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INDUSTRIAL MANUAL

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IC PRODUCTS COMPANY

(Controlled by IC Industries, Inc.)

History: Inc. in Del. in 1971 as a wholly owned subsidiary of Illinois Central Industries, Inc. In Oct. 1973, latter transferred to Co all the issued and outstg capital stock of certain of its subsidiaries, including Abex Corp., Midas-International Corp., Pepsi-Cola General Bottlers, Inc., Dad's Root Beer Co., and Bubble Up Co., Inc.

Business: Co conducts its business through 2 operating groups Commercial Products and Consumer Products. Former consists primarily of components and machinery manufactured and sold by a subsidiary, Abex Corp., for use in the automotive, aerospace railroad, mining, construction and rubber industries. Latter includes the operations of a subsidiary, Midas-International Corporation, which supplies automotive replacement parts, principally through its franchised Midas Muffler Shops. Co. also packages and distributes a variety of brand-name soft drinks primarily through its Pepsi-Cola General Bottlers, Inc. subsidiary which holds exclusive franchises to market Pepsi-Cola and other soft drinks in 5 major Midwestern and Southern areas. Dad's Root Beer and Bubble Up Companies have franchised 170 and 136 bottlers respectively throughout the world.

Control: Co is a wholly owned subsidiary of IC Industries, Inc. (see preceding statement).

Property: Co.'s Commercial Products Group owns or operates 41 plants in the U. S., 5 in Canada, 2 in Mexico and 16 in Europe. Of these plants 5 are leased and the remainder owned. The Consumer Products Group thru Midas operates 10 plants (of which 6 are leased), 9 of which are in the U. S. and the other in Canada. In addition, Midas owns, leases or franchises 733 Midas Muffler Shop facilities, most of which are leased or subleased to franchised dealers. Co also owns one soft drink concentrate manufacturing facility, 10 packaging plants and 53 distribution and storage warehouses, and leases 44 packaging plants and warehouses.

Subsidiaries (wholly-owned)
Abex Corp (statement appended)
Midas-International Corp.
Pepsi-Cola General Bottlers, Inc.
Dad's Root Beer Co.
Bubble Up Co., Inc.

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W. B. Johnson	

Auditors: Peat, Marwick, Mitchell & Co.

No. of Employees: Dec. 31, 1974, 19,902.

Executive Office: One Illinois Center, 111 East Wacker Drive, Chicago, Ill. 60601.

Consol. Income Acct., yrs. ended Dec. 31
(SEC report—$000 omitted):

	[1]1974	1973	1972
Net sales	728,503	596,971	517,737
Cost of sales	532,187	432,004	371,422
Sell., etc. exp.	126,116	113,132	99,287
Oper. income	70,200	51,835	47,028
Oth. inc. net	dr532	2,559	783
Total	69,668	54,394	47,811
Interest	13,606	5,883	4,301
Income taxes	25,942	23,655	21,061
Acctg chge.	cr1,446	------	------
Net income	31,566	24,856	22,449

[1]Incl. A. L. Hansen Mfg. Co., acq. during 1974, from date of acq.

Consolidated Balance Sheet, as of Dec. 31
(SEC report—$000 omitted)

Assets	1974	1973
Cash & equiv.	8,298	9,144
Receiv., net	105,077	88,345
[2]Inventories	160,166	112,237
Prepayments	3,741	4,703
Total current	277,282	214,429
[1]Prop., etc., net	141,219	122,200
Investments	3,238	2,530
Exc. acq. cost	22,098	19,851
Other assets	16,003	12,740
Total	459,840	371,750
Liabilities:		
Notes, etc. pay.	22,361	18,323
Accounts pay.	37,314	25,915
Accruals	30,449	25,358
Dividends	3,983	4,922
Income taxes	7,904	6,870
Adv. parent co.	38,420	3,497
Total curr.	140,431	84,885
Lg. tm. debt	93,637	84,759
Def. inc. taxes	9,899	8,105
Other liabil.	22,021	15,801
[3]Com. stk.	78,512	78,512
Retained earnings	115,340	99,688
Total	459,840	371,750
Net curr. assets	136,851	129,544
[1]Deprec.	159,455	152,563

[2]Lower of cost (fifo) or mkt. [3]100 no par shs.

