PLAINTIFF'S EXHIBIT

CT-198

CERTAIN-TEED PRODUCTS CORPORATION ANNUAL REPORT 1966

CERTAINTEED

CTD036466

CERTAINTEED

The new Certain-teed symbol has been developed to unify the Company's marketing efforts. It further provides a strong family identification for the Company's expanding product lines and operations.

FINANCIAL HIGHLIGHTS

[illegible]

	1966	1965 (Restated)	1965
Net sales	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
[illegible]	[illegible]		
[illegible]	[illegible]	2,282,308	2,282,308
[illegible]			
[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

	1966	1965 (Restated)	1965
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CTD036467

TO OUR SHAREHOLDERS

Despite adverse business conditions in 1966 affecting the sale of many of our products and our total corporate profits, we continued to improve the foundations for the future development of our company. Our merger with Gustin-Bacon Manufacturing Company in July, 1966, has greatly improved our position as a manufacturer and marketer of fiber glass products, has provided us with several new products of substantial promise, and has opened new markets to our company with opportunities for the future.

During the year new plants were completed, and new manufacturing capacity became available for several of our divisions; but, at about the same time, the decrease in the supply of funds for financing construction projects greatly curtailed the demand for many of our products. We believe this is a temporary condition, and there are indications that mortgage money is becoming more readily available. As this trend continues, the demand for our products should increase and we will be able to make profitable use of our increased manufacturing capacities.

To provide a more effective organization for our enlarged operations in 1967, we have strengthened our management and realigned many of its functions.

Looking ahead, we are planning for improvement in our manufacturing technology, we are exploiting to the fullest extent our marketing opportunities, and we are using our augmented facilities and personnel as efficiently as possible, while reducing costs and expenses without impairing the effectiveness of our operations. With any significant improvement in the availability of financing for building construction and water and sewer projects, the demand for which has presently been deferred, we would anticipate an improvement in our sales and earnings.

During the past year Mr. N. W. Pearson, Mr. J. O. Biggs, Mr. M. S. Davis, Jr., and Mr. Harold McNabb were elected new members of the Board of Directors. Mr. Pearson is Vice President and Governor of T. Mellon & Sons, of Pittsburgh, Pennsylvania. Two of our Directors who had long and distinguished records of service, Mr. A. J. Hettinger, Jr. and Mr. William C. Baird, retired from the Board, and Mr. J. R. Johnston retired as a vice-president at the end of 1966 after many years of faithful service but continues as a Director. Mr. A. L. Gustin, Jr., who was elected a director at the time of the merger with Gustin-Bacon Manufacturing Company, died before he could assume the duties of that office.

We wish to express our appreciation of the co-operation of our stockholders, customers, and friends; and to commend the efforts of our employees, all of whom have contributed much in 1966, and whose continued co-operation is essential to our success in the future.

