	3,418,514
Deferred income tax provision.....	681,522	1,068,345	(462,734)
Total from operations before extraordinary item.....	8,139,763	7,500,189	9,094,073
Extraordinary item—tax benefit from utilization of federal income tax operating loss carryforward.....	406,000	793,412	4,453,000
	8,545,763	8,293,601	13,547,073
Decrease in trade receivables.....		40,869	
Decrease in inventories.....		1,686,704	
Decrease in other receivables and prepaid expenses.....	1,425,998	14,016	858,053
Increase in notes payable to bank.....	150,000	1,500,000	
Increase in trade payables.....	1,808,255		
Increase in accrued liabilities.....			1,878,793
Increase in long-term debt.....	11,541,538		
Increase in pensions.....		703,616	1,218,395
	23,471,554	12,238,806	17,502,314
APPLICATION OF FUNDS:			
Increase in trade receivables.....	4,733,051		253,439
Increase in inventories.....	3,565,585		3,054,843
Additions to property, plant and equipment—net.....	4,738,909	2,658,001	3,511,828
Decrease in notes payable to bank.....			1,650,000
Decrease in trade payables.....		2,524,982	1,971,920
Decrease in accrued liabilities.....	2,332,228	1,517,527	
Decrease in long-term debt.....		3,903,255	4,864,633
Dividend paid.....	10,000,000		
Other—net.....	559,651	853,560	81,994
	25,929,424	11,457,325	15,388,657
INCREASE (DECREASE) IN CASH.....	(2,457,870)	781,481	2,113,657
CASH:			
Beginning of year.....	6,027,236	3,569,366	4,350,847
End of year.....	\$ 3,569,366	\$ 4,350,847	\$ 6,464,504

See notes to financial statements.

**PANACON CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies. Intercompany balances and transactions have been eliminated.

On April 9, 1970, pursuant to a Plan and Agreement of Merger dated December 31, 1969, Philip Carey Corporation (Carey) was merged into Briggs Manufacturing Company (Briggs) and Briggs as the surviving corporation changed its name to Panacon Corporation (Company). Each share of the Briggs common stock, no par value, was converted into one share of common stock, \$1 par value, of the Company. All of the common stock of Carey was converted into 4,644,000 shares of common stock, \$1 par value, and 7,356,000 shares of Class A common stock, \$1 par value, of the Company. This merger has been accounted for as a pooling of interests and the retroactive effect of this transaction has been reflected in the consolidated financial statements.

Foreign currency amounts have been translated at appropriate exchange rates, and gains or losses, which have not been material, resulting therefrom have been reflected in income.

Included in the accompanying consolidated balance sheet are the following net assets located in Canada:

Current assets.....	\$ 8,731,910
Property, plant and equipment-net.....	8,420,993
Other assets.....	1,324,546
Total assets.....	18,477,449
Current liabilities.....	1,632,078
Sundry noncurrent items.....	2,843,508
Total liabilities.....	4,475,586
Net assets.....	\$14,001,863

Net sales (including inter-company sales) of Canadian subsidiaries for 1969, 1970 and 1971 were \$11,927,105, \$13,507,078 and \$15,262,374, respectively. Net income of Canadian subsidiaries for 1969, 1970 and 1971 was \$2,747,407, \$2,371,720 and \$1,800,699, respectively.

2. INVENTORIES

Inventories, priced at the lower of cost or market, used in the computation of cost of goods sold were \$20,441,022 at December 31, 1968, \$24,006,607 at December 31, 1969, \$22,319,903 at December 31, 1970 and \$25,374,746 at December 31, 1971. The latter amount consisted of the following:

	First-in, First-out or Average Cost	Standard Costs Adjusted to Approximate Actual Cost	Retail Method	Total
Finished goods.....	\$ 298,099	\$11,059,577	\$ 1,514,059	\$12,871,735
Work in process.....		2,305,138		2,305,138
Raw materials.....	3,901,532	6,296,341		10,197,873
Total.....	\$ 4,199,631	\$19,661,056	\$ 1,514,059	\$25,374,746

At December 31, 1971, \$7,962,584 of the inventory was pledged as collateral for a \$1,922,840 note to an insurance company.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1971, stated at cost, consisted of the following:

Land and improvements.....	\$ 4,993,013
Buildings.....	26,895,686
Machinery and equipment.....	58,167,781
Construction in progress.....	1,472,988
Total.....	<u>\$91,529,468</u>

The Company and its subsidiaries provide for depreciation of property, plant and equipment over the expected useful lives, on the straight-line basis. The estimated lives used are generally as follows:

Buildings.....	10 to 50 years
Machinery and equipment.....	3 to 25 years

Leasehold improvements and buildings on leased land are amortized over the terms of the leases. Depletion is charged to operations based on usage and estimated fibre deposit reserves. Cost of mine development is amortized by charges to operations based on the estimated useful life.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Maintenance and repairs are charged to costs of production or directly to expense as incurred. Renewals and betterments which extend the lives of the assets are capitalized.

At the time of sale or disposition of assets, the cost and related accumulated depreciation or amortization are eliminated from the accounts, and any gains or losses are reflected in income. In certain plants without detail property records, proceeds realized on normal retirements are credited to accumulated depreciation. On all extraordinary retirements of large units of property, the gain or loss is credited or charged to income.

4. INTANGIBLES AND UNAMORTIZED DEBT EXPENSE

Intangibles at December 31, 1971 represent goodwill arising from the acquisition of a subsidiary in 1969. It is the Company's present intention not to amortize this amount.

The unamortized debt expense (financing costs) is being amortized over the period of the related loans.

5. LONG-TERM DEBT

The long-term debt, less current maturities, consisted of the following at December 31, 1971:

Notes payable:

Note payable to bank—due semi-annually through 1974 (interest at 1% above prime rate).....	\$ 2,600,000
6½% mortgage note payable to insurance company— due monthly through 1984.....	4,811,804
6½% inventory note payable to insurance company— due quarterly by 1974.....	822,840
8½% notes payable to Glen Alden—due in varying annual instalments through 1974—sold, with recourse, in 1971, to unaffiliated parties.....	7,000,000
Note payable to bank—due annually through 1975 (interest at 1% above prime rate).....	1,080,000
4% mortgage note payable to bank—due monthly through 1986.....	1,007,610
5½% note—due annually through 1974.....	360,000
6% mortgage note payable to insurance company— due monthly through 1982.....	316,876
5½% mortgage note payable to insurance company—due in varying monthly instalments through 1983.....	268,838
Due to holders of 5% to 6¼% industrial revenue bonds in varying annual instalments from 1973 to 1979.....	196,033
3% to 6% sundry indebtedness consisting principally of mortgages and notes—due 1972 to 1977.....	175,437
Total.....	<u>\$18,639,438</u>
Subordinated debt—due in varying semi-annual instalments through 1982.....	<u>\$ 5,360,475</u>

5. LONG-TERM DEBT (Continued)

Agreements covering certain of the indebtedness of the Company and Glen Alden contain covenants on indebtedness, capital asset transactions, mergers, working capital, dividends and net worth. Under the most restrictive of such covenants, approximately \$4,456,000 of retained earnings were available for the payment of dividends at December 31, 1971.

The subordinated debt represents agreements with certain trade and other creditors which provide, among other things, for payments in varying semi-annual instalments without interest. The debt may be converted, at the option of the respective trade creditors, into common stock at the rate of one share of stock for each \$10 of unpaid principal. At December 31, 1971 approximately 35% of the subordinated debt was held by Glen Alden and the aggregate long-term debt due Glen Alden was \$1,895,451.

The Company has entered into a lease purchase agreement for use of a manufacturing facility that is being partially financed by \$1,100,000 of municipal industrial revenue bonds. This transaction is being treated as a purchase for accounting and tax purposes and accordingly the Company has recognized construction and acquisition costs to date as property, plant and equipment and the outstanding bonds (less funds held by the bond trustee to cover future construction expenditures) as long-term debt.

The aggregate amount of long-term debt maturing during each of the five years ending December 31, 1976, is as follows: 1972, \$4,961,709; 1973, \$5,832,207; 1974, \$8,152,271; 1975, \$1,868,078; and 1976, \$1,554,530.

6. INCOME TAXES

The tax provision comprises the following:

	<u>1969</u>	<u>1970</u>	<u>1971</u>
Current:			
United States.....	\$2,299,345	\$ (10,822)	\$4,387,000
Canadian	2,142,133	1,090,143	1,453,015
State.....	57,000	39,890	203,968
Total.....	<u>4,498,478</u>	<u>1,119,201</u>	<u>6,043,983</u>
Deferred:			
United States.....	443,480	688,554	(766,922)
Canadian	238,042	379,791	304,188
Total.....	<u>681,522</u>	<u>1,068,345</u>	<u>(462,734)</u>
Total.....	<u>\$5,180,000</u>	<u>\$2,187,546</u>	<u>\$5,581,249</u>

The Company has unused federal income tax loss carryforwards approximating \$3,550,000 as of December 31, 1971, of which approximately \$1,968,000 expires in 1972 and \$1,582,000 in 1973. The federal income tax returns for the years in which these and other losses arose are subject to examination by the Internal Revenue Service.

The Internal Revenue Service, in connection with the examination of certain subsidiaries acquired prior to 1966, has proposed assessments, the final settlement of which, in the opinion of counsel, will not have a material adverse effect on the accompanying financial statements.

Deferred income taxes represent tax effects of depreciation, bonded roof and pension expense and other items reported for tax purposes in periods different than for book purposes.

7. COMMON STOCK

There are 25,000,000 shares of \$1 par value common stock authorized and 8,251,269 shares issued and outstanding at December 31, 1971.

There are 7,356,000 shares of \$1 par value Class A common stock authorized, issued and outstanding at December 31, 1971. The Class A common stock is entitled to one one-thousandth (1/1000) of a vote per share, has a liquidation preference of \$3 per share, and after December 31, 1971 may be converted into common stock on a share for share basis at the option of the holder thereof.

8. PENSION PLANS

The Company has various contributory and non-contributory pension plans covering eligible employees. The amount charged to income under the plans, including interest on all unfunded prior service costs, was \$602,000 in 1969, \$630,000 in 1970 and \$780,000 in 1971. As of December 31, 1971, the actuarially computed value of vested benefits under certain plans exceeded the total of the related pension funds and balance sheet accruals by approximately \$759,000. Unfunded prior service costs are being funded or accrued over thirty years. Prior service costs not funded or accrued at December 31, 1971 were \$2,351,000.

A change in the year ended December 31, 1969 in the actuarial assumptions used in computing pension cost had the effect of increasing net income by approximately \$288,000 and primary and fully diluted earnings by \$.02 per share.

9. LEASES

At December 31, 1971, the Company and its subsidiaries were obligated, under leases expiring after December 31, 1974, for the payment of minimum annual rentals aggregating \$1,250,000 plus, in certain instances, additional rentals based upon sales, real estate taxes, insurance etc. The leases have varying expiration dates to 1996.

10. STOCK OPTIONS

The 1967 Qualified Stock Option Plan, as amended, authorizes the granting of 475,000 common shares at not less than fair market value at the time an option is granted. Options under the Plan become exercisable ratably over a period of approximately three years and expire five years after the date of the grant, but sooner in the event of death or the termination of employment.

The excess of proceeds received from the exercise of stock options over par value of common stock is credited to paid-in capital.

10. STOCK OPTIONS (Continued)

A summary of the options which become exercisable and which were exercised during the years ended December 31, 1969, 1970 and 1971 and the options outstanding at December 31, 1971 is as follows:

		<u>Option Price</u>		<u>Market Price</u>	
	<u>Number Of Shares</u>	<u>Range Per Share</u>	<u>Total</u>	<u>Range Per Share</u>	<u>Total</u>
Options which became exercisable during:					
				(at date exercisable)	
1969.....	<u>56,500</u>	\$2.10 to \$5.75	<u>\$181,015</u>	\$5.50 to \$6.75	<u>\$321,218</u>
1970.....	<u>82,500</u>	\$2.10 to \$5.75	<u>\$240,376</u>	\$2.25 to \$4.50	<u>\$247,859</u>
1971.....	<u>53,969</u>	\$2.50 to \$5.75	<u>\$156,016</u>	\$3.25 to \$4.00	<u>\$189,142</u>
Options exercised during:					
				(at date exercised)	
1969.....	<u>15,500</u>	\$2.10 to \$3.25	<u>\$ 48,650</u>	\$4.50 to \$5.375	<u>\$ 71,062</u>
1970.....	None				
1971.....	<u>17,125</u>	\$2.10 to \$3.25	<u>\$ 39,512</u>	\$3.75 to \$4.00	<u>\$ 67,750</u>
Options outstanding as of December 31, 1971 by year of grant:					
				(at date of grant)	
1967.....	55,000	\$2.10 and \$3.25	\$140,800	\$2.10 and \$3.25	\$140,800
1968.....	5,500	\$4.00 and \$4.875	25,063	\$4.00 and \$4.875	25,063
1969.....	14,000	\$3.875 and \$5.75	73,937	\$3.875 and \$5.75	73,937
1970.....	185,875	\$2.50	464,688	\$2.50	464,688
1971.....	<u>5,000</u>	\$3.25	<u>16,250</u>	\$3.25	<u>16,250</u>
Total.....	<u>265,375</u>		<u>\$720,738</u>		<u>\$720,738</u>

11. WARRANTS

There were 81,748 warrants outstanding at December 31, 1971. Such warrants entitle the holder to purchase one share of common stock from July 2, 1971 through July 1, 1972 at \$6.50 and from July 2, 1972 through July 1, 1973 at \$7.50.

12. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a defendant in a number of lawsuits and claims, including antitrust actions. It is the judgment of management, based on counsels' opinions as to the merits of these suits and claims, that they should not result in liability which in the aggregate would have a material adverse effect on the accompanying financial statements.

The Company is contingently liable on certain notes sold to banks and on certain mortgages on property sold.

13. EARNINGS PER SHARE

Primary earnings per share are based on the weighted average number of common shares outstanding during the respective years and give effect to the assumed conversion of the Class A common stock outstanding into common stock and the exercise of dilutive stock options with proceeds therefrom applied to the purchase of common treasury stock.

Fully diluted earnings per share give effect to the assumed conversion of dilutive subordinated debt into common stock.

14. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

	Year Ended December 31		
	1969	1970	1971
Maintenance and repairs:			
Charged to cost of products sold.....	\$5,570,779	\$5,809,387	\$7,693,879
Charged to other accounts.....	149,226	161,302	204,516
Total.....	<u>\$5,720,005</u>	<u>\$5,970,689</u>	<u>\$7,898,395</u>
Depreciation, depletion and amortization:			
Charged to cost of products sold.....	\$3,033,764	\$3,181,263	\$3,194,568
Charged to other accounts.....	240,143	179,089	223,946
Total.....	<u>\$3,273,907</u>	<u>\$3,360,352</u>	<u>\$3,418,514</u>
Taxes, other than federal income taxes:			
Payroll taxes.....	\$2,133,947	\$2,360,561	\$2,981,311
Property taxes.....	1,039,821	1,058,328	1,207,939
Other taxes.....	379,392	243,736	415,266
Total.....	<u>\$3,553,160</u>	<u>\$3,662,625</u>	<u>\$4,604,566</u>
Charged to cost of products sold.....	\$2,776,900	\$3,061,417	\$3,846,150
Charged to other accounts.....	776,260	601,208	758,416
Total.....	<u>\$3,553,160</u>	<u>\$3,662,625</u>	<u>\$4,604,566</u>
Rents:			
Charged to cost of products sold.....	\$1,657,647	\$2,084,220	\$1,641,016
Charged to other accounts.....	1,094,356	971,690	1,103,917
Total.....	<u>\$2,752,003</u>	<u>\$3,055,910</u>	<u>\$2,744,933</u>

NOTE: Royalty payments were not material in any of the years.

APPENDIX I

AGREEMENT AND PLAN OF MERGER

Agreement and Plan of Merger (hereinafter called "Agreement of Merger"), dated as of May 31, 1972, pursuant to Section 252 of the General Corporation Law of the State of Delaware and Section 52 of the General Corporation Act of the State of Michigan, between The Celotex Corporation, a Delaware corporation (hereinafter called "Celotex") and a majority of the directors thereof, and Panacon Corporation, a Michigan corporation (hereinafter called "Panacon"), and a majority of the directors thereof (Celotex and Panacon being hereinafter collectively called the "Constituent Corporations"),

WITNESSETH THAT:

WHEREAS, Celotex is a corporation organized and existing under the Laws of the State of Delaware, having been incorporated on August 6, 1964; and

WHEREAS, Panacon is a corporation organized and existing under the Laws of the State of Michigan, having been incorporated on November 29, 1909 under the name of Briggs Manufacturing Company (which name was thereafter changed to Panacon by amendment filed April 9, 1970); and

WHEREAS, the authorized capital stock of Celotex consists of 100 shares of preferred stock, no par value and 100 shares of common stock, no par value, all of which on the date hereof have been validly issued and are outstanding, fully paid and non-assessable and owned by Jim Walter Corporation, a Florida corporation (hereinafter called "Walter"); and

WHEREAS, the authorized capital shares of Panacon consists of 25,000,000 shares of Common Stock, \$1.00 par value ("Common Stock"), of which 15,632,158 shares were, as of May 31, 1972, issued and outstanding and of 7,356,000 shares of Class A Common Stock, \$1.00 par value ("Class A Common Stock"), all of which have been issued and converted into Common Stock; and

WHEREAS, the Board of Directors of Celotex and Panacon have each adopted resolutions approving this Agreement of Merger; and

WHEREAS, the registered office of Celotex in the State of Delaware is located at 100 West Tenth Street in the City of Wilmington, the County of New Castle, and the name of its registered agent at such address is The Corporation Trust Company; and

WHEREAS, the registered office of Panacon in the State of Michigan is located at 615 Griswold Street in the City of Detroit, the County of Wayne, and the name of its registered agent at such address is The Corporation Company; and

WHEREAS, the parties hereto deem it desirable that Panacon be merged into Celotex under and pursuant to the General Corporation Law of the State of Delaware and the Michigan General Corporation Act.

Now, THEREFORE, Celotex and Panacon, in consideration of the mutual covenants, agreements and provisions hereinafter contained, do hereby prescribe the terms and conditions of such merger and the mode of carrying the same into effect as follows:

SECTION 1—Merger. Subject to the approval and adoption of this Agreement of Merger and the merger provided for herein by the vote or the written consent of the holders of the required percentages of the issued and outstanding shares of capital stock or shares of each of the corporations, and subject to the conditions hereinafter set forth, Panacon shall be and hereby is merged into Celotex, which corporation shall continue in existence as the surviving corporation; and thereupon the separate existence of Panacon shall cease, except insofar as its existence shall be continued by operation of Section 12 hereof or by operation of Michigan law.

SECTION 2—Certificate of Incorporation. The certificate of incorporation of Celotex as in effect at the Effective Date of the merger shall continue in full force and effect as the certificate of incorporation of the corporation surviving this merger, until it shall have been amended as provided therein or by law.

SECTION 3—By-laws. The By-laws of Celotex as in effect at the Effective Date of the merger shall continue in full force and effect as the By-laws of the corporation surviving the merger until they shall have been amended or repealed as provided therein or by law.

SECTION 4—Directors. The directors of Celotex in office at the Effective Date of the merger shall continue as the directors of the surviving corporation. Such directors shall hold office until the next annual meeting of stockholders of Celotex and until their respective successors are elected and qualified unless sooner removed or otherwise replaced, in accordance with the certificate of incorporation and the By-laws of Celotex.

SECTION 5—Officers. The officers of Celotex in office upon the Effective Date of the merger shall continue as the officers of the surviving corporation.

SECTION 6—Celotex Representation and Warranties. Celotex represents and warrants:

(a) *Organization and Standing.* That it is a corporation duly organized, validly existing and in good standing under the laws of Delaware, that it has the corporate power to carry on its business as now being conducted, that it is duly qualified to do business and in good standing in each jurisdiction in which the character of the properties owned by it or the nature of the business conducted by it makes such qualification necessary.

(b) *Authority Relative to the Agreement.* That the execution, delivery and performance of the Agreement by Celotex, including without limitation, the conveyances, transfers and deliveries contemplated hereby, have been duly and effectively authorized and consented to by Celotex' Board of Directors.

SECTION 7—Panacon Representation and Warranties. Panacon represents and warrants:

(a) *Organization and Standing.* That it is a corporation duly organized, validly existing and in good standing under the laws of Michigan, that it has the corporate power to carry on its business as now being conducted, that it is duly qualified to do business and in good standing in each jurisdiction in which the character of the properties owned by it or the nature of the business conducted by it makes such qualification necessary.

(b) *Authority Relative to the Agreement.* That the execution, delivery and performance of the Agreement by Panacon, including without limitation, the conveyances, transfers and deliveries contemplated hereby, have been duly and effectively authorized and consented to by Panacon's Board of Directors.

SECTION 8—Manner of Converting Stock. Upon the Effective Date of the merger:

(a) *Panacon Common Stock.* Each outstanding share of Common Stock of Panacon (other than each such share of Common Stock held by Celotex) shall be converted into the right to receive, without interest, \$6.00 (payable by bank check or by certified or cashier's check) from Celotex upon surrender of the certificate representing such share.

