7643

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS

OF

UNARCO INDUSTRIES, INC.

The regular meeting of the Board of Directors of

UNARCO INDUSTRIES, INC.,

an Illinois corporation, was held in Room 403, McCormick Building, 332 South Michigan Avenue, Chicago, Illinois, on Wednesday, March 18, 1970, at the hour of 11:00 A.M., pursuant to notice.

There were present:

JAMES W. ALSDORF
HUGO A. ANDERSON
JOHN H. BALCH
CLYDE J. FITZPATRICK
EDWIN E. HOKIN
KENNETH F. MacLELLAN
GEORGE L. SIMMONDS
JEROME S. WEISS,

constituting a majority of the directors of the Company.

LOUIS TRNOVEC, Treasurer and Assistant Secretary of the Company, was also present

KENNETH F. MacLELLAN, Chairman of the Board, acted as Chairman of the meeting, and JEROME S. WEISS, Secretary and of counsel of the Company, acted as Secretary of the meeting.

The Secretary thereupon presented and read a notice of the meeting which had been mailed to all of the directors of the Company, which notice is as follows:

PLAINTIFF'S EXHIBIT 79727.00

PLAINTIFF'S EXHIBIT WU RR 580

Letter to the Shareholders

The Annual Report of your Company for the year ended December 31, 1969 is submitted herewith.

It was a disappointing year for UNARCO. Sales and earnings in 1969 were seriously affected by certain events and conditions over which the Company, together with others in the industry, could exercise little or no control.

Early in the year a labor dispute forced closure of a major plant of the Sturdi-Bilt Division for nearly two months. The loss of production during that period was but the beginning, for results were further affected by extra costs incurred in the process of resuming operations and in speeding up delayed deliveries to impatient customers. The impact of this unfortunate event was still being felt as the year drew to a close. In addition, management's expectations that the Chembest Division would reach a satisfactory volume level with resultant profits were not realized during the year. As this Report went to press, the Company announced an understanding with Owens-Corning Fiberglass Corporation whereby the latter would acquire the Chembest Division, exclusive of its asbestos products operations, for the sum of $1,350,000. Completion of the understanding is subject to a formal agreement and approval of the Boards of Directors of both companies. If completed, the Company intends to terminate all activities of the Chembest Division.

Also contributing to the decline in net income were events in which the Company was not directly involved. Particularly, there was a strike in the nickel-producing industry, and the consequent shortage of this material sent the price skyrocketing from approximately $1.25 per pound to $6.95 per pound. Increased prices in this and other basic materials had especially severe impact on UNARCO, which is so heavily engaged in the manufacture of products for which sale prices are frequently established as long as one to two years in advance of delivery.

Net profit, after depreciation and Federal taxes, was $776,?70, or 73 cents per common share. This compares with earnings of $1,024,858, or 96 cents per common share, a year ago. Sales volume was $41,724,405, compared with $33,030,095 in 1968.

During the year four quarterly dividends of 10 cents per common share were paid, maintaining the annual rate of 40 cents per common share.

Shortly after year end it was announced that a definitive agreement had been reached to consolidate UNARCO with Leavitt Tube Co., Inc., Chicago, a manufacturer of mechanical and structural electric steel tubing. Leavitt sales during the company's most recent fiscal year, ended June 30, 1969, were $27.6 million, resulting in net income of $689,000. For further details of the agreement attention is directed to the notes accompanying the Financial Statements.

At this writing, work is proceeding on preparation of proxy material for submission to shareholders of UNARCO for their approval of the terms of the agreement. Favorable rulings by various governmental agencies and the fulfillment of certain other conditions are also requisite to consummation of the proposed consolidation.

