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ZONOLITE COMPANY

MINERS AND MANUFACTURERS OF VERMICULITE PRODUCTS

CARLE ROSSBORO BORER CHICAGO ILLINOIS

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J. A. KELLEY
PRESIDENT

January 31, 1963

To the Stockholders of ZONOLITE:

On October 22, 1962, I informed you that negotiations were being carried on with W. R. Grace & Co. ("Grace") for either the acquisition of the assets of Zonolite Company ("Zonolite") or for a merger of the two corporations.

Since that date, an agreement has been worked out under which Grace will acquire substantially all of the assets of Zonolite in return for approximately 281,622 shares of the common stock of Grace and the assumption by Grace of all Zonolite's liabilities. The only assets not acquired by Grace will be such cash as is necessary to pay the expenses of the exchange of assets and the subsequent liquidation of Zonolite.

Accompanying this letter is a formal notice for a special meeting of stockholders to be held March 4, 1963, at Libby, Montana, together with a proxy statement and a proxy. The stockholders of Zonolite are asked to vote on four separate proposals. These various steps are necessary in order to make the exchange a tax free re-organization under the applicable sections of the Internal Revenue Code and to comply with Montana law.

After the exchange of Zonolite assets for Grace stock is completed, the shares of common stock of Grace received by Zonolite will be distributed to Zonolite stockholders on the basis of 1.02 shares of Grace common stock for each four (4) shares of Zonolite common stock. The exchange basis resulted from a thorough study of each company and its future prospects by the management and directors of Zonolite.

The Boards of Directors of Grace and Zonolite have both unanimously approved the exchange of assets for stock and, therefore, your management and your directors recommend approval by the stockholders. Such approval will require a two-thirds vote at the special meeting of stockholders on March 4, 1963, on each of the proposals to be acted upon. Approval of Grace stockholders is not required by Connecticut law under which Grace is incorporated.

We hope that you will be able to attend the meeting in person but if you cannot we urge that you promptly execute and return your proxy.

Sincerely,

J. A. KELLEY

ZONOLITE
VERMICULITE

ZONOLITE COMPANY
Libby, Montana

Notice of Special Meeting of Stockholders to be held
March 1, 1963

To the Stockholders:

A special meeting of the stockholders of Zonolite Company ("Zonolite") will be held at the principal office of Zonolite, 317 Mineral Avenue, Libby, Montana, at 10:00 o'clock A. M. Mountain Standard Time, on March 1, 1963, for the following purposes:

- 1 To consider and act on a proposal that there be adopted and approved a plan of reorganization of Zonolite substantially in the form set forth in Section 1 of the Agreement and Plan of Reorganization (the "Agreement"), dated January 17, 1963, between W. R. Grace & Co. ("Grace"), and Zonolite (a copy of which is attached as Exhibit "A" to the accompanying Proxy Statement).
- 2 To consider and act on a proposal that Zonolite convey, sell, transfer, assign and deliver to Grace all of the assets and properties of Zonolite as a going concern (except for cash retained by Zonolite to pay for Zonolite's expenses in connection with the consummation of the Agreement) in exchange for the assumption by Grace of Zonolite's liabilities and the issuance by Grace to Zonolite of that number of shares of Grace common stock equal to the number of shares of Zonolite common stock outstanding at the time of the closing under the Agreement divided by four (said number of shares of Grace common stock being subject to adjustment for a 2% stock dividend declared on Grace common stock and for certain other circumstances), all as more particularly described in and subject to the terms of the Agreement.
- 3 To consider and act on a proposal that Zonolite be dissolved and liquidated following the closing under the Agreement as provided in the Plan of Liquidation (a copy of which is attached as Exhibit "B" to the accompanying Proxy Statement).
- 4 To consider and act on a proposal that the Articles of Incorporation of Zonolite be amended following the closing under the Agreement to change the corporate name from Zonolite Company to Montana Vermiculite Company.
- 5 For the transaction of such other business as may lawfully come before the meeting.

The Board of Directors has fixed the close of business on January 26, 1963 as the record date for the determination of stockholders entitled to notice of and to vote at said meeting and at any adjournments thereof. The stock transfer books will not be closed.

By Order of the Board of Directors
J. A. Kelley, President
John H. Bishop, Secretary

January 31, 1963

Proxy Statement

ZONOLITE COMPANY

SPECIAL MEETING OF STOCKHOLDERS

This proxy statement is furnished in connection with the solicitation of proxies by the management of Zonolite Company ("Zonolite") for use at the special meeting of stockholders of Zonolite, to be held at the time and place set forth in the foregoing notice. As of January 17, 1963, Zonolite had outstanding 1,104,397 shares of common stock, \$1.00 par value, each share entitling the holder to one vote. Those stockholders whose names were researched on the books of Zonolite as of the close of business January 28, 1963 will be entitled to vote at the meeting.

PURPOSE OF MEETING

The meeting is called to consider and act upon a proposal that Zonolite convey, sell, assign and deliver to W. R. Grace & Co., a Connecticut corporation ("Grace"), substantially all of the assets of Zonolite in exchange for that number of shares of Grace common stock \$1.00 par value, equal to the number of shares of Zonolite common stock outstanding at the time of closing divided by four (said number of shares of Grace common stock being subject to adjustment under certain circumstances) and the assumption of Zonolite's liabilities. If the exchange of assets is approved then the stockholders will be asked to approve the dissolution of Zonolite and the distribution of the Grace common stock to Zonolite stockholders.

BRIEF DESCRIPTION OF PROPOSALS

Proposals

Attached hereto and marked Exhibit "A" is an Agreement and Plan of Reorganization between Grace and Zonolite dated January 17, 1963 (the "Agreement") which has been unanimously approved by the directors of both corporations and which embodies the terms under which the assets of Zonolite are to be exchanged for the common stock of Grace. To make the Agreement effective, the stockholders are asked to act on four separate proposals namely:

- 1 That a Plan of Reorganization of Zonolite (the "Plan") substantially in the form set forth in Section 1 of the Agreement be adopted and approved.
- 2 That Zonolite sell substantially all of its assets to Grace for shares of the common stock of Grace (approximately 261,622 shares) and the assumption by Grace of Zonolite's liabilities.
- 3 That Zonolite be dissolved and liquidated and its assets (namely the assets of Zonolite of Grace) be distributed to its stockholders on the basis of 100 shares of Grace common stock at which (which has been subjected to reflect the dividend declared on the 2% stock dividend of Zonolite common stock).
- 4 That the Articles of Incorporation of Zonolite be amended to change the corporate name to Montana Vermiculite Company.

Sale of Assets

The details of proposals 1 and 2 are fully set forth in the Agreement. Briefly, the exchange of assets by Zonolite for common stock of Grace contemplates a transfer of substantially all of Zonolite's assets, properties, business and good will to Grace in exchange for that number of shares of Grace common stock equal to the number of shares of Zonolite common stock outstanding at the time of closing divided by four (said number of shares of Grace common stock being subject to adjustment under certain circumstances) and the assumption of Zonolite's liabilities. The number of Grace shares may be increased slightly through the exercise by Zonolite employees of stock

options between the date of the Agreement and the closing and the distribution of a stock dividend on Grace common stock. A description of the Grace common stock to be received by Zondite and distributed to its stockholders will be found on pages 15 and 16 hereof.

Assets not to be transferred by Zondite consist solely of such cash as may be necessary to be retained by Zondite to pay counsel fees, expenses of the sale and exchange, expenses of dissolution and liquidation and amounts payable to dissenting stockholders, if any, and expenses in connection therewith.

Grace will not assume liabilities against which Zondite is insured to the extent that such liabilities are covered by insurance nor liabilities of Zondite to its stockholders as such.

The consummation of the transactions contemplated by the Agreement is subject to numerous conditions, including but not limited to:

- (a) Zondite's being advised by its tax counsel or Internal Revenue Service prior to the closing that the consummation of the transaction provided for in the Agreement will constitute a reorganization as defined in Section 368 (a)(1)(C) of the Internal Revenue Code of 1954 and that no gain will be recognized upon the receipt of Grace common stock (i) by Zondite in exchange for the transfer of the Zondite assets and assumption of Zondite liabilities, pursuant to the Agreement or (ii) by the stockholders of Zondite in exchange for their shares of Zondite common stock on the liquidation of Zondite, except for such gain or loss as may be recognized with respect to fractional interests which may be sold by such stockholders.

- (b) That the Plan, the sale of assets for Grace common stock, the dissolution of Zondite, and the change of Zondite's name be approved by Zondite's stockholders.

Liquidation of Zondite

Paragraph 3 above outlined will be submitted to the stockholders in the event proposals 1 and 2 are approved by the stockholders. The liquidation and dissolution of Zondite will be accomplished in accordance with the applicable statutes of Montana. After approval by the stockholders and the closing under the Agreement, there are only two steps to be taken. First, the distribution of the common stock of Grace to Zondite stockholders on the basis of 1,02 shares of Grace common stock for each four shares of Zondite common stock and second, the winding up of the corporation's affairs in accordance with the applicable statutes of Montana. Such statutes require the filing of a petition for dissolution in the District Court of Lincoln County, Montana and the approval of the dissolution by the District Court.

A copy of the proposed Plan of Liquidation is attached hereto and marked Exhibit "D". It has been approved by the directors of Zondite.

Change of Name of Zondite

The Agreement provides that Zondite will, promptly after the sale of assets to Grace, change its name. This requires an amendment to Zondite's Articles of Incorporation. Accordingly, it is proposed that effective immediately after the sale of assets to Grace, the name of Zondite Company will be changed to Montana Vermiculite Company by an appropriate amendment to Zondite's Articles of Incorporation. This amendment has been approved by the directors of Zondite.

Vote Required

All of the proposals require for approval the affirmative vote of two thirds (2/3) of the whole number of shares of the common stock of Zondite outstanding as of the date of the meeting and entitled to vote.

CERTAIN PROVISIONS OF THE AGREEMENT

Tax Status

As above indicated, it is a condition to Zondite's obligation to sell its assets that it has, prior to the closing, received either (a) an opinion of its tax counsel or (b) a ruling from Internal Rev-

cause Service to the effect that the consummation of the sale and exchange provided for in the Agreement will constitute a reorganization as defined in Section 368 (a)(1)(C) of the Internal Revenue Code of 1954 and that no gain will be recognized upon the receipt of Grace common stock (i) by Zondite in exchange for the transfer of the Zondite assets, and the assumption of Zondite liabilities pursuant to the Agreement or (ii) by the stockholders of Zondite in exchange for their shares of Zondite common stock on the liquidation of Zondite except for such gain or loss as may be recognized with respect to fractional interests which may be sold by stockholders. An indication for a ruling was filed with Internal Revenue Service on December 21, 1962. It is expected that prior to closing either an opinion of counsel or a ruling by Internal Revenue Service will have been received by Zondite. If Zondite does not obtain either an opinion of counsel or a favorable ruling from Internal Revenue Service prior to the closing, Zondite will withdraw from the transaction under the applicable provisions of the Agreement.

Stock Options

As of December 31, 1962, 30 employees of Zondite held outstanding options to purchase an aggregate of 17,705 shares of Zondite common stock under a Stock Option Plan adopted by the stockholders on July 22, 1962. These options range in price from \$2.49 to \$3.34 per share and expire at various times between August 21, 1963 and May 17, 1967. In addition, J. A. Kelley, President of Zondite, held an option, under an agreement dated September 19, 1962, to purchase 10,000 shares of Zondite common stock at a price of \$5.95 per share of which portions may be exercised between September 19, 1964 and September 19, 1970.

The number of shares optioned under the Stock Option Plan and the above agreement and the option price thereof are subject to adjustment in the event of a stock split, stock dividend, or consolidation of stock into a lesser number of shares. The options may terminate if the optionee leaves the employ of Zondite. The options are not transferable by the optionee otherwise than by will or the law of descent and distribution, and are exercisable, during the optionee's lifetime only by him.

The Agreement provides that, subject to the prior approval of Grace's stockholders, Grace will grant to each such Zondite stock optionee, in substitution for the options to acquire shares of Zondite common stock, an option to acquire shares of Grace common stock at the rate of one share of Grace common stock for each four shares of Zondite common stock and at a price per share equal to the original option price per share multiplied by four (prior to adjustment for stock dividends). The terms and provisions of the Grace options will be substantially the same as those of the Zondite options.

Mr. Kelley also has an employment contract with Zondite dated September 19, 1962 under which he has agreed to remain in the employ of Zondite until September 30, 1967 at a salary of \$40,000 per year. The Agreement requires an employment contract between Mr. Kelley and Grace, which will provide for a term of five years at a salary of not less than \$15,000 per year and the execution of this contract by Mr. Kelley is a condition to Grace's obligation to purchase Zondite's assets. Upon the execution of Mr. Kelley's contract with Grace, the above employment contract with Zondite will be terminated.

Dividends

The Agreement provides for an adjustment in the number of shares of Grace common stock in case of a stock dividend on the common stock of Grace subsequent to the execution of the Agreement and prior to the closing. On January 3, 1963, the Board of Directors of Grace declared a 2% stock dividend payable March 18, 1963 to holders of record of Grace common stock as of February 15, 1963. Therefore, the number of shares of Grace common stock issuable to Zondite at the closing will be adjusted to 1,02 shares of Grace common stock for each four shares of Zondite common stock then outstanding.

The above description is a summary and does not purport to be complete. Reference is made to the Agreement for a more detailed statement of the terms of the exchange, the assets to be transferred, and the stock to be received.

Rights of Dissenting Shareholders

Attached hereto and marked Exhibit C are Sections 15.012 and 913 of the Revised Code of Montana which deal with the rights of stockholders who may dissent from the sale of assets provided for in the Agreement. Any stockholder following the procedure outlined in the Montana statutes seems to have an interest in the corporate property and in the stock previously owned by him.

Tax Liability of Dissenting Shareholders

A dissenting stockholder obtaining payment for his shares will realize gain or loss for Federal income tax purposes measured by the difference between the payment received by him and the tax basis of his shares.

COMPARATIVE STOCK PRICES

The following table sets forth the high and low bid prices of Zonolite common stock as reported by National Quotation Bureau Incorporated and the high and low selling prices (regular way) at closing of Grace common stock on the New York Stock Exchange as reported in Standard & Poor's Corporation Stock Guide for each quarterly period during the past three calendar years.

Quarterly Period	Zonolite Common Stock		Grace Common Stock	
	High	Low	High	Low
1st Quarter 1960	5 1/2	4 1/2	22 1/2	18 1/2
2nd Quarter 1960	8 1/2	4 1/2	20 1/2	16 1/2
3rd Quarter 1960	4 1/2	3 1/2	19 1/2	16 1/2
4th Quarter 1960	3 1/2	3 1/2	18 1/2	16 1/2
1st Quarter 1961	4 1/2	3 1/2	20 1/2	17 1/2
2nd Quarter 1961	6 1/2	3 1/2	23 1/2	23 1/2
3rd Quarter 1961	4 1/2	4 1/2	20 1/2	23 1/2
4th Quarter 1961	5 1/2	4 1/2	48	34 1/2
1st Quarter 1962	5 1/2	4 1/2	43 1/2	38 1/2
2nd Quarter 1962	6 1/2	4 1/2	43 1/2	25 1/2
3rd Quarter 1962	6 1/2	4 1/2	34 1/2	29 1/2
4th Quarter 1962	9 1/2	6 1/2	41 1/2	29 1/2

* Adjusted for 2 for 1 stock split effected June 1, 1962.

** The Zonolite Grace transaction was announced October 24, 1962 on a four for one basis.

RECOMMENDATION OF ZONOLITE MANAGEMENT

The exchange ratio of Zonolite common stock for Grace common stock was determined by negotiation by the management of Zonolite with Grace, the Zonolite management having based its judgment not only on the current market prices of the common stocks of the two companies but also on the values of their physical properties, their earnings over a period of years, the book values of their common stocks, and other relevant factors. Grace has also represented to Zonolite that it is its intention to continue Zonolite under its present name, management and policies to the extent consistent with the functions of Grace's Board of Directors and the exercise of sound business policies, and that appropriate arrangements will be made for continuance or overall improvement of employee benefits.

From the investigations made by Zonolite management and in reliance upon the representation regarding continuation of the business under present management with the same policies, the directors of Zonolite recommend approval by the stockholders of all four of the proposals to be submitted to the special meeting of stockholders for the following reasons:

1. The basis of exchange of Zonolite's property and assets for Grace common stock is fair.
2. The Grace common stock will provide the stockholders with an investment in a more diversified company, at a higher current dividend rate, and with a listing on the New York Stock Exchange.

3. The large Research Center operated by Grace will permit more extensive research for development of products of which Zonolite is an ingredient.

4. The various businesses and the extensive research and development in a laboratory of Grace should provide a faster development of vermiculite and products containing vermiculite thereby benefiting the employees, customers, and stockholders.

The latest financial statements of Grace covering the year 1962 are in process of audit. Upon completion copies certified by Messrs. Price Waterhouse & Co. will be furnished Zonolite at least ten (10) days before closing.

RECORD DATE AND CLOSING DATE

The directors of Zonolite have fixed January 25, 1963 as the record date for the determination of stockholders entitled to vote at the meeting to be held March 4, 1963. If requisite stockholder approval is obtained, the sale of assets will be consummated on April 10, 1963 ("closing") unless such date is advanced by mutual agreement between the parties. Zonolite has the option to extend the closing until May 14, 1963 if it has not obtained an opinion of its tax counsel or a ruling from Internal Revenue Service by April 10, 1963.

INSTRUCTIONS AS TO EXCHANGE OF SHARES

After the sale of Zonolite's assets to Grace is consummated, notice will be mailed to all Zonolite stockholders containing instructions as to the procedure for surrendering Zonolite common stock certificates for cancellation and in exchange for Grace common stock certificates to which they will be entitled. No stockholder should forward his shares until such instructions are received.

No fractional shares will be issued. Continental Illinois National Bank & Trust Company of Chicago has been selected as Exchange Agent for Zonolite stockholders. Arrangements will be made whereby each Zonolite stockholder entitled to a fractional interest in Grace common stock may instruct the Exchange Agent either to purchase a further fractional interest and distribute to make up one full share of Grace common stock or to sell such fractional interest and distribute the net proceeds to the stockholder. If stockholders who are entitled to fractional interests do not give instructions to the Exchange Agent either to purchase or to sell for the account of the stockholder within sixty (60) days succeeding the closing, the Exchange Agent will sell all fractional interests for the stockholder's account and remit the proceeds of sale to the address of the stockholder as shown on the books of Zonolite. The expenses of the Exchange Agent in the purchase and sale of fractional shares shall be borne by the individual stockholders for whom the Exchange Agent is acting.

**ZONOLITE COMPANY
BUSINESS AND PROPERTIES**

Zonolite was organized under the laws of Montana on December 1, 1952 for the purpose of mining and milling metals and non-metallic minerals, including vermiculite.

Properties Owned

As above indicated, Zonolite owns a vermiculite mine in a 1400-acre tract in Lincoln County, Montana, sufficient ore reserves to provide for at least fifty years of production at a mining level. In addition, Zonolite either owns or leases properties in South Dakota, North Dakota, and Montana to contain reserves for the South Carolina mining operation for which Zonolite has the right of first refusal. It owns expanding plants in Utah, New York, White County, Ohio, near Bearborn, Michigan, Edmond City, Pennsylvania (Pittsburgh), Atlanta, Georgia, Boca Raton, Florida and Travelers Rest, South Carolina. It owns a building in Evanston, Illinois, constructed on land under long term lease that is now being used as a laboratory. In addition, it operates expanding plants in leased premises at Chicago, Illinois; New Orleans, Louisiana; Trenton, New Jersey; Jacksonville, Florida; St. Louis, Missouri; Little Rock, Arkansas; Tampa, Florida; High Point, North Carolina; Murkirk, Maryland (Washington); Kansas City, Missouri; Birmingham, Alabama and North Billerica, Massachusetts (Boston).

Subdividing and Allocating Investments

Zonolite has one wholly owned subsidiary—Superior Asbestos Company, a Montana corporation organized in March 1923, which is presently doing research and development work on the recuperation of bent after asbestos from the Zonolite mine at Libby, Montana. Zonolite has the following interests in affiliated companies: Western Mineral Products Company, Minneapolis—34.5%; California Zonolite Company, Los Angeles—48%; Texas Vermiculite Company—76%, which operates water expanding plants in Dallas and San Antonio, Texas and at Oklahoma City, Oklahoma; Arlington Zonolite Company, Phoenix—33%; and Tennessee Zonolite Company, Nashville—26%; also Nevada State Northwest, Inc., Seattle—25%; and in addition minor investments in two other companies. The investment of Zonolite in the subsidiary and affiliated companies is carried at cost (\$418,532.11). The present book value of Zonolite's investment in the subsidiary and affiliated companies is approximately \$692,000. In connection with Zonolite's ownership of stock in the above companies it has consummated and options to purchase additional shares which extend over varying periods of time and which entail many varying conditions. The estimated liability under such commitments and options would not exceed \$250,000 as of this time.

Operations and Product Lines

Zerodite consists of:

1. Mining and milling operations at Libby, Montana and Kearney, South Carolina
2. A building products division which operates 18 expanding (extolating) plants and warehouses in the U.S. In-bet at three locations are Perlite expanding furnaces. In addition to converting crude vermiculite from the mines into expanded products, this division markets expanded fiber board insulation, a foamed polystyrene board insulation and from time to time, other special items.
3. An agricultural sales division selling expanded vermiculite as a carrier and conditioner for fertilizer and carrier for weed and pest killers for lawn and garden market. Sales to the agricultural market include vermiculite concentration from the mines directly to customer growers or expanded vermiculite from Zandoli furnaces to compounders of fertilizer. Expanded weed and pest killers and the sales of expanded vermiculite under the brand name Terra-lite to the consumer market account for approximately \$1,600,000 in sales or about 15% of the company's total sales.

Zonolite licenses its patents and trademarks and sells its concentrates to various organizations, which have plants in the US and Canada and sell under the Zonolite brand name. These customers have plants for converting concentrates from the mines into expanded perlite. A number of them are in other businesses and most of them have other resale arrangements.

Included in the production of *Equity*, its licenses and affiliates are:

- Verminulite concentrate (ore) approximately 200,000 tons per year, \$3,276,920 value
Expanded verminulite — for the banking industry.
Zonolite brand
Insulating Fill — for home and industrial insulation
Masonry Fill Insulation — for masonry walls of brick and concrete block
Plaster aggregate for wall plaster and steel fire-proofing
Concrete aggregate — insulating lightweight concrete for roof decks and specially
concretes.
Expanded verminulite — for specially consumer trade.
Terra Lite brand — sold to home, garden and hardware stores for a growing medium
and a soil conditioner.
Sant-Eloir brand — filler for masonry.

STAY IN THE HOUSE AND DON'T COME OUT TO MEET ME

The following Summary of Earnings and Earnings Retained for Use in the Enterprise of Zondole Company in so far as it relates to the five years ended March 31, 1962, has been examined by First A First, independent public accountants, whose opinion appears elsewhere in this Proxy Statement. The statement of the results of operations for the six month periods ended September 30, 1961 and September 30, 1962, have been prepared from unaudited records of the Company. The Summary should be read in conjunction with the financial statements and notes thereto included elsewhere in this Proxy Statement.

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1. **Introduction**

W. R. GRACE & CO. BUSINESS AND PROPERTIES

Grace is a Connecticut corporation organized in 1899. It is presently engaged, directly and through subsidiaries, in the United States and many other countries of the free world, in manufacture and sale of chemicals, transportation, petroleum, agriculture and banking. The general character of Grace's activities is illustrated by the following breakdown of net sales and revenues (in millions of dollars) of Grace and its consolidated subsidiaries over the past three years:

	1959	%	1958	%	1957	%
Chemicals(1)	\$ 310.0	64.0	\$ 279.6	41.6	\$ 262.6	47.8
Canadian Petroleum Corp.(2)	—	—	76.6	12.6	81.4	15.3
Steamship Operations	73.4	15.5	69.6	12.6	66.1	12.3
Outside Advertising(1)	31.0	6.5	32.3	6.6	—	—
Foreign Operations	100.3	22.7	110.8	20.1	99.7	18.7
U. S. Import and Export(4)	61.7	13.0	62.8	11.3	32.6(5)	6.1
Other Domestic	1.0	0.4	2.4	0.6	2.0	0.6
Total	\$ 476.8	100.0%	\$ 663.9	100.0%	\$ 534.7	100.0%

(1) Including certain foreign chemical operations.

(2) In January 1958 Grace acquired approximately 52% of Canadian Petroleum Corporation's outstanding stock.

(3) The Foster & Wheeler Division was sold in March 1958.

(4) Margins realized in U. S. import and export transactions are smaller than those realized from other activities. The decrease in 1957 results from the company's planned withdrawal from certain commodity trading operations, particularly coffee.

(5) Imports represent about 81% of this amount.

The above table does not include sales or operating revenues of Grace National Bank of New York, 80% of the stock of which is owned by Grace.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

The following consolidated statement of income and retained earnings of W. R. Grace & Co. and its subsidiary companies, insofar as it relates to the five years ended December 31, 1962, has been prepared in accordance with the accounting principles and methods set forth in the Proxy Statement of the Waterhouse & Co. underwritten at accountants, whose opinion appears elsewhere in this Proxy Statement. The statement of the results of operations for the nine-month periods ended September 30, 1962, and 1961, has been prepared from unaudited records of Grace and Grace believes that all adjustments constituting only of normal recurring adjustments, necessary for a fair statement of the results of the unaudited nine-month periods, have been made. This statement should be read in conjunction with the financial statements and notes thereto included elsewhere in this Proxy Statement.

	Years Ended December 31:					Nine Months Ended	
	1957	1958	1959	1960	1961	1961	1962
	(Amounts expressed in thousands of dollars except for amounts per share)					(In millions of dollars)	
Net sales	\$ 351,237	\$ 434,809	\$ 373,138	\$ 408,426	\$ 426,977	\$ 426.9	\$ 426.9
Operating revenues	114,974	107,738	102,650	81,441	75,722	107.7	102.6
Dividends and interest income	2,800	2,263	2,308	2,816	3,027	2.8	3.0
Net gain on disposition of properties and investments	287	281	124	1,656	1,998	.3	1.9
Cost of goods sold: Note 4	4,104	444,363	478,624	867,113	830,410	4.1	830.4
Operating expenses: Note 4	268,961	241,632	275,067	310,269	325,974	268.9	325.9
Subsidy on steamship operations net of recapture (Grace Line for 3 Notes 3 and 4)	51,116	49,482	60,172	61,758	72,194	51.1	72.1
Selling, general and administrative expenses	(5,479)	(11,509)	(11,506)	(12,644)	(13,424)	(5.4)	(13.4)
Research and development expenses	97,927	93,277	82,608	64,161	68,970	97.9	68.9
Interest expense	8,110	7,446	10,721	9,103	8,567	8.1	8.5
Depreciation and depletion: Note 7	7,820	7,493	10,721	11,721	12,186	7.8	12.1
Unrealized foreign exchange losses	(35)	2,541	325	24,201	27,740	(.0)	27.7
	411,011	425,111	464,321	679,801	688,851	411.0	688.8
Income (loss) applicable to minority stockholders in consolidated subsidiary	26,646	19,242	25,599	27,062	32,655	26.6	32.6
Income (loss) applicable to minority stockholders in consolidated subsidiary	14,677	9,916	16,306	17,962	19,805	14.6	19.8
Income (loss) applicable to minority stockholders in consolidated subsidiary	297	(80)	1,079	2,884	2,602	.3	2.6
Equity in earnings of Grace National Bank: Note 1	21,300	10,025	15,227	14,718	17,204	21.3	17.2
Net income for the period (see Note 4)	15,462	11,106	16,612	16,226	18,410	15.4	18.4
Less cash dividends on preferred stock	929	929	929	929	929	.9	.9
Amount earned on common stock	14,533	10,176	15,683	15,297	17,481	14.5	17.4
Less:							
Cash dividends on common stock	10,640	9,111	7,101	7,101	7,101	10.6	7.1
Dividends paid on common stock (Note 4)	—	—	—	—	—	—	—
Retained Earnings	1964	54	8,581	8,581	8,581	1.9	8.5
Net income for the period (see Note 4)	4,893	10,995	16,581	15,185	17,380	4.8	17.3
Balance at beginning of period	—	—	—	—	—	—	—
Balance at end of period (see Note 4)	4,893	10,995	16,581	15,185	17,380	4.8	17.3
Average number of shares of common stock outstanding during the period:	9,274,952	9,800,734	9,822,000	9,822,000	9,822,000	9.2	9.8
Per Share of Common Stock:							
Net income (d)	\$ 1.00	\$ 1.04	\$ 1.50	\$ 1.51	\$ 1.50	\$ 1.00	\$ 1.04
Cash dividend	\$ 1.11	\$ 1.02	\$.75	\$.75	\$.75	\$ 1.11	\$.75
Book value (e)	\$ 22.07	\$ 22.66	\$ 23.40	\$ 23.11	\$ 25.11	\$ 22.07	\$ 25.11

* Adjusted for two for one stock split distributed on June 1, 1962 to holders of record May 11, 1962 and for 2 stock dividends paid in 1959, 1960, 1961 and 1962.

Numerical notes indicated refer to Notes to Financial Statements.

Note: For comparative purposes, in preparing the above statements, previously reported amounts have been revised to include federal and certain amounts have been reclassified.

Net income per annual report	Returned earnings beginning of 1957	1957	1958	1959
(Amounts expressed in thousands of dollars)				
Net income per annual report	775	(13,000)	(121)	2,968
Adjusted income (1)	1,960	306	401	(2,165)
Adjusted V. S. income (2)	(1,610)	1,610		
Equity in undivided earnings of Grace National Bank (3)	6,107	952	952	1,196
Net income of Hialeah Chemical Company (4)	707	265	270	640
Net income as reported	0,152,306	11,102	111,180	16,612

(1) Adjustments in 1959 of federal income taxes and receipts of subsidy for the years 1957 through 1960 have resulted primarily from reclassification of Grace Line for corporate deferrals and deposit expense made in accordance with U. S. Maritime Administration regulations and directives.

(2) In 1954 the Company elected to use for income tax purposes only, the sum of the years' digits method of computing depreciation on certain assets acquired after January 1, 1954. In 1957, anticipating a change in the American Institute of Certified Public Accountants' recommended treatment of the tax deferral resulting from use of the sum of the years' digits method \$5,000,000 was charged against earnings and credited to deferred U. S. taxes on income. If this amount \$5,000,000 was applicable to the years 1956, 1958 and 1959.

(3) In 1956 the Company elected to charge its method of accounting for its investment in the Bank from cost to equity in undivided assets. Accordingly, the Company's equity in the 1957, 1958 and 1959 earnings of the Bank in excess of dividends received has been included in Consolidated Net Income.

(4) Because of combination with Hialeah Chemical Company in July 1960 which was accounted for retroactively as a "pooling of interests" have

(5) In January 1960 the Company acquired approximately 83% of the common stock of Golden Petroleum Corporation and the above statement includes the results of its operations subsequent to January 31, 1960.

(6) 1961 returned earnings include (1) portion of the returned earnings of Grace Line Inc., a wholly owned subsidiary, deemed not available for distribution since it is related to special funds under joint control with the U. S. Maritime Administration or has had distribution in that year of \$5,000,000.

(7) amount of \$100,000 foreign exchange, principally as required by Article 18, Paragraph 1 of the company's charter.

(8) approximately \$1,000,000 which has been transferred to capital stock accounts on the books of subsidiary companies.

Parent company earnings include returned earnings of its subsidiaries in 1958 amounted to \$17,121,000 of these earnings. The income was first of the reduction on payment of each dividend imposed by the loan agreements with its financial institutions.

(9) computed and based on the average number of shares of common stock outstanding during the respective years.

(10) computed on the basis of shares outstanding at the end of each period.

Chemicals
Chemical products of Grace fall into three major classifications: agricultural chemicals, industrial chemicals and chemical specialties. Earnings from sales of chemical products represented 68% of Grace's 1961 earnings after depreciation but before allocation of general corporate overhead, interest on long term debt and taxes. Agricultural chemicals contributed approximately 28% of these sales, industrial chemicals approximately 23%, and chemical specialties approximately 47%.

Grace's Davison Chemical Division ("Davison") produces agricultural chemicals, principally mixed fertilizers, superphosphates and concentrated phosphates at 14 plants all located within the United States. The annual capacities of Davison's agricultural chemical plants are approximately 800,000 tons of mixed fertilizers, 920,000 tons of superphosphate and 500,000 tons of concentrated phosphates.

Davison mines phosphate rock in Polk County, Florida, where it owns or has mining rights in respect of approximately 19,000 acres of land. The lower portion of the phosphate is produced at these mines is used by Davison in the production of superphosphate and concentrated phosphates, the remainder being exported or sold directly to other manufacturers for use as industrial and agricultural materials and to farm suppliers for direct application to the soil. The phosphate mined and leased by Davison contains no heavy metals and is suitable for use in the production of phosphoric acid and phosphates. At the present rate of production of approximately 1.7 million tons a year, it will last for approximately 30 years.

In the industrial chemical field, Davison is a leading producer of cracking catalysts used in the production of gasoline and other petroleum products. Sales of these catalysts accounted for approximately 16% of Davison's total industrial chemical sales in 1961. Davison also manufactures for forming and other industrial catalysts, silica gel, sulphuric acid, and silicofluoric acid. Davison also produces reactor materials, which are sold principally for nuclear energy uses including power reactors.

The annual capacities of Davison's industrial chemical plants are approximately 1.7 million pounds of cracking catalysts, 10,000,000 pounds of silica gel and 845,000 tons of superphosphate.

Grace's Nitrogen Products Division ("NPD") produces anhydrous ammonia and urea. Its plants including the new, state-of-the-art ammonia plant at Big Spring, Texas, completed in May 1962, have the capacity to produce annually approximately 2,400,000 tons of anhydrous ammonia and over 1,000,000 tons of urea. In 1961 NPD produced approximately 1,000,000 tons of ammonia, a portion of which was used in the production of 112,000 tons of urea. The urea and the balance of the ammonia produced by NPD are sold for use as agricultural fertilizer and feed and for certain industrial uses.

Plasticizers and resins used in the manufacture of such products as synthetic rubber, vinyl products, coatings, and jet lubricants and solvents are produced by the Petrochemical Division ("Hale") New plants for the production of phthalic anhydride and butyl benzyl phthalates were completed in Hialeah in 1961. The aggregate annual capacity of Hale's plants is 12,000 tons of phthalic anhydride, 30,000 tons of esters and 2,000 tons of solvents and resins.

A diversified line of chemical specialties is produced by the Dewey and Alton Chemical Division including the following principal products:

Container Products

DAREX can-sealing compounds for hermetically sealing metal cans, DAREX V and DAREX SEAL cap compounds for wide mouth plastic container closures, crown compounds for cork closures, DAREX cover and atom compounds for sealing metal drums and pipes, other compounds for sealing crystals and liquid flasks for can-making, automotive, and other applications, and compounds for applying and drying paint and other sealing compounds.

Organic Chemicals

Copolymer latexes, polyvinyl acetate, isoprene latexes and copolymers of isoprene and styrene, coating latex sold under the name DAREX V and DAREX SEAL.

Battery Separators

DAREX resin impregnated glass battery separators for use in lead-acid batteries, and drying completed chemicals of dry charged automobile batteries.

Polythene Products

DAREX latex impregnated film made material and wadding factory of the company materials for reinforcing fabrics and leathers, rubber and synthetic resins, the company incorporated latex to be coated for use as leather replacements, "Endura" latex impregnated paper backing for gaskets.

Miscellaneous

Other items include certain chemical agents used by the cement and construction industries, meteorological balloons, textile print blankets and driers, and soda lime.

The CRYOVAC Division manufactures and sells a diversified line of flexible packaging materials consisting of the following:

(a) CRYOVAC bag, made from a vinyl vinylidene chloride copolymer, for use with the CRYOVAC process of packaging and protecting refrigerated and frozen foodstuffs.

(b) CRYOVAC pouches, which are small non-shrinking bags made from coated films and film laminates.

(c) CRYOVAC S film, a shrinking transparent wrap made from a vinyl/vinylidene chloride copolymer.

(d) CRYOVAC L film, a new irradiated polyethylene film having exceptional shrink energy.

(e) CRYOVAC Y film, a heat-shrinkable polypropylene film.

Sales of CRYOVAC bags amounted to approximately 70% of the Division's total net sales for 1961. None of the other product lines contributed as much as 15% of such sales.

High density polyethylene is produced by the Polymer Chemicals Division ("Polymer") at its 75,000,000 pound per year capacity plant. Polymer also sells polystyrene manufactured by Caden Petroleum Corporation and polypropylene and low density polyethylene manufactured by others.

The Overseas Chemical Division directs the activities of certain subsidiaries of Grace in Argentina, Australia, Brazil, France, Great Britain, Italy, Denmark, Japan, Liechtenstein, Mexico, Netherlands, New Zealand, Spain, Switzerland, Venezuela and West Germany. In addition, the Division has technical representatives in Denmark, Netherlands and South Africa and distributors in approximately 10 additional foreign countries. The Division's business includes the manufacture and sale both direct and through subsidiaries of a diversified line of chemical specialties, including products of natural and synthetic rubbers and resins, and of machinery especially designed for use with many of them. Products sold have been to a large extent the same as those sold by Ilex and Amer Chemical Division and CRYOVAC Division. Container products, CRYOVAC products, butyl separators and organic chemicals contributed approximately 90% of total sales during 1961 of the Division and the aforementioned subsidiaries.

In 1962 Grace acquired more than a majority of the stock of Vulkan Material Plastics S. A. and Vulkan Atrielon de Borracho S. A., both located in Rio de Janeiro, Brazil. These corporations are converters of plastic materials specializing in chlorinated polyvinyl chloride and in polyether rubber and polyester foam products.

Raw materials for the U. S. chemical plants are obtained domestically with the exception of natural rubber which is imported and potash and sulphur, portions of which are imported.

Grace research is done at the Divisional level and at a central research facility located in Clarksville, Maryland, that employs 110 persons. Research and development expenditures of the chemical group amounted to \$9,676,000 in 1961.

Petroleum

Grace and Libyan American Oil Company ("Libamco"), a wholly owned subsidiary of Texas Gulf Producing Company, each owned undivided interests in five petroleum concessions in Libya (now covering 5,125,000 acres) and in 1960 they conveyed to Esso, Sirte Inc., a wholly owned subsidiary of Standard Oil Company (New Jersey), 50% interest in three of such concessions. In return for this Esso undertook to expend approximately \$5 million on exploration in such concessions and to buy Grace's and Libamco's shares of oil produced at the latter companies' option. Oil has been found on two of these three concessions.

Production of oil from one of the concessions in which Grace has an interest commenced in early 1963. Grace's interest in the two concessions upon which oil has been found is 24.5%.

Under the terms of all five concessions and the Libyan Petroleum Law, the concession holders are obligated to explore and develop the concessions, to gradually surrender to the Libyan Government portions (to be selected by the concession holder) of the concessions up to 75% of the area thereof, and to share profits on an approximate 50/50 basis with the Government.

In January 1960 Grace acquired approximately 53% of the outstanding capital stock of Caden Petroleum Corporation for about \$40.5 million in cash. Caden produces and also purchases crude

oil, principally in Texas, and refines crude oil and manufactures petroleum products at refineries, one at Big Spring, Texas, and the other at Odessa, Texas. Its Big Spring refinery has capacity to produce approximately 1,000 barrels of crude oil per day, and its Odessa refinery to produce approximately 1,000 barrels per day. Its refined products, other than petroleum, are sold in the United States, are marketed principally in Texas with some sales in New Mexico, Oklahoma and Midwestern United States. Petroleum and specialty products are sold east of the Rocky Mountains, principally to industrial and commercial users.

Transportation

Grace Line, Inc., a wholly owned subsidiary of Grace, is engaged in the operation of regularly scheduled (liner) services carrying freight, passengers and mail on the following major trade routes declared by the United States to be essential to its foreign commerce. For service the U. S. Atlantic Coast and Haiti and the Pacific Coast of South America via the Panama Canal with port of call at North Coast (abandonment ports), between the U. S. Pacific Coast and the Pacific Coast of Mexico, Central America and South America with port of call in Haiti by boats between the U. S. Atlantic Coast and Venezuela, North Coast Colombia, North Coast Venezuela and Haiti with port of call at other Caribbean island ports. Grace Line has applied to the Maritime Administration for the privilege of engaging in the trade to Puerto Rico while operating in voyages which are otherwise in foreign trade.

Total Grace Line revenues from freight, passengers, mail and other sources were approximately \$64,300,000 in 1961.

Grace Line's present fleet of 26 ships consists of two 300 passenger combination passenger cargo ships built in 1958, eight 52 passenger combination cargo passenger ships built in 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, and two container type freight ships constructed in 1961.

The Merchant Marine Act, 1936, as amended, provides for assistance to United States citizens engaged in operating U. S. flag ships in foreign commerce through operating differential subsidy. Under a Grace Line has for many years been a party to an operating differential subsidy agreement with the United States Government, and at the present time all of its ships (except a freighter proposed to be sold) are operated under such an agreement. Operating differential subsidies paid under this type of agreement are in general designed to place the operation of United States flag ships engaged in foreign commerce on a parity with those of foreign competitors by payment to the United States flag operator of an amount equivalent to the excess operating expenses of such operator over the expenses of foreign competitors. Grace Line's current operating differential subsidy agreement covers the years 1964-1977.

Under a ship replacement program aimed at replacing all subsidized ships which have passed certain specified age limits, the United States has declared conditional commitments to certain ship operators, including Grace Line, to replace periodically their existing subsidized ships. Completion in 1968 of the construction of the new Santa Paula and the new Santa Rosa combination passenger cargo vessels accommodating 300 passengers per ship at a cost to Grace Line of approximately \$29.5 million, was the first step in Grace Line's replacement program. Completion of the construction of four additional replacement combination passenger cargo vessels at a cost to Grace Line of approximately \$100 million has been launched. The cost to Grace Line of all of its ships presently estimated to be about \$40 million. (This amount \$28 million has been received by the U. S. Government insured bonds).

Grace Line is scheduled to award a contract for the construction of four freight vessels in the spring of 1963. In addition, Grace Line has also conditionally agreed to award construction contracts for the balance of the ship replacement program during the period 1964-1966.

Under the Merchant Marine Act the United States Government is also authorized to grant construction differential subsidies which provide aid in the construction and readjustment of ships for use in U. S. foreign commerce so that United States operators may build and readjust ships in U. S. shipyards at a cost roughly equivalent to the cost in a representative foreign shipyard. Up to the present time construction differential subsidy has been granted by the United States for all construction and reconstruction in connection with Grace Line's current ship replacement pro-

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gram and Grace Line indicates that it will receive such subsidy in connection with the construction of the remaining ships to be constructed pursuant to its replacement program.

Pan American Grace Airways, Inc. ("Panagra") owned jointly with Pan American World Airways, Inc. operates a route between the Canal Zone and Buenos Aires, serving intermediate points in Colombia, Ecuador, Peru, Bolivia and Chile. Under through flight and equipment interchange agreements, Panagra planes provide through one-plane service between New York and Washington and the points indicated above. Panagra's fleet consists of 4 DC-8's, 6 DC-7B piston planes, and 1 DC-3. Cargo plane. Panagra flew 250 million revenue passenger miles in 1961 with revenues of \$224 million.

Banking

Grace National Bank of New York, more than 80% of the stock of which is owned by Grace, conducts a general banking business in New York City. Its operations cover a full range of banking services including commercial and savings accounts and loans for commercial, industrial and other purposes. Its foreign department is an important factor in its operations, maintaining close association with central and private banking institutions throughout the free world and rendering comprehensive services in connection with foreign commerce, including the extension of credit to foreign banking institutions. As of December 31, 1962, its deposits were \$272,786,000.

Paper Manufacturing and Lignin

Grace has, in addition to those mentioned above, extensive foreign operations centered primarily on the west coast of Latin America where, in recent years, major emphasis for growth has been in the production of chemicals, paper and food products in Peru, Chile and Colombia. These operations are carried on through a number of wholly-owned and majority-owned subsidiaries.

Foreign manufacturing operations use local raw materials to the maximum extent possible and production is, with few exceptions, consumed within the country of origin or in neighboring Latin American countries.

The following is a brief description of some of the more important Grace operations in South America and elsewhere, other than those in Brazil previously described:

So-called Paramonga Limitada, a wholly-owned subsidiary, operates a paper mill in Peru utilizing sugar cane waste ("bagasse") supplied from Paramonga's own sugar mills as its principal raw material. The mill has an annual capacity of about 50,000 metric tons of paper and paperboard, which will be increased to 70,000 tons in the near future. A similar paper mill in Colombia, in which Grace has a 51% interest, purchases its bagasse from local sugar producers and has an annual capacity of about 55,000 metric tons of white bond and printing paper.

Grace operates three paper converting plants in Peru through subsidiaries and has a less than 50% interest in one in Ecuador. The plants produce a variety of paper products, including corrugated cartons, folding and specialty boxes, grocery bags and multi-wall paper bags.

Alcala Paramonga S.A., a wholly-owned subsidiary, operates at Paramonga, Peru, a 25-ton per day electrolytic caustic soda plant. The plant produces about 50% of the caustic soda and the bulk of the chlorine and hydrochloric acid consumed in Peru. It is expected that the capacity of this plant will be expanded to 50 tons per day by 1965.

Two majority-owned subsidiaries and one wholly-owned subsidiary in Colombia produce a variety of chemical products, including coal tar derivatives, textile resins, leather chemicals, sizes for paper, solvents, industrial detergents, pesticides, synthetic resin, adhesives and formaldehyde. One of the majority-owned companies is constructing a plant to produce phthalic anhydride, naphthalene and plasticizers. Another majority-owned subsidiary, Compania de Industrias y Azucar S.A. (COIA), produces a substantial portion of the synthetic resins and adhesives produced in Chile.

Through wholly-owned subsidiaries Grace owns and operates refineries in Peru having over 25,000 irrigated acres planted in sugar cane. Mills located on these refineries refine sugar and produce molasses and alcohol. These installations have the capacity, per 24-hour day, for grinding 7,400 metric tons of sugar cane and refining 650 metric tons of sugar and have an annual production of about 100,000 metric tons of raw and refined sugar. COIA refines sugar in Chile. Its refinery has a capacity per 24-hour day of 100 metric tons of refined sugar.

Grace owns a majority of the stock of Casa Unida Agraria Victoria, Inc. S.A., a Peruvian company engaged in the manufacture of cotton textiles. It produces annually about 7 million yards or approximately 30% of the cotton textile marketed in Peru.

Another majority-owned subsidiary, Textiles Americanos S.A., operates a textile mill in Arequipa and Concepcion, Chile, producing cotton and blends of rayon, acetate and wool which account for approximately 11% of the total national textile output. In 1961 the mill near Concepcion produced in excess of 17,000,000 meters of cotton cloth and the mill near Santiago, approximately 1,000,000 meters of synthetic fiber and wool blends.

Grace y Cia (Peru), a wholly-owned subsidiary, operates a paint plant in Lima. This plant has an annual capacity of about 2,000 metric tons of paint, enamel and varnish and supplies approximately 30% of the total Peruvian paint consumption.

COIA owns a paint plant in Chile equipped to produce a complete line of paints, varnishes and enamels. The plant, which has a capacity of 8,500 metric tons per annum, produces about 20% of the paints consumed in that country.

Grace also owns two Pinturas S.A., which operates a paint plant in Colombia and a two-thirds interest in Pinturas Ecuatorianas S.A., which operates a paint plant in Ecuador. The Colombian plant has an annual capacity of about 2,500 metric tons and the Ecuadorian plant has an annual capacity of about 800 metric tons.

Grace's wholly-owned Colombian subsidiary, Consolidaes La Rosa S.A., manufactures a wide range of biscuits, candy, and cooking and fine chocolates. Consolidaes La Rosa Field, S.A., a subsidiary in which Grace owns a majority interest, is a leading Peruvian manufacturer of biscuits, candy and marshmallows and also manufactures chocolate. A Grace affiliate produces fruit juices and tomato products in Colombia and a majority-owned subsidiary mills flour in Bolivia.

In December 1962, Grace acquired more than a majority position in C. F. Van Houten & Zonen N.V., a Dutch company and affiliated companies, which manufacture and sell cocoa butter, cocoa and other chocolate and confectionery products.

COIA owns an integrated vegetable oil plant in Chile, which has an estimated capacity of 12,000 metric tons per annum of refined edible and linseed oils. Some of the edible oil is further processed in a hydroprocessing plant with a capacity of 400 metric tons per annum of vegetable shortening. The vegetable oil plant is the second largest in the country and produces approximately 18% of the refined edible oil and 20% of the linseed oil consumed in the country.

Grace owns 51% of the stock of International Mining Co., a Bolivian corporation which owns or has concessions on mining claims covering approximately 24,000 acres. Mining production in 1961 consisted of 2,336 tons of tungsten (wolfram) concentrates representing about 20% of the tungsten line of tungsten and 586 tons of tin. Another Grace subsidiary in Bolivia produces more than half of that country's cement requirements.

DESCRIPTION OF GRACE COMMON STOCK

The following is a summary of the provisions applicable to the Grace common stock as set forth in the Charter and the Agreement. A description of the stock is set forth in the prospectus filed with the Securities and Exchange Commission on June 1, 1962. The following description is of the stock as it exists.

Dividends

After all cumulative dividends on Grace's Preferred Stock and on the A Preferred Stock for the previous years and after all dividends on Grace Preferred Stock for the A Preferred Stock for the current year have been paid in cash, the Grace common stock is entitled to receive dividends when and as declared.

Grace's long term 5% and 5 1/2% notes provide that Grace may not declare or pay dividends (other than dividends in stock of Grace and other than dividends on its previously issued preferred stocks) or apply any of its assets (directly or through any subsidiary) to the purchase or acquisition of any of its stocks or to any distribution in respect of any of its stocks, until it has immediately after giving effect to such action, (a) the "Unaudited Net Current Assets" are not less than \$100,000,000, (b) the "Unaudited Net Current Assets" of Grace and its "Domestic Subsidiaries" are not less than \$70,000,000, (c) all dividends or other distributions declared or paid on

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all of Grace's stocks after 1960, plus the excess of the amount applied after 1960 to the purchase (including purchases by subsidiaries) or other acquisition of any of Grace's stocks over the net cash proceeds from sales after 1960 of any of Grace's stocks, do not exceed the sum of \$12,500,000 and the "Unallocated Net Income" of Grace and its "Domestic Subsidiaries" accruing after 1960; and (d) all dividends or other distributions declared or paid on all of Grace's stocks after 1960, plus the excess of (i) the amounts applied after 1960 to the purchase (including purchases by subsidiaries) or other acquisition of any of Grace's stocks after 1960 plus "Restricted Assets" plus amounts applied to acquire "Subordinated Indebtedness" over (ii) the net cash proceeds received by Grace from sales after 1960 of any stock plus any "Subordinated Indebtedness", do not exceed the sum of \$12,500,000 and the "Unallocated Net Income" after 1960 "Restricted Assets" are any "Foreign Assets" in excess of 25% of "Consolidated Net Tangible Assets". Grace's debt bank loan agreement provides that Grace will observe the above restrictions as long as notes are outstanding under such agreement.

In addition, the indentures relating to Grace's 3 1/2% Convertible Subordinated Debentures due May 16, 1976 provide that no dividend or other distribution (except in common stock of Grace) is to be made on any stock of Grace, and no acquisition of any of its stock is to be made by Grace or any subsidiary if: (a) the minimum sinking fund payment, including any accumulated deficiencies, on the debentures shall not have been paid in full; or (b) after giving effect to such action, the aggregate payments for all such payments after December 31, 1964 would exceed the sum of (i) \$25,000,000, (ii) the consolidated net income (as defined) of Grace and its subsidiaries after December 31, 1961, (iii) the net amount received by Grace after December 31, 1961 from the sale of shares of its common stock, and (iv) the aggregate principal amount of funded debt of Grace surrendered for conversion into common stock after December 31, 1964. This restriction, however, does not apply to the payment of dividends on Grace's preferred stocks outstanding on December 31, 1964.

At December 31, 1961 \$16,300,000 of Grace's unappropriated retained earnings were free of the above restrictions on the payment of cash dividends.

Liquidation Rights

In the event of the liquidation or dissolution or winding-up (whether voluntary or involuntary) of Grace, the assets of Grace shall be distributed to the holders of the common stock, after the payment of the full par amount of, and any unpaid dividends accrued on outstanding shares of Preferred Stock and Class A Preferred Stock and after the payment to the holders of the Class B Preferred Stock of its full par amount and any unpaid dividends declared thereon for the current year.

Voting Rights

The holders of the common stock are entitled to vote on all matters submitted to stockholders of Grace, each share having one vote. The Preferred Stock has eighty votes per share, and the Class A and Class B Preferred Stocks each have eight votes per share. Grace cannot, without the affirmative vote of the holders of at least a majority of all the common stock at the time outstanding (i) create any other class or classes of stock ranking prior to the common stock, either as to dividends on liquidation, or increase the authorized number of shares of any such other class of stock or of the common stock, or (ii) amend, alter or repeal any of the provisions of Grace's certificate of incorporation defining the relative rights of its various classes of stock so as adversely to affect the terms, limitations and relative rights and preferences of the common stock.

Preemptive Rights

The holders of the common stock have no preemptive right because of such stock holdings to purchase shares of any class of stock of Grace, or any debentures, bonds, notes, or other securities convertible into stock of any class of Grace.

Further Calls

Under Connecticut law (the state in which Grace is incorporated) the common stock when issued is not less than par to not liable to any further calls or assessments.

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ZONOLITE COMPANY

STATEMENT OF FINANCIAL CONDITION

ASSETS		March 31, 1962	September 30, 1962
CURRENT ASSETS			
Cash and short term securities		\$1,561,416	\$ 982,111
Trade accounts, receivable, less allowance for doubtful accounts (March 31, 1962 - \$25,000; September 30, 1962 - \$37,000)		1,295,770	1,309,060
Inventories - Note A		1,181,369	1,188,461
Prepaid expenses		71,190	15,255
TOTAL CURRENT ASSETS		\$3,109,745	\$3,514,927
INVESTMENTS AND OTHER ASSETS			
Subsidiaries and other associated companies - Note B:			
Investments at cost		\$ 105,571	\$ 100,571
Advances		215,000	154,715
Macellaneous notes, accounts, and deposits		122,995	171,551
PROPERTY, PLANT, AND EQUIPMENT on the basis of cost		\$ 111,587	\$ 111,517
Land		\$ 152,495	\$ 157,609
Oil deposits, less allowance for depletion		321,610	321,610
Buildings and structures		4,741,291	4,741,161
Machinery and equipment		5,255,511	5,046,100
ALLOWANCES FOR DEPRECIATION		\$7,511,865	\$7,490,211
		1,151,916	1,051,512
TOTAL INVESTMENTS AND OTHER ASSETS		\$1,016,924	\$1,228,729
		\$7,895,290	\$7,694,216
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		\$ 315,710	\$ 157,616
Salaries and wages		15,000	15,000
Taxes, other than taxes on income		1,000	1,000
Federal and state taxes on income		1,000	1,000
TOTAL CURRENT LIABILITIES		\$ 332,710	\$ 174,616
STOCKHOLDERS' EQUITY - Note E:			
Common Stock, par value \$1.00 a share			
Authorized 1,500,000 shares, issued and outstanding (March 31, 1962 - 1,095,837 shares; September 30, 1962 - 1,095,837 shares)		1,095,837	1,095,837
Other capital		5,662,963	5,662,963
Earnings retained for use in the business		\$7,216,956	\$7,212,795
		\$7,895,290	\$7,694,216

See notes to financial statements

ACCOUNTANTS' REPORT

Board of Directors
Zonolite Company
Chicago, Illinois

We have examined the statement of financial condition of Zonolite Company as of March 31, 1962, and the related summary of earnings and earnings retained for use in the business for the five years then ended. 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 accompanying statement of financial condition and summary of earnings and earnings retained for use in the business present fairly the financial position of Zonolite Company at March 31, 1962, and the results of its operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

Chicago, Illinois
May 1, 1962

Uttar Pradesh

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The company has a more satisfactory position for employees in the line of the company.

Abstract: The purpose of this study was to determine the effect of a 12-week training program on the physical fitness of 12-year-old children. The program consisted of three sessions per week, each lasting 45 minutes. The sessions included aerobic exercise, strength training, and flexibility exercises. The children's physical fitness was measured at the beginning and end of the program using a series of tests. The results showed that the children's physical fitness improved significantly after the 12-week program. The children's aerobic capacity, muscle strength, and flexibility all increased. The program was well-received by the children and their parents. The results of this study suggest that a 12-week training program can improve the physical fitness of 12-year-old children.

Printed by the Government Printer, Ottawa, 1914.

The manifest and obvious purpose of the above is to

and September 30, 1962

granted because it is a day after great and an extraordinary thing - very

the September 1997, a lock option agreement to purchase Common Stock upon exercise of the option, was entered into by the Company and one of the principal officers. The option was set at a market value at date of grant. The option was exercisable for a period of five years after the date of grant, and the option was to be purchased during the five year term of the period. In each of the next three years, the option may be purchased at a discount of 10% of the price of the last three years. The option may be purchased in subsequent years.

Shares under option at 9/1/97 are as follows:

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Date	Time	Lat.	Long.	Alt.	Temp.	Wind	Clouds	Remarks
November 17, 1906								
August 22, 1906								
August 28, 1906								
August 28, 1906								

August 21, 1961	1
October 1, 1961	1
August 19, 1962	1
June 29, 1962	1
November 11, 1962	1
February 16, 1962	1
1962	11

May 10, 1962	100
September 19, 1962	100

Total number of shares	67,105
Aggregate option price	\$ 366,112
At date of grant:	
Fair market value per share	\$7.100 to \$6.26
Aggregate fair market value	\$ 476,740

Don't be a victim of a scam. In the future, before you give out any information, make sure you know who you are giving it to.

Date	Number
November 1, 1962	100
August 22, 1962	100
May 29, 1962	100
August 24, 1962	100
February 29, 1962	100
August 12, 1962	100
June 29, 1962	100
November 12, 1962	100
February 16, 1962	100
May 18, 1962	100

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Total number of cases

At date of grant.

At date of grant.

	Fair market value per share	
Amount	\$2,140 1. 86 26	8 17 1948

NOTES TO FINANCIAL STATEMENTS—(Continued)

Option which became exercisable during the period	Year Ended March 31		Six Month Period Ending September 30 (Unaudited)
	1961	1962	
Number of shares	16,530	17,120	12,510
Option price per share	\$1.00 to \$5.16	\$1.00 to \$5.16	\$1.00 to \$5.16
Aggregate option price	\$12,165	\$66,254	\$23,866
Fair market value at date option became exercisable			
Per share	\$4.00 to \$6.12	\$2.25 to \$1.76	\$4.62 to \$5.38
Aggregate	\$66,100	\$64,600	\$79,840
Options expired during the period			
Number of shares	16,590	6,310	12,600
Option price per share	\$1.00 to \$5.16	\$1.00 to \$5.16	\$1.00 to \$5.16
Aggregate option price	\$20,017	\$12,000	\$12,600
Fair market value at date of exercise			
Per share	\$6.00 to \$6.12	\$2.00 to \$5.25	\$4.00 to \$5.37
Aggregate	\$99,606	\$28,014	\$128,263
At time options are expired, the difference between fair value and option price is credited to other capital			
There were no charges to profit and loss with respect to such option arrangements			

Note 6. STATEMENTS OF INCOME STATEMENT INFORMATION:

	Charged Directly to Income		
	For Cost of Products Sold	For Selling, General and Administrative Expense	Total
Year Ended March 31, 1961			
Maintenance and repairs	\$ 224,873	\$ 13,803	\$ 238,676
Depreciation, depletion and amortization	321,761	66,184	387,945
Taxes, other than income taxes			
Payroll	48,781	47,323	96,104
Other	49,068	44,973	94,041
Rent	82,562	54,910	137,472
Repatriation	66,770	21,622	88,392
Year Ended March 31, 1962			
Maintenance and repairs	\$ 417,654	\$ 4,703	\$ 422,357
Depreciation, depletion and amortization	508,276	84,349	592,625
Taxes, other than income taxes			
Payroll	62,794	41,298	104,092
Other	68,784	4,101	72,885
Rent	81,624	1,000	82,624
Repatriation	40,136	7,216	47,352
Year Ended March 31, 1962			
Maintenance and repairs	\$ 421,809	\$ 9,109	\$ 430,918
Depreciation, depletion and amortization	600,305	22,009	622,314
Taxes, other than income taxes			
Payroll	71,786	67,176	138,962
Other	26,306	84,170	110,476
Rent	82,168	110,066	192,234
Repatriation	50,306	8,227	58,533

OPINION OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF
W. R. GRACE & CO.

We have made annual examinations of the financial statements of W. R. Grace & Co. and subsidiary companies for the five years ended December 31, 1961. Except as stated in the following paragraph 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.

The financial statements of the Grace National Bank of New York were not examined by independent accountants for the years 1957 and 1958. With respect to the financial statements of the bank for those years, we have had presented to us accounts submitted by responsible officials of the bank as well as the reports of the Comptroller of Currency and the Examining Committee of the Board of Directors of the bank on their examinations for each of those years.

In our opinion, based on the foregoing examinations, the financial statements of W. R. Grace & Co. and subsidiary companies included in this Proxy Statement present fairly the position of W. R. Grace & Co. and W. R. Grace & Co. and its consolidated subsidiaries at December 31, 1961, the results of operations of W. R. Grace & Co. for the three years then ended and the results of operations of W. R. Grace & Co. and its consolidated subsidiaries for the five years then ended, all in conformity with generally accepted accounting principles consistently applied.

PRICE WATERHOUSE & CO.

New York, N.Y.
March 8, 1962

W. R. GRACE & CO. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1961

ASSETS

CURRENT ASSETS:		
Cash		\$ 43,003,109
U. S. Government and other marketable securities at cost (appreciated market value), including \$2,143,000 deposited as collateral		11,119,926
Notes and accounts receivable:		
Trade, less reserves of \$3,786,301	\$7,147,229	
U. S. Maritime Administration - Estimated operating differential subsidy - Note 3	5,213,757	
Other, less reserves of \$272,919	11,771,093	
Inventories - Note 4		90,622,079
Prepaid expenses		90,609,187
TOTAL CURRENT ASSETS		212,757,597
SPECIAL FUNDS AND DEPOSITS - Note 5		36,740,177
INVESTMENTS:		
Investment in Grace National Bank - Note 1	\$14,044,973	
Investments in subsidiary companies not consolidated and fifty-percent owned companies, at cost - Note 12	6,445,813	
Stockholdings of subsidiary company not consolidated and fifty-percent owned companies	5,664,114	
Investment in Texas Gulf Producing Company, at cost (market value \$4,917,610)	5,720,283	
Investment in Libyan oil project - Note 6	4,103,847	
Miscellaneous investments, at cost, less reserves of \$192,608	5,168,476	
Common stock of Company held for options, at cost - Note 11	892,125	
PROPERTY AND EQUIPMENT, at cost, less depreciation and depletion of \$213,818,465 - Note 7		42,859,630
DEFERRED CHARGES		
RECEIVABLE FROM INTERNATIONAL PAPER OVERSEAS LIMITED, due 1965	297,104,419	
MISCELLANEOUS RECEIVABLES AND OTHER ASSETS	4,045,949	
Goodwill, less amortization of \$796,011	10,000,000	
	6,009,811	
	<u>1,771,072</u>	
		<u>\$413,317,009</u>

W. R. GRACE & CO. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1961

LIABILITIES

CURRENT LIABILITIES:		
Loans payable		\$ 12,196,739
Long-term debt due within one year		1,157,407
Accounts and acceptances payable		61,000,177
U. S. and foreign taxes on income - Note 8		10,136,007
Extra compensation		1,111,636
Other current liabilities		9,284,617
TOTAL CURRENT LIABILITIES		106,686,973
EXPENSES OF INTERIM AND VARIOUS REVENUE:		
OVER EXPENSE AND DEFERRED INCOME		1,633,000
DEFERRED TAXES ON INCOME - Note 8		1,734,139
MANAGERS' DEFERRED COMPENSATION		1,986,179
EMPLOYEE SAVINGS PLAN AND DEFERRED PENSION FUND BENEFIT		10,136,007
LAWS AND OTHER LITIGATION RESERVES		50,182,137
LONG-TERM DEBT - Note 9		1,150,000
OTHER LIABILITIES		1,150,000
EQUITY OF MINORITY STOCKHOLDERS IN CONSOLIDATED SUBSIDIARIES - Note 10		10,271,200
		<u>271,289,548</u>
CAPITAL STOCK - Note 11:		
Authorized by charter - \$100,000,000		
Preferred stock outstanding		1,150,000
Common stock issued - \$1.00 par		270,139,548
CAPITAL SURPLUS - net less improving additions		1,150,000
RETAINED EARNINGS, net less improving additions		1,150,000
COMMITMENTS AND CONTINGENT LIABILITIES - Note 11		

INCOME STATEMENT
(COMPANY)

W. R. GRACE & CO.

INCOME STATEMENT
For the Three Years Ended December 31, 1961

	1961	1960	1959
Sales and operating revenues			
Related to			
Revolving companies	\$ 12,245,314	\$ 12,999,377	\$ 11,771,800
Others	254,134,111	246,053,430	231,951,947
Cost of goods sold and operating expenses			
Note 4	129,826,196	106,106,482	173,979,802
Selling, general and administrative expenses	35,485,768	33,510,841	36,538,647
Depreciation and depletion	11,297,271	10,729,280	11,877,237
Note 7			
Research and development expenses	7,821,842	8,284,461	9,000,041
			230,575,437
Income: Dividends, interest and other income:	12,102,230	11,382,812	12,162,519
From subsidiaries			
Dividends from foreign subsidiaries and domestic subsidiaries operating directly or through subsidiaries in foreign countries	7,009,261	7,479,481	10,823,966
Dividends from other domestic subsidiaries	438,014	1,748,460	2,046,324
Interest (net)	325,760	682,820	323,543
			13,293,713
From other sources			
Dividends	201,668	200,840	412,680
Interest	1,108,797	706,706	607,663
Gain on sale of Foster & McVee Division	1,400,467	1,629,380	2,714,882
			1,950,291
Explosives expenditures			
Royalty on project	776,066	1,400,550	1,855,811
Interest:			
On long term debt	6,096,794	7,317,806	7,882,348
Other	2,171,650	319,581	304,260
Pension (net) for bona fide investments in and advances to subsidiaries	1,327,763	2,421,318	3,013,560
			12,716,768
Income: Total on income: Note 8			
U. S. income taxes	2,182,307	1,841,792	1,483,976
Foreign and other income taxes	824,508	889,781	1,688,270
			3,181,916
Net income (a)	\$ 10,974,000	\$ 10,274,973	\$ 11,041,040

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1961 Income Statement

(a) For comparative purposes, in preparing the above statement, previously reported amounts have been restated as indicated below and certain amounts have been reclassified.

	1959	1958
Net income and special item per annual report	\$70,411,032	\$12,426,157
Special item: Four years U. S. income taxes and interest thereon	2,491,112	12,491,120
Net income of Hater Chemical Company (1)	1,206,216	410,985
Net income as restated	\$72,108,360	\$10,616,022

(1) Business combination with Hater Chemical Company in July 1959 which was accounted for retroactively on a "pooling of interests" basis.

RETAINED EARNINGS
(COMPANY)

W. R. GRACE & CO.

STATEMENT OF RETAINED EARNINGS
For the Three Years Ended December 31, 1961

	1961	1960	1959
Balance at beginning of the year	\$42,131,120	\$40,997,101	\$37,801,600
Net income, per accompanying statement	10,074,020	10,274,973	11,041,040
Dividends paid in cash:			
6% cumulative preferred stock (\$6 per share)	(210,000)	(210,000)	(210,000)
8% cumulative preferred stock (Class A (\$8 per share))	(385,056)	(405,046)	(418,056)
8% noncumulative preferred stock (Class B (\$8 per share))	(303,600)	(303,600)	(303,600)
Common stock (\$1.60 per share)	(7,317,157)	(7,579,671)	(7,779,171)
Dividends paid in common stock (2%)	(3,939,181)	(3,962,151)	(3,930,000)
Balance at end of year - Note 13	\$40,997,101	\$42,131,120	\$40,997,101

See Note (a) to the Company's Income Statement

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NOTES TO FINANCIAL STATEMENTS—(Continued)

An analysis of consolidated net assets and net current assets at December 31, 1961 and of sales and revenues for the three years ended December 31, 1961 follows (in millions):

	Net Assets	Sales and Revenues		
		1961	1960	1959
Foreign Operations	\$ 1,800	\$ 10,000	\$ 10,000	\$ 10,000
Belgian	1,300	8,000	8,000	8,000
Central America	1,100	1,000	1,000	1,000
Chile	8,000	20,000	20,000	20,000
Colombia	8,000	7,000	7,000	7,000
Cuba	10,000	10,000	10,000	10,000
Other	20,000	10,000	10,000	10,000
Chemicals (A)	192,200	210,000	210,000	210,000
Shipping Operations	2,700	2,700	2,700	2,700
Cuba's Chemical Corp.	25,000	10,000	10,000	10,000
U.S. Importing Expenses	(112,000) (B)	72,000 (C)	72,000	72,000
Other	3,000	3,000	3,000	3,000
	\$245,000	\$135,000	\$135,000	\$135,000

- (A) Including certain foreign chemical operations.
(B) After deducting the Company's long-term debt not allocable to specific operations.
(C) Including general funds of the Company not allocable to specific operations.

(3) OPERATING INVESTMENT SUMMARY AND REVENUES

Green Line Inc. operates under an operating differential subsidy agreement expiring December 31, 1977 covering all of the company's regular revenues.

Under the agreement Green Line Inc. is entitled to a subsidy representing the excess of its costs over its revenues (excluding foreign exchange costs) in the United States. The subsidy is subject to recapture by the U.S. in the event of 80% of the annual U.S. sales from subsidized operations in each ten-year period exceed 80% of the capital necessarily employed in such operations. Any recapture is withheld by the U.S. from the subsidy receivable.

At December 31, 1961, subsidy (less recapture) of \$14,257,000 was estimated to be receivable, based in part on tentative rates not yet approved by the U.S. Maritime Administration. In the Consolidated Balance Sheet, this amount has been reflected as deferred income representing an estimate of the amount which is required to be deposited in the reserve funds (see Note 4).

(4) INTERESTS (Cost or Green Note and Operating Expenses)

The investments included in the balance sheet at December 31, 1961 are summarized by major classes as follows:

	Company	Consolidated
Raw and packaging materials	\$ 10,000,000	\$ 10,000,000
In process	2,000,000	2,000,000
Finished products	10,000,000	10,000,000
General merchandise, consumables, etc.	6,000,000	6,000,000
Stores and supplies	2,000,000	2,000,000
	\$ 30,000,000	\$ 30,000,000

Investments are stated at the lower of cost or market.

The inventory amounts used in the computation of cost of goods sold and operating expenses in the statements of income for the three years ended December 31, 1961 were as follows:

	Company	Consolidated
December 31, 1960	\$ 12,000,000	\$ 12,000,000
December 31, 1961	10,000,000	10,000,000
December 31, 1959	10,000,000	10,000,000
December 31, 1961	10,000,000	10,000,000

NOTES TO FINANCIAL STATEMENTS—(Continued)

(5) SPECIAL FUND AND INCOME

The following amounts were included under this caption at December 31, 1961:

Special fund of Green Line Inc.	
including U.S. Government and	
other marketable securities at	\$ 16,000,000
end of 12/31/61 (B)	6,000,000
Other special and guaranty deposits	\$ 20,000,000

The Green Line Inc. special funds are required under an operating differential subsidy agreement to be used for the purpose of subsidizing the cost of production of goods in the United States.

This agreement is referred to in Note 3 and requires deposits in the special funds of 10% of the net income of the company, less taxes, to be used for the purpose of subsidizing the cost of production of goods in the United States. The special funds are also used to pay for the cost of production of goods in the United States.

The special funds may be used to purchase, construct or reconstruct vessels (see Note 4) for the purpose of subsidizing the cost of production of goods in the United States.

(6) INVESTMENT FOR INVESTMENT

In 1959 the Cuban Government approved an agreement of purchase for the acquisition of 100,000 shares of common stock of Green Line Inc. by the Cuban Government. The agreement provides that Green Line Inc. will sell the shares to the Cuban Government at a price of \$1.00 per share. The Cuban Government has agreed to purchase the shares at a price of \$1.00 per share. The Cuban Government has agreed to purchase the shares at a price of \$1.00 per share.

(7) DEPRECIATION AND EQUIPMENT

A summary of properties and equipment at December 31, 1961 follows:

	Company	Consolidated
Land	\$ 1,000,000	\$ 1,000,000
Buildings	4,000,000	4,000,000
Ships, boats, equipment, etc.	10,000,000	10,000,000
Vessels and marine property	10,000,000	10,000,000
Properties under construction	10,000,000	10,000,000
	\$ 35,000,000	\$ 35,000,000

Depreciation of properties and equipment is computed on a unit rate basis. Depreciation of other properties and equipment is generally computed on the straight line method over the estimated useful life. The estimated useful life of properties and equipment is based on the nature of the properties and equipment and the expected use thereof. The estimated useful life of properties and equipment is based on the nature of the properties and equipment and the expected use thereof.

In view of the nature of properties and the large number of depreciation rates, it is not practicable to set out all the rates used in computing the provisions for depreciation. However, the rates used in computing the rates on a consolidated basis for the three years ended December 31, 1961 were as follows:

	1961	1960	1959
Buildings	1.0%	1.0%	1.0%
Ships, boats, equipment, etc.	2.0%	2.0%	2.0%
Vessels (5% in 1959, 6% in 1960 and 1961)	6.0%	6.0%	6.0%
and marine property	6.0%	6.0%	6.0%
Advertising structures	9.0%	9.0%	9.0%

Expenditures for maintenance, repairs, renewals and betterments which do not materially prolong the useful life of the asset are charged to costs and expenses. The cost of property retired or sold, and the related revenue for disposition, is charged from the books, and any profit or loss, after taking into consideration proceeds from sale, is transferred to income.

NOTES TO FINANCIAL STATEMENTS—(Continued)

January 21, 1961 (including previous 1.41 g/hr within year 1.01)

It is not payable to consolidated dividends, principally because companies, during 1964 to 1969.

new conditions, they yield to the
big, wide, open world of the
future, and the world of the
future is the world of the
future.

14.7% substance detectors, reducible, convertible into non stock on adjusted February 16, 1962 - 20,662 shares
 15. 1961 and 1962 share turnover) and with
 seeking fund payments required from 1962 to 1970 (due Mar)
 16. 1970
 17. total base due 1972 to 1980
 18. 1980 1981

171,350,000

only one! and it is
considerably larger

3½% mortgage notes payable to F. W. Warden Administration	016,674.00
do 1962 to 1965	0.00
4½% U. S. Government Insured Merchant Marine Bonds	0.00
South Bond Series making fund paym to due 1962 to 1978	0.00
4.20% U. S. Government Insured Merchant Marine Bonds	0.00
South Bond Series making fund paym to due 1962 to 1978	0.00

(under the same investigation
 of 1953; not possible to identify certain)
 410, bank note due in 1953
 1953/1954

67% 4000 4000 4000

Sundry Inclusions
1,000,000

in Grace Line for special funds and deposits and inclusion of profits maturing

in Grant Line for special funds and deposits and inclusion of profits resulting from the above, the aggregate amounts resulting during the five years shown.

Year	1962	1963	1964	1965	1966
1967	1968	1969	1970	1971	1972
1973	1974	1975	1976	1977	1978
1979	1980	1981	1982	1983	1984
1985	1986	1987	1988	1989	1990
1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	2002
2003	2004	2005	2006	2007	2008
2009	2010	2011	2012	2013	2014
2015	2016	2017	2018	2019	2020
2021	2022	2023	2024	2025	2026
2027	2028	2029	2030	2031	2032
2033	2034	2035	2036	2037	2038
2039	2040	2041	2042	2043	2044
2045	2046	2047	2048	2049	2050
2051	2052	2053	2054	2055	2056
2057	2058	2059	2060	2061	2062
2063	2064	2065	2066	2067	2068
2069	2070	2071	2072	2073	2074
2075	2076	2077	2078	2079	2080
2081	2082	2083	2084	2085	2086
2087	2088	2089	2090	2091	2092
2093	2094	2095	2096	2097	2098
2099	2100	2101	2102	2103	2104
2105	2106	2107	2108	2109	2110
2111	2112	2113	2114	2115	2116
2117	2118	2119	2120	2121	2122
2123	2124	2125	2126	2127	2128
2129	2130	2131	2132	2133	2134
2135	2136	2137	2138	2139	2140
2141	2142	2143	2144	2145	2146
2147	2148	2149	2150	2151	2152
2153	2154	2155	2156	2157	2158
2159	2160	2161	2162	2163	2164
2165	2166	2167	2168	2169	2170
2171	2172	2173	2174	2175	2176
2177	2178	2179	2180	2181	2182
2183	2184	2185	2186	2187	2188
2189	2190	2191	2192	2193	2194
2195	2196	2197	2198	2199	2200
2201	2202	2203	2204	2205	2206
2207	2208	2209	2210	2211	2212
2213	2214	2215	2216	2217	2218
2219	2220	2221	2222	2223	2224
2225	2226	2227	2228	2229	2230
2231	2232	2233	2234	2235	2236
2237	2238	2239	2240	2241	2242
2243	2244	2245	2246	2247	2248
2249	2250	2251	2252	2253	2254
2255	2256	2257	2258	2259	2260
2261	2262	2263	2264	2265	2266
2267	2268	2269	2270	2271	2272
2273	2274	2275	2276	2277	2278
2279	2280	2281	2282	2283	2284
2285	2286	2287	2288	2289	2290
2291	2292	2293	2294	2295	2296
2297	2298	2299	2300	2301	2302
2303	2304	2305	2306	2307	2308
2309	2310	2311	2312	2313	2314
2315	2316	2317	2318	2319	2320
2321	2322	2323	2324	2325	2326

APPROXIMATE

Capital Stock	\$ 2,140,161
Retained Earnings	7,785,009

07-06-06

NOTES TO FINANCIAL STATEMENTS—(Continued)

M. M. L. P. (000)

The amount of pitierred alkali (i.e. alkali) are listed below:

	Share in income (average)	Share in profits (average)	Outstanding Shares of common
6% Cumulative	60,000	60,000	60,000
8% Cumulative	60,000	60,132	6,812,380
8% Noncumulative	60,000	27,061	2,756,149
Total			937,000,000

(M) The increase of common stock, 710,125 shares have been reserved for conversion of the subordinated debentures and exercise of stock options. The Company also owned and held 100,000 issued shares of common stock for exercise of options.

After settling as an option granted in 1980 conditional upon the surrender in 1984 or 1981 of certain options previously granted, there were outstanding at the beginning of 1981 options for the purchase of 265,126 shares of common stock.

Under the provisions of the option agreements, the 2½ stock dividends paid in 1969, 1968 and 1967 had the effect of increasing the number of shares for which options had been granted and correspondingly reducing the purchase price for shares. In addition, during 1969 options for 29,515 shares were granted at an average option price of \$41.15 (which was not less than 80% of market on the respective dates of grant) and options for 26,829 shares terminated.

Options outstanding at December 31, 1981 granted to directors, officers and managerial employees to purchase 254,003 shares of common stock are as shown below. Of this number options for 22,951 shares were exercisable at that date.

Year ended	Number of shares outstanding	Options price of share granted		Market price of share granted	
		Per share	In total	Per share	In total
1963	32,942	\$2.22	\$ 712,610	\$2.41	\$ 789,574
1964	9,916	32.25	327,298	32.41	327,296
1965	10,812	42.06	456,250	44.17	468,750
1966	8,003	60.77	396,805	54.26 to 52.30	415,505
1967	13,111	39.65 to 41.32	544,074	11.69 to 43.40	582,048
1968	14,207	31.37 to 32.80	4,297,163	32.37 to 39.35	5,654,487
1969	19,908	27.45 to 62.60	1,831,714	19.00 to 64.00	1,327,746
	25,000				

The expenses which have been considered during the three year period ended December 31, 1963 were as follows:

Year ended with	Number of shares	Options exercised	In total	2003-04 price of share, \$
1969	16,662	\$24,260 66.62	\$ 508,740	\$ 47.94 47.19
1968	12,222	\$23,790 66.44	\$ 321,410	\$13.40 39.75
1967	21,207	\$23,320 61.88	\$ 717,101	\$64.31 87.81
				\$1,506,456

NOTES TO FINANCIAL STATEMENTS--(Continued)

The returns which were received during the three year period ended December 31, 1961 were as follows:

Year covered	Number of shares	Options granted		Total exercise price	
		Per share	In total	Per share	In total
1985	11,700	\$24.25 to \$3.91	\$ 348,390	\$ 11.70 to \$2.60	\$ 4,108,770
1986	9,970	\$19.00 to \$3.82	\$ 166,660	\$7.50 to \$1.67	\$ 1,730,210
1987	25,225*	\$19.25 to \$6.71	\$ 1,068,118	\$10.00 to \$3.00**	\$ 1,660,000

1. The following are the names of the persons who have been appointed to the various committees of the Board of Directors:

The options granted under the 1953 Stock Option Plan expire on December 31, 1963 and the options granted under the 1954 Stock Option Plan expire on December 31, 1964. The options are exercisable at various times over a period of years but under the 1953 Stock Option Plan no more than 50% may be exercised in any one year and under the 1954 Stock Option Plan no more than 25% may be exercised in any one year.

The Company accounts for stock options when they are exercised and the purchase price is credited to its capital stock and capital surplus accounts.

On January 4, 1962 the Board of Directors declared a 2% stock dividend and \$97,750 shares will be sent to the shareholders on March 17, 1962 to shareholders of record as of the close of business February 16, 1962. A charge to retained earnings was made in the amount of \$7,766,751 based on the adjusted market value per share as of the date prior to the dividend. The dividend was declared and credits were made in capital stock and capital surplus of \$97,750 x \$79.40 = \$7,766,751. *As a result of the dividend, the total number of shares outstanding will be 1,000,000 shares.*

(19) ENTRY IN NEW PARAGRAPH 100 IS IN NO AGREEMENT WITH THE PREVIOUS (100) AND

[illegible]

Year	Number of cases
1961	1,200
1962	1,300
1963	1,400
1964	1,500
1965	1,600
1966	1,700
1967	1,800
1968	1,900
1969	2,000
1970	2,100
1971	2,200
1972	2,300
1973	2,400
1974	2,500
1975	2,600
1976	2,700
1977	2,800
1978	2,900
1979	3,000
1980	3,100
1981	3,200
1982	3,300
1983	3,400
1984	3,500
1985	3,600
1986	3,700
1987	3,800
1988	3,900
1989	4,000
1990	4,100
1991	4,200
1992	4,300
1993	4,400
1994	4,500
1995	4,600
1996	4,700
1997	4,800
1998	4,900
1999	5,000
2000	5,100
2001	5,200
2002	5,300
2003	5,400
2004	5,500
2005	5,600
2006	5,700
2007	5,800
2008	5,900
2009	6,000
2010	6,100
2011	6,200
2012	6,300
2013	6,400
2014	6,500
2015	6,600
2016	6,700
2017	6,800
2018	6,900
2019	7,000
2020	7,100
2021	7,200
2022	7,300
2023	7,400
2024	7,500
2025	7,600
2026	7,700
2027	7,800
2028	7,900
2029	8,000
2030	8,100
2031	8,200
2032	8,300
2033	8,400
2034	8,500
2035	8,600
2036	8,700
2037	8,800
2038	8,900
2039	9,000
2040	9,100
2041	9,200
2042	9,300
2043	9,400
2044	9,500
2045	9,600
2046	9,700
2047	9,800
2048	9,900
2049	10,000
2050	10,100
2051	10,200
2052	10,300
2053	10,400
2054	10,500
2055	10,600
2056	10,700
2057	10,800
2058	10,900
2059	11,000
2060	11,100
2061	11,200
2062	11,300
2063	11,400
2064	11,500
2065	11,600
2066	11,700
2067	11,800
2068	11,900
2069	12,000
2070	12,100
2071	12,200
2072	12,300
2073	12,400
2074	12,500
2075	12,600
2076	12,700
2077	12,800
2078	12,900
2079	13,000
2080	13,100
2081	13,200
2082	13,300
2083	13,400
2084	13,500
2085	13,600
2086	13,700
2087	13,800
2088	13,900
2089	14,000
2090	14,100
2091	14,200
2092	14,300
2093	14,400
2094	14,500
2095	14,600
2096	14,700
2097	14,800
2098	14,900
2099	15,000
2100	15,100
2101	15,200
2102	15,300
2103	15,400

The Company's equity (\$17,206,653) in the net assets as shown by the financial statements of these companies as at December 31, 1965 exceeded the cost of its investments in the companies by \$10,724,410.

COXINBY UNIVERSITY (C1)

Under the outstanding loan agreements certain limitations are imposed on the availability for payment of dividends. At December 31, 1963 approximately \$17 million of retained earnings were free of the restrictions on payment of cash dividends imposed by the contractual investors.

(14) COMMENTS AND CONVICTIONS

[illegible]

The company has a contract to provide technical assistance to Fekrations Chemicals Limited, a chemical company in which Grace International S. A. holds a 49% interest. The company has guaranteed bank loans in the amount of \$5,000,000 and has obligations to some 25 subsidiaries elsewhere in exchange for shares of Fekrations Chemicals Limited. In the amount of \$1,000,000 and \$1,500,000 in the next three years becoming due to the company, Grace International can exercise an option to acquire an additional one third interest in the company.

any time to December 31, 1987

NOTES TO FINANCIAL STATEMENTS—(Continued)

In 1941 the United States District Court, Southern District of New York, dismissed the Government's complaint against the Company and Pan American Airways, Inc. (Panagra) in an anti-trust action and cleared them of any violation of the anti-trust laws. However, the Court ordered Pan American World Airways, Inc. to divest itself of 46 2/3% stock holdings in Panagra. Appeals by both Pan American and the Government are pending in the United States Supreme Court.

There are several domestic revenue plans presently in effect. Subject to approval by the Internal Revenue Service, a revised income program will be effective as of July 1, 1946. The revenue does not cover the plan of Cuban Petroleum Corporation. The aggregate domestic income for the three years ended December 31, 1943, were as follows:

	Company	Consolidated
1943	\$1,806,800	\$2,182,600
1944	1,846,170	2,242,316
1945	2,106,180	2,514,680

The unfilled amount of paid service benefits, which are being provided for by payments to trustees over a period of years, at December 31, 1945 was estimated to be \$6,001,817 (Company \$4,279,939). Pension payments are made to employees of the Latin American subsidiaries in accordance with the local laws of the countries in which operations are conducted. The cost of these plans has not been substantially determined and, generally, such foreign subsidiaries charge the cost of pensions to income as payments are made.

There are various lawsuits, claims, commitments and contingent liabilities but they are not expected to have any material adverse effect on the Company or consolidated financial position or results of operations.

(10) SUPPLEMENTARY DATA AND LOSS INFORMATION

EXHIBIT (A)

	Item	Charged directly to profit and loss	Total
	To cost of goods sold or capital expenditures	Other	
Year ended December 31, 1940			
Maintenance and repairs	\$21,914,261	0	\$21,914,261
Depreciation of property, plant and equipment	31,824,911	1,092,819	32,917,730
Taxes, other than income and excess profits taxes	6,519,640	1,002,869	7,522,509
Social law contributions	1,874,251	251,606	2,125,857
Rent and personal property taxes	1,281,739	465,118	1,746,857
Franchise, license and other taxes	2,715,642	—	2,715,642
Sales and export taxes	6,154,517	648,860	6,803,377
Losses	325,711	894,768	1,220,479
Royalties	24,271,107	760,227	25,031,334
Year ended December 31, 1941			
Maintenance and repairs	24,271,107	760,227	25,031,334
Depreciation of property, plant and equipment	32,917,730	1,092,819	34,010,549
Taxes, other than income and excess profits taxes	7,522,509	1,002,869	8,525,378
Social law contributions	2,125,857	251,606	2,377,463
Rent and personal property taxes	1,746,857	465,118	2,211,975
Franchise, license and other taxes	2,715,642	—	2,715,642
Sales and export taxes	6,803,377	648,860	7,452,237
Losses	1,220,479	894,768	2,115,247
Royalties	25,031,334	760,227	25,791,561
Year ended December 31, 1942			
Maintenance and repairs	25,791,561	1,220,479	27,012,040
Depreciation of property, plant and equipment	34,010,549	1,092,819	35,103,368
Taxes, other than income and excess profits taxes	8,525,378	1,002,869	9,528,247
Social law contributions	2,377,463	251,606	2,629,069
Rent and personal property taxes	2,211,975	465,118	2,677,093
Franchise, license and other taxes	2,715,642	—	2,715,642
Sales and export taxes	7,452,237	648,860	8,101,097
Losses	2,115,247	894,768	3,010,015
Royalties	27,012,040	760,227	27,772,267

NOTES TO FINANCIAL STATEMENTS—(Continued)

The following table shows the effect of the

	Item	Cost of goods sold or capital expenditures	Total
Year ended December 31, 1943			
Maintenance and repairs	\$12,451,728	0	\$12,451,728
Depreciation of property, plant and equipment	11,391,511	1,092,819	12,484,330
Taxes, other than income and excess profits taxes	1,801,608	1,002,869	2,804,477
Social law contributions	1,281,739	251,606	1,533,345
Rent and personal property taxes	210,964	465,118	676,082
Franchise, license and other taxes	0,015	—	0,015
Sales and export taxes	3,611,022	648,860	4,259,882
Losses	1,011,511	894,768	1,906,279
Royalties	11,391,511	760,227	12,151,738
Year ended December 31, 1944			
Maintenance and repairs	11,391,511	1,092,819	12,484,330
Depreciation of property, plant and equipment	12,484,330	1,002,869	13,487,199
Taxes, other than income and excess profits taxes	2,804,477	1,002,869	3,807,346
Social law contributions	1,533,345	251,606	1,784,951
Rent and personal property taxes	676,082	465,118	1,141,200
Franchise, license and other taxes	275,278	—	275,278
Sales and export taxes	4,259,882	648,860	4,908,742
Losses	1,906,279	894,768	2,801,047
Royalties	12,484,330	760,227	13,244,557
Year ended December 31, 1945			
Maintenance and repairs	11,391,511	1,092,819	12,484,330
Depreciation of property, plant and equipment	13,487,199	1,002,869	14,490,068
Taxes, other than income and excess profits taxes	3,807,346	1,002,869	4,810,215
Social law contributions	1,784,951	251,606	2,036,557
Rent and personal property taxes	1,141,200	465,118	1,606,318
Franchise, license and other taxes	275,278	—	275,278
Sales and export taxes	4,908,742	648,860	5,557,602
Losses	2,801,047	894,768	3,695,815
Royalties	12,484,330	760,227	13,244,557

the excess shall be paid over to Zondite in Grace. If the amount of cash required to pay said expenses is in excess of the amount returned, Grace shall return to Zondite an amount of cash equal to such excess provided that in no event shall the amount of cash to be returned by Grace, when added to the amount of cash retained by Zondite, reduce the net assets sold, conveyed, transferred, assigned and delivered to Grace to an amount less than 90 per cent of the net value of Zondite's assets.

3. *Purchase of Assets and Business by Grace.* In reliance on the covenants, agreements, representations and warranties of Zondite contained herein and subject to the terms and conditions hereof, Grace will, at the Closing purchase the Zondite Assets and in full consideration thereof and payment therefor will, on the manner herein provided, (i) issue and deliver to Zondite that number of fully paid and non-assessable shares of Grace common stock determined by dividing by four (4) the total number of outstanding shares of Zondite common stock on the date of the Closing, after subtracting from said total number of outstanding shares of Zondite common stock the aggregate number of shares, if any, held by stockholders of Zondite who shall have given valid written notice to Zondite within 20 days after the date of the meeting of stockholders of Zondite at which the sale of Zondite Assets provided for herein is duly authorized by Zondite stockholders, that they do not assent thereto, (ii) assume and agree to discharge all debts and liabilities of Zondite existing on the Closing, whether absolute, contingent or otherwise, and whether or not set forth on, reserved against or reflected in Zondite's Balance Sheet as at December 31, 1962 to be prepared pursuant to Section 4 hereof, other than (a) liabilities against which Zondite is insured or otherwise indemnified, to the extent of such insurance or indemnification, (b) liabilities of Zondite to its shareholders arising out of their relationship as such shareholders, and (c) liabilities referred to and provided for in the several paragraphs of Section 2 hereof, and (iii) assume and agree to observe, perform and fulfill the terms and conditions to be observed, performed and fulfilled by Zondite under all lawful necessary contracts, agreements, leases, commitments and undertakings duly assigned to Grace at the Closing hereunder.

In the event that on the Closing Zondite is entitled to a fractional share of Grace common stock pursuant to this Agreement, the aggregate number of shares of Grace common stock delivered to Zondite hereunder shall be increased to the next higher number of full shares. Such excess fraction of a share shall not increase the number of shares of Grace common stock which any Zondite stockholder shall be entitled to receive, but may be sold in connection with the distribution by Zondite of Grace common stock to Zondite stockholders, the proceeds from such sale however, to be held by Zondite for the account of Grace and remitted to Grace in due course.

4. *Balance Sheet as at December 31, 1962.* Grace and Zondite shall cause Messrs. Price Waterhouse & Co., independent accountants, to conduct an examination and audit of the books and accounts of Zondite, Superior Ad-Sales Company and Texas Vermiculite Company (each such corporation, other than Zondite, is hereinafter called a "Wholly Owned Subsidiary" and all said corporations, other than Zondite, collectively are hereinafter called the "Wholly Owned Subsidiaries") as of the close of business December 31, 1962, and to prepare and deliver to Grace not later than February 28, 1963 a consolidated balance sheet of Zondite and the Wholly Owned Subsidiaries as at December 31, 1962, certified by Messrs. Price Waterhouse & Co. as presenting fairly the consolidated financial position thereof as of such date in accordance with generally accepted accounting principles. In addition, Grace and Zondite shall cause Messrs. Price Waterhouse & Co., independent accountants, to conduct an examination and audit of the books and accounts of Air Zondite Co., California Zondite Co. and Western Mineral Products Company (each such corporation is hereinafter called a "Subsidiary" and all of said corporations collectively are hereinafter called the "Subsidiaries") as of the close of business December 31, 1962, and to prepare and deliver to Grace not later than February 28, 1963 a balance sheet of each Subsidiary as at December 31, 1962 certified by Messrs. Price Waterhouse & Co. as presenting fairly the financial position of each of the Subsidiaries as at such date in accordance with generally accepted accounting principles.

5. *Closing.* The Closing hereunder (herein called the "Closing") will take place at 10:00 a.m. which local time on the 10th day of April, 1963 at the offices of The Corporation Trust Company, 15 Exchange Place, Jersey City, New Jersey, or at such other time and place as the parties hereto

shall agree upon provided, however, that on the event that the closings specified in Sections 1(b) and 1(c) hereof shall not have been satisfied at such time the Closing shall be postponed to a date to be determined by the parties to this Agreement, and the parties to this Agreement shall, at the time of such postponement, agree to the postponement of the Closing to a date to be determined by the parties to this Agreement, and the parties to this Agreement shall, at the time of such postponement, agree to the postponement of the Closing to a date to be determined by the parties to this Agreement.

6. *Zondite's Obligations at Closing.* At the Closing, Zondite shall deliver to Grace (i) such good and sufficient full payment and warranty check, bill of sale with enclosures of warranty, covenants, assignments and other good and sufficient instruments of conveyance, sale, transfer and assignment, in form and substance satisfactory to Grace, some of which shall be required or desirable in order effectively to vest in Grace good, valid title and marketable title to the Zondite Assets free and clear of all equities, charges, commitments, liens, mortgages, mortgages, pledges, liens, conditional sales agreements, easements and other burdens, and encumbrances of every nature whatsoever except those herein specifically provided for, and (ii) all of the files and documents, agreements, franchise, operating instructions, books of account and records pertaining to the business conducted by Zondite and its Wholly Owned Subsidiaries.

At the Closing and at any time or from time to time thereafter, Zondite shall, at the request of Grace also take all action necessary to put Grace in actual possession and operating control of the Zondite Assets and shall execute and deliver such further instruments of conveyance, sale, transfer and assignment and take such other action as Grace may request in order more effectively to convey, sell, transfer and assign to Grace any of the Zondite Assets, to confirm the title of Grace therein and to assist Grace in exercising rights with respect thereto. After the completion and execution of the assignment proceedings of any Zondite will cancel the shares of Zondite common stock previously held by dissenting stockholders of Zondite who were parties to such proceedings.

7. *Grace's Obligations at Closing.* At the Closing, Grace will, in return for the conveyance, sale, transfer, assignment and delivery specified in Section 6 hereof, (i) issue and deliver to Zondite a certificate or certificates representing the number of fully paid and non-assessable shares of Grace common stock provided for in Section 3 hereof, (ii) execute acknowledge and deliver to Zondite a valid and binding undertaking whereby Grace assumes and agrees in due course to pay and discharge the debts and liabilities of Zondite as provided in Section 3 hereof, and (iii) execute, acknowledge and deliver to Zondite a valid and binding undertaking whereby Grace assumes and agrees to observe, perform and fulfill the terms and conditions to be observed, performed and fulfilled by Zondite under all lawful necessary contracts, agreements, leases, commitments and undertakings duly assigned to Grace at the Closing.

The certificate or certificates for shares of Grace common stock to be delivered to Zondite shall be in such denominations and registered in the name of Zondite or its nominee or such other name, as Zondite shall specify in writing at least 3 days prior to the Closing. In the event that after the date hereof and prior to the Closing and delivery to Zondite of shares of Grace common stock to be issued and delivered as provided in Section 3 hereof, (i) any registration or sale of such shares of Grace common stock shall be effected or any other interest in shares of Grace common stock shall be in connection with a merger or consolidation of Grace or a subsidiary of Grace of all or a part of its assets, properties or franchises exchanged for a different number of shares of stock of Grace or for the shares of the capital stock of any other corporation or trust, the record date for determination of holders of record of Grace common stock entitled to receive a common stock dividend (including the 2% stock dividend on Grace common stock declared on January 1, 1963) to be distributed on March 18, 1963 to stockholders of record on February 15, 1963, shall have occurred, the number and class of the shares to be issued and delivered to Zondite pursuant to Section 3 hereof shall be proportionately adjusted so that there shall be issued to Zondite the class and aggregate number of shares of stock which Zondite would have owned and been entitled to receive after the happening of any of the events described above had the shares of Grace common stock issuable under Section 3 hereof been issued immediately prior to the happening of such event.

8. Representations and Warranties by Zondite. Zondite represents and warrants to Grace as follows:

(a) Zondite is a corporation duly organized, validly existing, and in good standing under the laws of the State of Missouri. Zondite is licensed and qualified as a foreign corporation and in good standing in the States of Alabama, Florida, Georgia, Arkansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, South Carolina, Tennessee, Texas, Utah and Illinois; and neither the character nor location of the properties owned by it nor the nature of the business transacted by it makes license or qualification in any other jurisdiction necessary. Zondite has the corporate power and authority to carry on its business as it is now being conducted and to own and operate its assets, properties and business. The types of its Articles of Incorporation and all amendments thereto to date (certified by the Secretary of State of Missouri) and of its by-laws as amended to date (certified by its Secretary) which have been delivered to Grace are true, complete and correct.

(b) The authorized capital stock of Zondite consists of 1,500,000 shares of common stock, par value of \$1 per share, of which 1,000,000 shares are validly issued and outstanding, fully paid and non-assessable. There are no outstanding subscriptions, options, warrants, calls, contracts, obligations or agreements relating to Zondite's authorized or issued common stock, except for the employees' restricted stock options referred to in Section 13 hereof and (ii) Zondite's adoption under an agreement dated September 9, 1953, as amended, with R. B. Moran to issue shares of Zondite common stock to Mr. Moran under certain circumstances.

(c) Zondite has delivered to Grace a true and complete list (certified by the President of Zondite) dated as of the date hereof setting forth (a) the name and jurisdiction of incorporation of each corporation any of the outstanding voting stock of which is owned or controlled, directly or indirectly, by Zondite (each such corporation other than any Wholly Owned Subsidiary or any Subsidiary is hereinafter called an "Affiliate" and all of said corporations collectively are hereinafter called the "Affiliates"); (b) the jurisdictions in which each Wholly Owned Subsidiary, Subsidiary and Affiliate is duly qualified to do business as a foreign corporation; (c) the authorized capital stock of each Wholly Owned Subsidiary, Subsidiary and Affiliate; (d) the number of shares of each class of capital stock of each Wholly Owned Subsidiary, Subsidiary and Affiliate outstanding; and (e) the number of shares of each class owned or controlled by Zondite or any other Wholly Owned Subsidiary, Subsidiary or Affiliate (and if owned by a Wholly Owned Subsidiary, Subsidiary or Affiliate, the name thereof). Each Wholly Owned Subsidiary, Subsidiary and Affiliate is a corporation duly organized, validly existing, and in good standing under the laws of its state of incorporation and is duly licensed and qualified as a foreign corporation and is in good standing in all other jurisdictions wherein the character or location of the properties owned by it or the nature of the business transacted by it makes license or qualification necessary. Each Wholly Owned Subsidiary, Subsidiary and Affiliate has the corporate power and authority to carry on its business as it is now being conducted and to own and operate its assets, properties and business. The representations and warranties made by Zondite to Grace in its Articles of Incorporation and all amendments thereto to date (certified by the Secretary of State of Missouri) and of its by-laws as amended to date (certified by its Secretary) which have been delivered to Grace are true, complete and correct. All the issued and outstanding shares of stock of each Wholly Owned Subsidiary, Subsidiary and Affiliate which are owned by Zondite or by any other Wholly Owned Subsidiary, Subsidiary and Affiliate are validly issued and outstanding, fully paid and non-assessable, and are free and clear of all liens and encumbrances.

(d) Except for the Wholly Owned Subsidiaries, Subsidiaries and Affiliates referred to in Section 8(c) above, Zondite has no subsidiaries or affiliates, nor does it own any capital stock of, or have any proprietary interest in, any other corporation, association or business organization,

not does it control the management or policies of any other corporation, association or business organization (none of which is a management or controlling interest in Zondite).

(e) As of the date hereof the directors and officers of Zondite are as follows:

Name	Office Held
Lezer Atmout	Chairman
George R. Burkhead	Director
John H. Bishop	Director and Secretary
E. P. Burack	Director
Edwin A. Locke, Jr.	Director
Joseph A. Kelley	Director and President
Luna M. Perlman	Director
Robert C. Shubert	Director
Robert W. Sweeney	Director and Vice President
Hughston K. Smith	Director
Dixon J. Pomeroy	Vice President
David J. Hogue	Vice President
Francis W. Rupp	Treasurer

(f) The following financial statements of Zondite (Texas) are true and complete. Subsidiaries, corporations or other entities which have been delivered to Grace by Zondite are true and complete and have been prepared in accordance with generally accepted accounting principles and are not subject to adjustment in the past.

(i) The balance sheet of Zondite as at March 31, 1952 and retained earnings statement for the fiscal year ended March 31, 1952, certified by Messrs. Frost & Frost, certified public accountants.

(ii) The unaudited balance sheet of Texas Vermiculite Company as at March 31, 1952, unaudited statement of income and retained earnings for the fiscal year ended March 31, 1952, certified by Messrs. Frost & Frost, certified public accountants, and unaudited statements of income and retained earnings for the fiscal year ended March 31, 1952.

(iii) The balance sheet of Arizona Vermiculite Company as at March 31, 1952, unaudited statement of income and retained earnings for the fiscal year ended March 31, 1952, certified by Messrs. Frost & Frost, certified public accountants.

(iv) The balance sheet of California Vermiculite Company as at March 31, 1952, unaudited statement of income and retained earnings for the fiscal year ended March 31, 1952, certified by Messrs. Frost & Frost, certified public accountants.

(v) The balance sheet of Western Vermiculite Company as at March 31, 1952, unaudited statement of income and retained earnings for the fiscal year ended March 31, 1952, certified by Messrs. Frost & Frost, certified public accountants, and statements of income and retained earnings for the fiscal year ended January 31, 1952, certified by Messrs. Frost & Frost, certified public accountants, and statements of income and retained earnings for the fiscal year ended January 31, 1952, certified by Messrs. Frost & Frost, certified public accountants.

Each of the above balance sheets fairly presents, as of its date, the financial condition of the corporation referred to therein and each of the above statements of income and retained earnings fairly presents the results of the operations of the corporation referred to therein for the fiscal period which each purports to cover. The above balance sheets are herein collectively referred to as

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get except as and to the extent reflected or reserved in its Balance Sheet or as otherwise indicated in or pursuant to this Agreement, neither Zimbeke nor any Wholly Owned Subsidiary shall be liable in any way for any debts, liabilities or obligations of any nature, whether contractual, tortious, or otherwise, of any Wholly Owned Subsidiary, and whether due or to become due arising out of any contract, tortious, or otherwise, of any Wholly Owned Subsidiary, without limitation, and without recourse to any assets, real or personal, of Zimbeke, or of any Wholly Owned Subsidiary, or of any other governmental charges, or penalties, interest or taxes that may be levied or imposed on or to respect thereof. Zimbeke does not know nor have any reasonable grounds to believe that any assets of Zimbeke or any Wholly Owned Subsidiary as of its date of this Addendum shall bear of any debt, liability or obligation of any such nature or of any amount not reflected or reserved in the Balance Sheet.

(i) Any change in the condition (financial or otherwise) or properties, assets, liabilities, business or prospects of Zimdale, any Wholly Owned Subsidiary or any Subsidiary, except changes in the ordinary course of business, none of which has been materially adverse;

(iii) Any declaration, setting aside, or payment of any dividend or other distribution on the common stock of the corporation or any Wholly Owned Subsidiary, or any direct or indirect acquisition, purchase or other acquisition of any such stock, except that in November, 1982, (under) such a dividend of 10¢ per share on its outstanding common stock;

(v) Any change in the accounting methods or practices followed by Zoroastri or any Windy (based, subsidiary, or any) change in depreciation or amortization policies or rates theretofore adopted.

(iii) Any debt, obligation or liability (whether absolute or contingent) incurred by Zimshare or any Wholly Owned Subsidiary except (i) current liabilities incurred, and obligations under agreements entered into, in the ordinary course of business, (ii) obligations or liabilities entered into or incurred in connection with the execution of this Agreement, and (iii) liabilities or amounts not exceeding \$15,000 incurred in connection with materials sold for a construction job.

that any share of a capital stock of Zondino owned by Wholly Owned Subsidiaries is not, whether that share of common stock of Zondino owns 1% or more of the outstanding shares of Zondino, is not, for purposes of any system of nonvoting preferred stock owned by Zondino, any Wholly Owned Subsidiary or any Subsidiary not subject to the plan, other than a wholly owned subsidiary of Zondino, any Wholly Owned Subsidiary or any Subsidiary that is not an equity restricted stock, options included among those referred to in the last debt of the plan, or a debt of Zondino, and not to Section 13(d) of this Agreement.

[illegible]

(c) Any labor trouble, strike, or any other circumstances, event or occurrence, or any other factor, which adversely affects or may affect the assets, properties, income or profits of Zonite, any Wholly Owned Subsidiary or any Subsidiary.

(4) **Zondair**, each Wholly Owned Subsidiary and each United States shareholder of Zondair, shall be required to file with the United States Internal Revenue Service for each year up to and including 1964, a return for each year ending on or before March 15, 1964, and all taxes and assessments for such years finally determined or paid. Therein shall be included the amounts, sources and other arrangements providing for an extension of time with respect to the assessment of any tax or delinquency on any tax or delinquency on any Wholly Owned Subsidiary, and on the date of such assessment, any actions, suits, proceedings, investigations or claims now pending or to be filed or asserted against any Wholly Owned Subsidiary in respect of any tax or assessment or any matters under review now or hereafter by any federal, state or local authority relating to any taxes or assessments or any claims for additional taxes or assessments asserted by any such authority. The provisions made for extension of time on the above sheets are sufficient for the payment of all unpaid federal and all state and local taxes of Zondair and each Wholly Owned Subsidiary for the fiscal years ended as of its Balance Sheet Date in all periods for the four years thereto.

(3) The execution and delivery of this Agreement and the performance hereunder shall be subject to the laws of the State of New York, and the parties shall be governed by the laws of the State of New York. The parties agree that the laws of the State of New York shall be applied to the interpretation of this Agreement and the performance hereunder.

that I wish also to bring before the committee the fact that the Government is now in a position to supply and to deliver to the people the goods that are needed.

dehidrol. i. Hloroglikol, etab. i. d., met. m. H. m. m. m.

This schedule sets forth a complete description by names and location of each parcel of real property owned by the State of Montana which presently is held primarily for the public use or benefit of the State of Montana, together with a summary description of the names, buildings and improvements thereon.

Schedule 2: Other Blended Properties

This schedule sets forth a summary description of each parcel of real property owned by Zondler, any Wholly owned Subsidiary or any Subsidiary in which Zondler, any Wholly owned Subsidiary or any Subsidiary owns or has any material or noncontrolling interest (including, without limitation, any partnership, joint venture, trust, or other interest), other than those described in Schedule 1, which produces or is held primarily for the production of minerals, together with a summary description of the uses, liabilities and improvements thereon.

Schedule 1 Non Mining Properties

This schedule sets forth a complete description by metes and bounds of each parcel of real property owned or leased by Zuelke, any Wholly Owned Subsidiary or any Subsidiary, other than those described in Schedule 1 or 2, together with a summary description of the mines, leases and improvements thereon.

Zondite, the Wholly Owned Subsidiaries or the Subsidiaries have good and marketable title to all real property or interests therein described in Schedules 1 and 3 (other than leased property described in Schedule 3) and to the mines, buildings and other improvements located thereon, in each case free and clear of all mortgages, liens, encumbrances, easements, covenants, restrictions, reservations, and other encumbrances of every nature except as set forth in Schedules 1 and 3, and to all real property and interests therein described in Schedules 2 and 4 to the mines, buildings and other improvements located thereon, in each case free and clear of all mortgages, liens, encumbrances, easements, covenants, restrictions, reservations and other encumbrances of every nature except as set forth in Schedule 2. All such property or rights or materially affect title thereto. All mines and buildings owned or occupied by Zondite, any Wholly Owned Subsidiary or any Subsidiary and all machinery, equipment, fixtures, motor vehicles and other operating properties owned or used thereby, in each case, are in good operating condition and require and are adequate and sufficient for all current operations of Zondite, each Wholly Owned Subsidiary or such Subsidiary. Neither the whole nor any portion of any real property owned or occupied by Zondite, any Wholly Owned Subsidiary or any Subsidiary has been condemned or otherwise taken by any public authority, nor does Zondite, any Wholly Owned Subsidiary or any Subsidiary know or have reasonable grounds to believe that any such condemnation or taking is threatened or contemplated. Zondite, each Wholly Owned Subsidiary and each Subsidiary has good and marketable title to all personal property (including cash, notes, accounts receivable, inventory, and other personal property) which it purports to own, including that reflected on its balance sheet (except as set forth in Schedule Sheet B-4) and other documents, pledges, liens, conditional sale and other title retention agreements and other fixtures and encumbrances of any nature. None of the properties owned or held under lease by Zondite, any Wholly Owned Subsidiary or any Subsidiary, or the occupancy or operation thereof is in violation of any law, building, mining or other ordinance, code or regulation applicable to it and no notice from any governmental body has been served upon Zondite, any Wholly Owned Subsidiary or any Subsidiary, or upon any real property owned or held under lease by Zondite, any Wholly Owned Subsidiary or any Subsidiary (including any violation of any such law, ordinance, code or regulation or requiring, or calling attention to the need for, any work, construction, alterations or installation on or in connection with said properties which has not been complied with). Zondite and each Wholly Owned Subsidiary has all easements, rights, and other legal easements for power lines, waterlines, aerial tramways and roadways, together with all water and water rights and easements appurtenant thereto, necessary to conduct the business in and about the mines, buildings and other improvements located thereon.

(1) Zonitelle has delivered to Grace a true and complete list (certified by the President of Zonitelle) of all patents, trade marks, trade names, brand names, copyrights, and all pending applications thereof used by or licensed to Zonitelle or any Wholly Owned Subsidiary, together with a summary description and full information in respect of the filing registration or

circumstance thereof. All of such patents, trade marks, trade names, brand names, copyrights, printing applications and licenses are valid and of good standing and assignable to Zondair and no patent application or patent of Zondair or any Wholly Owned Subsidiary is invalid in any interference proceeding. No lawsuit, suit between, covenant or agreement has been granted or entered into concerning Zondair or its agents, suit between, trade marks, trade names, brand names, copyrights, printing applications or licenses except those filed on the list delivered to Zondair postmarked on Section 8(a) of this Agreement. Zondair and each Wholly Owned Subsidiary validly owns or is validly licensed under all patents, patent applications, trade marks, trade names, brand names, inventions, processes, know how, trade secrets and copyrights which are necessary for the conduct of its business as now conducted and all such rights of Zondair are valid and assignable to Zondair in good standing, and free and clear of all liens and encumbrances of any nature whatsoever and has not been challenged in any way. The operations of Zondair and of each Wholly Owned Subsidiary, the manufacture, use and sale by them of their products, the use by them of their machinery, equipment and processes in the use of their products by their customers for the purpose for which sold, and the use or holding in store by them of their products, trade marks, trade names, brand names and advertising, selling or other literature do not involve infringement or claimed infringement of any United States, patent, trade mark, trade name or copyright.

(m) Zonolite has delivered to Grace a true and complete list (certified by the President or Zonolite) of all of the following contracts, agreements, leases, licenses, plans, arrangements or commitments to which Zonolite or any Wholly Owned Subsidiary is a party or in which Zonolite or any Wholly Owned Subsidiary is in any way affected or bound:

(i) All contracts, agreements or commitments in respect of the sale of products in services or for the purchase of raw materials, supplies or other products or utilities, other than contracts or commitments involving payments or receipts in / outside the state of less than \$5,000 and terminable within six months from the date of

(iii) All other agency or distributorship agreements or arrangements.

(iii) All collective bargaining agreements, union agreements, employment agreements or agreements providing for the services of an independent contractor.

(iv) All profit sharing, pension, stock option, retirement, bonus or other employee benefit plans, agreements, arrangements or commitments, whether or not legally binding.

(v) All contracts, agreements, commitments or licenses relating to patents, trade names, trademarks, copyrights, inventions, processes, know how, or trade secrets.

(vi) All leases or other contracts, agreements or commitments relating to the acquisition of real property or any interest therein (including but not limited to, oil and gas or mineral interests),

(vii) All mortgages, pledges, conditional sales or title retention agreements or joint tenancy obligations, lease and lease purchase agreements;

(viii) All contracts, agreements and commitments involving payment by or for Wellsch, based on shares of more than \$25,000, entered into by Wellsch from the date hereof or otherwise materials affecting the business or prospects of Zandee.

All-closed and contracts, agreements, leases, licenses and commitments entered into or altered by (or on behalf of) the party are said binding and in full force and effect and true and correct, which party is the party to the contract, agreement, lease, license and commitment to which reference is made hereunder. These contracts, agreements, leases, licenses and commitments to which reference is made hereunder are assignable to (or on behalf of) the party (other than those called for in clause (iv) above). The terms and conditions of the documents described in the aforesaid list which have been delivered by (or on behalf of) the party are true and complete and include all amendments, supplements or modifications thereto.

(n) Zonolite has delivered to Grace a true and complete list (certified by the Treasurer of Zonolite) showing:

(i) The name of each bank in which Zondite has an account or safe deposit box and the names of all persons authorized to draw thereon or to have access thereto

(ii) The names of all persons, firms or corporations, if any, holding general or special powers of attorney from Zondite and a summary statement of the terms thereof

(iii) There are no suits, actions, claims, investigations by any governmental body, or legal, administrative or arbitration proceedings, pending or threatened against or affecting Zondite or any Wholly Owned Subsidiary or any of the properties, assets or businesses of Zondite or any Wholly Owned Subsidiary, or to which Zondite or any Wholly Owned Subsidiary is or might become a party and neither Zondite nor any officer of Zondite knows of any basis or grounds for any such suit, action, claim, investigation or proceeding. There is no outstanding order, writ, injunction or decree of any court, governmental agency or arbitration tribunal against or affecting Zondite or any Wholly Owned Subsidiary, or the properties, assets or businesses of Zondite or any Wholly Owned Subsidiary

(iv) Zondite has delivered to Grace a true and complete list (certified by the President of Zondite) showing all insurance policies (giving the insurer, the amount of the coverage, the type of insurance, and the policy number) maintained by Zondite and each Wholly Owned Subsidiary on its properties, assets, business and personnel. Zondite has delivered to Grace copies of all policies referred to in said list and will keep all such insurance and each of the policies or renewals thereof relating thereto in full force and effect until the Closing, at which time Zondite will, at Grace's option, assign to Grace all such policies issued to Zondite, if any, as Grace specifies. Neither Zondite nor any Wholly Owned Subsidiary is in default with respect to any provision contained in such insurance policies, nor has it failed to give any notice or present any claim thereunder in timely fashion

(v) Zondite and each Wholly Owned Subsidiary has all licenses and permits (federal, state and local) necessary to conduct the businesses it conducts and such licenses and permits are in full force and effect. No unknowns are or have been recorded in respect of such licenses or permits or any of them, and there is pending or threatened no proceeding looking toward the revocation or limitation of any of said licenses or permits. Zondite and each Wholly Owned Subsidiary has complied with all laws, rules, regulations and orders applicable to its business and to the purchase, distribution and sale of its products

(vi) All notes, accounts and bill receivables of Zondite and of each Wholly Owned Subsidiary shown on its Balance Sheet and all notes, accounts and bills receivable acquired by it subsequent to its Balance Sheet Date have arisen in the ordinary course of business and have been collected or are collectible in the aggregate recorded amounts thereof, less the applicable reserves set up on the books of Zondite or each Wholly Owned Subsidiary

(vii) The inventories of Zondite and of each Wholly Owned Subsidiary shown on its Balance Sheet and the inventories acquired by it subsequent to its Balance Sheet Date consist of items of a quality and quantity suitable and suitable in the normal course of its business and the value of its inventory materials and materials below standard quality has been written down on its books of account to realizable market value, or adequate reserves have been provided therefor, and the values at which such inventories are carried reflect the customary inventory valuation policy consistently applied by Zondite and each of the Wholly Owned Subsidiaries of stating inventory at the lower of cost or estimated realizable market value, on a first in, first out basis, all in accordance with generally accepted accounting principles

(viii) The execution and delivery of this Agreement by Zondite and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of Zondite, subject to the approval by the stockholders of Zondite, and, upon approval by the favorable vote of the holders of two thirds (2/3) of the whole number of shares of Zondite common stock then outstanding given at a meeting duly called, convened and held for such purpose, this

Agreement will have been duly and validly authorized by all necessary corporate action and will be binding upon and enforceable against Zondite in accordance with its terms

(ii) Neither Zondite nor any Wholly Owned Subsidiary is in default of any obligation to be in default under any agreement, contract, lease, commitment, instrument or obligation, or in other party to any contract, agreement, lease, commitment or instrument to which Zondite or any Wholly Owned Subsidiary is a party, in a material default thereunder

(iii) Zondite has delivered to Grace all current financial reports showing the assets of each company, provision, retirement, profit sharing, bonus and other welfare or benefit plan of Zondite, and of each Wholly Owned Subsidiary, a statement of the estimated current annual cost and any past service cost of each such plan, current reports to a pension plan or other plan, including the cost of which is determined by actuarial methods, a statement of the extent to which such cost and any liability of Zondite and of each Wholly Owned Subsidiary under each such plan have been funded and with respect to each such funded amount which constitutes a self-insured trust and in the case of such plan, a currently effective United States Internal Revenue Service ruling or determination letter holding such trust to be exempt from federal income taxes. There has been no subsequent amendment of any such plan or trust which might affect the current validity of any such ruling or determination letter

(iv) Zondite has delivered to Grace a statement (certified by the President of Zondite) setting forth the name and current annual salary of each director of Zondite and of each Wholly Owned Subsidiary and of each officer and employee thereof whose current annual salary is \$100,000 or more and the profit sharing, bonus, or other form of compensation rather than the salary paid or payable to or for the benefit of each such person for the immediately preceding fiscal year of Zondite or of any Wholly Owned Subsidiary

(v) No representation or warranty by Zondite in this Agreement or in any statement (including but not limited to financial statements or other statements furnished to Grace pursuant hereto) or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or omission or will omit to state a material fact necessary to make the statement contained herein or thereon not misleading

9. Representations and Warranties by Grace. Grace represents and warrants to Zondite as follows:

(a) Grace is a corporation duly organized, validly existing and in good standing under the laws of the State of Connecticut. The copy of the Amended Charter of Incorporation of Grace dated May 11, 1982, certified by the Secretary of State of Connecticut, which is being delivered to Zondite is true, complete and correct

(b) As of the date of this Agreement, Grace is not in default of any debt or other obligation of Grace or of any of its subsidiaries, and the financial statements of Grace and its subsidiaries for the year ended December 31, 1981, and for the year ended December 31, 1982, are true and correct

(c) Grace has delivered to Zondite a copy of its Consolidated Balance Sheet and Statement of Consolidated Income and Statement of Consolidated Capital Surplus and Retained Earnings for the year ended December 31, 1981, and for the year ended December 31, 1982, which are true and correct

(d) Third Quarter Report dated November 1, 1982, containing information for the three months ended September 30, 1982

The above certified Consolidated Balance Sheet and Statements of Consolidated Income and Consolidated Capital Surplus and Retained Earnings are true and complete and present fairly the financial position of Grace and its consolidated subsidiary companies at December 31, 1981

11/1/88

Zonolite will not dispose of any shares of Grace common stock delivered pursuant to this Agreement except as provided in this Agreement.

At or promptly after the Closing, Zonolite will file, at such time as may be required to change its name to one which does not include the name "Zonolite" or any variant thereof, and to its and after the Closing, Zonolite will not engage in any business or other activity except as provided in this Agreement and as required to complete the liquidation of Zonolite as provided for in this Agreement.

Zonolite consents and agrees that it will take all such action in connection with its dissolution winding up and complete liquidation as to carry out a tax free reorganization within the meaning of Section 368(a)(1)(C) of the United States Internal Revenue Code of 1954.

11 Conduct of Zonolite Business Prior to Closing Zonolite consents and agrees that pending the Closing

(a) The business of Zonolite, each Wholly Owned Subsidiary and each Subsidiary will be conducted only in the ordinary course.

(b) No change will be made in the Articles of Incorporation or in the Charter of Zonolite or any Wholly Owned Subsidiary or any Subsidiary unless first approved in writing by the Board.

(c) No change will be made in the authorized or issued common or capital stock of Zonolite or its Wholly Owned Subsidiaries or its Subsidiaries nor shall any rights, warrants or options relating thereto be issued or granted, provided, however, that additional shares of common stock of Zonolite may be issued upon exercise of employee restricted stock options referred to in Section 11(f) hereof.

(d) No dividend or other distribution or payment will be declared or made, paid or made on or in respect of the common or capital stock of Zonolite nor will Zonolite directly or indirectly redeem, retire, purchase or otherwise acquire any of such stock, except that if between the date hereof and the Closing there shall occur a record date for the determination of holders of the outstanding Grace common stock entitled to receive a cash dividend on Grace common stock, Zonolite may declare and pay on outstanding Zonolite common stock a cash dividend per share equal to one quarter (1/4) of said cash dividend per share payable on Grace common stock.

(e) Except as otherwise requested by Grace, Zonolite will use its best efforts to preserve the business organizations of Zonolite, each Wholly Owned Subsidiary and each Subsidiary intact and to keep available to Grace the services of the present officers, employees, and agents of Zonolite, the Wholly Owned Subsidiaries and the Subsidiaries. Zonolite will use its best efforts to preserve for Grace the good will of suppliers, customers, distributors and others having business relations with Zonolite, the Wholly Owned Subsidiaries and the Subsidiaries.

(f) Except as otherwise written consent, no increase will be made in the compensation or rate of compensation or commissions payable or to become payable by Zonolite or any Wholly Owned Subsidiary to any officer, director, salaried employee earning more than \$100,000 per annum, salesman or agent, nor will there be made any general increase in compensation or rate of compensation payable or to become payable to hourly employees or salaried employees earning \$10,000 per annum or less. General increase shall have the meaning of such an increase in (a) the rate of compensation or commissions payable or to become payable to any officer, director, salaried employee earning more than \$100,000 per annum, salesman or agent, nor will there be made any general increase in compensation or rate of compensation payable or to become payable to hourly employees or salaried employees earning \$10,000 per annum or less. (b) (i) In this Agreement and in bonus, profit sharing or other extraordinary compensation shall be paid by Zonolite or any Wholly Owned Subsidiary nor shall any bonus, profit sharing, retirement, pension or similar plan, agreement or arrangement heretofore adopted or entered into by Zonolite or any Wholly Owned Subsidiary be amended, modified or changed in any respect so as to shall any new bonus, profit sharing, retirement, pension or similar plan, agreement or arrangement be adopted or entered into by it, provided, however, that Zonolite may make modifications with respect to its fiscal year ending March 31, 1988 under its bonus plan for officers and employees in accordance with practices followed in prior years and in an aggregate amount not exceeding 10% of Zonolite's earnings before taxes for said fiscal year ending March 31, 1988 and under its management incentive plans for managers, plant superintendents, salesman and certain other employees in accordance with practices followed in the past and in an aggregate amount consistent with amounts paid in prior years.

and the results of their operations for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(d) None December 31, 1988 there has not been any material adverse change in the assets (financial or otherwise) or properties, assets, liabilities, business or prospects of Grace.

(e) The shares of Grace common stock deliverable pursuant to this Agreement, when issued and delivered as herein provided, will be validly issued and outstanding shares of Grace common stock, fully paid and non-assessable and duly authorized for listing on the New York Stock Exchange upon official notice of issuance.

(f) The execution and delivery of this Agreement by Grace and the performance of the transactions contemplated herein have been duly and validly authorized by all necessary corporate action.

(g) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in any breach of any of the terms or conditions of, or constitute a default under, the Certificate of Incorporation of Grace, or any commitment, mortgage, note, bond, debenture, contract, agreement, license or other instrument or obligation to which Grace is now a party or by which Grace may be bound or affected.

(h) Grace has no present intention of revoking or making any other disposition of the Zonolite Assets in such a manner as to cause the consummation of this Agreement not to constitute a reorganization as defined in Section 368(a)(1)(C) of the Internal Revenue Code or to alter the tax deferred nature of the transaction as stated in Section 15(c) hereof.

(i) No representation or warranty by Grace in this Agreement, or in any statement (including financial statements), certificate or other instrument furnished to Zonolite pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or omission or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

10. **Meeting of Stockholders of Zonolite and Liquidation of Zonolite** Zonolite will duly call, give notice of and hold a meeting of its stockholders on or before March 4, 1988 for the purpose of authorizing (i) the sale, conveyance, assignment, transfer and delivery of the Zonolite Assets, to Grace upon the terms and conditions provided herein, (ii) the voluntary dissolution of Zonolite following the distribution to its stockholders of shares of Grace common stock in complete liquidation of Zonolite, and (iii) an amendment to Zonolite's Articles of Incorporation to change Zonolite's name at or after the Closing to one which does not include the name "Zonolite" or any variant thereof. As promptly as practicable after the Closing, Zonolite shall be dissolved and Zonolite in complete winding up and liquidation of Zonolite will distribute to each holder of Zonolite common stock, in exchange for and upon surrender for cancellation of his certificate or certificates for shares of Zonolite common stock, Grace common stock at the rate of one share of Grace common stock for each four shares of Zonolite common stock represented by the certificate or certificates so surrendered by him (subject to adjustment as a result of the occurrence of events referred to in the last paragraph of Section 7 hereof). In order to effect such distribution, Zonolite will deliver to a bank or trust company as agent for the Zonolite stockholders, the "Exchange Agent" selected by Zonolite prior to the Closing and satisfactory to Grace, the certificates for shares of Grace common stock delivered to Zonolite as provided for in this Agreement. In accordance with an agreement to be entered into between the Exchange Agent and Zonolite in form and substance satisfactory to Grace, the Exchange Agent shall distribute said Grace common stock to Zonolite's stockholders on the basis hereinafter provided.

Grace shall not be obligated to issue any certificates representing fractional shares of Grace common stock in connection with the aforesaid distribution. Instead, Zonolite shall make appropriate arrangements with the Exchange Agent, in form and substance satisfactory to Grace, for the purchase or sale, for the accounts of Zonolite stockholders entitled to fractional interests, of fractional interests in Grace common stock. The expenses of the Exchange Agent, including any transfer taxes incurred upon the sale of fractional interests for the accounts of Zonolite stockholders, shall be subtracted from the proceeds of such sales, and the net proceeds shall be remitted by the Exchange Agent to such Zonolite stockholders.

(m) No suit, action, investigation by any governmental body, or legal or administrative proceeding shall have been brought or shall be threatened which questions the validity or legality of the transaction contemplated hereby.

Grace covenants and agrees that it will use its best efforts to fulfill, comply with and satisfy all of the conditions set forth in Subsections (i), (j), (k) and (l) of this Section 14.

15. *Conditions Precedent to Zondite's Obligations.* All obligations of Zondite under this Agreement are subject, at Zondite's option, to the fulfillment, prior to or at the Closing, of each of the following conditions:

(a) The stockholders of Zondite representing at least two thirds (2/3) of the whole number of shares of Zondite common stock then outstanding shall have voted in favor of the proposition or resolution to sell the assets of Zondite to Grace as herein provided at the meeting of stockholders of Zondite referred to in Section 10.

(b) All representations and warranties of Grace contained in this Agreement or in any deed, written certificate, statement, or other document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true and accurate in all material respects as of the date when made and shall be deemed to be made again at the time of the Closing and shall then be true in all material respects.

(c) Grace shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(d) Grace shall have delivered to Zondite an opinion of F. Franklin Moon, Esq., General Counsel of Grace, dated the date of the Closing, in form and substance satisfactory to Zondite, that:

(i) The corporate existence and good standing of Grace are as represented and warranted in Section 9(a) hereof;

(ii) The shares of Grace common stock to be delivered pursuant to this Agreement will, when issued and delivered in accordance with the terms hereof, be duly and validly issued, fully paid and not overvalued;

(iii) The shares of Grace common stock to be delivered pursuant to this Agreement are duly authorized for being on the New York Stock Exchange upon official notice of issuance;

(iv) This Agreement has been duly and validly authorized, executed and delivered by Grace and constitutes a valid and binding obligation of Grace, enforceable in accordance with its terms and that all legal and corporate proceedings necessary to be taken by Grace in connection with the transactions provided for by this Agreement and necessary to make the same effective have been duly and validly taken.

(v) The issuance and delivery of the Grace common stock to Zondite and the distribution of said stock to Zondite's stockholders are, under the circumstances contemplated by this Agreement, exempt from registration under the Securities Act of 1933.

(e) Zondite shall have received either an opinion of its tax counsel or rulings from the Internal Revenue Service, satisfactory to Zondite's tax counsel, to the effect that the consummation of this Agreement will constitute a reorganization as defined in Section 368(a)(1) of the Internal Revenue Code of 1954 and that no gain will be recognized upon the transfer of the Zondite common stock (a) by Zondite in exchange for the transfer of the Zondite common stock to Grace pursuant to this Agreement or (b) by the stockholders of Zondite in exchange for their shares of Zondite common stock on the liquidation of Zondite, except to the extent that such gain is realized with respect to fractional interests which may be sold to the Exchange Agent to agent for such stockholders.

(f) No suit, action, investigation by any governmental body, or legal or administrative proceeding shall have been brought or shall be threatened which questions the validity or legality of the transaction contemplated hereby.

Zondite covenants and agrees that it will use its best efforts to fulfill, comply with and satisfy all of the conditions set forth in Subsections (a) and (e) of this Section 15.

(iv) Such counsel does not know or have any reason to believe that any representation or warranty set forth or contained in this Agreement or in any written statement, certificate, deed or other document delivered pursuant hereto or in connection with the transactions contemplated hereby is false in any material respect, or that any statement of fact made by Zondite herein or in any written statement, certificate, deed, or other document furnished to Grace pursuant hereto or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements herein or therein contained not misleading.

(v) Zondite has the corporate power and authority to sell, assign, convey, transfer and deliver the Zondite Assets as herein provided; all legal and corporate proceedings necessary to be taken by Zondite or its stockholders in connection with the transactions provided for by this Agreement and necessary to make the same effective have been duly and validly taken; and this Agreement has been duly and validly authorized, executed and delivered by Zondite and constitutes a valid and binding obligation of Zondite, enforceable in accordance with its terms.

(f) Grace shall have received such legal opinions, title insurance (or commitments therefor) or other evidence, in form and substance satisfactory to it and its counsel, as it may deem necessary to establish that:

(i) As of the Closing, the real and personal property titles of Zondite, each Wholly Owned Subsidiary and each Subsidiary are as represented in Section 8(h) hereof, subject only to the exceptions provided for therein, and

(ii) the instruments of sale, conveyance, transfer and assignment delivered to Grace at the Closing are valid in accordance with their terms, proper in form and substance to accomplish their intended purpose and effectively vest in Grace good and marketable title of the character stated in Section 8(h) hereof, to the real property referred to in said Section 8(h) and all right, title and interest of Zondite in and to the other assets, properties, and business of Zondite, as contemplated by this Agreement.

(g) All actions, proceedings, instruments and documents required to carry out this Agreement, or incidental thereto and all other related legal matters, shall have been approved by F. Franklin Moon, Esq., General Counsel of Grace.

(h) Zondite shall have delivered to Grace an employment contract signed by Mr. Joseph A. Kelly, substantially in the form of that heretofore delivered to Zondite and initialed by Mr. Kelly and by an officer of Grace prevailing among other terms and conditions, that Mr. Kelly shall devote his entire time and attention to the affairs of Grace for a period of five years from the date of the Closing hereunder.

(i) Grace shall have received from counsel advised by it an opinion that the issuance and delivery of the Grace common stock to Zondite and the distribution of said stock to Zondite's stockholders are, under the circumstances contemplated by this Agreement, exempt from registration under the Securities Act of 1933.

(j) The Grace common stock to be delivered to Zondite hereunder shall have been authorized by the New York Stock Exchange for listing upon official notice of issuance.

(k) Grace shall have received a permit from the Commissioner of Corporations of the State of California authorizing the issuance and/or delivery of Grace common stock to the stockholders of Zondite resulting in the State of California.

(l) Grace shall have received either an opinion of F. Franklin Moon, Esq., General Counsel of Grace or rulings from the Internal Revenue Service, satisfactory to said F. Franklin Moon, to the effect that the consummation of this Agreement will constitute a reorganization as defined in Section 368(a)(1)(C) of the Internal Revenue Code of 1954 and that no gain will be recognized upon the receipt of Grace common stock by Zondite in exchange for the transfer of the Zondite Assets and assumption of Zondite liabilities pursuant to this Agreement.

$$l(l+1) = l_{-1}l_0 + l_0l_1 + l_1l_2 + \dots + l_{l-1}l_l$$

²⁴ *Interpretation Section Headings* This Agreement shall be construed to be intended and interpreted in accordance with the laws of the State of New York. The section and title headings contained herein are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement.

24. *Continuity of Terms of Parties on Initial and Subsequent Amendments.* The Agreement shall be a continuing agreement and shall subsist on the parties' mutual consent to its continuance and on the parties' mutual assent to all prior agreements, arrangements, and undertakings referred to in the Agreement and incorporated therein. No representation, promise, understanding or statement of intention or fact made by any party to the Agreement shall be withdrawn, modified, or rescinded, and no such statement, understanding, promise, or other document delivered pursuant hereto or in connection with the Agreement, contemplated thereby, and neither *Zimbabwe* nor *Zimbabwe* shall be deemed to have rescinded or withdrawn any representation, promise, understanding or statement of intention or fact made by it or by any party to the Agreement and its conditions. The Agreement shall be binding upon all future governments of the Republic of Zimbabwe and shall be enforceable by the parties hereto and their respective successors, but if, at any time, any party to the Agreement shall rescind or withdraw, modify, or amend any of the terms, provisions or obligations contained herein, such party shall not be deemed to have rescinded or withdrawn any representation, promise, understanding or statement of intention or fact made by it or by any party to the Agreement and its conditions, and the terms, provisions or obligations contained herein shall not be deemed to have been altered or rescinded by such party. The rescission or withdrawal, modification, amendment or amendment of any provision of the Agreement shall not be construed to have rescinded or withdrawn any representation, promise, understanding or statement of intention or fact made by any party to the Agreement and its conditions.

25. *Comments on*—This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

the United Nations, its parties have duly executed this Agreement as of the date hereof, and

W. H. C. K. A. T. S. C. C.

[Faint, illegible handwritten notes]

1. *Introduction*

Abstract

4.1

By *Confession of Zondair* to the *Interim* herein to the contrary notwithstanding, the fact that the stockholders of Zondair representing at least two-thirds of the whole number of shares of Zondair common stock then outstanding shall have voted in favor of the proposition to amend the charter of Zondair so that future as herein provided at the meeting of stockholders of Zondair called for the purpose of amending the charter of Zondair shall be deemed to have authorized to all the Zondair Vets. to take as herein provided at the meeting of stockholders of Zondair provided for in Section VI, that Agreement may be terminated and the sole officers provided for in Section VI shall be deemed to have been elected and the Board of Directors of Zondair to have been organized and the Board of Directors of Zondair may be deemed to have authorized the Board of Directors of Zondair to take any and all such action as may be deemed fit and proper to carry out the intent and purpose of the provisions of the charter of Zondair and the stockholders of Zondair then outstanding.

17. Trans-Company consents and agrees that in the event that the foregoing is made public, Trans-Company shall hold in confidence all trade secrets and confidential information, if any, which it acquires from Trans-Company pursuant to or in connection with the transactions provided for in this letter agreement, except that nothing herein shall require Trans-Company to keep in confidence any information already known to Trans-Company prior to the date of this agreement. Any information which may be disclosed to Trans-Company from Trans-Company or its subsidiaries, agents, employees, independent contractors or any other persons, shall be published through or by Trans-Company at any time hereafter, which at any time hereafter shall be published through or by Trans-Company on the part of Trans-Company.

[illegible]

10. *Notes, Orders, Statements and Non Surrender of Representations and Warranties.* All statements and facts contained in any written statement, certificate or other document delivered by or on behalf of Zondair or Gizec pursuant to this Agreement or in connection with the transactions contemplated hereby shall be deemed representations and warranties by Zondair or Gizec, respectively, hereunder. The representations and warranties made by Zondair or Gizec herein or in any such written statement, certificate or other document shall survive, but be terminated and extinguished by the closing of the transactions contemplated hereby.

20. *Expenses of the Party.* All expenses incurred by or on behalf of the parties hereto including, without limitation, all fees and expenses of agents, representatives, counsel and accountants employed by the parties hereto in connection with the authorization, preparation, execution and performance of this Agreement shall be borne equally by the party who shall have incurred the same, and the other party shall have no liability in respect thereof.

2) *Broker*. I sell only to this Agreement represents and warrants that no broker or finder has been used for in connection with this Agreement or the transactions contemplated by this Agreement and that no broker or finder is entitled to any brokerage or finder's fee or other commission in respect of the transaction. I shall not be bound by any oral or written arrangements, understandings, made by a third party, in connection with this Agreement, which purport to create any such obligation.

27. *Notes.* All orders, requests, demands and other communications required or permitted by the given barcode shall be in writing and shall be deemed to have been duly given if delivered per mail, by hand, by parcel telegram or airtel or by registered mail, by registered or certified mail or by registered or certified mail.

If to office
W R Smith & Co
7 Madison Square
New York 5, N Y
Attention: Franklin

State of New York }
County of New York }

On the 17th day of January 1963, before me personally came J. C. Morrison to me known, who, being by me duly sworn did depose and say that he resides at 655 Park Avenue, New York 21, N. Y., that he is the Executive Vice President of W. R. Grace & Co., the corporation described in and which executed the foregoing instrument, that he knows the real and lawful owner of said instrument, that the real and lawful owner of said instrument is such corporate body, that it was so affixed by order of the board of directors of said corporation, and that he signed the name thereto by this order.

[Morrison seal]

JACQUES I. GANGE

Notary Public

JACQUES I. GANGE
Notary Public, State of New York
No. 41 Madison Avenue, New York
(Certificate filed in New York County
Term Expires March 30, 1963)

State of Illinois }
County of Cook }

I, J. C. MORRISON, a notary public in and for said county and state, do hereby certify that J. A. KERRY, President of the above named ZONOLITE COMPANY, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such President of said corporation, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument of and attested the corporate seal of said corporation to be affixed thereto, pursuant to authority given by the board of directors of said corporation, as the free and voluntary act of said ZONOLITE COMPANY, and as his own free and voluntary act as such President, for the uses and purposes therein set forth.

Given under my hand and official seal this 17th day of January, 1963.

[Morrison seal]

J. C. MORRISON

Notary Public

My Commission Expires Apr. 1, 1965

EXHIBIT "B" TO PROXY STATEMENT

Plan of Liquidation of Zonolite Company

The following constitutes the plan for the complete liquidation of Zonolite Company (or if the name is changed to Montana Vermiculite Company), then of Montana Vermiculite Company), a Montana corporation:

1. After the transfer of substantially all of its assets to W. R. Grace & Co. ("Grace") in exchange for common stock of Grace and the assumption by Grace of the liabilities of Zonolite Company ("Zonolite") pursuant to the Agreement and Plan of Reorganization ("Agreement") approved by the Board of Directors of Zonolite on January 17, 1962, Zonolite shall be completely liquidated and dissolved and to that end:

(a) The shares of stock of Grace received in said reorganization shall be distributed to the stockholders of Zonolite pro rata in exchange for their shares of common stock of Zonolite and in complete cancellation and redemption of said Zonolite shares of common stock. The basis of exchange shall be 162 shares of Grace common stock \$1.00 par value for each four shares of Zonolite common stock, \$1.00 par value. Such distribution shall be made by Continental Illinois National Bank and Trust Company of Chicago, which bank has been appointed by the Board of Directors of Zonolite as Exchange Agent for the stockholders of Zonolite for the purpose of the distribution of the Grace common stock to the stockholders of Zonolite.

(b) No fractional shares of Grace shall be issued to the stockholders of Zonolite. Instead a number of shares of Grace common stock equal to the aggregate of the fractional shares that would otherwise be distributed to Zonolite stockholders shall be transferred to the Exchange Agent as agent for such stockholders in accordance with their interests. Each stockholder entitled to a fractional interest shall be entitled to instruct the Exchange Agent to buy an additional fraction for his account in order to round out his interest, or to sell the fractional interest in which he is entitled and to receive the net proceeds in cash, and the Exchange Agent shall carry out the instructions so received. Fractional interests belonging to stockholders who do not give instructions to buy or sell within a period of sixty (60) days succeeding the date of closing shall be sold and the net proceeds shall be forwarded to the Exchange Agent to the stockholder at his last address as shown on the books of Zonolite. In buying and selling fractional interests the Exchange Agent shall act as agent for the stockholders and such purchasing or selling stockholder shall be charged with the expenses (including brokerage commissions and transfer taxes) attributable in full to the purchase or sale.

2. The directors and the proper officers of Zonolite shall take all steps necessary to cause the Zonolite under the applicable statutes of Montana. The directors and the proper officers are authorized and directed to do any and all things in its name and in favor of its stockholders or advisable in order to carry out the purpose and intention of this Plan of Liquidation.

3. This Plan of Liquidation has been approved by the Board of Directors of Zonolite and shall become effective when it has been approved by a vote in favor thereof by the holders of at least two thirds (2/3rds) of the issued and outstanding shares of common stock of Zonolite entitled to vote thereon.

4. Zonolite shall be dissolved and liquidated as soon as practicable after the completion of the exchange of assets for Grace common stock.

EXHIBIT "C" TO PROXY STATEMENT

Sections 15-912 and 15-913 of the Revised Codes of Montana of 1917

15-912. RIGHTS OF DISSENTING STOCKHOLDERS.—Any stockholder who shall not, at said stockholders' meeting, have voted for or authorized the proposition or resolution for the disposition of property which may have been adopted at such stockholders' meeting may, within twenty days after the date of the stockholders' meeting, give written notice to the said corporation that he does not assent thereto, and also a like notice to the grantee or vendee, or any agent or representative of such grantee or vendee; provided, that such grantee or vendee, or agent or representative of such grantee or vendee, be within the state and demand payment of the value of his stock, and within ten days after service of said notice he must, or the said corporation, or its grantee or vendee, may, make application in the district court of the county where the principal place of business of the corporation is situated to have the value of his stock fixed and appraised, of which application at least ten days' previous notice must be given by the person so applying to the other parties. The notices hereinbefore provided for may be served in the manner provided by law for the service of summons in cases in the district court. Upon said application, the said district court shall appoint three competent and disinterested persons as appraisers, and designate the time and place of their first meeting to appraise the value of the stock of such dissenting stockholders, and give them such directions as the said court may think proper. The court may fill any vacancies in the board of appraisers, occurring by refusal or neglect to serve, or otherwise. Said appraisers shall meet at the time and place designated by the court, and they or any two of them shall take an oath to honestly and faithfully discharge their duties, and shall hear and take evidence in relation to the value of the stock of such dissenting stockholder at the time of his dissent, and find the value thereof, and return and file their report and appraisal with the clerk of said court. The charges and expenses of said appraisal shall be paid by the corporation, or its grantee or vendee.

15-913. APPEAL FROM APPRAISEMENT—PAYMENT OF APPRAISEMENTS TO DISSENTING STOCKHOLDER AND RELEASE OF INTEREST—LIEN OF APPRAISEMENT ON PROPERTY DISPOSED OF.—Either party to the appraisal and award of such appraisers may, within thirty days from the filing of the same and service of notice thereof, appeal from such award to the district court of the county in which the same is made and filed, and thereupon the value of such stock shall be reassessed by a jury in the same manner as appeals are taken and trials had on appeals from the assessment of commissioners in condemnation proceedings provided by law. When such appraisal or award shall become final, the court shall enter judgment in favor of such dissenting stockholders and against the corporation and its grantee or vendee for the amount of said award, with expenses and costs of proceedings, and execution may be issued on said judgment as in other cases. The judgment may also provide for the sale of the property affected by the lien hereinafter provided for. The claim of such dissenting stockholder for compensation and costs, as aforesaid, and the appraisal and award and judgment thereon shall be and remain a lien upon all the real property of the corporation so conveyed or disposed of in pursuance of the stockholders' resolution, and shall be prior and superior to the rights of the grantee or vendee to all such property, but the claims of all dissenting stockholders for compensation and their several appraisements, awards and judgments, shall be equal liens upon said property without preference or priority between themselves. When the amount of such appraisements and costs shall have been paid to or collected by such dissenting stockholder or deposited with the clerk of the district court in which said case is pending, his interest in said stock or in the corporate property of such corporation, which may have been sold or disposed of in pursuance of the resolution of the stockholders' meeting, as herein provided, and the stock of such dissenting stockholder shall thereupon be released from the lien hereinafter provided for, and the said judgment of appraisal, unless otherwise provided, shall not contract between such stockholder and the grantee.