FOSECO, INC.

Executive Committee Meeting - September 27 1962

A regular meeting of the Executive Committee of Foseco, Inc. was held at the offices of J. H. Whitney & Co., 630 Fifth Avenue, New York, New York on September 27, 1962 at 11 a.m. Present were Nathan R. Owen, David T. Morgenthaler and John P. Horgan, constituting a quorum.

Mr. Owen presided as Chairman and called the meeting to order. Mr. Horgan acted as Secretary of the Meeting.

Operating Report

There was a review and discussion of the financial statements for the period July 1, 1962 to August 6, 1962 and for the year-to-date ended August 6, 1962. Mr. Morgenthaler pointed out that the loss of $83,463 during the current period was primarily a result of the unusual expenses in connection with the strike. Pre-tax profit for the year to date was only $221,170, and there was an extended discussion of the reasons why actual performance was so much below forecast. Mr. Morgenthaler reported further that the level of steel mill and foundry operations in September was disappointing and he did not expect September billings to be over $450,000.

There was then a discussion of the sales outlook and a review of competitive conditions. Mr. Morgenthaler said that Soffles, Exomet and Fonderit have all grown more aggressive, and that a number of new companies have entered the exothermic field, among them Archer-Daniels-Midland, Johns-Manville, G. E. Smith and Ferro Engineering. In answer to a question, Mr. Morgenthaler stated that he now expected net sales for the full year 1962 would be approximately $5,800,000. This compares with a forecast of $6,500,000 made at the start of 1962 and net sales of $4,800,000 in 1961.

Mr. Morgenthaler discussed new product developments, noting that tests on Profax have been very satisfactory and the potential for this hot topping product seems most promising. He reported further that, after many delays, production is being started on one piece exothermic hot tops. Mr. Morgenthaler also commented on the importance of developing low cost Feedex using ball mill dust. Mr. Morgenthaler reported on the status of the Elyria Division, commenting that he is satisfied with the effectiveness of this operation in producing good quality grindings.

Plant Expansion

Mr. Morgenthaler said that construction is proceeding satisfactorily on the plant addition, which will add approximately 43,000 sq. ft. of manufacturing space. It is anticipated that the addition will be under roof by the time a new oven is delivered about October 15.

Capital Expenditures and Cash Needs

Mr. Morgenthaler said that capital expenditures for the year 1962 through August 6th have been $256,552; this compares with a budget figure of $304,000 if expenditures had been made at the rate projected in the original forecast for 1962. For the balance of the year, however, Mr. Morgenthaler expects that capital expenditures will be approximately $205,000, bringing the total for the full year 1962 to $461,000 compared with the original forecast of $440,000 for the full year.

The projected level of capital expenditures, together with lower earnings, will make it necessary to resort to increased borrowing; Mr. Morgenthaler said that borrowing up to a total of $350,000 may be required by yearend. This would be an increase of $150,000 over the short term borrowing of $200,000 from the Morgan Guaranty Trust Company which was outstanding on August 6, 1962. There was discussion of the methods of financing and the desirability of arranging a term loan. It was agreed that Mr. Morgenthaler would have an exploratory conversation with the Morgan Guaranty and that the matter should be reviewed in detail at the meeting of the Board of Directors of the Company on October 10, 1962.

Signature Authorization

Mr. Morgenthaler then proposed an addition to the authorized bank signatures for the regular commercial accounts. After discussion, upon motion duly made, seconded and unanimously carried it was

> RESOLVED, that existing resolutions with respect to the Company's accounts with the Morgan Guaranty Trust Company of New York, the Cleveland Trust Company and the National City Bank of Cleveland be amended to include the Assistant General Manager in the list of officers authorized to perform all duties covered by such resolutions, including the authority to withdraw funds and to borrow, and further
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> RESOLVED, that the appropriate officers of the Company be and are hereby authorized to furnish to the above mentioned banks a certified copy of the resolutions necessary to effect these additions.

There was no further business and the meeting was adjourned.

John P. Horgan
Acting Secretary