Long Term Debt: 1. IC Products Co., sinking fund debenture 9½s due 1994:

Rating—A

AUTHORIZED—$40,000,000; outstanding, Dec. 31 1974, $39,930 000

DATED—May 1, 1974. DUE—May 1, 1994.

INTEREST—M&N 1, by mail to holders registered A&O 15.

TRUSTEE—Morgan Guaranty Trust Co., NYC.

DENOMINATION—Fully registered, $1 000 and integral multiples thereof. Transferable and exchangeable without service charge.

REDEMPTION—Callable as a whole or in part at any time on at least 30 days' notice to each Apr. 30, incl., as follows:

1975	109 50	1976	109 00	1977	108.50
1978	108.00	1979	107.50	1980	107 00
1981	106 50	1982	106 00	1983	105.50
1984	105 00	1985	104.50	1986	104.00
1987	103 50	1988	103 00	1989	102.50
1990	102.00	1991	101.50	1992	101.00
1993	100.50				

and thereafter at 100.

Not callable, however, prior to May 1, 1984, thru refunding at an interest cost less than 9.50% Also callable thru sinking fund (which see) at 100.

SINKING FUND—Annually, each May 1, 1979-93 to retire debs., cash (or debs.) equal to not less than $2,500,000 nor more than $5,000,000

SECURITY—Not secured. Co. and its restricted subsidiaries are restricted from permitting encumbrances on their property without securing the debs ratably other than (a) lien indebtedness not exceeding 10% of consolidated net worth, (b) ordinary course of business liens, (c) purchase money mortgages and liens placed on property acquired after May 1, 1974 or mortgages or liens existing on such property at the time of acquisition not exceeding the cost of the property subject to such mortgages or liens, (d) in the case of any corporation which shall become a restricted subsidiary after May 1, 1974, liens existing on its property at the time it becomes a restricted subsidiary not exceeding the tangible assets of such corporation at such time and (e) liens for the purpose of constructing or acquiring plants, equipment or other property in connection with contracts made with or at the request of the U. S. or any department or agency thereof and (f) any renewals or refinancing of such mortgages or liens.

CREATION OF ADDITIONAL DEBT—Co and its restricted subsidiaries may not incur additional indebtedness, except, in the case of Co., for refunding (and, in the case of restricted subsidiaries, indebtedness to Co.), if thereafter consolidated net tangible assets plus current indebtedness of Co. and its restricted subsidiaries would be less than 175% of the consolidated indebtedness of Co and its restricted subsidiaries.

DIVIDEND RESTRICTION—Co. may not pay cash divs on capital stock or make payments on subordinated indebtedness (other than for interest and fixed sinking fund payments), unless, after giving effect thereto (a) consolidated net tangible assets of Co and its restricted subsidiaries are not less than 200% of the consolidated funded indebtedness of Co and its restricted subsidiaries and (b) the sum of $35,000 000 plus the consolidated net income of Co. and restricted subsidiaries after Dec. 31, 1973, plus the cash proceeds of the sale of stock of Co. after said date shall be greater than the amount paid after said date as dividends (other than stock divs.) on, or to acquire or retire, stock and as payments on subord. indebtedness (other than for interest and fixed sinking fund payments)

RIGHTS ON DEFAULT—Trustee or 25% of debs outstg., may declared principal due and payable (30 days' grace for payment of interest)

INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of debs. outstg.

PURPOSE—Proceeds to retire outstg bank loans incurred to pay a cash dividend to Co.'s parent, and the balance for capital expenditures.

OFFERED—($40,000,000) at 100 (proceeds to Co., 98.875) on Apr 18, 1974 thru Salomon Brothers and associates.

PRICE RANGE—1974, 100-83.

2. IC Products Co. sinking fund debenture, 10¼s, due 1995:

Rating—A

AUTH.—$50,000,000; outstg. May 29, 1975, $50,000 000.

DATED—May 15, 1975 DUE—May 15, 1995

INTEREST—M&N 15 by mail to holders registered M&N 1.

