PLAINTIFF'S EXHIBIT RA 260

The Philip Carey Manufacturing Company

Notice of Special Meeting of Shareholders to be Held April 12, 1967

To the Shareholders of
THE PHILIP CAREY MANUFACTURING COMPANY:

Notice is hereby given that a Special Meeting of shareholders of The Philip Carey Manufacturing Company will be held at the office of the Company at Lockland, Ohio, on April 12, 1967 at 11:00 o'clock in the forenoon, Eastern Standard time, for the following purposes:

1. To consider and take action with respect to a Plan and Agreement of Merger, a copy of which is attached as Appendix III to the Proxy Statement accompanying this Notice, which provides, among other things, for the merger of this company with and into Glen Alden Company, Inc., a Delaware corporation (to be renamed "Glen Alden Corporation"), pursuant to which all outstanding common shares of this company (except for shares held by said Glen Alden Corporation and a subsidiary thereof) will be converted, share for share, into shares of $2.25 Senior Cumulative Convertible Preferred Stock of said Glen Alden Corporation; and

2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only shareholders of record as shown by the transfer books of The Philip Carey Manufacturing Company at the close of business on March 20, 1967 are entitled to notice of and to vote at the meeting.

By order of the Board of Directors,

L. A. PECHSTEIN, JR.
Secretary

March 10, 1967.

[redacted]

The notice was sent to all shareholders of record at the close of business on March 20, 1967, by mailing, first class mail or first class airmail, not earlier than March 13 nor later than March 31, 1967.

ALPHABETICAL INDEX

Stock Provisions

$2.25 Senior Cum. Conv. Pfd. Stock

PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS

of

GLEN ALDEN CORPORATION

and

SPECIAL MEETING OF SHAREHOLDERS

of

THE PHILIP CAREY MANUFACTURING COMPANY

and

SPECIAL MEETING OF STOCKHOLDERS

of

THE B.V.D. COMPANY, INC.

APRIL 12, 1967

PRELIMINARY STATEMENT

***This Proxy Statement* should be read carefully. The transactions discussed herein are complicated and should be understood before voting. Note especially the material captioned Preliminary Statement, Certain *Significant Aspects* of the Proposed Transactions, Purpose and Background of the Transactions, the Earnings Statements of Glen Alden, B.V.D. and Philip Carey, the Pro Forma Statements of Combined *Income*, and *Comparative Data*.**

This Proxy Statement relates to special stockholders' meetings of Glen Alden Corporation ("Glen Alden"), a Pennsylvania corporation, The Philip Carey Manufacturing Company ("Philip Carey"), an Ohio corporation, and The B.V.D. Company, Inc. ("B.V.D."), a Delaware corporation, to be held on April 12, 1967 for the purpose of considering and taking action on proposed transactions pursuant to which Philip Carey will be merged into Glen Alden and a wholly-owned subsidiary of Glen Alden will acquire substantially all of the assets (subject to substantially all of the liabilities) of B.V.D. As part of the proposed transactions Glen Alden will be reincorporated as a Delaware corporation under the name "Glen Alden Corporation" ("Glen Alden Corporation" wherever used herein refers to said new Delaware corporation which is also referred to as the "Surviving Corporation"). McCrory Corporation ("McCrory") controls the ownership of 1,000,002 shares of the Common Stock of B.V.D. and 2,388,230 Common Shares of Glen Alden through a subsidiary, Glen Alden-Delaware, Inc., a Delaware corporation ("Glen Alden-Delaware"), all of whose Common Stock is owned by McCrory and all of whose Preference Stock is owned by Mr. and Mrs. Sol Kittay. Rapid-American Corporation owns 50.4% of the voting stock of McCrory. See "Purpose and Background of Transactions" for a more detailed discussion of Glen Alden-Delaware's relation to the proposed transactions. Simultaneously with the acquisition of the B.V.D. assets, Glen Alden-Delaware will be merged into the Surviving Corporation.

As a result of these transactions,

(a) each common shareholder of Philip Carey (except Glen Alden and its subsidiaries) will receive one share of $2.25 Senior Cumulative Convertible Preferred Stock ("Senior Stock") of the Surviving Corporation in exchange for each common share of Philip Carey presently held;

(b) each Common Stockholder of B.V.D. (except as provided in (d) below) will receive, at his election, either

(i) one share of $3.15 Cumulative Convertible Preferred Stock ("Preferred Stock"), or

(ii) one share of Class C (Contingent Preference) Stock ("Class C Stock") of the Surviving Corporation in exchange for each three shares of the Common Stock of B.V.D. presently held;

(c) each Common Shareholder of Glen Alden (except as provided in (d) below) will receive one share of Common Stock of the Surviving Corporation in exchange for each Common Share of Glen Alden presently held; and

(d) McCrory, as the holder of 2,388,230 shares of Common Stock of Glen Alden-Delaware, will receive 2,388,230 shares of Common Stock of the Surviving Corporation, and Mr. and Mrs. Kittay, as the holders of 333,334 shares of Preference Stock of Glen Alden-Delaware, will receive 333,334 shares of Class C Stock of the Surviving Corporation; the 2,388,230 Common Shares of Glen Alden and the 1,000,002 shares of Common Stock of B.V.D. held by Glen Alden-Delaware will be cancelled.

The details of the transactions and the securities to be issued thereunder are set forth below.

In arriving at the foregoing exchange rates the respective Boards of Directors took into consideration among other factors the financial position, the recent operating results, the past and prospective earnings and sales, and the market value of the shares of each company. The directors of Glen Alden, Philip Carey and B.V.D. have carefully considered the proposed transactions and have concluded to recommend the same to their respective shareholders. None of the officers or directors of Glen Alden, B.V.D. or Philip Carey has any personal interest in the merger or acquisition except as the same may affect his interest as a shareholder. The investment banking firm of Wertheim & Co., of which Mr. Milton Steinbach, a Director of Philip Carey, is a general partner, has counselled Philip Carey in connection with the financial terms of the Philip Carey Transaction (as hereinafter defined). Wertheim & Co. will receive a fee of $100,000 for its services if the Transaction is consummated and will be reimbursed by Philip Carey for its out-of-pocket expenses if the Transaction is not consummated. Allen & Company, investment bankers, has counselled Glen Alden in connection with the Philip Carey Transaction.

Because of the proximity of the normal annual meeting dates of Glen Alden, Philip Carey, and B.V.D. to the scheduled closing dates of the transactions discussed herein, the Boards of Directors of the respective corporations have deemed it inappropriate to hold an annual meeting prior to the closing (or abandonment) of said transactions. The first annual meeting of the Surviving Corporation is scheduled under its By-Laws to be held in May 1968, and, if either of the transactions described herein is consummated, the persons who will become Directors of the Surviving Corporation, as described on pages 59-60 below, will serve until the election and qualification of their successors at said meeting.

The Surviving Corporation may be required to issue a maximum of 7,513,576 shares of Common Stock, assuming conversion at maximum conversion rates of all shares of Senior Stock and Preferred Stock issued in the proposed transaction, and a maximum of 4,538,339 additional shares of Common Stock upon conversion at maximum rates of the Class C Stock. The above figures are based upon the number of shares of B.V.D. Common Stock outstanding on October 1, 1966 and the estimate that there will be outstanding 603,393 shares of Preferred Stock and 583,334 shares of Class C Stock after the consummation of the B.V.D. Transaction. It should be noted that the Class C Stock becomes convertible into Common Stock only upon the occurrence of certain events described in detail on pages 25-26 hereof under "Class C Stock". The above figures do not take into account possible conversions of Preferred Stock which may be issued under contractual commitments and stock options of B.V.D. to be assumed by the Surviving Corporation (see below "Stock Options and Commitments to Issue Stock").

CERTAIN SIGNIFICANT ASPECTS OF THE PROPOSED TRANSACTIONS

1. The stockholders of B.V.D. are entitled to elect to receive either Preferred Stock or Class C Stock of the Surviving Corporation. The Class C Stock will not be listed on any national securities exchange. No dividends are expected to be paid in respect of the Class C Stock, nor will such stock be convertible into Common Stock, except under the circumstances described on pages 25-26 hereof under "Failure to Make Serial Redemptions".

2. Assets formerly owned by Philip Carey and B.V.D., respectively, will each represent 29% of the consolidated net assets of the Surviving Corporation. The shareholders of Philip Carey and B.V.D. will receive 1.4% and 4.7%, respectively, of the initial voting power of the Surviving Corporation before any conversions into Common Stock are effected. Additional voting rights will accrue to the former shareholders of Philip Carey and B.V.D., respectively, if the Surviving Corporation defaults on a specified number of cumulative dividend payments.

3. The initial aggregate redemption value and aggregate involuntary liquidation preference of the Senior Stock, Preferred Stock and Class C Stock to be outstanding following the proposed transactions will exceed the total pro forma consolidated stockholders' equity of the Surviving Corporation by $19,500,045 and $14,672,067, respectively.

The figures set forth in paragraphs 2 and 3 above are based upon the Pro Forma Combined Balance Sheets set forth elsewhere herein.

PURPOSE AND BACKGROUND OF TRANSACTIONS

As appears below, since 1955 Glen Alden has been engaged in diversifying its business with the result that, at the present time, it is engaged largely in the business of manufacturing textiles and operating motion picture theatres. (See below under "History and Business of Glen Alden".) The transactions herein described constitute further major steps in Glen Alden's diversification program.

Philip Carey is engaged in the manufacture and sale of a large variety of products, principally roofing, industrial and insulation products and a line of fabricated products. Through a Canadian subsidiary, Philip Carey also owns and operates an asbestos mine and mill. (See below under "History and Business of Philip Carey".) B.V.D. is engaged principally in the manufacture and sale of various types of apparel for men, women and boys, and in operating men's retail apparel establishments. (See below under "History and Business of B.V.D.")

Simultaneously with the consummation of the B.V.D. Transaction, the name of the Surviving Corporation's subsidiary organized for the purpose of such acquisition will be changed to "The B.V.D. Company, Inc.". Promptly after the consummation of the Philip Carey Transaction all of the assets and liabilities acquired by the Surviving Corporation from Philip Carey pursuant to the Carey Merger Agreement will be transferred to a newly organized wholly owned subsidiary of the Surviving Corporation the name of which will be "The Philip Carey Manufacturing Company". Thus the businesses now carried on by B.V.D. and Philip Carey, respectively, will continue to be carried on under the same names. It is intended that all present employees of both B.V.D. and Philip Carey will assume positions with such new subsidiaries identical with the positions which they now occupy and that all officers of the three corporations (with the exception of Mr. Robert S. King, Chairman of the Board of Philip Carey, who desires to retire because of his age) will be retained in capacities substantially similar to those in which they are presently serving. It is presently contemplated that the various divisions and subsidiaries of the three corporations will continue to be operated as separate units under the supervision of the personnel presently responsible for their activities.

Glen Alden acquired the bulk of its holdings in Philip Carey in February 1966, when it and its subsidiary, Gera Corporation, purchased 244,083 common shares of Philip Carey at an aggregate cost of approximately $10,231,000, including fees and commissions, pursuant to a public Offer for Tenders made by it on February 14, 1966. In connection with such purchase Gera borrowed $4,500,000 from a bank, of which $3,500,000 is presently unpaid and is represented by a 6% note of Gera in said amount payable April 17, 1967. After the expiration of the Offer for Tenders, and prior to April 1, 1966, Glen Alden and Gera increased their aggregate ownership to approximately 28% of the total Philip Carey common shares outstanding, by acquiring an additional 38,438 common shares of Philip Carey in the open market at an aggregate cost of approximately $1,522,000.

Glen Alden-Delaware acquired its stockholdings in Glen Alden and B.V.D. on July 26, 1966 when (a) McCrory transferred to it 2,388,230 Common Shares of Glen Alden in exchange for a like number of shares of Common Stock of Glen Alden-Delaware, and (b) Sol Kittay and his wife, Frieda Kittay, transferred to it a total of 1,000,002 shares of Common Stock of B.V.D. in exchange for 333,334 shares of Preference Stock of Glen Alden-Delaware, subject to the right of Mr. and Mrs. Kittay to require Glen Alden-Delaware to purchase such Preference Stock at $105 per share in installments over a ten-year period. The July 26, 1966 agreement provided that Glen Alden-Delaware would offer to acquire the remaining shares of B.V.D. Common Stock for the same consideration per share, or for one or more different considerations to be offered as alternatives. The consummation of the B.V.D. Transaction will terminate all remaining obligations of Glen Alden-Delaware pursuant to the foregoing. Glen Alden-Delaware was formed for the purpose of acquiring the above mentioned B.V.D. Common Stock and Glen Alden Common Shares, and said shares constitute its only assets. McCrory has voting control of Glen Alden-Delaware through its ownership of all of Glen Alden-Delaware's outstanding Common Stock. Upon the consummation of the B.V.D. Transaction, Glen Alden-Delaware will cease to exist, McCrory's 2,388,230 shares of Glen Alden-Delaware Common Stock (originally received in exchange for a like number of Glen Alden Common Shares) will be converted into a like number of shares of Common Stock of Glen Alden Corporation, the Surviving Corporation, and Mr. and Mrs. Kittay's 333,334 shares of Preference Stock of Glen Alden-Delaware (originally received by them on a "one-for-three" basis in exchange for B.V.D. Common Stock) will be converted into a like number of shares of Class C Stock of Glen Alden Corporation, the Surviving Corporation. This same Class C Stock may be received on B.V.D.'s liquidation on a "one-for-three" basis by each B.V.D. common stockholder who makes an appropriate election.

As a result of the sale of its coal business on February 16, 1966, Glen Alden's basic ties to the Commonwealth of Pennsylvania were terminated. An effect of the merger of Glen Alden into a new Delaware corporation will be the elimination for the future of a substantial Pennsylvania tax.

MEETINGS OF STOCKHOLDERS

Glen Alden Meeting

Purposes of Meeting: The principal purposes of the Glen Alden shareholders' meeting are to consider and act upon the following:

> **Proposal No. 1—The approval of (a) a Plan and Agreement of Merger (the "Glen Alden Merger Agreement") in the form attached hereto as Appendix I, and (b) an Agreement and Plan of Reorganization (the "B.V.D. Acquisition Agreement") in the form attached hereto as Appendix II.**

Glen Alden Merger Agreement: Under the Glen Alden Merger Agreement, Glen Alden (the present Pennsylvania corporation) and Glen Alden-Delaware will be merged into Glen Alden Company, Inc., a wholly-owned Delaware subsidiary of Glen Alden organized for the purpose. The name of said Glen Alden Company, Inc. will be changed to "Glen Alden Corporation", the Surviving Corporation.

Upon the consummation of the merger, Glen Alden, the present Pennsylvania corporation, will have been reincorporated in Delaware as "Glen Alden Corporation" (the Surviving Corporation) and all presently issued Common Shares of Glen Alden (except the 2,388,230 Common Shares held by Glen Alden-Delaware which will be cancelled) will have been exchanged on a share-for-share basis for Common Stock of the Surviving Corporation; Glen Alden-Delaware will have ceased to exist, McCrory will have received Common Stock of the Surviving Corporation in exchange for its present shares of Common Stock of Glen Alden-Delaware, and Mr. and Mrs. Kittay will have received Class C Stock of the Surviving Corporation in exchange for their present shares of Preference Stock of Glen Alden-Delaware.

The B.V.D. Acquisition Agreement: Under the B.V.D. Acquisition Agreement, the Surviving Corporation, through a wholly-owned Delaware subsidiary, will acquire, simultaneously with the Glen Alden merger discussed above, substantially all of the assets (subject to substantially all of the liabilities) of B.V.D. in exchange for shares of Preferred Stock and Class C Stock of the Surviving Corporation. The B.V.D. Acquisition Agreement provides that promptly after the foregoing exchange has been completed, B.V.D. will be liquidated and the shares of Preferred Stock or Class C Stock so issued will be distributed to the present holders of the Common Stock of B.V.D. on the basis outlined above under

"Preliminary Statement". Glen Alden-Delaware will receive Preferred Stock of the Surviving Corporation in exchange for its shares of Common Stock of B.V.D., which shares of Preferred Stock will be cancelled in connection with the simultaneous merger of Glen Alden-Delaware into the Surviving Corporation.

The principal differences between the Preferred Stock and the Class C Stock, and the details with respect to the election by the holders of the BVD Common Stock to receive shares of either class, are hereinafter described under "B.V.D. Meeting—*Comparison of Certain Provisions of Preferred Stock and Class C Stock*" and "Details of the Proposed Transactions—*Election to Receive Preferred Stock or Class C Stock*".

Proposal No. 2—The approval of (a) a Plan and Agreement of Merger (the "Carey Merger Agreement") in the form attached hereto as Appendix III, and (b) a Supplemental Plan and Agreement of Merger (the "Supplemental Merger Agreement") in the form attached hereto as Appendix IV.

Carey Merger Agreement: Under the Carey Merger Agreement, Philip Carey will be merged into the Surviving Corporation. Each holder of common shares of Philip Carey (except Glen Alden and a subsidiary, whose shareholdings will be cancelled) will receive shares of Senior Stock of the Surviving Corporation on the basis outlined above under "Preliminary Statement".

Supplemental Merger Agreement: The Supplemental Merger Agreement will become effective only if the merger of Glen Alden (the present Pennsylvania corporation) and Glen Alden-Delaware into Glen Alden Company, Inc. pursuant to Proposal No. 1 above has not been consummated for any reason. The purpose of the Supplemental Merger Agreement is to reincorporate Glen Alden as a Delaware corporation if this has not already been accomplished by the Glen Alden Merger Agreement under Proposal No. 1. Under the Supplemental Merger Agreement, Glen Alden, the present Pennsylvania corporation, will be merged into Glen Alden Company, Inc. (its wholly-owned Delaware subsidiary the name of which will be changed to "Glen Alden Corporation", the Surviving Corporation, as above described), and each holder of the Common Shares of Glen Alden (including Glen Alden-Delaware) will receive one share of the Common Stock of the Surviving Corporation for each Common Share of Glen Alden held by such shareholder.

Required Votes: The only outstanding voting securities of Glen Alden are its Common Shares, each share of which entitles the holder thereof to one vote. Only Glen Alden shareholders of record at the close of business on March 20, 1967 are entitled to vote at the Glen Alden meeting or any adjournments thereof. As of March 7, 1967, there were outstanding 4,802,032 Common Shares of Glen Alden of which Glen Alden-Delaware is the owner of 2,388,230 shares (approximately 49.7%). As noted above, all of the Common Stock of Glen Alden-Delaware is owned by McCrory.

The approval of both Proposal No. 1 and Proposal No. 2 will require the separate affirmative vote of the holders of at least a majority of the outstanding Common Shares of Glen Alden. The management of McCrory proposes to cause Glen Alden-Delaware to vote the Common Shares owned by it for approval of both of said transactions and the agreements relating thereto at the meeting of the shareholders of Glen Alden.

The transaction covered by Proposal No. 1 above is hereinafter sometimes referred to as the "B.V.D. Transaction" and the transaction covered by Proposal No. 2 is hereinafter sometimes referred to as the "Philip Carey Transaction". The two Transactions are not dependent on one another so that if either is approved by the required shareholder vote as described above, it may be consummated even if the other is not approved or is abandoned for any reason.

Resolutions Proposed by Shareholders: Messrs. Lewis D. Gilbert and John J. Gilbert of 1165 Park Avenue, New York 28, N. Y., each of whom is the owner of 10 Common Shares of Glen Alden and represent an additional family interest of 20 Common Shares and are acting as executors under a will for an additional 100 Common Shares have advised Glen Alden that they intend to introduce the following resolutions:

Shareholder Proposal I:

"RESOLVED: That the stockholders of Glen Alden Corporation, assembled in annual meeting in person and by proxy, hereby request that any extensions of the Qualified Stock Option Plan, taking the form of an increase in the number of shares subject to option under the plan, or any new stock option plan, be made subject to the following provisions:

(a) That the aggregate purchase price of the shares covered by an option may not exceed in the aggregate 150% of an individual's annual cash compensation;

(b) That no more than 25% of the shares reserved for option, or subject to any new stock option plan, may be optioned to employees who were employees at the time of the extension of the present plan or of the approval of a new stock option plan;

(c) That shares to be optioned will be optioned in yearly instalments as nearly equal as possible and that the right to purchase shares in each instalment will not be cumulative and will expire to the extent not exercised during the applicable instalment period;

(d) No options will be granted in any year to executives who are within eighteen months of their automatic retirement date on March 31 of such years;

(e) It shall be a negative factor in granting options if an optionee has sold optioned stock to pay off a loan, enabling the optionee to pick up new options."

The statement made by the shareholders in support of the proposal is as follows:

"Mr. Dudley Swim, Chairman of the Board of National Airlines, in the Monterey California Peninsula Herald of February 26, 1966, warns all stockholders of the need for greater protection in regard to stock options. We believe the provisions we advocate will protect us, as long term stockholders, to a greater extent than is now the case."

The management of Glen Alden recommends that the shareholders vote "Against" this resolution for the following reasons:

The management is not presenting to the shareholders for their approval at this Meeting any resolution either to extend the Qualified Stock Option Plan, which was approved by the shareholders at the 1965 annual meeting, or to adopt a new stock option plan. Before the existing Plan was formulated, a full study was made of the plans adopted by other corporations and it was the belief of the management that this Plan was best adapted to the requirements of Glen Alden. In the event the Plan were to be extended or a new plan were to be adopted, a further study would be made. In the opinion of the management it would be inappropriate to impose at this time various restrictions of the nature contained in the shareholders' resolution on future stock option plans, thus potentially limiting and hampering Glen Alden in its recruitment of key personnel.

Shareholders' Proposal II:

"RESOLVED: That the stockholders of Glen Alden Corporation, assembled in annual meeting in person and by proxy, hereby request that following the annual meeting the management issue a post-meeting report which shall include a brief resume of questions and answers of general interest, a summary of the discussion, identification of participants, and the actual vote for and against all resolutions."

The Statement made by the shareholders in support of the proposal is as follows:

"Owners who for geographical or business reasons cannot attend the annual meeting are entitled to a complete report of the proceedings so that they may be kept abreast of corporate affairs.

"Among companies that send out such a report are: P. Lorillard, Johns Manville, Xerox, Twentieth Century Fox and SuCrest.

"If you agree, please mark your proxy FOR this resolution; otherwise, it is automatically cast against it."

The management of Glen Alden recommends that the shareholders vote "Against" this resolution for the following reasons:

Last year, the management of Glen Alden sent to its shareholders a post-meeting report of what happened at the annual meeting. The Management intends to send to Glen Alden shareholders a similar report of what happens at the Special Meeting to which this Proxy Statement relates. The shareholders' proposal, which would require in addition that the participants in the discussions at annual meetings be identified, would serve only to publicize the individuals involved and would serve no useful corporate purposes.

Revocability of Proxies: Proxies received by Glen Alden may be revoked by the persons executing the same by the execution and delivery of another proxy or by giving notice (which may be oral) to the Secretary of Glen Alden prior to the exercise of such proxy. In the event of the death or incapacity of the shareholder, written notice thereof must be given to the Secretary of Glen Alden to revoke a proxy.

B.V.D. Meeting

Purposes of Meeting: The principal purposes of the meeting of the stockholders of B.V.D. are to consider and act upon (a) the B.V.D. Acquisition Agreement which, as noted in Proposal No. 1 above under "Glen Alden Meeting", contemplates the transfer of substantially all of B.V.D.'s assets, subject to substantially all of its liabilities, to a wholly owned subsidiary of the Surviving Corporation in exchange for shares of Preferred Stock and Class C Stock of the Surviving Corporation on the basis outlined above under "Preliminary Statement", (b) the change of B.V.D.'s name to Bivid Liquidating Corp. and (c) B.V.D.'s liquidation.

Required Vote: The only outstanding voting securities of B.V.D. are its shares of Common Stock, each share of which entitles the holder thereof to one vote. Only B.V.D. stockholders of record at the close of business on March 20, 1967 are entitled to vote at the B.V.D. meeting or any adjournments thereof. As of March 6, 1967 there were outstanding 3,717,341 shares of B.V.D. Common Stock, of which, as noted above, 1,000,002 shares (approximately 26.9%) were owned by Glen Alden-Delaware and 231,766 shares (approximately 6.2%) were owned by Mr. Sol Kittay. The approval of the B.V.D. Acquisition Agreement, including the approval of the change of name and liquidation of B.V.D., will require the affirmative vote of the holders of a majority of the outstanding shares of Common Stock of B.V.D. McCrory proposes to cause Glen Alden-Delaware to vote all of its shares in favor of the B.V.D. Acquisition Agreement (and the other matters above mentioned) at the meeting of the B.V.D. stockholders and Mr. Kittay proposes to take similar action.

Comparison of Certain Provisions of Preferred Stock and Class C Stock: Each B.V.D. Common Stockholder will be entitled to elect to receive, in exchange for B.V.D. Common Stock presently held, either shares of Preferred Stock or Class C Stock, but not partly one and partly the other. For further details with respect to this election see below under "Details of the Proposed Transactions—*Election to Receive Preferred Stock or Class C Stock*". The following is a description of certain of the features of the Preferred Stock and Class C Stock respectively. This description and comparison does not purport to be complete, and reference is hereby made to the detailed statements with regard to both classes of stock included below under "Description of Capitalization."

(i) *Redemption and Liquidation.*

The Preferred Stock is redeemable on and after June 30, 1973 at an initial redemption price of $110 per share (reduced by $1 in each of the next 5 years), and from July 1, 1978 at $105 per share (plus, in each case, all accrued dividends to the redemption date). On liquidation, the Preferred Stockholders will be entitled to receive (x) $110 per share until June 30, 1973 and thereafter an amount equal to the then current redemption price, if such liquidation be voluntary, or (y) $105 per share, if such liquidation be involuntary, (plus in either case an amount equal to all accrued dividends) before any payment can be made to the holders of the Common Stock.

The Class C Stock will be issued in seven series with "Serial Redemption Dates" on the last day of February in each of the years 1968 through 1974. Each B.V.D. stockholder electing to receive shares of Class C Stock will receive 20% of the total number of such shares to which he is entitled in each of the series having Serial Redemption Dates in February 1968, 1970 and 1972, respectively, and 10% of such total number in each of the remaining four series; all fractional shares otherwise issuable will be combined into whole shares of the seventh series with a Serial Redemption Date in February 1974. The shares of each such series are redeemable on or after the 30th day prior to the Serial Redemption Date for that series, and after June 30, 1973 all such shares are redeemable without regard to series, at a redemption price, in all cases, of $90 per share (plus any accrued dividends). (See below page 24 for limitations on redemption of less than all shares of certain series.) On liquidation, the Class C Stockholders are entitled to receive $90 per share (plus any accrued cumulative dividends) on a parity with the holders of shares of Preferred Stock before any payment can be made on the Common Stock.

Because of the many factors that must be taken into consideration, including the future earnings and financial condition of the Surviving Corporation and other related matters, the Board of Directors of Glen Alden has no view at present regarding the redemption of any or all of the Series comprising the Class C Stock.

(ii) *Dividends.*

The Preferred Stock will be entitled to cumulative dividends at the annual rate of $3.15 per share (before non-cumulative dividends may be paid on the Class C Stock or any dividends may be paid on the Common Stock).

Dividends with respect to the Class C Stock are initially non-cumulative. Glen Alden Corporation may, and expects to, pay dividends on the Common Stock without paying dividends on the Class C Stock unless and until dividends on such Class C Stock have become cumulative. Cumulative dividends on the Class C Stock, if any, will rank on a parity with the Preferred Stock dividends. See pages 23-25 for a detailed description of the initial and contingent dividend rights of the Class C Stock.

(iii) *Conversion.*

The Preferred Stock is convertible into Common Stock after February 1, 1968 at a conversion rate of 7.65 shares of Common Stock for each share of Preferred Stock so converted.

Unless Glen Alden Corporation fails to redeem shares of Class C Stock of each series as the respective Serial Redemption Date for such series is reached, the Class C Stock is not convertible (see below on pages 25 and 26 for a statement as to the circumstances under which shares of Class C Stock may become convertible and the applicable rates of such conversion).

(iv) *Listing.*

It is intended to list the Preferred Stock on the New York Stock Exchange. The Class C Stock will not be listed on any national securities exchange.

As noted above, the Class C Stock of each series is redeemable on the Serial Redemption Date applicable to such series. Glen Alden Corporation will not be obligated to redeem shares of any one or more series on their Serial Redemption Dates. However if it fails to redeem shares of any series by its respective Serial Redemption Date, the holders of such shares become entitled to certain additional rights; and if Glen Alden subsequently fails to redeem shares of one or more later series the holders of Class C Stock of such later series and of all subsequent series may become entitled to certain further additional rights. Reference is hereby made to "Failure to Make Serial Redemptions", on page 25 below, for a detailed statement of these additional rights, the circumstances under which they may arise and the obligations imposed thereby upon Glen Alden Corporation.

Revocability of Proxies: No special procedure is required to revoke a Proxy. Attendance at the meeting and voting in person will constitute revocation of a Proxy.

Philip Carey Meeting

Purposes of Meeting: The principal purpose of the meeting of the shareholders of Philip Carey is to consider and act upon the Carey Merger Agreement which, as noted in Proposal Number 2 above under "Glen Alden Meeting," contemplates the merger of Philip Carey into Glen Alden Corporation (the Surviving Corporation), the Philip Carey common shareholders to receive shares of $2.25 Senior Cumulative Convertible Preferred Stock ("Senior Stock") of Glen Alden Corporation (the surviving Corporation) on the basis outlined above under "Preliminary Statement."

Required Vote: The only outstanding voting securities of Philip Carey are its common shares, each share of which entitles the holder thereof to one vote. Only Philip Carey shareholders of record at the close of business on March 20, 1967 are entitled to vote at the Philip Carey meeting or any adjournments thereof. As of March 7, 1967 there were outstanding 1,006,926 common shares of Philip Carey, of which 282,521 shares (approximately 28%) were owned by Glen Alden and one of its subsidiaries. The approval of the Carey Merger Agreement will require the affirmative vote of the holders of at least two-thirds of the outstanding common shares of Philip Carey. Glen Alden proposes to vote, and to cause its subsidiary to vote, all Philip Carey common shares owned by them in favor of the Carey Merger Agreement at the meeting of the Philip Carey shareholders.

Revocability of Proxies: A Philip Carey shareholder, without affecting any vote previously taken, may revoke his Proxy by giving notice to Philip Carey in writing or in open meeting.

Other Matters

None of the managements knows of any matter other than those listed in the respective Notice of Special Meeting of the three companies which are likely to be brought before any such meetings. However, if any other matter, not now known, properly comes before any of the meetings, the persons named in the enclosed form of Proxy will vote said Proxy in accordance with their best judgment.

Copies of the Glen Alden Merger Agreement, the B.V.D. Acquisition Agreement, the Carey Merger Agreement and the Supplemental Merger Agreement are attached hereto as Appendices "I", "II", "III", and "IV" respectively. The statements made herein are qualified by the more complete provisions in said agreements, to which reference is hereby made for a complete statement of the terms and conditions of the proposed merger and acquisition.

FUTURE DIVIDEND POLICY

It is the present view of the management of Glen Alden that the changes in capitalization and business resulting from the B.V.D. Transaction and the Philip Carey Transaction will not require any change in present policies with respect to dividends on Common Stock, subject to the future earnings and financial condition of Glen Alden Corporation and other related factors. It is presently intended that cumulative dividends will be paid at the annual rate of $2.25 per share on the Senior Stock and at the annual rate of $3.15 per share on the Preferred Stock. The Board of Directors has no present intention of declaring dividends on the Class C Stock unless and until such dividends become cumulative (see "Description of Capitalization").

However, certain other factors may become significant and affect the future dividend policy. Under certain loan agreements of B.V.D. and Philip Carey, which will be binding upon the subsidiaries of Glen Alden Corporation which will operate the businesses heretofore conducted by B.V.D. and Philip Carey, respectively, there will be certain restrictions upon the payment of dividends by such subsidiaries to Glen

Alden Corporation. In addition, the terms of Glen Alden Corporation's Certificate of Incorporation relating to the Senior, Preferred and Class C Stock contain certain restrictions upon the payment of dividends on, or redemption or other acquisition of classes of, junior stock (see below under "Description of Capitalization"). Moreover, the Senior Stock is entitled to the benefits of a sinking fund, whereas, in the case of the Class C Stock, if the shares are not redeemed on their respective Serial Redemption Dates, certain additional rights (including cumulative dividends, conversion rights and the benefits of a sinking fund) become vested in the holders of Class C Stock (see below at pages 25 and 26 for the circumstances under which such additional rights arise and a full description thereof). There can be no assurance that the cash available to Glen Alden Corporation will be sufficient to comply with each of the foregoing provisions or to avoid a change in dividend policy as a result of the operation of one or more of the provisions or restrictions mentioned above.

DETAILS OF THE PROPOSED TRANSACTIONS

Consummation of B.V.D. Transaction

The shareholders of Glen Alden and B.V.D. will be promptly notified of the effective date of consummation of the proposed transactions. All such shareholders (other than those B.V.D. stockholders who have theretofore elected to receive Class C Stock, as described below) will also be advised as to the procedures for surrender of their certificates in exchange for certificates representing shares of stock of Glen Alden Corporation.

Such exchange will be necessary in order to enable those B.V.D. stockholders who elect to receive Preferred Stock to receive dividends on their stock (at the time of any such exchange, or shortly thereafter, such Preferred Stockholders will receive, without interest, all dividends theretofore payable on their shares of Preferred Stock).

Election to Receive Preferred Stock or Class C Stock

If the B.V.D. Acquisition Agreement is approved by the required vote of the B.V.D. stockholders at the special meeting thereof to which this Proxy Statement relates, B.V.D. will immediately mail to each of its common stockholders at their respective addresses as the same appear on the transfer records of B.V.D., a statement to the effect that if the B.V.D. Acquisition Agreement and the Glen Alden Merger Agreement become effective in accordance with their terms, each beneficial owner of B.V.D. Common Stock will be entitled, at his option, to receive only shares of either Preferred Stock or Class C Stock of Glen Alden Corporation (but not both classes) in respect of all of the B.V.D. Common Stock beneficially owned by such stockholder. Such election will be required to be made in the manner set forth in said statement within 15 days from the date thereof. Said statement will be accompanied by a Letter of Election and Transmittal (the form of which is annexed as Exhibit B to the B.V.D. Acquisition Agreement, Appendix II hereof) and will require that any B.V.D. stockholder desiring to elect to receive shares of Class C Stock of Glen Alden Corporation must appropriately complete such form and mail the same with his B.V.D. Common Stock certificates (or have a suitable bank or broker guarantee delivery of such certificates) to B.V.D.'s transfer agent within said 15 day period. Any B.V.D. stockholder failing to elect to receive shares of Class C Stock by completing and mailing said Letter of Election and Transmittal as aforesaid will be conclusively deemed to have elected to receive shares of Preferred Stock.

Mr. Sol Kittay, who together with his wife will receive 333,334 shares of Class C Stock upon the merger of Glen Alden-Delaware into Glen Alden Corporation, will be entitled to receive only Class C Stock in respect of any shares of B.V.D. Common Stock continued to be owned by him.

Only shares of Preferred Stock will be issuable in exchange for the 1,000,002 shares of B.V.D. Common Stock now held by Glen Alden-Delaware, and said shares of Preferred Stock will, promptly after receipt thereof by Glen Alden Corporation as a result of the merger of Glen Alden-Delaware into Glen Alden Corporation, be cancelled and be restored to the status of authorized but unissued shares.

Fractional Shares

No fractional shares of Preferred Stock or Class C Stock will be issued, and, in lieu thereof (except as specifically otherwise provided; see above page 7 *"Comparison of Certain Provisions of Preferred Stock and Class C Stock"*), each stockholder of B.V.D. to whom fractional shares would otherwise be deliverable will be entitled, at his option, either to sell his fractional interest or buy a sufficient fractional interest to make up a whole share, provided, however, that if more "buy orders" are received by B.V.D. than there are shares available, the excess, in the inverse order of receipt, will be treated as "sell orders".

Stock Options and Commitments to Issue Stock

Upon the merger of Glen Alden into Glen Alden Corporation, the "1965 Qualified Stock Option Plan of Glen Alden" will continue in effect as the Stock Option Plan of Glen Alden Corporation, and options granted prior to the merger under said Plan and under the "Glen Alden Corporation Stock Option Plan" and the "Employees Stock Option Plan of Glen Alden" will continue as valid stock options of Glen Alden Corporation, in each case entitling the holders thereof to the same rights as if no merger had taken place.

At the closing under the B.V.D. Acquisition Agreement, the acquiring corporation will issue to all of the holders of B.V.D.'s outstanding Sales Agent Incentive, Restricted and Qualified Stock Options, substitute options upon identical terms to purchase one share of Glen Alden Corporation Preferred Stock for each three shares of B.V.D. Common Stock purchasable under said options, at purchase prices per share of Glen Alden Corporation Preferred Stock equal to three times the respective purchase prices per share of B.V.D. Common Stock payable under said options.

B.V.D. has outstanding a number of contractual commitments to issue shares of its Common Stock in the future. (See Exhibit C to the B.V.D. Acquisition Agreement). Subject to the closing under the B.V.D. Acquisition Agreement, the acquiring corporation will be obligated to issue to such persons one share of Glen Alden Corporation Preferred Stock for each three shares of B.V.D. Common Stock to which such persons may be or become entitled under said contractual commitments.

Rights of Abandonment

The B.V.D. Transaction may be abandoned prior to its consummation upon a number of grounds of which the more significant are as follows (for a more detailed and complete statement of all such grounds, reference is hereby made to the Glen Alden Merger Agreement and the B.V.D. Acquisition Agreement, Appendices I and II hereto):

(a) by mutual agreement of the Boards of Directors of Glen Alden, Glen Alden-Delaware and B.V.D.;

(b) by Glen Alden and by Glen Alden-Delaware

(i) if in the opinion of their Boards of Directors, the potential liability which might result from demands from the holders of Common Shares of Glen Alden who have taken all then necessary steps to perfect their appraisal rights would render the transaction inadvisable and not in the best interest of Glen Alden and Glen Alden-Delaware or the stockholders of either corporation;

(ii) if there shall be any breach of any of the covenants, warranties or representations on the part of B.V.D. under the B.V.D. Acquisition Agreement;

(iii) unless all persons who are, or may upon exercise of options or upon the occurrence of certain events become, entitled to receive shares of B.V.D. Common Stock under certain contractual commitments of B.V.D. (excluding holders of B.V.D. Sales Agent Incentive, Qualified or Restricted Stock Options) agree in writing to accept one share of Preferred Stock of Glen Alden Corporation for each three shares of B.V.D. Common Stock to which they may be or become entitled under said commitments;

(c) by Glen Alden if there shall be any breach of the covenants, warranties or representations on the part of Glen Alden-Delaware under the Glen Alden Merger Agreement;

(d) by Glen Alden-Delaware

(i) if there shall be any breach of the covenants, representations or warranties of Glen Alden under the Glen Alden Merger Agreement;

(ii) if by the Filing Date (as defined in the Glen Alden Merger Agreement), it shall not have received an order from the Securities and Exchange Commission either that it is not an investment company or that it is exempt from the provisions of Section 17 of the Investment Company Act of 1940;

(e) by B.V.D.

(i) if there shall be any breach of the covenants, representations or warranties of Glen Alden, Glen Alden-Delaware or Glen Alden Corporation under the B.V.D. Acquisition Agreement;

(ii) if for any reason the Glen Alden Merger Agreement shall not become effective.

Consummation of Philip Carey Transaction

If the Carey Merger Agreement is adopted and if the Merger is not thereafter abandoned pursuant to authorization contained in such agreement, the merger will become effective upon appropriate filing in the States of Ohio and Delaware.

Upon the consummation of the Carey Merger Agreement, the common shares of Philip Carey owned by Glen Alden and one of its subsidiaries (aggregating 282,521 common shares) will be cancelled.

The shareholders of Philip Carey will be promptly notified of the effective date of consummation of the proposed transaction. All such shareholders will be advised as to the procedures for surrender of their certificates in exchange for certificates representing shares of Senior Stock of Glen Alden Corporation. Such exchange will be necessary in order to enable the former common shareholders of Philip Carey to receive dividends on their shares of Senior Stock (at which time such shareholders will receive, without interest, all dividends theretofore payable on their shares of Senior Stock).

Rights of Abandonment

The Carey Merger Agreement provides that the merger may be abandoned prior to its becoming effective upon a number of grounds of which the more significant are as follows (for a more detailed and complete statement of all such grounds, reference is hereby made to the Carey Merger Agreement, Appendix III hereof):

(a) by mutual agreement of the Boards of Directors of Glen Alden and Philip Carey;

(b) by Glen Alden, if certain consents with respect to outstanding loan agreements of Philip Carey have not been obtained from The Equitable Life Assurance Society of the United States, Metropolitan Life Insurance Company and First National Bank of Middletown (of Middletown, Ohio);

(c) by Glen Alden, if the shareholders of Glen Alden and Philip Carey who have taken all then necessary steps to perfect their appraisal rights with respect to the B.V.D. and the Philip Carey Transactions would hold, but for the exercise of such rights of appraisal and payment, an aggregate of at least 350,000 shares of Common Stock of Glen Alden Corporation, the surviving corporation. For this purpose, each share of Senior Stock is deemed to represent the number of shares of Glen Alden Corporation Common Stock into which it is initially convertible;

(d) by the Board of Directors of Philip Carey, if the potential liability of Glen Alden Corporation which might result from demands from the holders of capital stock of any of the constituent corporations who have taken all then necessary steps to perfect their appraisal rights with respect to the B.V.D. and the Philip Carey Transactions would reduce the Consolidated Net Tangible Assets of Glen Alden Corporation (as defined in the Carey Merger Agreement) to less than $72,440,500;

(e) by either Glen Alden or Philip Carey, if on or before May 27, 1967, the ruling referred to below under "Federal Income Tax Consequences" has not been received;

(f) by Philip Carey, if, except as contemplated by the Carey Merger Agreement:

(i) any change has been made in the Articles or Certificate of Incorporation, by-laws or (with certain exceptions) the number of outstanding shares of capital stock, of Glen Alden or any of its subsidiaries except with the approval of Philip Carey which approval will not be unreasonably withheld;

(ii) Glen Alden or any of its subsidiaries has encumbered or mortgaged any of its property or assets or entered into any transaction which by reason of its size or otherwise was not in the ordinary course of business, or if either Glen Alden or any of its subsidiaries, other than in the ordinary course of business, has incurred any obligation (contingent or otherwise) or has transferred or conveyed or has acquired any material assets or property;

(iii) Glen Alden has merged with or into, or has consolidated with, or has acquired all or substantially all of the assets of any other corporation, association, partnership or other business entity or has sold, leased or otherwise conveyed all or substantially all of its assets as an entirety;

(g) by either Glen Alden or Philip Carey if the initial conversion rate of the Senior Stock is greater than four shares of Common Stock for each share of Senior Stock and the parties fail to agree upon the rate as described below under "Description of Capitalization-Senior Stock-Conversion";

(h) by either Glen Alden or Philip Carey, if there shall be any breach by the other (unless cured) of any of the representations or warranties set forth in the Carey Merger Agreement.

Listing on New York Stock Exchange

It is intended that the shares of Common Stock, Senior Stock and Preferred Stock of Glen Alden Corporation to be issued as herein described and the shares of Common Stock into which the Senior, Preferred and Class C Stock will be convertible will be listed on the New York Stock Exchange. There is no intention to apply for listing the Class C Stock of Glen Alden Corporation.

The B.V.D. Transaction may be abandoned by Glen Alden and by Glen Alden-Delaware unless the Common Stock to be issued to McCrory and to the holders of Common Shares of Glen Alden is listed or approved for listing on the New York Stock Exchange on or prior to the consummation of said transaction. Similarly, the B.V.D. Transaction may be abandoned by B.V.D. unless the shares of Preferred Stock to be received by the stockholders of B.V.D., and the shares of Common Stock reserved for issuance upon conversion of the Preferred Stock and Class C Stock are listed or approved for listing on the New York Stock Exchange on or prior to the consummation of said transaction.

The Philip Carey Transaction may be abandoned by Philip Carey unless the Senior Stock to be issued to the holders of common shares of Philip Carey and the shares of Common Stock reserved for issuance upon conversion of said Senior Stock are listed or approved for listing on the New York Stock Exchange on or prior to the consummation of said transaction.

Registration under the Securities Act of 1933

A Registration Statement will be filed with the Securities and Exchange Commission on an appropriate form so as to register under the Securities Act of 1933, as amended, all of the shares of the capital stock of Glen Alden Corporation to be issued in the proposed transactions (or issuable upon conversion thereof) to persons who are or may be affiliates (as said term is defined in the Rules of the

Securities and Exchange Commission) of Glen Alden, Philip Carey and B.V.D. B.V.D. may abandon the B.V.D. Transaction unless on or prior to the consummation thereof said Registration Statement has become effective with respect to the Preferred Stock and Class C Stock (and the Common Stock issuable upon conversion thereof) of Glen Alden Corporation. Philip Carey may abandon the Philip Carey Transaction unless on or prior to the consummation thereof said Registration Statement has become effective with respect to the Senior Stock (and the Common Stock issuable upon conversion thereof) of Glen Alden Corporation.

Certificate of Incorporation and By-Laws

The Certificate of Incorporation and By-Laws set forth in Exhibits A and B, respectively, to Appendix I will be the Certificate of Incorporation and By-Laws, respectively, of Glen Alden Corporation.

The Certificate of Incorporation provides for indemnification of directors and officers except in relation to certain matters as to which the officer or director has been adjudged liable for negligence or misconduct in the performance of his duties. The By-Laws of Glen Alden and B.V.D. and the Code of Regulations of Philip Carey contain generally similar provisions.

Expenses of Merger and Acquisition

B.V.D. will pay the fees and expenses of its counsel and accountants and one-third of the total printing expenses. If the B.V.D. Transaction is consummated, B.V.D. will pay the aforesaid expenses out of amounts retained for the purpose, with any unused balance to be remitted to Glen Alden Corporation. Glen Alden Corporation (the Surviving Corporation) will bear all other expenses of the two transactions, including the amounts, if any, to which dissenting shareholders of Glen Alden and Philip Carey may be entitled by virtue of appraisal rights pursuant to the Pennsylvania Business Corporation Law and the General Corporation Law of Ohio, except that if the Philip Carey Transaction is not consummated, Philip Carey will pay the fees and expenses of its counsel, accountants and investment advisors and one-third of the total printing expenses, and if neither transaction is consummated, Glen Alden will pay the fees and expenses of its counsel, accountants and investment advisors and one-third of the total printing expenses.

Federal Income Tax Consequences

B.V.D. Transaction

Counsel for Glen Alden, Messrs. Strasser, Spiegelberg, Fried & Frank, Glen Alden's special tax advisers, Messrs. Hanigsberg, Delson & Broser, counsel for B.V.D., Messrs. Riesner, Jawitz & Holland, and special tax counsel for B.V.D., Messrs. Sullivan & Cromwell, have advised that, in their opinion, the merger of Glen Alden and Glen Alden-Delaware with and into Glen Alden Corporation, and the acquisition of substantially all the assets of B.V.D. by a wholly-owned subsidiary of Glen Alden Corporation, will constitute reorganizations within the meaning of the current provisions of the Internal Revenue Code, and, accordingly, under such provisions no gain or loss will be recognized to Glen Alden, Glen Alden-Delaware or B.V.D. as a result of such merger and such acquisition, no gain or loss will be recognized to the stockholders of Glen Alden and Glen Alden-Delaware as a result of the exchange of Glen Alden Common Shares and Glen Alden-Delaware Common Stock for Glen Alden Corporation Common Stock and the exchange of Glen Alden-Delaware Preference Stock for Class C Stock of Glen Alden Corporation, and no gain or loss will be recognized to the B.V.D. stockholders as a result of the exchange of B.V.D. Common Stock for Preferred Stock or Class C Stock of Glen Alden Corporation upon the liquidation of B.V.D., except to the extent that fractional shares to which such stockholders would otherwise be entitled are sold. Said counsel and advisers have further advised that, in their opinion, the basis to the stockholders of Glen Alden, Glen Alden-Delaware and B.V.D. for the shares of Glen Alden Corporation stock received by them in the exchanges will be the same as the basis for their shares of Glen Alden, Glen Alden-Delaware or B.V.D. stock, as the case may be, surrendered in the exchanges, and their holding period for the Glen Alden Corporation stock will include their holding period for the stock of Glen Alden, Glen Alden-Delaware or B.V.D. so surrendered, assuming with respect to the latter that the surrendered shares constitute capital assets in the hands of such Glen Alden, Glen Alden-Delaware or B.V.D. stockholders, as the case may be. Said counsel and advisers have further advised that, in respect of the status as "Section 306 stock" of the shares of Preferred Stock and Class C Stock of Glen Alden Corporation exchanged for B.V.D. Common Stock and Glen Alden-Delaware Preference Stock, in their opinion such shares will not constitute "Section 306 stock" (and therefore subsequent disposition or redemption of such stock will not be subject to special rules taxing the proceeds therefrom as ordinary income) to any stockholder of B.V.D. or Glen Alden-Delaware, assuming, as is required by the reorganization plan, that such stockholder receives only Preferred Stock or only Class C Stock in the exchange.

The Philip Carey Transaction

The Carey Merger Agreement provides that either Glen Alden or Philip Carey may abandon the Philip Carey Transaction unless at or before May 27, 1967, Glen Alden on the one hand and Philip Carey on the other shall have received a ruling from the Commissioner of Internal Revenue in form and substance satisfactory to Messrs. Strasser, Spiegelberg, Fried & Frank, counsel to Glen Alden, and Messrs. Taft, Stettinius & Hollister, counsel to Philip Carey, to the effect that

(a) No gain or loss will be recognized to Glen Alden Corporation, Philip Carey, or the shareholders of Philip Carey as a result of the merger of Philip Carey into Glen Alden Corporation, and said merger will have no tax consequences to the stockholders of Glen Alden Corporation;

(b) The basis of the Senior Stock in the hands of the Philip Carey shareholders received in the aforesaid merger will be the same as the basis to each such Philip Carey shareholder of the common shares of Philip Carey from which such Senior Stock has been converted in connection with such merger, and the holding period for such shares of Senior Stock will include the holding period for the common shares of Philip Carey so converted;

(c) The conversion of any of the shares of Senior Stock into Common Stock will not result in recognition of gain or loss; and

(d) The shares of Senior Stock so received in the aforesaid merger will not constitute "Section 306 Stock" (and therefore that subsequent disposition or redemption of such stock will not be subject to special rules taxing the proceeds therefrom as ordinary income).

It is the opinion of counsel for Glen Alden, Messrs. Strasser, Spiegelberg, Fried & Frank and Glen Alden's special tax advisers, Messrs. Hanigsburg, Delson & Boager, that if Glen Alden (the present Pennsylvania corporation) is reincorporated in Delaware by merger into Glen Alden Corporation as part of the Philip Carey Transaction, such merger will constitute a reorganization within the meaning of the current provisions of the Internal Revenue Code, and, accordingly, that under such provisions no gain or loss will be recognized to Glen Alden or Glen Alden Corporation (the Surviving Corporation) as a result of such merger, and that no gain or loss will be recognized to the shareholders of Glen Alden as a result of the conversion of Glen Alden Common Shares into shares of the Common Stock of Glen Alden Corporation (the Surviving Corporation). Said counsel and advisers have further advised that the basis to the shareholders of Glen Alden for the shares of Glen Alden Corporation stock received by them as a result of such conversion will be the same as the basis for their shares of Glen Alden and that their holding period for the Glen Alden Corporation stock will include their holding period for the stock of Glen Alden converted, if the converted shares constituted capital assets in the hands of such Glen Alden shareholders.

Accounting Treatment

The acquisition of B.V.D.'s assets (subject to liabilities) pursuant to the B.V.D. Transaction and the acquisition of the Philip Carey assets pursuant to the Philip Carey Transaction, are considered for accounting purposes to be poolings of interests except to the extent of 282,521 common shares of Philip Carey previously acquired by Glen Alden and its subsidiary.

Haskins & Sells, independent certified public accountants, have reviewed and approved this treatment as being in accordance with generally accepted accounting principles.

Rights of Dissenting Shareholders

Shareholders of Glen Alden

Glen Alden is a Pennsylvania corporation. The shareholders of Glen Alden may dissent from either the B.V.D. Transaction or the Philip Carey Transaction or both Transactions. The Business Corporation Law of Pennsylvania sets forth the rights and remedies of the shareholders of Glen Alden who may object to and desire to dissent from either or both of the aforesaid Transactions. The B.V.D. Transaction and the Philip Carey Transaction are described above under "Purposes of Meetings".

Pursuant to §§515 and 908A of the Pennsylvania Business Corporation Law, a shareholder of Glen Alden who wishes to demand payment of the fair value of his shares must file with Glen Alden prior to the commencement of voting by shareholders upon the Transaction in respect of which such a shareholder desires to dissent, an appropriate written objection, and must not vote in favor of the Transaction from which he intends to dissent. Voting against the Transaction from which such shareholder intends to dissent, or giving a proxy for such purpose, will not constitute such a written objection. In addition, such shareholder must, within twenty days after the date on which the vote was taken on the Transaction or Transactions in respect of which he intends to dissent, make written demand on Glen Alden, or, if either Transaction has been consummated, on Glen Alden or the Surviving Corporation, for payment of the fair value of his shares, stating the number of shares owned by him with respect to which he dissents. Within 20 days after such demand, such shareholder must submit his certificate or certificates to Glen Alden, or if either Transaction has been consummated, to Glen Alden or to the Surviving Corporation, for notation that such demand has been made. Glen Alden will notify shareholders filing written objection if the voting upon either of the proposed Transactions is delayed more than three days beyond the scheduled date of the meeting as hereinabove set forth. If either of the proposed Transactions has been consummated, the Surviving Corporation will give written notice thereof within 30 days thereafter to those shareholders who have both dissented to such Transaction and complied with the foregoing requirements, and will make a written offer to each such shareholder to pay a specified price as the fair value for his shares. At any time after 60 days (and within 90 days) after the effectiveness of either Transaction in respect of which the shareholder has dissented, if the fair value has not then been agreed upon between the Surviving Corporation and such dissenting shareholder, the shareholder may demand court proceedings to value his shares. The costs and expenses of any such proceeding will be assessed against the Surviving Corporation but may be fully or partly apportioned against any or all of the dissenting shareholders if the court shall find that the action of such shareholders in failing to accept the Surviving Corporation's offer to pay for the shares was arbitrary, vexatious or not in good faith.

The statute provides that unless a shareholder files a written objection and makes the necessary demand within the 20 day period described above, he shall be conclusively presumed to have consented to the proposed transactions (or any thereof as to which no such written objection and demand has been made) and shall be bound by the terms thereof.

Shareholders of Philip Carey

Philip Carey is an Ohio corporation. The General Corporation Law of Ohio sets forth the rights and remedies of shareholders of Philip Carey who may object to and desire to dissent from the Philip Carey Transaction.

Pursuant to §1701.85 of the General Corporation Law of Ohio, any shareholder of Philip Carey whose shares are not voted in favor of the Philip Carey Transaction and who serves on Philip Carey a proper written demand for payment of the fair cash value of the shares held by him of record on the record date for the determination of shareholders entitled to notice of the meeting to which this Proxy Statement relates may obtain payment for his shares. The failure to vote for or a vote against the proposals will not, in itself, constitute compliance with the statutory requirements. The fair cash value, as defined in §1701.85 is the amount which a willing seller, under no compulsion to sell, would be willing to accept and a willing buyer, under no compulsion to purchase, would be willing to pay. Such fair cash value is determined as of the day prior to the date on which the vote by shareholders authorizing the Philip Carey Transaction is taken and excludes from such value any appreciation or depreciation resulting from the proposal acted upon at the meeting.

The relief provided by §1701.85 of the General Corporation Law of Ohio is the exclusive right of dissenting shareholders. Pursuant to the aforesaid section, a shareholder not voting in favor of the Philip Carey Transaction must file a written demand upon Philip Carey on or before the later of (1) the thirtieth day after the giving of notice of the meeting, or (2) the tenth day after the taking of the vote authorizing the Philip Carey Transaction. Philip Carey does not propose to give further notice of the dates herein referred to. The dissenting shareholder must make certain specifications as provided for in Section 1701.85 of the General Corporation Law of Ohio and must set forth the amount per share claimed by him as constituting the fair value of his shares. If Philip Carey is unwilling to pay the amount so demanded it may, within ten days after the expiration of the period within which such demand may be made, so notify the shareholder and make a counter offer of a different amount per share. Within 15 days after Philip Carey mails to such shareholder a written request therefor, the shareholder must deliver the certificates representing his shares to Philip Carey to have endorsed thereon a legend to the effect that demand has been made for such payment. Philip Carey will then return the certificates so endorsed to the shareholder. If the shareholder does not comply with the request of Philip Carey to deliver his certificates for such endorsement within said 15-day period, his right to receive the fair cash value of his shares pursuant to §1701.85 will terminate.

Section 1701.85 further provides that the fair cash value of the shares involved in the demand by the shareholders will be deemed to be the amount demanded by him if he has complied with §1701.85, or, if Philip Carey has made a counter offer, then the amount per share specified in such counter offer, unless either (1) Philip Carey and the shareholder, at any one time within three months from the time said vote was taken, agree upon a different amount, or (2) the shareholder or Philip Carey within said three month period files a petition in the Common Pleas Court of Hamilton County to determine the fair cash value per share. If suit is filed, the Court will determine whether the shareholder is entitled to be paid the fair cash value of his shares; and if so, the Court will appoint three appraisers to determine and report such value to the Court for confirmation and approval or for such further proceedings as the Court may direct. The Court is authorized to fix reasonable compensation for the appraisers and equitably apportion such compensation and the court costs between Philip Carey and the shareholder. Philip Carey will pay only such portion of the appraisal cost as the Court may require.

Stockholders of B.V.D.

It is the opinion of Messrs. Riesner, Jawitz & Holland, counsel for B.V.D., that, under Delaware law, dissenting stockholders of B.V.D. will not be entitled to any appraisal rights by reason of the B.V.D. Transaction.

General

The applicable provisions of the Pennsylvania and Ohio statutes are set forth as Appendices V and VI of this Proxy Statement. The foregoing is a summary of said statutory provisions, to which reference is hereby made for a complete statement. In the opinion of counsel for Glen Alden and Philip Carey respectively, the receipt of payment by dissenting shareholders of either corporation will result in recognizable gain or loss for Federal income tax purposes.

Differences in Corporation Law

Shareholders of Glen Alden and Philip Carey may be affected by certain differences between the corporation law of Delaware and the corporation laws of Pennsylvania, on the one hand, and Ohio on the other. Neither Delaware law nor Glen Alden Corporation's Certificate of Incorporation requires cumulative voting in the election of directors. The Pennsylvania law requires cumulative voting and the Ohio law requires cumulative voting upon the timely demand of any shareholder.

There are other differences among the laws of the three states in regard to shareholders' rights. Among these are variations in voting rights in connection with mergers, consolidations, acquisitions and other reorganizations. Moreover, the rights of dissenting shareholders to have their shares appraised upon the taking of such corporate action differ significantly in Delaware from those arising under the laws of Pennsylvania or Ohio.

Solicitation of Proxies

Solicitation of proxies will be made by mail, telephone and otherwise. Glen Alden, Philip Carey and B.V.D. may each utilize the services of some of their respective officers and regular employees (who will receive no compensation therefor in addition to their regular salaries) to solicit proxies personally. Each company intends to request banks and brokers who hold shares of its stock in their name or in their custody or in the names of others, to forward copies of the proxy material to those persons for whom they hold such shares and to request authorization for the execution of the proxies. Each company will reimburse such banks and brokers for their out-of-pocket expenses incurred in connection therewith. Glen Alden and Philip Carey have retained Georgeson & Co. to aid in the solicitation, at an estimated aggregate cost of $9,000.

Transfer Agents, Exchange Agents and Registrars

Chemical Bank New York Trust Company, New York, New York, and Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, will be the Transfer Agents and The Chase Manhattan Bank, New York, New York and The Philadelphia National Bank, Philadelphia, Pennsylvania, will be the Registrars of the Senior, Preferred and Class C Stock and the Common Stock of Glen Alden Corporation. The Bank of New York and the Girard Trust Bank, Philadelphia, Pennsylvania, will be the Exchange Agents for the Preferred and Class C Stock of Glen Alden Corporation in connection with the B.V.D. Transaction. The Fifth Third Union Trust Company, Cincinnati, Ohio, will be the Exchange Agent for the Senior Stock of Glen Alden Corporation in connection with the Philip Carey Transaction.

DESCRIPTION OF CAPITALIZATION

A brief description of the proposed authorized capitalization of Glen Alden Corporation is set forth below. Reference is made to Article FOURTH of the Certificate of Incorporation of Glen Alden Corporation, attached hereto as Exhibit A to the Glen Alden Merger Agreement, Appendix I hereto, for a complete statement in connection therewith.

Authorized Capital Stock

The authorized capital stock of Glen Alden Corporation will be (a) 21,000,000 shares of Common Stock, (b) 724,405 shares of Senior Stock, (c) 1,300,000 shares of Preferred Stock, and (d) 1,200,000 shares of Class C Stock. The shares of Preferred Stock issued in exchange for shares of the Common Stock of B.V.D. owned by Glen Alden-Delaware will be cancelled and retired by Glen Alden Corporation but will remain subject to reissuance.

None of the holders of any class of Glen Alden Corporation capital stock will have any preemptive right to subscribe to any shares or other securities issued by Glen Alden Corporation.

Of the 21,000,000 shares of Common Stock authorized in the Certificate of Incorporation of Glen Alden Corporation, approximately 4,802,032 shares will be issued in exchange for Common Shares of Glen Alden (and Common Stock of Glen Alden-Delaware if the B.V.D. Transaction is consummated). Of the remaining authorized but unissued shares of Common Stock, Glen Alden Corporation will reserve a sufficient number of shares against conversion of shares of Senior, Preferred and Class C Stock and for the exercise of options and for other contractual obligations as described under "Details of the Proposed Transactions". The balance of the authorized shares of Common Stock will be available for issuance by the Board of Directors in connection with possible acquisitions and other corporate purposes without the necessity of further stockholder action, except to the extent required by Delaware law or by the rules of any national securities exchange upon which such shares may be listed. Except as aforesaid, no specific plans or intentions have been formulated for the issuance of shares of any class.

SENIOR STOCK

Dividends

Holders of shares of Senior Stock will be entitled to receive, when and as declared by the Board of Directors, cumulative cash dividends at the annual rate of $2.25 per share payable quarterly on the 15th day of March, June, September, and December in each year. Dividends will be cumulative from the date of payment of the dividend last paid in respect of its common shares by Philip Carey prior to the consummation of the Philip Carey Transaction.

Voting

Holders of shares of Senior Stock will be entitled to one-tenth of a vote per share upon all matters considered at any stockholders meeting, except that, when the Senior Stockholders are entitled, by statute or by any provision of the Certificate of Incorporation, to one vote per share on any matter, such right will be substituted for, and will not be in addition to, the right to one-tenth of a vote per share. The following special voting rights have been provided:

(a) if dividends on the outstanding shares of Senior Stock are in arrears in an amount equivalent to two full quarterly dividends, the holders of Senior Stock, voting separately as a class, will be entitled to elect one-fourth of the entire Board of Directors (or the next lower whole number, but in any event a minimum of two additional directors); and

(b) if dividends on the Senior Stock are in arrears in an amount equivalent to six full quarterly dividends, or if Glen Alden Corporation is in arrears with regard to two sinking fund redemptions (see below "Sinking Fund Redemption"), whether or not consecutive, the holders of Senior Stock, voting separately as a class, will be entitled to elect a majority of the Board of Directors.

The Certificate of Incorporation contains provisions relating to the method of calling stockholders meetings for the purpose of enabling the holders of Senior Stock to elect directors in accordance with the foregoing. Such voting rights will continue until all unpaid dividends on the Senior Stock for past dividend periods and the then current dividend period have been declared and paid or declared and set apart for payment and, where appropriate, until all sinking fund redemptions in arrears have been made in full. For the purposes of the above special voting rights, so long as McCrory or Rapid-American Corporation, or their successors, controls, is controlled by, or is under common control with, Glen Alden Corporation, any shares of Senior Stock owned by any such corporation or any of its subsidiaries are deemed not to be outstanding and may not be voted.

So long as any shares of Senior Stock are outstanding, Glen Alden Corporation may not

(a) authorize any new class or series of stock ranking prior to, or on a parity with, the Senior Stock, as to dividends, rights upon liquidation or redemption (or increase the authorized amount of any such stock);

(b) issue any shares of Class C Stock except in connection with the B.V.D. Transaction; or

(c) alter the rights of any class of stock as a class if such alteration materially and adversely affects the rights or preferences of the holders of Senior Stock as a class,

without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Senior Stock. In addition, so long as McCrory or Rapid-American Corporation, or their successors, controls, is controlled by, or is under common control with, Glen Alden Corporation, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Senior Stock not held by such corporations and their subsidiaries, is also required in order to validate any such corporate action.

Conversion

Each share of Senior Stock will be convertible, at any time, at the option of the holder, into a number of shares of Common Stock of Glen Alden Corporation to be determined immediately prior to the first to be held of the shareholders' meetings of Glen Alden and Philip Carey to which this Proxy Statement relates. The exact number of shares of Common Stock into which each share of Senior Stock will be convertible will be determined by dividing into $50 a sum equal to 125% of the average of the closing prices of Glen Alden Common Shares on the New York Stock Exchange for the first ten business days of the 15 business days immediately preceding the appropriate shareholders meeting, as aforesaid, provided, however, that

(a) each share of Senior Stock will be convertible into a minimum of 3.5 shares of Common Stock; and

(b) if the conversion rate, as determined above, is greater than four shares of Common Stock for one share of Senior Stock, either Glen Alden or Philip Carey may abandon the Philip Carey Transaction unless

(i) Philip Carey agrees in writing to accept Senior Stock having an initial conversion rate of four for one; or

(ii) Glen Alden agrees in writing to issue Senior Stock having an initial conversion rate as determined above; or

(iii) Philip Carey and Glen Alden agree in writing upon an initial conversion rate higher than four for one and lower than the rate determined as described above.

All accrued and unpaid dividends on shares of Senior Stock up to the dividend payment date immediately preceding the surrender for conversion of any such shares will constitute a debt of Glen Alden Corporation payable without interest to the converting stockholder, and no dividend may be paid or declared in respect of any shares of Preferred Stock or Class C Stock or Common Stock until such debt shall have been fully paid or provided for.

The rate at which shares of Senior Stock are convertible into shares of Common Stock is subject to adjustment pursuant to anti-dilution provisions contained in Article FOURTH, Section 1.11 of the Certificate of Incorporation.

Voluntary Redemption

The Senior Stock may be redeemed in whole or in part at any time after June 30, 1972 at redemption prices ranging from a maximum of $52.50 per share for the 12-month period from July 1, 1972 to June 30, 1973, to a minimum of $50 per share after June 30, 1977, plus, in all cases, all accrued and unpaid dividends to the date fixed for redemption. If and so long as Glen Alden Corporation is in arrears with respect to any dividend or sinking fund redemption (see below, "Sinking Fund Redemption") in respect of the Senior Stock, Glen Alden Corporation may not purchase any shares of such stock except by redemption pursuant to Sections 1.4 and 1.5 of the Certificate of Incorporation.

Liquidation

In the event of any dissolution, liquidation or winding up of the affairs of Glen Alden Corporation, holders of shares of Senior Stock will be entitled to receive $50 per share if such action be involuntary, or $52.50 per share or the then current redemption price, whichever is less, if such action be voluntary, in each case together with any accrued and unpaid dividends, before any payment is made to holders of Preferred Stock or Class C Stock or Common Stock.

Sinking Fund Redemption

Glen Alden Corporation is required, in each 12-month period commencing on July 1, 1972 and on each July 1 thereafter, to redeem 2% of the number of shares of Senior Stock outstanding on

July 1, 1972, at a price per share of $50 plus accrued and unpaid dividends to the date fixed for redemption. Shares of Senior Stock that have been converted into shares of Common Stock, or purchased, redeemed or otherwise acquired by Glen Alden Corporation at any time after July 1, 1972 will be credited against sinking fund redemptions.

Certain Restrictions on Corporate Action

Glen Alden Corporation may not merge or consolidate with or into, or sell or lease all or substantially all of its assets as an entirety to, another corporation (except, in each case, a corporation 90%, or more, of the outstanding capital stock of which is owned by Glen Alden Corporation), if the holders of 40% or more of the outstanding shares of Senior Stock vote against such transaction, unless Glen Alden Corporation or its designee makes a written offer to purchase, at a price of $50 per share, plus accrued and unpaid dividends, all shares of Senior Stock duly tendered by each stockholder who has voted against such transaction within a period (which must be at least 15 days) prescribed by Glen Alden Corporation's Board of Directors. If such transaction is not consummated for any reason, neither Glen Alden Corporation nor its designee will be entitled, or required, to purchase any of the Senior Stock so tendered. In lieu of the foregoing tender, any holder of Senior Stock may invoke any statutory right of appraisal available as a result of any of the aforesaid transactions.

So long as any Senior Stock is outstanding, Glen Alden Corporation may not merge or consolidate with or into, or acquire all or substantially all of the assets as an entirety of another corporation, association, partnership or other form of business organization, or sell or lease all or substantially all of its assets as an entirety (except, in each case, for a transaction with a corporation 90%, or more, of the outstanding capital stock of which is owned by Glen Alden Corporation) or incur or assume or permit any subsidiary to incur or assume any debt which matures more than one year from the date of its creation (except renewals, extensions or refundings) unless immediately after such transaction becomes effective, its consolidated net tangible assets (as defined in Article FOURTH of the Certificate of Incorporation) equals at least 200% of the aggregate voluntary liquidation price of the shares of Senior Stock then outstanding.

Glen Alden Corporation may not reissue any shares of Senior Stock converted into Common Stock, purchased, redeemed, or otherwise acquired by it.

Distributions in Respect of Junior Stock

So long as any shares of Senior Stock are outstanding, Glen Alden Corporation may not declare or pay any cash dividend or make any other distribution (other than a dividend payable in Common Stock) in respect of any shares of Preferred Stock or Class C Stock or Common Stock, nor may any such junior stock be purchased, redeemed or otherwise acquired by Glen Alden Corporation, unless all dividends on Senior Stock for all past dividend periods and the then current dividend period have been declared and paid or declared and set apart for payment, and all sinking fund redemptions then due have been made.

So long as any shares of Senior Stock are outstanding, the aggregate amount paid by Glen Alden Corporation (i) as dividends (other than dividends payable only in shares of Common Stock) on the Preferred Stock and Class C Stock and the Common Stock, (ii) as distributions in respect of such junior stock and (iii) as payments on account of the redemption, purchase or other acquisition of shares of such junior stock (other than payments on account of the redemption, purchase or other acquisition of shares of Class C Stock on or after a date 30 days prior to the Serial Redemption Date of the series in which the shares so to be redeemed, purchased or otherwise acquired are included and other than payments on account of the redemption, purchase or other acquisition of Sinking Fund Class C Stock) shall not exceed the aggregate amount of consolidated net income, as defined in Article FOURTH of the Certificate of Incorporation, of Glen Alden Corporation and its predecessors and their respective subsidiaries earned subsequent to December 31, 1965, undiminished by any dividends paid by such predecessors or any of their subsidiaries subsequent to December 31, 1965 and prior to the date of issuance of the Senior Stock.

PREFERRED STOCK

Dividends

Subject to the prior rights of the Senior Stock, holders of shares of Preferred Stock will be entitled to receive, when and as declared by the Board of Directors, cumulative cash dividends at the annual rate of $3.15 per share payable quarterly on the last business days of January, April, July and October in each year. Dividends will be cumulative from the date of payment of the dividend last paid in respect of its Common Stock by B.V.D. prior to the consummation of the B.V.D. Transaction.

The Preferred Stock ranks, in respect of dividends, senior to the Common Stock, senior to the Class C Stock in respect of non-cumulative dividends thereon, on a parity with the Class C Stock in respect of all cumulative dividends thereon, and junior to the Senior Stock. Whenever dividends on the Class C Stock are cumulative, dividends may only be declared and paid or declared and set apart for payment on either the Preferred Stock or the Class C Stock if, simultaneously therewith, a proportionate dividend is declared and paid or declared and set apart for payment on the other class.

Voting

Holders of shares of Preferred Stock will be entitled to one-fifth of a vote per share upon all matters considered at any stockholders meeting, except that when the Preferred Stockholders are entitled, by statute or by any provision of the Certificate of Incorporation, to one vote per share on any matter, such right will be substituted for, and will not be in addition to, the right to one-fifth of a vote per share.

If dividends on the outstanding shares of Preferred Stock are in arrears in an amount equivalent to six full quarterly dividends, the Board of Directors will be increased by two and the holders of Preferred Stock, voting separately as a class, will be entitled to elect such additional directors. The Certificate of Incorporation of Glen Alden Corporation contains provisions relating to the method of calling stockholders meetings, whether special or annual, for the purpose of enabling the holders of Preferred Stock to elect directors in accordance with the foregoing. Such voting rights will continue until there shall have been declared and paid or declared and set apart for payment dividends on Preferred Stock for all past dividend periods.

So long as any shares of Preferred Stock are outstanding, Glen Alden Corporation may not

(a) authorize any new class or series of stock ranking prior to or on a parity with the Preferred Stock as to dividends, rights upon liquidation or redemption (or increase the authorized amount of any such stock); or

(b) alter the rights of any class of stock as a class if such alteration materially and adversely affects the rights or preferences of the holders of Preferred Stock as a class,

without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Preferred Stock.

Conversion

Each share of Preferred Stock may be converted into 7.65 shares of the Common Stock of Glen Alden Corporation at any time on and after February 1, 1968. All accrued and unpaid dividends on such shares up to the dividend payment date immediately preceding such surrender for conversion of any such shares will constitute a debt of Glen Alden Corporation payable without interest to the converting stockholder, and Glen Alden Corporation may not declare or pay any non-cumulative dividend on the Class C Stock or any dividend on the Common Stock, until such debt shall be fully paid or provided for. The rate at which shares of Preferred Stock are convertible into shares of Common Stock is subject to adjustment pursuant to anti-dilution provisions contained in Article FOURTH, Section 2.4, of the Certificate of Incorporation.

Redemption

The Preferred Stock may be redeemed in whole or in part at any time after June 30, 1973 at an initial redemption price of $110 per share for the twelve month period commencing on July

1, 1973, reduced by $1 in each year thereafter to a minimum of $105 per share for the twelve month period commencing July 1, 1978 and thereafter, plus, in all cases, all accrued and unpaid dividends to the date fixed for redemption. Glen Alden Corporation is not prohibited from purchasing shares of Preferred Stock while dividends in respect of such stock are in arrears. All redemptions and purchases of the Preferred Stock are subject to the prior rights of the Senior Stock.

Liquidation

In the event of any dissolution, liquidation or winding up of the affairs of Glen Alden Corporation, holders of shares of Preferred Stock will be entitled after payment or provision for payment is made for all sums receivable by holders of Senior Stock, to receive $105 per share if such action be involuntary, or $110 per share or the then current redemption price, whichever is less, if such action be voluntary, together, in each case, with accrued and unpaid dividends, before any payment is made to holders of Common Stock. Preferred Stock and the Class C Stock rank on a parity as to rights upon dissolution, liquidation or winding up of the affairs of the corporation.

Distributions in Respect of Junior Stock

So long as any shares of Preferred Stock are outstanding, Glen Alden Corporation may not declare or pay any dividend (other than dividends payable solely in Common Stock) or make any other distribution in respect of any shares of Class C Stock (with the exception of cumulative dividends on Class C Stock) or of Common Stock, nor may any Common Stock be redeemed, purchased or otherwise acquired by Glen Alden Corporation, unless all dividends on Preferred Stock for all past dividend periods and the then current dividend period have been declared and paid or declared and set apart for payment.

CLASS C STOCK

Issue in Series

The Certificate of Incorporation of Glen Alden Corporation authorizes seven series of Class C Stock ranking on a parity with one another except as provided under "Redemption" below. The shares of Class C Stock may be issued in any or all of the seven series as determined by the Board of Directors. The B.V.D. Acquisition Agreement makes provision for the distribution of the respective series to be made to each stockholder of B.V.D. electing to receive Class C Stock (see page 7 above "*Comparison of Certain Provisions of Preferred Stock and Class C Stock*").

Dividends

Until the occurrence of any of the events described below under "Failure to Make Serial Redemptions" the holders of Class C Stock are entitled to dividends only when and if declared by the Board of Directors and then at no greater than $3.15 per share, per annum. Such dividends will be non-cumulative so that dividends on other classes of stock (including the Common Stock) may be paid without payment of any dividends on the Class C Stock, except that dividends on the Class C Stock will be cumulative at the annual rate of $3.15 per share in any fiscal year immediately following a fiscal year in which the consolidated net earnings (as defined in Article FOURTH, Section 3.2(b) of the Certificate of Incorporation) of Glen Alden Corporation and its subsidiaries exceeds $25,000,000. Dividends on the Class C Stock are always subject to the prior rights of the Senior Stock and if and to the extent cumulative, rank on a parity with dividends on the Preferred Stock. Whenever dividends on the Class C Stock are cumulative, dividends may only be declared and paid or declared and set apart for payments on either the Preferred Stock or the Class C Stock if, simultaneously therewith, a proportionate dividend is declared and paid or declared and set apart for payment on the other class. (See below under "Failure to Make Serial Redemptions" for statement of circumstances under which such dividend rate increases.)

Voting

Holders of Shares of Class C Stock will be entitled to one-fifth of a vote per share upon all matters considered at any stockholders meeting, except that when the Class C stockholders are entitled, by statute or by any provision of the Certificate of Incorporation, to one vote per share on any matter, such right will be substituted for, and will not be in addition to, the right to one-fifth of a vote per share.

If cumulative dividends on the outstanding shares of any series of Class C Stock are in arrears in an amount equivalent to six full quarterly cumulative dividends, the Board of Directors will be increased by two and the holders of the Class C Stock, voting separately as a class, will be entitled to elect the additional directors. The Certificate of Incorporation of Glen Alden Corporation contains provisions relating to the method of calling stockholders meetings for the purpose of enabling the holders of the Class C Stock to elect directors in accordance with the foregoing. Such voting rights will continue until there shall have been declared and paid or declared and set apart for payment dividends on the Class C Stock for all past cumulative dividend periods.

So long as any shares of the Class C Stock are outstanding, Glen Alden Corporation may not

(a) authorize any new class or series of stock ranking prior to or on a parity with the Class C Stock as to dividends, rights upon liquidation or redemption (or increase the authorized amount of any of such stock); or

(b) alter the rights of any class of stock as a class if such alteration materially and adversely affects the rights or preferences of the holders of Class C Stock as a class,

without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Class C Stock.

Redemption

Except as described below under "Failure to Make Serial Redemptions", if Glen Alden Corporation is not in arrears under any dividend or sinking fund redemption obligation with respect to the outstanding shares of Senior Stock, the shares of Class C Stock of each series may be redeemed as hereinabove described on page 7 (see *"Comparison of Certain Provisions of Preferred Stock and Class C Stock"*). Any redemption on or prior to their Serial Redemption Dates of shares included in the series having its Serial Redemption Date in 1968 or 1970 respectively must include all shares of such series; any other redemption of shares of Class C Stock may relate to all or any part of any series. Glen Alden Corporation is not prohibited from purchasing shares of Class C Stock while it is in arrears in respect of cumulative dividends or any sinking fund redemption provision relating to such stock. All redemptions and purchases of Class C Stock are subject to the prior rights of the Senior Stock.

Glen Alden Corporation may not reissue any shares of Class C Stock converted into Common Stock or purchased, redeemed or otherwise acquired by it.

Conversion

Except as described below under "Failure to Make Serial Redemptions", the holders of shares of Class C Stock will have no conversion rights.

Liquidation

In the event of any dissolution, liquidation or winding up of the affairs of Glen Alden Corporation, whether voluntary or involuntary, the holders of shares of Class C Stock will be entitled to receive $90 per share, plus all cumulative dividends, if any, accrued and unpaid thereon, after payment or provision for payment is made for all sums receivable by holders of Senior Stock, but before any payment is made to the holders of Common Stock. The Preferred Stock and the Class C Stock rank on a parity as to rights upon a dissolution, liquidation or winding up of the affairs of Glen Alden Corporation.

Distributions in Respect of Junior Stock

So long as any shares of Class C Stock are outstanding, Glen Alden Corporation shall not declare or pay any dividend on, or make any other distribution with respect to, its Common Stock (other than dividends payable solely in Common Stock), or redeem, purchase or otherwise acquire any shares of such Common Stock, unless all cumulative dividends on the Class C Stock, if any, for all past dividend periods in respect of which dividends were cumulative and for the then current dividend period, if cumulative, have been declared and paid or declared and set apart for payment, and unless Glen Alden Corporation shall have complied with all then applicable sinking fund redemption provisions, all as described below under "Failure to Make Serial Redemptions".

Failure to Make Serial Redemptions

Except for "Sinking Fund Class C Stock" described below, if Glen Alden Corporation fails to redeem all of the shares of any series of Class C Stock on or before the Serial Redemption Date applicable to such series (as described on pages 7 and 8 above), the holders of the shares of such series not so redeemed will have the right to convert the shares of such series into Common Stock at a conversion rate of nine shares of Common Stock for each share of Class C Stock if such conversion is made on or prior to the April 14th immediately following the applicable Serial Redemption Date and thereafter at a conversion rate of 6.56 shares of Common Stock for each share of Class C Stock. The holders of any shares of said series not so converted will be entitled to receive, when and as declared by the Board of Directors, cumulative cash dividends at the annual rate of $3.15 per share, payable quarterly on the last business day of January, April, July and October of each year, commencing on the last business day in April next succeeding said Serial Redemption Date, and cumulative from the April 14th next succeeding said Serial Redemption Date.

Any accrued and unpaid cumulative dividends on shares of Class C Stock surrendered for conversion, up to the dividend payment date immediately preceding such conversion, will constitute a debt of Glen Alden Corporation payable without interest to the converting stockholder, and no dividend may be paid or declared in respect of any shares of Common Stock until such debt is fully paid or provided for.

If, on any Serial Redemption Date, Glen Alden has failed to redeem on or prior to their respective Serial Redemption Dates a number of shares of Class C Stock (the Serial Redemption Dates of which have occurred) at least equal to the total number of shares of Class C Stock issued in Series 1 and 2 in connection with the B.V.D. Transaction (i.e., approximately 30% of the total number of Class C Stock), and (i) if thereafter the Board of Directors fails, on or before the August 31st next succeeding such Serial Redemption Date or on or before any August 31st thereafter, to pass a resolution stating its intention (which shall not be binding) to cause Glen Alden Corporation to redeem all of the shares of the series of Class C Stock whose Serial Redemption Date next succeeds such August 31st, on or prior to such next Serial Redemption Date, or (ii) if Glen Alden Corporation fails to redeem all of the outstanding Class C Stock of the series mentioned in (i) on or prior to its Serial Redemption Date in accordance with the intention to redeem as aforesaid, then all of the shares of each and every series of Class C Stock whose Serial Redemption Date occurs after such August 31st (hereinafter called "Sinking Fund Class C Stock") will be entitled, without regard to series, to the following additional rights:

(a) in lieu of the dividends described above, the holders of shares of Sinking Fund Class C Stock will be entitled to receive, when and as declared by the Board of Directors, cumulative dividends at the annual rate of $6.30 per share, payable quarterly on the last business days of January, April, July and October in each year, commencing on the first such dividend date next succeeding the date on which such shares of Class C Stock became entitled to the rights of Sinking Fund Class C Stock (hereinafter called the "Sinking Fund Date"), said dividends to be cumulative from the Sinking Fund Date;

(b) the Sinking Fund Class C Stock may be redeemed in whole or in part, pro rata or by lot, at any time after the Sinking Fund Date at a redemption price per share of $90 plus all cumulative dividends accrued and unpaid thereon up to the date fixed for redemption;

(c) in lieu of the conversion rights described above, the holders of shares of Sinking Fund Class C Stock will be entitled, at their option, to convert such shares into shares of Common

Stock, from time to time and at any time after the Sinking Fund Date, at the rate of 6.56 shares of Common Stock for each share of Sinking Fund Class C Stock so converted; and

(d) Glen Alden Corporation will be required, in each six-month period commencing with the six-month period beginning on the Sinking Fund Date, to redeem 5% of the number of shares of Sinking Fund Class C Stock outstanding on the Sinking Fund Date, at a price per share of $90 plus accrued and unpaid cumulative dividends to the date fixed for redemption. Shares of Sinking Fund Class C Stock which have been converted into shares of Common Stock, or redeemed, purchased or otherwise acquired by Glen Alden Corporation at any time after the Sinking Fund Date, may be credited against such redemption obligation.

If on the Sinking Fund Date, the number of shares of Class C Stock which Glen Alden Corporation has theretofore failed to redeem on or prior to their respective Serial Redemption Dates exceeds the total number of shares originally issued in Series 1 and 2 as aforesaid, the Sinking Fund Class C Stock will also include a number of shares equal to such excess selected (pro rata or by lot) solely from the then remaining outstanding shares, if any, of the last series of Class C Stock with a Serial Redemption Date preceding the Sinking Fund Date which was not totally redeemed on or prior to its Serial Redemption Date. The Certificate of Incorporation provides that the holders of the shares so selected will lose their right to have such shares included in Sinking Fund Class C Stock unless the certificates evidencing the same are surrendered for reissuance within 30 days after the mailing to them of a "Notice of Selection". If on February 28, 1974, the Sinking Fund Date has not occurred for any reason but the total number of shares of Class C Stock which Glen Alden Corporation has failed to redeem on or prior to their respective Serial Redemption Dates exceeds the total number of shares originally issued as aforesaid in Series 1 and 2, Sinking Fund Class C Stock shall then include a number of shares equal to such excess, such shares to be selected solely from the then remaining outstanding shares, if any, of the latest series which Glen Alden Corporation failed to redeem, in whole or in part, on or prior to its Serial Redemption Date.

As has been previously noted on page 24 hereof under "Redemption", Glen Alden Corporation is entitled to redeem any series of Class C Stock, other than Series 1 and 3, in whole or in part. Thus, in the event of redemption of only a small part of a series, up to approximately 49% of the originally issued shares of Class C Stock might be unredeemed as of their respective Serial Redemption Dates without any Class C Stock immediately becoming Sinking Fund Class C Stock. On the other hand, apart from conversion into Common Stock, to the extent of any excess of unredeemed shares over the number of shares originally issued in Series 1 and 2 as aforesaid, all shares of Class C Stock not redeemed on or prior to their Serial Redemption Dates will ultimately become Sinking Fund Class C Stock unless otherwise redeemed.

The rates at which shares of Class C Stock (including Sinking Fund Class C Stock) are convertible into shares of Common Stock are subject to adjustment pursuant to anti-dilution provisions contained in Article FOURTH, Section 3.5 of the Certificate of Incorporation.

COMMON STOCK

Holders of Common Stock will be entitled to one vote for each share held on any matter submitted to a vote at any meeting of stockholders, including the election of directors, except for those matters summarized above, as to which the holders of the Senior Stock, Preferred Stock or Class C Stock will be entitled to a separate class vote.

Dividends may be paid upon the Common Stock when and as declared by the Board of Directors subject to the rights and preferences of the Senior, Preferred and Class C Stock summarized above.

Upon any voluntary or involuntary liquidation, dissolution or winding up of Glen Alden Corporation, after the holders of the Senior, Preferred and Class C Stock have been paid in full the amounts to which they are entitled, the remaining net assets of Glen Alden Corporation, or the proceeds thereof, are distributable to the holders of Common Stock.

Holders of Common Stock have no pre-emptive right and have no conversion rights.

CAPITALIZATION

The following table sets forth the consolidated capitalization of Glen Alden and Philip Carey as at September 30, 1966 and of B.V.D. as at *October 1, 1966; and the pro forma capitalizations giving effect to the mergers and acquisition contemplated herein.*

	Glen Alden	Philip Carey	B.V.D.	Pro Forma Capitalizations: Glen Alden and Philip Carey	Pro Forma Capitalizations: Glen Alden and B.V.D.	Pro Forma Capitalizations: Glen Alden, Philip Carey and B.V.D.
Short term notes payable to banks	$ 3,500,000	—	$ 5,025,000	$ 3,500,000	$ 8,525,000	$ 8,525,000
Long-term debt (including current maturities):						
4⅞% Mortgage and Collateral Trust Sinking Fund Notes, due $625,000 annually through 1978 and balance in 1979	8,250,000	—	—	8,250,000	8,250,000	8,250,000
6% Subordinated Sinking Fund Debentures, sinking fund requirement $714,858 on each June 30 through 1970	2,802,721	—	—	2,802,721	2,802,721	2,802,721
5% Registered First Mortgage Bonds, due June 15, 1967	211,800	—	—	211,800	211,800	211,800
5⅛% Notes, due $750,000 annually through 1973 and the balance in 1974	—	$ 7,000,000	—	7,000,000	—	7,000,000
3⅞% Notes, due $575,000 annually through 1971 and the balance in 1972	—	4,825,000	—	4,825,000	—	4,825,000
4% Note, due ratably over a 20 year period	—	1,330,000	—	1,330,000	—	1,330,000
5% 90-day Promissory Notes, payable to banks under revolving credit agreement at the rate of $1,000,000 per quarter commencing on April 15, 1967, with the balance due on July 31, 1969*	—	—	24,000,000	—	24,000,000	24,000,000
5¼% Promissory Note, due $335,000 annually through 1977 and the balance in 1978	—	—	4,665,000	—	4,665,000	4,665,000
6% Subordinated Promissory Note, due January 31, 1970	—	—	5,000,000	—	5,000,000	5,000,000
Subordinated non-interest-bearing notes, due $450,986 in 1967 and the balance in 1968	—	—	596,551	—	596,551	596,551
2% to 6½% Mortgage Notes, due 1966 to 1988 (payable in approximate annual installments of $150,000)	—	—	1,860,832	—	1,860,832	1,860,832
4% to 6½% sundry indebtedness, due 1966 to 1984 (payable in approximate annual installments of $260,000)	—	—	1,906,811	—	1,906,811	1,906,811
Total	$14,764,521	$13,155,000	$43,054,194	$27,919,521	$ 57,818,715	$ 70,973,715

* Effective April 1, 1967 the interest rate will be ¼ of 1% above the prime rate.

	Par Value	Number of Shares Authorized	Number of Shares Issued						
Shareholders' Equity:									
Common Stock:									
Glen Alden	$ 1	8,500,000	6,124,986(a)	$ 6,124,986	—	—	—	—	—
Philip Carey	10	1,500,000	1,019,610(b)	—	$10,069,260(c)	—	—	—	—
B.V.D.	1	10,000,000	3,560,182(d)	—	—	$ 3,560,182	—	—	—
Surplus:									
Capital				62,047,734	6,371,928	12,992,487	—	—	—
Earned				17,094,624	23,417,818	23,339,081	—	—	—
Less — Glen Alden — Common Shares in treasury, 1,324,054 shares, at cost............				(16,430,043)	—	—	—	—	—
Total				$68,837,301	$39,859,006	$39,891,750	—	—	—
Pro forma Stockholders' Equity(e):									
Preferred stock without par value:									
Senior Stock, authorized 724,405 shares; pro forma issued and outstanding 724,405 shares at stated value(f)				—	—	—	$ 724,405	—	$ 724,405
Preferred Stock, authorized 1,300,000 shares; pro forma issued and outstanding 603,393 shares at stated value(g)				—	—	—	—	$ 20,283,020	20,283,020
Class C Stock, authorized 1,200,000 shares; pro forma issued and outstanding 583,334 shares at stated value(h)				—	—	—	—	19,608,730	19,608,730
Common stock, $1 par value, authorized 21,000,000 shares; issued 6,124,986 shares............				—	—	—	6,124,986	6,124,986	6,124,986
Surplus:									
Capital				—	—	—	73,151,486	62,047,734	73,151,486
Earned				—	—	—	33,941,924	17,094,624	33,941,924
Less—Common Stock in treasury 1,324,054 shares......				—	—	—	(16,430,043)	(16,430,043)	(16,430,043)
Total				—	—	—	$97,512,758	$108,729,051	$137,404,508

NOTES:

(a) Includes 2,388,230 Common Shares held by Glen Alden-Delaware.

(b) Includes 282,521 Common Shares held by Glen Alden.

(c) Excludes 12,684 shares held in treasury.

(d) Includes 1,000,002 shares of Common Stock held by Glen Alden-Delaware.

(e) Assuming exchange of all outstanding shares of B.V.D. Common Stock (excluding 1,000,002 shares held by Glen Alden-Delaware and 750,000 shares [including 231,766 shares held by Mr. Kittay] which management estimates will be exchanged for 583,334 shares of Class C Stock) for Preferred Stock.

(f) Each share of Senior Stock is convertible, subject to certain adjustments, into a minimum of 3.5 shares and a maximum of 4 shares of Common Stock. (See "Description of Capitalization—Senior Stock—Conversion").

(g) On and after February 1, 1968 each share of Preferred Stock is convertible into 7.65 shares of Common Stock.

(h) Under certain circumstances, a share of Class C Stock may for a period of time be converted into 9.00 shares of Common Stock and thereafter may be converted into 6.56 shares of Common Stock.

(i) For information concerning obligations under leases of real property, etc. see Notes K and L to Financial Statements of Glen Alden, and Note I to *Financial Statements* of B.V.D.

GLEN ALDEN AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED INCOME

The following statement of consolidated income of Glen Alden and subsidiaries for the five years ended December 31, 1965 has been examined by Ernst & Ernst, independent accountants, as stated in their report appearing elsewhere herein. The statement for the nine month periods ended September 30, 1965 and 1966 is unaudited, but management believes that all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of Glen Alden for such periods have been included therein. This statement should be read in conjunction with the consolidated financial statements of Glen Alden, the notes thereto, and the accountants' report thereon, included *elsewhere herein.*

	Year Ended December 31,					Nine Months Ended September 30,	
	1961	1962	1963	1964	1965	1965 (Unaudited)	1966 (Unaudited)
Continuing operations:							
Net sales of products	$ —	$25,614,155	$31,880,381	$34,695,454	$33,118,750	$23,488,965	$30,226,101
Theatre admissions, rentals and other operating revenues	22,832,491	22,456,865	21,163,899	19,128,116	14,750,867	11,979,557	10,436,189
	22,832,491	48,071,020	53,044,280	53,823,570	47,869,617	35,468,522	40,662,290
Costs and expenses:							
Cost of products sold	—	22,373,393	28,151,084	29,439,267	27,019,562	18,788,161	25,285,684
Theatre, building and other operating expenses	18,849,523	18,821,261	18,578,258	18,032,405	13,009,691	10,762,963	8,557,712
Advertising, selling, general and administrative expenses (Note 7)	2,700,618	3,828,647	4,204,791	4,536,564	3,975,136	3,036,413	3,177,099
	21,550,141	45,023,301	50,934,133	52,008,236	44,004,389	32,587,537	37,020,495
Operating income of continuing operations	1,282,350	3,047,719	2,110,147	1,815,334	3,865,228	2,880,985	3,641,795
Operating income of discontinued and sold operations (Notes 1 and 7)	1,414,419	1,863,806	4,227,317	3,018,305	1,685,461	761,702	—
	2,696,769	4,911,525	6,337,464	4,833,639	5,550,689	3,642,687	3,641,795
Other income:							
Interest and discounts earned	1,453,472	1,700,952	1,279,029	1,581,613	1,635,112	1,217,191	1,633,752
Dividends	41,725	17,452	576,944	15,293	441,729	425,000	279,643
Adjustment of prior years' property taxes	—	—	652,021	—	—	—	—
Miscellaneous	343,160	498,828	868,139	690,767	629,459	589,616	353,701
	1,838,357	2,217,232	3,376,133	2,287,673	2,706,300	2,231,807	2,267,096
Other deductions:							
Interest and amortization of debt discount and expense	915,691	869,013	1,041,941	738,866	967,785	713,442	584,814
Amortization of intangible assets	228,321	228,214	269,539	229,225	224,779	165,763	165,763
Minority stockholders' interest	103,005	100,617	88,339	17,235	30,239	20,879	27,081
Interest on prior years' Federal income taxes	—	500,000	—	—	—	—	—
Miscellaneous	250,143	106,061	414,990	136,243	507,661	572,741	277,701
	1,497,160	1,803,905	1,814,809	1,121,569	1,730,464	1,472,825	1,055,359
Income before nonoperating items	3,037,966	5,324,852	7,898,788	5,999,743	6,526,525	4,401,669	4,853,532
Nonoperating items—net credit (charge) (Note 2)	—	2,189,415	—	3,777,401	(3,213,253)	843,693	(372,822)
Net income for the period (Notes 3 and 4)	$ 3,037,966	$ 7,514,267	$ 7,898,788	$ 9,777,144	$ 3,313,272	$ 5,245,362	$ 4,480,710
Per Common Share:							
Income before nonoperating items	$ .54	$ .97	$1.44	$1.25	$1.36	$ .92	$1.01
Nonoperating items—net credit (charge)	—	.40	—	.79	(.67)	.17	(.08)
Net income (Note 5)	$ .54	$1.37	$1.44	$2.04	$ .69	$1.09	$ .93
Cash dividends	$ .40	$ .475	$ .70	$ .70	$ .70	$ .375	$ .475

NOTES TO STATEMENT OF CONSOLIDATED INCOME

1. Sales, cost of sales, advertising, selling, general and administrative expenses and operating income of discontinued and sold operations are as follows:

	Year ended December 31, 1961	1962	1963	1964	1965	Nine Months Ended September 30, 1965
Net sales	$68,619,046	$66,854,972	$65,643,060	$44,747,227	$31,301,026	$23,160,239
Cost of products sold	(61,576,098)	(59,209,131)	(56,594,878)	(39,134,343)	(27,419,145)	(20,813,560)
Advertising, selling, general and administrative expenses (Note 7)	(5,628,529)	(5,782,035)	(4,820,865)	(2,594,579)	(2,196,420)	(1,584,977)
Operating income of discontinued and sold operations	$ 1,414,419	$ 1,863,806	$ 4,227,317	$ 3,018,305	$ 1,685,461	$ 761,702

2. Nonoperating items in the applicable periods were as follows:

	Year Ended December 31, 1962	1964	1965	Nine Months Ended September 30, 1965	1966
Profit (loss) on sale of:					
Theatre properties	$ 405,446	$2,057,652	$1,029,730	$1,170,452	$ (372,822)
Coal properties	—	1,457,765	(3,637,835)	175,681	—
Oil and gas properties	1,338,817	—	—	—	—
Industrial plant	445,152	—	—	—	—
Capital stock of The American Hardware Corporation	—	5,451,416	—	—	—
Operating assets of the Hubschman Division	—	(1,559,095)	—	—	—
Mortgage notes and capital stocks of subsidiaries	—	(1,165,839)	(478,018)	(478,018)	—
Provision for losses on miscellaneous assets and for possible Federal income tax assessments	—	(2,464,498)	(127,130)	(24,422)	—
Nonoperating items—net credit (charge)	$2,189,415	$3,777,401	$(3,213,253)	$ 843,693	$ (372,822)

3. Depreciation, depletion and amortization of fixed and intangible assets provided during each period was as follows:

	Total	Continuing Operations	Discontinued and Sold Operations
Year Ended December 31:			
1961	$2,574,096	$ 758,836	$1,815,260
1962	3,087,631	1,227,448	1,860,183
1963	3,234,342	1,483,003	1,751,339
1964	2,815,384	1,669,730	1,145,654
1965	2,406,549	1,631,373	775,176
Nine Months Ended September 30:			
1965	1,668,062	1,112,787	555,275
1966	983,204	983,204	—

4. No Federal income taxes were provided during any period because of the availability of carry-forward net operating losses. The net operating loss carryovers will not be available after December 31, 1966. Reference is made to Note G to Financial Statements of Glen Alden.

5. The amounts per Common Share are based on the number of Common Shares outstanding at the end of each period.

6. As of December 31, 1966, Glen Alden has provided by a charge against income (nonoperating item) a reserve of $750,000 to reduce the carrying value of its investment in the capital stock of Briggs Manufacturing Company to approximate market quotation value at that date. Also during the quarter ended December 31, 1966, Glen Alden has sold certain theatre properties and realized gains (nonoperating item) of approximately $1,200,000 in connection therewith.

7. Corporate general and administrative expenses have been allocated to the several divisions and subsidiaries included in continuing and discontinued operations based on estimates of management, determined by use of various operational factors.

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

The following statement of income presents the consolidated results of operations of The B.V.D. Company, Inc. its consolidated subsidiaries, including the operating results of certain companies, acquired on the basis of poolings of ests, for the periods prior to their respective dates of acquisition by B.V.D. The operating results of Adams Clothes, acquired on May 16, 1966, on the basis of a pooling of interests, are included in the following statement for the months ended October 1, 1966 only (on the basis indicated in the General note to the consolidated statement of ome); the operations and earnings of Adams for the prior periods, which are not material, have been excluded. See Note of the notes to financial statements of B.V.D. The statement, insofar as it relates to the five years ended April 2, 66, has been examined by S. D. Leidesdorf & Co., independent certified public accountants, who, as set forth in their rt included elsewhere herein, have relied in part on the reports of other accountants. The data for the six months ended ober 2, 1965 and October 1, 1966 are unaudited; in B.V.D.'s opinion, all adjustments (which include only normal recurring accruals) have been made which are necessary to present fairly the consolidated results of operations for the aforemened six-month periods. This statement should be read in conjunction with the other consolidated financial statements of V.D. and notes thereto included elsewhere herein.

	Year Ended (Note A)					Six Months Ended	
	March 31,			April 3,	April 2,	October 2,	October 1,
	1962	1963	1964	1965	1966	1965	1966
						(Unaudited)	
sales	$50,606,053	$58,146,218	$66,838,861	$104,571,534	$138,956,366	$67,173,323	$85,994,079
of goods sold—Note B	40,098,126	45,576,502	52,723,155	81,961,439	104,435,952	51,083,421	64,322,270
profit on sales	10,507,927	12,569,716	14,115,706	22,610,095	34,520,414	16,089,902	21,671,809
general and administrative expenses—Note I(4)	7,319,423	8,222,238	8,782,885	14,967,339	23,792,704	10,537,368	15,424,212
[illegible]	3,188,504	4,347,478	5,332,821	7,642,756	10,727,710	5,552,534	6,247,597
net of applicable expenses	154,569	161,430	212,781	274,985	317,268	138,448	188,020
Interest	13,630	12,129	75,720	124,738	38,519	17,854	25,599
Gain/(loss) on sales of fixed assets	14,340	93,267	472,437	5,222	(17,162)	(49,100)	(22,365)
Miscellaneous	88,506	255,951(a)	181,948	145,981	322,260	160,774	265,404
	271,045	522,777	942,886	550,926	660,885	267,976	456,658
	3,459,549	4,870,255	6,275,707	8,193,682	11,388,595	5,820,510	6,704,255
deductions:							
Interest on long-term debt	217,907	175,459	432,516	713,612	1,086,131	296,160	550,148
Interest—other	295,822	370,686	316,129	520,492	680,736	593,644	754,436
Amortization of plant pre-opening and start-up costs	—	—	—	59,799	83,259	40,734	58,106
Miscellaneous	26,713	25,836	33,080	38,641	300,969	59,896	69,290
	540,442	571,981	781,725	1,332,544	2,151,095	990,434	1,431,980
ome before Federal income taxes	2,919,107	4,298,274	5,493,982	6,861,138	9,237,500	4,830,076	5,272,275
vision for Federal income taxes, including deferred taxes of $148,000 in 1964 and (credit) of ($9,000) in year ended April 2, 1966—Note F and (b)(c)	622,870	1,024,516	1,470,740	1,757,600	2,496,100	1,440,690	1,312,712
income—Note A and (b)(c)	$ 2,296,237(d)	$ 3,273,758(a)	$ 4,023,242	$ 5,103,538	$ 6,741,400	$ 3,389,386	$ 3,959,563
income per share of Common Stock—Note A and (b)(c)(e)	$ .80	$1.00	$1.22	$1.53	$2.01	$1.02	$1.12
dividends per share of Common	—	—	—	$ .40	$ .50	$ .25	$ .25

NOTES TO CONSOLIDATED STATEMENT OF INCOME

GENERAL—References to the Notes to B.V.D. Financial Statements (included elsewhere herein) are designated by capital letters.

In 1965, B.V.D. and its consolidated subsidiaries adopted a fiscal year ending on the Saturday closest to March 31, except as to National Shirt Shops Inc. and its subsidiaries and other retail subsidiaries whose fiscal year ends January 31 and whose accounts are included in consolidation on that basis.

The results of operations of Adams Clothes, Inc., whose fiscal year ends on January 31, are included in the consolidated statement of income for the six months ended October 1, 1966 only.

The accounts of Almar Rainwear Corporation ("Almar") (acquired subsequent to April 2, 1966, in a pooling of interests) for its fiscal year ended June 30, 1962 included in the consolidated statement of income, have not been audited. Sales, costs and expenses, and net income for such year are not material.

Almar had a fiscal year ending on June 30 through 1965 and on July 2, 1966. Because it is not practicable to recast operating data for Almar for B.V.D.'s fiscal years, the consolidated results of operations include the accounts of Almar for the five years ended July 2, 1966 combined with those of B.V.D. and its other subsidiaries for the five years ended April 2, 1966. Net income of Almar for the three months ended July 2, 1966 amounted to $36,964, which is shown as a deduction from Earned Surplus for the six months ended October 1, 1966.

NOTES:

(a) During the year ended March 31, 1963, B.V.D. adopted the policy of deferring the cost of promotional display fixtures and providing amortization therefor over five years. The accounts were retroactively adjusted to reflect the unamortized cost of such fixtures as at April 1, 1962; the adjustment resulted in a credit of approximately $153,000 which is included in "Other income—Miscellaneous." Had B.V.D. continued the policy followed in prior years, the net income for the year ended March 31, 1963 would have been decreased by approximately $70,000 ($.02 per share).

(b) The provisions for Federal income taxes for certain consolidated subsidiaries operating in the United States have been computed after giving effect to net operating loss carryovers. Without the benefit of the carryovers, such taxes would have been greater by approximately $169,000 or $.06 per share (1962), $303,000 or $.09 per share (1963), $118,000 or $.04 per share (1964), $293,000 or $.09 per share (1965), $57,000 or $.02 per share (1966), and $245,000 or $.07 per share (six months ended October 1, 1966). Included in such amounts are approximately $135,000 or $.05 per share (1962), $272,000 or $.08 per share (1963), $72,000 or $.02 per share (1964) and $264,000 or $.08 per share (1965) resulting from utilization of operating losses incurred by certain companies prior to their acquisition by purchase.

See Note F to the B.V.D. financial statements.

(c) The consolidated statement of income includes the operating results of certain subsidiaries (including two predecessor affiliates) engaged in operations in Puerto Rico. The combined net income of these subsidiaries amounted to $1,483,845 or $.52 per share (1962), $1,607,664 or $.49 per share (1963), $1,960,363 or $.59 per share (1964), $2,184,586 or $.65 per share (1965), $3,654,373 or $1.09 per share (1966), $1,689,743 or $.50 per share (six months ended October 2, 1965) and $2,363,202 or $.67 per share (six months ended October 1, 1966). These subsidiaries were granted exemptions, with certain reservations, from Commonwealth of Puerto Rico income taxes covering periods of ten to seventeen years, expiring 1970 to about 1982. If the exemptions had not been granted, income taxes payable to the Commonwealth of Puerto Rico would have aggregated approximately $500,000 or $.17 per share (1962), $558,000 or $.17 per share (1963), $675,000 or $.20 per share (1964), $735,000 or $.22 per share (1965), $1,250,000 or $.37 per share (1966), $540,000 or $.16 per share (six months ended October 2, 1965) and $767,000 or $.22 per share (six months ended October 1, 1966).

So long as these subsidiaries remain exempt from Puerto Rican income taxes and remain entitled to the benefits under Section 931 of the Internal Revenue Code of 1954, any dividends paid by them to B.V.D. will be taxed as ordinary income without benefit of the 85% dividends received deduction ordinarily provided for domestic corporations under Section 243 of the Internal Revenue Code. If the operations of the two former Puerto Rican affiliates prior to September 30, 1961 had been conducted by subsidiaries entitled to the benefits of Section 931 and if dividends equal to the entire earnings from Puerto Rican operations had been paid to B.V.D. during the years in which such income arose, there would have been incurred additional United States income taxes at the prevailing tax rates varying between 52% and 48% of such earnings. No provision has been made in the consolidated statement of income for such taxes since present law provides other methods under which such earnings may subsequently be "reduced to the possession" of B.V.D. with either a lesser tax or no tax at all.

(d) Before deduction of a dividend in the amount of $7,500 paid on B.V.D.'s Class AA 5% Cumulative Preferred Stock (redeemed in August 1961).

See consolidated statement of earned surplus of B.V.D. for information with respect to dividends waived by certain principal stockholders.

In addition to the cash dividends per share shown above, cash dividends in the amounts of $54,353 (1962), $76,002 (1963), $13,519 (1964), $16,569 (1965) and $19,787 (1966) and $2,662 (six months ended October 1, 1966) were also paid by certain subsidiaries prior to poolings of interests (see Note A).

See Note O to the B.V.D. financial statements as to certain restrictions which limit the declaration and payment of cash dividends.

(e) Computed for the year ended March 31, 1963 on the basis of 3,269,815 shares outstanding as at that date, and for the years ended in 1962, 1964, 1965 and 1966, and for the six months ended October 2, 1965 and October 1, 1966, on the basis of the weighted average number of shares, 2,872,971, 3,301,571, 3,338,105, 3,355,299, 3,350,719 and 3,525,150, respectively, outstanding during those years. Retroactive adjustments have been made for (i) shares issued in connection with companies acquired on the basis of poolings of interests (except that, 113,438 shares issued to acquire Adams Clothes, Inc. were not retroactively adjusted since the results of operations of Adams have not been included in the prior periods), and (ii) 3% stock dividends distributed in December 1962 and January 1964.

In the opinion of the management of B.V.D., the following unaudited figures for the nine-month period ended December 31, 1966, and for the nine-month period ended January 1, 1966 include all adjustments (comprising only normal recurring accruals) necessary to present fairly the results of operations for said periods:

	Nine-Month Period Ended December 31, 1966 (Unaudited)	Nine-Month Period Ended January 1, 1966 (Unaudited)
Net Sales	$132,246,413	$101,888,637
Net Income	$ 5,299,634	$ 4,872,103
Net Income Per Share	$1.49*	$1.44**

* Based on 3,553,570 weighted average number of shares outstanding during the period.

** Based on 3,390,974 weighted average number of shares outstanding during the period.

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS

The following statement of consolidated earnings for the five years ended December 31, 1965 has been examined by Haskins & Sells, independent certified public accountants, as stated in the opinion of that firm included elsewhere herein. With regard to the nine month periods ended September 30, 1965 and 1966, which are unaudited, management believes that all adjustments (which comprise only normal recurring accruals) necessary to a fair statement of the results for such periods have been included. This Statement of Consolidated Earnings should be read in conjunction with the financial statements of Philip Carey and related notes included elsewhere herein.

	Year Ended December 31,					Nine Months Ended September 30,	
	1961	1962	1963	1964	1965	1965 (Unaudited)	1966 (Unaudited)
Net Sales	$69,953,293	$73,202,084	$69,362,770	$75,931,037	$78,453,688	$57,666,901	$60,979,675
Cost of Products Sold	57,816,799	60,432,451	56,211,902	60,961,375	63,605,788	46,935,071	49,636,370
Gross Profit	12,136,494	12,769,633	13,150,868	14,969,662	14,847,900	10,731,830	11,343,305
Selling, Research, and Administrative Expenses	8,089,639	8,743,831	7,979,809	8,426,869	8,850,654	6,490,273	7,042,088
Profit from Operations	4,046,855	4,025,802	5,171,059	6,542,793	5,997,246	4,241,557	4,301,217
Other Credits:							
Interest	58,476	74,597	156,318	272,257	227,037	187,565	90,838
Miscellaneous	4,116	89,500	40,731	58,308	45,847	50,719	17,420
Total	62,592	164,097	197,049	330,565	272,884	238,284	108,258
Other Charges:							
Interest expense, principally on long-term debt	837,599	877,442	808,553	740,817	673,450	510,514	489,430
Miscellaneous	167,148	50,165	12,347	131,353	77,678	8,193	39,721
Total	1,004,747	927,607	820,900	872,170	751,128	518,707	529,151
Earnings before Income Taxes	3,104,700	3,262,292	4,547,208	6,001,188	5,519,002	3,961,134	3,880,324
Provision for Income Taxes (Note A)	299,000	662,000	2,405,000	2,899,000	2,627,000	1,928,000	1,825,000
Net Earnings for the Period	2,805,700	2,600,292	2,142,208	3,102,188	2,892,002	2,033,134	2,055,324
Special Items—Losses on the abandonment of certain plant assets, less applicable Federal income tax effect of $360,805, $785,118 and $235,536, respectively	333,051	724,725	—	—	278,398	—	—
Net Earnings and Special Items	$ 2,472,649	$ 1,875,567	$ 2,142,208	$ 3,102,188	$ 2,613,604	$ 2,033,134	$ 2,055,324
Per Share of Common Capital Stock:							
Net earnings (Note B)	$2.76	$2.55	$2.10	$3.05	$2.89	$2.03	$2.04
Special items (loss) (Note B)	(.33)	(.71)	—	—	(.28)	—	—
Cash dividends	1.60	1.60	1.60	1.60	1.60	1.20	1.20

Comment—Because Philip Carey's business is seasonal in character, the operating results for the unaudited nine month periods ended September 30, 1965 and 1966 are not proportionately indicative of operating results which [illegible]

NOTES TO STATEMENT OF CONSOLIDATED EARNINGS

A. The provision for income taxes consists of the following:

Period	Total	Current Federal	Current Canadian	Deferred	State
Year ended December 31:					
1961	$ 299,000	$ (9,915)	$ 301,070		$ 7,845
1962	662,000	5,558	211,884	$ 444,558	—
1963	2,405,000	135,299	486,176	1,780,000	3,525
1964	2,899,000	1,514,444	1,059,061	305,000	20,495
1965	2,627,000	656,855	1,947,167	15,000	7,978
Nine months ended September 30:					
1965	1,928,000	187,334	945,572	783,084	12,010
1966	1,825,000	490,518	1,417,121	(91,049)	8,410

Philip Carey's practice is to provide out of income each year amounts equal to the tax reductions resulting from the use, for income tax purposes only, of accelerated methods of depreciation and amortization in Canada and guideline depreciation rates in the United States. These amounts are provided for such time in the future when tax depreciation and amortization may be lower than related charges for financial accounting purposes.

Earnings of Carey-Canadian Mines, Limited from its asbestos mill and mining facilities were exempt from Canadian income taxes during the three-year period from September 1, 1958 (date of commencement of commercial production) to August 31, 1961. Depreciation of its properties on a straight-line basis at expected life rates and amortization of mine development cost were charged annually to consolidated net earnings since September 1, 1958. However, in determining the earnings of Carey-Canadian Mines, Limited from September 1, 1961, which were subject to Canadian income taxes, charges for depreciation from September 1, 1958 (at accelerated rates provided in Canadian income tax regulations) and mine development cost were available to be claimed as deductions. As a result of the foregoing, consolidated net earnings for 1961 and 1962 were approximately $1,045,000 ($1.03 per share) and $720,000 ($.71 per share), respectively, more than they otherwise would have been. In 1963 Philip Carey provided for deferred Canadian income taxes at which time the accumulated depreciation of properties for income tax purposes exceeded the amount accumulated for financial accounting purposes.

As a result of enactment of the Revenue Act of 1964, Philip Carey changed its method of accounting for the investment tax credit to reflect the full amount ($137,831) for 1964 as a reduction of the provision for Federal income tax. The unamortized amount ($211,120) of the full credit, which had been applied against the property accounts in 1962 and 1963, was credited to the provision for Federal income tax in 1964, but it was offset by a provision for income taxes for prior years and, thus, had no effect on net earnings.

B. The per share amounts are based upon the number of common capital shares outstanding at the end of each period.

The following unaudited financial information in respect of Philip Carey for the year ended December 31, 1966 reflects, in the opinion of the management of Philip Carey, all adjustments (comprising only normal recurring accruals and year-end adjustments) necessary for a fair statement thereof.

	Year Ended December 31, 1966 Amount	Per Share of Common Stock
Net Sales	$80,988,000	
Earnings before extraordinary item	$ 2,965,000	$2.94
Extraordinary item (loss) on plant assets abandoned, less Federal tax effect	(91,000)	(.09)
Net earnings for year	$ 2,874,000	$2.85

The Annual Report of Philip Carey for the year ended December 31, 1966 was mailed to Philip Carey shareholders on or about March 3, 1967. Upon request directed to the Secretary of Glen Alden or B.V.D., a copy of this Annual Report will be furnished to any stockholder of Glen Alden or B.V.D.

GLEN ALDEN AND SUBSIDIARIES
THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES
PRO FORMA STATEMENT OF COMBINED INCOME (Unaudited)

This Pro Forma Combined Statement represents on a pooling of interests basis the combination of the income statements of Glen Alden and B.V.D. No effect has been given in this Pro Forma Statement to possible future changes in accounting practices, methods of operation, and Federal income taxes (Glen Alden had no current provision for Federal income taxes during the five years ended December 31, 1965); and no provision has been made for expenses to be incurred in connection with the transactions contemplated herein. This Pro Forma Statement of Combined Income should be considered in connection with the statements of consolidated income and earnings of Glen Alden and B.V.D., respectively, included elsewhere herein.

	Thousands of Dollars				
	1961	1962	1963	1964	1965
Net sales	$ 73,438	$106,217	$119,883	$158,395	$186,826
Cost of products sold	58,947	86,771	99,452	129,433	144,465
Advertising, selling, general and administrative expenses	10,020	12,051	12,988	19,504	27,768
Operating income of discontinued and sold operations	(1,414)	(1,864)	(4,227)	(3,018)	(1,685)
	67,553	96,958	108,213	145,919	170,548
Income from operations	5,885	9,259	11,670	12,476	16,278
Other income (deductions):					
Interest and dividends	1,509	1,730	1,932	1,722	2,115
Interest expense	(1,429)	(1,415)	(1,790)	(1,973)	(2,734)
Other—net	(8)	49	1,581	636	105
Income before non-operating items	5,957	9,623	13,393	12,861	15,764
Non-operating items	—	2,189	—	3,777	(3,213)
Income before income taxes	5,957	11,812	13,393	16,638	12,551
Provision for income taxes	623	1,024	1,471	1,757	2,496
Net income—historical:					
Glen Alden	3,038	7,514	7,899	9,777	3,313
B.V.D.	2,296	3,274	4,023	5,104	6,742
Total	$ 5,334	$ 10,788	$ 11,922	$ 14,881	$ 10,055
For dividend requirements on Preferred Stock (prior to any conversions) (a)	$ 1,179	$ 1,596	$ 1,629	$ 1,668	$ 1,686
For Common Stock (prior to any conversion) (b)	4,155	9,192	10,293	13,213	8,369
Total	$ 5,334	$ 10,788	$ 11,922	$ 14,881	$ 10,055
Pro forma net income per share of Common Stock, after Preferred Stock dividend requirements (b):					
After conversion of Class C Stock and prior to conversion of Preferred Stock (c) (e)	$ .41	$ .92	$1.03	$1.42	$ .90
After conversion of all Preferred and Class C Stock (d) (e)	$ .41	$ .78	$ .85	$1.11	$ .75
Per share of B.V.D. Common Stock after exchange for ⅓ share of Preferred Stock and conversion of Preferred and Class C Stock into Common Stock of the surviving corporation (d) (e)	$1.05	$1.99	$2.17	$2.83	$1.91
Preferred Stock dividend, times earned	4.5	6.8	7.3	8.9	6.0

(a) Assuming exchange of all outstanding shares of B.V.D. Common Stock (excluding 1,000,002 shares held by Glen Alden-Delaware and 750,000 shares [including 231,766 shares held by Mr. Kittay] which management estimates will be exchanged for 583,334 shares of Class C Stock) for Preferred Stock. See Note (e) to B.V.D. Consolidated Statement of Income for information concerning number of shares outstanding during period.

(b) No dividend requirement on the Class C Stock has been provided since it is the intention of management not to pay such dividends until the net earnings in any fiscal year exceed $25,000,000 (the amount of net earnings required to be achieved in a fiscal year before such Class C dividends become cumulative).

(c) Based on the number of Glen Alden Common Shares outstanding at the end of each period and conversion of 583,334 shares of Class C Stock into 4,538,339 shares of Common Stock (the maximum number of shares of Common Stock into which such Class C Stock is convertible).

(d) Assuming conversion at rate of 7.65 shares of the Common Stock of the surviving corporation for each share of Preferred Stock and conversion of 583,334 shares of such Class C Stock into 4,538,339 shares of Common Stock (the maximum number of shares of Common Stock into which such Class C Stock is convertible).

(e) The conversion of the Class C Stock is subject to certain restrictions, as to which see "Failure to Make Serial Redemptions" elsewhere herein.

GLEN ALDEN AND SUBSIDIARIES

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

PRO FORMA STATEMENT OF COMBINED INCOME (Unaudited)

This Pro Forma Combined Statement represents on a pooling of interests basis the combination of the income statements of Glen Alden and Philip Carey. No effect has been given in this Pro Forma Statement to possible future changes in accounting practices, methods of operation, and Federal income taxes (Glen Alden had no current provision for Federal income taxes during the five years ended December 31, 1965); effect has been given to the fact that approximately 28% of the stock of Philip Carey was purchased and is accounted for on that basis; and no provision has been made for expenses to be incurred in connection with the transactions contemplated herein. This Pro Forma Statement of Combined Income should be considered in connection with the statements of consolidated income and earnings of Glen Alden and Philip Carey, respectively, included elsewhere herein.

	Thousands of Dollars				
	1961	1962	1963	1964	1965
Net sales	$ 92,786	$121,273	$122,407	$129,755	$126,323
Cost of products sold	76,666	101,627	102,941	108,433	103,635
Advertising, selling, general and administrative expenses	10,790	12,572	12,184	12,963	12,825
Operating income of discontinued and sold operations	(1,414)	(1,864)	(4,227)	(3,018)	(1,685)
	86,042	112,335	110,898	118,378	114,775
Income from operations	6,744	8,938	11,509	11,377	11,548
Other income (deductions):					
Interest and dividends	1,554	1,793	2,012	1,869	2,304
Interest expense	(1,753)	(1,746)	(1,850)	(1,480)	(1,641)
Other—net	(402)	(398)	775	235	(166)
Income before non-operating items	6,143	8,587	12,446	12,001	12,045
Non-operating items		2,189		3,777	(3,213)
Income before income taxes	6,143	10,776	12,446	15,778	8,832
Provision for income taxes	299	662	2,405	2,899	2,627
Net income—historical:					
Glen Alden	3,038	7,514	7,899	9,777	3,313
Philip Carey	2,806	2,600	2,142	3,102	2,892
Total	$ 5,844	$ 10,114	$ 10,041	$ 12,879	$ 6,205
For minority interest in net income applicable to purchased 28% interest in Philip Carey	$ 779	$ 722	$ 595	$ 862	$ 815
For dividend requirements on 724,405 shares of Senior Stock (prior to any conversions)	1,630	1,630	1,630	1,630	1,630
For Common Stock (prior to any conversions)	3,435	7,762	7,816	10,387	3,760
Total	$ 5,844	$ 10,114	$ 10,041	$ 12,879	$ 6,205
Pro forma net income per share of Common Stock after Senior Stock dividend requirements:					
Prior to any conversions	$ .61	$1.41	$1.42	$2.17	$ .78
After conversions of all Senior Stock(f)	$ .59	$1.12	$1.12	$1.56	$ .70
Per common share of Philip Carey after exchange for one share of Senior Stock and conversion into Common Stock of surviving corporation(f)	$1.96	$4.48	$4.48	$6.24	$2.80
Senior Stock dividend, times earned	3.1	5.8	5.8	7.4	3.3

(f) Assuming conversion at rate of 4 shares of the Common Stock of the surviving corporation for each share of the Senior Stock.

GLEN ALDEN AND SUBSIDIARIES
THE B.V.D. COMPANY AND CONSOLIDATED SUBSIDIARIES
THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

PRO FORMA STATEMENT OF COMBINED INCOME (Unaudited)

This Pro Forma Combined Statement represents on a pooling of interests basis the combination of the income statements of Glen Alden, B.V.D., and Philip Carey. No effect has been given in this Pro Forma Statement to possible future changes in accounting practices, methods of operation, and Federal income taxes (Glen Alden had no current provision for Federal income taxes during the five years ended December 31, 1965); effect has been given to the fact that approximately 28% of the stock of Philip Carey was purchased and is accounted for on that basis; and no provision has been made for expenses to be incurred in connection with the transactions contemplated herein. This Pro Forma Statement of Combined Income should be considered in connection with the statements of consolidated income and earnings of Glen Alden, B.V.D. and Philip Carey, respectively, included eslewhere herein.

	Thousands of Dollars				
	1961	1962	1963	1964	1965
Net sales	$143,392	$179,419	$189,246	$234,326	$265,280
Cost of products sold	116,764	147,203	155,664	190,394	208,071
Advertising, selling, general and administrative expenses	18,109	20,795	20,968	27,931	36,618
Operating income of discontinued and sold operations	(1,414)	(1,864)	(4,227)	(3,018)	(1,685)
	133,459	166,134	172,405	215,307	243,004
Income from operations	9,933	13,285	16,841	19,019	22,276
Other income (deductions):					
Interest and dividends	1,567	1,805	2,088	1,994	2,342
Interest expense	(2,267)	(2,293)	(2,599)	(2,714)	(3,408)
Other—net	(171)	88	1,610	563	73
Income before non-operating items	9,062	12,885	17,940	18,862	21,283
Non-operating items	—	2,189	—	3,777	(3,213)
Income before income taxes	9,062	15,074	17,940	22,639	18,070
Provision for income taxes	922	1,686	3,876	4,656	5,123
Net income—historical:					
Glen Alden	3,038	7,514	7,899	9,777	3,313
B.V.D.	2,296	3,274	4,023	5,104	6,742
Philip Carey	2,806	2,600	2,142	3,102	2,892
Total	$ 8,140	$ 13,388	$ 14,064	$ 17,983	$ 12,947
For minority interest in net income applicable to purchased 28% interest in Philip Carey	$ 779	$ 722	$ 595	$ 862	$ 815
For dividend requirements (prior to any conversions) on:					
Senior Stock	1,630	1,630	1,630	1,630	1,630
Preferred Stock(a)	1,179	1,596	1,629	1,668	1,686
For Common Stock (prior to any conversions)(b)	4,552	9,440	10,210	13,823	8,816
Total	$ 8,140	$ 13,388	$ 14,064	$ 17,983	$ 12,947
Pro forma net income per share of Common Stock, after dividend requirements(b):					
After conversion of Class C Stock and prior to conversion of Senior Stock and Preferred Stock(c)(e)	$ .45	$ .94	$1.02	$1.48	$ .94
After conversion of all Senior, Preferred and Class C Stock(d)(e)(f)	$ .46	$ .75	$ .80	$1.05	$ .74
Per share of B.V.D. Common Stock after exchange for ⅓ share of Preferred Stock and conversion of all Senior, Preferred and Class C Stock into Common Stock of the surviving corporation(d)(e)	$1.17	$1.91	$2.04	$2.68	$1.89
Per common share of Philip Carey after exchange for one share of Senior Stock and conversion of all Senior, Preferred and Class C Stock into Common Stock of the surviving corporation(f)	$1.84	$3.00	$3.20	$4.20	$2.96
Total Senior and Preferred Stock dividends, times earned	2.6	3.9	4.1	5.2	3.7

All note references are to the notes to the two preceding Statements of Combined Income; this statement should be read in conjunction therewith.

COMPARATIVE DATA

Book Values Per Share

Book values per Common Share of Glen Alden and Philip Carey and per share of Common Stock of B.V.D. (based on their respective balance sheets at September 30, 1966 and October 1, 1966) are $14.34, $39.58 and $11.20, respectively. The initial redemption prices per share of the Senior Stock and the Preferred Stock and the redemption price per share of Class C Stock are $52.50, $110.00 and $90.00, respectively. The initial redemption price per share of Senior Stock exceeds the September 30, 1966 book value per share of Philip Carey common by $12.92 and the initial redemption price per share of Preferred Stock and the redemption price per share of Class C Stock exceed the October 1, 1966 book value of three shares of B.V.D. Common Stock by $76.40 and $56.40, respectively.

Based on the Pro Forma Combined Balance Sheet there would be no book value attributable to the Common Stock of the Surviving Corporation when the equity applicable to the Senior Stock, Preferred Stock, and Class C Stock is considered at aggregate initial redemption value. The aggregate initial redemption value of the Senior Stock, Preferred Stock, and Class C Stock exceeds total pro forma stockholders' equity by $19,500,045.

Earnings Per Share

Historical earnings per share have been computed based upon the number of outstanding common shares at December 31st of each year as to Glen Alden and Philip Carey. Historical earnings per share as to B.V.D. have been computed for the year 1962 on the basis of 3,213,315 shares outstanding at March 31, 1963, and for the years 1961, 1963, 1964, 1965 on the basis of the weighted average number of shares 2,816,471, 3,245,071, 3,281,605 and 3,298,799, respectively, outstanding during the fiscal years of B.V.D. included therein; retroactive adjustments have been made for (i) shares issued in connection with companies acquired on the basis of poolings of interests, and (ii) 3% stock dividends distributed in December 1962 and January 1964.

The following pro forma earnings per share are based on earnings as presented in the Pro Forma Statements of Combined Income for each respective combination, included elsewhere herein.

Philip Carey	1961	1962	1963	1964	1965
Per share of Philip Carey Common Stock:					
Historical net income	$2.76	$2.55	$2.10	$3.05	$2.89
Pro forma after exchange for one share of Senior Stock and assumed conversion into a maximum of 4 shares of Common Stock of the surviving corporation:					
Combination of Philip Carey and Glen Alden	1.96	4.48	4.48	6.24	2.80
Combination of Philip Carey, B.V.D. and Glen Alden	1.84	3.00	3.20	4.20	2.96
B.V.D.					
Per share of B.V.D. Common Stock:					
Historical net income	$ .80	$1.00	$1.22	$1.53	$2.01
Pro forma after exchange for ⅓ share of Preferred Stock and related conversion of Senior, Preferred and Class C Stocks into Common Stock of surviving corporation:					
Combination of B.V.D. and Glen Alden	1.05	1.99	2.17	2.83	1.91
Combination of B.V.D., Philip Carey and Glen Alden	1.17	1.91	2.04	2.68	1.89
Glen Alden					
Per share of Glen Alden Common Stock:					
Historical net income	$ .54	$1.37	$1.44	$2.04	$ .69
Pro forma after conversion of Senior, Preferred and Class C Stocks into Common Stock of surviving corporation:					
Combination of Glen Alden and Philip Carey	.59	1.12	1.12	1.56	.70
Combination of Glen Alden and B.V.D.	.41	.78	.85	1.11	.75
Combination of Glen Alden, Philip Carey and B.V.D.	.46	.75	.80	1.05	.74

Dividend Comparison

The following table compares the actual cash dividends paid per Common Share of Glen Alden and Philip Carey and per share of Common Stock of B.V.D. for the last fiscal year of each with pro forma dividends.

Actual common dividend per share for last fiscal year:	
Glen Alden	$ .70
Philip Carey	$1.60
B.V.D.	$ .50
Pro forma preferred dividend requirement:	
Per share of Senior Stock	$2.25
Per share of Preferred Stock	$3.15
Per one third (⅓) share of Preferred Stock	$1.05
Pro forma dividend per share of Common Stock assuming continuation of current Glen Alden dividend rate:	
Per share of Common Stock	$ .70
Per share of Philip Carey Common Stock after exchange for one share of Senior Stock and conversion into Common Stock (assumed conversion rate 4 shares of Common Stock for each share of Senior Stock)	$2.80
Per share of B.V.D. Common Stock after exchange for ⅓ share of Preferred Stock and conversion into Common Stock (conversion rate 7.65 shares of Common Stock for each share of Preferred Stock)	$1.785

Market Prices

The Common Shares of Glen Alden and Philip Carey are listed on the New York Stock Exchange. The Common Stock of B.V.D. was listed on the American and Cincinnati Stock Exchanges from February 28, 1962 until December 9, 1963 and thereafter has been listed on the New York Stock Exchange. The high and low sales prices for the periods indicated are as quoted on the aforementioned stock exchanges.

	Glen Alden		B.V.D.*		Philip Carey	
	High	Low	High	Low	High	Low
Calendar Year						
1961	$17½	$12½	(not publicly traded)		$36	$26⅝
1962	14⅝	8⅝	$17⅞	$ 8⅝	32¾	22
1963	16½	9⅝	19⅞	14⅞	29⅝	23¼
Calendar Quarter						
1964						
First	14⅞	12⅝	18¾	16¼	32⅛	23½
Second	15⅜	12⅛	18⅜	16	30⅝	27⅛
Third	15⅛	13¼	19⅝	17	34⅜	28½
Fourth	14¾	12¾	22⅛	17⅝	33	28½
1965						
First	14⅜	11⅞	26	20⅞	32¾	29
Second	13¾	10¾	28⅜	22⅜	31⅝	28⅝
Third	13¼	11	26¼	23	31⅜	28¼
Fourth	13¼	11⅝	26¾	22⅞	30	27½
1966						
First	13¾	11¾	27⅞	22⅞	40⅜	29⅜
Second	14¾	11⅛	27½	23	41⅜	36¼
Third	13⅝	9⅞	31¼	22½	42	31
Fourth	11	9¾	23⅞	19⅛	36	29½
January, 1967	11⅛	9¾	22⅞	20¾	37⅞	35¾
February, 1967	12	10⅞	25⅞	22⅛	38½	36½
March 1, 1967 (closing sale price)	$11⅜		$23⅝		$37⅛	

* Not adjusted for 3% stock dividends distributed in December 1962 and January 1964.

HISTORY AND BUSINESS OF GLEN ALDEN

General

Glen Alden was incorporated under the laws of the Commonwealth of Pennsylvania in 1920 and, until 1955, its only significant business was the production and marketing of anthracite coal. During the early 1950's, the declining market for anthracite coal resulted in coal operating losses and, as appears below, this business was sold on February 18, 1966. In 1955 Glen Alden began to diversify by the acquisition of other businesses, and in 1959, following the merger with LIST Industries Corporation, its business included operations in a variety of other industries. As a result of other acquisitions and dispositions since the merger, including the sale of the coal business, Glen Alden is now engaged, through a division and subsidiaries, only in the business of operating motion picture theatres and manufacturing textiles.

As of September 30, 1966, Glen Alden and its subsidiaries had $26,000,000 of negotiable bank certificates of deposit and notes, mortgages and marketable securities of approximately $26,825,000, the more important of which are the investment in Philip Carey and those described below under captions, "Briggs Manufacturing Company" and "Sale of Coal Properties and Business". Included therein are notes receivable in an aggregate principal amount of approximately $11,000,000, a majority in principal amount of which are secured by mortgages. Notes carried at an aggregate discounted value of $3,104,000 are either noninterest bearing or bear interest at nominal rates, and the balance bear interest at rates ranging from 4% to 6% per annum. The principal amount receivable on these notes averages about $1,000,000 per annum.

At the present time Glen Alden's principal business consists of the operation of the RKO Theatres Division and, through subsidiaries, of a textile manufacturing business. The following table shows for the year ended December 31, 1965 and the nine months ended September 30, 1966 the approximate percentages of contribution to net sales and operating profit of the principal subdivisions under which Glen Alden's operations are conducted. The table reflects the elimination of gains from the sale of certain properties and the results of operations of the coal business.

	1965		Nine Months Ended September 30, 1966	
	Net Sales	Operating Profit	Net Sales	Operating Profit
RKO Theatres Division	30.8%	(1.5)%	23.6%	23.7%
Textiles	69.2	101.5	76.4	76.3

Profit margins in the RKO Theatres Division have substantially increased since the beginning of the second half of 1965 principally due to the sale or lease of a number of theatres which had been operated by the Division at significant losses. In addition, in the remaining theatres operated by the Division an expense reduction program and certain changes in exhibition policies further contributed to increased operating profits.

As appears below, Swift Manufacturing Company manufactures finished goods. Opp Cotton Mills and The Micolas Cotton Mills manufacture greige goods which are staple items, the marketing of most of which is similar to the commodities business. Although in 1965 and in the first nine months of 1966, greige goods accounted for approximately 33⅓% of total textile sales, the operations of Opp Cotton Mills and The Micolas Cotton Mills contributed a disproportionately larger percentage of operating profits in relation to sales due to the strong market for heavy, all cotton, greige goods which prevailed during most of that period.

Textile Manufacturing

Glen Alden's textile manufacturing operations (which comprise less than 1% of the industry total) are conducted through Gera Corporation ("Gera"), a Delaware corporation of which Glen Alden owns approximately 99.3% of the issued and outstanding Common Stock. Gera, which is not itself engaged in any manufacturing operations, in turn owns all of the stock of Swift Manufacturing Company ("Swift"), a Georgia corporation located in Columbus, Georgia, Opp Cotton Mills ("Opp"), an Alabama corporation located in Opp, Alabama, and The Micolas Cotton Mills ("Micolas"), an Alabama corporation also located in Opp, Alabama.

Swift Manufacturing Company

Swift is a textile manufacturer producing fabrics for apparel, industrial, decorative and automotive uses. Its line of apparel fabrics, principally for denims, work garments, and women's sportswear and its line of industrial fabrics, principally for rug and pad backing, rug underlay, leno-woven produce bags, insulators and filters, account for over 88% of its net sales. In the decorative field, Swift manufactures fabrics for draperies and slip covers.

Most of Swift's apparel and industrial fabrics are sold directly to manufacturers. The remainder of these lines and all of its decorative fabrics are sold to textile converters. Substantially all fabric sold to converters is in dyed and finished form. In the main, sales are made by 15 of Swift's own salesmen, six of whom work out of the Columbus plant and the other nine of whom work out of regional offices located in New York, Chicago, Los Angeles and Atlanta. Some additional sales are made through two manufacturers' representatives. Export sales account for less than 5% of net sales and consist in the main of leno-woven produce bag materials shipped to Canada.

Swift's basic raw material is cotton and most of its fabrics are made from cotton in whole or in part. However, particularly in the apparel and decorative lines, synthetics, such as rayon, polyesters and nylon, are used in various combinations. At Swift's plant these materials, plus dyes and other chemicals are processed into fabrics by various spinning, weaving, finishing and dyeing operations.

Opp and Micolas Cotton Mills

The Opp and Micolas Cotton Mills, acquired in 1962, are both manufacturers of woven cotton materials for apparel, industrial and decorative use, sold in an unfinished state. The apparel fabrics, principally for sports wear, sleeping garments, uniforms and shoes, account for approximately 35% of the combined net sales of the two companies. In the industrial area both companies manufacture fabrics for the laminating industry and for the bag industry as container material for flour, salt, grain and feed. In the decorative field, both companies produce fabrics used by the furniture and home furnishing industry.

Approximately 80% of the combined products of Opp and Micolas are sold directly through a sales office located in New York City, with the remainder sold through various brokers and agents. Customers of the two companies consist of over 500 manufacturers and converters, the largest of which, as a package producer, accounts for approximately 14% of the combined sales.

With the exception of small experimental quantities of cotton and rayon blends, the two companies produce only cotton fabrics.

Competition

All three subsidiaries of Gera encounter substantial competition in each of the fabric lines which they manufacture, mainly from other domestic suppliers of similar textile products some of which have much greater volumes and more diversified lines. Foreign fabrics and apparel result in additional direct and indirect competition. Cotton and synthetic fabrics compete to some extent with similar products made of jute, sisal and paper and fluctuation in the relative prices of these competing materials can be significant.

Equalization Payments

Under the Agricultural Act of 1964, the United States Government reestablished a one-price cotton system applicable to the crop year of August 1, 1964. The objective of this Act was to make it possible for domestic manufacturers to purchase U. S. grown cotton at the same price paid by foreign competition for foreign grown cotton. Initially, equalization payments were made directly to the manufacturers on the basis of bales opened. Subsequently, these payments were made directly to the cotton grower. The law has been extended to 1970.

The lower cost of raw materials to Swift, Opp and Micolas Mills, since passage of the Agricultural Act of 1964, have been largely off-set by increased wages to employees and lower prices for products sold.

Neither the finished products produced by Swift nor the raw materials from which such products are manufactured are faced with substantial foreign competition. Management therefore believes that the discontinuance of the foregoing equalization payments to Swift's suppliers would have little effect on Swift's profit performance because, even though some increase in the price of raw materials might result, this increase would be offset by an increase in Swift's prices to its customers. Management is unable to forecast the effect on the profit performance of the Opp and Micolas Cotton Mills of any discontinuance of or reduction in the equalization payments to its suppliers.

Employees and Labor Relations

Swift has approximately 1700 employees, all of whom, with the exception of regional sales personnel, are located at the Columbus plant. Opp and Micolas together have approximately 970 employees divided almost equally between them, all of whom are located at their respective plants. There is no union representation in any of these subsidiaries and no unauthorized work stoppage has occurred at any of these plants in the last 30 years. Management considers its labor relations in all of these plants to be good.

Plants and Property

The Swift plant is owned by Swift and contains approximately 809,000 square feet located on a site of approximately 9.8 acres. Approximately 47% of the total floor space is included in buildings (mainly multi-story) portions of which were constructed at the time of Swift's founding in 1883 and the balance of which consists of brick and wood-beam construction erected at various times in the early 1900's. The remainder of this plant, constructed of brick with steel beams, has been built at various times from 1936 through 1960. This plant is now operating at or near capacity. As a result of a detailed study, management has recently undertaken a program involving the modernization of its existing plant and a major expansion at a new site in Phenix City, Alabama (across the Chattahoochee River from Swift's existing plant). As presently planned, the new plant will be approximately 500,000 square feet in size and will be devoted entirely to the manufacture of specialty industrial fabrics. Approximately 500 employees will be employed in this new plant. The cost of the new plant will be financed by a $15,000,000 industrial revenue bond issue of the Industrial Development Board of Phenix City, Alabama, a public corporation. The plant will be built to Swift's specifications. Swift will occupy the plant under a long-term lease, at a rental sufficient to repay the principal when due and the interest on the bonds from the Industrial Development Board of Phenix City, Alabama. Glen Alden will guarantee the payments under said lease.

Opp and Micolas own their respective plants, which are located on approximately 130 acres in the aggregate. The Opp mill, expanded at various times mainly from 1940 to 1964, contains approximately 239,000 sq. ft. of floor space, including storage warehouses. A single-story brick building, this mill was originally constructed in 1921. The Micolas mill, also expanded at various times during the same period, contains approximately 216,000 sq. ft. of floor space, including storage warehouses, and a brick veneer executive office building. A single-story brick building, this mill was originally constructed in 1923. The Opp and Micolas plants are in excellent condition. The Micolas plant is being expanded at an approximate cost of $2,500,000. The expansion will be financed by a $2,500,000 industrial revenue bond issue of the Industrial Development Board of the City of Opp, Alabama, a public corporation. The plant will be built to Micolas' specifications. Micolas will occupy the plant under a long-term lease, at a rental sufficient to repay the principal when due and the interest on the bonds from the Industrial Development Board of the City of Opp, Alabama. Glen Alden will guarantee the payments under said lease.

Management believes that all of its plants are well maintained, are in good condition and are adequate for present operations.

RKO Theatres

As of September 30, 1966, the RKO Theatres Division of Glen Alden (formerly a wholly-owned subsidiary, known as RKO Theatres, Inc., which was merged into Glen Alden on December 1, 1964) both directly and through a number of subsidiaries, operated 36 theatres in 15 cities in five states and the District of Columbia, including 22 theatres in the New York Metropolitan area. Of these 36 theatres 30 are owned or leased by RKO Theatres Division and operated for its own account, and six are operated by said Division under a management contract with Trenton-New Brunswick Theatres Company, a New Jersey corporation of which Glen Alden owns 50% of the outstanding capital stock (the balance being owned by persons unaffiliated with Glen Alden).

Of the 30 theatres operated for its own account by RKO Theatres Division as aforesaid, 15 are owned in fee either by RKO Theatres Division or a subsidiary, two are on land leased from others and in 13 cases both land and building are leased from others.

The contract pursuant to which RKO Theatres Division operates six theatres for Trenton-New Brunswick Theatres Company provides for a management fee of 5% of gross receipts from each theatre operated plus a specified weekly fee for film buying at each location. RKO Theatres Division in turn supplies all management services including maintenance, accounting and other similar functions. The contract expires August 31, 1971. Of said six theatres, Trenton-New Brunswick Theatres Company owns three in fee and the balance are leased from others.

In addition to the foregoing, Bleury Investments, Limited, a Quebec corporation of which Glen Alden owns 50% of the outstanding capital stock (the balance being owned by persons not affiliated with Glen Alden), owns a theatre in Canada which is leased to others and Trenton-New Brunswick Theatre Company owns one theatre and leases another, both of which are closed. Finally RKO Theatres Division is the lessee of five theatre properties which are sub-leased to others, owns three theatres which are leased to others and leases two theatres in buildings held under ground leases. The leasing or subleasing to others of some of these theatres and the closing of others is part of a program designed to eliminate unprofitable theatres from the operations of RKO Theatres Division.

In many instances the property owned or leased includes, in the theatre building or connected therewith, other types of commercial space or property, such as offices, stores and two hotels all of which are leased to others. On September 30, 1966, RKO Theatres Division and its subsidiaries were lessees under an aggregate of 24 leases (excluding intercompany leases) which called for the payment of aggregate annual minimum rentals, exclusive of real estate taxes and other expenses, of approximately $1,449,000.

The theatres vary in type and size and range in seating capacity from 900 seats to 3,000. Almost all of the theatres show "first-run" or "first neighborhood run" films in a particular city or neighborhood. For several years there has been a decline in motion picture attendance owing to a number of factors, including competition from home television and various other leisure time activities and a reduction in the number of quality pictures available. As a result there has been a reduction in the total number of theatres being operated. Such decline in the number of admissions has been offset to some extent by increasing admission prices, admission tax eliminations, and reductions and economies in operation. There is keen competition in the exhibition of motion pictures which has been enhanced by changing methods of distribution during the past few years.

The RKO Theatre Division has entered negotiations (and in some instances signed contracts) relating to the operation of ten additional theatres all of which will be in the metropolitan area of New York.

Marginal theatres continue to be eliminated as a result of the expiration of leases or by sales of theatre properties. Other theatre properties have been sold, and, in some instances, the theatre has been leased back. Sales of theatre properties have generally been at prices in excess of the amount carried on the books for such properties. Some theatre properties have been condemned for urban renewal development and the proceeds received from such condemnation have been in excess of book value. Following one such condemnation, a modern type theatre was included in the urban renewal development and leased to the Division.

On October 12, 1966 Glen Alden acquired a 50% interest in a joint venture with two non-affiliated co-investors each of whom holds a 25% interest. The venture has acquired one of the theatre properties presently leased to and operated by RKO Theatres Division together with a substantial contiguous parcel of land. The venture is negotiating the sale of said property. The venture has also purchased four other properties in which are located theatres theretofore leased and operated by the Division. In connection with said purchases three of these theatre leases were renewed and amended, and one will be either cancelled or amended. In connection with its 50% participation, Glen Alden agreed to advance the cash requirements of the venture up to a maximum of $2,250,000, but will be entitled to complete reimbursement (with interest) before any division is made of profits or other revenues of the venture.

The operation of the RKO Theatre Division is subject to a consent decree signed by a predecessor of RKO Theatres, Inc. on January 2, 1951. This consent decree, originally dated November 8, 1948, arose out of an action in the United States District Court for the Southern District of New York entitled U. S. vs. Paramount et al (Equity #84-273). The decree, dated November 8, 1948, among other things, required Radio Keith-Orpheum Corporation (and the other defendants affiliated with RKO) to divest its theatre operations from its picture operations. Article III A 6 (a) of the Consent Judgment provided that the new theatre company (RKO Theatres, Inc.) may acquire additional theatres (apart from theatres substituted for discontinued theatres) only if, upon application to the Court, it is shown that such acquisition will not unduly restrain competition. Court approval has been obtained for the ten additional theatres in the New York metropolitan area, referred to above.

As of November 15, 1966, seven anti-trust cases arising from its theatre operations (in which treble damages are sought) were pending against Glen Alden or its subsidiaries and other motion picture exhibitors and distributors. The total amount of damages sought is approximately $124,700,000 including $117,500,000 sought in an action brought in the U. S. District Court for the Southern District of California, Central Division, in connection with subscription television. During the year ended December 31, 1965 six such cases involving an aggregate of $3,100,000 of damages demanded were settled for a total payment of $9,500. Based on past experience with various types of litigation, an analysis of the presently pending cases and on the opinion of Messrs. O'Brien, Driscoll & Raftery, as special counsel, management believes that the existing reserve of approximately $102,700 is adequate to meet the costs and any ultimate liability from such litigation.

Sale of Coal Properties and Business

The Glen Alden Coal Company division of Glen Alden was one of the largest producers and sellers of anthracite coal in the country. The entire fuel business is highly competitive, both among sellers of anthracite and between anthracite sellers and sellers of oil, natural gas and bituminous coal. Glen Alden's anthracite coal, mostly owned by it in fee, was mined from properties in Luzerne County, Pennsylvania, in the vicinity of Wilkes-Barre (the Wyoming Valley Region), and in limited amounts from properties of others in adjoining Lackawanna County. Processing took place at two breakers in the Wyoming Valley Region. The coal was marketed through Glen Alden Fuel Sales, a division of a Glen Alden subsidiary. About 25% of total coal sales were of coal produced by others.

During 1965 coal sales accounted for somewhat less than 39% of consolidated sales and revenues, and coal operating profits, coal royalties and other income contributed a slightly higher percentage to consolidated operating profits. Glen Alden's sale of its coal properties, as described below, resulted in a non-recurring loss (based on the book values of the assets sold) of $3,637,835 in the year 1965.

On February 18, 1966, Glen Alden (and one of its subsidiaries) sold (effective January 1, 1966) to Blue Coal Corporation ("Blue Coal"), a Pennsylvania corporation not theretofore active, substantially all assets of its Coal Division, including surface and coal lands (reserving to Glen Alden a 25% "carried interest" in oil and gas), machinery and equipment, inventories of run of mine coal and prepared coal, materials and supplies and certain notes and accounts receivable relating to the operation of the Coal Division, in exchange for

(a) 1,000 shares of the no par value common stock (100%) of Blue Coal;

(b) the assumption by Blue Coal of the obligations, liabilities and contracts relating to Coal Division operations (Glen Alden, however, agreeing to reimburse Blue Coal for one-half of the liability, cost and expense incurred by Blue Coal in defending law suits relating to the Coal Division with respect to claims applicable to the period prior to January 31, 1966);

(c) a Note of Blue Coal in the sum of $100,000 payable on December 31, 1974 without interest, with prescribed prepayments measured by coal purchased by Blue Coal from another supplier;

(d) a Note of Blue Coal in the sum of $5,775,000 dated February 1, 1966, due February 1, 1976, with interest at the rate of 6% per annum for the first year, 7% per annum for the next two years and 8% per annum thereafter, secured by a Purchase Money Mortgage ("Mortgage") on the real property conveyed to Blue Coal and a Purchase Money Security Agreement on the "accounts", "contract rights", "equipment" and "inventory" of Blue Coal (as those terms are used in Title 12A of Purdon's Penn. Stat. Sections 9-106, 9-109), with prescribed prepayments on the Note and the Mortgage of

(i) $166,666.67 on each of February 15, 1967, 1968 and 1969;

(ii) all cash received by Blue Coal from or on account of condemnations (or sales in lieu thereof) of the Mortgage Property and two-thirds of all cash received by Blue Coal from or on account of any other sales of the Mortgage Property (the prepayments described in this subsection (ii) to be applied against the latest maturing instalments of principal of the Note and Mortgage); and

(iii) on March 1, 1968 and on the 1st day of each month thereafter, 1/96th of the (x) balance of the principal amount due on February 28, 1968 less (y) the prepayment due February 15, 1969; and

(e) other miscellaneous consideration.

Glen Alden remains contingently liable for all of the liabilities assumed by Blue Coal. The amount of such liabilities was approximately $6,350,000 as of December 31, 1965 and was reduced to approximately $2,625,000 as of October 31, 1966. Among the obligations and liabilities assumed by Blue Coal were the obligations under a Conveyance of Production Payment dated December 30, 1964 by Glen Alden to Durham Coal and Oil Corporation ("Durham"), as amended, in the amount of $3,479,130, reduced to $2,333,000 at October 31, 1966. The sale and conveyance of the coal lands to Blue Coal required the approval of Durham, to whom Glen Alden had conveyed a Production Payment pursuant to an agreement dated December 30, 1964, as amended. In consideration of Durham's consent to such sale and conveyance and Durham's release of certain lands theretofore or about to be condemned by the Commonwealth of Pennsylvania, and the awards relating thereto, Glen Alden agreed to purchase the Production Payment as defined in the Conveyance (a) on December 31, 1968, or (b) at such earlier time, at Durham's request, as the consolidated net current assets of Glen Alden shall be less than $5,000,000, in each case for an amount equal to the then unpaid balance of the Total Sum as defined in the Conveyance.

Simultaneously with the sale of the coal properties to Blue Coal, Glen Alden sold and delivered the 1,000 shares of Blue Coal common stock to Raymond Colliery Company, Inc. ("Raymond"), a Pennsylvania corporation, owned by parties unrelated to Glen Alden, for $500,000 in cash. Four of the stockholders of Raymond unconditionally, and jointly and severally, guaranteed performance by Blue Coal of its obligations under the $5,775,000 Note and Mortgage and Purchase Money Security Agreement, the guaranty, however, being limited to a maximum liability of $1,500,000 and terminating on January 31, 1970 if there shall then be no Event of Default as defined in the Mortgage (or any circumstance which with notice or the lapse of time or both would be an Event of Default), or at such later time as there shall be no such Event of Default or circumstance.

The said stockholders of Raymond also are obligated to pay in cash to Blue Coal such amounts, not to exceed $500,000 in the aggregate outstanding at any one time, as shall from time to time be needed by Blue Coal to maintain a minimum net current asset position of $1,000,000, or after the said Conveyance of Coal Production Payment has terminated, a minimum net current asset position of $500,000.

The foregoing (and other) obligations of the said stockholders of Raymond are secured by a pledge of all of the outstanding stock of Blue Coal, Raymond and Carbondale Coal Company.

Glen Alden is involved in a number of present and potential court and administrative proceedings related to past and present coal operations and lease arrangements of it and its predecessors, all of which proceedings are subject to the agreement between Glen Alden and Blue Coal described in subparagraph (b) above. Some of such proceedings involve, or may involve, alleged air pollution claimed to be attributable to burning culm (refuse) banks. In November 1965 an action was commenced by the United States of America against Anthracite Export Association and others, including Glen Alden, then a member of such Association, alleging a violation of the Sherman Act in, among other things, fixing the prices of anthracite supplied by the defendants under the United States Army program and in limiting participation in the United States Army program of purchasing solid fuel mined and produced from United States sources for the use of the United States Armed Forces in Europe, and asking, among other things, for an injunction against fixing prices or allocating sales of anthracite for domestic or export trade and against combining to participate in such United States Army program. No answer has yet been filed, but Glen Alden takes the position that it has acted properly pursuant to the provisions of the Webb Pomerene Act. Management has continued to maintain reserves for all such liabilities which in its opinion are adequate to cover amounts which Glen Alden may be required to pay.

As compensation for his services to Glen Alden in connection with the sale of the assets and liabilities of the Coal Division, Glen Alden has paid Albert A. List, former Chairman of the Board and President of Glen Alden, $100,000 in 1966 and an additional $100,000 in 1967. A shareholders' derivative action has been instituted to compel a refund by Mr. List of said payments.

Briggs Manufacturing Company

Glen Alden owns 562,500 shares (approximately 18%) of capital stock of Briggs Manufacturing Company ("Briggs") which is carried on Glen Alden's September 30, 1966 balance sheet at approximately $1,716,000 and notes of Briggs in the remaining principal amount of $2,265,000 as of September 30, 1966. The majority of these securities were acquired by Glen Alden upon the sale of its Mathes air-conditioning division to Briggs in 1961. The capital stock of Briggs is listed on the Detroit Stock Exchange. On March 3, 1967 the closing price of such stock on such Exchange was $1.75 per share.

Briggs and its subsidiaries are engaged principally in the manufacture and sale of water-heaters and plumbing ware. In addition, through certain wholly-owned subsidiaries, Briggs fabricates and sells metal and plastic signs (through Texlite, Inc.), operates an aircraft maintenance business at Miami International Airport (through American Airmotive Corporation), and operates a chain of retail auto supply stores (through Western Tire Auto Stores, Inc.). The net sales of Briggs and its subsidiaries for the year ended December 31, 1965 were $65,114,802, and the net loss was $3,179,166. The net sales and net loss for the year ended December 31, 1964 were $60,596,255 and $2,812,732, respectively. The net sales and net loss for the eleven months ended November 27, 1966 were respectively $51,090,000 and $6,449,000 (including non-operating losses of $2,798,000).

On July 13, 1966, in connection with certain financing arrangements among Briggs, certain of its trade creditors, and Bankers Life and Casualty Company ("Bankers Life"), 1,001,282 shares (approximately 31%) of Briggs' capital stock owned by Republic-Odin Appliance Corporation and Milton J. Stevens, the former Chairman of the Board of Briggs and the sole stockholder of Republic-Odin Appliance Corporation, were placed in a voting trust, the trustees of which are designated one-half by Glen Alden and one-half by Bankers Life, and Glen Alden undertook an active participation in the management of Briggs. 210,074 of the above mentioned shares of Briggs capital stock were transferred subject the prior rights of certain pledgees. The pledgees holding 150,074 of such shares have given notice they intend to sell said shares in exercise of their rights.

Simultaneously with the above transaction, (i) Glen Alden agreed with Bankers Life to bear one-half of any loss suffered by Bankers Life in respect of non-payment of any part of a $3,000,000 loan made by Bankers Life to Briggs and secured by Briggs' inventories, and (ii) Glen Alden acquired options to purchase, at any time on or before July 1, 1971, all of the shares placed in the voting trust (or the voting trust certificates with respect to such shares) and 300,000 shares of Briggs' capital stock now owned by Bankers Life. The aggregate purchase price payable by Glen Alden upon exercise of all of these options will be $3,802,564 plus an additional $66,666 if exercise is delayed until after June 30, 1968. In connection with the acquisition of these options Glen Alden paid Bankers Life an initial fee of $100,000 and must pay an annual renewal fee in like amount each year to prevent the option on the 300,000 shares owned by Bankers Life from terminating.

On July 13, 1966 immediately following consummation of the above transactions, Paul A. Johnston, President of Glen Alden, was elected Chairman of the Briggs Board of Directors, and Leonard C. Lane, Vice Chairman of the Board of McCrory and a Director of Glen Alden, and Harry E. Barch, Assistant to the President of Glen Alden, were also elected directors of Briggs. On August 22, 1966, Sash A. Spencer, formerly a general partner in McKinsey & Co., management consultants, was elected president and chief executive officer of Briggs. Mr. Spencer, who had no prior affiliation with either Briggs or Glen Alden, was also elected a director in the place of Harry E. Barch, who resigned.

Briggs and certain other plumbing fixture manufacturers are currently defendants in two criminal actions and one civil action which were instituted by the U. S. Department of Justice and two related private treble damage actions, all charging the defendants with conspiracy to fix prices of plumbing fixtures in violation of federal antitrust laws. No prediction can be made of the outcome of these actions at the present time.

In November 1966, Glen Alden and Bankers Life guaranteed a line of credit from certain factors and banks to Briggs in the maximum amount of $4,000,000, secured by first liens on Briggs' accounts receivable and second liens on its inventories.

In January 1967 Briggs defaulted on an instalment then due on account of approximately $4,200,000 of indebtedness to trade creditors in respect of which the trade creditors had agreed to accept deferred payments in connection with the above described July 13, 1966 financing arrangements. The creditors have granted Briggs a moratorium until June 1, 1967 to cure this default, failing which all of said indebtedness may become due.

HISTORY AND BUSINESS OF B.V.D.

Products

B.V.D., a Delaware corporation organized in 1950, continues a business founded in 1876. B.V.D. and its subsidiaries are presently engaged in the manufacture of men's and boys' underwear, dress and sport shirts, pajamas, robes and swimwear, under the trade mark "*B.V.D.*"; men's and boys' knit outerwear and neckwear under the labels "*Wonderknit,*" "*Botany,*" "*Beau Brummell,*" "*Fabiani*", "*Mr. John*" and others; women's lingerie, sleepwear, bras and foundation garments, under the labels, "*Flexees,*" "*Gilead,*" "*Jubilee*" and others; men's and ladies' rainwear and all-weather coats under the labels "*Alligator,*" "*Almar,*" and others; work clothes and slacks under the labels "*Anvil,*" "*Meadow*" and others; children's and infants wear, under the labels "*Fawn,*" "*McKem,*" and "*Nappies*"; men's toiletries under the "*Aztec*" label; and men's and boys' clothing under the "*Timely*" label and others.

Through wholly-owned subsidiaries, B.V.D. operates 201 retail men's furnishings shops and four leased departments throughout the country. In addition, B.V.D. owns a majority stock interest in Timely Clothes, Inc., a manufacturer of men's and boys' clothing, which corporation, through wholly-owned subsidiaries, operates ten retail furnishings stores. Through wholly-owned and partly owned subsidiaries, B.V.D. also manufactures yarn and manufactures and sells men's and women's sweaters, men's underwear and sport shirts, and ladies' undergarments. Through other wholly owned subsidiaries, B.V.D. manufactures and sells men's and boys' clothing.

The approximate percentage contribution to net sales of B.V.D.'s various divisions, eliminating intercompany sales, contributing at least 15% to aggregate net sales, and the approximate percentage contribution to operating profit of such divisions are, as follows:

	Year Ended April 2, 1966		Six Months Ended October 1, 1966	
	Net Sales	Operating Profit	Net Sales	Operating Profit
Men's and Boys' Furnishings	64.8%	80.8%	57.4%	88.4%
Retail	20.8	15.1	22.3	.3*

* Maximum profits in retail store operations are realized in the second six-month period.

Raw Materials

B.V.D. uses both knit and woven cloth in the manufacture of its apparel. Approximately 75% of such cloth is purchased from outside sources. The balance of 25% is made up as follows: (1) Knit cloth used in manufacturing men's and boys' T shirts, athletic shirts and briefs. B.V.D. knits all of the knit cloth used for the foregoing products. 90% of the yarn required for this cloth is spun by B.V.D. from raw cotton, which B.V.D. purchases. The other 10% of the yarn is bought from outside sources. (2) Men's and boys' private label knit outerwear. B.V.D. knits 90% of its cloth requirements for these products and purchases 10% from outsiders. Of the cloth knit by B.V.D., 80% of the required yarn is spun by B.V.D. from raw cotton, and the remaining yarn is purchased from outsiders. (3) Boys' knit shirts other than the *B.V.D.* brand. Substantially all the cloth used for this product is knit by B.V.D. from yarn which B.V.D. purchases from outside sources.

Distribution

B.V.D. sells its men's and boys' underwear products, dress and sport shirts, pajamas, robes and swimwear under the *"B.V.D."* label, principally to retail outlets, such as department stores, chain stores, mail order companies and men's specialty shops. Men's and boys' knit outerwear are sold under the *"B.V.D."* and other labels in the same manner. Neckwear products and toiletries are sold to department stores and men's haberdasheries. Women's foundation garments, bras and sleepwear are principally sold to department stores and women's specialty shops. Men's and boys' clothing, rainwear and all-weather coats are sold to department stores and to specialty stores. Work clothes and slacks are sold to department stores and chain stores. Children's and infants wear are sold to department stores, specialty shops and chain stores. Substantially all sales (except foreign sales, which are not significant) are made by sales personnel employed by B.V.D. Substantially all sales, other than those at retail, are made on open purchase orders.

B.V.D. advertises its products in national and trade magazines, newspapers, billboards and printed materials used in retail stores.

Licensees

B.V.D. has licensing arrangements in effect throughout the United States and in various foreign countries, under which the licensees manufacture garments under *"B.V.D."* and other labels and trade marks in consideration for the payment of royalties. Licensing in Central and South America (the income from which, however, is not significant) is done by B.V.D. International, Inc., a Panamanian corporation, 46.4% of the stock of which is owned by B.V.D. and the remainder by nonaffiliated persons.

Competition

The men's and boys' underwear business is competitive but is relatively stable, since it is not affected radically by changes in fashion design or season (except in the case of winter underwear).

The men's and boys' knit outerwear business is highly competitive. The neckwear business is also highly competitive and is affected by changes in fashion and design. The women's lingerie, sleepwear, bras and foundation garments, and the children's and infants wear businesses are highly competitive and are affected by changes in fashion and design. The men's and boys' dress and sport shirts, pajamas, robes and swimwear business is competitive and affected to some extent by changes in fashion and design. B.V.D.'s business in men's and boys' clothing, rainwear, all-weather coats, work clothes and slacks is competitive but relatively stable.

Employees

B.V.D. employs approximately 17,000 persons, of whom approximately 90% are engaged in the production of its products and maintenance of its plants and properties. Of the production and maintenance workers, approximately 4,500 are employed under union agreements. Employee relations are considered by management to be good.

Plants and Properties

B.V.D.'s operations are conducted at various locations in the United States and Puerto Rico, and it has subsidiaries operating in the United Kingdom and Spain. B.V.D. and certain of its subsidiaries own plants located at:

High Point, North Carolina	Hamlet, North Carolina
Richmond, Virginia	Candor, North Carolina
Clinton, South Carolina	West Wyoming, Pennsylvania
Mullins, South Carolina	Washington, Georgia
Mount Gilead, North Carolina	Tignall, Georgia

As of March 1, 1966, B. V. D. and certain of its subsidiaries sold plants located in Carrboro, Chadbourn, Kings Mountain and Monroe, North Carolina; Cincinnati, Piqua and Tipp City, Ohio; Pennsburg, Pennsylvania; and Galax, Virginia, and a home office building located at Montvale, New Jersey, to a corporation all the stock of which is owned by The Bank of New York, as Trustee for an employees pension fund of National Shirt Shops, Inc., a wholly owned subsidiary of B.V.D. The sales price was equal to B.V.D.'s book value of such real estate plus closing expenses, aggregating $5,000,000. Said properties were leased back to B.V.D. for a term of 25 years at a net rental of $375,000 per annum, with options to renew for six successive five year renewal periods at reduced rentals. On December 21, 1966 B.V.D. and certain of its subsidiaries sold plants located in St. Louis, Missouri, Rochester, New York and Grayson County, Virginia, to a second corporation, all of the stock of which is owned by The Bank of New York, as Trustee as aforesaid. The sales price aggregated $2,475,000, and said properties were leased back to B.V.D. for a term of approximately twenty-four years at an aggregate net rental of $207,503.16 per annum, with similar options of renewal at reduced rentals. In addition to the foregoing, B.V.D. and certain of its subsidiaries lease plants located at Caguas, Viequez, Lares, Utuado, Arecibo, Las Marias and Ponce, all in Puerto Rico; Pascagoula and Okolona, in Mississippi; Livingston, Tennessee; Braselton and Atlanta, in Georgia; and Prattville and Bay Minette, in Alabama. B.V.D. maintains its principal executive offices at 404 Fifth Avenue, New York, New York, under a lease expiring April 30, 1971, at an annual rental, which, at its maximum, is $36,500 per year. The minimum annual rental for all leased properties, including retail stores, aggregates approximately $3,900,000 per annum.

In the opinion of B.V.D.'s management, the various plants maintained and operated by B.V.D. and its subsidiaries contain the necessary machinery and equipment for the activities conducted at the respective locations and the plants and equipment are well maintained and in good condition.

There is herewith set forth in tabular form the average percentage utilization of capacity during B.V.D.'s most recent full fiscal year for each of its plants, 100% utilization being equated to a single shift operation. Each of said plants is in good operating condition and capable of meeting operating requirements in peak periods.

Men's and Boys' Furnishings

Plant Location	% Utilization	Plant Location	% Utilization
ingston, Tenn.	100%	Caguas, P. R.	75%
Viequez, P. R.	90	Kings Mountain, N. C.	100
High Poi	90	Mullins, S. C.	100
Clinton.	88	Monroe, N. C.	100
Piqua.	90	Chadbourn, N. C.	95
P	100	Lares, P. R.	85
oro, N. C.	95	Tipp City, Ohio	85
ecibo, P. R. #1	60	Ponce, P. R.	100
cibo, P. R. #2	100	Cincinnati, Ohio	100
cibo, P. R. #3	100	Galax, Va.	95
ado, P. R.	90	Tignall, Ga.	75
Las Marias, P. R.	100	Washington, Ga.	98

Women's and Children's Wear

Plant Location	% Utilization	Plant Location	% Utilization
West Wyoming, Pa.	50%	Hamlet, N. C.	70%
Mt. Gilead, N. C. #1	85	Braselton, Ga.	60
Mt. Gilead, N. C. #2	85	Prattsville, Ala.	80
Mt. Gilead, N. C. #3	70	Atlanta, Ga.	80
Candor, N. C.	75	Okolona, Miss.	80

Men's Clothing

Plant Location	% Utilization	Plant Location	% Utilization
Bay Minette, Ala.	98%	St. Louis, Mo.	98%
Okolona, Miss. (men's)	95	Rochester, N. Y.	93
Richmond, Va.	100		

Recent Acquisitions and Events

There is herein set forth in tabular form details concerning B.V.D. acquisitions during the past five years setting forth (1) the companies acquired; (2) the dates of acquisition; (3) the net book value of the assets acquired; (4) the net income of the acquired companies for their last full fiscal year prior to acquisition; and (5) the consideration given. In none of the foregoing acquisitions was there any relationship between the acquired company and Glen Alden or any of its affiliates, Mr. Kittay, or any associate of the foregoing, except that National Shirt Shops Inc., which had originally been owned by McCrory, was sold to individuals who were principals in a corporation licensed by B.V.D., and thereafter sold to B.V.D.

Company	Effective Date of Acquisition	Book Value of Net Assets Acquired	Net Income/ (Loss) For Last Full Fiscal Year Prior to Acquisition	Consideration Given: Shares of B.V.D. Common Stock	Consideration Given: Dollars
Beau Brummell Ties, Inc.	2/28/62	$1,547,555	(6/30/61) $ 87,116	291,920(1)	[illegible]
County Mills, Inc.	5/ 7/62	1,054,378	(9/2/61) 11,898	—	$1,369,0[illegible]
Mullins Textile Mills, Inc.	5/ 7/62	188,824	(3/31/62) 38,772	34,258	[illegible]
Flexees International, Inc. and 50% of the stock of Flexees Limited	8/31/62	(23,038)(3)	(12/31/61) (219,708)(3)	—	145,0[illegible]
B. W. Mayer & Cohan Ltd.	4/ 1/63	52,107	(12/31/62) (45,078)	1,000	[illegible]
United Mills Corporation	12/31/63	1,280,793	(6/30/63) (90,857)	91,030	[illegible]
Wonderknit Corporation	7/ 1/64	326,028	(5/31/64) 131,684	19,476	[illegible]
L & B Enterprises, Inc.	8/28/64	620,926	(8/28/64) 63,329	28,694	[illegible]
National Shirt Shops Inc.	10/ 1/64	1,366,157	(1/31/64) 510,827	—	1,625,0[illegible]
Fordham-Bardell Shirt Corp.	12/ 1/64	1,305,470	(11/28/64) 289,398	125,000(5)	[illegible]
The Alligator Company, Inc.	6/11/65	3,311,437	(12/31/64) (570,958)	—	3,632,[illegible]
Anvil Brand, Incorporated	2/ 1/66	1,425,378	(10/30/65) 152,647	82,277	[illegible]
Adams Clothes, Inc.	5/16/66	2,621,638	(8/31/64) 145,760	113,438(6)	[illegible]
Almar Rainwear Corporation	6/17/66	1,220,909	(6/30/65) (143,520)	56,500	[illegible]
Meadow Sportswear, Inc.	6/30/66	2,360,040	(6/30/66) 827,545	—	2,360,0[illegible]
Timely Clothes, Inc.	(8)	(4/2/66) 4,165,729	(10/31/65) 75,078	—	4,098,6[illegible]
Friedman-Marks Clothing Company, Inc. and its two affiliated corporations, Rockingham Stores Incorporated and 1400 West Marshall Street Corporation	As of Close of Business 10/ 1/66	5,243,090	(11/30/65) 851,000 (Approx.)	—	7,500,0[illegible]

(1) Including 135,180 shares issued in exchange for a like number of shares of Beau Brummell Ties, Inc., acqu[illegible] by B.V.D. in July, 1961, for $1,263,262.

(2) As of December 31, 1963, B.V.D. sold its investment in County Mills, Inc. at underlying book equity.

(3) Does not include B.V.D.'s equity in (a) the book value of Flexees Limited at date of acquisition and (b) [illegible] net income of Flexees Limited for the last full fiscal year prior to acquisition, which amounts are not signific[illegible] B.V.D. has as of February 1967 purchased the remaining 50% of the stock of Flexees Limited, plus an acco[illegible] payable from Flexees Limited to the selling stockholders, in exchange for 5,961 shares of B.V.D.'s capital sto[illegible]

(4) B.V.D. had previously made a loan to National Shirt Shops, Inc. of $3,500,000.

(5) Plus a further number of shares issuable at the end of a five-year period, the exact number of which [illegible] contingent upon net earnings of Fordham-Bardell Shirt Corp. over said period, namely; one additional sha[illegible] for each $2.00 of such net earnings after taxes in excess of $250,000 (averaged out on a yearly basis for the five-year period) up to an average five years' net earning of $375,000, or 62,500 shares, and then one more additional share for each additional $8.00 of such average net earnings in excess of $375,000 without limit during said period.

(6) Plus a further number of shares issuable at the end of each of two successive three-year periods and a final further period of four years, the exact number of which further shares is contingent upon net earnings of Adams Clothes, Inc. over said periods. Between May 16, 1967, and May 16, 1970, the B.V.D. stock issued in this transaction may be put back to B.V.D. at $24 per share, if the market price is then less.

(7) Plus a further sum payable after seven years which sum is contingent upon net earnings of Meadow Sportswear, Inc. during said period. The contract provided that approximately $1,000,000 of the purchase price was payable in shares of B.V.D. Common Stock valued as of the close of business June 30, 1966 ($25.375). On July 5, 1966 the principals, Emanuel E. Davis and Pearl L. Davis, agreed, from the cash proceeds received in the transaction, to purchase an additional 20,000 shares of B.V.D. Common Stock at the same price. B.V.D. is obligated, at the option of Emanuel E. Davis and Pearl L. Davis, to repurchase all of the foregoing shares of B.V.D. Common Stock during a limited period of 90 days commencing August 31, 1969 at the purchase price of $25.375.

(8) Between February 9, 1966 and December 1, 1966 B.V.D. acquired 162,949 shares of the Capital Stock of Timely Clothes, Inc. and $597,000 of its 6½% Convertible Subordinated Debentures, all of which debentures have since been converted into shares of Capital Stock of Timely. As a result of the foregoing B.V.D., as of December 1, 1966, holds a total of 199,937 shares of Timely's Capital Stock at a total cost of $4,098,695, which shares represent approximately 90.8% of the outstanding Capital Stock of Timely Clothes, Inc.

(9) Payable $200,000 in cash and $7,300,000 by the issuance by B.V.D. of 20 year, 5% convertible subordinated debentures convertible into Common Stock of B.V.D. at $30 per share. Said debentures contain customary anti-dilution clauses. The agreement provides that if B.V.D. does not redeem $5,500,000 of said debentures on or before August 15, 1969, the sellers shall have the right to have the stock of said companies returned to them upon surrender of the $7,300,000 in debentures, or their equivalent in cash and B.V.D. stock, if previously converted, plus $100,000. (See Note J at page F-32 for a further description of the provisions of said debentures.)

B.V.D.'s acquisition of a majority interest in Timely Clothes, Inc. was effected in February, 1966. Adams Clothes, Inc., Almar Rainwear Corporation and Meadow Sportswear, Inc. were acquired by B.V.D. as of May 16, 1966, June 17, 1966, and June 30, 1966, respectively. The results of the operations of Almar Rainwear Corporation are fully reflected in the financial statements set forth herein on a pooling-of-interest basis, and the results of the operations of Adams Clothes, Inc. are similarly reflected for the period since February 1, 1966 (operations of Adams Clothes, Inc. for previous periods were not material). The results of the operations of Timely Clothes, Inc. and of Meadow Sportswear, Inc. are reflected in the financial statements set forth herein for the periods since April 2, 1966 and July 1, 1966, respectively. Friedman-Marks Clothing Company, Incorporated was acquired by B.V.D. as of the close of business on October 1, 1966 and is not reflected in the financial statements set forth herein.

On December 15, 1965, B.V.D. entered into a Revolving Credit Agreement arrangement with The Bank of New York, Girard Trust Bank, Bankers Trust Company and Manufacturers Hanover Trust Company, which provides for loans up to $6,000,000 from each of said Banks to July 31, 1969 with interest at 5% per annum. The parties have since agreed to reduce the credit by $1,000,000 per quarter commencing April 15, 1967. Said Agreement, among other matters, contains working capital requirements and restrictions upon payment of dividends, purchases of B.V.D. stock, loans or advances to or purchases of assets from Glen Alden, and acquisition of other companies, and provides that Mr. Sol Kittay is to continue as Chairman of the Board and chief executive officer of B.V.D., failing which the loans may be called. The Revolving Credit Agreement further requires the consent of the Banks to a sale of B.V.D.'s assets, which consent has been given subject to consummation of the transaction. The B.V.D. Acquisition Agreement provides that, as a condition of closing, waivers and consents be furnished where required. The parties to the Revolving Credit Agreement have orally agreed that on and after April 1, 1967 the rate of interest shall be one-quarter of one percent above the prime rate, instead of the fixed five percent (5%).

As of October 1, 1966, B.V.D. obtained a subordinated loan of $5,000,000 from Von-T, S.A., Panama, R.P., due January 31, 1970, with interest at 6% per annum. On December 1, 1966, B.V.D. obtained a commitment from the same lender for an additional subordinated loan of $5,000,000, maturing at the same date, with interest at 6% per annum, of which $1,000,000 had been borrowed prior to February 20, 1967.

On November 16, 1966, B.V.D. sold to Banque de Paris et des Pays Bas 80,000 shares of its Common Stock for the sum of $2,000,000; on November 23, 1966, B.V.D. sold to Amincor A.G., nominee for Fasco A.G., 40,000 shares of its Common Stock for the sum of $1,000,000. Each of said purchasers was granted the right, exercisable for a period of thirty days commencing on a date three years from the closing of each of said transactions, to require B.V.D. to repurchase said shares, or any part thereof, at the aforesaid purchase price of $25 per share. Each of said purchasers has agreed to accept shares of Preferred Stock of Glen Alden Corporation, upon consummation of the B.V.D. Transaction, and, thereupon, the repurchase obligations will be assumed by Glen Alden Corporation's newly organized subsidiary. On February 21, 1967, B.V.D. entered into a similar agreement with Banque de Suez et de L'Union Des Mines for the sale of 36,000 shares of its Common Stock for the sum of $900,000, which sale has not as yet been consummated, and has orally negotiated a similar sale of 44,000 shares of its stock upon the same price per share and other terms to one additional purchaser, which agreement has not to date been signed. The net proceeds realized and to be realized from the foregoing sales of stock have been and will be added to B.V.D.'s working capital.

B.V.D. and its subsidiaries have pending three transactions with industrial development corporations; one in Mullins, South Carolina, under the terms of which B.V.D.'s subsidiary, Mullins Textile Mills Inc., is constructing an extension to its manufacturing, warehousing and office facilities of approximately 120,000 square feet, and is in negotiation with Industrial Development Corporation in the City of Mullins, South Carolina, for the sale of the premises to said corporation for $1,000,000 and a leaseback for a period of twenty-five years at a rental sufficient to repay said sum, together with interest over said period of time, rental at the end of the twenty-five-year period to be negotiated. A similar transaction is pending by Wonderknit Corporation, a B.V.D. subsidiary, covering the construction of new manufacturing, warehouse and shipping facilities of approximately 168,000 square feet in

Mocksville, North Carolina, with Industrial Development Corporation in the County of Davie, N Carolina, involving $1,200,000. A third similar transaction, not as yet commenced, is plannec B.V.D. in Clio, South Carolina, covering the construction of a new manufacturing, warehousing shipping facility of approximately 180,000 square feet, the negotiations being held with Indust Development Corporation in the Town of Clio, South Carolina, and involving a possible $1,500,00(the transaction. In addition to the foregoing, Meadow Sportswear, Inc., a subsidiary of B.V.D., is negotiation with the City of Okolona, Mississippi, for the construction of an additional manufactur facility of approximately 40,000 square feet, which will involve an expenditure of approximately $250,0 with a sale to the City and leaseback on an approximate 20-year lease on a self-liquidating basis.

HISTORY AND BUSINESS OF PHILIP CAREY

General

Philip Carey was organized in 1888 under the laws of the State of Ohio, and its general offic and principal plant have been located in Lockland, Ohio, adjoining Cincinnati, since 1895.

Philip Carey is principally engaged in the manufacture and sale of roofing products, industri products, asbestos fibres and related products, Miami-Carey Division fabricated products, and Insulatio Division products. In addition, Philip Carey purchases a small variety of products for resale to customers as an accommodation.

Asbestos fibre in various forms is an important ingredient in many of the products manufactur by Philip Carey, and Philip Carey's subsidiary, Carey-Canadian Mines, Limited (herein referred to "Carey-Canadian"), operates an asbestos mine and milling plant in Canada (described below) whi produces asbestos fibres both to meet a significant portion of Philip Carey's requirements and fo sale in the open market.

The following table shows for the year ended December 31, 1965 and the nine months ende September 30, 1966 the approximate percentages of contribution to net sales and operating profit of Phili Carey's principal product lines contributing at least 15% to net sales or operating profits:

	1965		Nine Months Ended September 30, 1966	
	Net Sales	Operating Profit	Net Sales	Operating Profit
Roofing Products	40.6%	24.9%	39.1%	25.1%
Industrial Products	9.0	21.6	9.7	22.9
Asbestos Fibres and Related Products(1)	15.2	33.8(2)	14.5	32.8(2)
Miami-Carey Division Products	15.9	12.9	18.1	16.2

(1) After elimination of intercompany transactions.

(2) After normal depletion deductions.

Apart from "Asbestos Fibres and Related Products", the variation in the contribution to operating profit in relation to total sales is in large measure explained by differences in costs of sales and the necessity in the case of the Miami-Carey Division of incurring substantial transportation and warehousing costs. Competition and other related matters affect the distribution selling costs of the various products manufactured and sold by Philip Carey.

The Asbestos Fibres and Related Products contribute a higher percentage of operating profit in relation to net sales partly because Philip Carey is able to market a substantial portion of its asbestos fibres at low selling costs due to having an assured outlet to its own plants and partly because of the present strong demand in the world market for the type of asbestos fibres produced. Management makes no prediction as to the future of these markets.

Product Lines

The following is a description of Philip Carey's principal product lines:

Roofing Products. Philip Carey's principal roofing products are asphalt shingles, roll roofings, saturated roofing felts, roof coatings, and asphalt plastic cements.

Industrial Products. Philip Carey's principal industrial products are pipeline felts and padding, specialty inorganic and organic papers, asphalt and fibre expansion joints, asphalt plank and tile, and waterproofing products.

Asbestos Fibres and Related Products. Carey-Canadian produces and sells asbestos fibres. (See below under "Asbestos Mine and Mill".) During the past four years sales to Philip Carey for its own use by Carey-Canadian averaged about 18% of Carey-Canadian's total sales in terms of dollars and about 12.7% of total sales in terms of tonnage. The balance was sold by Carey-Canadian to outside customers directly and through independent distributors. (See below under "Raw Materials" for additional asbestos requirements for Philip Carey.) Philip Carey itself manufactures and sells asbestos cement flat boards, siding, and corrugated sheets.

Miami-Carey Division Products. The principal fabricated products of the Miami-Carey Division are bathroom cabinets, kitchen range hoods, bathroom and kitchen ventilating fans, bathroom wall mirrors, door chimes, and bathroom cabinet lighting fixtures. Certain component parts, such as glass and mirrors, a portion of the lighting fixtures for bathroom cabinet units and electric motors used in the ventilating fans, are purchased. In addition, the Division sells bathroom accessories (such as towel bars, soap and glass holders, and electric bathroom heaters) and home radio intercommunication systems which it purchases from others.

Insulation Division Products. The principal products of this Division are industrial insulation for [illegible] temperature ranges. In addition to selling these products, the Division acts as a contractor in installing industrial insulations manufactured by it and purchased from others.

Accommodation Products. The principal products purchased by Philip Carey for resale to its customers as an accommodation are roofing asphalts, tar pitches, and roof and home insulations.

Sales and Distribution

Philip Carey sells its products through its own sales organization, principally to independent distributors. Its products are sold throughout the United States and Canada and many are exported to other countries. It has district sales offices and warehouses at Atlanta, Georgia; Bellwood (Chicago), Illinois; Beltsville (Washington, D. C.), Maryland; Boston, Massachusetts; Cleveland, Ohio; Dallas, Texas (warehouse only); Denver, Colorado (warehouse only); Detroit, Michigan, Jersey City, New Jersey; New York City, New York (sales office only); Philadelphia, Pennsylvania (warehouse only); San Francisco, California (warehouse only); Seattle, Washington (customer-service office only); St. Louis, Missouri; Montreal, Quebec; and St. John, New Brunswick, and warehouse facilities at its plants except the plants at Wilmington, Swainsboro and Lennoxville. District offices and warehouses (except the Philadelphia warehouse which is owned and warehouses in owned plants) are leased.

Philip Carey maintains industrial contract departments at Detroit, Michigan; Indianapolis, Indiana; Los Angeles, California; Perth Amboy, New Jersey; Philadelphia, Pennsylvania; Providence, Rhode Island, and Washington, D. C., through which it furnishes and installs industrial and commercial insulations for pipes, boilers and similar equipment.

Carey-Canadian's sales of asbestos fibre (other than to Philip Carey itself) are to customers throughout the United States and Canada and in several other countries.

Philip Carey has approximately 20,000 customers. In 1965 the purchases of the largest single customer accounted for less than 2½% of net sales for such year.

Raw Materials

The principal raw materials used in the manufacture of Philip Carey's products are asbestos fi[bre,] asphalt, cement, pulpwood, roofing granules, steel, tar, and waste paper. Philip Carey during 1[965] secured approximately 53% of its asbestos fibre requirements from the East Broughton mill and purch[ased] the balance of its requirements (some of which are of different grades and types) in the open ma[rket.] All of the foregoing raw materials, as well as other items used in the manufacture or assembly of prod[ucts] sold by Philip Carey are, in the opinion of management, in adequate supply and available from a num[ber] of sources.

Competition

There is strong competition with respect to products sold by Philip Carey. Because of the la[rge] variety of products which Philip Carey sells, it competes with a large number of both smaller and lar[ger] companies. The product lines of some of its competitors are not as broad as those of Philip Car[ey.] Management of Philip Carey believes, on the basis of information available to it, that in 1965 [it] ranked fifth or sixth in the United States in the sale of asphalt roofings and ranked third in the Uni[ted] States and Canada (measured in terms of tonnage) in the production of asbestos fibre.

Asbestos Mine and Mill

In 1915 Philip Carey acquired a majority interest in a Canadian corporation which owned a[nd] operated asbestos mines and a mill near East Broughton, P. Q., Canada, and subsequently acquired [the] entire interest in this operation. The mining and milling of asbestos at this location was terminated [in] 1958 because the rock in these mines removable by open pit mining was exhausted.

Between 1952 and 1956 Philip Carey's wholly-owned subsidiary, Carey-Canadian, acquired title or mining rights in approximately 770 acres of land, also near East Broughton, through which exten[ds] an asbestos bearing rock containing formations suitable for open pit mining. Subsequently, additi[onal] real estate has been acquired surrounding this area, primarily for protection purposes.

In 1958 Carey-Canadian completed the erection at this new location of a modern mill, construc[ted] of steel and asbestos cement board and consisting of a 12-story plant, warehousing facilities, a machi[ne] shop, a research laboratory and other facilities. Open pit mining and milling on a commercial basis [was] commenced on September 1, 1958. Since that time the warehouse capacity has been increased, [and] machinery has been added which has both increased capacity and added to the variety of fibres whi[ch] can be milled. As of December 31, 1965, the total investment in this mill, its machinery and equipment and in the mine and mining equipment, excluding rolling stock, amounted to approximately $15,550,000 Canadian funds, and the depreciated cost on the books of Carey-Canadian was approximately $6,650,000.

The mill operations are highly automated. It has a capacity of at least 4,200 tons of rock per day and for the past three years has operated at approximately 95% of capacity. It is served by the Quebec Central Railroad Company and by paved highways suitable for the shipment of asbestos fibres by truck.

The mining area has been divided by management for convenience into five zones, designated as Zones B, C, D, E and T. Carey-Canadian owns the land area of Zones C, D and E. It has open pit mining rights in the land area of Zone B granted by the land owners and mining rights in the land area of Zone T granted by the government of the Province of Quebec.

All of these zones have been tested by Carey-Canadian to some extent by diamond drilling for the purpose of determining the character of the materials and the tonnage of underlying asbestos bearing rock, available for open pit mining. Zone C has been so tested extensively and has been mined by Carey-Canadian by open pit mine methods during the past eight years. Some open pit mining has also been conducted in Zone B during the past two years.

Based on the diamond drilling completed to date and the knowledge secured from the open pit mining in Zones B and C, management believes that in Zones B and C there are reserves of asbestos bearing rock, estimated at approximately 36,705,000 tons, containing fibre of a fibre value similar that which has been heretofore mined and milled. If the foregoing estimates are correct, based on the present rate of mining, the asbestos-bearing rock of equal fibre value to that now being mined will not be exhausted for approximately 30 years.

Additional drilling performed outside of Zones B and C indicates the existence in Zones D, E and T of an aggregate of approximately 67,300,000 tons of asbestos-bearing material. Work done to date on these latter zones is insufficient to enable Carey-Canadian to predict to what extent, if any, this material can be mined commercially. Carey-Canadian intends, at some future date, to carry on further exploration in these zones to determine to what extent commercial mining is in fact feasible. The limited exploration already performed in the area outside Zones B and C indicates that a portion of the asbestos-bearing material (that contained in Zone T) is of approximately the same grade as that contained in Zones B and C whereas the asbestos-bearing material in the other zones appears to be of a substantially lower quality.

These mines are known as short fibre mines, and the fibres produced are predominantly in the lower priced "Asbestos Shorts" grades which are used in the manufacture of floor tile, plastics, joint-cement and similar products. However, important production is also obtained of fibres falling in the "Asbestos Fibres" grades which are used principally in the manufacture of asbestos papers and asbestos cement products.

The total quantity of asbestos-bearing rock processed in the mill, the quantity of asbestos fibre recovered, the percentage of recovered fibre to rock milled, and the direct operating cost per ton of rock mined and milled (exclusive of depletion, depreciation, general administrative expenses, and taxes on income) during each of the past three years and for the first eight months of 1966 are as follows:

Year (or months)	Tons of Rock Milled	Tons of Fibre Recovered	Percentage of Fibre Recovered	Direct Operating Costs per Ton of Rock Milled
1963	893,848	171,048	19.14%	$4.23
1964	974,913	182,224	18.69%	4.23
1965	1,069,628	190,564	17.81%	4.01
1966 (Through August 31)	721,982	122,741	17.00%	3.82

There have been no material changes in mining conditions or in the deposit being mined at these mines over the past several years and none are anticipated, other than normal variations which may result from the relocation, if any, of mining operations and the type and quantity of fibre produced. However, costs may increase in the future due to increased ratio of waste removed to asbestos-bearing rock obtained as the depth of the pits increases. Hauling and water pumping costs also increase for the same reason.

Manufacturing and Other Principal Properties

In addition to the East Broughton mill, Philip Carey operates ten manufacturing plants, four of which are devoted to the manufacture of "Miami-Carey Division" products, and the remaining six of which manufacture various items included in the other general product lines. These plants are of widely varying ages, the oldest having been built in 1895 and the two newest having been completed in 1966. Six of these plants are owned by Philip Carey and two are occupied by Philip Carey under long term leases with purchase options, with respect to which the aggregate annual rental obligation is $86,229. The remaining two plants are owned by Philip Carey Co., Ltd., a wholly-owned Canadian subsidiary. The buildings are of different types of construction, including brick and steel, corrugated asbestos sheathing, concrete blocks and other non-combustible materials. The plants have transportation facilities for both raw materials and finished products which management believes to be adequate. The management believes that all of its plants are well maintained and are suitable for the purposes intended, are being operated efficiently and have capacity for substantially increased production. ten major plants operated by Philip Carey in addition to the East Broughton mill, the principal operations of each at the present time, and the approximate space they occupy are listed below:

Location	Principal Operations	Buildings	Land
Lockland, Ohio	Philip Carey's general offices; manufacture of building materials and industrial products.	1,090,660 sq. ft.	81.5
Perth Amboy, N. J.	Manufacture of asphalt shingles, roll roofings felts, asphalt coatings and plastics, and asbestos cement siding and flat boards.	219,130 sq. ft.	47.6
Wilmington, Illinois	Manufacture of asphalt roofing products and roofing coatings and plastics.	278,630 sq. ft.	111
Memphis, Tennessee	Manufacture of asphalt roofing products, roof coatings and plastics.	133,400 sq. ft.	15
Houston, Texas	Manufacture of saturated felts, asphalt shingles and roll roofings, asphalt coatings and plastics.	70,700 sq. ft.	22.9
Monroe, Ohio	Miami-Carey Division products.	276,500 sq. ft.	30
Swainsboro, Ga. (leased)	Manufacture of door bells, buzzers, door chimes, transformers, push buttons and driveway alarm signal systems (Miami-Carey Division).	35,000 sq. ft.	4.827
Santa Fe Springs (L. A.), California (leased)	Manufacture of Miami-Carey Division products.	87,300 sq. ft.	8
Lennoxville, P. Q., Canada	Manufacture of asbestos paper, felt paper, asphalt shingles, roll roofing, roll brick siding, insulated brick siding, expansion joints, composition planking, asphalt coatings and plastics and low pressure coverings.	109,400 sq. ft.	25
Toronto, P. O., Canada	Manufacture of Miami-Carey Division products.	88,000 sq. ft.	13

Employee Relations

Carey and its Canadian subsidiaries have approximately 3,500 full-time employees in the United States and Canada. Substantially all of its approximately 2,600 production and maintenance hourly rated employees are represented by labor unions. Philip Carey has eight principal labor agreements, of which five (including two in Canada) expire in 1967, two in 1968 and one in 1969. Philip Carey considers its relations with its employees and the unions representing them to be satisfactory.

Carey and its Canadian subsidiaries have in effect pension plans for their salaried employees and at four of its plants, for hourly-rated employees, and other employee benefit plans providing life insurance, sickness and accident benefits, and hospital and surgical benefits.

MANAGEMENT OF GLEN ALDEN CORPORATION

All of the present directors of Glen Alden will continue in office as directors of Glen Alden Corporation. All present officers of Glen Alden, Philip Carey and B.V.D. will continue in their present capacities (except Robert S. King, Chairman of the Board of Philip Carey, who plans to retire because of his age).

The directors listed below will serve until the first annual meeting of the stockholders of Glen Alden Corporation (the Surviving Corporation) which is scheduled for May 1968, and until their successors shall be elected and duly qualified.

Information with respect to the principal occupation of each of the persons who will be directors of Glen Alden Corporation, the periods which they have served as directors of Glen Alden, and their beneficial ownership of shares of Glen Alden, Philip Carey and B.V.D. as of February 15, 1967 is set forth in the following table:

Name	Served as a Director of Glen Alden Since	Principal Occupation	Glen Alden Common Shares and Equivalent in Glen Alden Corporation Common Stock(1)	Philip Carey Common Shares and Equivalent in Glen Alden Corporation Senior Stock	B.V.D. Common Stock	Glen Alden-Delaware Preference Stock	Equivalent in Glen Alden Corporation Class C Stock
A. Becker	1964	Vice Chairman of the Board (formerly Financial Vice-President) and Treasurer of McCrory; Chairman of the Finance Committee and Financial Vice-President of Rapid-American Corporation.	—	—	—	—	—
Burnside	1957	President of Fowler, Dick & Walker, Department Store, Wilkes-Barre, Pa.	1,250	—	—	—	—
E. Case	1957	Chairman of the Board of Case & Company, Inc., Management Consultants, New York, N. Y.	500	—	—	—	—
Clifford(2)	January 17, 1966	President and Director of The Security National Bank of Long Island from February 1, 1966; for more than the previous 5 years President of Metropolitan Division of Franklin National Bank and then Executive Vice-President of Franklin National Bank.	500	—	—	—	—
Goodman	January 17, 1966	Chairman of the Board of The Golden Cycle Corporation, gold and uranium mining; until 1962 Chairman of the Board and President of BSF Company, investment company; from 1962 to 1964 Business Consultant and Investment Advisor to Continental Copper and Steel Company, manufacturer of specialty metal products, and Plume and Atwood Corp., brass and copper manufacturing.	2,020	—	—	—	—
Luther H. Hodges	January 17, 1966	Chairman of the Board of Financial Consultants International S. A., Chairman of North Carolina Research Triangle Foundation; formerly United States Secretary of Commerce and Governor of North Carolina; and also Production Manager and in charge of textile mills of Marshall Field and Company and Head of the Textile Division of Office of Price Administration.	300	—	—	—	—
John W. Humphrey(4)		President and director of Philip Carey.	—	8,292	—	—	—
Wentworth P. Johnson(2)	1954	Former Senior Vice-President and now Director of Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania.	2,625	—	—	—	—
Paul A. Johnston(2)	1965	President and Chief Executive Officer of Glen Alden.	2,100	—	—	—	—
Kittay(3)	September 19, 1966	President and Chairman of the Board of B.V.D.	—	—	231,766	164,612	241,867
Leonard C. Lane(2)	1964	Vice Chairman of the Board of McCrory; Vice Chairman of the Board and Executive Vice-President of Rapid-American Corporation; President and Trustee of the National School of Home Study.	—	—	—	—	—
Samuel J. Levy	1964	President of Cellu-Craft Products Corp., packaging materials manufacturer; Vice-Chairman of the Board of Rapid-American Corporation.	—	—	—	—	—

Name	Served as a Director of Glen Alden Since	Principal Occupation	Glen Alden Common Shares and Equivalent in Glen Alden Corporation Common Stock(1)	Philip Carey Common Shares and Equivalent in Glen Alden Corporation Senior Stock	B.V.D. Common Stock	Glen Alden (Delaware) Preference Stock
Austin List	1965	Vice-President of Glen Alden and of Gera Corporation; President of Opp Cotton Mills and The Micolas Cotton Mills, subsidiaries of Glen Alden.	1,000	—	—	—
M. Lester Mendell(2)	1961	Director of several corporations. Formerly Vice-President, Bankers Trust Company.	2,700(5)	—	—	—
Gilbert H. Perkins	1954	Consultant to Chemical Bank New York Trust Company; formerly until his retirement in August 1961 Vice Chairman of the Board of Chemical Bank New York Trust Company.	300	—	—	—
Bert R. Prall	1964	Chairman of the Board, The Chicago-Tokyo Bank, Chicago, Illinois.	100	—	—	—
Meshulam Riklis(2)	1964	Chairman of the Board of Glen Alden; Vice-Chairman of the Board of Glen Alden (1964-1965); for more than 5 years Chairman of the Board and formerly President of McCrory and Chairman of the Board and President of Rapid-American Corporation.	—	—	—	—
Harry H. Wachtel	1964	Partner, law firm of Rubin, Wachtel, Baum & Levin and predecessor law firm, Wachtel & Michaelson; Executive Vice-President of Rapid-American Corporation and of McCrory.	—	—	—	—

(1) The following nominees have reported the beneficial ownership on February 15, 1967 of the following equity sec[urities of] McCrory, which may be deemed to be a parent of Glen Alden:

Isidore A. Becker, 14,100 shares Common Stock; Leonard C. Lane, 14,500 shares Common Stock, 30 shares ... Stock (owned as custodian for minor children, beneficial ownership is disclaimed); Bert R. Prall, 4,042 shares Comm[on] ... 500 Common Stock Purchase Warrants and 50 shares 4½% Cumulative Preference B Stock; Meshulam Riklis, 98,5... Common Stock; Harry H. Wachtel, 2,000 shares Common Stock.

The following nominees have reported the beneficial ownership on February 15, 1967 of the following equity sec... Rapid-American Corporation, the owner of approximately 51% of McCrory's outstanding Common Stock:

Isidore A. Becker, 9,279 shares Common Stock and 23,000 Common Stock Purchase Warrants; Maurice Go... $90,000 principal amount 5¾% Convertible Subordinated Debentures; Leonard C. Lane, 58,939 shares Common Sto... shares Common Stock (owned by spouse, beneficial ownership is disclaimed), $550,000 principal amount 5¾% Con... Subordinated Debentures, $127,000 principal amount 5¾% Convertible Subordinated Debentures (owned as trustee fo... children, beneficial ownership is disclaimed), $3,500 principal amount 5¾% Convertible Subordinated Debentures ... by spouse, beneficial ownership is disclaimed); 15,000 Common Stock Purchase Warrants, 10,000 Common Stock P... Warrants (owned by spouse, beneficial ownership is disclaimed); 9,700 shares of 75¢ Cumulative Convertible Preferre... held in the name of Meshulam Riklis; Samuel J. Levy, 71,952 shares Common Stock and $154,800 principal amount ... Convertible Subordinated Debentures; Meshulam Riklis, 159,439 shares Common Stock (including 2,339 shares in the na... Mrs. Riklis, 438 shares in the names of his three children), and 1,698 shares in the name of Judith R. Riklis and Geo... Delson as trustees for the three children, 125,000 Common Stock Purchase Warrants (of which 25,000 are in the n... Mrs. Riklis who also owns $9,100 principal amount 5¾% Convertible Subordinated Debentures), $1,800 principal ... 5¾% Convertible Subordinated Debentures in the names of the three children, $6,600 principal amount 5¾% Con... Subordinated Debentures owned by Judith R. Riklis as custodian for the three children, $273,600 principal amount ... Convertible Subordinated Debentures owned by Judith R. Riklis and George V. Delson as trustees for the three ch... 45,268 shares of 75¢ Cumulative Convertible Preferred Stock (including 9,700 shares held for the account of Leonard C. ... Harry H. Wachtel, 565 shares Common Stock and $100,000 principal amount 5¾% Convertible Subordinated Debentur...

Messrs. Riklis and Wachtel are two of three trustees of the McCrory-McLellan-Green Stores Division Employees ... ment Trust which owns $1,300,000 principal amount 5¾% Convertible Subordinated Debentures and 199,202 shares of Co... Stock of Rapid-American Corporation and are also two of three trustees of Rapid-American Corporation Employees Pl... liquidation) which owns 23,013 shares of Common Stock of Rapid-American Corporation and are also two of three trus... The Mayers Company Profit Sharing Trust (in liquidation) which owns 7,673 shares of Common Stock of Rapid-Am... Corporation. The Rapid-American Foundation, Inc., of which Messrs. Becker, Lane, Riklis and Wachtel are four of ... directors, also owns 8,173 shares of Common Stock of Rapid-American Corporation.

The Directors and Officers of Glen Alden reported the beneficial ownership on February 15, 1967 of an aggreg... 133,642 shares (approximately 2.5%) of the Common Stock of McCrory and an aggregate of 288,950 shares (approxi... 13.7%) of the Common Stock of Rapid-American Corporation.

(2) Member of Executive Committee.

(3) Mr. Kittay has served as a director of B.V.D. since 1951. Mrs. Kittay holds 168,722 shares of Glen Alden-Del... Preference Stock, equivalent to 168,722 shares of Glen Alden Corporation Class C Stock, as of the Effective Date.

(4) Immediately after the consummation of the Philip Carey Transaction, the Board of Directors of Glen Alden Corpor... will be increased by one and it is expected that Mr. Humphrey will be elected to the vacancy. Mr. Humphrey has been a di... of Philip Carey since 1948.

(5) Not including 100 Common Shares of Glen Alden owned by Mr. Mendell's wife. Mr. Mendell disclaims any bene... interest in the shares owned by his wife.

Alden Remuneration

The aggregate remuneration received from Glen Alden and its subsidiaries for the year 1966 for vices in all capacities by (1) each director, and each of the three highest paid officers, of Glen Alden remuneration exceeded $30,000, and (2) all persons as a group who were directors or officers en Alden is set forth in the following table. The estimated annual benefit to be payable under Alden's Employees' Retirement Plan and Trust is also shown.

Name	Capacities in Which Remuneration was Received	Aggregate Remuneration	Estimated Annual Benefit on Retirement under Retirement Plan(1)
Meshulam Riklis	Chairman of the Board	$ 50,000	$11,000
Paul A. Johnston(2)	President	115,000	18,000
Fred M. Lyon(3)	President, Opp and Micolas Cotton Mills	58,250	1,500
Austin List(4)	Vice President	56,666	14,000
All Directors and Officers as a group (27 persons including the above)(5)		634,033	

(1) The estimated benefits under the Retirement Plan, with respect to which no amounts were set aside or accrued in 1966, will become payable in the amounts indicated if (i) employment continues until normal retirement age of 65; (ii) payments by employer corporations and/or earnings of the Trust are sufficient to permit payment of pensions at the rate now contemplated; and (iii) remuneration continues at the current or contract rate until normal retirement age.

(2) Under a contract effective October 1, 1965, Mr. Paul A. Johnston will receive a salary at the rate of not less than $100,000 per annum for a term of three years and deferred compensation of $1,250 a month for each month of active employment under such contract, such deferred compensation to be payable $1,250 a month commencing on the last day of the calendar month immediately following the month in which his active employment terminates and continuing until the total amount of such deferred compensation is exhausted. Unless either party elects not to extend such contract by at least six months' prior written notice, it shall automatically be extended for an additional period of three years. If Mr. Johnston shall be employed for a period of ten years or more from October 1, 1965, he shall be entitled to receive an annual retirement sum which shall be calculated on the basis of $15,000 a year, less any amounts received under the Retirement Plan, payable in the amount and subject to the conditions provided in such contract, commencing the last day of the month in which Mr. Johnston reaches the age of 60 or the last day of the month in which his death shall occur. In the event that at the expiration of such contract Glen Alden and Mr. Johnston do not reach a mutually satisfactory agreement for continuation of his employment by Glen Alden, Mr. Johnston will act as a consultant to Glen Alden for a term of three years thereafter and shall receive compensation at the rate of $35,000 per annum, payable monthly, subject to earlier termination and circumstances.

(3) Mr. Lyon retired as President of the Opp Cotton Mills and The Micolas Cotton Mills on December 31, 1966.

(4) Under a three year contract effective October 1, 1965, Mr. Austin List received a salary at the rate of $50,000 per annum until April 1, 1966 and thereafter will receive a salary at the rate of $60,000 per annum. Unless either party elects not to extend such contract by at least six months' prior written notice, it shall automatically be extended for an additional period of three years. If Mr. List shall be employed for a period of ten years or more from October 1, 1965, he shall be entitled to receive an annual retirement sum of $10,000 a year, less any amounts received under the Retirement Plan, payable in the amount and subject to the conditions provided in such contract, commencing on the last day of the month in which Mr. List reaches the age of 60 or the last day of the month in which his death shall occur.

(5) During the year ended December 31, 1966 Glen Alden paid, in addition to amounts normally paid to directors for their attendance at Board of Directors' meetings and for their services in the capacity of directors, an aggregate sum of $112,401 to three of its directors; one director was paid $25,000, a second director was paid $10,000 as a consultant's fee and the balance was paid to another director pursuant to an agreement made on January 27, 1964 (when the recipient was not a director of Glen Alden) in connection with the disposition of certain assets of Glen Alden.

Glen Alden Stock Options

The following table shows the number of Glen Alden Common Shares issuable under ... granted since January 1, 1966 under Glen Alden's 1965 Qualified Stock Option Plan to office... directors named above under "Glen Alden Remuneration" and to all other officers and directo... group; together with information with respect to the same individuals and group concerning o... exercised during year 1966.

OPTIONS GRANTED

	Date of Expiration	Number of Shares	Market Value Per Share on Date of Grant and Option Price Per Share*
Officers and Directors as a Group	12/5/71	5,000	9.875
	1/3/72	5,000	9.75

OPTIONS EXERCISED

	Number of Shares	Purchase Price	Market Value on Date of Purchase
Fred M. Lyon	600	$ 6,342	$ 7,950
All other Officers and Directors as a Group	2,200	$23,254	$26,400

* Above options were granted at 100% of market value as of the date of grant.

B.V.D. Remuneration

The following table sets forth the remuneration for service in all capacities paid during the fiscal ... ended April 2, 1966, by B.V.D. and its subsidiaries to each director and to each of the three highes... officers whose aggregate remuneration exceeded $30,000, and to all directors and officers as a group.

Name	Capacities in Which Remuneration was Received	Aggregate Remuneration(a)
Sol Kittay	Chairman of the Board; President, and Director	$ 75,150
Sol Goldenthal	Senior Executive Vice President and Director	46,950
Harry Lesavoy	Vice President and Director	50,150(b)
Harry C. Isaacs	Vice President and Director	36,350
G. Fred Noz	Vice President and Director	36,350
Directors and Officers as a Group (consisting of 16 persons)		567,150(c)

(a) None of the listed officers is entitled to any retirement or other similar benefits.

(b) Mr. Lesavoy is employed under an agreement which runs for five years from May 7, 1962, at a salary of $50... per annum. He received a Restricted Stock Option for 20,000 shares granted at $12.01 per share, 85% of the... market price thereof, expiring May 6, 1967, increased by 6%—1,218 shares—under the anti-dilution provis... thereof, without requirement of additional payment. This option has now been fully exercised. (See "B.V.D. S... Options.") Mr. Lesavoy is not at present a Director of B.V.D.

(c) Nick Badami, President of Fordham-Bardell Shirt Corp. (Fordham-Bardell), a subsidiary of B.V.D., ... Saul Goldmark, Vice-President thereof, each have five-year employment contracts from December 1, 1964, at $50,... and $42,000 per annum, respectively, with said subsidiary. By agreement of December 1, 1964 B.V.D. acquired ... of the capital stock of Fordham-Bardell in exchange for 125,000 shares of B.V.D.'s stock plus a further numbe... B.V.D.'s shares issuable at the end of a five-year period contingent however upon net earnings of Fordham-Bardell ... said period; namely one additional share for each $2.00 of such net earnings after taxes in excess of $250,0... (averaged out on a yearly basis for the five year period) up to an average five year net earnings of $375,000 per y... or 62,500 shares, and then one more additional share for each additional $8.00 of such average net earnings in exces... $375,000, without limit, during said period. Nick Badami individually and as Trustee for his son Craig held 42%... 10%, respectively, of the stock of Fordham-Bardell, Saul Goldmark 15%.

Riesner, Jawitz & Holland, of which Julian Jawitz, a director of B.V.D., is a partner, received remuneration during B.V.D.'s last fiscal year aggregating $125,000 for legal services rendered to B.V.D. and its subsidiaries.

B.V.D. Stock Options

The following table, as of January 20, 1967, shows the number of shares of B.V.D.'s Common Stock issuable under options granted since the beginning of the last fiscal year under B.V.D.'s Qualified Stock Option Plan to officers and directors as named above under "B.V.D. Remuneration," and to all officers and directors as a group, together with information with respect to the same individuals and group concerning options exercised during said period, under the Restricted Stock Option Plan. No options have been exercised to date under the Qualified Stock Option Plan. Under the Restricted Stock Option Plan, options were granted at 85% of the fair market value of the stock as of the date of grant. No options have been issued under said Plan since December 31, 1964. Under the Qualified Stock Option Plan, options were granted at 100% of the fair market value of the stock as of the date of the grant. Under each Plan, options expire five (5) years from the date of grant and, in each case, participants are designated by the Board of Directors, from among the management and key personnel of B.V.D. and its subsidiaries. No options under either Plan can be exercised until the lapse of one (1) year from the date of grant, and each optionee has agreed to remain in B.V.D.'s or its subsidiaries' employ for no less than one (1) year from the date of grant. Customary anti-dilution protective provisions exist in both Plans.

	Options Granted		
	Date of Expiration	Number of Shares	Market Value Per Share on Date of Grant and Option Price Per Share*
Officers and Directors above named		—None—	
Other Officers and Directors as a Group	2/10/71	10,000	$25.70
	4/ 5/71	1,000	26.75
	5/24/71	2,000	23.50
	6/29/71	2,500	25.13

	Options Exercised		
	Number of Shares	Purchase Price	Market Value on Date of Purchase
Harry Lesavoy	21,218	$240,400	$499,685
Harry C. Isaacs	3,182	$ 40,500	$ 86,709
Alfred Noz	3,182	$ 40,500	$ 76,368
Other Officers and Directors as a Group	6,862	$ 88,850	$167,945

* Above options were granted at 100% of market value as of the date of grant.

Philip Carey Remuneration

The aggregate remuneration received from Philip Carey and its Canadian subsidiaries for the year 1966 for services in all capacities by (1) each director, and each of the three highest paid officers, of Philip Carey whose remuneration exceeded $30,000, and (2) all persons as a group who were directors or officers of Philip Carey is set forth in the following table. The estimated annual benefit to be payable under the pension plans and trusts of Philip Carey and its Canadian subsidiaries is also shown.

	Capacities in Which Remuneration Was Received	Aggregate Remuneration	Estimated Annual Benefits on Retirement Under Pension Plans(4)
John W. Humphrey(1)	President	$ 78,000	$ 19,236
H. Ross Barrett(2)	Executive Vice President	48,000	13,823
All Directors and Officers as a group (18 persons including the above)(5)		385,469(3)	131,331

Notes:

(1) Under a contract effective January 1, 1962, Mr. John W. Humphrey will receive a salary at the rate of $66,000 per annum and, if voted by the Board of Directors of Philip Carey or its Executive Committee,

additional compensation not to exceed $25,000 in any one year. The contract extends through Septem[illegible] 1967, and thereafter until Mr. Humphrey's fulltime services are terminated by Philip Carey or Mr. Hum[illegible] giving the other 90 days' notice. Upon cessation of fulltime employment, Mr. Humphrey may not com[illegible] with Philip Carey prior to September 30, 1977 and until that date will act as consultant to Philip C[illegible] whenever requested to do so and shall receive compensation at the rate of $18,000 per annum, pa[illegible] monthly, subject to earlier termination under certain circumstances. Such benefits will be in addition to benefits on retirement under the Company's Pension Plan.

(2) Under a contract effective January 1, 1962, Mr. H. Ross Barrett will receive a salary at the rate of $40[illegible] per annum and, if voted by the Board of Directors of Philip Carey or its Executive Committee, addi[illegible] compensation as may from time to time be deemed warranted. The contract extends through Octobe[illegible] 1967, and thereafter until Mr. Barrett's fulltime services are terminated by Philip Carey or Mr. Ba[illegible] giving the other 90 days' notice. Upon cessation of fulltime employment, Mr. Barrett may not compe[illegible] Philip Carey prior to October 31, 1977 and until that date will act as consultant to Philip Carey whe[illegible] requested to do so and shall receive compensation at the rate of $12,000 per annum, payable mo[illegible] subject to earlier termination under certain circumstances. Such benefits will be in addition to the ben[illegible] on retirement under the Company's Pension Plan.

(3) Under a contract effective January 1, 1962, Mr. Edgar H. Boadway received a salary at the rate of $3[illegible] per annum and additional compensation in amounts voted by the Board of Directors of Philip Carey o[illegible] Executive Committee from time to time. Philip Carey terminated the fulltime employment and sala[illegible] Mr. Boadway on April 30, 1966, the date of his reaching normal retirement age of 65. Mr. Boa[illegible] retired as Vice President of Philip Carey, but remains a Director of Philip Carey and its Canadian subsidi[illegible] The contract provides that Mr. Boadway may not compete with Philip Carey or its Canadian subsidiaries [illegible] to April 30, 1976 and until that date will act as consultant to Philip Carey or its Canadian subsidi[illegible] whenever requested to do so and shall receive compensation at the rate of $10,000 per annum, pa[illegible] monthly, subject to earlier termination under certain circumstances. Such benefits are in addition to an[illegible] pension for $7,391 made up of $2,264 paid under the Company's Canadian subsidiaries' Pension Pla[illegible] under the Company's Plan and $4,584 which the Company has agreed to pay Mr. Boadway so that his pension will not be less than the amount he would receive if his entire compensation had been paid [illegible] Company. In addition under an agreement effective May 1, 1966 and cancelled effective December 3[illegible] Minerals Exploration and Consulting Company of which Mr. Boadway is the President and principal [illegible] holder, received a fee of $2,500 and an expense reimbursement for $530 for mineral exploration [illegible] performed by Mr. Boadway exclusively for Philip Carey.

(4) The estimated annual pension benefits of certain officers also include benefits resulting from permissive [illegible] tributions by them.

(5) Mr. George A. Rentschler resigned as a Director and from the Executive Committee on October 24, 196[illegible] personal reasons unrelated to the Philip Carey Transaction.

Wertheim & Co., of which Milton Steinbach, a director of Philip Carey, is a general partner, [illegible] paid $50,000 in 1966 for financial services rendered to April 1966.

INDEX TO FINANCIAL STATEMENTS

GLEN ALDEN AND SUBSIDIARIES
THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES
THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

PRO FORMA COMBINED BALANCE SHEETS (Unaudited)

September 30, 1966 (October 1, 1966 as to B.V.D.)

	Glen Alden and Philip Carey (Note 1)	Glen Alden and B.V.D.	Glen A[illegible] B.V.D.[illegible] Philip C[illegible] (Note[illegible])
ASSETS			
CURRENT ASSETS:			
Cash, including bank certificates of deposit	$ 35,353,056	$ 37,796,723	$ 39,94[illegible]
Marketable securities, at cost (approximates market)	—	84,445	[illegible]
Trade receivables, less allowances	19,291,918	28,081,383	43,27[illegible]
Mortgages and other notes and accounts receivable—current portion	2,506,960	4,567,846	4,56[illegible]
Inventories, at the lower of cost or market	18,008,182	65,995,170	77,81[illegible]
Prepaid expenses, etc.	520,493	520,493	520[illegible]
Total current assets	75,680,609	137,046,060	166,21[illegible]
MORTGAGE NOTES AND OTHER RECEIVABLES	9,367,867	9,367,867	9,36[illegible]
INVESTMENTS IN AND ADVANCES TO:			
Philip Carey common stock, at cost	—	11,752,751	[illegible]
Briggs Manufacturing Company common stock and notes, at cost less appropriated reserve	3,980,868	3,980,868	3,980[illegible]
Foreign companies, at cost	—	907,523	907[illegible]
Sundry	725,197	725,197	725[illegible]
	4,706,065	17,366,339	5,613[illegible]
PROPERTY, PLANT, EQUIPMENT AND LEASEHOLDS	114,422,180	82,739,983	144,480[illegible]
Less allowances for depreciation and amortization	63,536,177	47,921,451	76,439[illegible]
	50,886,003	34,818,532	68,040[illegible]
OTHER ASSETS:			
Intangibles, less amortization	2,118,089	2,949,993	2,949,9[illegible]
Deferred charges and prepaid expenses	1,549,392	2,773,439	4,046,7[illegible]
Cash surrender value of life insurance	—	549,711	549,7[illegible]
Deposits and sundry	1,719,865	762,630	2,482,4[illegible]
	5,387,346	7,035,773	10,028,97[illegible]
TOTAL	$146,027,890	$205,634,571	$259,266,09[illegible]

See Notes to Pro Forma Combined Balance Sheets.

GLEN ALDEN AND SUBSIDIARIES
THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES
THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

PRO FORMA COMBINED BALANCE SHEETS (Unaudited)

September 30, 1966 (October 1, 1966 as to B.V.D.)

	Glen Alden and Philip Carey (Note 1)	Glen Alden and B.V.D.	Glen Alden, B.V.D. and Philip Carey (Note 2)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Notes payable to banks	$ 3,500,000	$ 8,525,000	$ 8,525,000
Current portion of long-term debt	2,862,731	4,687,170	6,056,493
Accounts payable	5,088,170	18,276,514	22,124,541
Due to factor	—	4,642,600	4,642,600
Accrued expenses and sundry	6,056,685	9,718,805	11,693,887
Accrued income taxes	915,863	1,620,109	2,535,972
Dividends payable	840,163	1,117,386	1,117,386
Total current liabilities	19,263,612	48,587,584	56,695,879
LONG-TERM DEBT, less current portion	21,556,790	44,606,545	56,392,222
OTHER NONCURRENT ITEMS, principally deferred taxes	7,559,888	2,842,764	7,904,858
MINORITY INTEREST IN SUBSIDIARIES	134,842	868,627	868,627
SHAREHOLDERS' EQUITY (Note 3):			
Preferred stocks, without par value:			
Senior, authorized 724,405 shares, outstanding 724,405 shares at stated value (aggregate initial voluntary redemption requirement $38,031,263)	724,405	—	724,405
Preferred, authorized 1,300,000 shares, outstanding 603,393 shares at stated value (aggregate initial voluntary redemption requirement $66,373,230)	—	20,283,020	20,283,020
Class C, authorized 1,200,000 shares, outstanding 583,334 shares at stated value (aggregate redemption requirement $52,500,060)	—	19,608,730	19,608,730
Common Stock, par value $1 per share; authorized 21,000,000 shares, issued 6,124,986 shares	6,124,986	6,124,986	6,124,986
Capital surplus	73,151,486	62,047,734	73,151,486
Earned surplus	33,941,924	17,094,624	33,941,924
Less Common Stock in treasury, at cost (1,324,054 shares)	(16,430,043)	(16,430,043)	(16,430,043)
Total stockholders' equity	97,512,753	108,729,051	137,404,508
TOTAL	$146,027,890	$205,634,571	$259,266,094

See Notes to Pro Forma Combined Balance Sheets.

GLEN ALDEN AND SUBSIDIARIES

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

NOTES TO PRO FORMA COMBINED BALANCE SHEETS (Unaudited)

1. The accompanying pro forma combined balance sheet, set forth in the column headed "Glen Alden and Philip Carey" is based upon the unaudited consolidated balance sheets as at September 30, 1966 of Glen Alden and Philip Carey; it gives effect to the proposed merger of the companies, by issuance of 724,405 shares of Senior Stock in exchange for a like number of Philip Carey Common Shares, after cancellation of Glen Alden's investment in 282,521 Common Shares of Philip Carey.

2. The accompanying pro forma combined balance sheet, set forth in the column headed "Glen Alden, B.V.D. and Philip Carey", is based upon the Pro Forma Combined Balance Sheet described in Note 1 and the unaudited consolidated balance sheet as at October 1, 1966 of B.V.D.; it gives effect to the assumed issuance of 603,393 shares of Preferred Stock in exchange for shares of B.V.D. Common Stock, at the rate of three shares of B.V.D. common for each share of the Preferred Stock.

3. The shareholders' equity of the companies and pro forma transactions are summarized as follows:

	Total	Preferred Stock — Senior	Preferred Stock — Preferred	Preferred Stock — Class C	Common Stock	Capital Surplus	Earned Surplus	Treasury Stock
Shareholders' equity of:								
Glen Alden—at September 30, 1966	$ 68,837,301	—	—	—	$ 6,124,986	$ 62,047,734	$17,094,624	($16,430,043)
Philip Carey—at September 30, 1966	39,859,006	—	—	—	10,069,260	6,371,928	23,417,818	—
Total	108,696,307	—	—	—	16,194,246	68,419,662	40,512,442	(16,430,043)
Pro forma transactions:								
Cancellation of Glen Alden's investment in 282,521 shares (28%) of Philip Carey Common Shares	(11,183,549)	—	—	—	(2,825,210)	(1,787,821)	(6,570,518)	—
Issuance of 724,405 shares of Senior Stock for a like number of shares of Philip Carey Common Stock	—	$724,405	—	—	(7,244,050)	6,519,645	—	—
Pro forma combined shareholders' equity of Glen Alden and Philip Carey	97,512,758	724,405	—	—	6,124,986	73,151,486	33,941,924	(16,430,043)
Shareholders' equity of B.V.D.—at October 1, 1966	39,891,750	—	—	—	3,560,182	12,992,487	23,339,081	—
Pro forma transactions:								
Issuance of 583,334 shares of Class C Stock in exchange for (1) 333,334 shares of Glen Alden-Delaware Preference Stock (1,000,002 shares of B.V.D. Common Stock) and (2) 750,000 shares of B.V.D. Common Stock which management estimates will elect to receive the same	—	—	—	$19,608,730	(1,750,002)	(6,386,438)	(11,472,290)	—
Issuance of 603,393 shares of Preferred Stock in exchange for all remaining shares of B.V.D. Common Stock outstanding at October 1, 1966 (1,810,180 shares)								

GLEN ALDEN AND SUBSIDIARIES

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

NOTES TO PRO FORMA COMBINED BALANCE SHEETS (Unaudited)

The accompanying pro forma combined balance sheets should be read in conjunction with the financial state- [illegible] related notes thereto of Glen Alden, *Philip* Carey and B.V.D., and in conjunction with "Purpose and Back- [illegible] Transactions" and "Details of the Proposed Transactions", appearing elsewhere herein.

No provision has been made for expenses (not expected to exceed $850,000) to be incurred in connection with [illegible]going transactions nor for "Stock Options and *Commitments to* Issue Stock" as set forth under "Details of the [illegible] Transactions" appearing elsewhere herein.

The initial redemption and liquidation prices of the Preferred Stocks in the aggregate ($156,904,553) exceed [illegible] values by $116,288,398; and such excess exceeds the aggregate amount of Common Stock and surplus by [illegible]0,045. Upon liquidation the Senior Stock is first in order of preference and the Preferred Stock and Class C [illegible] junior to the Senior Stock, but rank on a parity with each other. There are no restrictions upon surplus [illegible] of such excesses. Reference is made to "Future *Dividend Policy*" appearing elsewhere herein.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
GLEN ALDEN CORPORATION

We have examined the consolidated balance sheet of Glen Alden Corporation and subsidiaries at December 31, 1965, and the related consolidated statements of income for the five years then ended and of surplus for the three years 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, the accompanying balance sheet and statements of income and surplus present fairly the consolidated financial position of Glen Alden Corporation and subsidiaries at December 31, 1965, and the consolidated results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We completed our examination of the financial statements as of December 31, 1965, and for the period of five years then ended (referred to in the second paragraph above) on March 4, 1966, and we have made no review of transactions and events subsequent to that date. However, we have been furnished with a letter of Haskins & Sells, auditors for the year ending December 31, 1966, which states that although they have not yet made an examination for any period, certain limited procedures and inquiries carried out by them with respect to Glen Alden Corporation and subsidiaries did not bring to their attention anything which would have a material effect upon the financial statements covered by our opinion or which should be disclosed in order to make such financial statements not misleading.

ERNST & ERNST

New York, New York
March 4, 1966

GLEN ALDEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1965 (Note B) and (Unaudited) September 30, 1966

ASSETS

	December 31, 1965	Septem[illegible] 1966 (U[illegible])
CURRENT ASSETS:		
Cash	$ 3,270,415	$ 7,203,[illegible]
Bank certificates of deposit	39,500,000	26,000,[illegible]
Trade accounts receivable	2,887,115	4,220,[illegible]
Less allowances for doubtful accounts	(142,523)	(123,[illegible]
Mortgage and other notes and accounts receivable—current portion	2,358,944	2,506,[illegible]
Inventories (Note C)	5,094,333	6,18[illegible]
Prepaid expenses	501,345	520,[illegible]
Total Current Assets	53,469,629	46,51[illegible]
MORTGAGE NOTES AND OTHER RECEIVABLES—Portion due after one year, less unearned discount applicable to non-interest bearing obligations ($1,511,680 and $1,477,785 at December 31, 1965 and September 30, 1966, respectively)	10,871,106	9,367,[illegible]
INVESTMENTS AND OTHER ASSETS:		
Investment in capital stock of The Philip Carey Manufacturing Company, at cost (Note M)	—	11,752,[illegible]
Investment in capital stock (at cost, less $2,000,000 appropriated reserve) and notes of Briggs Manufacturing Company (Note M)	3,968,181	3,980,[illegible]
Sundry investments, notes, accounts and deposits, less allowances	1,181,989	725,[illegible]
	5,150,170	16,458,[illegible]
INTANGIBLES—less amortization (Note D)	2,283,853	2,118,[illegible]
PROPERTY, PLANT, EQUIPMENT AND LEASEHOLDS (Notes E and F)	52,821,719	52,681,[illegible]
Less allowances for depreciation and amortization	35,196,550	35,017,[illegible]
	17,625,169	17,663,[illegible]
DEFERRED CHARGES	337,438	276,0[illegible]
TOTAL	$89,737,365	$92,396,3[illegible]

See Notes to Financial Statements.

GLEN ALDEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1965 (Note B) and (Unaudited) September 30, 1966

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1965	September 30, 1966 (Unaudited)
...nt Liabilities:		
Bank note payable		$ 3,500,000
Trade accounts payable	$ 1,383,265	1,240,143
Dividends payable	1,561,337	840,163
Payrolls and related items	656,561	686,552
State, local and in 1966 Federal taxes	1,501,613	2,509,039
Other liabilities	951,084	886,012
Current portion of long-term debt	750,539	1,493,408
Total Current Liabilities	6,804,399	11,155,317
...Term Debt, less current portion (Note F)	11,328,232	9,771,113
...Liabilities—Compensation claims and sundry	421,946	345,855
...ves for Taxes and Contingencies (Notes G and H)	2,455,150	2,151,939
...ity Stockholders' Interest in Subsidiary	107,761	134,842
...lders' Equity (Note I):		
...on Shares—par value $1.00 per share		
...uthorized 8,500,000 shares; issued 6,124,986 shares	6,124,986	6,124,986
Capital surplus	62,058,725	62,047,734
Earned surplus (since January 1, 1959)	16,798,814	17,094,624
	84,982,525	85,267,344
Less 1,320,872 and 1,324,054 Common Shares of treasury stock, at December 31, 1965 and September 30, 1966, respectively, at cost	16,362,648	16,430,043
Total Shareholders' Equity	68,619,877	68,837,301
Commitments and Contingent Liabilities (Notes J, K and L)		
Total	$89,737,365	$92,396,367

See Notes to Financial Statements.

GLEN ALDEN CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1965
and (Unaudited) Nine Months Ended September 30, 1966

	Year Ended December 31, 1963	1964	1965 (Note B)	Nine [illegible] (U[illegible]
CAPITAL SURPLUS				
Balance at beginning of period	$67,286,327	$67,264,477	$67,244,771	$62[illegible]
Deduct:				
Excess of cost over proceeds received for shares of treasury stock issued upon exercise of stock options	21,850	19,706	12,777	[illegible]
Excess of cost over par value of 554,716 shares of treasury stock retired	—	—	5,173,269	[illegible]
Total	21,850	19,706	5,186,046	[illegible]
Balance at end of period	$67,264,477	$67,244,771	$62,058,725	$62[illegible]
EARNED SURPLUS				
Balance at beginning of period	$ 8,382,354	$12,429,823	$18,849,574	$16[illegible]
Net income for the period	7,898,788	9,777,144	3,313,272	[illegible]
Total	16,281,142	22,206,967	22,162,846	[illegible]
Deduct:				
Cash dividends	3,851,319	3,357,393	3,364,032	[illegible]
Appropriation for revaluation of investment in Briggs Manufacturing Company to approximate market	—	—	2,000,000	[illegible]
Provision for prior years' Federal income taxes (Note G)	—	—	—	1,5[illegible]
Total	3,851,319	3,357,393	5,364,032	4,1[illegible]
Balance at end of period	$12,429,823	$18,849,574	$16,798,814	$17,09[illegible]

See Notes to Financial Statements.

GLEN ALDEN CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

For the Three Years Ended December 31, 1965 and (Unaudited) Nine Months Ended September 30, 1966

[illegible] PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Glen Alden and all of its subsidiary companies and [illegible] effect to the elimination of all significant intercompany accounts and transactions. The statement of consolidated [illegible] includes the operations of Swift Manufacturing Company from January 1, 1962 and those of Opp Cotton Mills [illegible] Micolas Cotton Mills from August 17, 1962, effective dates of their acquisition; and of Aluminum Industries, [illegible] November 11, 1963 and of the Hubschman Division to November 20, 1964, effective dates of their disposition.

Effective January 1, 1965, Glen Alden changed its method of accounting for investments in subsidiaries from [illegible] to cost plus its equity in their undistributed earnings since dates of acquisition. Accordingly, the appropriate [illegible] to earned surplus was made as of January 1, 1965 and the following condensed income statement of [illegible] Alden and totally-held subsidiaries includes Glen Alden's equity of $3,712,227 and $2,761,166, respectively, [illegible] year ended December 31, 1965 and the nine months ended September 30, 1966 in the net income of Gera Corporation and subsidiaries. The earned surplus of Glen Alden and totally-held subsidiaries at December 31, 1965 and [illegible] 30, 1966 includes an amount of $7,979,580 and $10,740,746, respectively, representing Glen Alden's equity [illegible] undistributed net income of Gera Corporation and subsidiaries since date of acquisition.

The following condensed financial statements of Glen Alden Corporation and totally-held subsidiaries as of [illegible] 31, 1965 and for the two years then ended were prepared from the Annual Reports (Form 10-K) filed [illegible] Alden with the Securities and Exchange Commission for those years. The condensed financial statements [illegible] September 30, 1966 and for the nine months then ended are unaudited, but the management of Glen Alden believes [illegible] adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results [illegible] nine months ended September 30, 1966 have been included therein.

ASSETS	December 31, 1965	September 30, 1966
Current assets	$39,187,534	$36,384,366
Mortgage notes and other receivables	10,867,844	9,367,867
Investments and other assets	23,577,666	28,727,730
Property, plant, equipment and leaseholds	10,209,030	9,206,002
Deferred charges	238,244	205,930
Total	$84,080,318	$83,891,895

LIABILITIES		
Current liabilities	$ 4,250,032	$ 5,034,374
Long-term debt	8,468,800	7,625,000
Other liabilities	420,147	376,969
Reserves for taxes and contingencies	2,321,462	2,018,251
Shareholders' equity	68,619,877	68,837,301
Total	$84,080,318	$83,891,895

	Revenues and other income	Costs and expenses and other deductions	Nonoperating items—net credit (charge)	Net income for the period
Year ended December 31:				
1964	$58,936,818	$56,421,600	$ 5,336,496	$ 7,851,714
1965	52,366,068	46,149,348	(2,903,448)	3,313,272
Nine months ended September 30, 1966	12,586,955	8,106,245	—	4,480,710

NOTE B—SALE OF COAL PROPERTIES:

Effective January 1, 1966, Glen Alden sold its assets and business related to producing and selling anthra for approximately $12,500,000, represented by cash of $500,000, a $5,775,000 mortgage note receivable, a $1 other note receivable and the assumption of certain liabilities by the purchaser. The consolidated balance sheet the sale as of December 31, 1965. Revenues and costs and expenses related to the coal operations for the thr ended December 31, 1965 were approximately as follows:

Year Ended December 31	Revenues	Costs and Expenses
1963	$42,810,000	$39,156,000
1964	36,873,000	34,140,000
1965	30,736,000	28,694,000

NOTE C—INVENTORIES:

Inventories, stated at the lower of cost or market, are summarized as follows:

	Last-in, First-out Cost Method	First-in, First-out or Average Cost Method	Total
December 31, 1965:			
Finished goods	$1,510,411	$ 794,165	$ 2,304,576
Work in process	883,705	343,289	1,226,994
Materials and supplies	1,022,199	540,564	1,562,763
Total	$3,416,315	$ 1,678,018	$ 5,094,333
September 30, 1966:			
Finished goods	$1,879,935	$ 616,697	$ 2,496,632
Work in process	1,358,614	346,516	1,705,130
Materials and supplies	1,384,890	597,300	1,982,190
Total	$4,623,439	$ 1,560,513	$ 6,183,952

Inventories (discontinued and sold operations includes inventories relating to the coal business, see Note B) in computing cost of products sold were as follows:

December 31:	Continuing Operations	Discontinued and Sold Operations	Total
1962	$4,715,439	$ 9,992,324	$14,707,763
1963	4,561,017	3,628,226	8,189,243
1964	4,296,403	1,840,023	6,136,426
1965	5,094,333	1,474,202	6,568,535
September 30, 1966	6,183,952	—	6,183,952

GLEN ALDEN CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note D—Intangibles:

The amount carried as intangibles at December 31, 1965 and September 30, 1966, which is being amortized at the rate of 5% per year, is attributable to the excess of the value assigned to the common shares of a predecessor issued in 1956 in exchange for the assets of the Cleveland Arcade Company, over the amount assigned to the tangible assets acquired. The principal tangible asset so acquired was a majority interest in the capital stock of Gera Corporation.

Note E—Property, Plant, Equipment and Leaseholds:

Land, buildings, equipment and leaseholds are stated on the basis of cost in cash or assigned values of securities issued therefor, after certain write-downs with respect to properties of the parent company in 1944 and except for certain properties of the RKO Theatres Division which are stated on the basis of revaluations in 1928, 1932 and 1937.

Except as to certain assets acquired subsequent to January 1, 1954, as to which depreciation is computed on the basis of accelerated methods permitted by the Internal Revenue Code, depreciation is generally computed by the straight-line method. The rates under each method are based on the estimated useful lives of the properties. The principal lives used are as follows:

Buildings and building equipment	7-50 years
Machinery, fixtures and equipment, etc.	4-25 years
Mine buildings and equipment (Composite rate applied to total cost after elimination of items which were fully depreciated at the time the present depreciation policy was adopted during the year 1946) (See Note B)	30 years

Cost of leaseholds and leasehold improvements is amortized over the terms of the respective leases or estimated useful lives of specific assets, whichever is the shorter period.

Maintenance and repairs are charged to income as incurred. Renewals and betterments are capitalized.

At the time of sale or disposition of fixed assets, the costs and related allowances for depreciation are eliminated from the accounts and gains or losses are reflected in income.

Property, plant, equipment and leaseholds and their related allowances for depletion, depreciation and amortization at December 31, 1965 and September 30, 1966, are summarized as follows:

	December 31, 1965		September 30, 1966	
	Assets	Allowances	Assets	Allowances
Land (including perpetual leaseholds)	$ 9,113,170	—	$ 8,410,237	—
Buildings and building equipment	17,649,312	$14,668,194	16,686,581	$13,959,038
Machinery, fixtures and equipment	21,258,789	14,516,095	21,808,644	15,355,670
Leasehold improvements and equipment	4,222,362	3,899,178	4,206,363	3,928,079
Leaseholds	24,353	23,316	24,353	24,350
Construction in progress	553,733	—	1,545,509	—
Excess of equity in net assets of acquired companies over amounts paid for their capital stock, less amortization	—	2,089,767	—	1,750,773
Total	$52,821,719	$35,196,550	$52,681,687	$35,017,910

GLEN ALDEN CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE F—LONG-TERM DEBT:

Long-term debt at December 31, 1965 and September 30, 1966, including maturities due within one year, co[illegible] of the following:

	December 31, 1965 Current Portion	December 31, 1965 Non-Current Portion	September 30, 19[illegible] Current Portion	September 30, 19[illegible] Non-C[illegible] Port[illegible]
Glen Alden Corporation:				
4¾% Mortgage and Collateral Trust Sinking Fund Notes on certain theatre properties; sinking fund payments of $625,000 are due each January 1, through 1978, balance due March 1, 1979 (payment due January 1, 1966 was paid in December 1965)	—	$ 8,250,000	$ 625,000	$7,62[illegible]
Subsidiaries:				
G. A. Enterprises, Inc.:				
5% Registered First Mortgage Bonds due June 15, 1967; sinking fund payments are based on earnings	$ 48,000	218,800	211,800	[illegible]
Gera Corporation:				
6% Subordinated Sinking Fund Debentures (including Series A Debentures authorized in 1957) due June 30, 1970; sinking fund payments or retirements aggregating $714,858 are required to be made each June 30 through 1970	702,539	2,859,432	656,608	2,14[illegible]
TOTAL	$750,539	$11,328,232	$1,493,408	$9,77[illegible]

The aggregate amount of maturities of and sinking fund requirements on the long-term debt for the five year[illegible] September 30, 1966 are as follows:

Year ended September 30:	
1967 (included in current liabilities)	$1,493,408
1968	1,339,858
1969	1,339,858
1970	1,339,858
1971	625,000

NOTE G—FEDERAL INCOME TAXES:

Consolidated Federal income tax returns filed showed no Federal income taxes due in respect of 1963, 19[illegible] 1965 taxable income because of loss carryovers from prior years and differences between book and tax basis of acc[illegible] for purposes of determining income. On the basis of such returns and of prior years' consolidated Federal incom[illegible] returns, as filed, net operating loss carryovers will not be available after December 31, 1966. Management is [illegible] opinion that no Federal income taxes will be payable for the year 1966.

Certain adjustments to the consolidated taxable income have been proposed by the Internal Revenue Servic[illegible] years prior to 1962, not resulting in tax liability for those years, but which affect loss carryovers. Glen Alden ha[illegible] agreed to these adjustments. The consolidated returns for 1963 through 1965 have not been examined.

See Note 3 to Glen Alden Statement of Consolidated Income.

The consolidated Federal income tax returns of LIST Industries Corporation (which was merged into Glen A[illegible] Corporation April 21, 1959) and subsidiaries then affiliated with it, for 1958 and the period ended April 21, 19[illegible] are being currently examined by the Internal Revenue Service. As at September 30, 1966, a reserve has been pro[illegible] for the estimated liability for these years and a related charge of $1,900,000 made to earned surplus.

Tax counsel are of the opinion that no Federal income taxes are payable through December 31, 1965 and Septem[illegible] 30, 1966, except as provided in the accompanying consolidated financial statements. (See Note H.)

NOTE H—RESERVES FOR TAXES AND CONTINGENCIES:

Certain suits and proceedings for damages, injunctive relief, or both, were pending against Glen Alden o[illegible] subsidiaries, in which allegations are made as to violation of antitrust laws, unlawful trespass, breach of contract [illegible] of coal lease agreements and other matters. The reserves have been provided for cost of antitrust suits, poss[illegible] assessments of Federal income taxes and other contingencies, the amounts of which are not presently determina[illegible]

During 1961 and 1962, the reserves were charged with $187,985 and $901,952, respectively, for income [illegible] assessments for prior years. During 1963, the reserves were charged with $580,000, representing the uninsured [illegible] on machinery and equipment, sustained when a coal breaker collapsed. During 1964, the reserves were charged wi[illegible] approximately $130,000 for claims and related legal fees and with approximately $108,000 representing exc[illegible] provisions in prior years of self insurance reserves, and were increased by a provision of $1,000,000 for possib[illegible] Federal income tax assessments and possible losses on miscellaneous assets and by approximately $850,000 representin[illegible] transfers from current and deferred Federal income tax liabilities. During 1965, the reserves were charged wi[illegible] approximately $1,380,000 representing reserves applicable to the coal business (see Note B) and were increas[illegible]

GLEN ALDEN CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

approximately $139,000 representing transfers from other accounts. During the nine months ended September 30, 1966, the reserves were charged for a reclassification of $123,000 to current liabilities for guaranty of accounts receivable and for contingent charges of $180,000, such charges relating primarily to the sale of the Coal Division effective January 1, 1966.

Note I—Stock Option Plans:

Under the terms of the 1959 Agreement and Plan of Merger, the LIST Industries Corporation Incentive Stock Option Plan was continued as a Glen Alden Plan, and the Employees Stock Option Plan of Glen Alden was modified to reflect the conversion of one share before merger to one and one-quarter shares after merger. The Employees Stock Option Plan of Glen Alden (expired April 27, 1963 as to the granting of new options) provided for granting of options to employees (including officers) to purchase common shares at not less than 95% of the fair market value at the time the option was granted. Options granted under the Plan are exercisable ratably over a period of four years beginning one year from the date of granting and expire five years after the date of granting or sooner in the event of death or other termination of employment. The LIST Industries Corporation Plan (expired May 7, 1960 as to the granting of new options), provided generally for exercise ratably over a five-year period and for expiration seven years after the date of granting.

In 1962 Glen Alden adopted a Stock Option Plan (which was amended May 15, 1964) under which 150,000 Common Shares were reserved for the granting of options to employees (including officers) to purchase Common Shares at not less than 95% (amended to 100%) of the fair market value at the time the option is granted. Options granted under the Plan become exercisable (and terminate if not exercised within two months of becoming exercisable) ratably over a period of six years (amended to five years) beginning one year from the date of granting and expire seven years (amended to five years) after the date of granting or sooner in the event of death or other termination of employment.

In 1965 Glen Alden adopted a Qualified Stock Option Plan under which 250,000 Common Shares were reserved for the granting of options to officers, other executives and key employees to purchase Common Shares at not less than fair market value at the time an option is granted. Options under the Plan become exercisable ratably over a period of not less than approximately three years and expire not more than five years after the date of granting or sooner in the event of death or other termination of employment. Of the 250,000 shares initially reserved for options under the 1965 Plan there were 123,000 shares and 127,000 shares, respectively, available for the granting of additional options as of December 31, 1965 and September 30, 1966.

Glen Alden makes no charges to income with respect to stock options.

A summary of stock options exercisable and exercised during the years ended December 31, 1963, 1964 and 1965 and the nine months ended September 30, 1966, and of the shares under option at December 31, 1965 and September 30, 1966, follows:

	Number of Shares	Option Price — Range Per Share	Option Price — Total	Fair Market Value — Range Per Share	Fair Market Value — Total
Options which became exercisable during:					
Year ended December 31:					
1963	6,462	$ 8.49 to $13.60	$ 76,252	$11.00 to $14.81(a)	$ 87,906
1964	14,528	8.49 to 13.60	161,527	13.06 to 13.94(a)	200,179
1965	10,136	8.49 to 14.49	114,206	11.06 to 13.38(a)	130,887
Nine months ended September 30, 1966	37,167	10.57 to 14.49	502,036	12.13 to 12.63(a)	464,233
Options exercised during:					
Year ended December 31:					
1963	6,301	$ 7.13 to $ 8.49	$ 47,647	$11.50 to $14.13(b)	$ 79,074
1964	9,564	8.49 to 10.57	96,938	12.81 to 14.56(b)	130,721
1965	7,217	8.49 to 10.57	75,241	11.31 to 13.06(b)	93,750
Nine months ended September 30, 1966	6,118	8.49 to 10.57	63,625	11.75 to 12.38(b)	75,800
Shares under option:					
December 31, 1965	163,317	$ 8.49 to $14.49	$2,195,441	$ 8.93 to $15.25(c)	$2,216,520
September 30, 1966	137,433	8.49 to 14.49	1,892,759	8.93 to 15.25(c)	1,908,331

(a) At dates options became exercisable.

(b) At dates options were exercised.

(c) At dates options were granted.

(d) The information presented above includes transactions under the 1962 Stock Option Plan which was terminated on March 16, 1965 and under a former stock option plan which expired on April 27, 1963, under which plans options for 30,967 shares and 5,350 shares, respectively, were outstanding at December 31, 1965 and for 14,433 shares under the 1962 Plan at September 30, 1966.

GLEN ALDEN CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE J—RETIREMENT PLAN:

Glen Alden maintains a pension and retirement plan for the benefit of eligible employees. The plan, which fully funded, has an estimated annual normal cost of approximately $200,000. No charges were made to inco for the three years and nine months ended September 30, 1966 since earnings of the plan exceeded the normal co

NOTE K—LONG-TERM LEASES:

At December 31, 1965 and September 30, 1966, Glen Alden and its subsidiaries were obligated, under le expiring on dates more than three years from the balance sheet date, for the payment of minimum annual rentals ag gating approximately $1,450,000 and $1,365,000, respectively, plus, in certain instances, real estate taxes, insurance Five of the leases, with aggregate annual rentals of $105,000, expire between 1981 and 2023, and the remai of the leases expire between 1969 and 1979.

NOTE L—GUARANTIES:

As of December 31, 1965 and September 30, 1966 Glen Alden was guarantor:

a) at December 31, 1965 as to principal and interest of notes payable by unrelated parties in the aggre principal amount of $5,836,158. Collateral with an aggregate quoted market value greater than such princ amount had been pledged as security to the notes. Such notes were paid on July 29, 1966 and Glen Alde obligation terminated.

b) at December 31, 1965 and September 30, 1966 as to principal, interest, premium (if any) on, and the formance of all of the covenants and obligations contained in an indenture relating to $1,920,000 of Convertible Subordinated Debentures due December 1, 1969, issued by B. S. F. Company. In order to indem Glen Alden, B. S. F. Company has deposited with a bank securities with an aggregate market value in excess principal and premium on such Debentures.

c) at December 31, 1965 and September 30, 1966 in the amount of approximately $7,000,000 and $6,60 respectively, as to mortgage notes (having varying maturities to 1984) previously held by Glen Alde subsidiaries.

d) at December 31, 1965 as to trade accounts receivable of approximately $2,150,000 and payment deferred production payment of $3,480,000 and $2,480,000 at December 31, 1965 and September 30, 1966, tively, relating to Glen Alden's coal business which was sold effective January 1, 1966 (see Note B).

e) at December 31, 1965 as to payment of notes in the amount of $255,225 held by the Glen Alden Emplo Retirement Trust, payable or guaranteed by Briggs Manufacturing Company.

f) also see "History and Business of Glen Alden—Briggs Manufacturing Company" for informatio cerning commitments made relating to Briggs.

NOTE M—EVENTS SUBSEQUENT TO DECEMBER 31, 1965:

During the nine months ended September 30, 1966 Glen Alden acquired for cash principally through a tender o 282,521 shares (approximately 28%) of the common shares of Philip Carey. Dividends received from Philip Ca during the nine months ended September 30, 1966 amounted to $279,643.

See the following captions under "History and Business of Glen Alden":

a) "RKO Theatres" for information concerning a joint venture and possible operation of ten additio theatres.

b) "Briggs Manufacturing Company" for information concerning recent developments.

See Note 6 to Statement of Consolidated Income of Glen Alden Corporation and subsidiaries.

Note N—Supplementary Profit and Loss Information:

Charged Directly to Profit and Loss	Year Ended December 31, 1963	1964	1965	Nine Months Ended September 30, 1966
Maintenance and Repairs:				
Charged to cost of products sold and operating expenses	$1,137,695	$ 792,196	$2,710,358	$2,373,953
Charged to other operating accounts	16,229	10,280	62,466	26,647
Total	$1,153,924	$ 802,476	$2,772,824	$2,400,600
Depreciation, Depletion, and Amortization:				
Fixed Assets:				
Charged to cost of products sold and operating expenses	$3,307,195	$2,897,336	$2,446,343	$1,059,768
Charged to other operating accounts	171,208	81,933	115,965	96,667
Total	$3,478,403	$2,979,269	$2,562,308	$1,156,435
Less credit representing amortization of equity in net assets of acquired companies over amounts paid for their capital stocks	513,600	509,500	452,000	338,994
Net	$2,964,803	$2,469,769	$2,110,308	$ 817,441
Intangible Assets:				
Charged to other deductions	$ 269,539	$ 229,225	$ 224,779	$ 165,763
Charged to nonoperating items	—	116,390	71,462	—
Total	$ 269,539	$ 345,615	$ 296,241	$ 165,763
Taxes Other Than Federal Income Taxes:				
Payroll:				
Charged to cost of products sold and operating expenses	$1,729,123	$1,446,719	$1,058,632	$ 583,134
Charged to other operating accounts	75,523	76,863	107,446	24,044
Total	$1,804,646	$1,523,582	$1,166,078	$ 607,178
Property:				
Charged to cost of products sold and operating expenses	$1,792,948	$1,911,726	$1,189,807	$ 489,934
Charged to other operating accounts	128,894	100,264	142,759	100,704
Total	$1,921,842	$2,011,990	$1,332,566	$ 590,638
Other:				
Charged to cost of products sold and operating expenses	$ 387,785	$ 157,161	$ 146,127	$ 161,958
Charged to other operating accounts	218,066	264,096	290,001	170,604
Total	$ 605,851	$ 421,257	$ 436,128	$ 332,562
Rents:				
Charged to cost of products sold and operating expenses	$2,009,408	$1,761,891	$1,604,980	$1,095,677
Charged to other operating accounts	159,453	152,613	248,702	87,600
Total	$2,168,861	$1,914,504	$1,853,682	$1,183,277
Royalties:				
Charged to cost of products sold and operating expenses	$ 83,585	$ 111,052	$ 71,475	$ 40,900

ACCOUNTANTS' REPORT

To the Board of Directors
The B.V.D. Company, Inc.
New York, N. Y.

We have examined the consolidated balance sheet of The B.V.D. Company, Inc. and conso subsidiaries as at April 2, 1966, the related consolidated statement of income for the five years ended and the related consolidated statements of surplus for the three years then ended. Our examin was made in accordance with generally accepted auditing standards, and accordingly included such of the accounting records and such other auditing procedures as we considered necessary circumstances.

As to some companies and entities whose financial statements for certain periods were not exam by us, we were furnished with reports by other certified public accountants, as follows: Mullins Mills, Inc. and its subsidiaries, consolidated statement of income for the two years ended March 31 and County Mills, Inc. and its subsidiaries, consolidated statements of income and deficit for the from May 6, 1962 (date of acquisition by The B.V.D. Company, Inc.) to March 31, 1963—La Krekstein, Griffith & Co.; United Mills Corporation and its subsidiary, consolidated financial statem the period from January 1, 1964 to March 31, 1964, and United Mills, a division of a consolidat sidiary and United Mills Realty Company, Inc., consolidated financial statements as at and for the two ended April 2, 1966—Wasserman & Taten; Fordham-Bardell Shirt Corp. and its subsidiaries, co dated financial statements as at and for the five years ended April 2, 1966—Joseph Ka Company; Almar Rainwear Corporation and subsidiary, consolidated financial statements for th years ended June 30, 1965—Clarence Rainess & Co. Our opinion expressed herein, insofar relates to the amounts included for these subsidiaries and entities, is based solely upon such re

In our opinion, based upon our examination and the reports of other certified public accou referred to above, the consolidated financial statements mentioned in the first paragraph hereof, to with the notes thereto, present fairly the consolidated financial position of The B.V.D. Company and consolidated subsidiaries at April 2, 1966, and the consolidated results of their operations fo five years then ended, in conformity with generally accepted accounting principles applied on a cons basis.

S. D. Leidesdorf & Co.

New York, N. Y.
June 14, 1966, except as to Note A,
which is as of June 17, 1966

ACCOUNTANTS' REPORTS

The Boards of Directors
County Mills, Inc., and
Mullins Textile Mills, Inc.
New York, N. Y.

We have examined (a) the consolidated statements of income and deficit of County Mills, Inc. and subsidiaries for the period from May 6, 1962 to March 31, 1963, and (b) the consolidated statement of income of Mullins Textile Mills, Inc.; and its subsidiaries, liquidated in 1963, for the two years ended March 31, 1963 (all not presented separately herein). Our examinations were 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, the above-mentioned statements present fairly the consolidated results of operations of (a) County Mills, Inc. and subsidiaries, and (b) Mullins Textile Mills, Inc. and its subsidiaries for the above stated periods, all in conformity with generally accepted accounting principles applied on a consistent basis.

LAVENTHOL, KREKSTEIN, GRIFFITH & CO.

Philadelphia, Pa.
10, 1963

To the Board of Directors of the
Fordham-Bardell Shirt Corp.

We have examined the consolidated balance sheet of the Fordham-Bardell Shirt Corp. and its subsidiary companies as at April 2, 1966, the related consolidated statement of income for the five years then ended, and the related consolidated statements of surplus for the three years then ended (neither of such statements being included separately herein). 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, the above-mentioned financial statements, together with their notes, present fairly the consolidated financial position of the Fordham-Bardell Shirt Corp. and its subsidiary companies at April 2, 1966, and the consolidated results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

JOSEPH KANTOR & COMPANY

New York, N. Y.
June 14, 1966

ACCOUNTANTS' REPORT

To the Boards of Directors
United Mills Corporation and
United Mills, Division of Flexees
International, Inc. and its wholly
owned subsidiary, United Mills Realty
Company, Inc.

Mt. Gilead, North Carolina

We have examined the following consolidated financial statements (not presented separately

(a) United Mills Division of Flexees International, Inc. and its wholly owned
United Mills Realty Company, Inc.—statements of financial condition as at April 2, 196
of operations and divisional equity for the fiscal years ended April 3, 1965 and April 2, 196

(b) United Mills Corporation and its subsidiary—statement of income and surplus
period from January 1, 1964 to March 31, 1964.

Our examinations were made in accordance with generally accepted auditing standards, and
included such tests of the accounting records and such other auditing procedures as we considered
sary in the circumstances.

In our opinion, the above-mentioned statements present fairly the consolidated financial
of United Mills Division of Flexees International, Inc. and its wholly owned subsidiary United
Realty Company, Inc. at April 2, 1966, and the consolidated results of their operations and the
tions of United Mills Corporation and its subsidiary for the periods shown above, in conformity
generally accepted accounting principles applied on a consistent basis.

WASSERMAN & TATEN

New York, N. Y.
June 1, 1966

ACCOUNTANTS' REPORT

Board of Directors
Rainwear Corporation

We have examined the consolidated statements of income of Almar Rainwear Corporation and diary for the three years ended June 30, 1965 and the related consolidated statement of retained for the two years then ended. Our examination was made in accordance with generally accepted standards and accordingly included such tests of the accounting records and such other auditing dures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated statements (not separately presented herein) fairly the results of operations of Almar Rainwear Corporation and subsidiary for the three ended June 30, 1965, in conformity with generally accepted accounting principles consistently

CLARENCE RAINESS & CO.

York, N. Y.
1966

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

April 2, 1966 and (Unaudited) October 1, 1966

ASSETS

	April 2, 1966	October 1, 1966 (Unaudited)
Current Assets:		
Cash	$ 4,310,405	[illegible]
U. S. Government securities and other marketable securities—at cost (which approximates market)	84,445	[illegible]
Receivables—Note E:		
Trade, less reserves for doubtful accounts, $282,942 and $344,989, and discounts and allowances, $160,711 and $128,875	16,704,380	[illegible]
Factor	379,729	[illegible]
Sundry (including $103,683 and $103,798 due from employees), less reserves of $34,529 and $20,719	1,168,046	[illegible]
Merchandise inventories—Note B	52,018,298	[illegible]
Total Current Assets	74,665,303	[illegible]
Investments in and Advances to Foreign Companies—at cost—Note A	906,313	[illegible]
Other Assets:		
Cash surrender value—life insurance policies—Note G	542,139	[illegible]
Notes and mortgages receivable	549,382	[illegible]
Deposits	56,825	[illegible]
Sundry	145,256	[illegible]
	1,293,602	[illegible]
Property, Plant and Equipment—at cost—Notes A, C, G, I and J:		
Land, $488,507, and land improvements	499,285	[illegible]
Buildings, machinery and equipment, furniture, fixtures and leasehold improvements, etc.	26,400,648	[illegible]
	26,899,933	[illegible]
Less: Reserves for depreciation and amortization	11,363,541	[illegible]
	15,536,392	[illegible]
Goodwill, Intangibles, Etc.—at cost, less reserve for amortization of intangibles of $128,819 and $162,276—Notes A and D	845,036	[illegible]
Deferred Charges:		
Unexpired insurance	427,569	[illegible]
Promotional display fixtures, less amortization	301,331	[illegible]
Unamortized financing expense, being amortized over the term of the related debt	128,105	[illegible]
Plant pre-opening and start-up costs, being amortized over a term of five years	442,499	[illegible]
Other	705,760	[illegible]
	2,005,264	[illegible]
	$95,251,910	[illegible]

The accompanying notes are an integral part of these statements.

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

April 2, 1966 and (Unaudited) October 1, 1966

LIABILITIES

	April 2, 1966	October 1, 1966 (Unaudited)
Current Liabilities:		
Notes payable—banks	$ 3,800,000	$ 5,025,000
Current installments of long-term debt—Note G	1,060,431	3,193,762
Accounts payable—trade (including $30,102 at April 2, 1966 to an unconsolidated subsidiary)	11,495,871	17,036,371
Due to factors—Note E	3,345,695	4,642,600
Sundry liabilities and accrued expenses:		
Taxes withheld and accrued	1,949,169	1,603,229
Salaries, wages, commissions and bonuses	1,611,641	1,745,484
Sundry, including interest of $255,298 and $248,314, and $125,000 due to an officer of a subsidiary company	1,999,948	2,288,489
Reserve for Federal income taxes—Note F	2,320,231	1,620,109
Dividend payable	241,263	277,223
Total Current Liabilities	27,824,249	37,432,267
Long-Term Debt—Note G	31,176,651	34,835,432
Deferred Federal and State Income Taxes	139,000	139,000
Deferred Credit—Note A	235,714	205,970
Minority Interest in a Subsidiary—Note A	1,041,827	733,785
Stockholders' Equity—Notes A, G, H and J:		
Common Stock—*par value $1 per share:*		
Authorized—10,000,000 shares		
Issued and outstanding—3,487,700 and 3,560,182 shares	3,487,700	3,560,182
Capital Surplus	11,381,372	12,992,487
Earned Surplus	19,965,397	23,339,081
	34,834,469	39,891,750
Contingencies, Commitments, Leases, Subsequent Events and Other Comments—Notes I and J		
	$95,251,910	$113,238,204

The accompanying notes are an integral part of these statements.

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SURPLUS

For the Three Years Ended April 2, 1966 and (Unaudited) Six Months Ended October 1, 1966

	Year Ended		
	March 31, 1964	April 3, 1965	April 2, 1966
Capital Surplus:			
Balance as at beginning of period, including, as to 1964, $1,773,850 applicable to companies acquired subsequent thereto on the basis of poolings of interests—Note A	$ 7,591,363	$10,560,233	$10,574,347
Balance as at beginning of period applicable to Adams Clothes, Inc., acquired on the basis of a pooling of interests—Note A	—	—	473,097
Excess of proceeds from sale of 24,651 shares, 4,872 shares, 27,389 shares and 13,073 shares, respectively, of Common Stock over the par value thereof, issued upon exercise of stock options—Note H	287,374	57,618	333,928
Excess of approximate market quotation over par value of 87,035 shares of Common Stock issued in connection with a 3% stock dividend	1,345,561	—	[illegible]
Excess of approximate market quotation of 91,030 shares of Common Stock over the par value thereof, issued in connection with the acquisition of the net assets of United Mills Corporation—Note A	1,319,935	—	[illegible]
Excess of approximate market quotation of 1,000 shares of Common Stock over the par value thereof, issued in connection with the acquisition of the capital stock of B. W. Mayer & Cohan, Ltd.—Note A	16,000	—	[illegible]
Excess of approximate market quotation of 48,170 common treasury shares over the cost thereof, issued in connection with the acquisition of the capital stocks of Wonderknit Corporation and L. & B. Enterprises, Inc.—Note A	—	81,496	[illegible]
Excess of approximate market quotation over the par value thereof of (a) 39,409 shares of Common Stock issued in connection with the acquisition of the net assets of Meadow Sportswear, Inc. and (b) 20,000 shares of Common Stock sold to former stockholders of Meadow Sportswear, Inc.	—	—	[illegible]
	10,560,233	10,699,347	11,381,372
Less:			
Excess of cost of 43,974 common treasury shares over the par value thereof, issued in connection with the acquisition of the capital stock of Fordham-Bardell Shirt Corp. —Note A	—	718,515	[illegible]
Less amount charged to Earned Surplus	—	593,515	—
	—	125,000	[illegible]
Balance as at end of period—Notes A and G	$10,560,233	$10,574,347	$11,381,372
Earned Surplus:			
Balance as at beginning of period, including, as to 1964, $1,126,527 applicable to companies acquired subsequent thereto on the basis of poolings of interests—Note A	$ 5,776,726	$ 8,335,378	$12,163,538
Balance as at beginning of period applicable to Adams Clothes, Inc., acquired on the basis of a pooling of interests—Note A	—	—	2,004,438
Net income	4,023,242	5,103,538	6,741,400
	9,799,968	13,438,916	20,909,376
Less:			
Dividends:			
B.V.D.:			
3% Stock dividend (including cash of $18,475 paid in lieu of fractional shares)	1,451,071	—	—
Cash—$.40 a share, $.50 a share and $.25 a share, respectively (exclusive of $573,951, $696,085 and $335,710, respectively, waived by certain principal holders of Common Stock)	—	665,294	924,192
Paid by subsidiaries prior to poolings of interests	13,519	16,569	19,787
Net income of Almar Rainwear Corporation for the three months ended July 2, 1966, included in consolidated income for the fiscal year ended April 2, 1966	—	—	—
Portion of excess of cost of 43,974 common treasury shares over the par value thereof, issued in connection with the acquisition of the capital stock of Fordham-Bardell Shirt Corp.	—	593,515	—
	1,464,590	1,275,378	943,979
Balance as at end of period—Notes A and G	$ 8,335,378	$12,163,538	$19,965,397

The accompanying notes are an integral part of these statements.

THE B.V.D. COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Insofar as applicable to dates and periods subsequent to April 2, 1966, these notes are not covered by the *report of the independent certified public accountants.*)

See "General" note to the consolidated statement of income.

BASIS OF PREPARATION AND PRINCIPLES OF CONSOLIDATION:

April 2, 1966 and October 1, 1966, all domestic subsidiaries are wholly-owned, except for Timely Clothes, below). The accounts of all domestic subsidiaries are included in the accompanying consolidated financial after elimination of intercompany items and transactions. The accounts of foreign subsidiaries are not since, on a combined basis, they are not significant.

subsidiaries acquired subsequent to March 1, 1961, which have been included in consolidation on the basis of of interests, are as follows:

Company	Date of acquisition or organization	Periods included in consolidation
The Bravada Corp. and its predecessor affiliate	September 13, 1961	April 1, 1961 until merger into B.V.D. on July 30, 1965
Porto Mills Inc. and its predecessor affiliate	September 13, 1961	Five years ended April 2, 1966 and six months ended October 1, 1966
Beau Brummell Ties, Inc.....	July 6, 1961	April 1, 1961 until merger into B.V.D. on February 28, 1962, (on October 1, 1964, it became a division of a consolidated subsidiary)
Mullins Textile Mills, Inc...	May 7, 1962	Five years ended April 2, 1966 and six months ended October 1, 1966
Fordham-Bardell Shirt Corp.	December 1, 1964	Five years ended April 2, 1966 and six months ended October 1, 1966
Anvil Brand, Incorporated..	February 1, 1966	Five years ended April 2, 1966 and six months ended October 1, 1966
Adams Clothes, Inc..............	May 16, 1966	Six months ended October 1, 1966
Almar Rainwear Corporation	June 17, 1966	Five years ended April 2, 1966 and six months ended October 1, 1966

the time of the acquisition in September 1961, of certain assets of predecessors of The Bravada Corp. and Mills Inc., the capital stocks of these companies were substantially all owned by the same persons who were time the principal stockholders of B.V.D. or associates thereof.

The agreements relating to the acquisition of Fordham-Bardell Shirt Corp. and Adams Clothes, Inc. provide for issuance of additional shares of B.V.D.'s Common Stock at the end of a five year period as to Fordham-Bardell and end of two successive three year periods and a further period of four years as to Adams. The number of shares is contingent upon the net earnings of such companies over those periods. Should the average net earnings of Fordham-Bardell for such five-year period be the same as they have been for the two years ended April 2, 1966, approximately 1,000 shares would be issuable under the agreement. No provision, however, has been made in the accompanying consolidated balance sheets for the issuance of additional shares since the amount is contingent upon future earnings. No estimate of additional shares as to Adams is presently determinable. See below for contingent payment in connection with the acquisition of Meadow Sportswear, Inc.

The consolidated financial statements also include, from date of acquisition, the following companies acquired by purchase:

Company	Date of acquisition or organization
County Mills, Inc. (sold at underlying book equity as of December 31, 1963)........	May 7, 1962
Flexees International, Inc........	August 31, 1962
B. W. Mayer & Cohan, Ltd........	April 1, 1963
United Mills Corporation (acquisition of assets)—on October 1, 1964, it became a division of a consolidated subsidiary....	December 31, 1963
Wonderknit Corporation and its affiliates........	July 1, 1964
L. & B. Enterprises, Inc........	August 28, 1964
National Shirt Shops, Inc........	October 1, 1964
The Alligator Company, Inc. and its affiliate (acquisition of assets)	June 11, 1965
Timely Clothes, Inc. and its subsidiaries........	April 2, 1966
Meadow Sportswear, Inc.	June 30, 1966

The agreement relating to the acquisition of Meadow Sportswear, Inc. provides for an additional "co payment" based on earnings, as defined, for a period of seven fiscal years. No provision, however, has been B.V.D.'s consolidated financial statements for such payment since the amount is contingent upon future earni

From February 9 to April 2, 1966, B.V.D. purchased for cash approximately 75% of the outstandin stock of Timely Clothes, Inc. outstanding at April 2, 1966 and $565,600 of its 6½% Convertible Subo Debentures (of a total of $625,000 outstanding as at April 2, 1966). The debentures are conver the option of the holders, into shares of Common Stock of Timely at $16.14 a share to July 1, 1966 and at share thereafter to July 1, 1980. The excess of the underlying book amount at date of acquisition over the investment of $235,714 is shown as a deferred credit in the accompanying consolidated balance sheet as at Apri

From April 3 to October 1, 1966, B.V.D. further acquired approximately 6% of the capital stock and $ 6½% Convertible Subordinated Debentures of Timely and converted substantially all the debentures held increasing its investment to approximately 84% of Timely's capital stock. The aforementioned deferred cre reduced by $18,903 as a result of these transactions.

Included in the caption "Goodwill, Intangibles, Etc." in the accompanying consolidated balance sheets is (April 2, 1966) and $674,557 (October 1, 1966) representing excess of cost of investments in certain subsidia their underlying net assets as at the respective dates of acquisition. Such amounts and the deferred credit re in the preceding paragraph, are being amortized over a period of ten years.

In connection with the acquisition of Adams Clothes, Inc. and Meadow Sportswear, Inc., hereinabove com upon, each of the Sellers has an option to "put" to B.V.D. shares of its Common Stock issued and/or sold 113,438 shares, at $24.00 a share as to Adams Clothes, Inc., between May 16, 1967 and May 16, 1970, the market price is then less than $24.00 per share, and 59,409 shares, at $25.375 a share, as to Meadow Spo Inc., during the ninety-day period after August 31, 1969.

Based on latest available unaudited information, the aggregate underlying equity of B.V.D.'s investments in companies was in excess of the cost of the investments in such companies; in the aggregate, B.V.D.'s equity in the of operations of these companies was not significant.

Investments in consolidated subsidiaries are carried on B.V.D.'s books (a) at cost as to companies which organized or acquired by purchase, and (b) as to companies acquired in a pooling of interests, at the aggre value of B.V.D.'s capital stock issued therefor. As at April 2, 1966 and October 1, 1966, B.V.D.'s equity in assets of its consolidated subsidiaries, as shown by their books (after elimination of intercompany profit $20,170,998 and $24,186,941, respectively in excess of the carrying amount of the investments in such sub The difference is reflected in the accompanying consolidated balance sheet as follows:

	April 2, 1966		October 1, 1966	
	Debit	Credit	Debit	Credit
Earned Surplus	—	$19,273,427	—	$23,301,155
Capital Surplus	—	2,227,632	—	2,227,632
Deferred Credit	—	235,714	—	205,970
Goodwill, Intangibles, Etc.	$ 654,557	—	$ 674,557	—
Property, Plant and Equipment—net	911,218	—	873,259	—
	$1,565,775	$21,736,773	$1,547,816	$25,734,757

The minority interest in Timely Clothes, Inc. as at April 2, 1966 and October 1, 1966 consists of the follow

	April 2, 1966	October 1, 1966
Capital Stock	$ 447,140	$ 359,127
Capital Surplus	34,010	53,299
Earned Surplus	560,677	321,359
	$1,041,827	$ 733,785

See Note J for information relating to other acquisitions subsequent to October 1, 1966.

NOTE B—MERCHANDISE INVENTORIES:

As at April 2, 1966, merchandise inventories of retail subsidiaries amounting to $9,326,872 are stated at the lo of cost or market determined by the retail inventory method. The remaining inventories at that date are stated pr cipally at the lower of cost or replacement market; cost represents the latest invoice cost, plus direct labor and overhe to the extent applicable.

Complete physical inventories were not taken by all of the companies as at October 1, 1966. The inventories of those companies which took physical inventories have been priced at the lower of cost or market. The inventories of the other companies as at October 1, 1966 have been computed by management by adding to the inventories a

...ing of the year, purchases, direct labor and overhead (to the extent applicable) and deducting therefrom cost of goods sold based on the gross profit percentage method.

	April 2, 1966	October 1, 1966
Merchandise inventories consist of:		
Raw materials and supplies	$13,814,258	} $59,811,218*
Work in process	7,331,893	
Finished goods	30,872,147	
	$52,018,298	$59,811,218

...not practicable to classify estimated inventories as at October 1, 1966.

...ing and closing inventories used in the computation of cost of goods sold are as follows:

March 31, 1963	$18,262,922
March 31, 1964	21,762,196
April 3, 1965	33,687,712
April 2, 1966	44,595,276*
October 1, 1966	59,811,218

*Does not include inventories of Timely Clothes, Inc. and Adams Clothes, Inc. and their subsidiaries (see Note A) ...ing $7,423,022, included in the consolidated statement of income only for the six months ended October 1, 1966.

...—PROPERTY, PLANT AND EQUIPMENT:

...ings, machinery and equipment, furniture, fixtures and leasehold improvements, etc., are summarized as

	April 2, 1966	October 1, 1966
Buildings and building improvements	$ 5,164,218	$ 6,328,040
Machinery and equipment	13,324,328	14,508,931
Automobiles and trucks	398,927	449,440
Furniture and fixtures	4,015,807	4,406,188
Leasehold improvements	3,497,368	3,866,412
	$26,400,648	$29,559,011

...companies provide for depreciation and amortization of fixed assets either by the straight-line method or by ...ing-balance method, principally at the following annual rates, which conform to those used for Federal ...tax purposes:

	Rates per annum	
	Straight-line method	Declining-balance method
Land improvements	20%	
Buildings and building improvements	2%-13⅓%	5%-20%
Machinery and equipment	2%-33⅓%	7.3%-50%
Automobiles and trucks	20%-33⅓%	20%-50%
Furniture and fixtures	3⅓%-33⅓%	10%-50%
Building on leased land Leasehold improvements	Amortized over term of lease or over the estimated useful life of the asset, whichever is shorter	

Expenditures for renewals and betterments which extend the lives of the assets are capitalized. Expenditures ...maintenance and repairs are charged to income, as incurred. When assets are retired or otherwise disposed of, ...cost and the related accumulated depreciation or amortization are eliminated from the accounts, and any gain or ...is credited or charged to income.

See Note G for property, plant and equipment pledged as collateral and Note I (6) for sale and leaseback of ...tain real properties as of March 1, 1966, and Note J for proposed sale and leaseback of other property subsequent ...October 1, 1966.

NOTE D—GOODWILL, INTANGIBLES, ETC.:

The companies have not adopted any policy of amortization with respect to goodwill, trademarks and trade names aggregating $255,803 as at April 2, 1966 and $256,127 as at October 1, 1966. With respect to amortization of cost of investments in subsidiaries in excess of underlying book amounts as at dates of acquisition, see Note A. Patents aggregating $63,496 as at April 2, 1966, were fully amortized by October 1, 1966.

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE E—DUE TO FACTOR (payable by a subsidiary):

A factor has a continuing security interest in collateral which, as at April 2, 1966, aggregated appro[illegible] $2,970,000, represented by a bank account of $41,000 and trade and notes receivable—net, including $7[illegible] intercompany accounts eliminated in consolidation. As at October 1, 1966 the security interest in collateral [illegible] approximately $3,700,000, represented by a bank account of $9,000 and trade and notes receivable—net, [illegible] $940,000 of intercompany accounts eliminated in consolidation.

NOTE F—TAXES:

Federal income tax returns of B.V.D. have been examined or accepted as filed by the U. S. Treasury De[illegible] through March 31, 1963. The tax returns for the consolidated subsidiaries have been examined for varying [illegible]

Certain consolidated subsidiaries acquired subsequent to March 31, 1962, have operating loss carryove[illegible] may be applied against their future earnings to the extent permitted by the Internal Revenue Service, of appro[illegible] $779,000 at April 2, 1966 and $426,000 at October 1, 1966. The loss carryovers of $426,000 at October [illegible] expire in fiscal years ending in 1968 ($6,000), 1970 ($120,000) and 1971 ($300,000).

The investment credits for 1964, 1965 and 1966 under the Revenue Act of 1962, which are not mate[illegible] been recorded as reductions of the provisions for Federal income taxes. The investment credit for 1963 [illegible] material) was included in the reserves for depreciation and amortization as a reduction from the related [illegible] accounts in that year; in 1964, it was credited to income and is included under the caption "Other inco[illegible] cellaneous" in the B.V.D. consolidated statement of income.

The earnings of consolidated subsidiary companies may be subject to Federal and state taxes on inco[illegible] when transferred to the respective parent companies in the form of dividends.

The accompanying consolidated financial statements are subject to final determination of Federal, Puer[illegible] state and local taxes.

See Notes (b) and (c) to the B.V.D. consolidated statement of income.

NOTE G—LONG-TERM DEBT:

	April 2, 1966		October 1, 19[illegible]	
	Amount due after one year	Amount due within one year	Amount due after one year	[illegible]
Long-term debt consists of the following:				
B.V.D.:				
*Revolving Credit Agreement:				
5%—90 day Promissory Notes payable—banks	$24,000,000		$22,000,000	$2[illegible]
5¼% Promissory Note Due 1978	4,330,000	$ 335,000	4,330,000	[illegible]
4% Notes Payable	24,167	17,500	13,333	[illegible]
**Payable to Bada Manufacturing Corp., without interest (subordinated to Revolving Credit Agreement and 5¼% Promissory Note)	371,058	450,986	145,565	[illegible]
6% Promissory Note—Von—T.S.A. due January 31, 1970 (subordinated to Revolving Credit Agreement and 5¼% Promissory Note)	—	—	5,000,000	[illegible]
Subsidiary Companies:				
Mortgages payable at interest rates from 2% to 6½% (collateralized by property, plant and equipment in the depreciated amount of approximately $2,940,000 and $3,530,000)	1,148,778	119,445	1,711,217	14[illegible]
Sundry, at interest rates from 4% to 6½%, consisting of convertible debentures (see Note A), notes, etc. (a portion of which is collateralized by life insurance policies with an aggregate face amount of $200,000 and a cash surrender value of $128,246 and $130,724)	1,302,648	137,500	1,635,317	24[illegible]
	$31,176,651	$1,060,431	$34,835,432	$3,193,[illegible]

* The notes are renewable at the option of B.V.D. at each maturity date until July 31, 1969 and it is B.V[illegible] intention to renew the notes. Pursuant to an agreement entered into subsequent to October 1, 1966, the Com[illegible] agreed to reduce the principal balance of these notes by quarterly installments of $1,000,000 commencing April 15, [illegible] The parties to the Revolving Credit Agreement have orally agreed that, on and after April 1, 1967, the rate [illegible] interest shall be ¼ of 1% above the prime rate in lieu of the fixed 5%.

** One of the stockholders of Bada is a principal stockholder of B.V.D.

NOTES TO FINANCIAL STATEMENTS—(Continued)

...greements (as amended) relating to the Revolving Credit, the 5¼% Promissory Note and other obligations ...ovisions which, among other matters, provide for optional prepayments (at declining premiums with respect ...Promissory Note), maintenance of minimum consolidated working capital and debt-net worth ratio (as ...nd restrictions as to mergers, acquisitions, contingent liabilities and investments. Also see the last three ...under "History and Business of B.V.D." elsewhere herein.

...aforementioned agreements also contain limitations as to borrowings, declaration and payment of dividends ...stock dividends) and purchase of shares of stock of B.V.D. Under the most restrictive of such provisions, ...ents, and purchases would be limited to approximately $1,140,000 at October 1, 1966.

...aggregate installments of principal payable after October 1, 1966 are as follows:

Year ending in	October 1, 1966
1967	$ 3,193,762
1968	5,158,342
1969	2,668,929
1970	5,565,831
1971	535,828
Subsequent to 1971	4,906,502
Balance of 5%-90 day Promissory Notes payable—banks (renewable at the option of B.V.D. at each maturity date until July 31, 1969)	16,000,000
	$38,029,194

...Stock Options:

...has a Qualified Stock Option Plan providing for the granting of options to key employees, including ...directors of B.V.D. and its subsidiaries, who own not more than 5% of B.V.D.'s Common Stock ...of grant. B.V.D. also has a Restricted Stock Option Plan under which all options authorized have been ...In addition, B.V.D. has a Sales Agent Incentive Stock Option Plan, under which all options have been ...ted.

...aforementioned options provide for an exercise price of not less than 100% (with respect to options granted ...December 31, 1963) and not less than 85% (with respect to options granted on or prior to that date) of the ...market value of the shares at the date of grant; they become exercisable after one year from the date of grant ...that any options granted to employees of B.V.D. and its subsidiaries after December 31, 1963, may not ...cised while there are outstanding, as defined by Section 422 (c)(2) of the Internal Revenue Code, any ...or restricted stock options previously granted by B.V.D. to the same employee) and are exercisable generally ...ring the optionee's employment by B.V.D., and expire five years from the date of grant.

As at April 2, 1966 and October 1, 1966, options to purchase 139,271 and 136,878 shares, respectively, of Common ...of B.V.D. were outstanding under the Restricted, Qualified and Sales Agent Incentive Stock Option Plans, and ...00 and 125,150 shares, respectively, were reserved for granting of future options (subject to the plans' anti-dilution ...ions).

Additional information with respect to the aforementioned plans is summarized as follows:

	Number of shares	Option price — Per share	Option price — Total	Market price — Per share (At date of grant)	Market price — Total
...outstanding as at April 2, 1966:					
Options granted during year ended:					
March 31, 1962	36,739	$12.73 and $12.77	$ 467,775	$13.67 to $14.62	$ 534,075
March 31, 1963	26,202	11.33 to 14.18	317,350	11.91 to 16.63	365,376
March 31, 1964	8,680	14.29 to 17.40	129,300	16.81 to 17.48	151,028
April 3, 1965	6,150	16.25 to 21.25	109,108	16.25 to 21.25	109,108
April 2, 1966	61,500	23.10 to 25.88	1,537,133	23.10 to 25.88	1,537,133
	139,271(a)		$2,560,666		$2,696,720

NOTES TO FINANCIAL STATEMENTS—(Continued)

	Number of shares	Option price: Per share	Option price: Total	Market: Per Share (At date of grant)
Options outstanding as at October 1, 1966:				
Options granted during year or period ended:				
March 31, 1962	23,539	$12.73 and $12.77	$ 299,702	$13.67 to $14.62
March 31, 1963	25,407	11.33 to 14.18	307,224	11.91 to 16.63
March 31, 1964	7,032	14.29 to 17.40	104,827	16.81 to 17.48
April 3, 1965	6,050	16.25 to 21.25	107,483	16.25 to 21.25
April 2, 1966	60,100	23.10 to 25.88	1,503,681	23.10 to 25.88
October 1, 1966	14,750	23.00 to 26.75	375,450	23.00 to 26.75
	136,878(b)		$2,698,367	
Options which became exercisable (other than options lapsed) during year or period ended:				(At date first exer
March 31, 1964	50,129	$11.33 to $14.18	$602,495	$16.14 to $17.50
April 3, 1965	9,876	14.29 to 17.40	146,941	16.25 to 21.75
April 2, 1966	10,100	16.25 to 21.25	174,745	24.25 to 26.62
October 1, 1966	3,000	24.13	72,390	25.00
	73,105		$996,571	
Shares as to which options were exercised during year or period ended:				(At date of ex
March 31, 1964	24,651	$11.67 to $15.05	$ 312,025	$16.69 to $19.38
April 3, 1965	4,872	12.73 to 17.40	62,490	16.63 to 25.94
April 2, 1966	27,389	11.33 to 21.25	361,317	23.38 to 27.19
October 1, 1966	13,073	12.73 to 16.25	171,339	23.00 to 30.38
	69,985		$907,171	

(a) After the lapse during the year ended April 2, 1966 of certain options for 1,238 shares (including granted during the 1966 fiscal year) at prices from $12.74 to $25.88 per share (aggregate $20,120 lapsed options, 250 are reissuable.

(b) After the lapse during the period ended October 1, 1966 of certain options for 4,070 shares at prices fr to $25.88 per share (aggregate $70,044). Of the lapsed options, 1,400 are reissuable.

During the year ended March 31, 1964, options for 35,214 shares expired; during the year ended April options for 3,878 shares (including 100 shares granted during the 1965 fiscal year) at prices from $12.73 per share (aggregate $51,611) lapsed. None of these options is reissuable.

Between October 1, 1966 and March 2, 1967, options for 45,644 shares were exercised at prices from to $14.50 a share (aggregate $552,568).

The number and prices of shares have been adjusted, where applicable, for the effect of stock dividends in prior years.

At the time an option is exercised, it is B.V.D.'s policy to credit $1 per share to Common Stock account, repr the par value thereof, and to credit Capital Surplus account with the remainder of the proceeds.

In addition to the foregoing stock option plans of B.V.D., Timely Clothes, Inc. (see Note A) has (1) option plan (under Section 422 of the Internal Revenue Code) providing for the granting of options to salesmen and other key employees; and (2) an informal arrangement for issuance of stock options under all options have been granted. The stock option plan, referred to under (1) above, provides for an exercise not less than 100% of the fair market value of the shares at the date of grant. Options generally become exer six months from the date of grant for a period of five years (except as to certain options granted under the inf arrangement which may be exercised to 1970) and are exercisable generally only during the optionee's employme Timely. As at April 2, 1966, options for 4,330 shares of Timely were outstanding at prices of $11.94 and $1 a share (aggregate $52,200). The market prices of the related shares at the dates of grant ranged from $10.

share (aggregate $49,838) and 4,500 shares were reserved for the granting of future options, subject to the dilution provisions. As at October 1, 1966, options for 541 shares of Timely were outstanding at a price a share (aggregate $6,460). The market price of the related shares at the date of grant was $11.08 a (aggregate $5,994) and 4,500 shares were reserved for the granting of future options (subject to the plan's provisions). From April 2 to October 1, 1966 options for 3,789 shares were exercised at prices of $12.92 a share (aggregate $45,740). The market prices at dates of exercise ranged from $18.31 to share (aggregate $78,114). The above number and prices of shares have been adjusted, where applicable, of stock dividends previously distributed.

time an option is exercised, it is the policy of Timely to credit $10 per share to its common stock account capital surplus account with the remainder of the proceeds.

CONTINGENCIES, COMMITMENTS, LEASES, AND OTHER COMMENTS:

B.V.D. is contingently liable to banks in respect of continuing guaranties, etc., including clean sight credits, operations of foreign subsidiaries not consolidated in the approximate amount of $1,400,000 at April 2, $1,600,000 at October 1, 1966. In addition, certain consolidated subsidiaries have commitments for the of fixed assets of approximately $2,300,000 at April 2, 1966 and $3,400,000 at October 1, 1966 and have letters of credit outstanding of approximately $200,000 at April 2, 1966.

Management believes, based on the opinion of counsel, that pending litigation and claims which may the ordinary course of business will have no material effect on the accompanying consolidated financial statements.

Under the terms of employment contracts, certain companies are obligated to pay benefits of $63,500, aggregate, in the event contracts terminate because of death prior to expiration date, and to make payments and/or advisory services of (a) a maximum of $56,000 per annum to 1971, and (b) a maximum per annum for the lives of certain individuals. No provision has been made in the accompanying financial statements with respect to the foregoing.

There are several retirement plans in effect (some of which are non-contributory) covering qualified employees consolidated subsidiaries. The plans may be amended, suspended or terminated at any time. The unfunded past service benefits under the plans, based on the latest reports by the consulting actuaries, aggregates as at April 2, 1966 and $480,000 as at October 1, 1966. No decision has been made as to the funding of service benefits. The related charges to income during the fiscal years ended in 1964, 1965, 1966 and in the ended October 2, 1965 and October 1, 1966 approximated $2,600, $81,000, $75,000, $37,000 and $46,000, $80.

The minimum annual rentals under noncancellable leases in which B.V.D. and consolidated subsidiaries aggregated approximately $3,690,000 (including $375,000 referred to in (6) below) at October 1, 1966. amount, $2,340,000 applies to leases with expiration dates to October 1976, $700,000 to leases with expiration October 1986, and $650,000 to leases with expiration dates to February 1992. In addition, certain leases provide of additional rentals based on a percentage of sales over a fixed amount, plus, in certain instances, real insurance, maintenance, etc.

As of March 1, 1966, B.V.D. and several consolidated subsidiaries sold real properties to Montvale Realty book value of approximately $5,000,000, and entered into an agreement to leaseback such properties at an rental of $375,000 over a period of twenty-five years, with options to renew for six periods of five years annual base rental of $50,000. Among other provisions of the lease, the lessee is obligated to pay for all taxes (other than Federal income taxes), assessments, and maintenance and repairs to the leased property at its expense, make reasonable alterations of and additions to the property. Montvale Realty Corp. is by the Trusteed Plan known as "Employees' Retirement Plan" of National Shirt Shops Inc. (a wholly-owned of B.V.D.). The trustee of the plan is The Bank of New York. Montvale Realty Corp. obtained a 5½% loan of $5,000,000 from John Hancock Mutual Life Insurance Company in connection with which the company obtained a mortgage on the properties, and assignment of the leases and the lease payments thereon. payments under the aforementioned leases are less, by an insignificant amount, than the depreciation and charges would be on the related properties.

EVENTS SUBSEQUENT TO OCTOBER 1, 1966:

In November 1966, the Company sold 120,000 shares of its Common Stock to Bank de Paris et des Pays Bas shares) and Amincor A.G. (40,000 shares) at $25 per share (aggregate $3,000,000). On and after three from the respective closing dates and for a period of thirty days thereafter the buyers may require the Company purchase all or any of the aforementioned shares at $25 per share. On February 21, 1967, B.V.D. entered similar agreement with Banque de Suez et de L'Union Des Mines for the sale of 36,000 shares of its Stock for the sum of $900,000, which sale has not as yet been consummated.

Certain consolidated subsidiaries sold three parcels of real property to Valemont Realty Corp. ("Valemont") for approximately $2,475,000 and B.V.D. entered into agreements to leaseback such properties at an annual base rental of approximately $207,500 over a period of approximately twenty-four years, with options to renew for six periods of five each at an annual base rental of approximately $24,750. Among other provisions of the lease, the lessee is obli- to pay for insurance, certain taxes, assessments and maintenance and repairs to the leased properties and may, at its make reasonble alterations of and additions to the properties. Valemont is owned by the Trusteed Plan known "Employees Retirement Plan" of National Shirt Shops Inc. (a wholly-owned subsidiary of B.V.D.). The trustee of the plan is The Bank of New York. Valemont obtained a 6½% mortgage loan of $2,475,000 from Massachusetts Mutual Life Insurance Company in connection with which the insurance company obtained a mortgage on the properties, and an assignment of the leases and lease payments thereon. The excess of the aforementioned selling price over the net book amount of the properties amounting to approximately $420,000, will be amortized over the terms of the related leases. The rental payments under the aforementioned leases are less, by an insignificant amount, than the depreciation and interest charges would be on the related properties.

As of the close of business on October 1, 1966, B.V.D. acquired all the capital stock of Friedman-Marks Clothing Company, Incorporated and its affiliated companies in exchange for (i) $200,000 cash, (ii) 20-year 5% Subordinated Convertible Debentures (Series A) in the amount of $1,800,000, and (iii) 20-year 5% Subordinated Convertible Debentures (Series B) in the amount of $5,500,000. The Debentures are subordinated to all senior indebtedness (as defined) of B.V.D. and are convertible into B.V.D.'s Common Stock at the rate of $30 a share (subject to anti-dilution provisions) at any time until maturity or earlier redemption. Unless the Debentures are redeemed at an earlier date (see "Recent Acquisitions and Events"—Note (9) for further information relating to the acquisition of Friedman-Marks and the rights of the sellers to terminate the contract under certain circumstances) they are redeemable, prior to September 30, 1986 at 105% to 100% of principal amount and commencing October 1, 1976, B.V.D. will be required to retire annually 7½% of the principal amount of Debentures then outstanding. 243,333 shares of B.V.D.'s Common Stock are reserved for conversion of the Debentures.

B.V.D. has purchased the outstanding 50% of the capital stock of Flexees Limited not previously owned by it, plus an account payable from Flexees Limited to the selling stockholders, in exchange for 5,961 shares of B.V.D.'s capital stock.

As of October 1, 1966, B.V.D. obtained a subordinated loan of $5,000,000 from Von-T, S.A., Panama, R.P., due January 31, 1970, with interest at 6% per annum. On December 1, 1966, B.V.D. obtained a commitment from the same lender for an additional subordinated loan of $5,000,000, maturing on the same date, with interest at 6% per annum, of which $1,000,000 had been borrowed prior to January 20, 1967.

B.V.D. is presently negotiating for the acquisition of other businesses. See also "History and Business of B.V.D.—Recent Acquisitions and Events".

NOTE K—SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

	Year Ended March 31, 1964	Year Ended April 3, 1965	Year Ended April 2, 1966	Six Months Ended October 1, 1966
Maintenance and repairs:				
Charged to cost of goods sold	$ 390,698	$ 491,837	$ 571,088	$ 451,364
Charged to other expenses	34,613	56,318	134,174	82,405
	$ 425,311	$ 548,155	$ 705,262	$ 533,769
Depreciation and amortization:				
Depreciation and amortization of fixed assets	$ 775,666	$1,173,938	$1,699,362	$1,005,827
Amortization of intangibles	9,901	19,198	60,984	33,455
	$ 785,567	$1,193,136	$1,760,346	$1,039,282
Charged to cost of goods sold	$ 664,540	$ 922,293	$1,182,423	$ 734,080
Charged to other expenses	121,027	270,843	577,923	305,202
	$ 785,567	$1,193,136	$1,760,346	$1,039,282
Taxes, other than Federal income taxes:				
Payroll	$1,174,423	$1,661,452	$2,187,567	$1,562,899
Real estate and personal property	177,689	285,135	406,359	212,860
State franchise and income	190,658	229,565	277,598	124,735
Other	61,535	48,617	79,447	62,319
	$1,604,305	$2,224,769	$2,950,971	$1,962,813
Charged to cost of goods sold	$1,232,300	$1,682,776	$2,024,928	$1,387,040
Charged to other expenses	372,005	541,993	926,043	575,773
	$1,604,305	$2,224,769	$2,950,971	$1,962,813
Rents:				
Premises	$ 361,908	$1,202,771	$2,575,009	$1,741,801
Equipment	154,574	252,095	430,070	242,599
	$ 516,482	$1,454,866	$3,005,079	$1,984,400
Charged to cost of goods sold	$ 263,871	$ 364,780	$ 651,018	$ 562,546
Charged to other expenses	252,611	1,090,086	2,354,061	1,421,854
	$ 516,482	$1,454,866	$3,005,079	$1,984,400
Royalties:				
Charged to cost of goods sold	—	$ 18,410	—	—
Charged to other expenses	$ 222,418	48,466	$ 92,510	$ 89,694
	$ 222,418	$ 66,876	$ 92,510	$ 89,694

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Philip Carey Manufacturing Company:

We have examined the consolidated balance sheet of The Philip Carey Manufacturing Company subsidiary companies as of December 31, 1965, the related statement of consolidated earnings for years then ended, and the statement of consolidated reinvested earnings for the three years then Our examination was made in accordance with generally accepted auditing standards, and ingly included such tests of the accounting records and such other auditing procedures as we dered necessary in the circumstances.

In our opinion, the above-mentioned consolidated balance sheet and statements of consolidated and reinvested earnings present fairly the financial position of The Philip Carey Manufacturing pany and subsidiary companies at December 31, 1965 and the results of their operations for the periods then ended, in conformity with generally accepted accounting principles applied (except the change in 1964, in which we concur, in the method of accounting for the investment credit explained in Note A to the statement of consolidated earnings) on a consistent basis.

Haskins & Sells

nati, Ohio
ry 11, 1966

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1965 and (Unaudited) September 30, 1966

	December 31, 1965	September 30, 1966 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,073,626	$ 1,496,745
Short-term bank deposits	704,169	652,610
Marketable securities—at cost (approximates market)	1,554,762	—
Accounts and notes receivable:		
Customers (less allowance of $375,000 at December 31, 1965 and $390,442 at September 30, 1966)	12,338,802	14,920,424
Other	230,963	274,835
Cost of contract work in progress in excess of related billings	201,530	1,044
Inventories, at the lower of cost or market (Note 2):		
Finished products	6,286,459	7,351,126
Work in process	574,518	645,841
Raw materials and supplies	3,693,964	3,826,219
Total current assets	28,658,793	29,168,844
PROPERTY, PLANT, AND EQUIPMENT, AT COST (Note 3):		
Mineral lands and development (less accumulated depletion of $113,043 at December 31, 1965 and $129,202 at September 30, 1966)	380,057	370,961
Land, land improvements, and yard equipment	2,803,760	2,816,926
Buildings	15,114,728	15,162,266
Machinery and equipment	36,564,295	38,952,244
Construction in progress	2,774,175	4,438,096
	57,637,015	61,740,493
Less accumulated depreciation	26,868,734	28,518,267
Property, plant and equipment—net	30,768,281	33,222,226
OTHER ASSETS—At Cost	1,194,077	1,150,663
DEFERRED CHARGES AND PREPAID EXPENSES:		
Unamortized mine development (Note 3)	706,664	645,932
Other	831,202	627,407
Total deferred charges and prepaid expenses	1,537,866	1,273,339
Total	$62,159,017	$64,815,072

See Notes to Financial Statements.

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1965 and (Unaudited) September 30, 1966

	December 31, 1965	September 30, 1966 (Unaudited)
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,347,167	$ 1,369,323
Accounts payable:		
Trade	2,549,273	3,467,777
Other	538,976	380,250
Federal and Canadian income taxes	1,282,408	915,863
Accrued salaries, wages, and commissions	997,623	989,760
Other accrued liabilities	552,489	985,322
Total current liabilities	7,267,936	8,108,295
LONG-TERM DEBT (less current portion) (Note 4):		
3⅞% notes—$575,000 due annually through 1971, and $1,375,000 in 1972	4,250,000	4,250,000
5⅞% notes—$750,000 due annually through 1973, and $1,000,000 in 1974	6,250,000	6,250,000
4% note payable to a bank	487,887	1,285,677
Total long-term debt	10,987,887	11,785,677
UNEARNED PREMIUMS (roofing guarantee contracts)	2,375,000	2,473,142
DEFERRED INCOME TAXES (Note 3)	2,680,000	2,588,952
SHAREHOLDERS' INVESTMENT (Note 5):		
Common capital shares—authorized, 1,500,000 shares of $10 par value each; issued, 1,019,610 shares, less shares in treasury 17,500 shares at December 31, 1965 and 12,684 shares at September 30, 1966	10,021,100	10,069,260
Capital arising from issuance of capital shares for amounts in excess of par value	6,259,668	6,371,928
Reinvested earnings	22,567,426	23,417,818
Total shareholders' investment	38,848,194	39,859,006
TOTAL	$62,159,017	$64,815,072

See Notes to Financial Statements.

THE PHILIP CAREY MANUFACTURING COMPANY
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED REINVESTED EARNINGS

For the Three Years Ended December 31, 1965
and (Unaudited) Nine Months Ended September 30, 1966

	Year Ended December 31, 1963	1964	1965	Nine Months Ended September 30, 1966 (Unaudited)
Balance at beginning of period	$19,582,493	$20,096,236	$21,569,958	$22,567,426
Add—Net earnings and in 1965 special item	2,142,208	3,102,188	2,613,604	2,055,324
Total	21,724,701	23,198,424	24,183,562	24,622,750
Deduct—Cash dividends	1,628,465	1,628,466	1,616,136	1,204,932
Balance at end of period (Note 5)	$20,096,236	$21,569,958	$22,567,426	$23,417,818

See Notes to Financial Statements.

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

For the Three Years Ended December 31, 1965 and (Unaudited) Nine Months Ended September 30, 1966

1. PRINCIPLES OF CONSOLIDATION:

The accompanying financial statements include all subsidiaries; and intercompany transactions have been eliminated.

The equity of Philip Carey in the net assets of its subsidiaries exceeded its aggregate investment in the subsidiaries by $13,483,446 at December 31, 1965 and $13,734,110 at September 30, 1966. This excess, representing reinvested earnings of the subsidiaries since the dates of acquisition, is included in consolidated reinvested earnings.

Valuations in Canadian currency have been translated on the following bases: property, plant and equipment, provisions for depreciation, and accumulated depreciation converted at exchange rates at dates of acquisition or origin; other assets and liability accounts at current exchange rates at the balance sheet date; and income and expenses at the average exchange rates for the periods. Adjustment, which was not material, resulting from translating Canadian currency to United States dollars has been taken into income.

2. INVENTORIES AND COST OF PRODUCTS SOLD:

Inventories are stated at the lower of cost or market. Cost is determined generally on the basis of standard costs with percentage adjustments to reflect approximate actual costs.

The inventories (excluding contract work in progress) used in the computation of cost of products sold are as follows:

December 31, 1962	$10,894,024
December 31, 1963	9,949,805
December 31, 1964	9,701,160
December 31, 1965	10,554,941
September 30, 1966	11,823,186

3. PROPERTIES AND DEPRECIATION:

Provision is made for depreciation at rates which are designed to extinguish the cost of properties, less estimated salvage value, over their service lives. The annual rates used are generally as follows:

Land improvements and yard equipment	3% to 8%
Buildings	2% to 8%
Machinery and equipment	4% to 25%

Depletion is charged to operations based on usage and estimated fibre deposit reserves.

Cost of mine development is amortized by charges to operations based on an estimated useful life of eighty months.

Maintenance, repairs, and minor renewals are charged to operations. Betterments and major renewals involving the installation of a replacement unit are charged to the property accounts. In the plants which have detailed property records, the gain or loss on retirements of property is credited or charged to earnings; in the other plants the cost of property retired less proceeds of sale or salvage realized is charged to the accumulated depreciation with the exception that gain or loss is credited or charged to earnings in connection with extraordinary retirements of large units of property.

See Note A to Philip Carey Statement of Consolidated Earnings for information on income tax matters.

4. LONG-TERM DEBT:

The note payable to a bank is collateralized by a mortgage on facilities under construction and is payable ratably over a period of 20 years.

The aggregate of long-term debt maturing during the five years ending September 30, 1971 is approximately as follows: 1967, $1,369,000 (included in current liabilities); 1968, $1,371,000; 1969, $1,373,000; 1970, $1,375,000; and 1971, $1,377,000.

None of the long-term notes are held by or for the account of the issuer, held in sinking or other special funds of the issuer, pledged by the issuer, or held by affiliates.

5. SHAREHOLDERS' INVESTMENT:

Under agreements relating to the long-term notes, reinvested earnings of $3,774,440 at December 31, 1965 and $4,278,488 at September 30, 1966 were available for payments of dividends (other than share dividends), or for purchase of the capital shares.

THE PHILIP CAREY MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Philip Carey is authorized to issue 75,000 preferred capital shares of $100 par value each.

No capital shares are held by affiliates or reserved for options, warrants, conversions, or other rights.

Changes in capital arising from issuance of capital shares for amounts in excess of par value during the periods were as follows:

Balance, January 1, 1963	$6,569,031
Add excess of proceeds over par value of 2,969 treasury shares issued in 1965	59,380
Total	6,628,411
Less excess of cost over par value of shares purchased for treasury:	
1964	23,652
1965	345,091
Total	368,743
Balance, December 31, 1965	6,259,668
Add—excess of proceeds over par value of 4,816 treasury shares issued during 1966	112,260
Balance, September 30, 1966	$6,371,928

6. Employee Plans:

Philip Carey has in effect funded and trusteed pension plans for the benefit of hourly-paid and salaried employees which provide generally for normal retirement at age sixty-five. The amount of pension is based upon a factor applied to the number of years of service at normal retirement date. Philip Carey provides the total actuarial cost of benefits under the plans, except that under the salaried employees plan, participants may make contributions to obtain supplemental benefits. The Canadian subsidiaries have insured pension plans for salaried employees under which the employees and the companies each contribute 5% of salaries.

At December 31 1965 and September 30, 1966, the estimated remaining past service costs under the funded retirement plans for employees were $2,360,000 and $2,305,000, respectively. Such past service costs are being funded over an approximate 30 year period. The aggregate contributions under all plans for the following periods were:

For the year ended December 31:	
1963	$565,250
1964	508,900
1965	564,000
For the nine months ended September 30, 1966	397,390