PLAINTIFF'S
EXHIBIT
GF-1960

79TH ANNUAL REPORT

RUBEROID®

The RUBEROID Co. / 1965

GAF 12335

FINANCIAL HIGHLIGHTS

	1965	1964
Net Sales	$151,196,993	$131,415,409
Net Income	$6,041,458	$5,099,270
Net Income Per Share	$3.25	$2.75
Cash Dividends	$2,971,671	$2,962,509
Dividends Per Share	$1.60	$1.60
Working Capital	$37,876,807	$34,830,369
Stockholders' Equity	$74,155,168	$70,876,717
Equity Per Share	$39.88	$38.27
Shares Outstanding at Year-End	1,859,557	1,852,137

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ON THE COVER is shown the new trademark of the Company. It is our symbol of service to the building material and floor covering industries. This new trademark is now being placed on our advertising, our packages, plant facilities and literature.

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

Annual Meeting of Ruberoid stockholders will be held in the Park Hotel, Plainfield, N. J. on April 29, 1966. All stockholders are cordially invited to attend. A notice of meeting, a proxy statement and a proxy solicited by the management will be mailed to each holder of capital stock.

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

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THE PRESIDENT'S MESSAGE



To Our Stockholders:

Our operations in 1965 were most gratifying as they reflected another year of progress and expansion for our Company. With favorable increases in sales, earnings, plant facilities, new products and new markets, Ruberoid continued to broaden its role in the building material and floor covering industries.

For the second successive year, we generated record net sales, as they increased 15% over 1964's total. Earnings showed a continuing rise as they climbed 18.5% to $6,041,458, equal to $3.25 per share. This encouraging performance in earnings was underlined by many factors, the most notable being the increased sales volume, further increases in operating efficiencies, effective cost control programs and the growing profitability of our products.

The year also witnessed the widening of our corporate framework with the completion of three new plants—at Tampa, Florida; Vails Gate, New York and Annapolis, Missouri—and the acquisition of the Sandura Company's vinyl sheet flooring facility at Fullerton, Pennsylvania.

One of the year's most significant achievements was our purchase of the Sandura Company and its outstanding sheet vinyl flooring line. As a consequence of this added dimension in the resilient flooring field, we broadened our floor covering product line, enlarged our distribution network, strengthened our sales posture and increased our profits.

As we enter 1966, we are encouraged by indications pointing to a continued high level of new construction and building remodeling activities and by the present economic factors which signal another year of business growth. These conditions should provide an outlet for our products which we believe will enable your Company to continue its present favorable trend

Once again the Directors and Officers are pleased to acknowledge the loyal support that has been manifested by our customers, stockholders and employees. Over the years, their collective efforts have aided substantially in furthering the Company's growth and profitability

Sincerely,

E. J. O'Leary
Chairman and President

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OPERATIONS IN 1965

SALES AND INCOME

Net sales of $151,196,993 in 1965 reached record levels for the second year in a row. When compared with 1964's total of $131,415,409, this represented a 15% increase.

Net income for the year, after provisions for taxes, rose 18.5% to $6,041,458, the equivalent of $3.25 per share on the average number of outstanding shares of stock. In 1964, the Company had net income of $5,099,270, equal to $2.75 per share.

FINANCIAL CONDITION

The Company's performance in 1965 resulted in a further strengthening of its financial structure. At the close of the year, working capital amounted to $37,876,807, an 8.7% increase over 1964's year-end total of $34,830,369.

The ratio of current assets to current liabilities was 4.1 to 1. In 1964, this proportion was 4.0 to 1.

On May 1, 1965, the Company acquired the net assets and business of the Sandura Company, a manufacturer of sheet vinyl floor coverings, for approximately $6,500,000 in cash. The necessary funds for this purchase were obtained through a refinancing of your Company's outstanding bank loans. The results of operations of this new Division are included, since the date of its acquisition, in your Company's 1965 financial statements.

The stockholders' equity at the year end amounted to $74,155,168, equal to $39.88 a share. In 1964, net worth totaled $70,876,717 or $38.27 per share.

DIVIDENDS AND STOCKHOLDERS

Quarterly dividend payments of 40 cents a share were paid to holders of the Company's capital stock in March, June, September and December. This $1.60 total annual payment represented the Company's 77th year of uninterrupted dividend payments.

At the close of 1965 there were 1,859,557 shares of outstanding capital stock held by 9034 stockholders. This compares with 1,852,137 shares held by 9312 stockholders at the 1964 year-end.

PLANT AND EQUIPMENT

Capital expenditures during 1965 were the largest for any year in the Company's history and again emphasized expansion and cost reduction with a view of increasing profitability.

With expenditures in all Company divisions, the outlay for these improvements and additions aggregated a record $18,579,000, which represents 17.4% of the total gross book value of our plant, property and equipment.

These outlays were made principally for the completion of three new plants and the acquisition and expansion of the Sandura Company production facilities. The three new facilities are: an asphalt roofing plant at Tampa, Florida; a roofing granule facility at Annapolis, Missouri and a floor tile facility at Vails Gate, New York.

The total 1965 expenditures for repair and maintenance were $8,250,050, compared with $7,335,592 for 1964.

RESEARCH AND DEVELOPMENT

Research and development programs again made substantial contributions to the company's growth in sales, earnings and financial strength. These activities for the year were centered on present product development, new product research and development, raw materials utilization and new process methods. By maintaining a close liaison between research scientists and the divisional manufacturing departments, many notable achievements were realized.

