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INDUSTRIAL MANUAL

SHEILA S LAMBERT, *Publisher*
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IC INDUSTRIES, INC.

CAPITAL STRUCTURE

LONG TERM DEBT

Issue	Rating	Amount Outstanding	Times Charges Earned 1984	Times Charges Earned 1983	Interest Dates	Call Price	Price Range 1984	Price Range 1983
1 Long term debt		[6]$1 614 400 000						
2 Amer Brake Shoe S f deb 4½s, 87	..	1 790 000			F & A 15	[1]100.34	80 - 65	80 - 58
3 Pepsi-Cola Gen. Bot. cv deb 5½s, 88		1 015 000			J & D 1	[1]100.58	105 - 95	105 - 76
4 Pet Inc. s.f deb 5⅞s 92		4 700 000	[5] .	[5] .	J & D 1	[1]100.49	65½- 59	64 - 50
5 Pet Inc s.f deb 8s 91		11 600 000			M & S 1	[1]101 00	78½- 70½	74 - 72
6 IC Products Co S.f deb 9½s, 94	A3	11 714 000			M & N 1	[1]104.00	100 - 76¼	87⅜- 83⅜
7 IC Products Co. S.f deb 10¼s, 95	A3	29 483 000			M & N 15	[1]104.62	85½- 77	85 - 85

CAPITAL STOCK

Issue	Par Value	Amount Outstanding	Earned per Sh. 1984	Earned per Sh. 1983	Div per Sh. 1984	Div per Sh. 1983	Call Price	Price Range 1984	Price Range 1983
1 8¾% Series A, 1st pfd.	No par	750 000 shs.	[3].	[3] .			[4]	[3]	[3]
2 9⅛%, series B 1st pfd	No par	250 000 shs.					[4]	[3]	[3]
3 $3.50 cum conv 2nd pfd, ser 1	No par	[8]1,289,885 shs	$67 49	$42 78	$3.50	$3.50	$78	84¼- 62¾	73 - 52¼
4 Common	No par	[2]37 460 000 shs.	[2]3.17	[2]2.50	[10]2.15½	2.32		[9]28¾- 21	48½- 35

[1]Subject to change, see text. [2]Based on average shares as reported by Co on continuing operations adjusted for 2 for-1 split in 1984 For other per share data see statistical record [3]Held privately [4]See Text. [5]Interest not shown separately [6]Includes issues listed below [8]All shares converted into Co's com. stk. or redeemed, as of Mar. 8 1985 [9]After 2-for-1 split: before 48¾-42. [10]Includes $1.83 paid prior to 2 for 1 split.

HISTORY

Incorporated in Delaware Aug. 31 1962, as Illinois Central Industries, Inc. present title adopted in May 1975

On June 1 1965 acquired Chandeysson Electric Co, St. Louis, maker of heavy electrical equipment and products Now operated as a division.

In Apr 1967 ICC authorized acquisition of control of Chicago & Illinois Western R.R. by issuance of 40 000 common shares (after split) for all common & preferred stock of C.&I.W R.R.

On Aug 30 1968 acquired assets and liabilities of Waukesha Foundry Co a manufacturer of precision castings and corrosion resistant pumps

In Dec 1968 purchased Illinois Center

On Dec 26 1968 merged Abex Corp by issuance of 2 615,439 shares $3 50 cumulative convertible second preferred series 1 at rate of 0.72 share of $3.50 preferred for each share Abex common.

In May 1969 acquired Seay & Thomas, Inc. for 80,250 shares of common stock. (The name and brokerage and management business were sold in Apr. 1979 and name of residual operations changed to South Properties Inc.)

On Feb 2 1970 merged Pepsi-Cola General Bottlers Inc. by the issuance of 762 249 shares of $3.50 cumulative convertible 2nd preferred stock at a rate of 0 40 shares of $3.50 preferred for each share of Pepsi-Cola general common.

On Mar. 11 1970 acquired H.F. Philipsborn Co Chicago mortgage banking and real estate firm for common shares.

In Dec. 1970 acquired Perfect Plus Hosiery, Inc, manufacturer and distributor of women's hosiery and related soft goods (liquidated in 1973).

In Aug. 1971, acquired Signal-Stat Division of Lehigh Valley Industries for $7 200 000.

In Sept. 1971 acquired Dad's Root Beer Co. in exchange for 160 000 common shares.

On Jan. 25 1972 merged Midas-International Corp by the issuance of 1 910 763 shares of Co common stock for each 0 6568 shares of Midas common stock.

In Dec. 1971 acquired Hunter Moss & Co, Miami, Fla. (merged with Philipsborn Equities of Florida in 1974)

In Apr 1972 merged Lincoln Financial Inc. by the issuance of 777 769 shares of Co. common stock for each 0.35 shares of Lincoln common stock. (Sold in 1979)

On Aug 10, 1972 Illinois Central R.R., a Co. subsidiary and Gulf, Mobile & Ohio R.R. Co. formally merged to form a new line Illinois Central Gulf R.R. Co., which is now a subsidiary.