TRUSTEE—Morgan Guaranty Trust Co., NYC.

DENOMINATION — Fully registered, $1,000 and any integral multiples thereof. Transferable and exchangeable without service charge.

CALLABLE—Callable as a whole or in part at any time on at least 30 days' notice to each May 14, incl., as follows:

1976	109 75	1977	109 24	1978	108 72
1979	108.21	1980	107 70	1981	107.18
1982	106.67	1983	106.16	1984	105 64
1985	105 13	1986	104 62	1987	104.11
1988	103.59	1989	103 08	1990	102.57
1991	102.05	1992	101.54	1993	101.03
1994	100.51	1995	100 00		

Not callable, however, prior to May 15, 1985, thru refunding at an interest cost less than 10.45% Also callable thru sinking fund (which see) at 100.

SINKING FUND—Annually on May 15, 1980-94, cash (or debs.) to retire not less than $3,125,000 and not more than $6,250,000 principal amount of debs. Sinking fund designed to retire 94% of issue prior to maturity

SECURITY—OTHER PROVISIONS—Same as s.f. deb. 9½s, due 1994, except in "Security" provision date is May 15, 1975 instead of May 1, 1974, in "Dividend Restriction" amount is $40,000,000 instead of $35,000 000 and date is Dec. 31, 1974 instead of Dec. 31, 1973.

PURPOSE—Proceeds of $25 000,000 to retire 8.75% debs., due 1977, of Abex Corp., subsidiary. Balance to repay outstg advances from Co.'s parent and other indebtedness.

OFFERED—($50,000,000) at 99.50 (proceeds to Co., 98.375) on May 29, 1975 thru Salomon Brothers and associates.

3. Other Long Term Debt: Outstg., Dec 31, 1974, $58,773,000 consisting of (1) $25,000,000 8¾% Abex debs. due thru 1977; (2) $7,233,000 4½% Abex s.f. debs. due 1982-87, (3) $3,624,000 4½% to 9¾% notes payable by Abex's European subsidiaries annually to 1985, (4) $5,300 000 10¾% (¼% over prime at year end) term notes due thru 1979, (5) $1,260 000 10¾% (¼% over prime at year-end) Midas term note due thru 1975, and (6) $18,356,000 various other debt.

Note: For full description of Abex Corp. (see appended statement).

Capital Stock: IC Products Co. common; no par:

Auth. & outstg., 100 shs., no par.

All shares owned by IC Industries, Inc. (see preceding statement)

ABEX CORPORATION

(Controlled by IC Industries, Inc.)

History: Incorporated in Delaware in 1916 as American Brake Shoe Co as successor to company of same name founded in New Jersey in 1902. Present name adopted in 1968. On Dec. 28, 1968 became a wholly-owned subsidiary of IC Industries, Inc.

On Dec. 31, 1974 Waukesha Foundry Co. and Chandeysson Electric Co., formerly subsidiaries of IC Products Co., were merged into Co. Capital stock of A. L. Hansen Manufacturing Co. was contributed to Co. on Dec. 31 1974. Also on Dec. 31, 1974, Signal-Stat Corp. heretofore a consolidated subsidiary, was merged into the Co.

Control: IC Products Co. (see preceding statement) a wholly-owned subsidiary of IC Industries, Inc., (see a preceding statement) owns all outstg. com. stock.

Business: Manufactures and sells components and machinery for the automotive, aerospace, railroad, mining, construction, rubber and other industries.

Products include:

(a) Automotive Products: Include braking materials, lighting equipment, locks and other hardware for the automotive original equipment and replacement markets; major producer of brake linings and disc brake pads for cars, trucks and buses, manufacturer of metallic brake discs for commercial

and military aircraft, of molds used for the production of tires and of signal lights, lamps, reflectors mirrors and other safety devices for trucks, automobiles and recreational vehicles.

(b) Castings Produces a wide variety of castings in iron, steel, copper, and aluminum alloys in sizes ranging from a few ounces to several tons for use in mining, earth-moving, steel making, petro-chemical, nuclear, rock crushing, dredging, food processing, and other applications, an important supplier of manganese steel castings having high impact-resistant properties as well as of both centrifugally and statically cast products in proprietary heat-resistant ferrous alloys.