In the roofing granule division, research projects led to the development of improved ceramic colorations and a new special surface treatment which advanced the product line to its current high quality standard. The exceptionally smooth start-up of the complex operations at the new Annapolis, Missouri plant was made possible to a great degree by the extensive preliminary preparations and planning by research specialists.

New product developments included two gypsum wall board specialties — one a multi-color line of

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attractive vinyl-surfaced wallboard and the other a board bearing a high fire resistance rating. A new vapor barrier, polyvinyl fluoride, laminated insulation jacketing for industrial use was also successfully developed.

One of the most notable research achievements was the creation of a new type flooring felt with a resin-impregnated backing bearing water-repellent and indent-resistant properties. This is particularly important as it provides the company with its own basic starting material for its sheet vinyl flooring products.

Floor covering research also aided in the introduction of four new embossed vinyl asbestos floor tile styles that gave Ruberoid the industry leadership in this category.

Through technical and research efforts, a new embossed vinyl sheet foam flooring product was successfully introduced. This new product, which provides both greater comfort and extra quietness underfoot, achieves improved and realistic styling by harmonizing color and design with a three-dimensional textured surface.

New developments in the fields of plastics, polymers, silicones and other chemicals were adapted for use in many of the company's commodities, particularly mineral fiber products, roofing granules and floor coverings.

With its continuing stress on the development of new concepts, new products and new application techniques, that will serve as the stimulus for competitive mobility and future growth, your Company is totally committed to forging a deeper path of importance in the building material and floor covering industries.

ORGANIZATION

In a series of moves to strongly position its executive team for future growth and expansion, the Board of Directors elected the following corporate members to new official responsibilities:

Thomas H. Dermody was elected Senior Vice President — Finance. He will continue to exercise responsibility for the Company's financial operations.

Frederick K. Sweeney was elected Senior Vice President—Group Divisions, with general responsibility for the Company's Building Products, Industrial Products and Roofing Granule Divisions.

Joseph G. Hall was elected division head of the Company's Building Products Division with the title of Vice President and General Manager.

Leonard B. Farrell was elected to the new post of Vice President, Industrial and Public Relations.

J. Stokes Clement was elected Vice President and General Manager of the Company's new Sandura Division. He had been President of the Sandura Company until its acquisition by Ruberoid early in the year.

Thomas A. Dent was elected Vice President, Operations with responsibility for engineering, research, traffic, purchasing and trade relations.

Warren Darrell was elected Assistant Vice President, Operations.

Lauren M. Richmond was elected to the post of Assistant Comptroller.

The following divisional officials were named:

William C. O'Brien was advanced to the post of Vice President, Sales of the Industrial Products Division.

Carl H. Thede was named General Sales Manager of the Building Products Division.

James C. Murphy became Vice President, Sales of the newly-created Floor Covering Sales Division that combines the sales forces of the Company's Floor Tile and Sandura Divisions.

Hunter Corbett was named General Sales Manager for this new sales division.

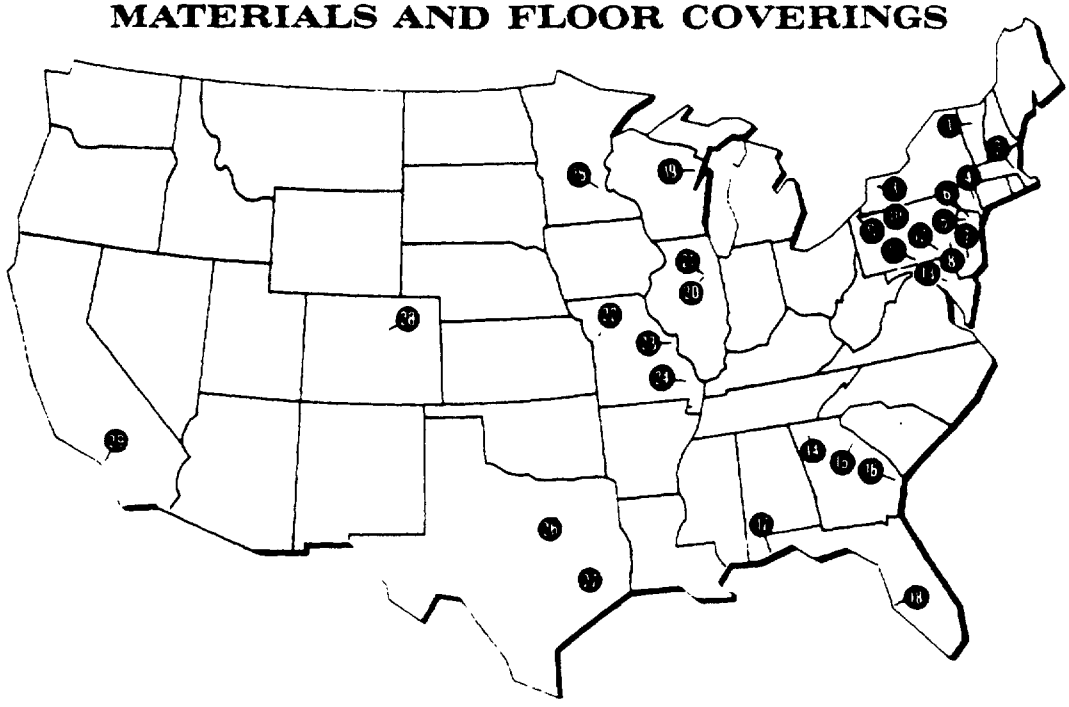
INDUSTRIAL RELATIONS

The Company's employee relations continued at a most satisfactory level. Concurrent with the growth of our corporate structure, there has been an increase in the number of collective bargaining agreements to be negotiated and administered.

