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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D

filed pursuant to Rule 14d-4

under the Securities Exchange Act of 1934

GOLCONDA CORPORATION

4201 West Peterson Avenue

Chicago, Illinois 60646

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ITEM 1. SECURITIES AND ISSUER

(a) This statement relates to the Common Stock and the $1.00 Cumulative Convertible Preferred Stock of Golconda Corporation, 4201 West Peterson Avenue, Chicago, Illinois 60646.

(b) This statement relates to the Tender Offer of Cerro Corporation, dated May , 1974, for all of the Common and Preferred Stock of Golconda Corporation. The reasons for the recommendation to Shareholders to accept the Offer are set forth in the Letter to Shareholders filed as an Exhibit hereto.

ITEM 2. IDENTITY AND BACKGROUND

(a) This statement is filed by Golconda Corporation, 4201 West Peterson Avenue, Chicago, Illinois 60646.

(b) The Board of Directors of Golconda Corporation has advised Cerro Corporation that it would recommend to its shareholders that they tender their shares of Stock pursuant to the terms of the Tender Offer. In addition, Golconda has advised Cerro that it would provide Cerro with such information deemed necessary to effect the Tender Offer.

ITEM 3. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED

No person is to be employed, retained or compensated by Golconda, or by any person on its behalf, to make solicitations or recommendations to security holders with respect to the

LS 000238

Golc - CDA dm - 0239

Offer to which this statement relates. Directors, officers and regular employees of Golconda may make such solicitation or recommendations but they will not be specially compensated therefor.

ITEM 4. MATERIAL TO BE FILED AS EXHIBITS

(a) Form of letter of recommendation to shareholders of Golconda Corporation, dated May , 1974.

ITEM 5. ADDITIONAL INFORMATION TO BE FURNISHED

Except as stated below, Golconda knows of no transactions effected during the past 60 days by it, its subsidiaries, their officers, directors, and affiliated persons in the securities to which this statement relates.

On March 29, 1974, Cerro purchased 1,043,566 shares of the common stock for $9,752,985.50 ($9.346 per share) from the Reorganization Trustees of Westgate-California Corporation and its subsidiary, Wescal Properties, Inc. On April 19, 1974, Cerro purchased 22,100 shares of the common stock as a block at a net cost of $179,562.50 ($8.125 per share). As a result of the foregoing purchases, which were made out of Cerro's general corporate funds, Cerro owns approximately 38.3% of the outstanding common stock and approximately 33.6% of the voting stock of the Company. As a result of these purchases Cerro may be deemed a parent of the Company within the meaning of the federal securities law.

LS 000239

Golc - CDA dm - 0240

Pursuant to a regular Monthly Investment Plan, a total of approximately 48 shares of Common Stock were purchased by six persons who are officers and/or directors of Golconda.

Richard S. Sloma, an officer and director, disposed of 166 shares of Common Stock on March 20, 1974 at a price of $6.50 per share.

S I G N A T U R E

I certify that to the best of my knowledge and belief the information set forth in this statement is true, complete and correct.

GOLCONDA CORPORATION

By_____
John M. Stogin
Vice President
and
Secretary

May , 1974

LS 000240

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Special Meetings of the Stockholders

OF

GOLCONDA MINING CORPORATION

AND

ASTRO CONTROLS, INC.

TO BE HELD

BY GOLCONDA ON AUGUST 12, 1970

AND

BY ASTRO ON AUGUST 14, 1970

Joint Proxy Statement

OF

GOLCONDA MINING CORPORATION

AND

ASTRO CONTROLS, INC.

DATED: JUNE 30, 1970

LS 000241

GOLCONDA MINING CORPORATION
ASTRO CONTROLS, INC.

Joint Proxy Statement

SOLICITATION OF PROXIES

This Proxy Statement is furnished to all record holders of the common stock of Golconda Mining Corporation, an Idaho corporation (Golconda), and to all record holders of the common and preferred stock of Astro Controls, Inc., a Delaware corporation (Astro), in connection with a solicitation of proxies, in the form enclosed, by the Management of each of said corporations, for use at special meetings of their respective stockholders to be held on August 12, 1970 for Golconda and on August 14, 1970 for Astro, and at any adjournments thereof. As set forth in the accompanying notice of meeting, in each case, such meeting is being held for the purpose of considering and acting upon a proposal for the approval and adoption of the Plan and Agreement of Merger dated as of April 16, 1970 (Agreement of Merger) providing for the merger of Astro into Golconda (sometimes referred to as the Surviving Corporation), which shall survive the merger.

All of the information contained herein with respect to Golconda has been supplied by the management of Golconda, and all of the information herein with respect to Astro has been supplied by the management of Astro.

The enclosed proxy provides that each stockholder may specify that his shares shall be voted for or against the proposed merger. If properly executed and returned in time for the meeting, the enclosed proxy will be voted for or against the proposal as directed in the proxy. Where no choice is specified, the shares will be voted for the proposal. Any stockholder who executes and returns a proxy has the right to revoke it, in writing, at any time before it is voted at the meeting or any stockholder may revoke the proxy in person at the meeting. Affirmative votes of the holders of not less than two-thirds of the outstanding common stock of Golconda, and affirmative votes of the holders of not less than two-thirds of the outstanding common and preferred stock of Astro, voting together as a class, are required for approval of the merger.

At the date of this Proxy Statement, the only matters which the respective Managements of Golconda and Astro intend to present, or are informed that others will present, for action at the special meetings, are the proposed merger of Astro into Golconda, amendments to the Articles of Incorporation and By-Laws of Golconda, change in the nature of the business of Golconda and authorizing application to the Securities and Exchange Commission for an Order of de-registration of Golconda as an investment company all as specifically referred to in the notices of the meetings and approving the appointment of Alexander Grant & Company as auditors of the Surviving Corporation. Only the proposed merger of Astro into Golconda will be presented at the meeting of Astro shareholders. This and the other matters above mentioned will be presented at the meeting of Golconda shareholders. If any other matters not presently known are presented at the meetings, the accompanying proxy will be voted in accordance with the best judgment of the proxy holders.

The Board of Directors of Golconda has fixed the close of business on July 17, 1970, as the record date for determining the holders of the common stock of Golconda who will be entitled to notice of, and to vote at, the Golconda meeting. On that record date, Golconda will have outstanding 1,933,000 shares of common stock entitled to vote.

The Board of Directors of Astro has fixed the close of business on June 30, 1970, as the record date for determining the holders of the common and preferred stock of Astro who will be entitled to notice of, and to vote at, the Astro meeting. On that record date, Astro had 562,070 shares of common stock and 455,253 shares of preferred stock entitled to vote.

The transfer books of Golconda and Astro will not be closed as of the respective record dates. Shares of Astro common and preferred stock held by persons not stockholders on the record date will be exchanged as provided in the Agreement of Merger. (See "Exchange of Shares", page 2.)

THE PROPOSED MERGER

The Agreement of Merger, which is attached as Exhibit I to this Proxy Statement, has been unanimously approved by the Boards of both Golconda and Astro, subject to the affirmative vote of not less than two-thirds of the outstanding common stock of Golconda and not less than two-thirds of the common and preferred stock of Astro voting together as a class. The Boards of Directors of both corporations unanimously recommend to their respective stockholders that they vote for the approval and adoption of the Agreement of Merger. The proposed merger will not be entered into unless the shareholders of Golconda vote in favor of the proposal to change the nature of the business of Golconda.

REASONS FOR THE PROPOSED MERGER

The Boards of Directors of both Golconda and Astro believe that the merger offers advantages to each of the organizations which would be in the best interests of all the respective stockholders. To the Golconda stockholder, in the opinion of the Golconda Board, the merger offers the advantages of business expansion and diversification through combination with a large, long-established enterprise in the areas of gas control devices, food service equipment, and ultra precision manufacture. To the Astro stockholder, in the opinion of the Astro Board, the merger offers the combination with an organization which has a substantial asset consisting of a marketable security listed on the New York Stock Exchange. strengthens the financial position of Astro and offers a diversification into the field of mining through stock ownership in various mining companies.

It is the present intention of the management of the Surviving Corporation to retain the Hecla stock and other mining stocks unless circumstances change requiring another decision.

EFFECT OF MERGER

Under the terms of the Agreement of Merger, and as provided by the laws of Idaho and Delaware, Astro will be merged into Golconda. The separate corporate existence of Astro thereupon will cease. Golconda thereafter will continue to be a corporation organized under Idaho law, will succeed to all the rights, properties, assets and business of Astro, and will be subject to and responsible for all the debts and liabilities of Astro.

EFFECTIVE DATE OF MERGER

The effective date of the merger shall be the date on which the Agreement of Merger, together with certification of stockholder approval as required by Idaho and Delaware law, is filed with the Secretary of State of Idaho. It is planned that this filing will occur immediately after stockholder approval is completed.

EXCHANGE OF SHARES

Factors Considered

The exchange ratio was established as a result of negotiations conducted between the Boards of Directors of the two corporations on March 24, 1970 and certain preliminary work done prior to that meeting. The factors considered in arriving at an exchange ratio were the comparative market prices, earnings and asset values of the shares of the two companies.

The Boards of Directors of Golconda and Astro believe that the merger is in the best interests of the two companies and their shareholders. The terms of the Merger Agreement are the result of arm's-length negotiations between representatives of Golconda and Astro. Among the factors considered in setting the terms were the existing assets, liabilities and operations of Golconda and Astro, earnings of the respective businesses over a period of years, the current and recent market prices of the common stock of Golconda and Astro and the benefits to be derived through diversification and increased financial strength of the combined companies. The Boards of Directors of the two companies believe that the basis for the exchange of Golconda Common Stock and Convertible Preferred Stock for Astro Common Stock and Convertible Preferred Stock is a fair method for effecting the merger and for establishing the relative participations of the shareholders of the two companies in the combined enterprise.

The Illinois Company Incorporated. an underwriter for Astro, prepared a study which indicated an exchange ratio in the range of 1.84 to 2.09 shares of Golconda for each share of Astro.

The boards were not in dispute as to the factors to be considered. The Golconda board gave a greater weight to comparative asset market value and initially proposed an exchange ratio in the range of 1.3 to 1.4 shares of Golconda for each share of Astro. The Astro board assigned greater

weight to comparative ings than to asset values and initially proposed an exchange in the range of 1.8 to 2.0 shares of Golconda for each share of Astro. The actual relative weight assigned these factors and the actual final ratio was a compromise arrived at through a series of offers and counter-offers between the respective Boards of Directors.

Recent Events

Since March 31, 1970, the market value of Hecla stock, the principal asset of Golconda, declined by $5,708,175, from $20,929,975 to $15,221,800, based on 691,900 shares and the closing price of Hecla on the New York Stock Exchange on June 29, 1970.

Net earnings of Astro for the six month period ended May 31, 1970 were $217,325 ($.21 per share) as compared to earnings, before extraordinary items, of $471,315 ($.46 per share) and net earnings of $713,566 ($.70 per share) in the comparable period of 1969.

Exchange

The description in this Proxy Statement of the terms and conditions of the Agreement of Merger is a summary only and is not intended to be complete and such summary is qualified in its entirety by reference to the copy of the Agreement of Merger set forth as Exhibit I.

Each share of common stock of Astro will be exchanged for 1.5 shares of Golconda common stock. Each share of preferred stock of Astro will be exchanged for one share of a new preferred stock of Golconda, having voting rights, a cumulative annual dividend of $1.00 per share payable quarterly, and will be convertible into 1.5 shares of common stock of Golconda.

Fractional shares shall not be issued, but the Board of Directors of the Surviving Corporation may at its election (i) issue non-voting scrip for such fractional interest in such form as the Board of Directors may determine, which scrip shall be exchangeable within a period of one year following the date of its issue, together with other scrip, for one or more full shares of common stock, or (ii) pay an amount in cash equal to the current market value of such fractional interest, calculated to the nearest cent, computed on the basis of the last reported sales price for such common shares on the Pacific Coast Stock Exchange on the effective date of the merger.

The issued and outstanding common stock of Golconda is listed for trading on the Pacific Coast, Spokane, Salt Lake, Vancouver and the National stock exchanges. Application will be made for listing on these exchanges of the shares of common and preferred stock of Golconda to be issued to the stockholders of Astro.

DIVIDENDS ON GOLCONDA COMMON STOCK

In both 1968 and 1969 Golconda paid dividends of 12¢ per annum per share on its common stock and has paid a dividend of 6¢ per share on June 15, 1970. While there can be no assurance that such dividends will be paid in the future, if earned, the Board of Directors of the Surviving Corporation currently intends to pay dividends on the common stock at this rate if earned, subject to limitations by virtue of certain Loan Agreements and Debentures of Astro. (See "Astro-Loan Agreements", pages 28 through 29 and "Astro-Convertible Subordinated Debentures", page 29.) On April 30, 1970, Hecla announced it would not pay any further cash dividends during 1970. Since dividends received from its holdings of Hecla common stock have, in recent years, been Golconda's principal source of income, the historical dividend record of Golconda is not a reliable indication of its future dividend policies nor capabilities.

TERMINATION, WAIVER OR AMENDMENT OF PROPOSED MERGER

The Agreement of Merger may be terminated at any time by the mutual agreement of the Boards of Directors of Golconda and Astro, even after shareholder approval. If the Agreement of Merger is terminated for any reason, all expenses incurred in connection therewith shall be borne by the company incurring the expense. The consummation of the merger will require satisfaction of certain conditions contained in the Agreement of Merger relating to such matters as necessary approvals from regulatory agencies and lending institutions and the nonexistence of material inaccuracies in the financial statements of the respective corporations. The Boards of Directors of Golconda and Astro reserve the right, however, to amend, alter, change or repeal, by mutual agreement, any provision contained in the Agreement of Merger except that no substantial change may be made to paragraph 4 thereof relating to conversion ratios. Neither the management of Golconda nor that of Astro currently know of any existing fact which would prevent their respective companies from complying with all the requirements imposed upon each of them by the Agreement of Merger.

AMENDMENT OF ARTICLES AND BY-LAWS OF THE SURVIVING CORPORATION

The stockholders of Golconda will be asked to approve the amendment of the Articles and By-Laws of Golconda to read in the manner set forth in Exhibit I attached to this Proxy State-

LS 000245

Golc - CDA dm - 0245

ment. By such amendment, the following material changes will be made in Golconda's Articles and By-Laws:

(a) The name of the corporation will be changed to Golconda Corporation to reflect its broadened business activities.

(b) The authorized purposes of the company will be broadened to include the manufacture and other dealings in and with precision machinery, electronic equipment, control devices, food-serving facilities and other goods.

(c) The authorized capital of Golconda will be increased to 8,500,000 shares and a second class of stock, a convertible preferred stock, will be created. (See "Description of Surviving Corporation's Capital Stock", page 5.)

(d) Golconda stockholders will have no pre-emptive rights to purchase or subscribe to shares subsequently issued, except in the discretion of the Board of Directors. Golconda stockholders currently have pre-emptive rights.

(e) All or substantially all of the property and assets of Golconda may be sold, leased or exchanged upon approval by vote of the majority of the outstanding voting stock of the company. The current Articles and By-Laws of the company require the affirmative vote of two-thirds of the outstanding voting stock to approve such action.