Respectfully submitted,

Pearson G. Lizaris
Chairman of the Board

Malcolm Meyer
President

Ardmore, Pennsylvania
February 13, 1967

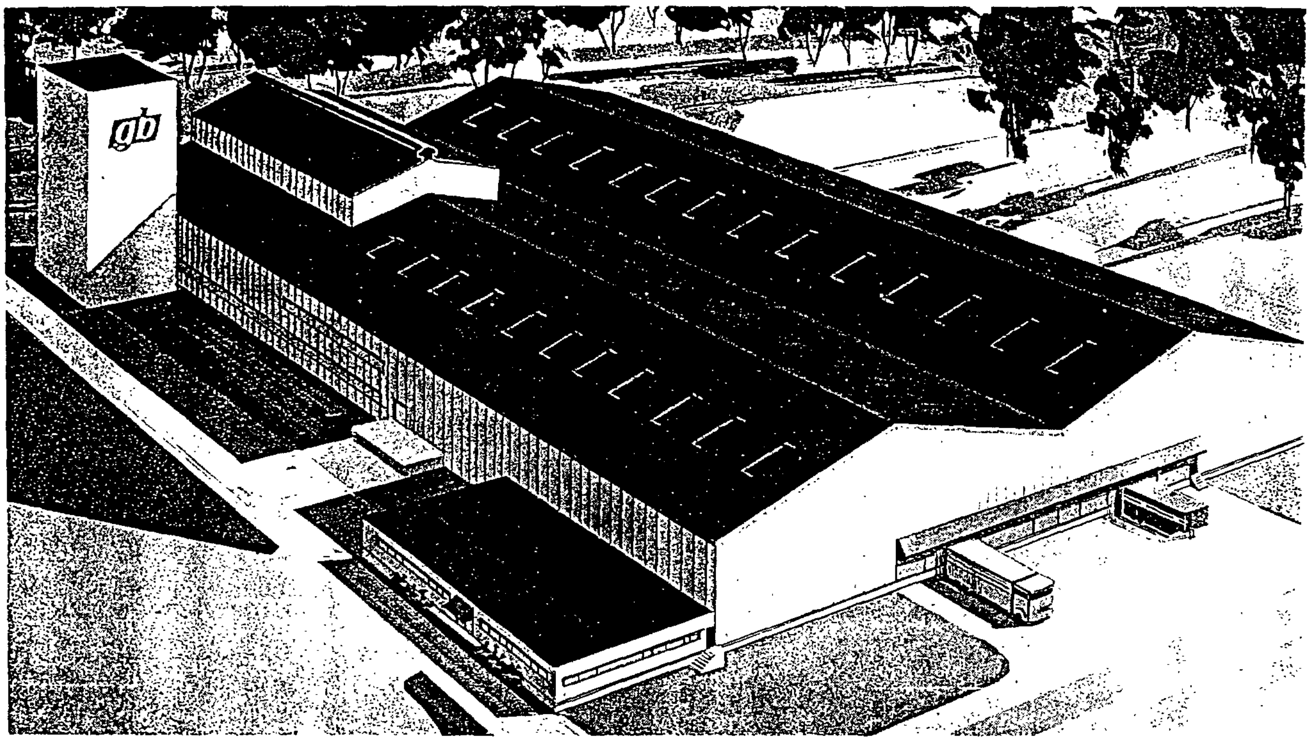
CTD036468

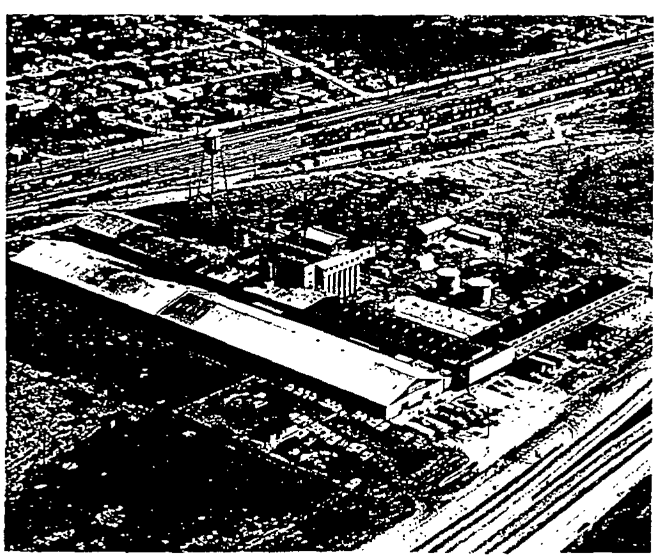
An artist's rendering of the new Berlin, New Jersey glass plant

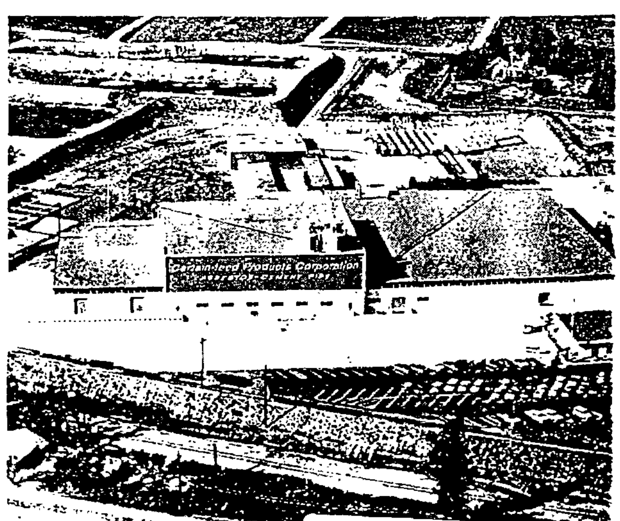
An aerial view of the Dallas, Texas roofing plant

The new Riverside, California pipe plant

OPERATIONS IN 1966







Merger with Gustin-Bacon Manufacturing Company

The financial statements for the year 1966 and the comparative figures shown for the year 1965 include the accounts of Gustin-Bacon Manufacturing Company which was merged into the Company on July 1, 1966. Reference is made to the Notes to Financial Statements for information regarding the method of financial reporting, and a description of the Series A Convertible Preferred Stock issued in connection with the merger.

Sales and Earnings

Net sales in 1966 were $165,372,708, as compared with $166,583,223 in 1965. Net earnings after taxes for the year 1966 were $4,185,056 or 90 cents per share of Common Stock, compared with $7,501,505 or $1.94 per share of Common Stock for 1965. Earnings per share of Common Stock were computed after allowance for dividends on the Series A Convertible Preferred Stock as if the merger had been in effect for the two years.

A number of factors were present in 1966 which interfered with normal economic growth. The extreme shortage of mortgage money brought housing starts to the lowest level in twenty years. The high cost of money caused the market for municipal bonds to fall sharply and many municipalities to defer bond offerings for sewer and water projects. A back-up of applications for Federal grants caused a further slow-down in sewer and water projects. Labor disputes at certain of the Company's locations also resulted in a curtailment of production and sales activities.

These conditions developed during the same period in which substantial new productive capacity began operations with its attendant start-up costs and manufacturing overhead. A three-year program increasing capacity in our Pipe Division, a new fiber glass plant in our Gustin-Bacon Division, and increased capacity in our Plastics Division are dependent upon a growth in sales to recover increased costs and generate profit. The decline in profits during 1966 was thus accentuated by the combination of higher costs from new facilities and lower sales volume from general economic conditions.

Financial Position

The capital improvement programs of the Company during the past three years have been financed from retained earnings and short term bank loans. The uncertain conditions in the money market as well as expectations of future investment as market conditions warrant gave rise to the decision to place a modest amount of debt on a long term basis. Accordingly, the Company entered into a loan agreement with The Prudential Insurance Company for a $10 million loan of which $3.73 million represented refinancing of existing debt and $6.27 million represented new money to be borrowed in 1967. The loan bears interest at 5.55% and is due in annual payments of $550,000 commencing April 1, 1970 with final payment due April 1, 1987.

Working capital at the end of 1966 was $36,675,012, representing an increase of $883,997 over the balance at the end of 1965. Approximately $7.5 million was spent in 1966 for additional property, plant and equipment.