The year has also witnessed a significant escalation of the Company's safety and housekeeping program, resulting in a decrease in the accident frequency rate and improved working conditions at many of the Company's locations.

The RUBEROID Co.

NATIONWIDE PRODUCER OF BUILDING MATERIALS AND FLOOR COVERINGS



RUBEROID PLANTS, MINES AND QUARRIES

1. Hyde Park, Vermont
2. Millis, Massachusetts
3. Wheatland, New York
4. Vails Gate, New York
5. Bound Brook, New Jersey
6. South Bound Brook, New Jersey
7. Gloucester City, New Jersey
8. Fullerton, Pennsylvania
9. Erie, Pennsylvania (Lake plant)
10. Erie, Pennsylvania (16th Street plant)
11. Charmian, Pennsylvania
12. Delta, Pennsylvania
13. Baltimore, Maryland
14. Fairmount, Georgia
15. Hartwell, Georgia
16. Savannah, Georgia
17. Mobile, Alabama
18. Tampa, Florida
19. Kremlin, Wisconsin
20. Joliet, Illinois (Washington St. plant)
21. Joliet, Illinois (N. Broadway plant)
22. Kansas City, Missouri
23. St. Louis, Missouri
24. Annapolis, Missouri
25. Minneapolis, Minnesota
26. Dallas, Texas
27. Houston, Texas
28. Denver, Colorado
29. Long Beach, California

SALES OFFICES

Mobile, Alabama · Long Beach, California · Denver, Colorado · Tampa, Florida · Savannah, Georgia
Joliet, Illinois · Baltimore, Maryland · Hagerstown, Maryland · Millis, Massachusetts
Detroit, Michigan · Minneapolis, Minnesota · Kansas City, Missouri · St. Louis, Missouri
S. Bound Brook, New Jersey · Vails Gate, New York · New York, New York
Wheatland, New York · Erie, Pennsylvania · Dallas, Texas · Houston, Texas

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PRODUCTS

BUILDING PRODUCTS DIVISION

ASPHALT ROOFING AND SIDING MATERIALS
Asphalt Roll Roofing–smooth mineral surfaced
Asphalt Shingles–all types
Asphalt Sidings
Plastic Roof Cement and Roof Coatings

BUILT-UP ROOFING AND WATERPROOFINGS
Asphalt, Asbestos and Tarred Roofing Felts
TUFNA 200® Roof Membrane
Universal Base Sheet
Special Roofing Bitumen
Fiberglas* Roof Insulation

MINERAL FIBER* ROOFING AND SIDING
Mineral Fiber* Roof Shingles
Dura-Color® clapboard and weatherboard siding
Dura-Shake® weatherboard siding
Mineral Fiber* Flat Sheets

UNSATURATED FELTS

GYPSUM WALLBOARD LATH AND SHEATHING

BUILDING AND WATERPROOF PAPERS

FIBERGLAS* BUILDING INSULATION

FLOOR TILE DIVISION

FLOOR TILES
Vinyl-Asbestos
Asphalt

ACCESSORIES
Cove Base and Corners
Feature and Reducing Strips
Adhesives

SANDURA DIVISION

VINYL SHEET FLOOR COVERINGS

ACCESSORIES
Latex Seam Filler
Vinylweld Seam Fuser
Adhesives

ROOFING GRANULE DIVISION

ROOFING GRANULES

FILLERS MICA

INDUSTRIAL PRODUCTS DIVISION

MINERAL FIBER* PRODUCTS
Corrugated Mineral Fiber* Board
Stonewall® Board

INSULATION–PIPE COVERINGS, ETC
Molded Pipe Covering and Blocks–Calsilite
Fiber Glass Pipe and Duct Insulation
TUFNA 100® Insulation Jacketing
Asbestos Paper–Rollboard–Millboard
Insulation Cements
Insulating Tape

ASBESTOS FIBRE

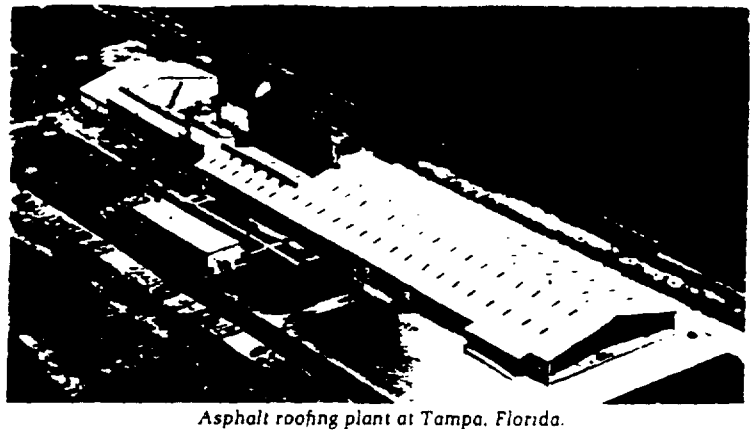
AUTOMOTIVE PRODUCTS
Sound Deadening Felts
Dash Insulation Assemblies
Tufting Felts
Foundation Board

PIPE LINE PRODUCTS
Asbestos Pipe Line Felts
Flexible Rock Shield Board
Inner and Outer Glass Wrap

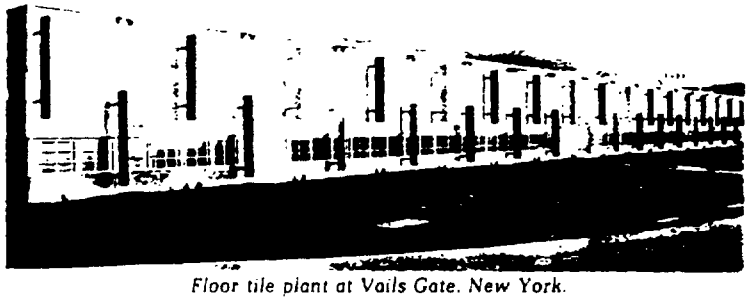
COAL TAR PRODUCTS
Refined Coal Tar
Coal Tar Pitch