(f) The permitted number of Directors of the company will be increased from five to not less than ten nor more than fifteen, and the requirement that the Directors be stockholders is eliminated.

(g) The location of the annual stockholders meeting will be changed from Wallace, Idaho, to Chicago, Illinois, or such other location as is determined by the Board of Directors.

(h) The date of the annual stockholders meeting will be changed from the last Tuesday of March to the third Friday of April of each year.

(i) Regular meetings of the Board of Directors may be held without notice at such time and place as is determined by the Board. The current By-Laws specify dates for regular meetings of the Board of Directors.

(j) The company will indemnify its officers against reasonable costs, expenses, judgments, fines and other amounts paid in settlement of certain types of actions, suits or proceedings, including counsel fees paid in connection therewith. Golconda's current Articles and By-Laws make no provision for such indemnification.

PROPOSED CHANGE IN THE NATURE OF THE BUSINESS OF GOLCONDA

At the special meeting of Golconda, Golconda's management will propose the adoption of a proposal to change the nature of Golconda's business and to authorize the officers of the corporation to make application to the Securities and Exchange Commission for an order deregistering the corporation as a closed-end investment company under The Investment Company Act of 1940. Management's proxyholders intend to vote the proxies given to them in favor of this proposal. The affirmative vote of a majority of Golconda's outstanding shares will be required for approval.

If the application to the Commission for a determination that Golconda has ceased to be an "investment company" is granted, the existing registration of Golconda under the 1940 Act will cease to be in effect. Upon that occurrence the shareholders of Golconda will no longer have the benefit of numerous provisions and restrictions contained in the 1940 Act. Among other things, the 1940 Act requires disclosure of fundamental investment policies of the investment company and shareholders' approval of any change in such policies or in the nature of its business. The 1940 Act contains a number of provisions regarding the qualifications and affiliation of the members of the Board of Directors of an investment company, including limitations on the number of directors that can be affiliated with an investment advisor or principal underwriters of the investment company and on the number of directors that can be affiliated with one bank. There are prohibitions on purchasing securities on margins, participating in joint trading accounts and making short sales. Investment advisory and underwriting contracts must be in writing and must be periodically approved by shareholders or, under some circumstances, by the Board of Directors of the investment company. Transactions between the investment company and any affiliates of the investment company, its principal underwriters or investment advisors are subject to extensive prohibitions. Arrangements for custody of investments must be approved by the Commission. The issuance of senior securities and the borrowing of funds is subject to detailed limitations and the

LS 000246

Golc - CDA dm - 0246

issuance of stock options is prohibited. The pyramiding of ownership of investment companies is prohibited and retention of outstanding shares is subject to restriction. No shares of an investment company may be issued for property other than cash or securities. Plans of re-organization may be subject to review by the Commission to determine the fairness thereof. Finally, an investment company is subject to the proxy rules relating to the solicitation of proxies, the insider trading provisions of Section 16 of the Securities Exchange Act of 1934 and to periodic reporting requirements.

Since Golconda is also registered under the Securities Exchange Act of 1934, notwithstanding determination by the Commission that Golconda is no longer an investment company, it will continue to be subject to the proxy rules, the insider trading provisions and the periodic reporting requirements applicable to publicly held companies at least so long as its securities continue to be listed on a national Securities Exchange or it continues to have more than 300 shareholders.

CHANGE OF ACCOUNTANTS

Golconda management will also propose the adoption of a resolution approving the appointment, by a majority of the independent directors, of Alexander Grant & Company to replace P. R. O'Shaughnessy as independent auditors for the company, to take effect if the proposed merger of Astro into Golconda is carried out. This step is required because the merger will result in Golconda, as the Surviving Corporation, having major operational divisions located in the Chicago, Illinois, area and elsewhere in the eastern United States. P. R. O'Shaughnessy is a sole practitioner with offices in Ellensburg, Washington. Alexander Grant & Company is a national accounting firm with offices in Chicago and other major cities and has no direct or indirect financial interest in Golconda or Astro. Management's proxyholders intend to vote the proxies given to them in favor of this resolution. The affirmative vote of a majority of the shares represented and voting at the meeting will be required for approval.

CHANGE OF NAME AND PRINCIPAL PLACE OF BUSINESS

Business shall be conducted under the name of Golconda Corporation and the principal place of business of Golconda shall be located at the executive offices at 8550 West Bryn Mawr Avenue, in Chicago, Illinois.

TAX CONSEQUENCES OF THE MERGER

The merger is a statutory merger under the laws of Idaho and Delaware. The Boards of Directors of Golconda and Astro have received opinions from their counsel (LeSourd, Patten & Slemmons and Linde, Thomson, Van Dyke, Fairchild & Langworthy, respectively) that the merger will constitute a tax-free reorganization under the applicable provisions of the Internal Revenue Code and will not result in a taxable gain or deductible loss to Golconda, Astro, or to the shareholders of Golconda or to the shareholders of Astro. In the further opinion of said counsel, the cost basis and holding period of Golconda common stock and preferred stock received by the former shareholders of Astro will be the same as that for the Astro shares given in exchange.

DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION

The Board of Directors of the Surviving Corporation will consist of fourteen members, nine of whom are presently directors of Astro, four are presently directors of Golconda and the remaining one is neither a director of Golconda nor Astro. (See "Golconda Corporation The Surviving Corporation—Management", page 19.)

The officers of the Surviving Corporation will be the present officers of Astro plus Mr. Wray Featherstone, now president of Golconda, who will become a vice-president of the Surviving Corporation and Mr. D. L. Hess, now secretary and treasurer of Golconda, who will become an assistant secretary and assistant treasurer of the Surviving Corporation.

DESCRIPTION OF SURVIVING CORPORATION'S CAPITAL STOCK

INTRODUCTION

Golconda's Articles of Incorporation, as amended, will permit the issuance of 7,500,000 shares of common stock without par value. Of the 7,500,000 shares of common stock, 1,933,000 shares are presently outstanding with 5,567,000 shares remaining available for other uses. Each share of common stock of Astro will be exchanged for one and one-half (1.5) shares of Golconda common stock. Upon the issuance of such shares of Golconda common stock under the proposed Agreement of Merger, 2,776,105 such shares will then be outstanding. This does not include 1,572,898 shares of common stock which are reserved for issuance as follows: 466,875 shares upon conversion of

the Astro Debentures; 682,880 shares upon conversion of the Astro preferred stock currently outstanding; 11,466 shares upon conversion of the Astro preferred stock issuable upon exercise of options; and 411,677 shares upon exercise of warrants for the purchase of Astro common stock. (See "Astro—Stock Option Plan and Warrants," page 26 and "Astro—Convertible Subordinated Debentures," page 29.) This leaves 3,150,997 common shares available for other uses.

Golconda's Articles of Incorporation, as amended, also will permit the issuance of 1,000,000 shares of preferred stock having a par value of $1.00 per share. Out of these 1,000,000 shares of authorized convertible preferred stock, no shares have been issued. Each share of preferred stock of Astro shall be exchanged for one share of the preferred stock of Golconda. There were, as of June 30, 1970, 455,253 shares of preferred stock of Astro outstanding. This does not include 7,644 shares reserved for exercise of Astro options. Upon the issuance and reservation of such shares of Golconda preferred stock under the proposed Agreement of Merger, there will be 537,103 preferred shares remaining for other uses.

PREFERRED STOCK

The following is a summary of the principal terms and provisions of the preferred stock of the Surviving Corporation.

Dividend Rights

Holders of the preferred stock are entitled to receive, prior to dividends on the common stock, cumulative cash dividends at the rate of $1 per share per annum. Payment of such dividends however is restricted under the Debentures and certain "Loan Agreements". (See "Astro—Loan Agreements," page 28 and "Astro—Convertible Subordinated Debentures," page 29.)

Voting Rights

Each holder of the preferred stock is entitled to one vote for each share held and may vote cumulatively for the election of directors. The preferred stock and common stock vote together as one class.

Liquidation Rights

Upon any liquidation, dissolution or winding up, before any distribution shall be made to the common stock, the holders of the preferred stock shall be entitled to receive $42.00 per share where such event is voluntary and $37.50 per share where such event is involuntary plus an amount equal to dividends accumulated and unpaid thereon, whether earned, declared or not.

Redemption Provisions

The preferred stock is callable for redemption at $37.50 per share at any time after May 5, 1974, in whole or in part, at the option of Golconda on thirty (30) days' prior written notice, plus an amount equal to dividends accumulated and unpaid thereon, whether or not earned or declared by the Surviving Corporation. So long as amounts are owed under the Debentures and certain "Loan Agreements" mentioned above, redemptions are restricted thereunder.

Conversion Rights

At any time, each share of preferred stock may be converted at the option of the holder into common stock at the rate of one share of preferred stock for one and one-half (1.5) shares of common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of specified events in order to prevent dilution of the conversion privilege.

General

The preferred stock is not liable for further calls or subject to assessment. It has no pre-emptive or other subscription rights.

COMMON STOCK

The following is a summary of the principal terms and provisions of the common stock of the Surviving Corporation.

Voting Rights

Each share of common stock is entitled to one vote with cumulative voting rights for the election of directors and votes together with the preferred stock as one class.

Pre-Emptive Rights

The holders of common stock will not be entitled to any pre-emptive rights to subscribe for or purchase any class of stock of the Surviving Corporation.

LS 000248

Golc - CDA dm - 0248

Liquidation Rights

In the event of liquidation of the Surviving Corporation, the holders of common stock will be entitled to any assets of the Surviving Corporation remaining after satisfaction of all of its liabilities and the liquidation rights of the holders of preferred stock.

General

The common stock is not liable for further calls or subject to assessment.

MARKET PRICES OF STOCK

The shares of Golconda common stock are listed for trading on the Pacific Coast Stock Exchange as well as other exchanges.

Astro's Preferred and Common stocks have been traded in the over-the-counter market since May 6, 1969. Upon the effectiveness of a consolidation one share of Astro's Convertible Preferred Stock was issued in exchange for each share of Bastian's Common Stock (excluding Bastian shares held by Pioneer) and one share of Astro's Common Stock was issued in exchange for each share of Common Stock of Pioneer and of Kepco. (See "Astro—Business, History, and Property" page 30.) Bastian Common Stock was traded on the Midwest Stock Exchange, Pioneer Common Stock was traded in the over-the-counter market and the 34 shares of Kepco Common Stock were held by one stockholder.

Following are the high and low bid prices for the Common Stock of Pioneer, as reported by the National Quotation Bureau, Inc., and the high and low sales prices for the Common Stock of Bastian on the Midwest Stock Exchange for the periods indicated.

	Pioneer		*Bastian*	
	Bid		*Sales*	
Period	*High*	*Low*	*High*	*Low*
1968				
First Quarter	12¾	6¾	21½	18½
Second Quarter	26¾	13¾	26½	21
Third Quarter	32½	24¼	35½	26¼
Fourth Quarter	43	28½	37	29
1969				
First quarter	40	25	35	26½
Through May 5	33	27	31	25

Following are the high and low sales prices for the common stock of Golconda on the Pacific Coast Stock Exchange and the high and low bid prices for Astro's Common and Preferred Stocks, as reported by the National Quotation Bureau, Inc., for the periods indicated.

	GOLCONDA		*Hecla*		ASTRO			
	Common		*Common*		*Common*		*Preferred*	
	Sales		*Sales*		*Bid*		*Bid*	
Period	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*
1968								
First Quarter	22	13⅞	37½*	25¾*	—	—	—	—
Second Quarter	24	16¼	41⅛*	34½*	—	—	—	—
Third Quarter	19¼	15⅛	41¼	30¾	—	—	—	—
Fourth Quarter	21	13½	38⅞	30⅞	—	—	—	—
1969								
First Quarter	20	14½	37½	30⅝	—	—	—	—
Second Quarter	15	8¾	32⅜	21¼	27½	17½	27½	19
Third Quarter	14¼	8	30¼	17¼	22	14	22	15½
Fourth Quarter	13⅝	8⅜	33¼	26¼	20	14½	21	16
1970								
First Quarter	12¾	9½	33⅞	25⅝	18	14	18	14
Through June 26	11⅜	4⅞	31	18½	15	8¼	15	10

* Adjusted for 2-for-1 split on May 10, 1968.

On June 26, 1970, the most recent trading date for Golconda, the closing price on the Pacific Coast Stock Exchange for Golconda common was 7. On June 29, 1970 the closing price on the New York Stock Exchange for Hecla common was 22. On June 29, 1970 the high and low bid prices reported by the National Quotation Bureau, Inc. were 11 and 10¾, respectively, for the Astro common and 11½ and 11, respectively, for the Astro preferred. The Astro quotations, as well as those for Pioneer Common stock, represent prices between dealers and do not represent actual transactions, nor do they include retail markups, markdowns, or commissions.

LS 000249

Golc - CDA dm - 0249

CAPITALIZATION

The following table sets forth the capitalization of Golconda Mining Corporation and Astro Controls, Inc. as of May 31, 1970, except for the stockholders' equity section which is as of March 31, 1970, and the pro forma capitalization of Golconda Corporation which would result if the proposed merger had been consummated on that date. This table should be read in conjunction with the Pro Forma Combined Condensed Balance Sheet at March 31, 1970, included elsewhere in this Proxy Statement.

	Golconda Mining Corporation	*Astro Controls, Inc.*	*Pro forma adjustments increase (decrease)(1)*	*Golconda Corporation*
Short-term debt				
Current maturities of long-term debt(2)				
Notes payable to bank at a rate of ½% above the current prime rate of 8%				
Due January 15, 1971(3)	$ —	$ 1,324,000	$(1,324,000)(a)	$ —
Due January 15, 1971	—	426,654	(426,654)(a)	—
Due May 1, 1971	—	—	100,000 (a)	100,000
10% first mortgage loan(3)	—	46,356	—	46,356
Notes payable to banks at various interest rates from 8% to 9¼%	2,360,000	—	—	2,360,000
Total short-term debt	2,360,000	1,797,010	(1,650,654)	2,506,356
Long-term debt				
Note payable to bank at a rate of ½% above the current prime rate of 8% due August 1, 1975	—	—	1,650,654 (a)	1,650,654
10% first mortgage loan due April 1, 1990(3)	—	2,945,661	—	2,945,661
7% subordinated notes payable to insurance companies due January 15, 1981(2)	—	4,000,000	—	4,000,000
7% convertible subordinated debentures due January 1, 1990(2)	—	4,980,000	—	4,980,000
Total long-term debt	$ —	$11,925,661	$ 1,650,654	$13,576,315
TOTAL DEBT	$2,360,000	$13,722,671	$ —	$16,082,671
Stockholders' equity (March 31, 1970)				
Subsequent to merger(4)				
$1 Cumulative convertible preferred stock — authorized, 1,000,000 shares of $1 par value, 456,393 shares to be issued and outstanding (redemption value $17,114,738)	$ —	$ —	$ 456,393 (d)	$ 456,393
Common stock—authorized, 7,500,000 shares of no par value; issued, 2,839,520 shares	—	—	200,000 (b) 559,680 (c)	759,680
Historical				
Common stock—authorized, 2,000,000 shares of $.10 par value, all of which are issued	200,000	—	(200,000)(b)	—
$1 Cumulative convertible preferred stock — authorized, 600,000 shares of $1 par value; issued and outstanding, 456,393 shares (redemption value, $17,114,738)(5)	—	456,393	(456,393)(d)	—
Common stock—authorized, 2,000,000 shares of no par value; issued and outstanding, 559,680 shares at a stated value of $1 per share(5)	—	559,680	(559,680)(c)	—
Additional contributed capital	184,142	6,529,803	—	6,713,945
Retained earnings	3,105,773	11,823,149	—	14,928,922
	3,489,915	19,369,025	—	22,858,940
Less treasury stock—at cost (67,000 common shares)	485,600	—	—	485,600
	$3,004,315	$19,369,025	$ —	$22,373,340
Warrants(6)				
Warrants expiring August 27, 1971, each to purchase one share of common stock at $30 per share ($20 per shares as adjusted)	—	78,750	39,375 (e)	118,125
Warrants expiring January 15, 1979, each to purchase one share of common stock at $21.75 per share ($14.50 per share as adjusted	—	195,701	97,851 (e)	293,552

LS 000250

Golc - CDA dm - 0250

NOTES TO CAPITALIZATION

(1) The pro forma adjustments give effect to the following:

(a) To reflect the proposed receipt and application of the proceeds under a term loan agreement in an amount not to exceed $2,000,000 with the Central National Bank in Chicago. The term of the loan is five years with principal payments of $100,000 due in seventeen quarterly instalments beginning May 1, 1971 and the balance of principal payable August 1, 1975. Interest is payable quarterly at the rate of ½% over the prime rate existing from time to time. The loan may be prepaid without penalty unless prepaid out of borrowing, in which case a penalty of 1% is payable. This term loan agreement is subject to the conditions of the 7% Subordinated Notes payable to the insurance companies. (See "Astro—Loan Agreement.") The proceeds of this term loan will be used to pay the balance due on the notes payable to the bank due January 15, 1971.

(b) To reflect the conversion of common stock of Golconda for the newly authorized common stock of Golconda on a share for share basis.

(c) To reflect the exchange of one and one-half shares of Golconda's common stock for each share of Astro's common stock.

(d) To reflect the exchange of one share of Golconda's cumulative convertible preferred stock for each share of Astro's cumulative convertible preferred stock. (Astro's preferred stock is convertible into common stock on a one for one basis whereas Golconda's preferred stock will be convertible into common stock on a one for one and one-half basis).

(e) To reflect the increase in common stock issuable upon the exercise of warrants upon the exchange of one and one-half shares of Golconda's common stock for each share of Astro's common stock.

(2) Reference is made to note E of Notes to Financial Statements of Astro Controls, Inc. included elsewhere herein for details regarding covenants and restrictions under long-term debt obligations.

(3) Astro has obtained a 20 year 10% first mortgage loan of $3,000,000 on property located in Chicago, Illinois, see "Astro—Plants and Property." Monthly payments of $28,975 will be applied first to the payment of interest and the balance to the payment of principal. The mortgage loan may be prepaid in its entirety after the tenth loan year on any interest date, with the payment of a premium of 5% during the eleventh loan year, declining one-half of 1% per year thereafter. The mortgage also provides that Astro will not lease or sell all or substantially all of its assets or merge with or into any other company without the mortgagee's prior written consent; provided, however, if such consent is withheld Astro has the right to prepay the balance plus 5%. Astro believes that this consent will be given but the mortgagee is reserving consent until a time just prior to the proposed merger. The proceeds of the mortgage were used to reduce a $4,100,000 note payable to the bank due January 15, 1971.

(4) Does not include 7,644 shares of cumulative convertible preferred stock which will be reserved for exercise of options, and 1,576,483 authorized but unissued shares of common stock which will be reserved for issuance as follows: 468,750 shares upon conversion of the Debentures; 684,590 shares upon conversion of the cumulative convertible preferred stock currently outstanding; 11,466 shares upon conversion of the cumulative convertible preferred stock issuable upon exercise of options; and 411,677 shares upon exercise of warrants for the purchase of common stock. Reference is made to "Astro—Stock Option Plan and Warrants" contained elsewhere herein.

(5) For information regarding Astro's shares reserved for issuance see Note I of Notes to Financial Statements of Astro included elsewhere herein.

(6) For further description of the terms of the Warrants, see "Astro—Stock Option Plan and Warrants" contained elsewhere herein.

(7) For information concerning long-term leases see "Astro—Plants and Property."

LS 000251

Golc - CDA dm - 0251

GOLCONDA CORPORATION (SURVIVING CORPORATION)

PRO FORMA STATEMENT OF EARNINGS (UNAUDITED)

The following pro forma combined statement of earnings gives effect to the proposed combination of Golconda and Astro on a pooling of interests basis. This statement should be read in conjunction with the financial statements of the constituent companies and the related notes thereto and the pro forma combined condensed balance sheets included elsewhere in this Proxy Statement.

000's omitted, except for per share data

	Fiscal periods ended(a)					Period ended March 31,(a)	
	1965	1966	1967	1968	1969	1969	1970
Net sales from manufacturing operations	$ 38,374	$ 41,588	$ 38,342	$ 39,228	$ 43,676	$ 12,667	$ 13,353
Cost of goods sold	29,324	32,346	30,014	31,198	33,825	9,715	10,352
Gross profit from manufacturing operations	9,050	9,242	8,328	8,030	9,851	2,952	3,001
Selling, general and administrative expenses	5,099	5,386	5,445	5,788	6,572	2,036	2,313
Operating profit from manufacturing operations	3,951	3,856	2,883	2,242	3,279	916	688
Investment revenues							
Net investment income	318	291	282	284	310	75	76
Net realized gain on sale of investments	144	963	159	248	38	7	—
	462	1,254	441	532	348	82	76
Operating profit	4,413	5,110	3,324	2,774	3,627	998	764
Other income (deductions)							
Interest expense	(73)	(141)	(255)	(407)	(1,151)	(361)	(384)
Sundry—net	243	241	269	327	317	121	36
	170	100	14	(80)	(834)	(240)	(348)
	4,583	5,210	3,338	2,694	2,793	758	416
Income taxes (principally Federal)	1,971	2,119	1,367	1,092	1,284	367	188
	2,612	3,091	1,971	1,602	1,509	391	228
Earnings applicable to "purchased" portion of acquired company	894	822	505	395	—	—	—
Earnings before extraordinary items	1,718	2,269	1,466	1,207	1,509	391	228
Extraordinary items	—	141	—	78	280	242	—
NET EARNINGS	$ 1,718	$ 2,410	$ 1,466	$ 1,285	$ 1,789	$ 633	$ 228
Weighted average shares outstanding(b)	3,374,804	3,345,163	3,314,830	3,313,038	3,457,059	3,454,944	3,457,100
Earnings per common share and common equivalent share(b)							
Earnings before extraordinary items	$ .51	$ .68	$ .44	$ .37	$ .44	$ .11	$ .07
Extraordinary items	—	.04	—	.02	.08	.07	—
NET EARNINGS	$ .51	$ .72	$ .44	$ .39	$ .52	$ .18	$ .07

(a) The pro forma combined statement of earnings for the five years ended in 1969 includes the results of operations of Golconda and Astro for their respective fiscal years (see the statements of earnings of the constituent entities included elsewhere herein).

The period ended March 31, 1969 and 1970 combines the operations of Golconda for the three months ended March 31, 1969 and 1970 with the operations of Astro for the four months then ended.

(b) The earnings per common share and common equivalent share are based on the weighted average of the outstanding common shares and common equivalent shares of the respective companies after giving effect to the proposed merger. The proposed new class of cumulative convertible preferred stock will be considered a common stock equivalent, accordingly, the annual preferred dividend requirement has not been deducted from net earnings to arrive at earnings available for common shares. The shares issuable upon the conversion of the convertible subordinated debentures or the exercise of stock options and warrants have not been used in the computation of per share data because the present effect would be antidilutive.

On April 30, 1970, Hecla announced it would not pay any further cash dividends during 1970. Since dividends received from its holdings of Hecla common stock have, in recent years, been Golconda's principal source of income, the historical dividend record of Golconda is not a reliable indication of its future dividend policies or capabilities.

LS 000252

Golc - CDA dm - 0252

GOLCONDA MINING CORPORATION

STATEMENT OF INCOME

The following statement of income of Golconda Mining Corporation for the five years ended December 31, 1969, has been examined by P. R. O'Shaughnessy, an independent certified public accountant, whose opinion thereon appears elsewhere in this Proxy Statement.

The statements for the three-month periods ended in 1969 and 1970 have not been examined by independent certified public accountants; in the opinion of Golconda, all adjustments (which include only normal recurring accruals) necessary to present fairly the results of operations for such periods have been made. This statement should be read in conjunction with other financial statements and related notes included elsewhere herein.

	Year Ended December 31,					Three Months Ended March 31,	
	1965	1966	1967	1968	1969	1969	1970
						(Unaudited)	
INVESTMENT INCOME							
INCOME							
Dividend income:							
Hecla Mining Company	$ 365,537	$ 365,655	$ 389,790	$ 427,980	$ 479,080	$ 115,833	$ 121,083
Gulf Resources and Chemical (formerly The Bunker Hill Company)	65,316	20,226	5,130	5,492	3,998	1,332	488
Other	198	—	—	9,081	7,685	316	940
Interest income	—	10,566	—	—	—	—	—
Miscellaneous	2,252	5,480	6,708	2,175	61	—	50
Total	433,303	401,927	401,628	444,728	490,824	117,481	122,561
EXPENSES							
Interest	59,777	42,014	39,311	70,198	73,675(a)	18,466	22,532(a)
Salaries	21,750	21,800	25,632	37,050	39,000	9,750	10,834
Office	23,975	26,907	28,369	32,286	40,325	9,869	9,646
General	4,974	15,312	22,067	14,334	22,275	4,284	2,601
Mine and mill	5,200	5,331	4,575	6,537	5,077	523	583
Total	115,676	111,364	119,954	160,405	180,352	42,892	46,196
NET INVESTMENT INCOME	$ 317,627	$ 290,563	$ 281,674	$ 284,323	$ 310,472	$ 74,589	$ 76,365
REALIZED GAIN ON INVESTMENTS							
Aggregate sales price	$ 535,887	$1,718,805	$ 490,534	$ 350,623	$ 48,626	$ 9,107	$ —
Book cost	391,796	755,625	331,315	102,446	10,316	1,548	—
Gain on sales	144,091	963,180	159,219	248,177	38,310	7,559	—
Less income taxes (b)	53,056	253,220	28,835	50,924	—	—	—
NET REALIZED GAIN ON INVESTMENTS	$ 91,035	$ 709,960	$ 130,384	$ 197,253	$ 38,310	$ 7,559	$ —
TOTAL INCOME	$ 408,662	$1,000,523	$ 412,058	$ 481,576	$ 348,782	$ 82,148	$ 76,365
EARNINGS PER SHARE(c)	$.20	$.52	$.21	$ .25	$ .18	$ .04	$ .04
Pro Forma Earnings per share(d)	$.23	$.54	$.23	$ .29	$ .22	$ .05	$ .05
CASH DIVIDENDS PAID PER SHARE OF COMMON STOCK	$.07	$.09	$.11	$ .12	$ .12	$ —	$ —

LS 000253

Golc - CDA dm - 0253

(a) During 1969, interest in the amount of $75,200 was capitalized as cost of investments. If this amount had been charged to expense, total income for 1969 would be $276,582 or $.14 per share. Interest capitalized to the cost of investments for the three months ended March 31, 1970 was $30,037 or $.02 per share.

(b) The Internal Revenue Service has examined the federal income tax returns filed by the Company for the years 1962 through 1966, and has proposed additional tax of $276,571. The Company has contested this proposed liability and has filed a petition with the Tax Court. Returns for 1967, 1968 and 1969 have not been audited. For further information see "Golconda Mining Corporation—LITIGATION AND FEDERAL INCOME TAX." No liability for income taxes was incurred in 1969 because income after exclusion of 85% of dividends received did not exceed expenses.

(c) Earnings per share is based upon the weighted average shares outstanding during the periods.

(d) Pro forma earnings per share assumes the capitalization of all interest.

Unaudited results of Golconda's operations for the five-month period ended May 31, 1970 show total net earnings of $104,505 or $.05 per share after capitalization of interest in the amount of $50,412. Net investment income was $38,287 and realized gain on sales of investments was $66,218. Had all interest incurred been capitalized, total earnings would have been $142,087 or $.07 per share. These results compare with total earnings of $193,511 or $.10 per share for the five month period ended May 31, 1969 after capitalization of interest in the amount of $18,400. Net investment income was $170,701 and realized gain on sales of investments was $22,810. Had all interest been capitalized total earnings would have been $220,668 or $.11 per share.

In recent years dividends received from Hecla have constituted Golconda's principal source of ordinary income. On April 30, 1970 management of Hecla announced it would pay a 2% stock dividend in lieu of its usual quarterly cash dividend. Hecla further announced that it does not intend to pay any future cash dividend for the remainder of 1970.

LS 000254

Golc - CDA dm - 0254

ASTRO CONTROLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS

The consolidated statement of earnings for the two years ended November 30, 1969 has been examined by Alexander Grant & Company, independent certified public accountants, whose opinion with respect to the year ended November 30, 1968 is based in part on the report of Price Waterhouse & Co. The consolidated statement of earnings for the three fiscal years ended 1967/8 combines the operations of the constituent entities (Pioneer and Bastian) for their respective fiscal years ended April 30 and November 30 as described in Note (a) below and has been examined as to compilation only by Alexander Grant & Company. The financial statements of Pioneer and Bastian have been audited by Alexander Grant & Company and Price Waterhouse & Co., respectively. The opinions of the independent accountants are included elsewhere herein. The statements for the four-month periods ended in 1969 and 1970 have not been examined by independent certified public accountants; in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the results of operations for such periods have been made. This statement should be read in conjunction with the consolidated financial statements and related notes included elsewhere herein.

000's omitted, except for per share data

	Fiscal year ended(a)			*Fiscal year ended November 30,*		*Four months ended March 31,*	
	1965/6	*1966/7*	*1967/8*	*1968(a)*	*1969*	*1969 (unaudited)*	*1970 (unaudited)*
Net sales	$ 38,374	$ 41,588	$ 38,342	$ 39,228	$ 43,676	$ 12,667	$ 13,353
Cost of goods sold	29,324	32,346	30,014	31,198	33,825	9,715	10,352
Gross profit	9,050	9,242	8,328	8,030	9,851	2,952	3,001
Selling, general and administrative expenses	5,099	5,386	5,445	5,788	6,572	2,036	2,313
Operating profit	3,951	3,856	2,883	2,242	3,279	916	688
Other income (deductions)							
Interest expense	(73)	(141)	(255)	(407)	(1,151)	(361)	(384)
Sundry—net	243	241	269	327	317	121	36
	170	100	14	(80)	(834)	(240)	(348)
	4,121	3,956	2,897	2,162	2,445	676	340
Income taxes (principally Federal)	1,918	1,866	1,338	1,041	1,284	367	188
	2,203	2,090	1,559	1,121	1,161	309	152
Earnings of Bastian before extraordinary item applicable to common shares purchased by Pioneer(a)	894	822	505	395	—	—	—
Earnings before extraordinary items	1,309	1,268	1,054	726	1,161	309	152
Extraordinary items(b)	—	141	—	78	280	242	—
NET EARNINGS	$ 1,309	$ 1,409	$ 1,054	$ 804	$ 1,441	$ 551	$ 152
Earnings per common share and common equivalent share(c)							
Earnings before extraordinary items	$ 1.42	$ 1.38	$ 1.14	$ .79	$ 1.14	$ .30	$ .15
Extraordinary items	—	.15	—	.08	.28	.24	—
NET EARNINGS	$ 1.42	$ 1.53	$ 1.14	$ .87	$ 1.42	$ .54	$ .15
Cash dividends per share (from date of consolidation May 6, 1969(a))							
Preferred stock					$ .50		$ .50
Common stock					$ —		$ —

NOTES:

(a) Astro Controls, Inc. (Astro) is the result of a combination, on a partial pooling of interests basis, of Pioneer Astro Industries, Inc. (Pioneer) and The Bastian-Blessing Company (Bastian) as of May 5, 1969. Accordingly, the portion of net earnings and extraordinary item relating to the 41% of Bastian Common Stock acquired through cash purchases by Pioneer has been excluded from the net earnings of the Company for all periods prior to November 30, 1968, which was the date Pioneer had acquired all of its 41% investment in Bastian.

Prior to their consolidation into Astro, Bastian and Pioneer reported on fiscal years ended November 30 and April 30, respectively. Accordingly, for presentation purposes the earnings of Bastian for the three years ended November 30, 1967 have been combined with those of Pioneer for the three years ended April 30, 1968. The Company adopted the fiscal year of Bastian and for comparative purposes, the operations of Pioneer have been restated to a twelve month period ended November 30, 1968 and have been combined with the operations of Bastian for the year then ended. As a result of this restatement, the operations of Pioneer (Net sales and Net earnings of $2,306,499

LS 000255

Golc - CDA dm - 0255

and $164,799, respectively) have been included both in the Fiscal year ended 1967/8 and in the Fiscal year ended November 30, 1968. This duplication has been adjusted for in the Consolidated Statement of Retained Earnings.

The Net sales and Net earnings of the respective entities prior to their consolidation into the Company are as follows:

	Fiscal year ended			Fiscal year ended November 30,
	1965/6	1966/7	1967/8	1968
Net sales				
Bastian	$ 34,861	$ 37,071	$ 33,091	$ 34,200
Pioneer	3,513	4,517	5,251	5,028
Total	$ 38,374	$ 41,588	$ 38,342	$ 39,228
Earnings before extraordinary item and amount applicable to portion of Bastian "purchased" by Pioneer				
Bastian	$ 2,181	$ 2,006	$ 1,232	$ 962
Pioneer	22	84	327	159
	2,203	2,090	1,559	1,121
Earnings of Bastian before extraordinary item applicable to common shares "purchased" by Pioneer	894	822	505	395
Earnings before extraordinary item	$ 1,309	$ 1,268	$ 1,054	$ 726

(b) Extraordinary items consist of the following:

	Fiscal year ended		Fiscal year ended November 30,		Four months Ended March 31,
	1966/7	1967/8	1968	1969	1969
Investment tax credit carry-forward	$ 23	$—	$—	$—	$—
Gain on sale of fixed assets	174	—	—	—	—
Gain on sale of portion of operations and of wholly-owned subsidiary*	—	—	103	50	—
Gain on sale of common stock investments	—	—	—	334	334
	197	—	103	384	334
Applicable Federal income taxes	56	—	25	104	92
	$141	$—	$ 78	$280	$242

* The operations and assets sold pertained to B B Imperial, Inc., a wholly-owned subsidiary of Bastian, and were immaterial in relation to consolidated sales and income in all periods. Only 50% of the gain representing the portion of Bastian's operations accounted for as a pooling of interests is included for 1968. For additional information see "Business—Food and Beverage Equipment Division."

(c) Per share data is based on the total shares of the Company's common stock and cumulative convertible preferred stock outstanding during the respective periods on a weighted average basis after giving retroactive effect to the merger of Pioneer and Bastian. The cumulative convertible preferred stock is considered to be a common stock equivalent, accordingly, the annual preferred dividend requirement has not been deducted from net earnings to arrive at earnings available for common stock. The shares issuable upon conversion of the convertible subordinated debentures or the exercise of stock options and warrants have not been used in the computation of per share data because the present effect would be antidilutive.

Sales in the fiscal year ended 1967/68 declined due to a lower sales level for the RegO Division occasioned by a generally lower level of activity in the LP-gas markets served by this Division. Earnings declined from the prior year as a result of that sales decline.

The year ended November 30, 1968 includes a provision for Bastian's employees discretionary bonus in the amount (net of taxes) of $117,000 or $.12 per share. A discretionary bonus was not paid for the year ended November 30, 1969.

For the six months ended May 31, 1970 the unaudited sales and net earnings were $20,854,817 and $217,325 ($.21 per share), respectively whereas for the corresponding period of the preceding year the unaudited sales, earnings before extraordinary items and net earnings were $19,576,518, $471,315 ($.46 per share) and $713,566 ($.70 per share), respectively. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the results of operations for the above periods have been made. The earnings decline in 1970 as compared to the corresponding period of the prior year was due primarily to:

(1) continuing rising costs, including volatile price increases in the metal markets, and the difficulty of offsetting these with timely price adjustments;

(2) a non-recurring provision for an employee's discretionary bonus payment in 1970 after discontinuation of such a bonus plan for 1969 (this plan has now been terminated);

(3) a decline in government contract orders which resulted in a 44% reduction in sales for the Pioneer Astro Division.

LS 000256

Golc - CDA dm - 0256

GOLCONDA CORPORATION (SURVIVING CORPORATION)
PRO FORMA COMBINED CONDENSED BALANCE SHEET (UNAUDITED)
(Golconda's investments stated at cost)
March 31, 1970

The following pro forma combined condensed balance sheet combines the balance sheets of Golconda and Astro at March 31, 1970 on a pooling of interests basis. The pro forma balance sheet gives effect to the transactions described in this Proxy Statement and should be read in conjunction with the respective financial statements of the constituent companies and notes related thereto.

ASSETS

	Golconda Mining Corporation	*Astro Controls, Inc.*	*Pro Forma Adjustments Increase (Decrease)*	*Golconda Corporation*
Cash	$ 275,154	$ 920,507	$ —	$ 1,195,661
Commercial notes	—	650,000	—	650,000
Accounts receivable—net	34,854	7,878,997	—	7,913,851
Inventories	—	15,870,987	—	15,870,987
Prepaid expenses	—	208,649	—	208,649
Investments—at cost	5,170,975	—	—	5,170,975
Property, plant and equipment—net	65,923	7,180,966	—	7,246,889
Other assets	—	5,544,447	—	5,544,447
	$ 5,546,906	$38,254,553	$ —	$43,801,459

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities				
Notes payable	$ 2,345,000	$ 125,000	$ —	$ 2,470,000
Current maturities of long-term debt	—	4,526,654	—	4,526,654
Accounts payable	197,591	2,943,877	—	3,141,468
Dividends payable	—	114,091	—	114,091
Income taxes	—	198,542	—	198,542
Accrued liabilities	—	1,478,932	—	1,478,932
Total current liabilities	2,542,591	9,387,096	—	11,929,687
Long-term debt	—	9,000,000	—	9,000,000
Deferred liabilities	—	498,432	—	498,432
Total liabilities	2,542,591	18,885,528	—	21,428,119
Stockholders' Equity				
Subsequent to merger				
$1.00 Cumulative convertible preferred stock	—	—	456,393 (3)	456,393
Common stock	—	—	200,000 (1) 559,680 (2)	759,680
Historical				
Common stock	200,000	—	(200,000) (1)	—
$1.00 Cumulative convertible preferred stock	—	456,393	(456,393) (3)	—
Common stock	—	559,680	(559,680) (2)	—
Additional contributed capital	184,142	6,529,803	—	6,713,945
Retained earnings	3,105,773	11,823,149	—	14,928,922
	3,489,915	19,369,025	—	22,858,940
Less treasury stock—at cost (67,000 shares)	485,600	—	—	485,600
	3,004,315	19,369,025	—	22,373,340
	$ 5,546,906	$38,254,553	$ —	$43,801,459

PRO FORMA ADJUSTMENTS

(1) To reflect the conversion of common stock of Golconda for the newly authorized common stock of Golconda on a share for share basis.

(2) To reflect the exchange of one and one-half shares of Golconda's common stock for each share of Astro's common stock.

(3) To reflect the exchange of one share of Golconda's cumulative convertible preferred stock for each share of Astro's cumulative convertible preferred stock. (Astro's preferred stock is convertible into common stock on a one for one basis whereas Golconda's preferred stock will be convertible into common stock on a one for one and one-half basis).

LS 000257

Golc - CDA dm - 0257

(THIS STATEMENT IS PRESENTED FOR ANALYTICAL PURPOSES ONLY)

GOLCONDA CORPORATION (SURVIVING CORPORATION)

PRO FORMA COMBINED CONDENSED BALANCE SHEET (UNAUDITED)

(Golconda's investment stated at approximate market value)

March 31, 1970

Golconda carries its investments at cost. However, for analytical purposes, in connection with the proposed merger, the following pro forma combined condensed balance sheet reflects Golconda's investments at approximate market value and the related unrealized appreciation net of applicable income taxes as an adjustment to retained earnings. The approximate market value does not purport to represent the amount which might be realized upon disposition of the investments and where there is no market value for an investment, the Board of Directors of Golconda has determined the fair value thereof. This pro forma combined condensed balance sheet and the Pro Forma adjustments hereto should be read in conjunction with the Pro Forma Combined Condensed Balance Sheet on page 15 and the financial statements of the constituent entities included elsewhere herein.

ASSETS

	Golconda Mining Corporation	*Astro Controls, Inc.*	*Pro Forma Adjustments Increase (Decrease)(a)*	*Golconda Corporation*
Cash	$ 275,154	$ 920,507	$ —	$ 1,195,661
Commercial notes	—	650,000	—	650,000
Accounts receivable—net	34,854	7,878,997	—	7,913,851
Inventories	—	15,870,987	—	15,870,987
Prepaid expenses	—	208,649	—	208,649
Investments—at approximate market value(b)	24,318,000	—	—	24,318,000
Property, plant and equipment—net	65,923	7,180,966	—	7,246,889
Other assets	—	5,544,447	—	5,544,447
	$24,693,931	$38,254,553	$ —	$62,948,484

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities				
Notes payable	$ 2,345,000	$ 125,000	$ —	$ 2,470,000
Current maturities of long-term debt	—	4,526,654	—	4,526,654
Accounts payable	197,591	2,943,877	—	3,141,468
Dividends payable	—	114,091	—	114,091
Income taxes	—	198,542	—	198,542
Accrued liabilities	—	1,478,932	—	1,478,932
Total current liabilities	2,542,591	9,387,096	—	11,929,687
Long-term debt	—	9,000,000	—	9,000,000
Deferred liabilities(b)	6,069,607	498,432	—	6,568,039
Total liabilities	8,612,198	18,885,528	—	27,497,726
Stockholders' Equity				
Subsequent to merger				
$1.00 Cumulative convertible preferred stock	—	—	456,393 (3)	456,393
Common stock	—	—	200,000 (1) 559,680 (2)	759,680
Historical				
Common stock	200,000	—	(200,000) (1)	—
$1.00 Cumulative convertible preferred stock	—	456,393	(456,393) (3)	—
Common stock	—	559,680	(559,680) (2)	—
Additional contributed capital	184,142	6,529,803	—	6,713,945
Retained earnings(b)	16,183,191	11,823,149	—	28,006,340
	16,567,333	19,369,025	—	35,936,358
Less treasury stock—at cost (67,000 shares)	485,600	—	—	485,600
	16,081,733	19,369,025	—	35,450,758
	$24,693,931	$38,254,553	$ —	$62,948,484

(a) For an explanation of the pro forma adjustments refer to the Pro Forma Combined Condensed Balance Sheet on page 15.

(b) At March 31, 1970, the market value of 691,900 shares of Hecla common stock (included in Golconda's "Investment" above) aggregated $20,929,975; at June 29, 1970, based on the then quoted market price of 22 per share, the aggregate market value would approximate $15,221,800. If this decrease in market value, net of deferred taxes was reflected in the above financial statements, the reduction in Golconda's stockholder's equity would approximate $3,898,684. The market value of Hecla common stock does not purport to represent the amount which might be realized upon disposition of the shares. For a detailed schedule of investments see "Golconda Mining Corporation—Capital Stock of Mining Companies" on page 43.

LS 000258

Golc - CDA dm - 0258

COMPARATIVE PER SHARE DATA

The following comparative per share data of Golconda and Astro for the five fiscal periods ended in 1969 and for the respective periods ended March 31, and May 31, 1969 and 1970 are presented on a historical basis together with the pro forma combined per share data. The book value per share of the respective entities and on a pro forma basis is reflected as of March 31, 1970. This table is based upon the respective financial statements of the constituent companies and on the pro forma combined statements and the related notes thereto included elsewhere herein and should be read in conjunction therewith.

	Fiscal period ended					Period ended March 31		Period ended May 31	
	1965	1966	1967	1968	1969	1969	1970	1969	1970
GOLCONDA MINING CORPORATION									
Earnings per share	$ .20	$ .52	$ .21	$ .25	$ .18	$ .04	$ .04	$ .10	$ .05
Cash dividends	$ .07	$ .09	$ .11	$ .12	$ .12	$ —	$ —	$ .06	$ .06(d)
ASTRO CONTROLS, INC.									
Historical									
Earnings per common share and common equivalent share									
Earnings before extraordinary items	$ 1.42	$ 1.38	$ 1.14	$ .79	$ 1.14	$ .30	$ .15	$ .46	$ .21
Extraordinary items	—	.15	—	.08	.28	.24	—	.24	—
NET EARNINGS	$ 1.42	$ 1.53	$ 1.14	$ .87	$ 1.42	$ .54	$ .15	$ .70	$ .21
Cash dividends (b)									
Preferred stock					$ .50		$ .50		$ .50
Common stock					$ —		$ —		$ —
Pro Forma—per 1.5 shares of Golconda common stock(a)									
Earnings per common share and common equivalent share									
Earnings before extraordinary items	$ .95	$ .92	$ .76	$ .53	$ .76	$ .20	$ .10	$ .31	$ .14
Extraordinary items	—	.10	—	.05	.19	.16	—	.16	—
NET EARNINGS	$ .95	$ 1.02	$ .76	$ .58	$ .95	$ .36	$ .10	$ .47	$ .14
GOLCONDA CORPORATION —PRO FORMA COMBINED									
Earnings per common share and common equivalent share									
Earnings before extraordinary items	$ .51	$ .68	$ .44	$ .37	$ .44	$ .11	$ .07	$ .19	$ .09
Extraordinary items	—	.04	—	.02	.08	.07	—	.07	—
NET EARNINGS	$ .51	$ .72	$ .44	$ .39	$ .52	$ .18	$ .07	$ .26	$ .09
Cash Dividends									
Preferred stock					$ (c)				
Common stock					$ (d)				

The book value of the respective companies at March 31, 1970 is as follows:

Golconda Mining Corporation	$ 1.55(e)
Astro Controls, Inc.	
Historical	$ 19.06(f)
Pro Forma—per 1.5 shares of Golconda common stock(a)	$ 12.71(f)
Golconda Corporation—Pro Forma Combined	$ 6.47(g)

LS 000259

Golc - CDA dm - 0259

(a) Upon the merger of Golconda and Astro each share of Astro's common stock will be exchanged for one and one-half shares of Golconda's common stock and each share of Astro's cumulative convertible preferred stock (common equivalent shares) will be exchanged for one share of Golconda's cumulative convertible preferred stock (Astro's preferred stock is convertible into common stock on a one for one basis whereas Golconda's preferred stock will be convertible into common stock on a one for one and one-half basis).

(b) Cumulative annual dividends of $1.00 per share are payable quarterly on the cumulative convertible preferred stock of Astro and no arrearage with respect to such dividends exists at this time. No dividends can be paid on the common stock if the preferred stock dividends are in arrears. On November 30, 1969 and March 31, 1970 $312,807 and $159,917, respectively, of retained earnings was available for the payment of dividends under the most restrictive covenant. Astro is a result of a merger in 1969 of two entities whose past dividend policies are not indicative of the present dividend policies, accordingly dividend information prior to 1969 is not shown.

(c) Cumulative annual dividends of $1.00 per share will be payable annually to the cumulative convertible preferred shareholders subject to certain dividend restrictions contained in Astro's loan agreement. See "Astro —Loan Agreements and Convertible Subordinated Debentures."

(d) In both 1968 and 1969 Golconda paid dividends of 12¢ per annum per share on its common stock. While there can be no assurance that such dividends will be paid in the future, if earned, the Board of Directors of the Surviving Corporation currently intends to pay dividends on the common stock at this rate if earned, subject to limitations, by virtue of certain Loan Agreements and Debentures of Astro. (See "Astro—Loan Agreements and Convertible Subordinated Debentures".) In recent years dividends received from Hecla have constituted Golconda's principal source of ordinary income. On April 30, 1970 management of Hecla announced it would pay a 2% stock dividend in lieu of its usual quarterly cash dividend. Hecla further announced that it does not intend to pay any future cash dividend for the remainder of 1970.

(e) The book value per common share after reflecting the investments at approximate market value, less applicable income taxes on the unrealized appreciation on investments is $8.32.

(f) The book value per common share and common equivalent share does not include a reduction for the redemption value of $37.50 for the convertible preferred stock. Book value per common share only, would be $4.03 (pro forma per 1.5 exchange ratio $2.69) after considering the redemption value. The book value per common share and common equivalent share (cumulative convertible preferred stock) after omitting the excess of cost over underlying equity of net assets acquired would be $14.76 (pro forma per 1.5 exchange ratio $9.84).

(g) The pro forma book value per common share and common equivalent share does not include a reduction for the redemption value of $37.50 for the cumulative convertible preferred stock. The pro forma book value per common share only, after considering the redemption value of the cumulative convertible preferred stock would be $1.90 ($6.62 after reflecting Golconda's investments at approximate market value less applicable income taxes on the unrealized appreciation on investments). The pro forma book value per common share and common equivalent share (cumulative convertible preferred stock) after omitting the excess of cost over underlying equity of net assets acquired would be $5.21 ($8.99 after reflecting Golconda's investments at approximate market value less applicable income taxes on the unrealized appreciation on investments).

LS 000260

Golc - CDA dm - 0260

GOLCONDA CORPORATION
(THE SURVIVING CORPORATION)

MANAGEMENT

Directors and Officers

The Board of Directors of Golconda will consist of fourteen (14) members listed as follows:

		Golconda		Astro		
Name	*Principal Occupation Past Five Years*	*Director Since*	*Shares of Common Stock Beneficially Owned as of June 30, 1970*	*Director Since*	*Shares of Stock Beneficially Owned as of June 30, 1970*	
					Common	*Preferred*
M. J. Coen(1)	President, Midland Securities Co., Inc., Kansas City, Missouri (A registered broker-dealer)			1969	30,114	304
Albert S. Kepen	Vice Chairman of the Board and Chief Executive Officer — Astro President—Pioneer Astro Industries, Inc.			1969	11,755	—
L. N. Lucas	President and Chief Operating Officer—Astro President—Bastian-Blessing Company			1969	—	2,033
Albert W. Thomson(1)	Partner, Linde, Thomson, Van Dyke, Fairchild & Langworthy, Kansas City, Missouri (Attorney at Law)			1969	2,334	1,000
Edwin B. Wright(1)	President, The Drovers and Merchants Bank, St. Joseph, Missouri (A State bank)			1969	3,620	1,400
Daniel L. Brenner(1)	Senior Partner, Brenner, Lockwood & O'Neal, Kansas City, Missouri (Attorney at Law)			1969	5,838	—
Michael F. Drinkhouse	Restaurateur and Investor, New York, New York			1969	3,331	—
R. M. Dunn	Director, Trans World Airlines, New York, New York Vice President (Retired) Trans World Airlines			1969	500	500
A. D. Martin	Financier and Investor, Dallas, Texas			1969	13,666	—
Wray Featherstone	President — Golconda Mining Corporation. Mining Engineer, Wallace, Idaho	1956	18,000			
Walter L. Sly	General Contractor, (Retired) Spokane, Washington	1952	11,000			
Kenneth Teel	President of Crestlite, Incorporated, San Clemente, California (Manufacturers of building material)	1970	(2)			
Norman M. Smith	Mining Engineer and General Manager of Clayton Silver Mines, Kellogg, Idaho	1969	100			
Gordon Smith	Vice President, Booz • Allen & Hamilton, Inc. San Francisco, California	—	—	—	—	—

(1) General partner of The First Greystone Associates (See "Astro—Principal Stockholders" page 29.)

(2) Mr. Teel's wife owns an undivided one-quarter interest in the 135,725 shares held by Korholz & Co. (See "Golconda—Directors and Officers," page 20.)

LS 000261

Golc - CDA dm - 0261

The officers of the Surviving Corporation will be the present officers of Astro plus Mr. Wray Featherstone, now president of Golconda, who will become a vice-president of the Surviving Corporation and Mr. D. L. Hess, now secretary and treasurer of Golconda, who will become an assistant secretary and assistant treasurer of the Surviving Corporation.

Remuneration of Directors and Officers

The remuneration of the directors and officers of the Surviving Corporation who were directors or officers of Astro shall remain the same. The remuneration of the present officers of Golconda who become officers and directors of the Surviving Corporation shall remain the same. (See "Golconda—Management," page 20, and "Astro—Management", page 24.)

Stock Option Plans and Warrants

As a result of the merger, the warrants and unexercised options of Astro will be assumed by Golconda. No other warrants or options will be outstanding at the time of the merger. (See "Description of Surviving Corporation's Capital Stock—Introduction," page 5 and "Astro—Stock Option Plan and Warrants," page 26.)

GOLCONDA MINING CORPORATION

MANAGEMENT

Directors and Officers

The current Directors of Golconda are:

Name	*Principal Occupation or Employment*	*Year in Which First Became Director*	*Common Stock Owned Beneficially Directly or Indirectly as of June 30, 1970*
Wray Featherstone	President of Golconda, Mining Engineer	1956	18,000
Walter L. Sly	Vice President of Golconda	1952	11,000
Herbert F. Korholz *	President and Chairman of the Executive Committe of the Susquehanna Corporation	1968	135,725(a)(b)
Norman M. Smith	Mining Engineer and General Manager of Clayton Silver Mines	1969	100
Kenneth Teel	President of Crestlite, Incorporated	1970	— (b)

(a) These shares are held by a partnership, Korholz & Co., consisting of Herbert F. Korholz and his three daughters, each of whom owns an undivided one-fourth interest in such shares. On March 18, 1970, the partnership gave an option to purchase these shares, to Sovereign State Capital, Inc. (Sovereign), a Nevada corporation. Under certain circumstances, Sovereign has an obligation to buy these shares if so requested by Mr. Korholz.

(b) Mr. Teel's wife owns an undivided one-fourth interest in the 135,725 shares held by Korholz & Co. See footnote (a) above.

Remuneration of Directors and Officers

The total remuneration of officers and Directors of Golconda as a group during the fiscal year ended December 31, 1969, was $29,700. This remuneration was paid to the President, Vice President, Secretary and Directors in those capacities. Wray Featherstone is employed by Golconda on a contract for eight years at a salary of $25,000 per year, with retirement benefits of $10,000 per year at age 65 (November 4, 1977.) Walter L. Sly is employed by Golconda on a contract for three years at a salary of $6,000 per year, with retirement benefits of $2,400 per year at age 67 (January 9, 1971.) None of the officers or Directors was indebted to the corporation during the year ended December 31, 1969, or subsequent to that date.

Stock Option Plans and Warrants

Golconda has no stock options, warrants or other similar rights outstanding.

LS 000262

Golc - CDA dm - 0262

The exploration program described above cannot be carried out until it has been approved by a vote of two-thirds of the outstanding shares of United Lead-Zinc Mines Company at a meeting to be held on July 22, 1970.

Golconda will participate in the Alice Consolidated mining venture in three respects:

1. As owner of approximately 54% of the outstanding shares of Alice Consolidated Mines, Inc., owner of the property to be explored;
2. As a substantial shareholder of Hecla Mining Company, and
3. As a 20% joint venturer with Hecla in the working agreement.

LITIGATION AND FEDERAL INCOME TAX

In March, 1969 Golconda commenced an action in the Superior Court of Spokane County, Washington, seeking, among other things, to require Hecla Mining Company to allow cumulative voting in the election of Hecla directors. From an adverse decision by the Superior Court of Spokane County, Golconda has taken an appeal to the Court of Appeals for the State of Washington. Golconda has filed its brief on appeal. Hecla's brief has been filed, however the time for oral argument has not as yet been set.

The Internal Revenue Service has issued statutory notices covering the calendar years 1962 through 1966 proposing the assessment against Golconda of penalties under Section 531 of the Internal Revenue Code for those years aggregating $276,571. The proposed penalties are based upon the claim of the Revenue Service that Golconda accumulated earnings during those years in excess of the reasonable needs of its business. Golconda has filed petitions in the Tax Court of the United States contesting the Commissioner's determination with respect to each of the taxable periods in question. The matter is calendared for trial before the Tax Court on October 12, 1970 in Spokane, Washington. Golconda has been advised by its counsel, LeSourd, Patten & Slemmons, that it has a meritorious defense to the proposed assessments and a reasonable chance of prevailing at trial. The income tax returns for the years 1967 through 1969 have not been examined.

No other litigation involving Golconda is known to be pending or threatened.

ASTRO CONTROLS, INC.

MANAGEMENT

Directors and Officers

The new Board of Directors of Astro elected on May 26, 1970 consists of the following eleven directors. All of these directors except for Mr. Dunn were elected on May 5, 1969, Mr. Dunn was elected in July of 1969. On May 5, 1969, Pioneer Astro Industries, Inc. (Pioneer) and The Bastian-Blessing Company (Bastian) were consolidated into Astro. (See "Astro—Business, History, and Property," page 30.)

Name and Position	*Principal Occupation*	*Shares Beneficially Owned*	
		Common	*Preferred*
M. J. Coen(1)(2) Chairman of the Board Chairman of the Executive Committee	President, Midland Securities Co., Inc., Kansas City, Missouri (A registered broker-dealer)	30,114	304
Albert S. Kepen(2)	Vice Chairman of the Board and Chief Executive Officer	11,755	—
L. N. Lucas(2)	President and Chief Operating Officer	—	2,033
Albert W. Thomson(1)(2) First Vice President Secretary	Partner, Linde, Thomson, Van Dyke, Fairchild & Langworthy, Kansas City, Missouri (Attorney at Law)	2,334	1,000
J. M. Stogin	Vice President, Legal and Finance	—	—

LS 000263

Golc - CDA dm - 0263

PRINCIPAL STOCKHOLDERS OF GOLCONDA

No person owns of record or is known by Golconda to own beneficially 10% or more of the outstanding capital stock of Golconda. The Directors of Golconda as a group own approximately 11% of the company's outstanding stock.

Transactions with Management

Wray Featherstone, the President and a director of Golconda, Walter L. Sly, Vice President and director of Golconda and D. L. Hess, the Secretary-Treasurer of Golconda, had indirect material interest in the following transaction with Golconda since the beginning of the company's last fiscal year.

Certain properties owned by Golconda and Square Deal Mining and Milling Company Limited and all of the properties owned by three other mining companies, namely, United Lead-Zinc Mines Company, Mullan Silver-Lead Company and Alice Silver-Lead Mining Company, are being consolidated in a new corporation known as Alice Consolidated Mines, Inc. After such consolidation Golconda will own approximately 54% of the outstanding capital stock of Alice Consolidated. Alice Consolidated executed a definitive operating agreement with Hecla Mining Company on April 3, 1970, providing for a substantial mineral exploration program by Hecla as a lessee of the Alice Consolidated properties. On April 3, 1970, Golconda agreed to participate with Hecla as a lessee of the Alice Consolidated properties by providing 20% of the pre-production costs and by taking a 20% interest in the operating lease.

Wray Featherstone is an officer and director of Alice Consolidated, United, Mullan and Square Deal and a director of Alice Silver-Lead. Walter L. Sly is a director of Alice Consolidated. D. L. Hess is an officer of Alice Consolidated and officer and director of Square Deal and an officer of United and Mullan.

HISTORY AND BUSINESS

History and Development of Business

In January, 1927, Golconda Lead Mines was incorporated in the State of Idaho. The company operated under that name until March, 1962, when it changed its name to Golconda Mining Corporation. From 1928 until 1957, Golconda Mining Corporation operated a mine located in the Coeur d'Alene Mining District of Idaho. It also operated a flotation mill which was completed in August, 1928. For the first thirty years of the corporation's existence, it was engaged solely in mining, milling and mineral resources exploratory work at various levels and at various degrees of productivity. In 1957, the combination of declining metal prices, rising costs, and the exhaustion of known ore reserves resulted in the closing down of the Golconda mine. The company continued to operate its mill until 1960 treating ores of other mines on a contract basis.

Golconda continues to hold its mill and its mining properties. The Golconda mill is now being operated by Antimony Mining and Milling Company under a lease. Since 1957 Golconda has been engaged in a program of acquiring mining companies and properties in the vicinity of the Osburn Fault between Wallace & Mullan in the Coeur d'Alene Mining District, Shoshone County, Idaho. This area is known as the Golconda Area. As a result of its holding of securities in other mining companies, it came within the definition of an investment company as that term is defined in the Investment Company Act of 1940. Golconda's registration as a non-diversified closed-end management investment company under that Act became effective in February, 1966, and is still effective. If the proposed merger of Astro is concluded, there will be a change in Golconda's business.

Properties

At the present time Golconda owns shares of thirty-three mining companies. Golconda's most important holding as of June 30, 1970 is 689,400 shares of Hecla, whose shares are listed on the New York Stock Exchange. These holdings constitute 11.6% of Hecla's outstanding stock, making Golconda the second largest shareholder of Hecla. A brief description of Hecla follows. The next most important holding of Golconda will, assuming approval of a plan of consolidation by the shareholders of United Lead-Zinc Mines Company to be held on July 22, 1970, be its holdings in Alice Consolidated Mines, Inc. A brief description of the Alice Project follows. A list of the companies in which Golconda holds shares appears on page 43. In addition to its ownership of securities, Golconda owns an assortment of buildings, sheds and other pieces of apparatus directly connected with the discontinued operations of its mine and its mill mentioned in the preceding

LS 000264

Golc - CDA dm - 0264

paragraph all of which are located near Wallace, Idaho. These buildings do not constitute substantial capital structures. At the present time, Golconda has 100 percent ownership of 1,600 acres of mining land in the Coeur d'Alene Mining District.

Golconda has one full time employee, three part time employees and one retired employee who receives a pension of $200 per month. Golconda maintains an office in Wallace, Idaho.

Hecla Mining Company

Hecla is presently the largest domestic producer of silver, accounting for approximately 16% of the silver mined in the United States. Hecla's net income for 1969 was $4,874,154, or 82 cents per share, as compared to $4,643,466, or 78 cents per share for 1968. Both years reflect the issuance of 1,000,000 shares of capital stock in exchange for a one-half interest in the Lakeshore copper property near Casa Grande, Arizona. Balance sheets and income statements of Hecla appear on pages 44 through 48. The earnings of Hecla for 1969 were adversely affected by lower prices for silver. The average price for silver in 1969 was $1.79 per ounce as compared with $2.14 per ounce in 1968. The average price for silver during the first six months of the current year was $1.80 per ounce. The price for silver on June 26, 1970 was $1.63 per ounce. In recent years prices for silver have been subject to substantial fluctuations. The earnings of Hecla are substantially affected by these fluctuations. Approximately 49% of Hecla's income is derived from other metals whose prices are less volatile.

Hecla's metals production in 1969, and the per cent of its gross income from each was as follows:

Metal	Production	Gross Income
Silver	6,558,393 ozs.	51%
Gold	53,935 ozs.	8%
Lead	27,651 tons	29%
Zinc	9,047 tons	5%
Copper	1,895 tons	6%
Others	—	1%

Hecla has interests in several productive mining operations including the Lucky Friday mine (100%), the Mayflower mine (50%), the Star-Morning Unit Area (30%), and the Sunshine Unit Area (33.25%). It is the operator of the first three. Hecla is also the operator of the Consolidated Silver Corporation exploration project in which it owns a 37½% interest and is also the operator of the Lakeshore copper development in which it owns a 50% interest.

The Lucky Friday mine produced 183,785 tons of ore assaying 16.35 ounces of silver per ton, 10.65% lead and 1.00% zinc during 1969. Normal production was achieved in spite of a periodic manpower shortage. However, the development program suffered and ore reserves decreased slightly from 626,000 tons the previous year to 598,000 tons at the beginning of 1970. A portion of the vein on the 3650 level was developed and ore of comparable grade and width to that being mined on the level above was exposed.

The Mayflower mine in the Park City District of Utah is leased by Hecla from New Park Mining Company. The lease provides for a royalty to New Park of 50% of the defined net operating profit. Production for 1969, totalled 117,452 tons of ore assaying 0.50 ounces of gold per ton, 6.25 ounces of silver per ton, 5.17% lead, 3.13% zinc and 1% copper.

The Sunshine Unit Area, in which Hecla owns a 33.35% interest, operated at capacity during 1969. Hecla's share of production was 88,679 tons of ore assaying 31.43 ounces of silver per ton.

The Lakeshore copper property near Casa Grande, Arizona, is the scene of a major development program. This deposit, in which Hecla acquired a 50% interest from El Paso Natural Gas in September, 1969, is estimated to contain about 470 million tons averaging 0.75 per cent copper. As drilling progresses, additional ore reserves may be developed. Because of its large size and layered character, the deposit will lend itself to a mining plan which includes both underground and open pit methods. Present planning, subject to engineering and metallurgical studies, calls for development of the higher grade tactite zone by underground methods and the construction

LS 000265

Golc - CDA dm - 0265

of an 8,000 ton concentrator during the next three years. The oxide portion of the deposit will be developed by open pit methods. The cost of bringing this property into production may adversely affect Hecla's capacity to pay cash dividends on at least on a short term basis. Present estimates are that the lakeshore property will be in production sometime in 1973 and that Hecla will become one of the major United States copper producers. Copper prices are higher than they have been in many years.

The Granduc copper property near Stewart, British Columbia, is expected to be in production in the fall of 1970. Hecla owns 35.4% of the outstanding common capital stock and 100% of the outstanding preferred stock of Granduc Mines, Limited, owner of the property. The mine is leased to Newmont Mining Corporation and American Smelting and Refining Company and is being operated by a subsidiary of Newmont. Ore reserves are estimated at 43,343,000 tons with a grade of 1.73% copper per ton. A royalty of 22½% of the defined operating profits will be paid to Granduc Mines, Limited, on the first 32.5 million tons of ore milled and a royalty of 25% of the operating profits on any additional ores mined.

In Canada, a major drilling program on the Liard-Schaft Creek project near Stewart, B.C., is being conducted. Drilling results indicate that a low-grade copper-molybdenum deposit of large tonnage may be developed.

Exploration activities are being carried on by Hecla in the Coeur d'Alene District of Idaho and in other parts of the western United States and in Canada. The Alice Project in which Golconda has taken a participation with Hecla is described below.

Further information regarding the management, properties, history and prospects of Hecla is available in the financial services.

Alice Project

Golconda owns the following number of shares in the following non-operating mining companies:

	Number of Shares Owned	*Percentage of Issued and Outstanding Stock*
Alice Silver-Lead Mining Company	835,625	52.2
United Lead-Zinc Mines	1,413,354	47.1
Mullan Silver Lead Company	1,241,756	54.7
Square Deal Mine and Milling Co.	997,459	54.3

These companies own 1,109 acres of continguous mining properties which are proposed to be consolidated into Alice Consolidated Mines, Inc. a corporation formed to receive such properties. If the consolidation is completed in accordance with the plan, Golconda will own 53% of the outstanding shares of Alice Consolidated.

On April 3, 1970 Alice Consolidated and Hecla executed an agreement for an exploration program to be conducted by Hecla on the property of Alice Consolidated.

By the terms of the operating agreement and mineral lease, Hecla will perform specified exploration and developmental work in the area. If the exploration proves successful, the lessee will commence operations in the area and receive 100% of the net profits, if any, from its operations until it has recovered the pre-production costs. On April 3, 1970, Golconda agreed to participate with Hecla as lessee of the area by providing 20% of the pre-production costs. Golconda will receive 20% of the net profits, if any, from Hecla's operation of the Alice exploration until Golconda has also recovered its share of the pre-production costs. After Hecla and Golconda have recovered their respective shares of the pre-production costs, net profits from operations will be divided as follows: 50% to Alice Consolidated, 40% to Hecla and 10% to Golconda.

On May 11, 1970, the Securities and Exchange Commission issued an order pursuant to §17(b) of the Investment Company Act exempting the proposed consolidation of the aforementioned companies from the provisions of §17(a) of the Act. On May 11, 1970, the SEC also issued an order under rule 17d-1 under the Investment Company Act permitting Alice Consolidated, Hecla and Golconda to become participants in the operating agreement and mineral lease referred to above.

LS 000266

Golc - CDA dm - 0266

Name and Position	Principal Occupation	Shares Beneficially Owned Common	Shares Beneficially Owned Preferred
Robert P. Kepen	Vice President, Pioneer Astro Division	7,868	—
Edwin B. Wright(1) Treasurer	President, The Drovers and Merchants Bank, St. Joseph, Missouri (A State bank)	3,620	1,400
Daniel L. Brenner(1)(2)	Senior Partner, Brenner, Lockwood & O'Neal, Kansas City, Missouri (Attorney at Law)	5,838	—
Michael F. Drinkhouse	Restaurateur and Investor, New York, New York	3,331	—
R. M. Dunn	Director, Trans World Airlines, New York, New York	500	500
A. D. Martin	Financier and Investor, Dallas, Texas	13,666	—

(1) General partner of The First Greystone Associates (See "Astro—Principal Stockholders" page 29.)

(2) Member of the Executive Committee.

Remuneration of Directors and Officers

The following table sets forth certain information concerning the present directors and officers of Astro. The following table sets forth (a) with respect to each director and each of the three highest paid officers of Astro whose aggregate remuneration for the prior fiscal year equals or exceeds $30,000, the annual rate of remuneration paid; (b) the aggregate remuneration to all directors and officers as a group; and (c) the estimated retirement benefits to be paid at normal retirement based on present salary levels.

Name and Capacity	Aggregate Direct Remuneration	Bonus*	Profit Sharing Plan(A) Amount Set Aside Year Ended November 30, 1969	Estimated Annual Benefits Upon Retirement(B)
M. J. Coen Chairman of the Board and Chairman of the Executive Committee	$ 30,000	(E)(F)	$ —	$ —
Albert S. Kepen Vice Chairman and Chief Executive Officer	65,000	(C)(E)(F)	82	(C)
L. N. Lucas President and Chief Operating Officer	60,000(D)	(E)(F)	—	22,038
Robert P. Kepen Vice President Pioneer Astro Division	45,000	(G)	82	—
J. M. Stogin Vice President Legal and Finance	35,000	(E)(F)	—	13,037
Directors and Officers as a group (15)	340,500	(C)(E)(F)(G)	164	52,810

** Amounts shown hereunder are in addition to the amounts set forth in the column for "Aggregate Direct Remuneration."*

(A) Full-time employees of the Pioneer Astro Division with one year of service may elect to participate in the Profit Sharing Plan. An employee may contribute not less than 2% nor more than 5% of his compensation, limited to a total contribution of $500 in any one fiscal year. The employer contributions, if any, are determined by the Board of Directors but cannot exceed the maximum amount deductible for Federal Income Tax

LS 000267

Golc - CDA dm - 0267

purposes. Employer contributions are allocated to the participants' accounts in accordance with a formula which includes years of continuous service, rate of compensation and amount of the employee's contribution.

(B) Under the "Retirement Plan for Salaried Employees" established by Bastian the normal monthly retirement benefit at age sixty-five is determined in accordance with a formula which includes average compensation, length of service and Social Security benefits.

(C) As of November 30, 1969, Albert S. Kepen had $44,654 credited to a deferred compensation account; no amount was credited for the year ended November 30, 1969. These payments are made under an agreement dated April 28, 1967, pursuant to which Astro will be required to contribute annually to the deferred compensation account an amount equal to 5% of net earnings (computed before taxes and before contribution to the employees' contributory profit sharing trust) of the Pioneer Astro Division. Upon retirement, Albert S. Kepen will be entitled to receive the total amount then credited to the account in 120 equal monthly installments. In the case of death or early termination, the amount then credited to the account is payable in 60 equal monthly installments. Upon retirement or termination, Albert S. Kepen is obligated to act as a consultant for life and will not act in a similar capacity for any business enterprise which competes in a substantial degree with the Pioneer Astro Division and will not engage in any activity involving substantial competition with that division.

(D) By written agreement, dated December 1, 1968, Astro is obligated to employ Mr. L. N. Lucas as President and Chief Operating Officer for a period of three years at a salary of not less than $60,000 per year. In the event of termination of employment he is entitled to severance pay equal to $60,000 per year from the date of termination to and including November 30, 1971. In the event of his death or total disability during the term of the agreement, he, or his designate, is entitled to receive $30,000 per year from said date to November 30, 1971, except that this payment shall be reduced by the amounts received under certain benefit plans. Payments under the agreement are in addition to benefits Mr. Lucas may be entitled to under the "Executive Incentive Bonus Plan", the "Retirement Plan for Salaried Employees" and the "Qualified Stock Option Plan".

(E) On February 25, 1969, the Bastian Board of Directors adopted and put into effect, for fiscal 1969 only, an "Executive Incentive Bonus Plan." The payments made under this plan were based upon individual achievement of profit goals for the entire year. The plan generally provided for partial bonuses to be paid when approximately 85% of the goal was achieved with full participation occurring at the 100% achievement level and additional participation if achievement exceeded 100% up to a maximum of 125%. The individual rates vary on a sliding scale from 2% to 25% of base salary depending upon job responsibility and achievement of goals and could reach as much as 50% in certain cases where achievement was 125% or greater. The aggregate amount, based upon earnings for fiscal 1969, was $134,427, including the amounts attributable to the persons indicated in the table below.

Name	*Amount Under "Executive Incentive Bonus Plan"*
M. J. Coen	$ 4,414
A. S. Kepen	9,565
L. N. Lucas	17,658
J. M. Stogin	8,976
Directors and Officers as a group	67,699

(F) An essentially similar "Executive Incentive Bonus Plan" has been adopted and put into effect for fiscal 1970 only. As of March 31, 1970, $10,000 has been accrued thereunder.

(G) The Board of Directors has approved a bonus arrangement which is based on 5% of net earnings (computed before taxes and before contribution to the employees' contributory profit sharing trust) of the Pioneer Astro Division for the current year but no amounts were due thereunder for the fiscal year ended November 30, 1969.

(H) The Company had an "Employees Discretionary Bonus Plan", adopted by Bastian on November 24, 1961 and subsequently amended. The aggregate amount of the bonus was determined by the Board of Directors. Bonuses were paid in accordance with a formula which included rate of compensation, job classification and length of service. This bonus plan was discontinued for fiscal 1969. In March 1970, the Company reinstituted the plan for fiscal 1970 only. In April 1970, the Company paid $275,798 under this plan, and this amount is being allocated throughout fiscal 1970 of which $87,000 has been provided for as at March 31, 1970. The plan has now been terminated and no further payments will be made thereunder.

Stock Option Plan and Warrants

Stock Option Plan

The predecessor Bastian had adopted a qualified stock option plan under which 33,000 shares of Bastian Common Stock were reserved for issuance to key employees of Bastian. All options are intended to be qualified stock options as defined in Section 422 of the Internal Revenue Code of 1954, as amended, and were granted at a price of not less than the fair market value of Bastian Common Stock at the date of the grant. Any option may be exercised at any time and from time to time on and after the date of granting thereof but not after five years from date of grant or earlier under certain conditions of termination of employment or death. All options had been

LS 000268

Golc - CDA dm - 0268

granted by January 19, 1968 and became options on the Convertible Preferred Stock of Astro upon effectiveness of the consolidation. Astro cannot grant further options under the plan. These options will be assumed by the Surviving Corporation .

No options were granted to, or exercised by, any of the Directors and Officers included in the group under "Remuneration."

The options outstanding as of March 31, 1970 were as follows:

Name of Option Holder	*Shares Under Option*	*Exercise Price Per Share*	*Aggregate Exercise Price*	*Expiration Date*
L. N. Lucas	834	$20.00	$16,680	8/26/71
J. M. Stogin	1,105	25.50	28,178	12/22/70
	645	19.00	12,255	1/18/73
Director and Officers as a group (3)	3,002	19.00 to 25.50	65,473	12/22/70 to 1/18/73

Warrants

In connection with certain loans to Pioneer totaling $2,625,000 ($2,450,000 of which was converted into Pioneer Common Stock) Pioneer issued to the lenders warrants. These warrants give the holders the right to purchase 118,125 shares of its Common Stock at $20 per share as adjusted for the merger. Such warrants expire August 27, 1971. Adjusted warrants to purchase 35,649 shares are owned beneficially by directors of Astro, and warrants to purchase 2,250 shares and 67,500 shares are held by Midland Securities Company, Inc. Profit Sharing Plan and The First Greystone Associates, respectively. Part of the warrants held by the Profit Sharing Plan and The First Greystone Associates are included in those beneficially owned by the directors. (See "Astro—Interests of Astro Directors and Others in Certain Transactions," page 27.)

INTERESTS OF ASTRO DIRECTORS AND OTHERS IN CERTAIN TRANSACTIONS

Pursuant to an Agreement dated February 14, 1968, amended March 4, 1968, Midland Securities Company, Inc., acting on behalf of fifteen persons, acquired a total of 268,000 shares, 61% of the then outstanding shares, of Common Stock of Pioneer from Albert S. Kepen and Robert P. Kepen, then officers and directors of Pioneer, for an aggregate purchase price of $3,025,000. The Illinois Company Incorporated, Representative of the Underwriters in the issuance of the 7% Convertible Subordinated Debentures, received a fee of $77,250 from the sellers in connection with this transaction. The Agreement provided that Albert S. Kepen would remain with Pioneer as chief executive officer until June 30, 1970. Among the purchasers were M. J. Coen, A. D. Martin, Michael F. Drinkhouse, Albert W. Thomson, Edwin B. Wright and Daniel L. Brenner, directors of Astro and H. F. Korholz at one time a director of Astro and presently a director of Golconda. M. J. Coen is President and principal stockholder of Midland Securities Company, Inc.

Pioneer acquired control of Bastian through the purchase of 338,556 shares, 41% of the then outstanding shares, of Common Stock of Bastian at various dates primarily between September 1, 1968 and November 29, 1968, through a public tender offer and various private purchases. One private purchase by Pioneer involving 52,030 shares of Bastian Common Stock included 6,500 shares owned by A. L. Augur, then Chairman of the Board of Bastian and a former director of Bastian. Pioneer paid $42 per share or a total of $2,185,260 in the transaction, of which Mr. Augur received $273,000.

The principal source of funds for these purchases was loans from banks and insurance companies totaling $9,426,654. An additional $2,625,000 was obtained through issuance of 6½% Subordinated Notes due March 28, 1970 plus warrants, expiring August 27, 1971, to purchase 78,750 shares of Pioneer Common Stock at $30 per share. All but $175,000 of such Notes were exchanged for 81,659 shares of Pioneer Common Stock on the basis of $30 per share on November 15, 1968, at which time the high bid and low asked prices for Pioneer Common Stock were 32 and 32½, respectively. As to the $175,000 in Notes, the total amount has been retired. Among the purchasers of such Notes were First Greystone Associates, a limited partnership, ($1,500,000 and

LS 000269

Golc - CDA dm - 0269

warrants for 45,000 shares), Midland Securities Company, Inc. Profit Sharing Plan ($50,000 and warrants for 1,500 shares), A. D. Martin ($350,000 and warrants for 10,500 shares), Daniel L. Brenner ($75,000 and warrants for 2,250 shares), Edwin B. Wright ($50,000 and warrants for 1,500 shares), and Michael F. Drinkhouse ($50,000 and warrants for 1,500 shares), directors of Astro. M. J. Coen, Albert W. Thomson, Daniel L. Brenner, and Edwin B. Wright are four of the five general partners of First Greystone Associates. (See "Astro — Principal Stockholders," page 29.)

In connection with the sale by Pioneer of the $2,625,000 of 6½% Subordinated Notes, a commission of $20,000 was paid to Midland Securities Company, Inc. Also, on November 14, 1968, Pioneer sold 7,000 shares of its Common Stock held in treasury to five individuals at a price of $29.50 per share. In connection with the sale of 3,000 of such shares, Midland Securities Company, Inc. received a commission of $1 per share or a total of $3,000.

During fiscal 1969, Astro paid legal fees totaling $38,485, and reimbursed out-of-pocket expenses of $5,828.77, to Linde, Thomson, Van Dyke, Fairchild & Langworthy. Mr. Albert W. Thomson, an officer and director of Astro, is a partner in that firm. For the same period, Astro also paid legal fees and reimbursed out-of-pocket expenses totaling $26,583.91 to Brenner, Lockwood & O'Neal. Mr. Daniel L. Brenner, a director of Astro, is a partner in that firm.

A corporation controlled by M. J. Coen owns a jet aircraft which is occasionally used by Astro, as well as by others, at a current rate of $300.00 per hour. The rate charged is intended to cover only direct operating costs and not depreciation, insurance and similar expenses. During the period from July 1, 1969 to March 31, 1970, the plane was used by Astro for a total of 66 hours.

For a description of terms of the contract between Astro and its President, see "Remuneration" above.

LOAN AGREEMENTS

The loan agreements entered into with four insurance companies in connection with $5,000,000 borrowed by Pioneer, and assumed by Astro, contain several restrictions which may have an effect on the Surviving Corporation's operations and ability to enter into certain transactions.

Astro is required to maintain both "consolidated working capital" and "net worth", as those terms are defined in the agreements, in amounts not less than $10,000,000; at March 31, 1970, "consolidated working capital" was $16,142,044 and "net worth" was $14,704,542. Astro shall not incur or permit itself to be liable for any indebtedness except: (a) the Notes covered by the agreements; (b) Junior Subordinated Debt, such as the Debentures; (c) unsecured bank debt for working capital purposes due within one year, but limited to amounts ranging from $1,000,000 to $3,000,000 depending on the balance due under (d) below, and provided that for a period of 60 consecutive days during each calendar year Astro shall not have any such indebtedness outstanding other than that outstanding as of May 6, 1969; (d) the unpaid balance from time to time on the working capital loan incurred by Bastian which has a current balance of $1,100,000 due January 15, 1971; (e) aggregate indebtedness not in excess of $2,000,000 secured by purchase money mortgages and similar liens on machinery or equipment; (f) indebtedness of a subsidiary to the Company or another subsidiary; and (g) liabilities (other than borrowed money) arising from current operations or in connection with depositing checks and incurred in the ordinary course of business.

With minor exceptions and as noted in (e) above, Astro shall not encumber its property, nor shall it enter into any sale and leaseback. Astro has secured a waiver of this restriction for a $3,000,000 first mortgage loan. (See "Capitalization," page 8.) Aggregate annual payments on leases for more than a one year term (except for electronic data processing equipment) shall not exceed $150,000; the current annual obligation on such leases is approximately $125,000.

LS 000270

Golc - CDA dm - 0270

Astro is restricted in the declaration of dividends (other than stock dividends), acquisition or redemption of its stock or any other distribution in respect of its stock to 50% of "consolidated net income", since December 31, 1968 except for dividends paid by Bastian through May 5, 1969. Consolidated Net Income is the gross revenue of Astro, less all expenses and reserves and other proper charges, but excluding any profits or losses on the disposition, not in the ordinary course of business, of investments or fixed or capital assets, and the proceeds from life insurance policies, earnings or losses of acquisitions prior to merger into or consolidation with Astro, except where, under the "pooling of interest" concept, the earnings or losses of such merged or consolidated corporation may be included for the year in which such merger or consolidation became effective. As of March 31, 1970, the amount free of restriction was $159,917. Loans and investments by Astro are limited to United States obligations, prime commercial paper, subsidiaries, advances of expense money and credit to customers. Astro has agreed not to merge or consolidate with any other corporation or dispose of a substantial part of its assets without the consent of the holders of 66⅔% of the outstanding notes under the agreements. This consent must be obtained for the proposed merger of Astro into Golconda. In the event that, while the loan is outstanding, M. J. Coen, Edwin B. Wright, Albert W. Thomson, William S. Morris and Daniel L. Brenner, or any of them, shall not possess the power to cause to be elected a majority of the directors, the holder or holders of not less than 66⅔% of the principal amount of the Notes then outstanding may declare all the Notes hereunder due and payable on 90 days notice.

Astro has entered into a term loan agreement with the Central National Bank in Chicago for $2,000,000. That agreement embodies the same restrictions as the insurance loan. (See "Notes to Capitalization," page 9.)

Upon the effectiveness of the merger the Surviving Corporation will become obligated to observe these restrictions.

CONVERTIBLE SUBORDINATED DEBENTURES

Astro, in March of 1970, issued $5,000,000 in aggregate principal amount of 7% Convertible Subordinated Debentures which are fully registered. These Debentures will be assumed by the Surviving Corporation. They will mature on January 1, 1990; bear interest at the rate of 7% per annum; are subordinated; redeemable during 1970 at 107% of principal, decreasing thereafter at the rate of 0.5% each year to par, so that in the year 1984 and thereafter, the Debentures are redeemable at par. The Indenture provides for a required annual sinking fund beginning in 1976.

The Debentures will be convertible into common stock of the Surviving Corporation at the conversion price of $10.67 per share, subject to adjustment in certain events to prevent dilution.

The Indenture as set forth in this paragraph will restrict the Surviving Corporation in the payment of cash dividends on its common stock or the redemption of shares of its common stock for cash. The Indenture provides that Astro will not declare any cash dividend on its Common Stock, or purchase, redeem or otherwise acquire for a cash consideration any shares of Common Stock, if, after giving effect to the proposed declaration or acquisition, (i) the aggregate amount of all cash dividends on capital stock of Astro of all classes paid or made after November 30, 1969, plus (ii) the excess, if any, of the aggregate amount of all cash payments made subsequent to such date on account of the purchase, redemption or other acquisition of shares of Common Stock over the aggregate amount of the net cash proceeds to Astro from sales subsequent to such date of Common Stock, would exceed $1,000,000 plus (or minus in the case of a deficit) the consolidated net income as determined in accordance with generally accepted accounting principles, from December 1, 1969 to the end of the last calendar month preceding the date of such proposed declaration or acquisition.

PRINCIPAL STOCKHOLDERS

The following table sets forth the number of shares of the Common Stock and Convertible Preferred Stock of Astro owned beneficially and of record as of March 31, 1970 by (a) each person who, as of that date, to the best knowledge of Astro, was the record or beneficial owner of more than 10% of its outstanding shares of either such class and (b) the officers and directors of Astro as a group.

LS 000271

Golc - CDA dm - 0271

Name	Type of Ownership	Number of Common Shares	Percentage of Common Shares	Number of Preferred Shares	Percentage of Preferred Shares
First Greystone Associates Floor Three Columbia Union Bank Building Kansas City, Missouri	Record and Beneficial	184,000(A)	32.8%(A)	None	None
State Mutual Life Assurance Company of America 440 Lincoln Street Worcester, Massachusetts	Record and Beneficial	(B)	(B)	None	None
All 13 Officers and Directors as a Group	Beneficial	79,026(C)	14.1%(C)	5,989(D)	1.3%

(A) The partnership also owns warrants to purchase 45,000 shares of Astro's Common Stock, and its holdings would represent 37.8% of the class after exercise of such warrants. It may be deemed a "parent" of Astro as that term is defined in the Securities Act of 1933. The following officers and directors of Astro are partners of First Greystone: M. J. Coen, Albert W. Thomson, Edwin B. Wright, and Daniel L. Brenner.

(B) In connection with a $5,000,000 loan by insurance companies State Mutual received a warrant to purchase 100,000 shares of Pioneer Common Stock and is now entitled to purchase 155,982 shares of Astro's Common Stock which represents 21.8% of the class after exercise of such warrant.

(C) The officers and directors also beneficially own warrants to purchase 24,524 shares of Astro's Common Stock, which is 9.0% of all outstanding warrants. Upon exercise of such warrants their holdings would increase to 15.6% of the Common Stock. These holdings include their interest in shares and warrants held by First Greystone Associates.

(D) Does not include 330 shares beneficially owned by members of the immediate family of an officer and director in which he disclaims any beneficial interest. Officers and directors as a group also own options to purchase 3,002 shares of Astro's Convertible Preferred Stock, which is 39.3% of all such options outstanding and upon exercise thereof their holdings would increase to 2.0% of the Preferred Stock.

BUSINESS, HISTORY, AND PROPERTY

Incorporation and Development

Astro Controls, Inc. was organized under Delaware law on May 6, 1969, pursuant to an Agreement of Consolidation among Pioneer Astro Industries, Inc. ("Pioneer"), an Illinois corporation organized on April 27, 1946, The Bastian-Blessing Company ("Bastian"), an Illinois corporation organized on May 9, 1908, and Kepco Incorporated ("Kepco"), a Delaware corporation organized on March 14, 1969 for the sole purpose of qualifying Astro as a Delaware corporation upon effectiveness of the consolidation.

On July 8, 1968, Midland Securities Company, Inc., acting on behalf of fifteen persons, completed the acquisition of 268,000 shares, 61% of the then outstanding shares, of Pioneer Common Stock for an aggregate purchase price of $3,025,000 or an average price of $11.29 per share. Pioneer then acquired control of Bastian through the purchase of 338,556 shares, 41% of the then outstanding shares, of Bastian Common Stock at various dates between September 1, 1968 and January 17, 1969. Of the total Bastian shares purchased, 19,960 shares were acquired through a public tender offer at $35 per share for an aggregate cost of $698,600, and 318,596 shares were acquired through various private purchases at an aggregate cost of $11,837,548 or an average price of $37.16 per share. Additional expenses totalling $95,027 were incurred in connection with the acquisition. (See "Astro—Interest of Astro Directors and Others in Certain Transactions," page 27.) Upon the effectiveness of the consolidation, Astro's Convertible Preferred Stock was issued on a share for share basis to holders of 487,380 shares of Bastian Common Stock (which excluded the shares held by Pioneer) and Astro's Common Stock was issued on a share for share basis to holders of the 528,659 shares of Pioneer Common Stock and the 34 shares of Kepco Common Stock.

Astro now operates its diversified businesses as three principal divisions. The RegO Division, which manufactures and markets valves, regulators and other controls for pressurized gases, and

LS 000272

Golc - CDA dm - 0272

the Food and Beverage Equipment Division, which produces and sells a wide variety of food and beverage equipment, were operated as divisions of Bastian. Pioneer's business is operated as the Pioneer Astro Division, which engineers and manufactures precision and ultra-precision components and assemblies used primarily in the defense and aerospace industries. Since the consolidation, the Pioneer Astro Division has experienced a substantial decline in sales, primarily as a result of the Government's cancellation of the Cheyenne Helicopter project on which it was a subcontractor as well as the general cut back in defense expenditures and this has had an adverse effect on Astro's earnings since the fourth quarter of fiscal 1969. On October 31, 1969, the Company discontinued operations of a subsidiary, B/B Imperial, Inc. and is currently attempting to liquidate and transfer the operations of its Paris, Illinois plant. Since March 31, 1969, however, the Food and Beverage Equipment Division has experienced an increase in its sales and backlog due primarily to the receipt of orders from a nation-wide drive-in restaurant chain and its franchisees. (See "Business—Food and Beverage Equipment Division," page 32.)