(c) Hydraulic Products Manufactured for industrial and aircraft uses Industrial products include hydraulic pumps, motors valves, presses and complete hydraulic systems used in many applications, including construction and mobile equipment, industrial and marine machinery and materials-handling equipment. Hydraulic pumps, motors, *servo-valves* and flight control actuators are manufactured for the aerospace market.

(d) Railroad Products: Leading supplier of iron and composition brake shoes, cast steel wheels, and custom-made trackwork, such as frogs, switches, crossings and turnouts, for United States and Canadian railroads, also supplies bearings for freight cars and remanufactures and upgrades electric traction motors and generators for the railroad industry

Property: Owns and operates 41 plants in U S, 5 in Canada, 16 in Europe and 2 in Mexico

Subsidiaries (wholly-owned unless otherwise noted):
Abex Industrial, S.A. (Mexico)
Abex Industries Ltd. (Canada)
Abex International Finance Corp.
[1]Abex International S.A. (Switzerland)
Amsco Mexicana S.A. (Mexico)
A. L. Hansen Manufacturing Co.
Denison Hydraulics, Japan, Ltd. (60%)
[1]Abex International has 11 wholly-owned and two 66.7% owned subsidiaries in eight European countries.

Affiliates:
Denison Hydraulics India Ltd. (26%)
Lloyds-Abex Ltd. (England) (25%)
Lloyds (Burton) Ltd.
Uni-Abex Alloy Products Ltd. (India) (20%)

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T Cummings	W L. Naumann
C F. Floe	V L. Persbacker
R. A. Frick	G. L. Romine
A. P Gagnebin	

Auditors: Peat, Marwick, Mitchell & Co.

No. of Employees: Dec. 31, 1974, 15,800

Office: 530 Fifth Ave., New York City, N Y. 10036.

[1]Consolidated Income Account, years ended Dec. 31 ($000 omitted)

	1974	1973	1972
Sales	486,204	358,870	297,243
Other income	1,413	1,329	371
Total	487,617	360,199	297,614
Cost of sales	345,387	256,387	210 620
Sell., etc., exp	55 879	43,411	36,562
Depr & amort.	12,403	11,157	9,823
Repairs & maint.	15,332	12,214	10,711
General taxes	3,497	3,116	3,187
Interest	7,360	3,756	3,325
Income taxes	22,085	14,050	11,479
Minority int.	cr5	207	cr60
Acctg chge. adj	[1]cr1 446		
Net income	27,155	15,901	11,967

[1]Cumulative *effect of chge* in acctg. for domestic inventories. [2]*From SEC report.*

[3]Consolidated Balance Sheet, as of Dec. 31 ($000 omitted).

Assets:	1974	[4]1973	[4]1972
Cash	3,364	7,032	5,153
Sht. tm. inv., cost	1 808	179	4 295
Dep with par co		14,293	20,250
Receiv., net	82 932	64,581	49,206
Inventories	123 713	77 018	60 068
Oth. curr. assets	3,634	3,700	2,610
Total current	215,469	166,803	141,782
[1]Net prop., etc.	96,178	84,213	71,069
Investments	3,250	2,302	8,298
Notes receiv.	1 733	1,620	1,514
Intangibles	9,941	6,998	777
Prepay., etc	3,022	2,472	2,753
Total	329,593	262 408	226,173

Liabilities			
Notes, etc., pay.	18,770	16,783	5,241
Accts., etc., pay	67,944	34 055	24 417
Divs payable	2,133	2 490	2,339
Income taxes	9 624	6,904	9 890
Total current	98 471	60,232	41,877
Long term debt	44 655	46 405	47,894
Def. inc taxes	9 455	7 491	5 401
Oth. liabilities	5 963	11 453	1 475
Minority int.	4 640	3 416	2 061
[3]Com. stk.	48,006	48 006	48,006
Cap paid-in	15,687		
Retain. earn.	102,716	85,400	79,459
Total	329,593	262,408	228 173
Net curr assets	116,998	106 571	99 905
[1]Deprec.	128,825	117 536	112,151

[1]Invr in & loans to uncons. affils., at equity [3]100 no par shs. [2]Restated for comparative purposes [4]*From SEC report.*

Long Term Debt: 1. American Brake Shoe Co. sinking fund debenture 4½s, due 1982:

Rating—A

AUTHORIZED—$12,000,000, outstanding, Dec. 31, 1974, $2,953,000.
DATED—Feb. 1, 1957.
MATURITY—Feb. 1, 1982.
INTEREST—F&A 1 at Chemical Bank, New York.
TRUSTEE—Morgan Guaranty Trust Co., New York.
REGISTRAR—Chemical Bank, New York.
DENOMINATION—Coupon, $1,000; registerable as to principal; fully registered, $1,000 and multiples C&R and denominations, interchangeable once without charge; thereafter, $2 service charge, plus expenses
CALLABLE—As a whole or in part on 30 days' notice at any time to Jan. 31 incl. as follows:

1973	103	1977	102	1981	101
1982	100				

Also callable on like notice for sinking fund (which see) at 100.
SINKING FUND—Cash (or debentures) sufficient to redeem $250,000 debentures each Feb. 1, 1950 to 1956, and $650,000 debentures each Feb. 1, 1957 to 1981, in addition, optional payments to redeem $650,000 debentures each Feb. 1, 1957 to 1981. Fixed payments will retire about 96% of issue by maturity
SECURITY—Not secured. Company or any restricted subsidiary may not create any lien on property (without securing debentures equally and ratably with all other debt secured thereby) other than purchase money or existing mortgages on after-acquired property or liens to construct plants in connection with U. S. Government contracts and refundings thereof, provided total does not exceed $5,000,000, and if secured indebtedness constitutes funded debt, the incurring of such indebtedness is permitted by terms of next following provision.

Company may not effect sale and leaseback arrangements (excluding excepted leases) in respect of any real property owned on Feb. 1, 1957, or any subsequently acquired or leased property as to which the company or a restricted subsidiary is to be the original user.
CREATION OF ADDITIONAL DEBT—Company or any restricted subsidiary may not create additional funded debt (except for refunding) if thereafter consolidated net tangible assets would be less than 300% of consolidated funded debt. Restricted subsidiaries may not incur funded debt other than to company or secured funded debt referred to in next preceding provision or, in the case of Canadian subsidiaries, not exceeding $1,000,000 of unsecured funded debt at any one time.
DIVIDEND RESTRICTIONS—Company may not pay cash dividends on or acquire any stock or make payments on subordinated debt (except for interest and fixed sinking fund) in excess of consolidated net income after Dec. 31, 1956, plus $5,000,000 and cash proceeds of stock sold and unless, on a consolidated basis, net tangible assets are not less than 300% of funded debt. As of Dec. 31, 1974, $24,000,000 of retained earnings was so restricted.
RIGHTS ON DEFAULT—In event of default (30 day grace period for payment of interest), trustee or 25% of debentures may declare principal due and payable.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66 2/3% of debentures.
PURPOSE—Proceeds for plant expansion and improvements.
OFFERED—($12,000,000) at 100 (proceeds to company, 98¾) on Jan. 30, 1957 by First Boston Corp., New York, and associates.

PRICE RANGE—	1974	1973	1972	1971	1970
High	81	85	82	78⅛	71⅝
Low	65	77⅛	72	65	66

2. American Brake Shoe Co. sinking fund debenture 4½s, due 1987:

Rating—A

AUTHORIZED—$12,000,000; outstanding, Dec. 31, 1974, $4,280,000.
DATED—Aug. 15, 1962.
MATURITY—Aug. 15, 1987.
INTEREST—F&A 15 at Bankers Trust Co., New York.
TRUSTEE—Morgan Guaranty Trust Co., New York.
DENOMINATION — Coupon, $1 000, registerable as to principal fully registered $1 000 or multiples C&R interchangeable once without charge, thereafter, $2 service charge, plus expenses.
CALLABLE—As a whole or in part on 30 days' notice at any time to each Aug. 14, incl., as follows:

1975	102 00	1976	101 84	1977	101 67
1978	101.50	1979	101.34	1980	101.17
1981	101.00	1982	100.84	1983	100 67
1984	100.50	1985	100.34	1986	100.17
1987	100 00				

Also callable at 100 for sinking fund (which see)
SINKING FUND—Cash (or debentures) to redeem at par not less than $250 000 nor more than $500 000 debentures each Aug. 15, 1965-71 and not less than $650,000 nor more than $1,300 000 debentures each Aug. 15, 1972-86. Fixed minimum payments will retire 95.8% of issue before maturity
SECURITY—Not secured. Company or any restricted subsidiary may not create any lien on property (without securing debentures equally and ratably with all other debt secured thereby) other than existing mortgages not exceeding $750,000; purchase money or existing mortgages on after-acquired property or liens to construct plants in connection with U S. Government contracts and refundings thereof, provided total does not exceed $5,000,000, and if secured indebtedness constitutes funded debt, the incurring of such indebtedness is permitted by terms of provision headed "Creation of Additional Debt" below

Company may not effect sale and leaseback arrangements (excluding excepted leases) in respect of any real property owned on Aug 15 1962, or any subsequently acquired or leased property as to which the company or a restricted subsidiary is to be the original user
CREATION OF ADDITIONAL DEBT—Same as for debenture 4½s due 1982.
DIVIDEND RESTRICTIONS—Company may not pay cash dividends on or acquire any stock or make payments on subordinated debt (except for interest and fixed sinking fund) in excess of consolidated net income after Dec. 31 1961 plus $5,000,000 and cash proceeds of stock sold and unless, on a consolidated basis, net tangible assets are not less than 300% of funded debt.
RIGHTS ON DEFAULT—INDENTURE MODIFICATION—Same as for debenture 4½s due 1982.
PURPOSE—Proceeds for additional working capital, to retire $2 600,000 debt of a subsidiary and for capital improvements.
OFFERED—($12 000,000) at 99⅛ (proceeds to company, 98.35) on Aug. 22, 1962 by First Boston Corp., New York, and associates.

PRICE RANGE—	1974	1973	1972	1971	1970
High	79	75	76½	75	69
Low	58¼	68	73	64	63

3. Abex Corp. debenture 8¼s; due 1977:

Rating—A

AUTH.—$25,000,000, outstg., Dec. 31, 1974, $25,000 000
DATED—Dec. 1, 1970 DUE—Dec. 1, 1977
INTEREST—J&D1 by mail to holders registered on 15th day prior to interest date.
TRUSTEE—Morgan Guaranty Trust Co., NYC.
DENOMINATION—Fully registered, $1,000 and authorized multiples thereof. Transferable or exchangeable without service charge.
CALLABLE—As a whole or in part on or after Dec. 1, 1976, on at least 30 days' notice at par.
SECURITY—Co. or any restricted subsidiary may not incur liens on property except for (a) existing lien debt not in excess of $750,000, (b) ordinary course of business liens, (c) purchase money mtges. and liens placed on property acquired after Dec. 1, 1970 or mtges. or liens existing on such property at time of acquisition not in excess of 75% of cost of such property, (d) liens existing on property of a corporation at time it becomes a restricted subsidiary not in excess of 75% of tangible assets of such corporation at such time, and (e) liens for purpose of constructing or acquiring plants, equipment or other property in connection with contracts made with or at request of U S or any department or agency thereof and any renewals or refinancings thereof.
DIVIDEND RESTRICTION—Co. may not pay cash divs. on or acquire capital stock or make payments on subord. debt in excess of consolidated net income after Sept. 30, 1970 plus net proceeds from sale of stock after such date plus $12,000,000 and, unless thereafter consolidated net tangible assets are not less than 200% of consolidated funded debt.
CREATION OF ADDITIONAL DEBT—Co. or any restricted subsidiary may not incur additional debt if thereafter consolidated net tangible assets plus consolidated current debt would be less than 175% of consolidated debt.
RIGHTS ON DEFAULT—Trustee or 25% of debs outstg. may declare principal due and payable (30 days' grace for payment of interest, 60 days' for sinking fund installme