For the Board of Directors,

Edwin E. Hokin

March 10, 1970

Edwin E. Hokin
President

CRMC-003243

ARCO Industries, Inc. and Subsidiaries
.es to Consolidated Financial Statements

December 31, 1969 and 1968

(1) LEAVITT TUBE CO., INC. AGREEMENT: Terms of a definitive agreement with Leavitt Tube Co., Inc. provide for the statutory consolidation of Leavitt Tube and the Company into a new Delaware corporation with the name Unarco Industries, Inc. continuing. Under the agreement, all of the outstanding Leavitt Tube shares are to be exchanged for (1) 35,000 shares of a new Unarco Class A Preferred voting stock, callable at $200 per share after five years, automatically redeemable after ten years, convertible into 350,000 shares of common stock after five years, and paying cumulative annual dividends of $6 per share and (2) 200,000 shares of a new Class B Preferred voting stock, callable at $20 per share after five years, convertible into 400,000 shares of common stock after five years, and paying cumulative annual dividends of $.40 per share. Each share of present Unarco common stock outstanding on the date of the consolidation will be entitled to one share of the new Unarco common stock. The combination will be accounted for as a pooling of interests.

.tt manufactures mechanical and structural electric steel tubing. According to the financial statements of Leavitt .ue for the fiscal year ended June 30, 1969, examined and reported on by auditors other than Arthur Andersen & Co., Leavi : earned $689,000 on sales of $27,600,000, and its net worth and total assets at June 30, 1969 were $3,458,000 and $11,061,000, respectively.

The t ansaction is subject to certain conditions, including approval by the stockholders and favorable rulings by vari . governmental agencies.

(2) LONG-TERM DEBT: The Series A and B notes payable agreement, as amended, provides that the Company must maintain consolidated working capital of $6,000,000. Working capital, as defined, at December 31, 1969 was $7,758,265. Cash dividends and purchases of the Company's common stock are limited to an amount not in excess of consolidated net income after December 31, 1966, plus $700,000, l . . amount of long-term debt falling due in the period. At December 31, 1969 $94,879 was available for dividends.

The Company's lease on its manufacturing plant in Springfield, Tennessee, has been treated as the equivalent to an installment purchase of property and accordingly has been included in the balance sheet at discounted values as land and buildings with a related obligation. Annual payments, including interest, aggregating $140,192 through 1970 $137,693 through 1983, and $147,693 in 1984 are due.

(3) STOCK OPTION PLAN: At December 31, 1969, options for 31,390 shares were available to be granted under approved option plans and 32,710 were outstanding at prices of $8.38 to $14.00 per share aggregating $345,534. In 1969 options for 1,850 shares were exercised which caused the Common Stock and Capital Surplus to increase accordingly.

(4) EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT: On March 6, 1970 the Company entered into a memorandum of understanding providing for the sale of substantially all of the assets of the Chembest Division for $1,350,000, which represents an amount slightly in excess of their approximate book value. The understanding is subject to execution of a formal agreement and approval of the Boards of Directors of both companies. The Division's net sales and net losses for the years 1968 and 1969, respectively, after taxes but before allocation of corporate . arges, are: For 1968, sales $2,400,000 and losses $80,000, and for 1969, sales $1,809,000 and losses $203,000.

After the submission of the Annual Report and the reading of the President's message and the other material above mentioned, on motion duly made, seconded and unanimously carried, the following resolutions were adopted:

> BE IT RESOLVED, that the Annual Report for the year 1969 this day submitted and read to the Board of Directors be and the same is hereby approved, and that the officers be and they hereby are authorized and directed to cause the same to be printed in quantity and mailed during the month of March, 1970;
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> BE IT FURTHER RESOLVED, that the record date heretofore established as March 11, 1970 be and the same is hereby changed to March 25, 1970, which record date shall be used for the purpose of mailing the Annual Report to Shareholders and shall be used, if possible, for purposes of sending notices to shareholders entitled to receive notice of and to vote at the Annual Meeting of Shareholders.