*New designation for asbestos-cement
®TM of Owens Corning Fiberglas Corp

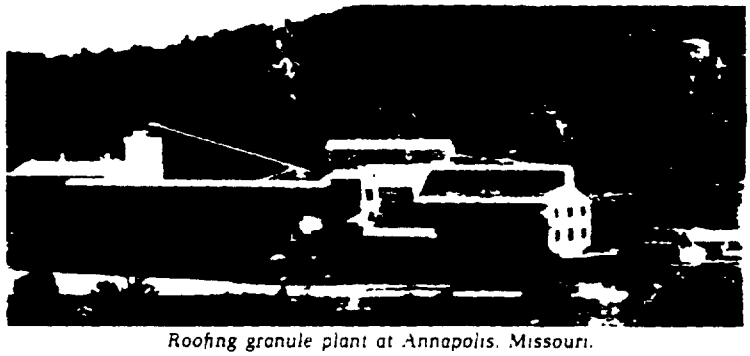
NEW PLANT ADDITIONS



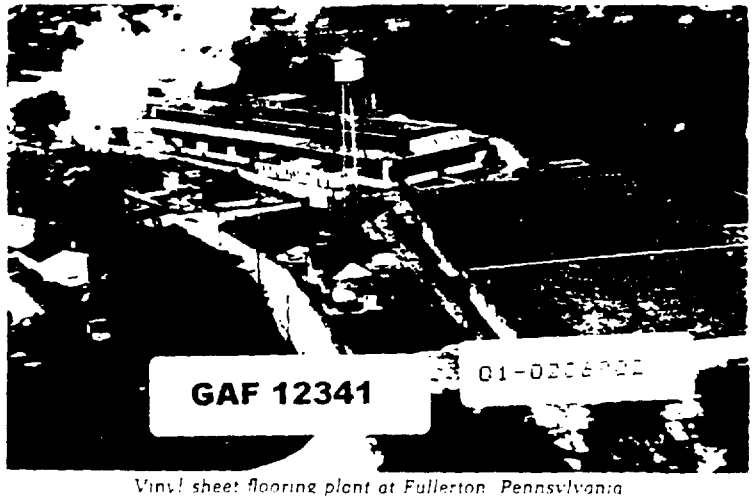
Asphalt roofing plant at Tampa, Florida.



Floor tile plant at Vails Gate, New York.



Roofing granule plant at Annapolis, Missouri.



Vinyl sheet flooring plant at Fullerton, Pennsylvania



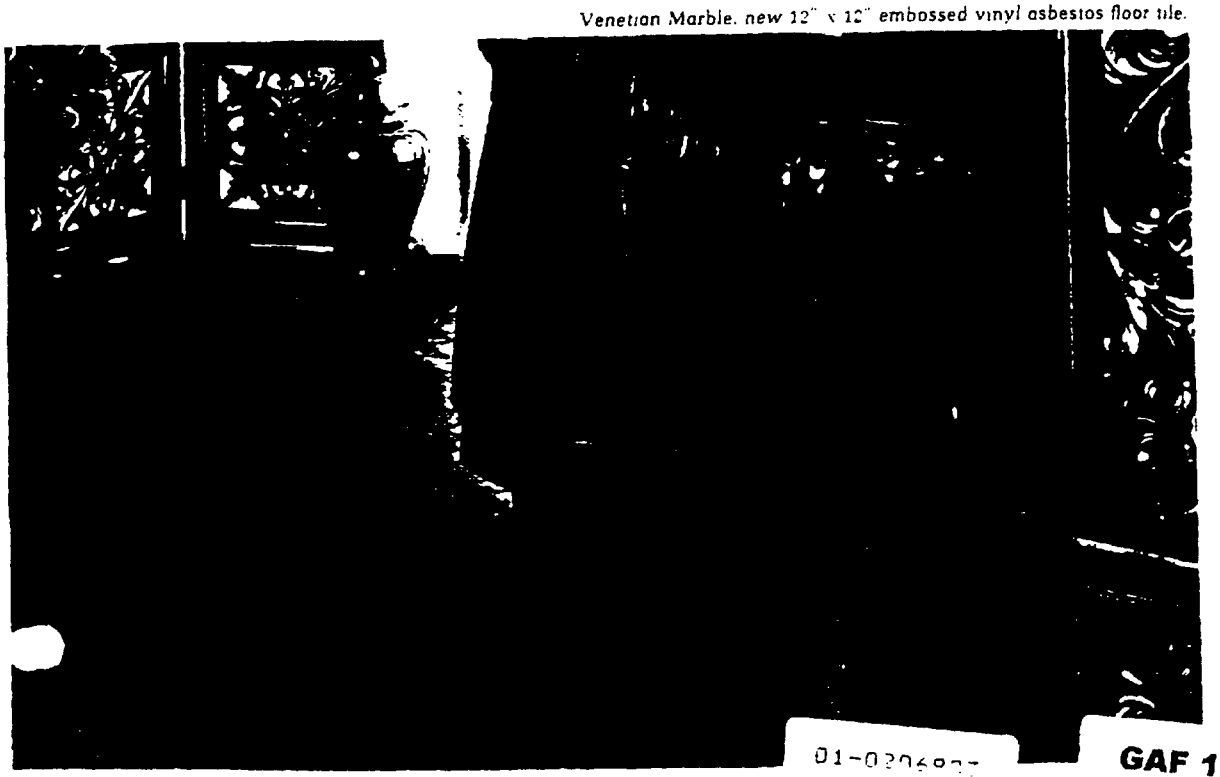
Spanish Tile, a Luran Airtred sheet vinyl floor.