Dividend Payments

Total dividends paid on Common Stock during 1966 amounted to $2,530,847 or 80 cents per share, compared to $2,282,304 or 72½ cents per share in 1965. Dividends on the Series A Convertible Preferred Stock, issued as of July 1, 1966 in connection with the merger of Gustin-Bacon Manufacturing Company into the Company, have been paid in the amount of $667,386, or 45 cents per share.

Looking Ahead

The conditions in the economy at the present time, both as to the private sector and public and defense programs, are difficult to appraise. Some encouraging signs are present relating to the mortgage market and homebuilding, but it is too early to predict clearly what effect other factors in the economy will have on the markets in which the Company is engaged. In the meantime, management is exerting every effort to increase sales volume and lower costs throughout the Company. New capital expenditures are being restricted to those investment opportunities offering profit under present marketing conditions. The earnings base of the Company has been increased substantially through new manufacturing capacity, and a return to a normal growth pattern in our various markets holds promise of progress for Certain-teed in the years ahead.

CONSTRUCTION MARKETS

MARKETING

The markets for which Certain-teed has geared itself, through internal development and acquisition, are those in which progress can be expected in the years immediately ahead. Though they are interwoven in terms of specific products, these markets can be generally defined in terms of

- Construction Markets
- Fiber Glass Markets
- Pipe Markets
- Industrial Markets

While the effects of a shortage of mortgage money in residential construction may continue to be felt in 1967, the overall outlook for this market is improved. Adding to the prospects for an upturn in home building is the opportunity for increased market penetration from Certain-teed's diversified range of building materials.

This product mix includes both the staples of the industry—shingles, millwork, insulated sheathing and acoustical products—as well as the new materials which can be expected to add efficiency and design appeal to the residential building market —vinyl siding, vinyl plumbing pipe, fiber glass insulation, and the new Hallmark shingle, which adds texture and dimension to roofs.

Construction materials are marketed nationally by Certain-teed's Building Materials Division in Ardmore, Pa. and, in the Southwest, by Certain-teed's Cameron Division, with headquarters at Waco, Texas. Products marketed by the Building Materials Division include roofings, sidings and sheathing, fiber glass insulations, acoustical ceiling systems, piping for plumbing systems, and others. As one of the nation's largest building materials wholesalers, Cameron distributes Certain-teed's construction products to some 3,000 dealers in this area. The Cameron Division is also responsible for the production and marketing of Ideal millwork, one of the nation's leading brands.

Certain-teed's expanding line of building products has growing market acceptance. For example, the trend to fiber glass house insulation is now exerting its full impact as evidenced by the fact that it has become the standard for insulating new and existing houses. The acquisition in 1966 of the Gustin-Bacon Manufacturing Company, a leading producer of fiber glass, was timely in that it will enable Certain-teed to gain a larger share of this important market.

The Hallmark shingle was developed by Certain-teed to fill an architectural need for a roofing with the life and fire resistance of an asphalt shingle and the texture and dimension of hand split shakes. This product offers unusual appeal to the discriminating home owner and builder.

Similarly, polyvinylchloride pipe for residential plumbing is at the base of an upward curve. PVC's light weight, ease and economy of installation should make vinyl pipe and fittings the builder's choice for drain, waste and vent lines in houses, apartments and mobile homes. In 1967, pressure-rated PVC pipe and fittings for domestic water supply will also be made by Certain-teed.

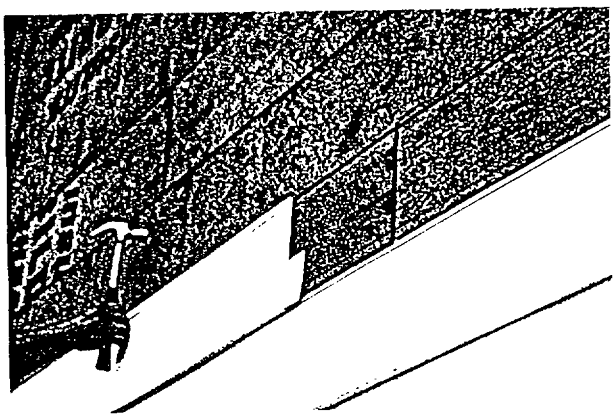
Vinyl siding, which has the visual attractiveness of wood siding, is maintenance-free and has appealed to the buyer because he can buy "more house" with money normally spent for periodic exterior painting. In addition, Certain-teed markets other extruded plastic building materials, all of which offer favorable sales opportunities.

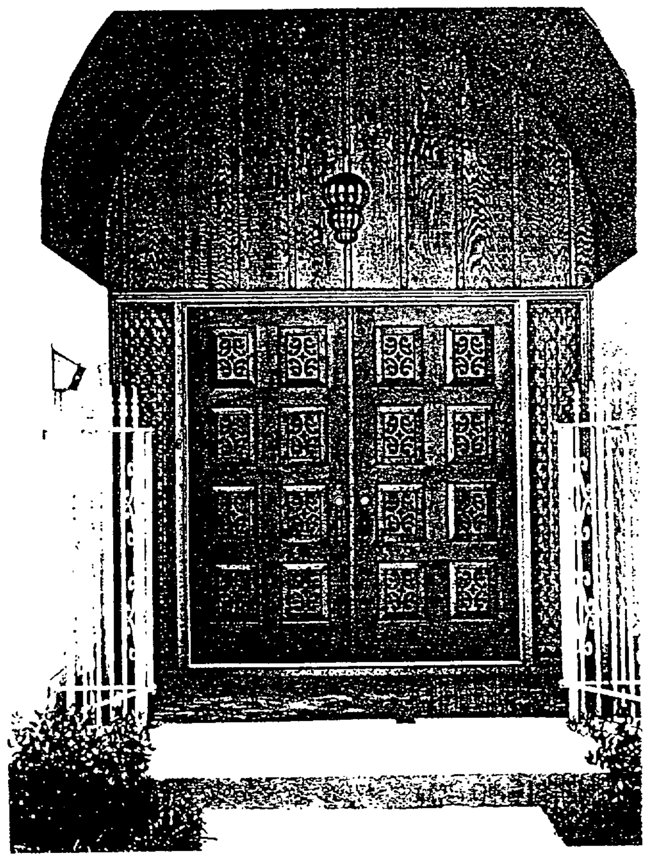
Certain-teed's vinyl siding is maintenance free, never needs painting. Will not rust, peel, rot or corrode. The ease of application plus the aesthetic qualities of the product, make it tremendous potential in the remodeling market.