Thereupon, the Secretary stated that since the January 7, 1970 meeting and the recessed portion thereof held on January 9, 1970, the Executive Committee had occasion to examine closely into the matters of the proxy material, the Agreement of Consolidation, and all other matters leading to the submission of a proposed Proxy Statement and Notice of Annual Meeting to the Securities and Exchange Commission; that in particular the Executive Committee met with auditors and counsel on March 4 and March 5, respectively, and listened to the report of the auditors with respect to the year-end inventory, the preparation of the audits required by the Agreement of Consolidation, and the statement of Arthur Andersen & Co. of its inability, due to a judgmental area, to give the letter of review originally contemplated by subsection (n) of Section 14, and of Miller, Cooper & Co. to give a 1968 audit as provided in subsection (m), by reason of the fact that no year-end inventory was taken in December, Thereupon, the Chairman called upon Mr. Hokin to discuss the bonuses paid to the various division heads and their administrative assistants. After a report by Mr. Hokin, upon motion duly made, seconded and unanimously carried, the following resolution was adopted:

> BE IT RESOLVED, that management bonuses paid by the officers for the year 1969 be and the same are hereby ratified, approved and confirmed.

Thereupon, the Treasurer was called upon to discuss the contribution made to the Unarco Employees' Profit-Sharing Trust account. Mr. Trnovec reported that $92,558 was paid into the trust account and that this was based on the mathematical formula provided in the trust agreement.

Thereupon, on motion duly made, seconded and unanimously carried, the following resolution was adopted:

> BE IT RESOLVED, that the action of the officers in contributing $92,558 to the Unarco Employees' Profit-Sharing Trust account be and the same is hereby ratified, approved and confirmed.

Thereupon, the chair called upon the President to discuss the Chembest Division. Mr. Hokin thereupon related his negotiations with Owens-Corning Fiberglas Corporation leading to a Memorandum of Understanding entered into between the officers of the Company and Owens-Corning Fiberglas Corporation on March 6, 1970. Mr. Hokin thereupon read the Memorandum of Understanding, which Memorandum provided as follows:

MEMORANDUM OF UNDERSTANDING BETWEEN

Owens-Corning Fiberglas Corporation ("OCF")
and Unarco Industries ("UNARCO"), Inc.

1. OCF is interested in purchasing all the assets of the Chembest Division of UNARCO, excluding the assets used in the asbestos insulation product line (Department 1). OCF will pay \$1,350,000 for such assets, but if the accounts receivable and the prepaid items acquired by OCF at closing are less than \$162,000 or the inventory at cost acquired by OCF at closing is less than \$449,000 the above purchase price will be reduced by the amount such items are less than such figures. If accounts receivable exceed \$162,000 , then UNARCO retains for its own property such excess accounts receivable. UNARCO guarantees payment of all accounts receivable not later than March 31, 1971.

2. The target date for signing a definitive agreement and for closing and transfer of said assets shall be April 1, 1970 in Chicago, Illinois. Payment by OCF shall be \$1,100,000 in cash at closing and the balance of the purchase price in cash within thirty (30) days after complete removal of the Sink Division from the Chembest Division facilities.

3. The purchase and sale, and the agreement pertaining thereto, shall be subject to the approvals of the Boards of Directors of OCF and UNARCO.

4. All of the assets relating to the Chembest asbestos insulation product line (i.e., Department 1) shall be inactivated and prepared for subsequent removal from the Chembest facilities in Bloomington, Illinois by March 31, 1970. The Sink Division of UNARCO, presently

housed in these facilities, shall be removed therefrom as soon as practical but no later than March 31, 1971. Personnel assigned to Department 1 and the Sink Division shall not be employed by OCF and shall be the responsibility of UNARCO.

5. The purchase and sale agreement, conveyances and other instruments, such as the assignment of the Gulf, Mobile and Ohio Railroad lease concerning the Chembest facilities in Bloomington, Illinois, including all terms, conditions, representations and warranties, as well as form and substance, shall be subject to the approvals of respective counsels to OCF and UNARCO.