FLOOR COVERING

Over the years, Ruberoid has established itself as a leading manufacturer of vinyl asbestos floor tile. With the acquisition of the Sandura Company, it now offers a complete line of vinyl sheet coverings as well.

With this well-rounded line, the Company solidified its position within the resilient flooring industry as it continued to answer the demands of consumers, architects and decorators with more sophisticated patterns, textured surfaces and natural look stylings.

Venetian Marble, new 12" x 12" embossed vinyl asbestos floor tile.



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DIVISION

Throughout the year, the Company continued to stress the introduction of embossed vinyl asbestos floor tile patterns. As a result, Ruberoid now holds the industry leadership with more style groups in this series than any other producer of floor tile.

Foremost among the new roll goods in the Sandura line are the Luran[5] and Softred™ products. Both these items offer a built-in vinyl foam interlayer for extra quietness as well as greater warmth and comfort underfoot.



Mexican Agate, a Luran Airtred sheet vinyl floor.

Rattan, a 12" x 12", embossed vinyl asbestos floor tile.



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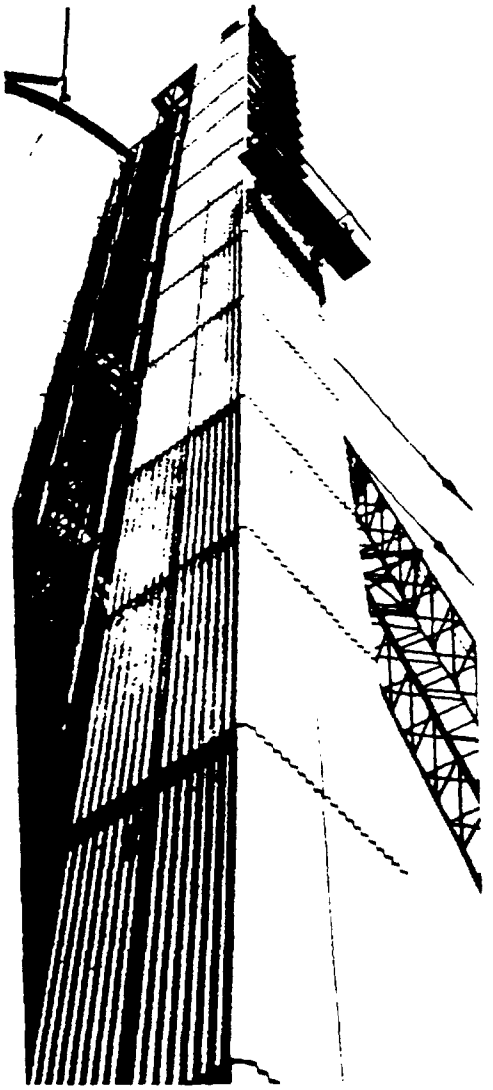

INDUSTRIAL

The Company's industrial products continued to meet the growth demands of a booming economy. Owing to the proven quality of this product line, the constant development of new and improved products, a continuing research pro-



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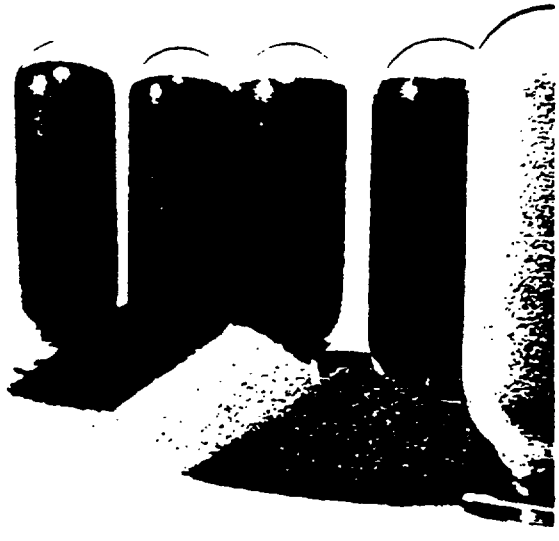
PRODUCTS DIVISION

gram devoted to the development of new uses for existing products, and an aggressive sales effort, new markets were opened and already established markets further expanded.

Ruberoid's industrial products include asbestos papers, millboard, special gasketing materials, automotive sound-deadening products, corrugated asbestos siding, T NA 100,[5] a multi-purpose insulation jacketing, and Calsilite, the new pressure-molded thermal insulation for temperatures up to 1250 degrees Fahrenheit.

Corrugated asbestos serves as the durable siding for the steeply-rising industrial tower (photo at far left). This attractive, economical, weatherproof product is well known for its resistance to fire, corrosion, industrial fumes, acids, alkalis and smoke conditions. T NA 100 covers the industrial tank in the other illustration on page 8.



ROOFING GRANULE DIVISION

Roofing granules continued to be an important commercial operation of the Company. In addition to supplying the needs of its own roofing plants, Ruberoid is a major supplier to several asphalt roofing manufacturers. After being mined, crushed, milled and ceramically color-coated, these mineral granules are imbedded in the surface of asphalt roofing materials to give the roofing its color beauty and to form an essential shield against weather and fire.

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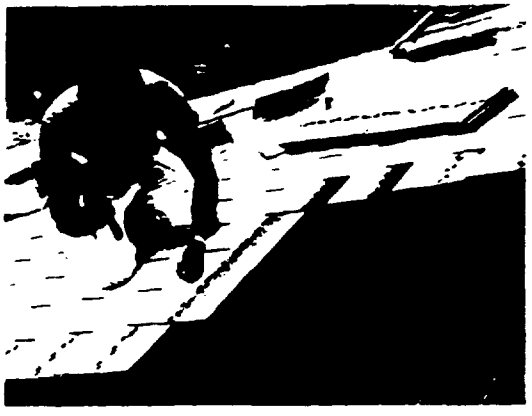





BUILDING PRODUCTS DIVISION

The most important area serviced by this division is the home building market, both in the field of remodeling and in the field of new construction. Among the building materials produced for this market are a full line of asphalt roofing and siding, mineral fiber roofing and siding, a complete range of building insulations, building felts and building papers, and a line of gypsum wallboard.

Of special note among these products, is the Ruberoid Fire Guard,® a new extra-heavyweight "Class A" premium roof shingle introduced during 1965 to further establish your company's position as the nation's leading manufacturer of asphalt roof coverings. This wind-safe shingle is granted the highest fire protection rating for roofing by the Underwriters Laboratories, Inc.

Ruberoid's mineral fiber sidings — both Dura-Color® and Dura-Shake ®— continued to grow in importance as a sidewall material for the small home. This stonelike material — which features factory-applied colors that are literally "preserved in plastic" — enhances the beauty of any home and eliminates the expense of periodic painting.

Another important product area of this division is its comprehensive range of built-up roofing materials, used in covering large institutional and commercial buildings throughout the country.



The photographs at the far left show the application of some of the more important of the Ruberoid building products. At the top a roofer applies Ruberoid Fire Guard, the Company's new "Class A" premium asphalt roof shingle. The illustration below that shows the installation of Ruberoid Gypsum Wallboard in the interior of a home. At the bottom, Ruberoid Dura-Color Siding is applied over wood undercoursing strips. The full color illustration above shows a completed home that has been sided with Dura-Color.

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FINANCIAL STATEMENTS

INCOME AND INCOME RETAINED IN THE BUSINESS

	1965	1964
Revenues:		
Net sales	$151,196,993	$131,415,409
Other income, net	347,278	213,450
	151,544,271	131,628,859
Costs and Expenses:		
Cost of goods sold	119,436,706	104,216,826
Selling and administrative	17,253,900	15,006,535
Interest	860,853	344,699
Depreciation and depletion	4,617,354	3,840,529
Federal income taxes (Note 4)	3,334,000	3,121,000
	145,502,813	126,529,589
Net Income for the Year	6,041,458	5,099,270
Income Retained in the Business at Beginning of the Year	36,928,189	34,791,428
Cash Dividends Paid—$1.60 per share	(2,971,671)	(2,962,509)
Income Retained in the Business at End of the Year	$ 39,997,976	$ 36,928,189

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FINANCIAL POSITION AT DECEMBER 31

	1965	1964
Current assets:		
Cash	$ 4,889,010	$ 6,110,344
Marketable securities, at cost (which approximates market value)	59,794	6,559,794
Receivables, less allowances for doubtful accounts of $550,000 in 1965 and $450,000 in 1964	24,906,197	18,211,393
Inventories, at lower of average cost or market:		
Raw materials and supplies	7,323,734	6,227,046
Finished products and work in process	11,737,601	8,857,876
Prepaid expenses	1,039,361	663,892
Total current assets	49,955,697	46,630,345
Less—Current liabilities:		
Accounts payable	6,223,157	4,433,784
Current portion of long-term debt	1,365,000	560,000
Accrued expenses	3,129,470	2,512,499
Federal income taxes	1,361,263	2,325,693
Deferred income from sale of production payment, net of federal income taxes		1,968,000
Total current liabilities	12,078,890	11,799,976
Working Capital	37,876,807	34,830,369
Investment in and advances to Cabot Titania Corporation, at cost (Note 1)	4,300,000	3,700,000
Property, plant and equipment, at cost, less accumulated depreciation and depletion of $49,892,862 through 1965 and $45,909,465 through 1964 (Note 2)	57,008,361	43,046,696
Working capital and other assets	99,185,168	81,577,065
Less:		
Notes payable (Note 3)	15,225,000	6,440,000
Obligation under long-term lease (Note 2)	4,805,000	
Reserve for bonded roofs	1,200,000	1,431,128
Deferred federal income taxes (Note 4)	3,800,000	2,829,220
	25,030,000	10,700,348
Stockholders' equity	$74,155,168	$70,876,717
Represented by:		
Capital stock — authorized 3,000,000 shares of $1 par value—issued 1,915,682 shares (Note 5)	$35,721,687	$35,719,818
Income retained in the business, excluding amounts transferred to capital stock	39,997,976	36,928,189
	75,719,663	72,648,007
Less—Capital stock held in the treasury, at cost—56,125 shares (1965) and 63,545 shares (1964) (Note 5)	1,564,495	1,771,290
	$74,155,168	$70,876,717

NOTES TO FINANCIAL STATEMENTS

NOTE 1–INVESTMENT IN AND ADVANCES TO CABOT TITANIA CORPORATION: The Company's investment in Cabot Titania Corporation at December 31, 1965 consists of 20,000 shares of 5% cumulative convertible voting preferred stock (representing a 20% equity interest) and notes receivable of $2,300,000 with interest at 5½% due in 1973. The remaining 80% equity interest, represented by 80,000 shares of common stock, is held by Cabot Corporation. The Company has an option to increase its equity interest in Cabot Titania to 33⅓% through the purchase of common stock from Cabot Corporation. This option is exercisable in June 1967. If the option is exercised, the Company must also increase its proportionate share in loans made to Cabot Titania.

Based upon recent unaudited financial statements, the Company's investment in Cabot Titania at December 31, 1965 exceeds its equity in the net assets thereof by approximately $400,000. A year ago, it had been anticipated that Cabot Titania would achieve complete commercial production in 1965. However, due to certain technical difficulties this goal was not fulfilled; based on current estimates, reasonable levels of production, quality and pigment range will be reached by the end of 1966. Although further losses are anticipated during 1966, management is of the opinion that there is no permanent impairment of the Company's investment.

Dividends and interest on the preferred stock and notes receivable have been temporarily deferred. Such amounts will not be taken into income by the Company until received.

The Company is contingently liable as guarantor of notes payable of Cabot Titania Corporation in the amount of $2,500,000.

NOTE 2–PROPERTY, PLANT AND EQUIPMENT: On October 1, 1963 the Company entered into an agreement with the City of Annapolis, Missouri to lease, for a period of twenty years ending on September 30, 1983, a roofing granule plant located in Annapolis. The City raised the funds for construction of this facility through the issuance of 20-year Industrial Revenue Bonds, with interest rates of 3⅜% to 4¼%. The bonds mature in annual instalments from 1966 through 1983. Construction of the plant was completed in September 1965.

Annual rentals under the lease are approximately $385,000, commencing on September 15, 1965, plus certain other costs and expenses. The lease is noncancellable and is renewable, at the Company's option, for fifteen five-year periods at reduced rentals. The Company has an option to purchase the plant and property at any time after August 1, 1973 for an amount sufficient to redeem all outstanding Industrial Revenue Bonds.

The Company considers this transaction to be in substance, an instalment purchase of the facilities and accordingly, has recorded the property, plant and equipment so acquired at the amount of the related liability for the Industrial Revenue Bonds. The portion of this indebtedness due in 1966, amounting to $195,000, has been included in current liabilities in the Statement of Financial Position at December 31, 1965.

NOTE 3–NOTES PAYABLE: Notes payable at December 31, 1965 consist of:

Notes payable to banks	$15,000,000
6% note payable, due in semiannual instalments to April 1, 1974 (assumed in connection with acquisition of Sandura Company)	1,395,000
	16,395,000
Less—Portion due within one year, shown in current liabilities	1,170,000
	$15,225,000

The notes payable to banks are payable in quarterly

10 YEAR REVIEW–1956-1965

ALL DOLLAR FIGURES EXCEPT THOSE PER SHARE ARE EXPRESSED IN THOUSANDS

YEAR	NET SALES	MATERIALS AND OTHER COSTS–NET	WAGES AND SALARIES	INCOME BEFORE TAXES	FEDERAL INCOME TAXES	NET INCOME			DIVIDENDS	
						AMOUNT	PER SHARE†	% TO SALES	AMOUNT	PER SHARE
1956	$76,360	$46,181	$19,509	$8,117	$3,825	$4,292	$2.90	5.6	$2,960	$2.00
1957	85,257	50,946	21,568	9,792	4,570	5,222	3.26	6.1	3,191	2.10
1958	118,377	77,519	29,312	8,376	3,521	4,855	2.56	4.1	3,042	2.00
1959	127,308	81,177	30,883	12,087	5,457	6,630	3.49	5.2	3,764	2.20
1960	120,077	77,190	30,957	8,717	4,049	4,668	2.45	3.9	3,818	2.00
1961	119,119	76,808	30,705	8,412	3,915	4,496	2.35	3.8	3,824	2.00
1962	120,972	80,021	31,374	6,265	2,541	3,724	1.96	3.1	3,796	2.00
1963	117,393	77,008	30,247	6,476	2,714	3,762*	2.02*	3.2	2,977	1.60
1964	131,415	86,778	32,576	8,220	3,121	5,099	2.75	3.9	2,963	1.60
1965	151,197	100,509	36,696	9,375	3,334	6,041	3.25	4.0	2,972	1.60

†Average number of shares outstanding during year

*Exclusive of special charge of $576,919 equivalent to $.31 per share

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instalments, commencing on March 31, 1966, to June 30, 1972 and bear interest at the rate of 4⅝% per annum until June 30, 1969 and 4⅞% thereafter. The quarterly instalments mature at rates ranging from $250,000 during the first and second years to $1,000,000 during the final year. The loan agreement contains certain restrictive provisions none of which are significant under present conditions. Notes payable to banks of $7,000,000, outstanding at December 31, 1964, were liquidated as part of this new financing.

NOTE 4—FEDERAL INCOME TAXES: Investment credits of $260,000 in 1964 and $1,000,000 in 1965 have been reflected in net income as a reduction of the provision for federal income taxes. The 1965 investment credit includes approximately $500,000, which will be realized through carry-backs to 1962 and 1963, as provided by the Internal Revenue Code.

Depreciation has been recorded for financial statement purposes under straight line methods, whereas for federal income tax purposes the Company has used accelerated methods and guideline lives. Estimated amounts of federal income taxes deferred to future years as a result of this practice have been charged to the provision for federal income taxes ($970,000 in 1965 and $645,000 in 1964) and credited to deferred federal income taxes.