A variety of Certain-teed insulation.

Spanish door with grilles. Design by IDEAL Millwork.

The asphalt Hallmark shingle provides the life and fire resistance of an asphalt shingle with the beauty and texture of hand split shakes.





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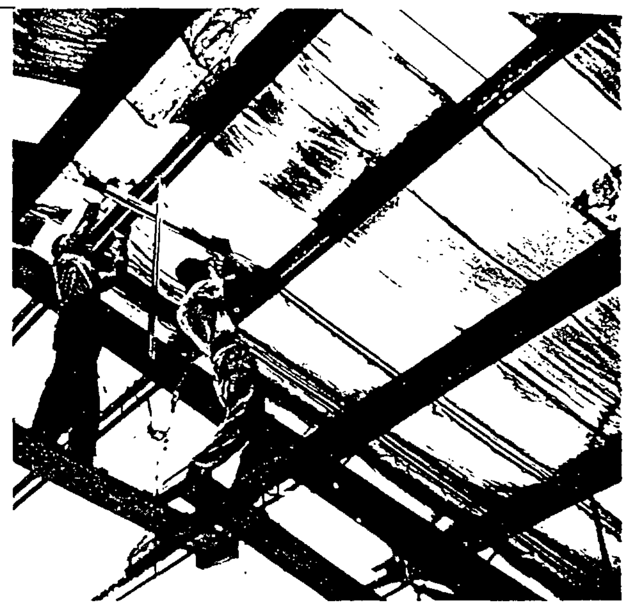
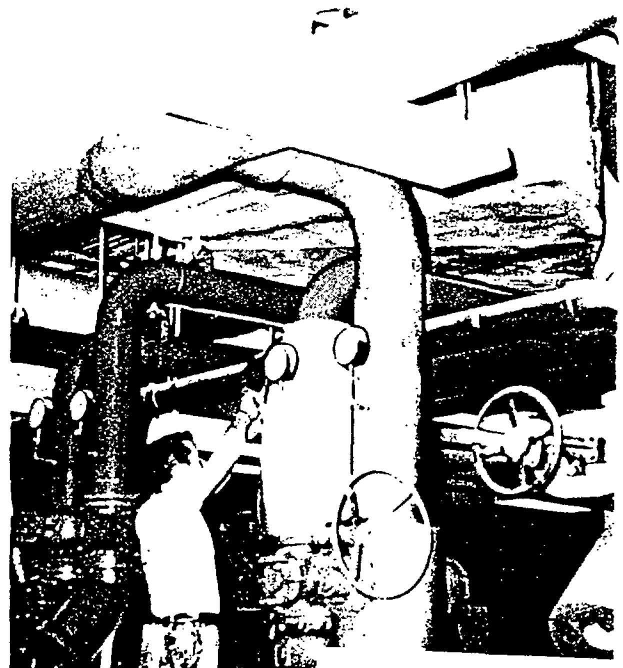
FIBER GLASS MARKETS

ULTRALITE and ULTRAFINE [illegible] glass blankets are being widely used [illegible] prefabricated metal building [illegible] insulation.

SNAPTON one-piece pipe insulation [illegible] here being installed in the boiler room of an industrial plant.





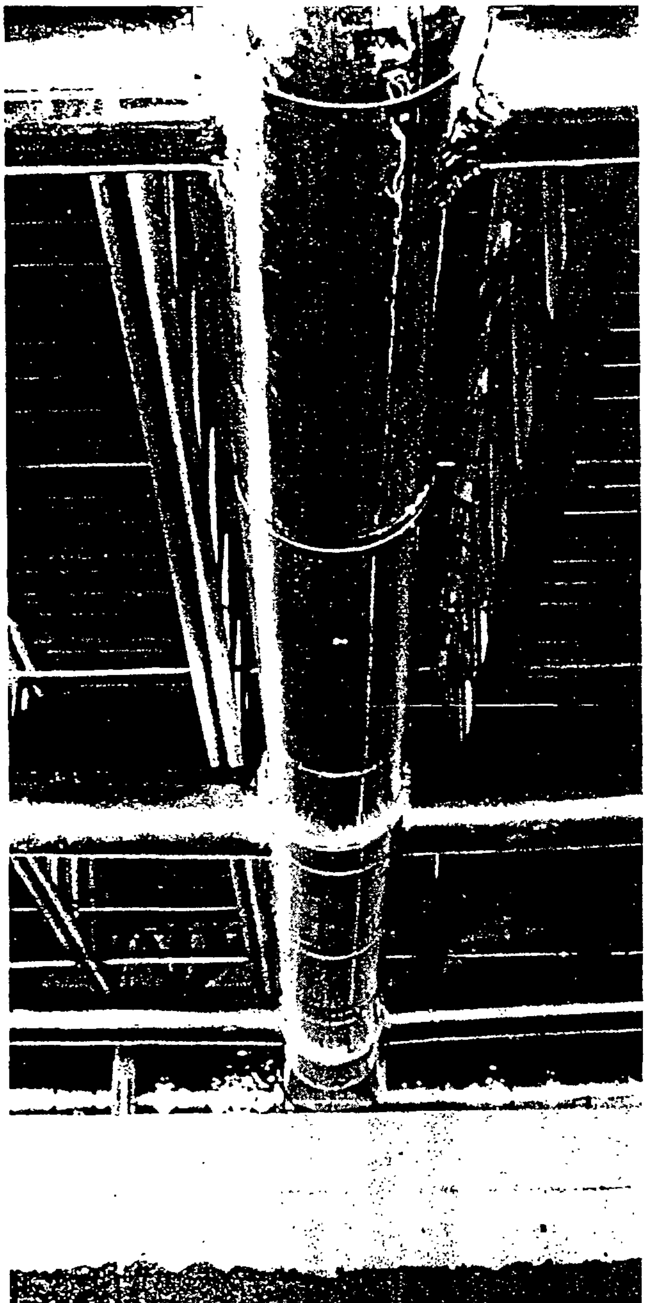
In addition to house insulation, there are growing markets for fiber glass products manufactured and marketed by Certain-teed's Gustin-Bacon Division. There is the non-residential construction market, encompassing office buildings, industrial plants, shopping centers and institutional structures such as schools. In these buildings, fiber glass products are used in acoustical ceilings, industrial insulation for pipes, tanks and boilers, as well as fiber glass ducts for heating-ventilating systems.

Fiber glass is a versatile material. It plays a significant role in the automotive and appliance markets, where it is used as insulation and for acoustical purposes. As a textile fiber it is widely used as reinforcement for various plastics, significantly for space vehicles, boat hulls, furniture, sporting goods and automotive parts. In all of these areas, Certain-teed's share of the market can be expected to rise as new applications are developed by the company and its customers and as Certain-teed increases its market penetration. Further opportunities lie ahead in industrial and decorative textiles as the acceptance and use of fiber glass in textile form increases.

Aluminum Jacketed Round Fiber Glass Duct [illegible] Westinghouse [illegible] Building, Pittsburgh. [illegible] provides [illegible] efficient [illegible] [illegible] application.

INDUSTRIAL MARKETS

MAXIBRAKE Spring Actuated Safety Brakes have become industry standards. They are designed for use on trucks, buses, tractors, trailers, off highway and heavy duty equipment.



Certain-teed's marketing programs for its industrial products serve, among others, the transportation, automotive and petroleum industries. The Gustin-Bacon Division is a marketing leader in such components as air brake gaskets and other mechanical accessories for railroad rolling stock of all kinds, MaxIbrake safety brake devices for commercial over-the-road vehicles, organic fiber products for sound deadening and cushioning in automobiles, as well as couplings and flange fittings for the petroleum and mining industries. In addition to these products, many industrial needs are served by fiber glass products.

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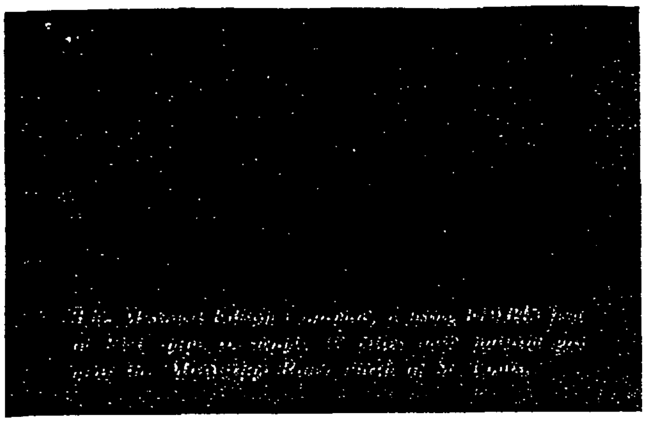
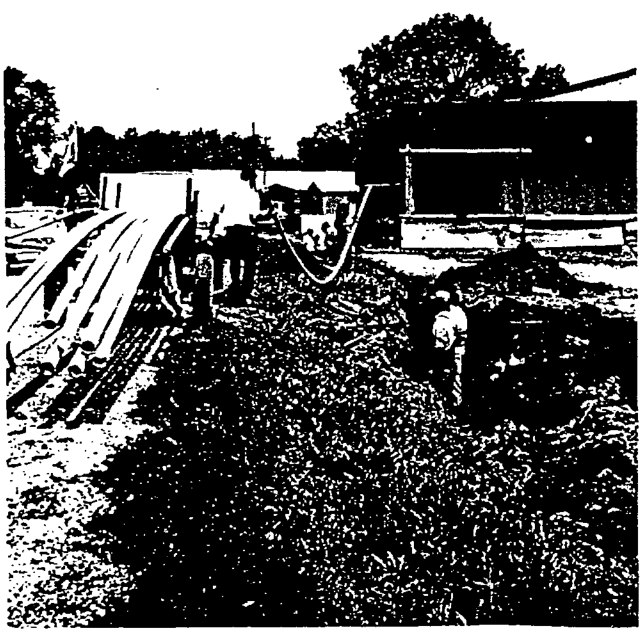
PIPE MARKETS

Only an overall view of the growth of urban America can provide an insight into the potential of these markets, especially for Certain-teed because of its existing position to serve them. Certain-teed's Pipe Division and Plastics Division are equipped to supply the industry's two fastest-growing products —asbestos-cement pipe and vinyl pipe and fittings.