6. Until the closing, UNARCO will conduct the business of the Chembest Division in the ordinary and usual course but will remove the asbestos insulation product line (Department 1) as indicated above. UNARCO will make good faith efforts to retain Management and key personnel presently working for the Chembest Division for transfer to OCF on date of closing (with the exception of the Department 1 Personnel).

7. UNARCO shall hold OCF harmless from all loss, damage or expense and all liabilities, contingent or otherwise, whether or not disclosed, arising out of the operations of the Chembest Division through the closing and thereafter arising out of the operations of the Sink Division in the Chembest Division facilities in Bloomington, Illinois.

8. From the date hereof, UNARCO shall allow OCF and its agents free access to the Chembest Division files, audits, personnel, and plant, including any and all information relating to the business of the Chembest Division.

OWENS-CORNING FIBERGLAS CORPORATION

By ______________________
Vice President

UNARCO INDUSTRIES, INC.

By ______________________
President

Dated: March 6, 1970

Thereupon, Mr. Hokin reported that a joint press release was issued at 10:00 a.m. (Eastern Standard Time) on March 9, 1970, which press release was as follows:

> "OWENS-CORNING FIBERGLAS CORPORATION of Toledo, Ohio, and UNARCO INDUSTRIES, INC. of Chicago, Illinois, announced today that they have entered into an understanding whereby Unarco will sell its Chembest Division at Bloomington, Illinois, less its Asbestos Products operations, to Owens-Corning Fiberglas for the sum of $1,350,000. The sale includes the Urethane and Unarco board assets of Chembest. This understanding is subject to execution of a formal agreement and approval of the boards of directors of both companies."

Thereupon, counsel reported that he had had discussions with counsel for Owens-Corning Fiberglas Corporation and Mr. Thomas T. Martin, Vice President of Industrial Development of the Gulf, Mobile & Ohio Railroad Company, the lessor of the Company's Bloomington lease, which lease would be the subject matter of an assignment if the Memorandum of Understanding were approved by this Board.

Thereupon, on motion duly made, seconded and unanimously carried, the following resolutions were adopted:

> BE IT RESOLVED, that the President of the Company be and he hereby is authorized to execute, on behalf of the corporation, a formal sale agreement with Owens-Corning Fiberglas Corporation ("OCF") for the sale on April 1, 1970 to OCF of all of the assets of the Chembest Division, including the Company's leasehold interest in the Bloomington, Illinois, plant, but excluding assets used in the asbestos insulation production line, at a price of $1,350,000 (subject to adjustment upward or downward depending upon the book value of inventory, accounts receivable and prepaid expenses at closing) payable $1,100,000 in cash at closing and $250,000 within 30 days after removal of the sink division operations from the Bloomington plant.

BE IT FURTHER RESOLVED, that the President be and he hereby is authorized to execute on behalf of the Company, with OCF, effective April 1, 1970, a sublease of the portion of the Bloomington plant now occupied by the sink division for a term ending not later than March 31, 1970, on a pro rata basis of the rent to be charged OCF for the entire plant by the Railroad.

BE IT FURTHER RESOLVED, that the President be and he hereby is authorized to take such steps and execute such other documents as may be necessary to consummate this sale.

Thereupon, the Chairman reported on the Munck-Unarco, Inc. developments and submitted in connection therewith information on various jobs concerning the stacker crane, such items including the name of the customer, job number, material cost, the burden, the total cost, selling price and profit or loss. if any. Considerable discussion by the directors ensued but no formal action was taken.

Thereupon, on motion duly made, seconded and unanimously carried, the following resolutions were adopted:

RESOLVED: That this Corporation from time to time lease from Illinois State Bank of Chicago a safe or safe deposit box in the vaults of said Bank and that the President, Vice President, Secretary or Treasurer, or any one of them, be and is hereby authorized and directed to execute and deliver such form of lease or leases for such safe or safe deposit box as may be presented by said Bank, and

BE IT FURTHER RESOLVED: That access to said safe or safe deposit box so leased and to any other safe or safe deposit box exchanged therefor shall be and hereby is granted to any one of the following: