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HENRY A. THOURON
PRESIDENT

NEWS RELEASE

HERCULES POWDER COMPANY

INCORPORATED

HERCULES TOWER • 910 MARKET STREET
WILMINGTON • DELAWARE • PHONE OL 6-9811

PLAINTIFF'S
EXHIBIT
HAY-14

RELEASE ON RECEIPT

May 25, 1964..... Henry A. Thouron, president of Hercules Powder Company, and John H. Lux, president of Haveg Industries, Inc., announced today approval by the Board of Directors of both companies of a plan for the acquisition of Haveg Industries by Hercules Powder Company, subject to the approval of the stockholders of Haveg Industries, Inc.

The proposed acquisition calls for the issuance of a new series of Hercules Powder Cumulative Class A stock at the rate of 2 shares for each 5 shares of Haveg common. The new Hercules A stock is to be entitled to cumulative dividends of \$1.65 per annum and, like the currently outstanding Cumulative Class A stock, will have no par value. It is to rank pari passu with the outstanding \$2 convertible series and will itself be convertible into three shares of Hercules Powder Common during the first year, into three and one-eighth shares during the second and third years, and into three and three-eighths shares from the fourth through the sixth year. The issue is to be non-callable during the six years of convertibility, becoming callable at \$150 per share thereafter.

Mr. Thouron said that it is planned to continue the operations of Haveg

(more)

Industries and its subsidiaries with its present management and personnel and in Haveg's present plant facilities. Dr. Lux said the ability of Haveg Industries rapidly to develop and exploit its plastics technology will be enhanced and assured by effective utilization of the combined financial and technical resources.

Both Hercules and Haveg have their headquarters in Wilmington, Delaware.

The common stocks of both companies are listed on the New York Stock Exchange. Haveg Industries has 1,024,772 Common, and Hercules Powder Company, in addition to 18,293,450 Common, presently has 141,164 Cumulative Class A and 87,488 Preferred shares outstanding. Both companies are incorporated in Delaware and were established in 1929 and 1912, respectively.

The negotiations leading to the acquisition were assisted by American Securities Corporation, Investment Bankers, and Nye & Whitehead, members N. Y. S. E.

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We were glad to be able to announce recently that the boards of Haveg Industries and of your company had approved the terms for a merger of the two companies, subject to approval by the stockholders of Haveg Industries. This we hope they will do and that we will soon be able to welcome the men and women of Haveg into the Hercules family. It is planned to continue the operations of Haveg Industries and its subsidiaries with its present management and personnel in Haveg's present plant facilities. In fact, for the indefinite future, we would expect it to remain as a wholly separate corporation.

Haveg has had an outstanding growth record, averaging better than 30% growth per year, and we would hope and expect that they would continue their rapid growth.

There has been and is little or no business between the two companies. However, both of us are in somewhat parallel lines in defense and plastics fields. For example, both of us are active in the fast growing field of foamed plastics. In these and other areas of mutual interest we expect to be able to help each other and thus provide the true basis for any successful merger; namely, to be able to do better together than either one can alone.

In the judgment of your board of directors, the merger should improve the earnings of your company both now and, more importantly, for the long pull.

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May 21, 1964

INTRODUCTION

We initiated exploratory merger discussions with Z in late February 1964. A booklet on Z was prepared and circulated to Hercules Directors on March 26. Hercules Board authority was obtained on April 1 to negotiate with Z within prescribed limits subject to Board approval of a definite agreement.

Since April 1, we have had a number of discussions with Z which has provided us with additional information and resulted in a specific merger proposal. The additional information obtained largely amplifies the information contained in our booklet of March 26. This supplemental booklet on Z will summarize pertinent changes in information, give revised financial pages based on our specific merger proposal, and explain in detail the advantages to Hercules of this merger proposal.

The pertinent changes in information are summarized below: Z is presently negotiating for the sale of the assets of their blown drum liner division along with know-how and patent rights on plastic drum liners (having minimum capacity of 15 gallons) for \$250,000. The sale of this unprofitable division will not affect Z's projected earning forecast. Z is also negotiating for the acquisition of certain of the physical assets of Consolidated Molding Company for approximately \$1 million. Consolidated Molding has plants at Binghamton, N. Y. and Scranton, Pa., and their annual sales are approximately \$7 million. With proper consolidation of facilities and personnel with

Taunton, Z expects that this acquisition will give after tax profits of \$225,000 on their present business. We have confirmed previous information that Z's direct government sales represented 40 - 45% of Z's total sales in 1963 and first quarter of 1964. We have also learned that Z's report to U. S. Government on renegotiable sales would indicate that 63% of their 1963 sales and 56% of their first quarter 1964 sales were classified as renegotiable. This report to the U. S. Government includes Z's proprietary products that may or may not have been sold indirectly to U. S. Government on third and fourth tier business.

The revised financial pages in this booklet updates previous financial information and give the pertinent details of the specific merger proposal. Rather than use Hercules common stock for this acquisition, we propose to use a new issue of Hercules Convertible Class A stock which offers advantages to both Hercules and Z. The new issue of Class A stock would have a guaranteed dividend rate 10% above Z's dividend rate of 1963 but considerably under the expected dividend rate on Hercules common stock. Z shareholders would have the option of either converting their Class A stock promptly for greater dividend income or holding their Class A stock to obtain slightly higher conversion rates. With the use of Class A stock, we were able to negotiate a somewhat lower acquisition price than would have been possible with Hercules common stock. The Class A stock also will improve Hercules share earnings prior to complete conversion of Class A stock. Treasurer's estimate that after complete conversion of Class A the exchange ratio of Hercules common (issued for conversion) to Z common will range from 1.23 to 1.27 to 1.0

approximately 30%. With growth prospects of their established markets plus their new developments, we have every reason to believe that Z's excellent past growth performance will continue in the future. The future performance and opportunities for both Hercules and Z will be greatly enhanced by this merger.

NEED FOR ENGINEERING SKILLS IN FABRICATION OF PRODUCTS

In the last ten years we have become more and more involved in polymeric material, both in actual production and sale and on a much broader scale in research. As this trend has increased we have more and more felt the need for engineering ability in the conversion of these polymers into useful forms. This has been true whether we wish to teach our customers and their customers how to do the conversion or whether we wish to do one or more of the conversion steps ourselves. This is illustrated by our need to obtain from outside our company know-how and skilled people for the introduction of Pro-fax into fibers. Our efforts over several years to obtain the Plax Corp. is another instance. In fact, we felt the need so keenly that we have had prepared a summary of 25 to 30 companies in the engineering field with a view to selecting one or two as possibilities to fill this need. Our products for which we have recognized this need include phenol, Vinsol, plasticizers, polyolefins, the various elastomers under development, DMT, copolyesters and a number of copolymers and new polymers still in the laboratory. Our recent interest in and development work in foams is a prime example that is described elsewhere.

Most, if not all, of our competitors in the polymeric field have long since recognized this need and moved forward into conversion of their products to such items as fibers, film, pipe, extruded shapes, bottles, foamed sheet, calendered stock, elastomeric products, etc. Two recent examples are automobile bodies and Corfam, a leather-like sheet for shoes and other present leather uses.

Company Z has shown unusual ability in converting almost all kinds of plastics into those plastic products requiring a high degree of engineering skill and ingenuity. They have equipment for and a knowledge of most known methods for plastic forming, and to these have added new developments. Examples of this are in their nose cone work, Samson wrap, coating of wire in new ways for better performance in specific applications, silicon and carbon fibers, etc. Because of their ability in engineered plastics, they have built up a wide variety of processes and types of products. We know of no company in the plastics field that compares with them in this kind of work. Their engineering skills have been a major factor in their very fast growth rate. Also, by taking on and solving new and difficult applications they have maintained a good profit margin of 8 or 9% of sales before tax and have kept away from the mundane, very low profit margin items, such as housewares and toys. They have been imaginative and creative, and so have stayed ahead of the field on a great many of their products.

Company Z has another attribute which will be of great value to us. That is a feel for or understanding of the market place for plastic products. It is this market instinct, plus a wide knowledge of plastics materials and forming processes, that has enabled them time and again to come up with new engineered plastic products. Examples are plastic cups, foamed bottles, egg cartons and crates, drum liners, new forms of milk bottles, etc. This combination will be most useful in helping us develop volume uses, either captive or otherwise, for our existing polymeric materials. And, finally, it will be extremely helpful in bringing back to our R & D men the needs of the market for polymers of new and different types and so guide our research to more profitable ends.

Foam

Foamed plastics offer the most immediate opportunity for Hercules and Z to benefit from the interaction of merger. In 1963 the usage of all types of foamed plastics was 340 million pounds, and industry is forecasting this usage will reach 860 million pounds by 1968. Our own survey indicated the potential for polyolefin foams will be 400 million pounds in 1968. The enormous growth potential for foamed plastics is based on the economy of lower density foamed plastics (i. e., 5 - 25 lbs. /cu. ft. vs. 60 lbs. /cu. ft. and higher for conventional plastics) which will open up new markets held now by paper, glass, metal and conventional plastics.

Z have developed a unique process for continuous extrusion of thin polystyrene sheets having a density in the range of 15 - 25 lbs. /cu. ft. Since 100% of their waste material is reworked, Z's extrusion process is economically attractive with an extrusion-foaming cost of only 2 - 3 cents per pound (i. e., comparable to our cost of converting flake to molding powder). Early this year Z granted Lily-Tulip an exclusive license on this foamed process for nested containers, receiving a down payment of \$425,000, royalties based on Lily-Tulip's sales, guaranteed annual minimum royalties, and these royalties are payable independent of whether patents are issued to Z. The foamed cup, we understand, is less expensive for "hot cup" uses. Lily-Tulip are forecasting their sales of foamed cups will reach \$12 million annual rate by the end of 1965 (i. e., only a 3% market penetration) which would give Z an annual before tax income of \$270,000. Thereafter they expect increasingly higher volumes. Lily-Tulip currently have a team of six or eight overseas on sub-licensing possibilities, and Z will receive 50% of payments from any sub-licensing agreements that are consummated.

and Hercules much lower density Pro-fax foam will find unrelated markets.

In summary, the interaction of Hercules and Z will greatly accelerate the development and commercialization of respective foams. Since many large chemical companies are already participating in this fast growing foam plastic market, timing will be vitally important. The interaction of Hercules and Z would result in a healthy competitor in this already competitive field -- a result that cannot be reasonably anticipated if both companies go their separate ways.

Possible New Large Volume Outlets
For Hercules Polyolefins

Z has a wide range of plastic fabrication skills but to date their management policy and limited resources have resulted in the direction of these skills solely to specialty products that command a premium price but consume relatively low volumes of plastic raw materials. Hercules and Z's skills could be utilized -- if considered desirable -- to develop new large volume markets for Hercules polyolefins. Two examples of such possibilities are summarized below merely to illustrate the opportunity of applying Z's skills to volume outlets for our polyolefins.

The U. S. Army has approved use of high density polyethylene casings for 60 - 155 mm. shells and current estimates indicate that 650 million pounds of high density polyethylene could be needed for these shell containers by 1968. Z has know-how to make these shell casings in large injection molding presses and, in fact, their contemplated acquisition of Consolidated Molding would give Z the large injection presses required to produce initial quantities of these shell casings. They have the first development order for such casings from the government.

Although probably somewhat premature to discuss, Z's foam process offers some potentially significant advantages over paper in egg crates (advantages are raw material costs \$10.00 per 1,000 vs. \$12 - \$14 per 1,000 for paper, higher sales per dollar investment, and better physical properties). This potential market for plastic foam -- initially polystyrene and ultimately probably polypropylene -- is 80 million pounds per year, with the dairies and

chain stores representing 60 - 70% of market. In addition to the possible volume outlet for Pro-fax, plastic foamed egg crates are an example of Z's ability to generate \$6 - \$10 sales for each \$1 invested in fabricating facilities.

COMPANY Z PATENT ASSETS

Based on a one-day discussion with the outside patent attorney handling patent matters for Company Z, the following facts were developed:

1. The 24 issued U.S. patents include none of any particular interest to Hercules' present business. None of them covers inventions in the plastic foam or the blow molding fields. Twelve of the 24 will expire by 1970.
2. The pending docket of 75 U.S. applications is quite new, with only 19 filed prior to 1963 and 46 filed in the last 12 months. This indicates a greatly increased tempo of patent activity starting in 1963.
3. Thirty-five of the pending applications cover inventions in the foamed plastics field and 6 are directed to blow molded foams.
4. Ten of the pending applications cover inventions which appear primarily useful in Government military use, several of which relate to nose cone compositions or carbon cloth products used in rocketry.
5. The patent applications included in the Lily Tulip agreement of January 16, 1964, totalled 14, with several new filings now added. The presently

produced fully foamed cup, the composition used and the method of formation are covered by a basic application filed in December, 1962, which covers thermoplastic resins broadly and polystyrene specifically. Two St. Regis Paper Company patents are very pertinent references. The cup is defined as having bubble diameter of .01 to .5 microns, wall thickness of 10-50 mils and density of 18 to 45 lbs./cu. ft.

6. U. S. 2,917,217 to St. Regis Paper Company may present an infringement question on the Lily Tulip type cup, according to the Company Z patent attorney. This is being checked.
7. Several of the foamed plastics inventions involve skin formation on the foamed sheet or article by a quick chilling process. While the prior art is close, good coverage is expected with emphasis on the skin. All thermoplastic resin foams are covered, including polystyrene, polyurethanes, polyethylene, polypropylene, etc.
8. Other applications cover use of foam scrap or reclaim and are based on process steps to give better product than obtained from virgin material.

9. Three applications on blow molding processes

appear quite important, emphasis being on obtaining double skin, that is on both surfaces of the foam.

Foamed blow molded container claims are included; for example, a container with foamed core and two skins of at least 50% of the total thickness. Such claims are believed patentable and could become of considerable significance.

10. Foreign coverage of the more important foamed

plastics inventions is being obtained in 11 countries, including the major countries. The best blow molding invention has been filed in 6 foreign countries. The total pending Company Z foreign docket is approximately 115 applications.

Without adequate opportunity to examine the disclosures of the pending applications and the prior art pertinent to each, it is our belief that the package includes about 7 inventions of significance to foamed plastics and 3 inventions of significance to blow molded foam articles. All of these include polystyrene, polyethylene and polypropylene within their scope. These inventions are distinguishable from those covered by pending Hercules applications and would represent a significant addition to the Hercules patent package on foamed plastics. Company Z inventions have not included the concept of cross-linking which forms the basis for many of the Hercules inventions. Company Z inventions appear to emphasize skin

formation, a feature not played up in Hercules disclosures. The Company Z patent attorney was impressed with the importance of skin.

From casual inspection the Company Z applications appear well drafted by a competent patent attorney with substantial background knowledge and technical skill in the plastics field and particularly the foam field.

His contribution to the defining of the inventions involved appears substantial and his ability to prosecute the applications to obtain maximum coverage is not questioned.

Z COMPANY
(Years ended Dec. 31, - \$1,000)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Net Sales	3,769	5,243	7,792	16,405	22,145	21,322	25,665	30,143
Operating Profit, Before Taxes	169	334	748	1,329	1,548	1,567	1,977	2,688
Net profit, After Taxes	149	210	392	522	826	868	1,033	1,335
Tax Rate - Percent						38.2	43.8	49
Gross Plant	2,355	3,011	3,564	6,159	7,137	8,165	8,848	10,107
Receivables	591	796	883	3,297	2,610	2,741	3,591	3,702
Inventory	507	779	1,165	1,856	2,028	2,185	2,508	2,709
Total	3,453	4,586	5,612	11,312	11,775	13,091	14,947	16,518
Yearly average	2,970	4,020	5,099	8,462	11,544	12,433	14,019	15,733
Rate of return, %	5.0	5.2	7.7	6.2	7.2	7.0	7.4	8.5
Notes payable	87	77	69	4,910	4,731	4,431	4,270	4,119
Net worth, common	2,622	3,246	3,854	4,355	5,074	6,034	6,707	7,552
Number shares	112,500	117,000	382,900	392,500	398,690	1,014,414	1,019,287	1,024,152
Earned a share, adj. for splits	.18	.24	.41	.53	.83	.86	1.01	1.30
Market price, adj. for splits:								
High	5-1/4	10-3/4	20-1/2	32	35-1/2	50-1/4	35-1/2	48-1/2
Low	2-1/2	3-1/4	7	17-1/4	24-1/2	32-1/4	13	19-3/4
	3-7/8	7	13-3/4	24-5/8	30	41-1/4	24-1/4	34-1/8
Splits .			3 for 1			2-1/2 for 1		

3/6/64

Estimated New Operating Assets
1964-1966

*To be done at Hercules option
3/18/64

The Aerospace Division supplies all the plastic components for the first stage Polaris. Their range of aerospace products include nose cones, exit cones, high temperature insulators, complex electronic metal and plastic parts, and filament wound structures. Haveg has recently developed a high pressure process for large missile exit cones known as Sampson Wrap. This is a proprietary product of Haveg and could be a "sleeper." Haveg is actually forecasting a slight decrease in the Aerospace Division sales from \$12 million in 1963 to \$11 million in 1966.

Foamed Plastics Division

Haveg did not have any commercial sales of foamed plastics in 1963. However, they are extremely confident they can use their foam process with minor capital investment and develop sales of foamed extruded sheets and tubes within 6 to 12 months. As an indication of the small investment required, an extruder installation will cost approximately \$300,000 and will have capacity for \$8 million annual sales. In our initial discussions with Haveg, they forecasted \$5 million sales in 1966 but have cut this forecast back to \$3 million.

Mid-West Taunton Satellite Plants

Haveg is confident they can expand the sales of Taunton engineered plastics by having Mid-West Satellite plants to serve the electronic and automotive industries in this area. Haveg's approach is to acquire existing companies and convert them to Taunton products. Haveg has looked at 50 existing companies and narrowed their selection down to three companies. In their forecast, Haveg has anticipated acquisition of 2 existing plant facilities at a cost of \$1.2 million and forecasted 1966 sales of \$6.0 million from these satellite plants. Based on Haveg's excellent past sales performance at their Taunton facilities and the absence of any serious competition in this field, their sales forecast for these two Mid-West Satellite plants appears to be quite reasonable.

Fluorcarbon Plastics

Haveg has advised us that they have surveyed a new market in the chemical industry for fluorcarbon plastics. Haveg has about finished a development program on these fluorcarbon plastics. They forecasted sales of \$4 million in fluorcarbon plastics in 1966. They feel very strongly that if any of their 1966 sales forecasts have been underestimated, it has been this forecast for fluorcarbon plastics.

Z COMPANYInternal Sources of Capital
(\$1,000)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Retained Earnings	151	296	365	587	513	574	721
Depreciation Set Aside	109	272	467	616	728	806	815
Amortization of Patents	-	-	-	63	63	63	46
Total	260	568	832	1,266	1,304	1,443	1,582
<u>Expenditures*</u>							
Patents	-	-	388	-	-	-	-
Plant Expenditures	705	478	2,678	1,055	1,069	768	1,384
Accounts Receivable Increase	205	87	2,414	(687)	131	850	111
Inventory Increase	272	387	691	172	157	323	201
Total	1,182	952	6,171	540	1,357	1,941	1,696
Capital Overage or Shortage	(922)	(384)	(5,339)	726	(53)	(498)	(114)
Price Earnings Ratio	29.2	33.5	46.5	36.1	48.0	24.0	26.3

*Includes acquisitions:

1959 - General Electric asset purchase.

1958 - American Supertemperature Wires, Inc. (pooling).

1957 - Reinhold Engineering and Plastic (pooling) and other minor acquisitions and purchases.

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PURCHASE COMPANY Z ON BASIS OF 2 A SHARES
FOR EACH 5 Z SHARES - CONVERTED TO H EQUIVALENT
1.2 H FOR 1 Z FOR 1 YEAR; 1.25 FOR SECOND AND THIRD YEARS; 1.35 FOR FOURTH, FIFTH AND SIXTH YEARS

	1964	1965	1966	1967	1968	1969	Total
1. Z shares common	1,024,152						
2. Z earnings forecast	1,450,000	2,544,000	3,240,000	3,240,000	3,240,000	3,240,000	
3. Herc. A shares outstanding (409,660, 1 for 2-1/2 Z initially outstanding)	245,796	204,830	163,864	-	-	-	
4. Shares Herc. common issued for 1 A	3.00	3.125	3.125	3.375	3.375	3.375	
5. Equivalent Herc. common for 1 of Z	1.2	1.25	1.25	1.35	1.35	1.35	
6. Rate of conversion estimated	40%	10%	10%	40%			
7. Shares Herc. common at conversion To date	491,592	128,018	128,019	553,041	-	-	
8. Shares Herc. @ 1.25 for 1 Z	491,592	619,610	747,629	1,300,670	1,300,670	1,300,670	1.27 equivalent
9. Dividends @ 1.00 a share	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	
10. Dividends on Class A stock and stock converted to common - A at \$1.65 Common at \$1.00 Total	405,563 491,592 897,155	337,970 619,610 957,580	270,375 747,629 1,018,004	- 1,300,670 1,300,670	- 1,300,670 1,300,670	- 1,300,670 1,300,670	1,013,903 5,760,841 6,774,749
11. Cash retained in business A stock over common	383,035	322,610	262,186	(20,480)	(20,480)	(20,480)	906,391 .02
12. Earnings Herc. @ 1.90 plus 5% a year on 1,280,190 shs.	2,432,361	2,553,979	2,681,678	2,815,762	2,956,550	3,104,378	16,544,703
13. Earnings Z Co.	1,450,000	2,544,000	3,240,000	3,240,000	3,240,000	3,240,000	16,954,000
14. Available to Herc. common	(982,361)	(9,979)	558,322	424,238	283,450	135,622	409,292
15. Available to Herc. common by use of A stock A dividends Hercules common	405,563 934,025	337,970 1,177,259	270,375 1,420,495	- 2,471,273	- 2,471,273	- 2,471,273	1,013,903 10,945,593
16. Total	1,339,588	1,515,229	1,690,870	2,471,273	2,471,273	2,471,273	11,959,506
Available for common (line 13 - 16)	110,412	1,028,771	1,549,130	768,727	768,727	768,727	4,994,491 1.25 equivalent

5/21/64

PURCHASE COMPANY Z ON BASIS OF 2 A SHARES
FOR EACH 5 Z SHARES - CONVERTED TO 11 EQUIVALENT
1.2 FOR 1 Z FOR 1 YEAR; 1.25 FOR SECOND AND THIRD YEARS; 1.35 FOR FOURTH, FIFTH AND SIXTH YEARS

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>Total</u>
1. Z shares common	1,024,152						
2. Z earnings forecast	1,450,000	2,544,000	3,240,000	3,240,000	3,240,000	3,240,000	
3. Herc. A shares outstanding (409,660, 1 for 2-1/2 Z initially outstanding)	327,728	286,762	245,796	-	-	-	
4. Shares Herc. common issued for 1 A	3.00	3.125	3.125	3.375	3.375	3.375	
5. Equivalent Herc. common for 1 of Z	1.2	1.25	1.25	1.35	1.35	1.35	
6. Rate of conversion estimated	20%	10%	10%	60%			
7. Shares Herc. common at conversion To date	245,796 245,796	128,018 373,814	128,019 501,833	829,562 1,331,395	1,331,395 1,331,395	1,331,395 1,331,395	1.30 equivalent
8. Shares Herc. @ 1.25 for Z	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	
9. Dividends @ 1.00 a share	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	7,681,140
10. Dividends on Class A stock and stock converted to common A at \$1.65 Common at \$1.00 Total	540,751 245,796 786,547	473,157 373,814 846,971	405,563 501,833 907,396	- 1,331,395 1,331,395	- 1,331,395 1,331,395	- 1,331,395 1,331,395	1,419,471 5,115,628 6,535,099
11. Cash retained in business A stock over common	493,643	433,219	372,794	(51,205)	(51,205)	(51,205)	1,146,041 .02
12. Earnings Herc. @ 1.90 plus 5% a year on 1,280,190 shs. (1.25)	2,432,361	2,553,979	2,681,678	2,815,762	2,956,550	3,104,378	16,544,703
13. Earnings Z Co.	1,450,000	2,544,000	3,240,000	3,240,000	3,240,000	3,240,000	16,954,000
14. Available to Herc. common	(982,361)	(9,979)	558,322	424,238	283,450	135,622	409,292
15. Available to Herc. common by use of A stock							
A dividends	540,751	473,157	405,563	-	-	-	1,419,471
Hercules common	467,012	710,247	953,483	2,529,650	2,529,650	2,529,650	9,719,692
Total	1,007,763	1,183,404	1,359,046	2,529,650	2,529,650	2,529,650	11,139,163
16. Available for common (line 13 - 16)	442,237	1,360,596	1,880,954	710,350	710,350	710,350	5,814,837

1.28 equivalent

5/21/64

PURCHASE COMPANY Z ON BASIS OF 2 A SHARES
FOR EACH 5 Z SHARES - CONVERTED TO H EQUIVALENT
1.2 FOR 1 Z FOR 1 YEAR; 1.25 FOR SECOND AND THIRD YEARS; 1.35 FOR FOURTH, FIFTH AND SIXTH YEARS

	1964	1965	1966	1967	1968	1969	Total
1. Z shares common	1,024,152						
2. Z earnings forecast	1,450,000	2,544,000	3,240,000	3,240,000	3,240,000	3,240,000	
3. Herc. A shares outstanding (409,660, 1 for 2-1/2 Z initially outstanding)	327,728	286,762	245,796	-	-	-	
4. Shares Herc. common issued for 1 A	3.00	3.125	3.125	3.375	3.375	3.375	
5. Equivalent Herc. common for 1 of Z	1.2	1.25	1.25	1.35	1.35	1.35	
6. Rate of conversion estimated	20%	10%	10%	60%			
7. Shares Herc. common at conversion To date	245,796 245,796	128,018 373,814	128,019 501,833	829,562 1,331,395	- 1,331,395	- 1,331,395	1.30 equivalent
8. Shares Herc. @ 1.25 for Z	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	
9. Dividends @ 1.00 a share	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	1,280,190	7,631,110
10. Dividends on Class A stock and stock converted to common A at \$1.65 Common at \$1.00 Total	540,751 245,796 786,547	473,157 373,814 846,971	405,563 501,833 907,396	- 1,331,395 1,331,395	- 1,331,395 1,331,395	- 1,331,395 1,331,395	1,419,471 5,115,628 6,535,099
11. Cash retained in business A stock over common	493,643	433,219	372,794	(51,205)	(51,205)	(51,205)	1,146,041 .02
12. Earnings Herc. @ 1.90 plus 5% a year on 1,280,190 shs. (1.25)	2,432,361	2,553,979	2,681,678	2,815,762	2,956,550	3,104,378	16,544,703
13. Earnings Z Co.	1,450,000	2,544,000	3,240,000	3,240,000	3,240,000	3,240,000	16,954,000
14. Available to Herc. common	(982,361)	(9,979)	558,322	424,238	283,450	135,622	409,292
15. Available to Herc. common by use of A stock A dividends Hercules common	540,751 467,012	473,157 710,247	405,563 953,483	- 2,529,650	- 2,529,650	- 2,529,650	1,419,471 9,719,692
16. Total Available for common (Line 13 - 16)	1,007,763 442,237	1,183,404 1,360,596	1,359,046 1,830,954	2,529,650 710,350	2,529,650 710,350	2,529,650 710,350	11,139,163 5,814,831

1.28 equivalent

5/21/64

New York Stock Exchange
Lows & Highs

Z Company

	<u>1961</u>		<u>1962</u>		<u>1963</u>		<u>1964</u>	
Jan.	32.6	39.25	29.375	35.5	19.375	24.5	34.25	41.875
Feb.	37.0	42.70	29.5	33.875	22.125	24.375	33.75	36.50
Mar.	40.2	46.	28.	32.25	21.625	26.	35.75	38.875
Apr.	41.4	50.3	21.625	28.75	26.125	32.5	30.25	37.875
May	37.6	45.5	15.5	24.75	29.75	36.25	32.50	39.875*
June	33.875	40.	13.125	19.625	33.	39.		
July	36.5	40.75	14.625	19.5	32.125	37.875		
Aug.	37.25	47.25	17.5	22.375	36.375	44.5		
Sept.	36.75	45.375	15.875	21.	39.75	47.875		
Oct.	37.	42.875	13.	17.25	40.125	48.375		
Nov.	35.125	39.125	15.	20.5	34.5	46.		
Dec.	32.25	36.5	19.	22.375	37.625	45.		

Share Turnover
1964

Jan.	133,100
Feb.	65,000
Mar.	67,900
Apr.	108,900
May	253,000**
Total	627,900
Annual	1,507,000
Outstanding	1,024,000
Annual %	147

Hercules

Jan.	39.5	49.	45.	52.625	39.	43.5	38.5	44.375
Feb.	42.75	45.75	46.125	46.94	39.625	43.375	42.25	46.125
Mar.	44.56	48.	46.5	50.	39.375	42.875	41.50	44.125
Apr.	45.	47.44	42.	48.	37.625	40.25	42.25	45.375
May	45.5	48.75	30.5	45.25	36.	39.625	43.50	45.75*
June	43.5	48.375	27.25	36.875	38.	39.625		
July	44.125	46.94	29.	34.375	34.125	38.375		
Aug.	46.	53.31	33.25	37.375	35.	36.75		
Sept.	50.06	53.50	34.625	39.375	36.125	39.25		
Oct.	48.75	55.25	35.375	40.	36.375	38.50		
Nov.	50.25	52.875	38.75	44.125	34.25	37.50		
Dec.	47.75	52.75	41.625	44.25	35.75	38.875		

*Through May 20th.

**With 6 trading days estimated at 9,300 a day.

5/21/64

Personnel

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>1962 Salary</u>	<u>1963 Salary</u>
John H. Lux	President	45	\$57,000	\$65,000
Robert L. Holand	Vice Pres.	45	Below \$30,000	\$45,333
Harold B. Haney	Vice Pres.	54	Below \$30,000	Below \$30,000
Ernest O. Ohsol	Vice Pres.	48	Below \$30,000	Below \$30,000
Arthur T. Bourgault	Vice Pres.	-	Below \$30,000	Below \$30,000
Purnall L. McWhorter	Asst. Vice Pres.	-	Below \$30,000	Below \$30,000
Frederick R. Cronmiller	Controller, Treas.			
	Asst. Sec.	43	Below \$30,000	Below \$30,000
Wallace E. Bowan	Sec. & Asst. Treasurer	43	Below \$30,000	Below \$30,000
All officers & directors			\$228,838	\$250,683

Approximate number of employees 1,245, about 13% technical. In the past, yearly legal fees of \$75,000 in 1962 and \$80,000 in 1963 were paid to one director and a yearly consultant fee of \$25,000 paid to another director.

There are seven directors and John Lux is the only officer on the board.

Pension Plan

The salaried employees have a noncontributory plan adopted in 1959. It provides for regular retirement at age 65 with disability benefits at earlier ages. The amount of pension is based on salary and service. Details of the plan were not available.

The nonsalaried employees also have a noncontributory plan which was adopted in December 1962. The effective dates of the plan vary with the location involved. Normal retirement age is 65 and mandatory retirement at 70. Maximum benefits range from \$40 to \$50 per month. A disability provision is also included.

The total cost of the employees pension plan amounted to \$184,000 for 1963.

At December 31, 1963, unfunded past service costs under the plans aggregated \$575,000.

Stock Options

<u>Year Granted</u>	<u>Price Range (a share)</u>	<u>Shs. Outstanding Dec. 31, 1963</u>	<u>Expire</u>
1961	\$36.58 - \$37.77	13,265	1966
1962	\$15.92 - \$21.08	3,720	1967
1963	\$22.98 - \$33.37	12,010	1968
Prudential Insurance Co.	\$32.00	25,000	1969
		53,995 shs.	

3/9/64

Record of Acquisitions

In 1957 Patch Palacki Realty Corp. owned land upon which 3 buildings in West Warren, Mass., are located. It leased the entire space to the Pla-Tank Division. Pla-Tank, manufacturing laminated and reinforced plastic and glass products, was formed on acquisition, February 1956, for \$205,000.

1957, Reinhold Engineering and Plastics Company (California), producers of reinforced glass and plastic products and coatings for industrial use, was acquired for \$530,000. Payment was \$133,000 cash, 4,500 shares of Hoveg and an option to buy 950 additional shares at \$44 a share. Reinhold's net worth \$349,000. Loss, five months ending May 1957, \$330. Sales, 5 months, \$560,000.

1958 American Supertemperature Wires, Inc. (Vermont) on a pooling of interest basis. Paid 21,600 shares of stock plus options to purchase additional 2,700 shares. American had a Puerto Rican subsidiary, not then in operation, but with a 10-year Industrial Tax Exemption Certificate. Net worth of American was \$290,000 on July 31, 1958. Year's sales to latter date \$1,977,000; net income, \$120,000. Manufactures high-temperature hook-up, wrapped and magnet wire, coaxial cable and tape.

1959, acquired from General Electric Co. certain plastics operations, inventories and receivables at Taunton, Mass. and Decatur, Ill, for \$2,628,000 including \$431,000 for patents. Payable in installments. (See "1963 debt" for remaining amount and terms.)

1960 acquired assets of Blow-o-Matic Corp. (Conn.) and Caine Industries (Ohio); also certain assets of Formium Co. (N.J.). No facts.

1961 acquired Electricable, Inc. and Service Cable and Wire Co. (Calif.) No facts.

1963 Subsidiary Reinhold acquired fixed assets and inventory of California division of Corlock, Inc. No facts.

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March 26, 1964

1

BACKGROUND AND HISTORY OF HAVEG INDUSTRIES

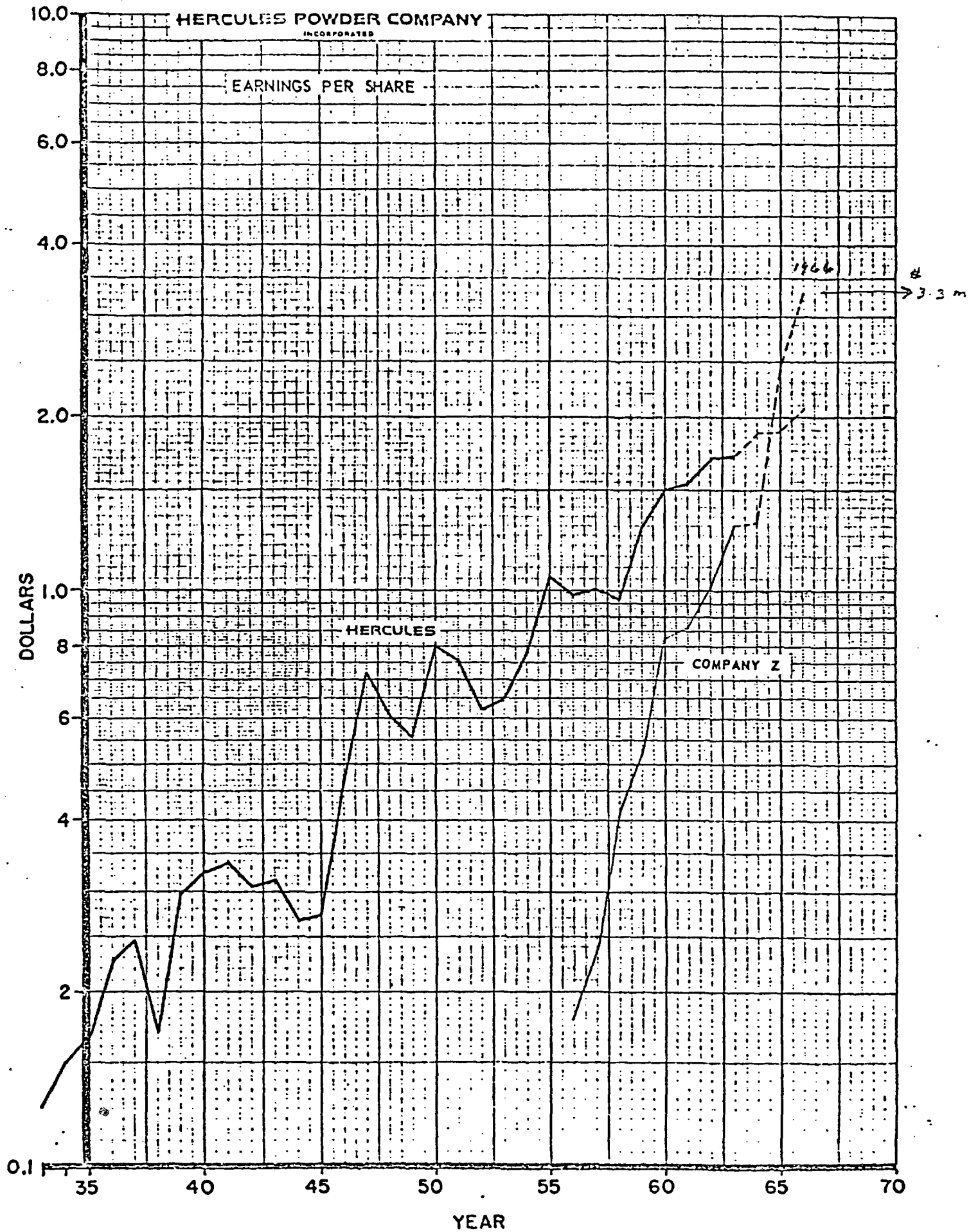
This company was incorporated in 1929 as Continental Diamond Fibre Company. In 1955 most of their assets were sold to the Budd Company and corporate name was changed to Haveg Industries.

Haveg's sales have shown a spectacular increase from \$4 million in 1956 to \$30 million in 1963. Correspondingly, Haveg's after tax income has increased from \$150,000 in 1956 to \$1,335,000 in 1963. The chart on the next page compares the growth in Hercules and Haveg share earnings. Part of Haveg's past growth has been due to four acquisitions made by Haveg since 1955. However, Haveg's growth has been largely due to the high degree of engineering skills they employ in their complex plastic fabrications plus their imaginative and aggressive leadership.

Early this year Haveg granted an exclusive license to Lily-Tulip on Haveg's patented process for foaming plastics for use in nested cups. Lily-Tulip are conservatively forecasting that their sale of foamed cups will easily reach \$10 million in 1966 and \$20 million in 1967. As a result of Haveg's initial development work on foam process prior to granting a license to Lily-Tulip, Haveg reportedly has 25 - 30 patent applications on their foaming process.

Recently a large blow molder -- with annual sales of approximately \$60 million -- asked Haveg for an exclusive license on Haveg foam process for blow molded containers. Haveg has deferred negotiations with this blow molder temporarily pending the outcome of our negotiations for outright acquisition. Haveg visualizes that the economies of their foam process will enable such plastics to find large new markets presently held by paper, metal, and other materials. Also, they visualize foamed plastics replacing conventional plastics in many large volume applications.

In 1963 Haveg spent approximately \$1.3 million on research, or 4% of net sales. They have approximately 140 engineers. Haveg's plant facilities are located in Taunton, Massachusetts; Wilmington, Delaware; Burlington, Vermont and Santa Fe Springs, California. Haveg employs approximately 1400 people.



BACKGROUND ON HAVEG'S DIVISIONS AND SALES FORECAST FOR 1966

We have had three discussions with Haveg on their forecast of 1966 sales by division. As a result of these discussions, we believe that Haveg has been realistic in forecasting a growth in net sales from \$30 million in 1963 to \$55.5 million in 1966. Their 1966 forecast of \$55.5 million consists of \$42.5 million of net sales from existing facilities plus \$13 million in net sales from new facilities. In 1963, approximately 37% of Haveg's sales went to the government. Haveg is forecasting a slight decrease in their net sales to the government during the next three years.

We are summarizing below for each division our available background information, the past sales growth, and basis for Haveg's 1966 sales forecast.

Taunton Division

These facilities and patents were acquired in 1959 from General Electric for \$2.6 million. They have large injection molding, compression molding and elastomer seal facilities. Initially Haveg sold General Electric \$6.0 million from the Taunton facilities but Haveg has found \$5.0 million new markets for engineered plastics and reduced routine GE molding business to \$2.5 million annually. Sales of their Taunton Division have grown to \$7.5 million in 1963. Except for Western Electric's captive custom molding facilities, the Taunton plant is the largest custom molder of plastics in the world. They are essentially selling their engineering skills, since their plastic raw materials only represent approximately 25% of their sales prices.

This year Haveg acquired the aircraft and missile seal product lines of Connecticut Hard Rubber Co. These product lines are presently being merged into Taunton operations and will add \$2 million in annual sales to the Taunton Division.

Taunton Division has recently come up with two engineering developments that offer substantial growth potential. One development is a composite molded structure for fuel cells that consists of 21 parts, 14 different plastic materials and made by 10 different processes. The second development is a line of molded products for micro-miniaturized transistor circuits. Based on the growth potential of these two developments and other Taunton products plus the acquisition this year from Connecticut Hard Rubber Co., Haveg's sales forecast of \$12 million in 1966 for the Taunton Division is easily achievable.

Container Division

The origin of the Container Division was Haveg's acquisition of Blow-O-Matic in 1960. The initial facilities at Bridgeport, Connecticut have been transferred to Wilmington. The Container Division's 1963 net sales of \$500,000 consisted largely of blow molded polyethylene liners for fiber and metal drums. This is a fairly recent development and Haveg forecasts conservatively that sales of their present blow molded products will reach \$3.0 million in 1966.

Haveg has excluded from their sales forecast for 1966 the possibility of developing a rigid foamed plastic drum to replace fiber drums. If this division's foam drum development is successful, the price could be reduced from approximately \$6.00 to \$4.50 and the Container Division's sales could reach \$9 million.

American Super-Temperature Wire, Inc.

Haveg acquired this company in 1958 for 21,600 shares of Haveg common. The company has their plant facilities at Burlington, Vermont and produces specialty wires and cables, using mainly Teflon and silicone as insulation materials. Net sales of this division have increased from \$3.4 million prior to acquisition to \$4.5 million in 1963. However, this division has developed some newer products that offer good growth potential. These newer products include wire and cable capable of withstanding temperatures up to 1,000°F., radiation resistant wire, and wire for micro miniaturization processes. This division forecasts sales growth to \$7.5 million in 1966. If this division's current development work on irradiated polyethylene proves successful, Haveg forecasts that this division's sales could reach \$10 million in 1966.

Sil-Temp

This is Haveg's trade name for pure silica fabric which is produced in Haveg's facilities in Wilmington. Until 1962, sales of Sil-Temp were entirely to the government as high temperature insulation material for missile cones and nozzles. In 1962 Haveg embarked on a commercial market development program for their silica fabric and by 1963 Sil-Temp sales of \$3 million were divided 80% to the government and 20% commercial. Haveg is forecasting Sil-Temp sales will easily reach \$5 million in 1966.

Chemical Equipment

This is Haveg's original line of corrosion resistant equipment that is produced in their Wilmington facilities. Haveg is forecasting that this division's net sales will increase from \$2.5 million in 1963 to \$4 million in 1966. This division's forecasted sales growth is based on the normal projected growth of chemical equipment industry plus Haveg's announced plans to produce larger tanks (12 feet in diameter) which will broaden the market for this division. A large autoclave is now being installed to make such vessels.

Aerospace Division

Haveg has Aerospace facilities at both Wilmington and Santa Fe Springs, California. The latter facilities were acquired from Reinhold in 1957 for \$500,000.

HAVEG INDUSTRIES, INC.
(Years ended Dec. 31, - \$1,000)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Net Sales	3,769	5,248	7,792	16,405	22,145	21,322	25,665	30,143
Operating Profit, Before Taxes	169	334	748	1,329	1,548	1,567	1,977	2,688
Net Profit, After Taxes	149	210	392	522	826	868	1,033	1,335
Tax Rate - Percent						38.2	43.8	49
Gross Plant	2,355	3,011	3,564	6,159	7,137	8,165	8,848	10,107
Receivables	591	796	883	3,297	2,610	2,741	3,591	3,702
Inventory	507	779	1,165	1,856	2,028	2,185	2,508	2,709
Total	3,453	4,585	5,612	11,312	11,775	13,091	14,947	16,518
Yearly average	2,970	4,020	5,099	8,462	11,514	12,433	14,019	15,733
Rate of return, %	5.0	5.2	7.7	6.2	7.2	7.0	7.4	8.5
Notes payable	87	77	69	4,910	4,731	4,431	4,270	4,119
Net worth, common	2,622	3,246	3,854	4,355	5,074	6,034	6,707	7,552
Number shares	112,500	117,000	382,900	392,500	398,690	1,014,414	1,019,287	1,024,152
Earnings a share, adj. for splits	.18	.24	.41	.53	.83	.86	1.01	1.30
Market price, adj. for splits:								
High	5-1/4	10-3/4	20-1/2	32	35-1/2	50-1/4	35-1/2	48-1/2
Low	2-1/2	3-1/4	7	17-1/4	24-1/2	32-1/4	13	19-3/4
	3-7/8	7	13-3/4	24-5/8	30	41-1/4	24-1/4	34-1/8
Splits			3 for 1			2-1/2 for 1		

MMC
3/6/64

HAVAC INDUSTRIES, INC. 00012

Schedule 2b

3/12/63

Sales by Division

Actual	1963	1964	1965	1966	Change	Plant	Inventories and Accounts Receivable	Total
--------	------	------	------	------	--------	-------	-------------------------------------	-------

Product Groups
 (Engineering Division)
 (Engineered Plastics) - *12,000 1/2 13,000*
 Container Division
 (New Molding Liners, etc.)
 American Super-Temperature Wire, Inc. Div.
 (Nylon and other coatings) - *13,000 2nd year*
 EIL-Temp Division
 (High Temperature Fibers, etc.) *12,000 2nd year*
 (Gov. - 20% Comm'l.)
 Haver Corporation
 (Chemical & Industrial Equipment) *12,000 2nd year*
 Haver, Redfield Inc. and Aerospace Division
 (Aircraft and other)
 Space plastics and metal parts

7,500	9,000	10,500	12,000	4,500	250	400	650
500	1,000	2,000	3,000	2,500	250	350	600
4,500	5,000	7,000	7,500	3,000	200	660	250
3,000	4,000	4,500	5,000	2,000	-	330	330
2,500	3,000	4,000	4,000	1,500	200	330	530
12,000	10,000	11,000	11,000	(1,000)	200	-	200
30,000	32,000	39,000	42,500	12,500	1,100	2,070	3,170

80% to military and aerospace

Other Products
 (Plastic Sheets)
 (Plastic Bearings)
 (Nylon and other)
 Engineered Plastics at New Plants
 (Rockport, Chicago, Louisville, West Coast)
 Midwest Traction Plant
 Plastics Division Chemical Resistance materials
 (Wire covering, etc.)

-	-	-	-	-	-	-	-
-	-	4,000	6,000	6,000	1,200	1,300	2,500
-	-	2,500	4,000	4,000	200	1,100	1,300
30,000	32,000	47,000	55,500	25,500	2,200	5,070	7,270

Total

Profits from Sales 4.4% after taxes

1963-1964 - 11.1%

1965-1966 - 11.1%

1967-1968 - 11.1%

1969-1970 - 11.1%

1971-1972 - 11.1%

1973-1974 - 11.1%

1975-1976 - 11.1%

1977-1978 - 11.1%

1979-1980 - 11.1%

1981-1982 - 11.1%

Estimated New Operating Assets 1963-1966

10,100	6,400	16,500
12,900	11,470	24,370

10.5%
13.5%

HAVEG

Internal Sources of Capital
(\$1,000)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Retained Earnings	151	296	365	587	513	574	721
Depreciation Set Aside	109	272	467	616	728	806	815
Amortization of Patents	-	-	-	63	63	63	46
Total	260	568	832	1,266	1,304	1,443	1,582
<u>Expenditures*</u>							
Patents	-	-	388	-	-	-	-
Plant Expenditures	705	478	2,678	1,055	1,069	768	1,384
Accounts Receivable Increase	205	87	2,414	(687)	131	850	111
Inventory Increase	272	387	691	172	157	323	201
Total	1,182	952	6,171	540	1,357	1,941	1,696
Capital Overage or Shortage	(922)	(384)	(5,339)	726	(53)	(498)	(114)
Price Earnings Ratio	29.2	33.5	46.5	36.1	48.0	24.0	26.3

*Includes acquisitions:

1959 - General Electric asset purchase.

1958 - American Supertemperature Wires, Inc. (pooling)

1957 - Reinhold Engineering and Plastic (pooling) and other minor acquisitions and purchases.

3/31/64

Five Year (1963) Break Even Target

HPC @ \$44

HVG @ \$36 x 1,024,152 shs., \$36,870,000

	<u>HVG + 50%</u>	<u>HVG + 100%</u>	<u>2 HPC for 1 HVG</u>
Equivalent price	\$54	\$72	\$88
Equivalent value HVG shares	\$55,304,000	\$73,739,000	\$90,125,000
Equivalent HPC shares @ \$44	1,256,900	1,675,900	2,048,300
Additional HPC shares for new capital (see below)	<u>218,800</u>	<u>386,300</u>	<u>535,000</u>
Total HPC shares	1,475,700	2,062,200	2,583,300
HPC earnings, 1963	2.34	2.34	2.34
Break even HVG earnings	\$3,453,000	\$4,826,000	\$6,045,000
Annual compound rate of growth, 5 yrs. from 1963	20.9%	29.3%	35.3%

Ratio net income to sales	4.43%	4.43%	4.43%
Sales	\$77,900,000	\$108,900,000	\$136,500,000
Sales over 1963	47,800,000	78,800,000	106,400,000
Capital needed	18,900,000	30,300,000	40,300,000
HVG earnings, 1964-1968	12,200,000	15,400,000	18,000,000
HVG retained earnings, 50%	6,100,000	7,700,000	9,000,000
New capital needed	\$12,800,000	\$22,600,000	\$31,300,000
HPC 1963 ¹ @ \$2.34 x P/E 25	58-1/2	58-1/2	58-1/2
Shares for new capital	218,800	386,300	535,000

New York Stock Exchange
Low & High

	<u>1961</u>		<u>1962</u>		<u>1963</u>		<u>1964</u>	
				<u>Range</u>				
Jan.	32.6	39.25	29.375	35.5	19.375	24.5	34.25	41.875
Feb.	37.0	42.70	29.5	33.875	22.125	24.375	33.75	36.50
Mar.	40.2	46.	23.	32.25	21.625	26.		
Apr.	41.4	50.3	21.625	23.75	26.125	32.5		
May	37.6	45.5	15.5	24.75	29.75	36.25		
June	33.875	40.	13.125	19.625	33.	39.		
July	35.5	40.75	14.625	19.5	32.125	37.875		
Aug.	37.25	47.25	17.5	22.375	35.375	44.5		
Sept.	35.75	45.375	15.875	21.	39.75	47.875		
Oct.	37.	42.875	13.	17.25	40.125	43.375		
Nov.	35.125	39.125	15.	20.5	34.5	46.		
Dec.	32.25	35.5	19.	22.375	37.625	45.		

Share Turnover

	<u>1964</u>
Jan.	133,100
Feb.	65,000
	<u>198,100</u>
Annual	1,183,000
Outstanding	1,024,000
Annual %	116

Markets

Jan.	39.5	49.	45.	52.625	39.	43.5	38.5	44.375
Feb.	42.75	45.75	46.125	46.94	39.625	43.375	42.25	46.125
Mar.	44.56	43.	46.5	50.	39.375	42.875		
Apr.	45.	47.44	42.	43.	37.625	40.25		
May	45.5	48.75	30.5	45.25	35.	39.625		
June	43.5	43.375	27.25	35.875	33.	39.625		
July	44.125	46.94	29.	34.375	34.125	38.375		
Aug.	46.	53.31	33.25	37.375	35.	36.75		
Sept.	50.06	53.50	34.625	39.375	35.125	39.25		
Oct.	48.75	55.25	35.375	40.	35.375	38.50		
Nov.	50.25	52.875	33.75	44.125	34.25	37.50		
Dec.	47.75	52.75	41.625	44.25	35.75	38.875		

Personnel

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Salary</u>
John H. Lux	President	45	\$57,000 - 65,000
Robert L. Roland	Vice Pres.	45	Below \$30,000
Harold B. Kaney	Vice Pres.	54	" "
Ernest O. Chsol	Vice Pres.	48	" "
Arthur T. Bourgault	Vice Pres.	-	" "
Farnell L. McWhorter	Asst. Vice Pres.	-	" "
Frederick R. Cronmiller	Controller, Treas., Asst. Sec.	43	" "
Wallace E. Cowan	Sec. & Asst. Treas.	43	" "

All officers & directors

\$228,838

Approximate number of employees 1,400, about 10% Technical. In the past, yearly legal fees of \$75,000 were paid to one director and a yearly consultant fee of \$25,000 paid to another director.

There are seven directors and John Lux is the only officer on the board.

Pension Plan

The salaried employees have a noncontributory plan adopted in 1959. It provides for regular retirement at age 65 with disability benefits at earlier ages. The amount of pension is based on salary and service. Details of the plan were not available.

The nonsalaried employees also have a noncontributory plan which was adopted in December 1962. The effective dates of the plan vary with the location involved. Normal retirement age is 65 and mandatory retirement at 70. Maximum benefits range from \$40 to \$50 per month. A disability provision is also included.

The total cost of the employees pension plan amounted to \$184,000 for 1963.

At December 31, 1963, unfunded past service costs under the plans aggregated \$575,000.

Stock Options

<u>Year Granted</u>	<u>Price Range (a share)</u>	<u>Shs. Outstanding Dec. 31, 1963</u>	<u>Expire</u>
1961	\$36.58 - \$37.77	13,265	1966
1962	\$15.92 - \$21.08	3,720	1967
1963	\$22.93 - \$33.37	12,010	1968
Prudential Insurance Co.	\$32.00	25,000	1969
		53,995 shs.	

3/9/64

Record of Acquisitions

In 1957 Patch Palanski Realty Corp. owned land upon which 3 buildings in West Warren, Mass., are located. It leased the entire space to the Pla-Tank Division. Pla-Tank, manufacturing laminated and reinforced plastic and glass products, was formed on acquisition, February 1956, for \$205,000.

1957, Reinhold Engineering and Plastics Company (California), producers of reinforced glass and plastic products and coatings for industrial use, was acquired for \$530,000. Payment was \$133,000 cash, 4,500 shares of Havg and an option to buy 950 additional shares at \$44 a share. Reinhold's net worth \$346,000. Loss, five months ending May 1957, \$330. Sales, 5 months, \$560,000.

1958 American Supertemperature Wires, Inc. (Vermont) on a pooling of interest basis. Paid 21,600 shares of stock plus options to purchase additional 2,700 shares. American had a Puerto Rican subsidiary, not then in operation, but with a 10-year Industrial Tax Exemption Certificate. Net worth of American was \$290,000 on July 31, 1958. Year's sales to latter date \$1,977,000; net income, \$120,000. Manufactures high-temperature hook-up, wrapped and magnet wire, coaxial cable and tape.

1959, acquired from General Electric Co. certain plastics operations, inventories and receivables at Taunton, Mass. and Decatur, Ill, for \$2,628,000 including \$431,000 for patents. Payable in installments. (See "1963 debt" for remaining amount and terms.)

1960 acquired assets of Elov-o-Matic Corp. (Conn.) and Caine Industries (Ohio); also certain assets of Formium Co. (N.J.). No facts.

1961 acquired Electricable, Inc. and Service Cable and Wire Co. (Calif.) No facts.

1963 Subsidiary Reinhold acquired fixed assets and inventory of California division of Carlock, Inc. No facts.

H.P.C. - 44
Hav. - 37

Shs. H.P.C. for 1 Share Haveg	H.P.C. Share Price (Millions \$)	Haveg Purchase Price	%	H.P.C. shs. Issued for Haveg	Consolidated Earnings (\$1,000)				Haveg (\$1,000)			
					1963 Per Sh.	1964* Per Sh.	1965* Per Sh.	1966* Per Sh.	1963 Per Sh.	1964* Per Sh.	1965* Per Sh.	1966* Per Sh.
1.0	\$44.0	\$45.1	19.0%	1,024,152	1.69 (1.72)	1.85 (1.89)	1.92 (1.89)	2.12 (2.06)	1.29	1.32	2.48	3.31
1.1	48.4	49.6	30.9	1,126,567	1.68	1.85	1.91	2.11	1.17	1.20	2.26	3.01
(1.2)	52.8	54.1	42.7	1,228,982	1.67	1.83	1.90	2.10	1.07	1.10	2.07	2.76
1.3	57.2	58.6	54.6	1,331,398	1.66	1.83	1.89	2.09	.99	1.01	1.91	2.55
* 1.4	61.6	63.1	66.5	1,433,813	1.65	1.82	1.88	2.08	.92	.94	1.77	2.36
1.5	66.0	67.6	78.4	1,536,228	1.64	1.81	1.87	2.07	.86	.88	1.66	2.21
1.667	73.3	75.1	98.2	1,707,261	1.63	1.79	1.85	2.05	.77	.79	1.49	1.99

*Estimated
3/25/64

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