(b) *Panacon Common Stock Held by Celotex.* Each outstanding share of Common Stock of Panacon held by Celotex shall be cancelled and no security, cash or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

(c) *Panacon Class A Common Stock.* Each outstanding share of Class A Common Stock of Panacon shall be cancelled and no security, cash, or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

(d) *Treasury Stock.* Each outstanding share of Common Stock, and of Class A Common Stock, of Panacon held by Panacon shall be cancelled and no security, cash or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

(e) *Celotex Stock.* Each outstanding share of preferred stock, no par value, and of common stock, no par value, of Celotex shall remain unaffected by the merger.

On and after the Effective Date of the merger, no transfer of the shares of Common Stock or Class A Common Stock of Panacon shall be made on the stock transfer books of the surviving corporation.

SECTION 9—Warrants. Upon the Effective Date of the merger, each outstanding Common Stock Purchase Warrant ("Warrant") heretofore issued by Panacon under its former name, Briggs Manufacturing Company, shall be cancelled and shall have no further force and effect, and the lawful holder thereof, upon surrender of such Warrant, shall have the right to receive, without interest, \$.50 (payable by bank check or by certified or cashier's check) from Celotex for each share of Common Stock included within such Warrant.

SECTION 10—Stock Options. Upon the Effective Date of the merger, each outstanding and unexercised option to purchase Panacon Common Stock theretofore granted pursuant to Panacon's 1967 Qualified Stock Option Plan shall be converted into an option to purchase shares of Walter Common Stock, 16 $\frac{2}{3}$ cents par value per share, pursuant to Walter's 1965 Employees' Qualified Stock Option Plan. The number of shares of the said Walter Common Stock covered by such an option, the purchase price for the shares of Walter Common Stock, and the other terms and conditions of the said option shall be determined in accordance with Section 425(a) of the Internal Revenue Code of 1954, as amended and the applicable regulations thereunder. If at any time after the Effective Date, it appears that one or more of the conditions which are prohibited by Section 425(a) of the Internal Revenue Code of 1954 exists, then the Walter Common Stock option to be issued hereunder may be adjusted by Walter in order to insure compliance with the applicable provisions of the said Internal Revenue Code.

SECTION 11—Certain Effects of Merger. At the Effective Date of the merger, the separate existence of Panacon shall cease and Celotex shall possess all of the rights, privileges, powers and franchises both of a public and of a private nature of Panacon, subject to all their restrictions, disabilities and duties, and all and singular, the rights, privileges, powers and franchises of Panacon, and all property, real, personal and mixed, tangible and intangible, and all debts due to Panacon on whatever

account, and all other things in action of or belonging to Panacon, shall be vested in Celotex without further act or deed; and all property, rights, privileges, powers and franchises and all and every other interest shall be thereafter as effectively the property of Celotex as they were of Panacon, and the title to any real estate vested by deed or otherwise in Panacon shall not revert or be in any way impaired by reason of the merger herein provided for, provided that all rights of creditors and all liens upon property of Panacon shall be preserved unimpaired, and all debts, liabilities and duties of Panacon shall upon the Effective Date of the merger attach to Celotex and may be enforced against it to the same extent as if such debt, liabilities and duties had been incurred or contracted by Celotex. Any surplus which Panacon may have upon the Effective Date of the merger may be carried as surplus by Celotex.

SECTION 12—Supplemental Action. If at any time after the Effective Date of the merger Celotex shall consider or be advised that any further conveyances, agreements, documents, instruments and assurances of law or in any other things are necessary or desirable to vest, perfect, confirm or record in Celotex the title to any property, rights, privileges, powers and franchises of Panacon, or otherwise to carry out the provisions of this Agreement of Merger, the proper directors and officers of Panacon last in office shall execute and deliver, upon Celotex' request, any and all proper conveyances, agreements, documents, instruments and assurances in law, and do all things necessary or proper to vest, perfect, or confirm title to such property, rights, privileges, powers and franchises in Celotex, and otherwise to carry out the provisions of this Agreement of Merger.

SECTION 13—Effective Date of Merger. Celotex and Panacon shall cause a counterpart of this Agreement of Merger to be filed in the office of the Secretary of State of the State of Delaware and to be recorded as required by the General Corporation Law of the State of Delaware and shall cause a certificate of merger with respect thereto to be filed in the Office of the Administrator of the State of Michigan as required by the Michigan General Corporation Act. The merger provided for in this Agreement of Merger shall become effective at 9:00 A.M., New York City Time, on the day (herein called the "Effective Date" of the merger) following the day that the later of such filing with the Secretary of State of the State of Delaware or such filing in the Office of the Administrator of Michigan shall have been completed.

SECTION 14—Covenants. From and after the date hereof and until the Effective Date of the merger, Panacon shall not issue or sell, or issue rights, warrants or options to subscribe to, any shares of any capital stock.

SECTION 15—Approval and Filing. After adoption of a resolution of the Board of Directors of each of the Constituent Corporations approving this Agreement of Merger, this Agreement of Merger shall be submitted to Walter, as sole stockholder of Celotex, for its consent, approval and adoption, pursuant to the General Corporation Law of the State of Delaware, and to a vote of the holders of the Outstanding Capital Stock of Panacon for their approval and adoption at a meeting thereof held upon notice in accordance with law. If the merger shall be so consented to, approved and adopted by Walter, as sole stockholder of Celotex, and so approved and adopted by the affirmative vote of not less than two-thirds of the votes cast at such meeting by the holders of each class of Panacon's outstanding stock, the officers of the Constituent Corporations, subject to the provision of Section 16 hereof, shall take all steps necessary in order to make effective the merger of Panacon into Celotex provided for in this Agreement of Merger.

SECTION 16—Termination. By mutual written agreement, the parties hereto, or in the event of the discovery of a material breach of a representation or warranty hereinabove made by a party, the other

party hereto, may terminate or abandon this Agreement of Merger at any time prior to the Effective Date. This Agreement of Merger shall terminate, unless extended, in the event that the merger is not consummated on or before September 30, 1972.

SECTION 17—Amendment. Celotex and Panacon may, by mutual written agreement, approved by their respective Board of Directors, amend this Agreement of Merger from time to time prior to the Effective Date of the Merger to the extent permitted by law, provided however that no such amendment may reduce the amount of the payment for the Panacon stock provided for in Paragraph 8(a) above or the amount of payment for the Panacon Warrants provided for in Section 9 above.

SECTION 18—Counterparts. This Agreement of Merger shall be executed simultaneously in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

SECTION 19—Limitation of Action. No representation or warranty herein contained shall survive the Effective Date.

SECTION 20—Expenses. If the merger is consummated, Celotex will bear all the expense. If the merger is not consummated, Panacon will bear only its own internal expenses, and Celotex will bear all other expenses in connection with the proposed transaction, including the fees and expenses of counsel, advisors and accountants and all printing expenses.

IN WITNESS WHEREOF, the parties to this Agreement of Merger, pursuant to the approval and authority duly given by resolutions adopted by their respective Board of Directors, have caused these presents to be executed by the Vice President and attested by the Secretary of Celotex and by the President and attested by the Secretary of Panacon, and the corporate seal affixed, as of the date first above written.

THE CELOTEX CORPORATION

(CORPORATE SEAL)

By
Vice President

ATTEST:

By
Secretary

PANACON CORPORATION

(CORPORATE SEAL)

By
President

ATTEST:

By
Secretary

A Majority of the Directors of Panacon Corporation:

.....
.....

APPENDIX II-A

Section 54 of Title 21—General Corporation Act of the Statutes of the State of Michigan

Dissenting shareholders; payment for shares; procedure. Sec. 54. 1. Any shareholder in any corporation of this state consolidating or merging as aforesaid, who was such shareholder at the time such consolidation or merger was authorized by the shareholders of such corporation and who voted against such consolidation or merger, may within 20 days after such consolidation or merger was so authorized object thereto in writing and demand from either the constituent corporation of which he was a shareholder or the resulting corporation payment of the fair cash value of his shares in the constituent corporation as of the day preceding the day such consolidation or merger was authorized by the shareholders of such constituent corporation, excluding from such fair cash value any appreciation or depreciation in consequence of the action authorized and surrender at such time to the constituent corporation or the resulting corporation the certificate or certificates for his shares as to which he is demanding payment. If the effective date of such consolidation or merger shall occur within such 20 days, the constituent corporation shall remain a body corporate for the purpose only of receiving such demand. A demand served on the constituent corporation after the effective date shall be deemed to constitute a demand on the resulting corporation. If within 30 days after receipt by said constituent corporation or resulting corporation of such written demand said corporation and such shareholder cannot agree upon such fair cash value of the shares, such shareholder or said corporation may secure an appraisal of such shareholder's shares in the same manner and with the same effect as is provided in paragraph 1 of section 44. If such fair cash value shall be determined by agreement, such agreed fair cash value shall be final and conclusive. If such awarded or such agreed fair cash value of such shares is not paid by said corporation within 60 days after the entry of such order or after such agreement, such fair cash value may be collected as other debts are by law collectible. If the effective date of such consolidation or merger shall occur before the expiration of such 30-day or 60-day periods, the resulting corporations shall be substituted for the constituent corporation which may have received the demand or may have proceeded to any stage in compliance with such fair cash value payment provisions. Upon payment by said corporation of such awarded or agreed fair cash value, such shareholder shall forthwith transfer and assign such shares at, and in accordance with, the request of said corporation. Objection by any such shareholder to any action of the constituent corporation, of which he is a shareholder, or of the resulting corporation provided in this section and his rights thereafter under this section shall be his exclusive remedy.

2. The right of any dissenting shareholder to be paid the fair cash value of his shares shall cease if and when the constituent corporation, of which he is a shareholder, within 6 months after such demand for payment, shall abandon such action or the shareholders of such corporation shall revoke such action taken, entitling such dissenting shareholder to payment as in this act provided.

3. No demand for payment of such fair cash value may be withdrawn by the shareholder making the same unless a majority of the board of directors of the constituent corporation shall consent thereto. If the consolidation or merger has become effective, no such demand may be withdrawn by the shareholder making the same unless a majority of the board of directors of the resulting corporation shall consent.

4. Any shareholder who so demands payment for his shares may not vote such shares or receive any dividends or distributions thereon, or exercise any rights respecting such shares, nor any similar rights against the constituent corporation or resulting corporation unless and until such action entitling such shareholder to payment shall be abandoned, or a majority of the board of directors of the constituent corporation or resulting corporation shall consent to the withdrawal of such demand. If such action shall be abandoned or such consent to withdrawal shall be given, such dissenting shareholder shall be entitled to any rights which he would otherwise have had during the time when his demand for payment was in effect if he had not demanded payment for his shares, except the right to vote at meetings of shareholders).

APPENDIX II-B

Paragraph 1 of Section 44 of Title 21—General Corporation Act of the Statutes of the State of Michigan

Rights of shareholders not assenting to certain corporate action. Sec. 44. 1 If a corporation has authorized the sale, lease or exchange of all or substantially all of its assets a shareholder who was a shareholder at the time such action was authorized and who voted against such action may, within twenty (20) days after the date upon which such action was authorized but not thereafter, object thereto in writing and demand from the corporation the payment of the fair cash value of his shares as of the day preceding the day such action was authorized by the shareholders, excluding from such fair cash value any appreciation or depreciation in consequence of the action authorized, and surrender at such time to the corporation the certificate or certificates for his shares as to which he is demanding payment. If any such person is a holder of more than one (1) class of shares he shall be entitled to relief only in respect of the class of shares affected by such change. If, within thirty (30) days after receipt of such a demand by a shareholder, the corporation and the shareholder cannot agree upon the fair cash value of the shares as of the day preceding the day such corporate action was authorized, such value shall be ascertained by three (3) disinterested persons, who shall be appointed by any circuit judge of the county where the corporation has its registered office upon petition and order to show cause either by such shareholder or by the corporation. Once such appraisers have been so appointed all demands for such payment, which have not been determined by agreement, shall be determined by such appraisers. The appraisers shall promptly submit their determination to the circuit court for the county where the corporation shall have its registered office for confirmation and upon the entry of an order confirming said report their determination shall be final and conclusive and from such order there shall be no appeal. If such fair cash value shall be determined by agreement, such agreed fair cash value shall be final and conclusive. If the award or the agreed fair cash value, as the case may be, is not paid by the corporation within sixty (60) days after the entry of such order or after such agreement, such fair cash value may be collected as other debts are by law collectible. Upon payment by the corporation of such awarded or agreed fair cash value, such shareholder shall forthwith transfer and assign the shares at, and in accordance with, the request of the corporation.

Agreement and Plan of Merger (hereinafter called "Agreement of Merger"), dated as of May 31, 1972, pursuant to Section 252 of the General Corporation Law of the State of Delaware and Section 52 of the General Corporation Act of the State of Michigan, between The Celotex Corporation, a Delaware corporation (hereinafter called "Celotex") and Panacon Corporation, a Michigan corporation, (hereinafter called "Panacon"), and a majority of the directors thereof (Celotex and Panacon being hereinafter collectively called the "Constituent Corporations"),

WITNESSETH THAT:

WHEREAS, Celotex is a corporation organized and existing under the Laws of the State of Delaware, having been incorporated on August 6, 1964; and

WHEREAS, Panacon is a corporation organized and existing under the Laws of the State of Michigan, having been incorporated on November 29, 1909 under the name of Briggs Manufacturing Company (which name was thereafter changed to Panacon by amendment filed April 9, 1970); and

WHEREAS, the authorized capital stock of Celotex consists of 100 shares of preferred stock, no par value and 100 shares of common stock, no par value, all of which on the date hereof have been validly issued and are outstanding, fully paid and non-assessable and owned by Jim Walter Corporation, a Florida corporation (hereinafter called "Walter"); and

WHEREAS, the authorized capital shares of Panacon consists of 25,000,000 shares of Common Stock, \$1.00 par value ("Common Stock"), of which 15,632,158 shares were, as of May 31, 1972, issued and outstanding and of 7,356,000 shares of Class A Common Stock, \$1.00 par value ("Class A Common Stock"), all of which have been issued and converted into Common Stock; and

WHEREAS, the Boards of Directors of Celotex and Panacon have each adopted resolutions approving this Agreement of Merger; and

WHEREAS, the registered office of Celotex in the State of Delaware is located at 100 West Tenth Street in the City of Wilmington, the County of New Castle, and the name of its registered agent at such address is The Corporation Trust Company; and

WHEREAS, the registered office of Panacon in the State of Michigan is located at 615 Griswold Street in the City of Detroit, the County of Wayne, and the name of its registered agent at such address is The Corporation Company; and

WHEREAS, the parties hereto deem it desirable that Panacon be merged into Celotex under and pursuant to the General Corporation Law of the State of Delaware and the Michigan General Corporation Act.

NOW, THEREFORE, Celotex and Panacon, in consideration of the mutual covenants, agreements and provisions hereinafter contained, do hereby prescribe the terms and conditions of such merger and the mode of carrying the same into effect as follows:

Section 1 - Merger. Subject to the approval and adoption of this Agreement of Merger and the merger provided for herein by the vote or the written consent of the holders of the required percentages of the issued and outstanding shares of capital stock or shares of each of the corporations, and subject to the conditions hereinafter set forth, Panacon shall be and hereby is merged into Celotex, which corporation shall continue in existence as the surviving corporation; and thereupon the separate existence of Panacon shall cease, except insofar as its existence shall be continued by operation of Section 12 hereof or by operation of Michigan law.

Section 2 - Certificate of Incorporation. The certificate of incorporation of Celotex as in effect at the Effective Date of the merger shall continue in full force and effect as the certificate of incorporation of the corporation surviving this merger, until it shall have been amended as provided therein or by law.

Section 3 - By-laws. The By-laws of Celotex as in effect at the Effective Date of the merger shall continue in full force and effect as the By-laws of the corporation surviving the merger until they shall have been amended or repealed as provided therein or by law.

Section 4 - Directors. The directors of Celotex in office at the Effective Date of the merger shall continue as the directors of the surviving corporation. Such directors shall hold office until the next annual meeting of stockholders of Celotex and until their respective successors are elected and qualified unless sooner removed or otherwise replaced, in accordance with the certificate of incorporation and the By-laws of Celotex.

Section 5 - Officers. The officers of Celotex in office upon the Effective Date of the merger shall continue as the officers of the surviving corporation.

Section 6 - Celotex Representations and Warranties.

Celotex represents and warrants:

(a) Organization and Standing. That it is a corporation duly organized, validly existing and in good standing under the laws of Delaware, that it has the corporate power to carry on its business as now being conducted, that it is duly qualified to do business and in good standing in each jurisdiction in which the character of the properties owned by it or the nature of the business conducted by it makes such qualification necessary.

(b) Authority Relative to the Agreement.

That the execution, delivery and performance of the Agreement by Celotex, including without limitation, the conveyances, transfers and deliveries contemplated hereby, have been duly and effectively authorized and consented to by Celotex' Board of Directors.

Section 7 - Panacon Representations and Warranties.

Panacon represents and warrants:

(a) Organization and Standing. That it is a corporation duly organized, validly existing and in good standing under the laws of Michigan, that it has the corporate power to carry on its business as now being conducted, that it is duly qualified to do business and in good standing in each jurisdiction in which the character of the properties owned by it or the nature of the business conducted by it makes such qualification necessary.

(b) Authority Relative to the Agreement.

That the execution, delivery and performance of the Agreement by Panacon, including without limitation, the conveyances, transfers and deliveries contemplated hereby, have been duly and effectively authorized and consented to by Panacon's Board of Directors.

Section 8 - Manner of Converting Stock. Upon the Effective Date of the merger:

(a) Panacon Common Stock. Each outstanding share of Common Stock of Panacon (other than each such share of Common Stock held by Celotex) shall be converted into the right to receive, without interest, \$6.00 (payable by bank check or by certified or cashier's check) from Celotex upon surrender of the certificate representing such share.

(b) Panacon Common Stock Held by Celotex. Each outstanding share of Common Stock of Panacon held by Celotex shall be cancelled and no security, cash or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

(c) Panacon Class A Common Stock. Each outstanding share of Class A Common Stock of Panacon shall be cancelled and no security, cash, or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

(d) Treasury Stock. Each outstanding share of Common Stock, and of Class A Common Stock, of Panacon held by Panacon shall be cancelled and no security, cash or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

(c) Celotex Stock. Each outstanding share of preferred stock, no par value, and of common stock, no par value, of Celotex shall remain unaffected by the merger.

On and after the Effective Date of the merger, no transfer of the shares of Common Stock or Class A Common Stock of Panacon shall be made on the stock transfer books of the surviving corporation.

Section 9 - Warrants. Upon the Effective Date of the merger, each outstanding Common Stock Purchase Warrant ("Warrant") heretofore issued by Panacon under its former name, Briggs Manufacturing Company, shall be cancelled and shall have no further force and effect, and the lawful holder thereof, upon surrender of such Warrant, shall have the right to receive, without interest, \$.50 (payable by bank check or by certified or cashier's check) from Celotex for each share of Common Stock included within such Warrant.

Section 10 - Stock Options. Upon the Effective Date of the merger, each outstanding and unexercised option to purchase Panacon Common Stock theretofore granted pursuant to Panacon's 1967 Qualified Stock Option Plan and then held by an employee of Panacon shall be converted into an option to purchase shares of Walter Common Stock, 16-2/3 cents par value per share, pursuant to Walter's 1968 Employees' Qualified Stock Option Plan. The number of shares of the said Walter Common Stock covered by such an option, the purchase price for the shares of Walter Common Stock, and the other

Terms and conditions of the said option shall be determined in accordance with Section 425(a) of the Internal Revenue Code of 1954, as amended and the applicable regulations thereunder. If at any time after the Effective Date, it appears that one or more of the conditions which are prohibited by Section 425(a) of the Internal Revenue Code of 1954 exist, then the Walter Common Stock options to be issued hereunder may be adjusted by Walter in order to insure compliance with the applicable provisions of the said Internal Revenue Code.

Section 11 - Certain Effects of Merger. At the Effective Date of the merger, the separate existence of Panacon shall cease and Celotex shall possess all of the rights, privileges, powers and franchises both of a public and of a private nature of Panacon, subject to all their restrictions, disabilities and duties, and all and singular, the rights, privileges, powers and franchises of Panacon, and all property, real, personal and mixed, tangible and intangible, and all debts due to Panacon on whatever account, and all other things in action of or belonging to Panacon, shall be vested in Celotex without further act or deed; and all property, rights, privileges, powers and franchises and all and every other interest shall be thereafter as effectively the property of Celotex as they were of Panacon, and the title to any real estate vested by deed or otherwise in Panacon shall not revert or be in any way impaired by reason of the merger herein provided for, provided that all rights of creditors and all liens upon property of

Panacon shall be preserved unimpaired, and all debts, liabilities and duties of Panacon shall upon the Effective Date of the merger attach to Celotex and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by Celotex. Any surplus which Panacon may have upon the Effective Date of the merger may be carried as surplus by Celotex.

Section 12 - Supplemental Action. If at any time after the Effective Date of the merger Celotex shall consider or be advised that any further conveyances, agreements, documents, instruments and assurances of law or in any other things are necessary or desirable to vest, perfect, confirm or record in Celotex the title to any property, rights, privileges, powers and franchises of Panacon, or otherwise to carry out the provisions of this Agreement of Merger, the proper directors and officers of Panacon last in office shall execute and deliver, upon Celotex' request, any and all proper conveyances, agreements, documents, instruments and assurances in law, and do all things necessary or proper to vest, perfect, or confirm title to such property, rights, privileges, powers and franchises in Celotex, and otherwise to carry out the provisions of this Agreement of Merger.

Section 13 - Effective Date of Merger. Celotex and Panacon shall cause a counterpart of this Agreement of Merger to be filed in the office of the Secretary of State of the State of Delaware and to be recorded as required by the General Corporation Law of the State of Delaware and shall cause a certificate of merger with respect thereto

to be filed in the Office of the Administrator of the State of Michigan as required by the Michigan General Corporation Act. The merger provided for in this Agreement of Merger shall become effective at 9:00 AM, New York City Time, on the day (herein called the "Effective Date" of the merger) following the day that the later of such filing with the Secretary of State of the State of Delaware or such filing in the Office of the Administrator of Michigan shall have been completed.

Section 14 - Covenants. From and after the date hereof and until the Effective Date of the merger, Panacon shall not issue or sell, or issue rights, warrants or options to subscribe to, any shares of any capital stock.

Section 15 - Approval and Filing. After adoption of a resolution of the Board of Directors of each of the Constituent Corporations approving this Agreement of Merger, this Agreement of Merger shall be submitted to Walter, as sole stockholder of Celotex, for its consent, approval and adoption, pursuant to the General Corporation Law of the State of Delaware, and to a vote of the holders of the outstanding capital stock of Panacon for their approval and adoption at a meeting thereof held upon notice in accordance with law. If the merger shall be so consented to, approved and adopted by Walter, as sole stockholder of Celotex, and so approved and adopted by the affirmative vote of not less than two-thirds of the votes cast at such meeting by the holders of each class of Panacon's outstanding stock, the officers of the Constituent Corporations, subject to the

provision of Section 16 hereof, shall take all steps necessary in order to make effective the merger of Panacón into Celotex provided for in this Agreement of Merger.

Section 16 - Termination. By mutual written agreement, the parties hereto, or in the event of the discovery of a material breach of a representation or warranty hereinabove made by a party, the other party hereto, may terminate or abandon this Agreement of Merger at any time prior to the Effective Date. This Agreement of Merger shall terminate, unless extended, in the event that the merger is not consummated on or before September 30, 1972.

Section 17 - Amendment. Celotex and Panacón may, by mutual written agreement, approved by their respective Board of Directors, amend this Agreement of Merger from time to time prior to the Effective Date of the merger to the extent permitted by law, provided however that no such amendment may reduce the amount of the payment for the Panacón stock provided for in Paragraph 8(a) above or the amount of payment for the Panacón Warrants provided for in Section 9 above.

Section 18 - Counterparts. This Agreement of Merger shall be executed simultaneously in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

Section 19 - Limitation of Actions. No representation or warranty herein contained shall survive the Effective Date.

Section 20 - Expenses. If the merger is consummated, Celotex will bear all the expenses. If the merger is not consummated, Panacón will bear only its own internal expenses and Celotex will bear all other expenses in connection with the proposed transaction, including the fees and expenses of counsel, advisers and accountants and all printing expenses.

IN WITNESS WHEREOF, the parties to this Agreement of Merger, pursuant to the approval and authority duly given by resolutions adopted by their respective Board of Directors, have caused these presents to be executed by the Vice President and attested by the Secretary of Celotex and by the President and attested by the Secretary of Panacon, and the corporate seal affixed, as of the date first above written.

THE CELOTEX CORPORATION

(Corporate Seal)

By [Signature]
Vice President

ATTEST:

By [Signature]
Secretary

PANACON CORPORATION

(Corporate Seal)

By [Signature]
President

ATTEST:

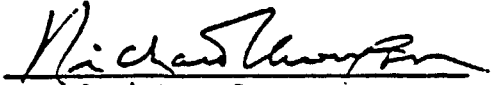
By [Signature]
Secretary

A Majority of the Directors of Panacon Corporation:

[Signature] [Signature]
[Signature] [Signature]
[Signature]

I, RICHARD THOMPSON, Assistant Secretary of The Celotex Corporation, a Delaware corporation, hereby certify as such Assistant Secretary and under the seal of said corporation that the foregoing Agreement and Plan of Merger, after having been first approved by resolution duly adopted by the Board of Directors of said corporation and executed by its officers thereunto duly authorized and by resolution duly adopted by the Board of Directors and signed by a majority of the Directors and executed by the officers of Panacore Corporation thereunto duly authorized, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Corporation Law, by the written consent of the sole stockholder of The Celotex Corporation, which Agreement and Plan of Merger was thereby adopted as the act of the said sole stockholder of the said The Celotex Corporation, and the duly adopted agreement and act of the said corporation.

WITNESS my hand and the seal of The Celotex Corporation this 28th day of June, 1972.


Assistant Secretary

(Corporate Seal)

----- We, F. J. PIZZITOLA, President, and L. A. PECHSTEIN,

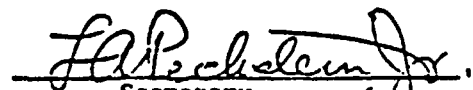
Secretary, of Panacon Corporation, a Michigan corporation, hereby certify as such President and Secretary and under the seal of said corporation that the foregoing Agreement and Plan of Merger, after having been first approved by resolution duly adopted by the Board of Directors of said corporation and signed by a majority of said Directors and executed by its officers thereunto duly authorized and by resolution duly adopted by the Board of Directors of The Celotex Corporation, a Delaware corporation, and executed by the officers of The Celotex Corporation thereunto duly authorized, was duly submitted to the shareholders of Panacon Corporation at a special meeting of said shareholders in accordance with the requirements of Section 52 of the Michigan General Corporation Act for the purpose of considering and voting for or against the approval of said Agreement and Plan of Merger and held, after due notice, on June 28, 1972; and that at said meeting said Agreement and Plan of Merger was considered and vote by ballot in person or by proxy was taken for the adoption or rejection of the same, and that the votes of shareholders of Panacon Corporation representing more than two-thirds (2/3) of the total number of shares of each class of its outstanding capital stock were for the adoption of said Agreement and Plan of Merger.

WITNESS our hands and the seal of Panacon Corporation
this 28th day of June, 1972.



President

(Corporate Seal)

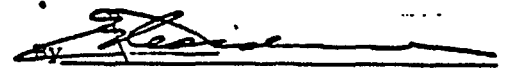


Secretary

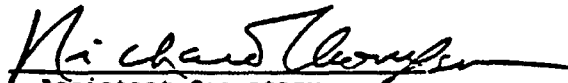
The foregoing AGREEMENT AND PLAN OF MERGER having been duly approved by resolutions adopted by the Boards of Directors of The Celotex Corporation and Panacore Corporation, respectively, and said Agreement and Plan of Merger having been duly signed by a majority of the Directors of Panacore Corporation and having been duly executed by the officers of The Celotex Corporation and Panacore Corporation, respectively, thereunto duly authorized, and said Agreement and Plan of Merger having been duly adopted by the shareholders of each of said corporations in the manner provided by Section 52 of the Michigan General Corporation Act as to Panacore Corporation and by Section 252 of the General Corporation Law of the State of Delaware as to The Celotex Corporation, the Vice President and the Assistant Secretary of The Celotex Corporation and the President and the Secretary of Panacore Corporation do now execute this Agreement and Plan of Merger under the respective seals of said corporations by the authority of the Board of Directors and shareholders of each, as the act, deed and agreement of each of said corporations, this 28th day of June, 1972.

THE CELOTEX CORPORATION

(Corporate Seal)

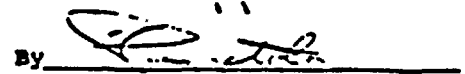
By 
Vice President

Attest:


Assistant Secretary

PANACORE CORPORATION

(Corporate Seal)

By 
President

By 
Secretary

STATE OF OHIO
COUNTY OF HAMILTON

SS:

BE IT REMEMBERED that on this 28th day of June, 1972, personally came before me, a Notary Public in and for the County and State aforesaid, J. B. CORDELL, Vice President of THE CELOTEX CORPORATION, a corporation of the State of Delaware, and he duly executed said Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement and Plan of Merger and attested by the Secretary of said corporation is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(Notarial Seal)

Richard I. Fleischer
Notary Public

RICHARD I. FLEISCHER Attorney at Law
NOTARY PUBLIC - STATE OF OHIO
My Commission has no expiration
Date, Section 147.03 R. C.

STATE OF OHIO
COUNTY OF HAMILTON

) SS:

On this 28th day of June, 1972, before me appeared

F. J. PIZZITOLA and L. A. PECHSTEIN, JR.

to me personally known, who being by me duly sworn, did say that they are, respectively, the President and Secretary of Panacon Corporation, a Michigan corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and its shareholders, and the said F. J. PIZZITOLA and L. A. PECHSTEIN, JR. acknowledged the execution of said instrument as the act, deed and agreement of said corporation.

(Notarial Seal)

Richard I. Fleischer
Notary Public

RICHARD I. FLEISCHER Attorney at Law
NOTARY PUBLIC - STATE OF OHIO
My Commission has no expiration
Date, Section 147.03 R. C.

AMENDMENT TO AGREEMENT AND PLAN OF MERGER

Amendment to Agreement and Plan of Merger (hereinafter called "Agreement of Merger"), dated as of May 31, 1972, pursuant to Section 252 of the General Corporation Law of the State of Delaware and Section 52 of the General Corporation Act of the State of Michigan, between The Celotex Corporation, a Delaware corporation (hereinafter called "Celotex") and Panacon Corporation, a Michigan corporation, (hereinafter called "Panacon"), and a majority of the directors thereof,

WITNESSETH THAT:

WHEREAS, Celotex and Panacon did heretofore enter into, subject to shareholder approval, the Agreement of Merger; and

WHEREAS, said Agreement of Merger did provide in Section 17 thereof that, subject to certain specified limitations, the parties thereto could, after execution of the said Agreement of Merger and prior to the Effective Date thereof, amend the said Agreement of Merger by mutual written agreement approved by their respective Board of Directors; and

WHEREAS, the parties thereto desire by this mutual written agreement to amend Section 13 of said Agreement of Merger to more precisely fix the Effective Date thereof.

NOW, THEREFORE, Celotex and Panacon, in consideration of the mutual covenants, agreements and provisions contained herein and in the Agreement of Merger do hereby agree that the Agreement of Merger shall be amended as follows:

I

Section 13 of the Agreement of Merger shall be amended to read as follows:

Panacon shall cause a counterpart of this Agreement of Merger to be filed in the office of the Secretary of State of the State of Delaware and to be recorded as required by the General Corporation Law of the State of Delaware and shall cause a certificate of merger with respect thereto to be filed in the Office of the Administrator of the State of Michigan as required by the Michigan General Corporation Act. The merger provided for in this Agreement of Merger shall become effective at 9:00 AM, New York City Time, on June 30, 1972 (herein called the "Effective Date" of the merger).

IN WITNESS WHEREOF, the parties to this Amendment to the Agreement of Merger, pursuant to the approval and authority duly given by resolutions adopted by their respective Board of Directors, have caused these presents to be executed by the Vice President and attested by the Assistant Secretary of Celotex and by the President and attested by the Secretary of Panacon, and the corporate seal affixed.

THE CELOTEX CORPORATION

(Corporate Seal)

By [Signature]
Vice President

ATTEST:

By [Signature]
Assistant Secretary

PANAICON CORPORATION

(Corporate Seal)

By [Signature]
President

ATTEST:

By [Signature]
Secretary

A Majority of the Directors of Panacon Corporation:

[Signature] [Signature]
[Signature] [Signature]
[Signature] [Signature]

I, RICHARD THOMPSON, Assistant Secretary of The Celotex Corporation, a Delaware corporation, hereby certify as such Assistant Secretary and under the seal of said corporation that the foregoing Amendment to the Agreement and Plan of Merger, was first approved by resolution duly adopted by the Board of Directors of said corporation and executed by its officers thereunto duly authorized.

WITNESS my hand and the seal of The Celotex Corporation
this 28th day of June, 1972.


Assistant Secretary

(Corporate Seal)

I, L. A. PECHSTEIN, JR., Secretary of Panacon Corporation, a Michigan corporation, hereby certify as such Secretary and under the seal of said corporation that the foregoing Amendment to the Agreement and Plan of Merger, was first approved by resolution duly adopted by the Board of Directors of said corporation and executed by its officers thereunto duly authorized.

WITNESS my hand and the seal of Panacon Corporation
this 28th day of June, 1972.


Secretary

(Corporate Seal)

ST. OF OHIO } ss.:
COUNTY OF HAMILTON

BE IT REMEMBERED that on this 28th day of June, 1972, personally came before me, a Notary Public in and for the County and State aforesaid, J. B. CORDELL, Vice President of THE CELOTEX CORPORATION, a corporation of the State of Delaware, and he duly executed said Amendment to the Agreement and Plan of Merger before me and acknowledged the said Amendment to the Agreement and Plan of Merger to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Amendment to the Agreement and Plan of Merger and attested by the Secretary of said corporation is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(Notarial Seal)

Richard I. Fleischer

Notary Public

STATE OF OHIO } ss.:
COUNTY OF HAMILTON

RICHARD I. FLEISCHER Attorney at Law
NOTARY PUBLIC - STATE OF OHIO
My Commission has no expiration
date. Section 147.03 R.C.

On this 28th day of June, 1972, before me appeared

F. J. PIZZITOLA and L. A. PECHSTEIN, JR.

to me personally known, who being by me duly sworn, did say that they are, respectively, the President and Secretary of Panason Corporation, a Michigan corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and the said F. J. PIZZITOLA and L. A. PECHSTEIN, JR. acknowledged the execution of said instrument as the act, deed and agreement of said corporation.

(Notarial Seal)

Richard I. Fleischer

Notary Public

RICHARD I. FLEISCHER Attorney at Law
NOTARY PUBLIC - STATE OF OHIO
My Commission has no expiration
date. Section 147.03 R.C.