NOTE 5—STOCK OPTION PLAN: The Company's incentive stock option plan for officers and key employees, as amended in 1965, provides for the granting of options to purchase capital stock, with the stipulation that no one employee be granted an option for more than 10,000 shares. Prior to January 1, 1965, option prices had to be not less than 95% of fair market prices at the dates the options were granted and options had to be exercised within ten years from the date of grant. All options granted subsequent to December 31, 1964 must be at not less than 100% of fair market prices and, the options must be exercised within five years from the date of grant. The optionee may exercise up to 40% of the shares subject to option in each of the first two years following the date of grant and the remainder at any time thereafter. Options become cumulative, if not exercised, for the duration of the option period.

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

Option date and price per share	Exercised or terminated during 1965	Shares under option December 31, 1965
June 1957—$28.50	7,125	10,587
Feb. 1958—$34.25	—	2,400
Feb. 1959—$40.00	—	4,300
Jan. 1960—$38.75	1,600	15,250
Oct. 1960—$31.75	—	13,100
Apr. 1962—$35.50	—	4,000
May 1963—$27.00	1,870	17,190
	10,595*	66,827

*Includes 3,175 shares under options terminated during the year.

All shares under option at December 31, 1965 were exercisable at that date. The above option prices represent 95% of the market price of the stock on the dates the options were granted. At December 31, 1965 there were 95,225 shares available under the plan for the granting of additional options.

Options covering 7,420 shares were exercised during the year and such shares were issued from the treasury. The net result of these transactions was credited to the capital stock account.

AVERAGE NO. OF SHARES	STOCKHOLDERS' EQUITY AMOUNT	STOCKHOLDERS' EQUITY PER SHARE	PROPERTY, PLANT AND EQUIPMENT	DEPRECIATION AND DEPLETION	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	YEAR
1,479,986	$52,369	$35.38	$32,319	$2,553	$25,273	$2,271	$23,002	1956
1,600,332	57,358	35.82	35,725	2,951	26,803	2,146	24,657	1957
1,893,875	65,443	34.50	38,301	3,170	41,706	8,743	32,963	1958
1,901,276	68,528	35.99	38,815	3,161	42,598	10,089	32,509	1959
1,908,739	69,542	36.41	38,451	3,213	41,002	7,679	33,323	1960
1,911,903	70,324	36.74	37,720	3,194	40,957	7,360	33,597	1961
1,898,096	68,851	36.93	42,245	3,312	37,429	12,055	25,374	1962
1,860,800	68,689	37.12	42,324	3,662	39,641	8,894	30,747	1963
1,851,393	70,877	38.27	43,047	3,841	46,630	11,800	34,830	1964
1,856,564	74,155	39.88	57,008	4,617	49,956	12,079	37,877	1965

SOURCE AND APPLICATION OF FUNDS-1965

Additions to working capital:		
Net income for the year		$ 6,041,458
Charges to income for depreciation and depletion, not requiring a cash outlay		4,617,354
Increase in long-term notes payable		8,785,000
Increase in deferred federal income taxes		970,780
Sales of capital stock held in treasury to officers and employees under stock option plan		208,664
		20,623,256
Deductions from working capital:		
Net additions to property, plant and equipment	$18,579,019	
Less—Obligation incurred under long-term lease	4,805,000	13,774,019
Increase in advances to Cabot Titania Corporation		600,000
Reduction in reserve for bonded roofs		231,128
Cash dividends		2,971,671
		17,576,818
Increase in Working Capital		$ 3,046,438

PRICE WATERHOUSE & CO.

60 BROAD STREET, NEW YORK, NEW YORK

To the Board of Directors of The RUBEROID Co.

In our opinion, the accompanying statement of financial position, the related statement of income and income retained in the business and the statement of source and application of funds present fairly the financial position of The RUBEROID Co. at December 31, 1965, the results of its operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

January 25, 1966

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OFFICERS

E. J. O'Leary
Chairman of the Board of Directors and President

Thomas H. Dermody
Senior Vice President–Finance

Seymour Milstein
Senior Vice President–Corporate Development

Frederick K. Sweeney
Senior Vice President–Group Divisions

J. Stokes Clement
Vice President-General Manager Sondura Division

Thomas A. Dent
Vice President–Operations

Leonard B. Farrell
Vice President–Industrial and Public Relations

Richard N. Funkhouser
Vice President-General Manager, Roofing Granule Division

Joseph G. Hall
Vice President-General Manager, Building Products Division

Julien O. Heppes
Vice President-General Manager, Floor Tile Division

Warren Darrell
Assistant Vice President–Operations

Oscar A. Maggia
Secretary-Treasurer

Robert N. Ettlinger
Comptroller

Carl L. Eddins
Assistant Secretary and Assistant Treasurer

Lauren M. Richmond
Assistant Comptroller



The Company's Board of Directors is shown here at a recent meeting. Seated, in clockwise formation, from left are.

BOARD OF DIRECTORS

Harry C. Hachmeister
Long Beach, California

*Thomas H. Dermody
Senior Vice President–Finance
The Ruberoid Co

†E. J. O'Leary
Chairman of the Board and President
The Ruberoid Co

Frederick K. Sweeney
Senior Vice President–Group Divisions
The Ruberoid Co

William J. Van Akin
Assistant to President
The Ruberoid Co

*Seymour Milstein
Senior Vice President–Corporate Development
The Ruberoid Co

*Elmer N. Funkhouser, Jr
Executive Vice President
American Metal Climax, Inc

*Gavin K. MacBain
President
Bristol-Myers Company

Barton K. Wickstrum
President
General Time Corporation

Leroy A. Petersen
Chairman of the Board
Otis Elevator Company

*Lyle L. Shepard
Executive Vice President
Cities Service Company

Oscar A. Maggia
Secretary-Treasurer
The Ruberoid Co
(not a Director)

*Member of Executive Committee
†Chairman of the Executive Committee

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