Under merger terms Co issued 585,657 shares of $6 00 first preferred stock and 367 677 shares of its common stock to effect the merger and also purchase minority interest in three small Mississippi railroads.

In May 1973 acquired Bubble Up Corp. for $3 600 000

In June 1973 acquired Midwest Life Insurance Co, Lincoln, Neb. for $15,200 000 (sold in 1979)

On Feb 26, 1974 acquired Consolidated Acceptance Corp, Minneapolis, Minn. (sold in 1976).

In May 1974 acquired A L. Hansen Manufacturing Co.

On Jan. 1, 1975 Signal-Stat Corp., Waukesha Foundry Co., Inc. and Chandeysson Electric Co became divisions of Abex Corp.

On Mar. 31 1976 A L. Hansen Mfg. Co became a division of Abex Corp

In Apr. 1977 acquired Stanray Corp The purchase cost of $38 271 000 including expenses consisted of cash payments of $6 363 000 and the issuance of 765 804 shs. of Industries $3 50 Second Preferred Stock.

In Feb 1978 Co issued 987 805 shs. of com. stk for all outstg shs of Security Investment Co., which owns Pepsi-Cola Bottling Co of Cincinnati, Ohio

In Aug. 1978 acquired voting common stock not previously owned of Pet Inc. for $406 000 000

In Jan 1979 sold Lincoln Liberty Life Insurance

In Mar. 1979 acquired Pepsi-Cola Bottling Co. of Kenosha & Racine, Inc. and Pepsi-Cola Kantor Bottling, Inc.

In Apr. 1979 sold Benjamin Franklin Savings Association of Houston, Lincoln Liberty Investment Corp and IC Financial Development Corp. to Mischer Corp. for $16 400 000 cash

In May 1979 reached definitive agreement to acquire Alton Manufacturing Co through Hussman Group of Pet Inc.

In July 1979 Midas International Corp merged wholly-owned European retail outlets with those of TI Silencers, Ltd. to operate retail outlets to be known as Midas Silencer Centres.

In Dec. 1979, acquired Applied Air Systems through Hussman Group of Pet Inc.

In Apr. 1980 acquired Blanchard-Ness Ltee. for 71,875 common shares.

In Aug. 1981 Co sold the Musselman Fruit Products division of its Pet Inc., unit to MFP Enterprises Inc. The transaction was valued at $32,000 000 including $28 000 000 in cash

In June 1982 acquired Wm Underwood Co

Also in May, 1982 Union Pacific Corp sold to Company 2,149 319 shs. of Co com. stk owned by Union Pacific Corp. The purchase price of $72 000,000 is equivalent to approximately $33 50 per sh.

In Aug 1982, sold to Coachmen Industries, Inc. the remaining assets of the Vehicle Group of Midas International, a subsidiary. Details were not disclosed.

In Apr 1983 acquired 5.1% of Trane Co. Details were not disclosed.

In July 1983 acquired additional Trane Co stock, bringing total holdings to 24.54% (sold in Jan 1984)

In Sept. 1983, acquired Havana Pepsi-Cola Bottling Co, Havana, Ill.

In June 1984, through a subsidiary, acquired Turner Refrigeration Ltd. and Refrigerator Contracts Ltd from Turner & Co., Ltd., Glasgow, Scotland.

In Oct. 1984 through subsidiaries acquired Pepsi-Cola Bottling Co of Springfield Mo., and Pepsi-Cola Bottling Company of Flat River, Mo a 100% interest in a Mexican joint venture, Infrisa, a 100% interest in a German joint venture, 1 2,3 AutoService; and Riordan Holdings Ltd., United Kingdom.

In Nov., 1984 through subsidiary, acquired 100% interest in United Kingdom joint venture Midas U K. Ltd.

SUBSIDIARIES

The following subsidiaries are wholly-owned except as noted.

Hussmann Distributing Co., Inc (Del.)
IC Equities, Inc. (Del.)
IC Industries Finance Corp N V. (Netherlands Antilles)
IC Leasing, Inc. (Del.)
 Bolingbrook 55 Corp (Ill)
 IC Equipment Leasing Co. (Ill.)
 IC Industries Insurance Co. Ltd. (Bermuda)
Illinois Center Corp (Del.)
Illinois Central Gulf Railroad Co. (Del)
LaSalle Properties, Inc. (La.)
South Properties, Inc. (Ill.)
IC Products Co. (Del.)
 Abex Corp. (Del)
  Abex Industries Ltd. (Canada)
  Abex International S.A. (Switzerland)
   Abex A/S (Denmark)
   Abex Finanziaria S.r.L. (Italy)
   Abex Fluid Power Ltd. (Great Britain)
    Abex Denison Ltd. (Great Britain)
   Abex Ges m.b H (Austria)
   Abex GmbH (West Germany)
   Abex Industries Aktienbolag (Sweden)
   Abex Industries S.A. (France) (99 87%)
   Abex International Holdings Ltd (Bahama Islands)
   Abex Japan Ltd (Japan)
    Frendo Abex S.p.A. (Italy)
     Frendo Sud S p.A. (Italy)
   Abex Pagid Equipment S.A. (France)
  Abex Mead Ltd. (Great Britain)
  Amsco Mexicana, S A (Mexico)
  Denison Hydraulics, Japan, Ltd. (Japan)
  Illinois Central Export Corp (Del.)
 Bubble Up Co Inc (Del)
 Pet Inc. (Del.)
  Helvetia Redevelopment Corp (Mo)
  Hussmann Corp (Del.)
   Alton Manufacturing Co (Texas)
   American Refrigeration Products, S.A. (Mexico)
   Chesley Industries (Mich.)
   Krack Corp (Ill)
   Hussmann Refrigeration Inc (Mo)
   Hussmann Store Equipment Ltd. (Canada)
   Star Cooler Corp (Mo)
   Turner Refrigeration Ltd
   Refrigerator Contracts Ltd
   Riordan Holdings Ltd. (U K.)
  IC Acquisition Co. (Del.)
   William Underwood Co (Mass.)
    Ac'cent International Inc. (Del.)
    Almacenes Refrigerantes S.A. de C.V. (Mexico)
    C. Shippam Ltd (Great Britain)
    Cinta Azul S.A. (Costa Rica) (50%)
    Harry Peck & Co. Pty Ltd (Australia)
    Lakes Entrance Processors Pty. Ltd. (Australia)
    William Underwood Co. (Canada) Ltd. (Canada)
    Diablitos Venezolanos C.A. (Venezuela)
    P V Foods Inc. (Minn.)
  Southland Canning & Packing Co., Inc. (La.)
  Spartanburg Dairy Inc. (Ga.)
  St. Louis Lithographing Co. (Mo.)
  Stuckey's Inc. (Del)
  Stuckey's Stores, Inc. (Del)
 Midas International Corp. (Del)
  Midas U K. Ltd. (U.K.)
  Cosmic Enterprises, Inc. (Del.)
   Cosmic Stores Inc. (N Y.)
  Frolic Homes Inc. (Ind.)
   Midas Euro Inc (Del)
    1,2,3 Auto Service GmbH (West Germany)
    1,2,3 Auto Service GmbH & Co (West Germany)
  Huth Manufacturing Corp (Cal.)
  International Stamping Co Inc. (Wisc.)
  International Parts Mfg Ltd (Canada)
  Midas Australia Pty Ltd. (Australia)
  Midas Automotive Ltd. (Canada)
  Midas Canada, Inc. (Canada)
  Midas Realty Corp (Del.)
  Midas Silencers Ltd (Great Britain)
   TI Midas Ltd. (Great Britain) (51%)
  Midas S.A. (Belgium)
  Muffler Corp of America (Ill)
 Pepsi-Cola General Bottlers, Inc. (Del)
  Pepsi-Cola Bottling Co of Springfield
  Pepsi-Cola Bottling Co of Flat River
  Genadco Advertising Agency, Inc. (Ill.)
  Kolmar Products Corp (Wisc.)
 Pneumo Corp.
  Cleveland Pneumatic Co.
  Claud S Gordon Co.
  P&C Food Markets
  Carls Drug Co.

The names of certain subsidiaries are omitted, as such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary

BUSINESS AND PRODUCTS

IC Industries, Inc. ("Industries") is an international, diversified holding company, organized on the principles of decentralized management, whose business is conducted through operating subsidiaries and divisions which are, for the most part, integral, autonomous operations.

In Oct., 1984 Industries acquired the Pneumo Corporation ("Pneumo") whose headquarters are in Boston Massachusetts Pneumo is engaged in the design and manufacture of landing gear and flight controls for military and commercial aircraft, and in food and drug retailing and wholesaling.

In addition to Pneumo, Industries operates in three diversified business areas Consumer Products, Commercial Products and Railroad Activities. The principal companies in the Consumer Products business are Pet Incorporated ("Pet"), Pepsi-Cola General Bottlers, Products operations are conducted by Abex Corporation ("Abex") and Hussmann Corporation ("Hussmann"). Railroad Activities are conducted by the Illinois Central Gulf Railroad Company ("ICG"). The businesses of Consumer Products and Commercial Products are operated by IC Products Company, a wholly owned subsidiary of Industries.

CONSUMER PRODUCTS

Consumer Products consists of the food business conducted by Pet, the soft drink business carried on through Pepsi General Dad's and Bubble Up, and the automotive services business conducted by Midas.

Pet

Pet's specialty food products are comprised of three operating groups, Grocery, Specialty and International.

The Grocery Group markets Old El Paso Mexican products the largest selling line of shelf-stable Mexican foods in the United States, Orleans canned shrimp clams and oysters, Gulf Belle frozen shrimp, Underwood canned meat spreads, B&M baked beans and Ac'cent flavor enhancer. The Grocery Group also markets evaporated milk Pet's original product, as well as diet products under the Sego brand.

Specialty foods include Pet-Ritz pie crusts, the largest selling frozen pie shells in the United States, Downyflake waffles, Old El Paso frozen Mexican entrees and other frozen foods, Whitman's chocolates and confections, and Pet and Aunt Fanny's bakery items. This group also markets fresh dairy products including milk, ice cream and specialty dairy products in the Southeastern states.

The International Group manufactures and markets canned meats and other products in the United Kingdom, Venezuela, Australia, Mexico and Canada and is responsible for exporting all Pet products.

Pet markets its products principally to supermarkets and grocery stores throughout the United States through brokers and company sales personnel. These product lines are also marketed to restaurants and other institutions in the food service industry and directly to consumers through specialty retailing outlets. In the case of chocolate and confection items, the products also are marketed through drug stores and mass merchandise stores.

Pet's milk and dairy products and its other food and grocery items compete with nationally recognized brand names, as well as with local and private label products, on the basis of price, quality and product innovations.

Agricultural commodities, raw milk, raw materials and packaging are purchased from farmers, fishermen, importers dairy cooperatives other food processors and various packaging manufacturers. Except for normal fluctuations in crop sizes Pet has experienced little difficulty in obtaining raw materials for its products.

Soft Drinks

Pepsi General packages and distributes, under exclusive franchises, Pepsi-Cola products and other brand name soft drinks, including Dad's Root Beer, Bubble Up, Sunkist Orange Soda, 7-Up Mountain Dew, Dr. Pepper Orange Crush Canada Dry and Hawaiian Punch. In mid-1984 Pepsi General introduced its own brand of aseptic juice drink, "Orchard Sun." It is a naturally flavored 10% juice drink in four flavors orange grape, fruit punch and apple. Pepsi General presently sells Pepsi-Cola products in five areas in the Midwest with a total population of over 16 million people and sells its other drink products in certain of these areas.

Pepsi General's franchises grant it the exclusive right to produce and sell the products and use the related trade names and trademarks in the franchised territories. The franchises require Pepsi General, among other things, to purchase its concentrate requirements solely from the franchisor, at prices fixed by the franchisor, and to promote diligently the sale and distribution of the franchised products. Packaging materials (bottles, bottle caps cans, cartons, cases) are obtained from manufacturers approved by the franchisor and other items are purchased in the general market. The franchises are for an indefinite term and are subject to termination upon failure to comply with the provisions of the franchise agreement.

Products are distributed by Pepsi General to retail outlets primarily by trucks operated by Pepsi General route salesmen. Pepsi General owns leases or sells the vending machines which dispense its soft drink products in factories offices, schools, stores, filling stations and other locations. Pepsi General's business is seasonal and weather conditions during the peak summer months have a significant effect on sales.

Dad's Root Beer Company manufactures and sells root beer concentrate and extract to 125 franchised licensees who package and distribute Dad's Root Beer in marketing areas in the United States. Bubble Up Company sells lemon-lime concentrate and extract to 126 domestic and 30 foreign franchised licensees. In addition, Dad's Root Beer and Bubble Up product is distributed through food brokers in markets where there are no franchise agreements. Pepsi General distributes Dad's Root Beer and Bubble Up in Chicago and in most of its other marketing areas.

During 1984 diet soft drinks accounted for approximately 16% of Pepsi General's sales. Substantially all diet soft drinks including those of Pepsi General, contain aspartame and/or saccharin. In 1983, the United States Food and Drug Administration (the "USFDA") approved the use of aspartame in diet soft drinks. Since February, 1978 the USFDA has required precautionary labeling on soft drink products containing saccharin. The USFDA in 1977, also proposed regulations to prohibit the use of saccharin in soft drinks which Congress has suspended indefinitely. Industries does not believe that such a ban, if made effective, will have a materially adverse effect on the business of Industries and its subsidiaries.

Midas

Midas provides automotive exhaust system, suspension system and brake service through approximately 1 800 franchised and company-owned Midas shops in the United States, Canada, England, France, Australia, Belgium, Germany, Austria, Panama and Mexico. Midas manufactures over 900 different types of mufflers and exhaust tail pipes to service approximately 1,800 makes and models of automobiles.

Midas' principal market is its chain of franchised Midas shops. An initial franchise fee is charged and dealers pay a royalty fee based upon gross revenues. Franchise agreements, which generally are for a 20-year term and provide for renewals, can be canceled by Midas only for failure of the dealer to comply with the provisions of the agreement. An important part of the Midas marketing program is its warranty of mufflers, brakes and shocks. Midas manufactures the majority of mufflers and tubing sold by its franchised dealers. Midas also distributes its exhaust system parts under other brand names to automotive parts distributors, jobbers and automobile accessory stores and its tube bending equipment to jobbers and retail installers.

The raw materials and supplies used in Midas products are purchased from many suppliers and the company is not dependent on any single source for any of its raw material or supplies.

COMMERCIAL PRODUCTS

The products within Commercial Products are manufactured and sold through Abex and Hussmann and their respective subsidiaries.

Abex

The products of Abex are divided into four principal product line categories: Automotive Products, Cast Products, Fluid Power Products and Railroad Products. Automotive products include braking materials and lighting equipment for the automotive original equipment and replacement markets. Abex is a major source of brake linings and disc brake pads for cars, trucks and buses. It is also a manufacturer of metallic brake discs for commercial and military aircraft, signal lights, lamps, reflectors, mirrors and other safety devices for trucks, automobiles and recreational vehicles.

Abex also produces a wide variety of castings in iron steel, copper and aluminum alloys for use in mining, earthmoving, steel making, petrochemical, nuclear, rock crushing, dredging, food processing and other applications. It is 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.

Fluid power products include hydraulic pumps, motors, valves and complete hydraulic systems which are used in construction and mobile equipment, industrial and marine machinery, materials-handling equipment, off-shore drilling and nuclear power plants. Hydraulic pumps, motors, servo-valves jet aircraft noise suppressors, electric power inverters and passenger loading bridges are manufactured for the aerospace and general aviation markets.

Abex is a 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. It also supplies bearings for freight cars and remanufactures and upgrades electric traction motors and generators for the railroad industry.

Distribution of Abex products is made principally through its own salesmen, however, Abex does sell certain products, principally automobile brake linings and lighting equipment, to independent wholesalers and dealers for resale.

Abex holds a number of patents related to its products. While Abex believes that certain of such patents are valuable in its business, it does not believe that any major product lines are significantly independent on patent protection.

Hussmann

Hussmann designs, manufactures, installs and maintains refrigeration equipment, display cases, shelving and environmental control systems. In addition, Hussmann has developed various energy-saving systems which control the total energy usage in food stores including scheduling of energy usage to avoid peak periods, cycling of refrigerator compressors and recapture of heat. The dollar amount of firm backlog increased 47% from year-end 1983 to $94 million at December 31 1984. Substantially all such backlog is expected to be filled within one year.

Products of Hussmann are marketed internationally by both company-employed sales personnel and independent distributors. During 1984, Hussmann acquired several companies in the United Kingdom which will provide Hussmann with the same kind of integrated engineering manufacturing and marketing organization in Europe as it has established in the U.S.

RAILROAD ACTIVITIES

The ICG is a major rail freight carrier operating in the central United States. As of December 31, 1984, the ICG had approximately 6 500 route miles in ten states, including a major north-south freight line with trackage extending from Chicago to the Gulf of Mexico, together with east-west routes crossing Illinois Iowa and Missouri. The principal metropolitan markets served by the ICG which also constitute important interchange points with other railroads, include Chicago, Illinois New Orleans and Shreveport, Louisiana; Kansas City and St. Louis, Missouri; Indianapolis, Indiana; Louisville, Kentucky; Birmingham, Montgomery and Mobile Alabama; Memphis, Tennessee; Jackson, Mississippi, and Omaha, Nebraska. In addition to its transportation activities the ICG owns substantial real estate which is not used in railroad operations. The sale or lease of such real estate contributes significant income to the ICG.

The principal commodities transported by the ICG include grain grain mill products, coal, chemicals, paper and other bulk products. Intermodal (piggyback) operations also contribute an important portion of the ICG's revenues.

The ICG operates commuter services in the Chicago area under contract with the six-county Regional Transportation Authority. The ICG also operates several passenger trains under contract with the National Railroad Passenger Corporation ("AMTRAK"). These operations are not considered material to the results of the ICG.

ICG finances its own capital requirements. Management believes that the physical condition of its main line railway and yards is maintained at standards that permit efficient performance and is confident that the company is meeting the current service requirements of its customers.

Industries is unable to predict what effect the present trend toward consolidation of railroads into large regional systems may have on its revenues or operating results. While no formal plan for disposition of the ICG currently exists, the merger or sale for the ICG is an important goal of Industries. During 1984, Industries retained the services of an investment banking firm to review Industries' own work on assessing the options of the ICG. These options include merger with another railroad, sale to a nonrailroad investor, spin-off to shareholders, sale to employees, sale of stock to the public and retaining the ICG in whole or in part. No accurate prediction can be made as to whether the ICG will be involved in a consolidation or other transaction in the foreseeable future, or the amount which would be realized. Depending on many factors, including the timing and structure of such a transaction, Industries may realize amounts substantially less than the net book value of the assets of the ICG, which approximated $1,013 4 million at December 31, 1984.

PNEUMO CORPORATION

Pneumo Corporation consists of two business groups: the Aerospace/Industrial Group and the Food/Drug Group.

The Aerospace/Industrial Group designs and manufactures landing gear for military and commercial aircraft, proprietary flight controls and engine controls for manned and unmanned military aircraft and thrust reverser actuation systems, engine controls and flight controls for commercial airlines. This group also manufactures and distributes insulated thermocouple wire and related accessories which control and measure temperatures in hostile environments.

Pneumo's Food/Drug Group consists of P&C Food Markets Co., Inc. ("P&C"), a group of 90 retail food markets operating in upstate New York and portions of New England, and Carls Drug Co., Inc. ("Carls"), a chain of 36 promotional drugstores located primarily in central and upstate New York serving many of the same market areas as P&C. P&C also franchises 63 supermarkets and operates a large wholesale food distribution system in central and upstate New York and portions of Vermont, New Hampshire and Massachusetts.

The materials used by the Aerospace/Industrial Group generally are available from a number of suppliers. While this group is not dependent upon any single supplier of materials for the operation of the business, there are a limited number of suppliers of forgings, metal parts and special metals, and any halts or delays in their production, or an unexpected increase in demand for the materials they produce would interfere with orderly production by this segment.

No single patent or group of patents is material to either business group. Pneumo has pursued the policy of seeking patent production for inventions and discoveries relating to the Aerospace/Industrial Group which are incorporated into its products or fall within its field of interest. None of the patents has ever been adjudicated, and there can be no assurance regarding the validity of any patents. Under various research and development contracts, the Government is entitled to a nonexclusive license for governmental purposes to inventions arising under such contracts. Where it is thought that business advantages might be gained, patent protection is obtained in foreign countries as well as in the United States.

The Food/Drug Group makes use of a number of trademarks and trade names, largely private label food and health items, and it operates a franchising program for retail food stores. Such rights are considered to be of material importance to this business group. The company has no reason to believe that it is not fully protected in its use and enjoyment of such rights.

The Aerospace/Industrial Group participates as a subcontractor on many programs with most major U.S. manufacturers of military and commercial aircraft. The loss of business on any of several major programs of the Boeing Company, McDonnell Douglas Corporation and General Dynamics Corporation would have an adverse effect upon Pneumo's Aerospace/Industrial Group.

All of Pneumo's order backlog is in the Aerospace/Industrial Group and includes firm orders as well as options for additional quantities for which the company expects to receive future orders. At December 31, 1984, Pneumo's total backlog was $1.1 billion compared to $956 million at November 30, 1983 (Pneumo's former year end). Approximately $803 million of the December 31, 1984 backlog was firm compared to $684 million at November 30, 1983. The amount of the backlog at December 31, 1984 estimated for shipment in 1985 was $454 million with the balance to be shipped in future years. Pneumo's backlog at the end of 1984 was made up of about 70% military and 30% commercial business.

Cleveland Pneumatic Company, the largest component of the Aerospace/Industrial Group competes primarily with two other producers in the landing gear industry for major commercial and military programs. Although specific statistics are not available on the volume of production of landing gear of these producers, Pneumo believes that Cleveland Pneumatic is one of the two principal producers of such landing gear in the United States. Pneumo's National Water Lift Division, another principal component of the Aerospace/Industrial Group experiences competition in each of its product areas, but Pneumo knows of no other manufacturer which produces the entire range of products manufactured by this division. Claud S. Gordon Company, the smallest component of the Aerospace/Industrial Group, is engaged in a highly competitive business in which there are several producers.

PROPERTIES

Abex operates 40 plants in the United States, 4 in Canada and 12 plants in several other foreign locations. Of such plants, 52 are owned and 4 are leased on a long-term basis.

Pet operates 38 owned and 9 leased manufacturing plants located in the United States and five foreign countries, 22 owned and 7 leased milk and dairy distribution facilities, 5 owned and 2 leased warehouses and 77 owned, 50 leased and 105 franchise specialty retail outlets.

Hussmann operates 15 owned and 6 leased manufacturing facilities in the United States, Mexico and Canada. There are 3 owned and 29 leased branch facilities which sell, install and maintain Hussmann products.

Midas operates 3 manufacturing plants in the United States and one manufacturing plant in Canada. Of these plants, one is owned and 3 are leased. In addition, Midas also maintains 18 warehouses of which one is owned and 17 are leased. As Dec. 31, 1983, Midas leased and operated 46 Midas Muffler Shops in the U.S., 29 Midas Muffler Shops in Canada and 79 Midas Muffler Shops in 9 foreign countries.