In larger sizes, asbestos-cement pipe can provide water mains for metropolitan areas or irrigate expanses of farmland. In smaller dimensions, it can supply water under pressure to entire communities, with laterals leading to individual properties. This product can also carry storm waters and sewage to disposal areas. Ranging in diameter from three to thirty inches, asbestos-cement pipe is manufactured to meet the requirements of all these uses. Its growth prospects are in direct proportion to the nation's active program for expanding water supplies and waste disposal facilities.

Vinyl pipe, meanwhile, complements the applications of asbestos-cement for the smaller diameters and is expected to enjoy accelerated growth in the next five years. To accommodate this anticipated growth, the Plastics Division has installed additional facilities for increased production capacity. The characteristics of vinyl pipe—it is non-corrosive, light in weight, and easier and more economical to handle—justify this growth anticipation.





DIVISIONS

Pipe Division

Asbestos-Cement Pipe for:

- Water systems
- Sewer systems
- Irrigation
- Building sewer lines

Gustin-Bacon Division

Fiber Glass Products for:

- Commercial and industrial insulations
- Building insulations
- Snap*On pipe covering
- Acoustical products
- Heating and ventilating ducts
- Plastic reinforcements

Organic Fiber Products

Railroad and Industrial Mechanical Products

Plastics Division

Plastic Pipe for:

- Water and gas service
- Irrigation
- Electrical conduit
- Processing and oil lines
- Housing drain waste and vent lines

Plastic Building Products

Plastic Industrial Products

Building Materials Division

Roofings, Sidings and Sheathings

Fiber Glass Insulations

Acoustical Ceiling Systems

Vinyl Building Products

Architectural Products

Wm. Cameron & Co. Division

"Ideal" Millwork

Wholesale Building Materials

Certain-teed Products Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Years ended December 31, 1966 and 1965

	1966	1965*
NET SALES	$165,372,708	$166,583,223
COSTS AND EXPENSES:		
Cost of goods sold	136,890,060	133,601,285
Selling and administrative	21,907,973	20,064,958
	158,798,033	153,666,243
	6,574,675	12,916,980
OTHER DEDUCTIONS NET OF OTHER INCOME	88,619	(118,676)
	6,486,056	13,035,656
FEDERAL INCOME TAXES (net of investment credit of $710,000 in 1966 and $754,000 in 1965)	2,301,000	5,534,151
NET INCOME	4,185,056	7,501,505
RETAINED EARNINGS AT BEGINNING OF YEAR (including in 1965 $16,234,725 of pooled company)—Note 1	52,715,797	48,544,033
	56,900,853	56,045,538
DEDUCT:		
Dividends:		
Preferred stock	667,386	—
Common stock	2,530,847	2,282,304
Distribution of earnings of pooled company prior to merger	444,924	894,348
	3,643,157	3,176,652
Cost of pooled company treasury stock over par value	—	133,424
	3,643,157	3,310,076
RETAINED EARNINGS AT END OF YEAR	$ 53,257,696	$ 52,735,462

**Includes the accounts of Gustin-Bacon Manufacturing Company for its fiscal year ended September 30, 1965 (see Note 1).*

Depreciation of plant and equipment and amortization of intangible assets, respectively, amounted to $5,168,266 and $531,426 in 1966, and $4,140,676 and $531,465 in 1965.

The accompanying Notes to Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF FUNDS

Years ended December 31, 1966 and 1965

	1966	*1965**
SOURCES OF FUNDS:		
Net income	$4,185,056	$7,501,505
Depreciation of fixed assets and amortization of intangible assets	5,699,692	4,672,141
Deferred Federal income taxes	838,800	—
Decrease in noncurrent receivables	701,499	51,394,172
Common stock issued under stock option plans	10,322	114,494
Decrease in other assets and deferred charges	1,318,701	2,274,194
Decrease in working capital	—	4,614,882
Other, net	905,525	(247,987)
	$13,659,595	$70,323,401
APPLICATION OF FUNDS:		
Increase in property, plant and equipment, net	$6,904,608	$14,600,571
Decrease in noncurrent notes and contract payable	2,227,833	49,978,819
Decrease in deferred Federal income taxes	—	1,910,829
Dividends	3,643,157	3,176,652
Purchase of common stock for treasury	—	656,530
Increase in working capital	883,997	—
	$13,659,595	$70,323,401

**Changes in funds for 1965 include Gustin-Bacon Manufacturing Company for its fiscal year ended September 30, 1965 (see Note 1).*

Certain-teed Products Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET *at December 31, 1966 and 1965*

ASSETS

	1966	1965*
CURRENT ASSETS:		
Cash	$4,194,832	$6,436,843
Marketable securities, at cost (approximate market)	—	494,177
Accounts and notes receivable, less allowance for uncollectibles of $900,545 in 1966 and $752,569 in 1965	21,513,874	22,565,127
Inventories, including raw materials and supplies of $8,745,664 in 1966 and $8,089,262 in 1965—at lower of cost or market	28,758,954	24,214,940
Total current assets	54,467,660	53,711,087
ACCOUNTS AND NOTES RECEIVABLE	1,738,907	2,440,406
PROPERTY, PLANT AND EQUIPMENT, at cost, less depreciation of $36,398,907 in 1966 and $31,716,827 in 1965	64,214,911	60,641,858
OTHER ASSETS AND DEFERRED CHARGES	4,049,613	5,247,548
INTANGIBLE ASSETS, at amortized cost	4,234,598	4,912,201
	$128,705,689	$126,953,100

**Includes the accounts of Gustin-Bacon Manufacturing Company at September 30, 1965 (see Note 1).*
The accompanying Notes to Financial Statements are an integral part of this statement.

LIABILITIES

	1966	1965*
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$11,997,644	$14,151,214
Dividends payable	—	222,462
Notes payable—banks	4,000,000	—
Current installments on notes and contract payable—Note 2	864,385	877,452
Federal income taxes, less U. S. Government securities of $1,979,682 in 1965	930,619	2,520,063
Total current liabilities	17,792,648	17,771,191
NOTES AND CONTRACT PAYABLE—Note 2	7,948,812	8,351,645
DEFERRED FEDERAL INCOME TAXES	3,257,430	2,374,430
OTHER NONCURRENT AND DEFERRED ITEMS . . .	2,397,485	1,679,076
STOCKHOLDERS' EQUITY—Notes 1, 3, 4 and 5:		
Preferred Stock, $1 par value, authorized 2,000,000 shares; 1,517,080 shares designated as Series A Convertible, issued in 1966—1,483,080 shares (Liquidation preference $37,077,000)	1,483,080	1,483,080
Common Stock, $1 par value, authorized 7,500,000 shares, issued 3,383,169 shares in 1966 and 3,382,439 shares in 1965	3,383,169	3,382,439
Capital in excess of par value	41,281,233	41,271,641
Retained earnings	53,257,696	52,735,462
Less: Common Stock held in treasury, at cost—201,685 shares	(2,095,864)	(2,095,864)
Total stockholders' equity	97,309,314	96,776,758
	$128,705,689	$126,953,100

NOTES TO FINANCIAL STATEMENTS *at December 31, 1966*

The financial statements at December 31, 1965 and for the year then ended, restated to include the financial statements (as reclassified) of Gustin-Bacon Manufacturing Company as at and for the year ended September 30, 1965 (see Note 1), are shown for comparative purposes only. Reference should be made to the previously issued 1965 Annual Reports of the Company and of Gustin-Bacon for their respective consolidated financial statements and the related Accountants' Reports and notes pertaining thereto.

1. Effective July 1, 1966, Gustin-Bacon Manufacturing Company was merged into the Company on the basis of exchanging each outstanding share of Gustin-Bacon Common Stock (1,483,080 shares) for one share of Series A Convertible Preferred Stock of the Company, and its accounts are included in the financial statements on a pooling of interests basis. As a result of the merger, capital in excess of par value increased $4,890,466 and retained earnings as at January 1, 1966, have been decreased to include the net income of $202,797 less dividends of $222,462 of the merged company for the three months ended December 31, 1965.

2. Notes and contract payable, exclusive of current installments, consist of:

4¾% Note payable to bank, due in equal annual installments of $562,500 through 1970	$1,687,500
5.55% Note payable to insurance company, due April 1, 1987	3,730,000
Contract payable, due in equal annual installments of $206,650 through 1972	1,033,250
2% to 6% Mortgages payable, due in equal monthly installments through 1981	1,121,920
Other	376,142
	$7,948,812

Under the provisions of the note agreement with an insurance company, an additional $6,270,000 is to be borrowed by April 28, 1967 under the same terms as the present loan. Amounts borrowed are payable in annual installments of $550,000 commencing April 1, 1970, and the balance on April 1, 1987. The agreement also provides, among other things, for prepayment options, the maintenance of consolidated working capital of not less than $25,000,000, and certain limitations on the declaration of dividends. At December 31, 1966, consolidated Retained Earnings of approximately $11,450,000 were not restricted as to the payment of common dividends.

3. In connection with the merger (see Note 1) the Certificate of Incorporation was amended and restated to eliminate the Company's 4½% Cumulative Prior Preference Stock as an authorized class of capital stock and to create a new class of 2,000,000 shares of Preferred Stock with a par value of $1 a share. In effecting the merger, 1,517,080 shares of the initial series of the new class of Preferred Stock were designated Series A Convertible Preferred Stock, of which 1,483,080 shares were issued and 34,000 shares were reserved for outstanding commitments of Gustin-Bacon to holders of stock options (24,000 shares) and to selling stockholders of a prior acquisition (10,000 shares). Dividends on Series A Convertible Preferred Stock are cumulative at the annual rate of 90¢ per share payable quarterly. Each share is entitled to one vote, has a liquidating value of $25 per share plus accrued and unpaid dividends, is convertible into one share of common stock and may be called by the Company after June 30, 1971 (subject to the conversion rights of the holders) at a price of $25 per share.

At December 31, 1966, there were outstanding transferable Stock Purchase Warrants for 170,000 shares of Common Stock exercisable prior to June 22, 1972, at per share prices ranging from $16.625 to $23.05. The foregoing includes a warrant for 20,000 shares at $23.05 per share issued in 1966 in connection with the cancellation of a contract. The Company has reserved a sufficient number of shares of treasury stock for issuance against the aforementioned warrants.

4. Pursuant to stock option plans for officers and key employees adopted in 1960 and 1964, options for 25,574 shares of Common Stock were outstanding at December 31, 1966 at per share prices ranging from $13.75 to $20.50.

During the current year options for 5,600 shares were granted, options for 730 shares were exercised and options for 525 shares lapsed. No further options may be granted under the 1960 Plan; additional options for 4,400 shares may be granted under the 1964 Plan. Shares issued in connection with options exercised during the year resulted in an increase of $9,592 in capital in excess of par value.

With respect to the obligations of Gustin-Bacon for restricted stock options assumed by the Company, options for the purchase of 23,000 shares of Series A Convertible Preferred Stock at per share prices ranging from $17.8750 to $20.8125 were outstanding at December 31, 1966. No options were exercised during the year and options for 3,500 shares lapsed. No further options will be granted under this plan.

5. The Company is one of several defendants in a suit for alleged violations of the Securities Act of 1933 and the Securities Exchange Act of 1934, and also in two suits for alleged violations of the Securities Exchange Act of 1934. The Company is also the defendant in a suit by a builder under the former home building program, for alleged breach of contract. The Company denies liability in all of these suits and is taking all possible measures to defend them. Based on opinions of counsel, the Management believes that the disposition of all pending litigation will not have a significant adverse effect on the Company's financial position.

The Company is contingently obligated to reimburse the purchaser of certain installment notes receivable for credit losses up to a maximum of $3,000,000 which may be incurred prior to January 1, 1975, and for losses arising from risks against which the Company is carrying insurance. The Company has not been called upon to make any payments for credit losses since incurring this contingent obligation in 1965.

At December 31, 1966, the unfunded cost of past service benefits under existing pension plans, including those assumed as a result of the merger with Gustin-Bacon Manufacturing Company, amounted to approximately $2,000,000.

Federal income tax returns of certain prior years of the Company and a subsidiary (since liquidated) are being examined by the Internal Revenue Service. The examining agent has discussed with the Company matters which cumulatively could involve possible assessments material in amount; however, since no formal report has been received by the Company, it is impossible to know what the agent's final position on those matters will be and, therefore, the total amounts of additional claims which might be asserted are presently unascertainable. Should the matters so far discussed be incorporated finally in the agent's report, the Company intends to vigorously contest them, since it believes, from such information as is available to the Company, that they are substantially without merit and should have no material effect on the financial position of the Company.

ACCOUNTANTS' REPORT

To the Board of Directors
Certain-teed Products Corporation
Ardmore, Pennsylvania

We have examined the consolidated balance sheet of Certain-teed Products Corporation and subsidiaries as at December 31, 1966, and the related consolidated statement of income and retained earnings for the year then ended. 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.

In our opinion, subject to the effect, if any, of the outcome of the tax matter described in the fourth paragraph of Note 5, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings, together with the notes to financial statements, present fairly the consolidated financial position of Certain-teed Products Corporation and subsidiaries at December 31, 1966, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and the accompanying consolidated statement of funds for the year ended December 31, 1966, presents fairly the information shown therein.

S.D. Leidesdorf & Co.

New York, N. Y.
January 25, 1967

ORGANIZATION

Board of Directors

Rawson G. Lizars, *Chairman*
Ralph M. Bateman
J. O. Biggs
Donald N. Clausen
M. S. Davis, Jr.
John R. Johnston
I. S. Kampmann, Jr.
Harold McNabb
Malcolm Meyer
N. W. Pearson
Ronald G. Soothill

Executive Committee

Rawson G. Lizars, *Chairman*
Malcolm Meyer
J. O. Biggs
N. W. Pearson

Transfer Agent

Bankers Trust Company, New York

General Counsel

Clausen, Hirsh, Miller and Gorman, Chicago

Officers

Rawson G. Lizars, *Chairman of the Board*
Malcolm Meyer, *President*
J. O. Biggs, *Executive Vice President*
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B. F. Leaman, Jr., *Vice President - Marketing*
M. S. Davis, Jr., *Vice President - Pipe Division*
M. C. Hoven, *Vice President - Building Materials Division*
Harold McNabb, *Vice President - Cameron Division*
Keith Swinehart, *Vice President - Plastics Division*
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James L. Strickland, *Ass't Treasurer and Ass't Secretary*
Joseph V. Mannino, *Comptroller*
Charles E. DeLong, *Secretary*
Tom Warren, *Ass't Secretary*
(Mrs.) M. C. Latimer, *Ass't Secretary*

Registrar

The Chase Manhattan Bank, New York

Auditors

S. D. Leidesdorf & Co., New York

LOCATIONS

Executive Offices
Ardmore, Pennsylvania

Research Laboratories
Ambler, Pennsylvania
Kansas City, Kansas
Savannah, Georgia

Sales Offices
Albany, New York
Ambler, Pennsylvania
Anaheim, California
Atlanta, Georgia
Bryn Mawr, Pennsylvania
Buffalo, New York
Chicago, Illinois
Chicago Heights, Illinois
Cleveland, Ohio
Compton, California
Dallas, Texas
Denver, Colorado
Detroit, Michigan
East St. Louis, Illinois
Houston, Texas
Kansas City, Missouri
Kirkwood, Missouri
McPherson, Kansas
New York, New York
Oakland, California
Phoenix, Arizona
Richmond, California
San Francisco, California
Savannah, Georgia
Seattle, Washington
Washington, District of Columbia
Westfield, New Jersey

Plants
Ambler, Pennsylvania
Berlin, New Jersey
Buffalo, New York
Chicago Heights, Illinois
Dallas, Texas
East St. Louis, Illinois
Hillsboro, Texas
Kansas City, Kansas
Kansas City, Missouri
McPherson, Kansas
Mountaintop, Pennsylvania
Richmond, California
Riverside, California
Santa Clara, California
Savannah, Georgia
St. Louis, Missouri
Tacoma, Washington
Vega Alta, Puerto Rico
Waco, Texas
York, Pennsylvania

CERTAINTEED

CERTAIN-TEED PRODUCTS CORPORATION