Pepsi General's facilities include 8 bottling plants, 2 combination bottling/canning plants and one canning plant. In addition, Pepsi General has 29 distribution warehouses and 4 storage warehouses.

In addition Industries engages in a wide variety of industrial, commercial and residential real estate development activities in the United States.

LETTER TO STOCKHOLDERS

The following is the letter to stockholders of William B. Johnson, Chairman and Chief Executive Officer of IC Industries, Inc. as it appeared in the Company's 1984 Annual Report.

To Our Shareholders:

In 1984 IC Industries set records for sales, pre-tax income, income from continuing operations, and fully-diluted earnings per common share. In addition, in spite of several substantial acquisitions, the company ended the year in the strongest financial condition in its history, with a healthy balance sheet and extensive lines of credit.

For the year, IC Industries:

Increased consolidated sales and revenues to $4.2 billion, 13 percent over 1983.

Increased pre-tax income to $247.8 million, 42 percent over 1983.

Increased income from continuing operations by 38 percent over 1983 $133.3 million.

Increased fully-diluted per-share income from continuing operations by 30 percent—to $2.92, and increased primary per-share income from continuing operations by 27 percent to $3.17.

Ended the year with more than $800 million in unused committed bank credit lines;

Lowered debt-to-capitalization ratio to 45.7 percent.

Fully-diluted net income per share for the year was adversely affected by a $10.5 million loss—or 25 cents per fully-diluted share—primarily as a result of the discontinuance of the Abex Corporation's Stanray railroad parts plant in Hammond, Indiana in the fourth quarter.

The steps our subsidiary companies have taken to streamline operations, reduce costs, and redeploy assets, position them to register further earnings gains. As an IC Industries company for the full year of 1985, Pneumo Corporation will make a significant contribution to sales and earnings.

Today IC Industries is in the strongest financial and strategic position in its history, ready to take the next steps in its long-term strategic program. Our corporate objectives have not changed. We will continue to divest operations which do not meet our criteria for growth, earnings, or return on invested capital.

We will devote a major part of our attention this year to integrating Pneumo into the IC Industries family, and to realizing synergies with Abex. We also anticipate possible acquisitions for both our Consumer and Commercial Products groups.

We have increased our budget for capital expenditures in 1985 by about 25 percent to $250 million, with the increased resources to be allocated to our growing aerospace and consumer businesses. ICG capital spending will decline slightly.

Abex has closed non-profitable operations and introduced products with higher margins. Pneumo has a backlog of about $1.2 billion, of which approximately $900 million is under firm contracts. Hussmann has a substantial backlog, and a profitable new European operation that provides an additional sales base of $100 million. The ICG has reduced its break-even more than 14 percent in the past two years.

We recently retained the services of an investment banking firm to give us the benefit of its independent judgment on our options for the Illinois Central Gulf Railroad. These options include merger with another railroad, sale to a non-railroad investor, spin-off to shareholders, sale to employees, sale of stock to the public, or retaining the ICG in whole or in part.

Midas has acquired 100 percent ownership of all but one of its foreign joint venture operations. Pepsi General has three new franchises which add 600,000 people to its service base. The Consumer Products Group, with Pet and Pepsi General's aggressive marketing programs, has begun the new year with strong gains over 1984.

The economy is strong—employment is up, inflation is firmly under control, interest rates have moderated, consumer confidence is high, and both the Congress and the Administration appear committed to controlling the deficit.

All our companies should continue to grow in 1985.

Early results are quite encouraging. In a strong economic environment, and even considering an increase of more than 10 million shares outstanding, we expect our per-share results for the year to exceed the record results of 1984.

William B. Johnson
Chairman and Chief Executive Officer

March 6, 1985

MANAGEMENT

Officers

W. B. Johnson, Chmn. & Chief Exec. Off.
B. F. Schenk, Pres. & Chief Oper. Off.
R. F. Stewart, Senior Exec. Vice-Pres.
J. P. Fagan, Exec. Vice-Pres.—Finance
R.S. Kirby, Exec. Vice-Pres., Gen. Counsel, & Sec.
C.L. Pecchenino, Exec. Vice-Pres.
B.S. Chelberg, Senior Vice-Pres.—Consum. Serv.
W. W. Larsen, Senior Vice-Pres.—Corp. Affairs
F. T. Westover, Senior Vice-Pres. & Contr.
A.R. Lehmann, Vice-Pres.—Investor Rel.
C.H. Connolly, Vice-Pres.—Corp. Commun.
R.A. Wright, Vice-Pres.—Human Resources
W. F. Cerne, Vice-Pres.—Real Estate
J.R. Copper, Vice-Pres.—Corp. Plan. & Devel.
J. F. Palmer, Vice-Pres.—Taxes
R.J. Switzer, Vice-Pres. & Treas.
P.M. O'Hara, Vice-Pres.—Corp. Fin.
G. A. Lee, Vice-Pres.—Govt. Affairs, Wash. D.C.

Directors

(Showing Age & Principal Corporate Affiliations)

Archie R. Dykes, (54) Pres. & Chief Exec. Off., Security Benefit Group, Inc. Chmn. & Chief Exec. Off., First Pyramid Life Insurance Co. of America, Dir. Boatmen's First National Bank of Kansas City, First National Bank, Topeka, Fleming Companies Inc., American Council of Life Insurance and Midwest Research Institute.

Gerald A. Fulham, Chmn., Pneumo Corp., Dir., Aeronca, Inc., Pneumo Corp., Woods Hole, Mass., Oceanographic Institution, Member of Board of Governors, Aerospace Industries Assoc., Trustee of Regis College, Weston, Mass.

John P. Gallagher, (68) Senior Lecturer Graduate School of Business University of Chicago. Dir., American National Bank & Trust Co. of Chicago, Harnischfeger Corp.; Amerifin Corp., Pet Inc., Stone Container Corp., and UNR Industries, Inc.

Helen Galland, (58) Pres., Helen Galland Associates Dir. Educational Foundation of the Fashion Institute of Technology; Vice-Pres. & Dir. City of Hope Hospital and Research Center.

C. Jackson Grayson, Jr., (61), Chmn., American Productivity Center, Inc. Dir., Harris Corp., Lever Brothers, Overhead Door Corp., Potlatch Corp., Sun Co.; Tyler Corp., Browning-Ferris Industries, and Ameriway Bank/Woodway N.A.

Robert E. Harrah, (68), Former Chmn., & Chief Exec. Off., Stanray Corp. Dir. Abex Corp.; Hussmann Corp., and Bank of Willits.

Walter H. Helmerich, III, (61), Pres. and Chief Exec. Off., Helmerich & Payne, Inc. Dir., Atwood Oceanics, Inc., Caterpillar Tractor Co., Combustion Engineering, Inc.; First National Bank & Trust Co. of Tulsa, First Tulsa Bancorporation, Inc., and Natural Gas Odorizing, Inc., Trustee, Northwestern Mutual Life Insurance Co.

William B. Johnson, (66) Chmn. & Chief Exec. Off., IC Industries, Inc. Dir., American Productivity Center, Continental Illinois Corp., Continental Illinois National Bank & Trust Co. of Chicago; Esmark, Inc., Abex Corp., Hussmann Corp., Illinois Central Gulf Railroad Co., Midas International Corp., Pepsi-Cola General Bottlers Inc.; Pet Inc., and Association of American Railroads.

Harold R. Logan, (63) Vice-Chmn., W.R. Grace & Co., Dir., Energy Fund, Inc., General Database Technology, Inc., Voyager Petroleums Ltd., Abex Corp., and Illinois Central Gulf Railroad Co. Member, President's Association of the American Management Association, Independent Petroleum Association of America, Pan American Society, Board of Governors, University of New Haven.

Harry A. Merlo (60), Chmn. & Pres., Louisiana-Pacific Corp. Dir., American Paper Institute of Western Forestry Center, Louisiana-Pacific Corp., National Forest Products Assoc.; Member, Columbia Pacific Council of Boy Scouts of Amer., National Advisory Council of Salvation Army, Board of Governors, Hugh O'Brian Youth Foundation; Trustee, Oregon Museum of Science & Industry.

Graham J. Morgan, (67) Retired Chmn. & Chief Exec. Off., United States Gypsum Co.; Dir., Abex Corp., American Information Technologies Corp.; American Hospital Supply Corp., Illinois Central Gulf Railroad Co., and International Harvester Co., Member of advisory board, Kemper Insurance.

George V. Myers, (68), Former Pres., Standard Oil Co. (Indiana) Dir. United States Gypsum Co., CNA Income Shares, Inc., and American Petroleum Institute; Trustee, Rush-Presbyterian-St. Luke's Medical Center.

C.L. Pecchenino (57), Exec. Vice-Pres., IC Industries, Inc., Pres. & Chief Exec. Officer, Pneumo Corp.

Geo. T. Scharffenberger, (65), Chmn. & Chief Exec. Off., City Investing Co., Dir. Northrop Corp.; Earle M. Jorgenson Co., Kidde, Inc., Rockefeller Center Inc., Georgetown University and Home Group Inc., Trustee, University of Southern California.

Boyd F. Schenk, (62), Pres. & Chief Oper. Off., IC Industries, Inc., Dir., Pet Inc.; Centerre Bank; Laclede Gas Co.; Illinois Power Co., A.E. Staley Manufacturing Co., and C... Shippam, Ltd., Trustee, William Underwood Co.

Robert F. Stewart, (57), Senior Exec. Vice-Pres., IC Industries, Inc.; Trustee, Worcester Polytechnic Institute.