The principal executive offices of Astro are located at 8550 West Bryn Mawr Avenue, Chicago, Illinois.

Astro operates the businesses of its predecessors as substantially autonomous divisions. The following table sets forth the approximate percentage contribution to the Company's net sales and gross profits by each of the three divisions of the Company (see Note (a) of Astro Controls, Inc. and Subsidiaries—Consolidated Statement of Earnings).

				Fiscal		Four Months Ended March 31	
	1965/6	1966/7	1967/8	1968	1969	1969	1970
NET SALES:							
RegO	50%	50%	46%	52%	52%	56%	65%
Food & Beverage Equip:							
Food	19	19	20	20	28	22	32
Beverage	11	11	10	8	7	7	7
B/B Imperial*	11	9	10	7	3	3	–
	41	39	40	35	38	32	39
Pioneer	9	11	14	13	10	12	6
GROSS PROFITS:							
RegO	58%	56%	50%	58%	66%	65%	61%
Food & Beverage Equip:							
Food	21	22	25	24	27	24	37
Beverage	9	9	5	2	1	2	3
B B Imperial*	5	5	6	5	2	3	–
	35	36	36	31	30	29	40
Pioneer	7	8	14	11	4	6	(1)

* The operations of this subsidiary were discontinued on October 31, 1969.

Astro maintains centralized accounting and other service functions for the divisions as well as a corporate headquarters office. Because of the nature of the expenses incurred and the non-comparability of information for prior years it is deemed impracticable to accurately apportion such expenses to the divisions to arrive at a meaningful net profit by division.

RegO Division

The RegO Division designs, develops, manufactures and markets: (a) pressure regulators, valves and other control equipment for LP-gas and anhydrous ammonia; (b) pressure regulators, cylinder valves, manifolds and other control equipment for atmospheric and other compressed, liquified and dissolved gases; (c) gas welding and cutting equipment; (d) medical oxygen and chemical equipment; (e) electric welding products; (f) pneumatic control devices for the fluid power industry; and (g) cylinder valves and regulators for self-contained breathing apparatus. A common characteristic of RegO Division products is the control or regulation of the flow of gases either into or out of containers in which the gases are stored, or into piping systems. RegO® products are designed for a wide variety of gases and temperature and pressure extremes. Products

LS 000273

Golc - CDA dm - 0273

for use with cryogenic gases are required to withstand temperatures as low as minus 320° F. Depending on their application, RegO equipment is designed to regulate pressures from a few ounces to 10,000 pounds per square inch.

Products of the RegO Division are fabricated from purchased raw materials consisting primarily of forgings, castings and bar stock of brass, steel, aluminum, zinc and stainless steel. Machining operations are performed on single and multiple spindle lathes, automatic chucking machines, milling machines, drill presses and similar equipment. Strict quality control in the fabrication and assembly of RegO® products is maintained through machine testing and physical inspection.

Approximately 2.5% to 3% of the Division's net sales is spent for research and development, which consists of testing and selection of materials to be used as well as designing new products to meet changing demands in the various compressed gas industries. A significant number of the Division's products, specifically in the welding and breathing apparatus fields, are designed and made for specific customers, such products usually being designed jointly by the customer's and Astro's engineers.

Astro deals with a large number of suppliers of raw materials and components. It has no long-term contracts for any of its raw materials and component requirements. In cases where Astro purchases raw materials or components from a single supplier there are alternative sources available. The cost of a number of raw materials used by the RegO Division has risen during the past year, and attempts have been made to offset this increase by an increase in the selling price of the products of this Division. Prices of the Division's products range from $.25 to $522, with most of the revenues derived from the sale of items ranging from $2 to $20 per unit.

Food and Beverage Equipment Division

The Food Equipment subdivision designs, manufactures and markets a broad line of modular and custom kitchen, cafeteria and restaurant equipment for commercial and industrial feeding operations. Standard catalog units, as well as many custom items, are manufactured for all types of fast-food operations, limited menu drive-ins, restaurants, nursing homes, hospitals, colleges, department stores, discount and variety stores, schools, government agencies, military exchange bases and institutions that have mass feeding facilities. Installations may include short order equipment such as display cases, shelving and beverage stands, soda fountains, food warmers, refrigerator bases, salad and sandwich preparation units and griddle stands, or a complete cafeteria line-up and kitchen dish tables, workboards and sinks.

Astro engineers and distributors frequently assist the customer in planning the entire food service layout, including all necessary equipment for storage, preparation and service of food, as well as clean-up operations. Approximately 50% of the subdivision's business is comprised of custom manufacturing of special orders. The manufacturing operations, located at Grand Haven, Michigan, consist of the cutting, bending, forming and welding of sheet metal (primarily stainless steel) and of polishing, insulation foaming, painting and wood work. Astro also purchases a few component parts, such as compressors and valves for refrigeration units, grease filters for griddle stands and stainless steel pans for warming tables. To complete ready-for-operation installations for customers Astro purchases certain finished products, such as ranges, refrigerators, ice makers, dishwashers, garbage disposals and coffee makers. These parts and products are manufactured commercially, and Astro has no long-term agreements with suppliers nor has it encountered any difficulties in obtaining its requirements.

Sale prices of the subdivision's products range from $1 to $2,750 per unit, with most sales generated by items priced between $850 and $1,500. Because of sales to a new customer and its franchisees, McDonald's System, Inc. (a major national drive-in restaurant chain), this subdivision's contribution to the net sales and gross profits of the Division for fiscal 1969 were 74% and 90%, respectively, compared to 57% and 77% for the same period in 1968. Since March 31, 1969,

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LS 000274

Golc - CDA dm - 0274

Astro has received orders of approximately $9,200,000 from this customer, of which $4,510,000 had been shipped at March 31, 1970 and the balance is due to be shipped during the period ending October 31, 1970.

The Beverage Equipment subdivision designs, develops, manufactures and markets products sold under three trade names. *Excelall®* products consist of components for beverage dispensers and water coolers. *Meterflo®* products include portion-controlled milk dispensers and automatic coffee brewers for institutional and commercial use. *Electro Freeze®* products consist of soft ice cream freezers, shake machines, batch freezers for hard ice cream and freezers for semi-frozen carbonated drinks. Other than the purchase of certain component parts such as compressors and motors, each of these products is entirely fabricated by Astro at its plant in Paris, Illinois. Approximately 48% of the subdivision's sales are derived from *Excelall* products, which range in price from $7.50 to $250, and approximately 39% of its sales come from *Electro Freeze* products ranging in price from $900 to $1,200.

During fiscal 1969, the Beverage Equipment subdivision contributed approximately 18% and 3% of the net sales and gross profits, respectively, of the entire Division. Also during fiscal 1969 the operating costs of this subdivision exceeded its gross profit by $405,349. In addition, during the same period $134,000 of 1966 *Electro Freeze* machines have been written off. The principal cause of the unprofitable operation at Paris was in the engineering of a line of *Electro Freeze* soft ice cream machines introduced in 1967. Astro encountered extensive field service problems and a substantial decline in customer acceptance of that product line. In addition to correcting such engineering difficulties, Astro has introduced some improvements in the product line but the operations and the Paris plant will be liquidated or transferred in the near future.

The operations of B-B-Imperial, Inc., a subsidiary of Astro, a distributor of restaurant supplies, were terminated on October 31, 1969. The subsidiary contributed approximately 8% of the net sales and 7% of the gross profits of the Food and Beverage Equipment Division in fiscal 1969, compared to 20% and 16% in the prior fiscal year. Management determined that this subsidiary did not return a satisfactory profit on the capital employed.

Pioneer Astro Division

The Pioneer Astro Division is engaged in the engineering and manufacture of precision and ultra-precision components and assemblies or sub-assemblies for direct use in missiles, space vehicles, fire control equipment, ground support devices, radar and tracking devices, other products associated with national defense, commercial aircraft, computers, vehicles and other industrial and commercial products. Products include: (a) gear box housings and covers for jet engines; (b) housings and frames for inertial guidance equipment; (c) shafts, rotors and drive plates for air bearings; (d) stator torque tubes; (e) inner cylinders for commercial aircraft; (f) gear boxes for atomic submarines; (g) war heads for two classified missile projects; (h) beryllium housings, discs, head plates and lense cells for NASA; and (i) frames and supports for computers. Approximately 15% of net sales consist of custom machinery, tools and dies engineered and/or manufactured for atomic energy projects, and the farm implement, automotive, electronic, computer and office equipment industries. For the years ended April 30, 1968 and 1969 and the year ended November 30, 1969 as restated, United States Government contracts and subcontracts accounted for [illegible], 85% and 83% of net sales, respectively. Prime contracts accounted for 8% and 4% of the total Government sales in the latest two periods, respectively.

The design and manufacture of most of the Division's products requires a high degree of engineering capability and technological skill. To obtain and to retain certain highly trained personnel required for this work, the Division must compete with larger and older companies, some of which are able to offer substantial inducements to such personnel. Though the competition for [illegible] is always great, the Division has always been able to satisfy its requirements for [illegible]. Research and development is conducted primarily on a contract basis in [illegible] of customers.

LS 000275

Golc - CDA dm - 0275

For the period from May 6 through November 30, 1969, the operating costs of this Division have exceeded its gross profit by $54,966. Management attributes this primarily to the cancellation, for the convenience of the Government, of the Cheyenne Helicopter project. The generally published reasons for the cancellation include problems in refining the performance of the aircraft and government economies in the defense budget. While steps have been taken to reduce labor and overhead expenses, these costs are largely fixed so that the Division is limited as to the economies that can be achieved in the short run. This Division had an operating loss of $14,214 for fiscal 1969 and is currently experiencing a loss and no assurance can be given that losses will not continue beyond the current fiscal period.

All of the sales of the Pioneer Astro Division for Government end-use are pursuant to fixed price contracts. Under a fixed price contract, the contractor realizes all the benefits of decreased costs and all the detriments of increased costs in connection with the contract. All Government contracts are by their terms subject to termination by the Government either for its convenience or for default of the contractors. Fixed price contracts provide for payment upon termination for items delivered to and accepted by the Government and, if the termination is for convenience, for a payment of the contractor's costs, incurred plus the costs of settling and paying claims by terminated subcontractors, other settlement expense and a reasonable profit on its costs; but if such termination is for default (i) the contractor is paid such amount as may be agreed upon for manufacturing materials and partially completed products accepted by the Government, (ii) the Government is not liable for contractor's costs with respect to unaccepted items and is entitled to repayment of advance payments and progress payments, if any, related to the terminated portions of the contracts, and (iii) the contractor may be liable for excess costs incurred by the Government in procuring undelivered items from another source. Pentagon procurement policies, the General Accounting Office and the Renegotiation Board controls are such that, in the aggregate, profit margins on contracts with the Government or for Government end-use are generally lower than on other contracts.

The Renegotiation Act of 1951, as amended, makes subject to renegotiations by the Government all profits realized under Government contracts. No renegotiation adjustment has been made for any of the five years ended April 30, 1968. Astro does not anticipate any adjustment for the year ended April 30, 1969, but it cannot offer any assurance as to the outcome of renegotiation proceedings for that or future years.

Sales and Marketing

Astro has approximately 10,000 customers of whom 6 accounted, in the past fiscal year, for approximately 25% of its sales. There are 2 customers, each of whom accounted for over 5% of the sales and together accounted for 12% of sales. If Astro receives no further orders from McDonald's System, Inc. or its franchisees, future sales and earnings may be adversely affected. (See "Business—Food and Beverage Equipment Division" above.) Government-related sales amounted to 12% of sales, most of which were made by the Pioneer Astro Division. Approximately 6% of Astro's sales were exported.

RegO Division products are sold nation-wide and, to a limited extent, abroad. These sales are made by a combination of 10 full-time Astro salesmen, 4 franchised distributors and 31 distributors abroad. Astro also distributes a substantial number of catalogs to LP-gas marketers and anhydrous ammonia dealers throughout the country. In the last fiscal year the largest customer of this Division accounted for 11% of its sales and its three largest customers accounted for about 24% of its sales.

In the Food and Beverage Equipment Division, food equipment products are sold through a nation-wide group of 75 distributors, a majority of whom confine themselves to the sale of Astro's products. An Astro field sales organization services the distributors and also makes direct sales to certain repetitive customer accounts such as the Army and Air Force Exchange Service. This subdivision maintains a New York office to service national accounts headquartered in New York. The *Electro Freeze* line is distributed throughout the United States through 50 non-exclusive distributors. *Excelall* products are sold directly by 2 full-time Astro salesmen, and *Meterflo* products are distributed through approximately 20 manufacturers representatives.

LS 000276

Golc - CDA dm - 0276

Sales of the Pioneer Astro Division are made through a sales manager and 6 sales engineers to approximately 65 customers most of whom are either prime contractors or sub-contractors under United States Government contracts. In the year ended April 30, 1969, Pioneer's largest customer was the Lycoming Division of Avco which accounted for 35% of its sales and the 6 largest customers of Pioneer accounted for 73% of its sales. Any substantial reduction in Government spending for defense purposes generally would have, and has had, an adverse effect upon the sales and profit contribution of the Pioneer Astro Division.

Backlog

As of March 31, 1970, Astro's backlog of unfilled orders, excluding the Beverage Equipment subdivision amounted to $15,559,000 compared with $11,103,000 at the same time in the previous year. The latter figure included $2,177,000 for the subcontract on the Cheyenne Helicopter project which was subsequently cancelled. The current backlog includes approximately $4,690,000 of unfilled orders received from McDonald's System, Inc. and its franchisees. The Beverage Equipment subdivision's backlog as of March 31, 1970 was $616,000. Data as to backlog for this subdivision is not available for the year earlier date.

The backlog of Government-related business at March 31, was $2,303,000 in 1970, representing 146 separate contracts and $4,282,000 in 1969. This backlog was in the Pioneer Astro Division, and the 1970 amount is after a recent cancellation of a $2,305,000 order as a result of the United States Government's decision to terminate its contract for the Cheyenne Helicopter. Because of the large dollar amounts and long lead times of some of these contracts, backlogs may fluctuate substantially from time to time. Moreover, Government-related orders are frequently subject to price adjustments, contract definitization, future appropriations by the Congress and periodic allocations of appropriated funds by the Government agencies involved. Backlog amounts are not necessarily indicative of sales for subsequent periods.

Inventory and Receivables

For the twelve months ended March 31, 1970, Astro's average inventory turnover ratio was 2.17 times per year, or 5.5 months, and the average collection period for accounts receivable was 64.6 days.

Competition

In each of the fields in which Astro is engaged it is subject to intense competition from a large number of firms, many of which are older and larger and have greater financial resources than Astro. The principal market for the products of the RegO Division is the LP-gas industry, and the Division is a significant supplier of LP-gas equipment. With only a few exceptions, most of the suppliers of food service equipment are local or regional in character and generally smaller than the Food Equipment subdivision. The Beverage Equipment subdivision is not a major factor in the market it serves, and similar products are manufactured by one or more firms larger than that subdivision. Astro believes that there is a surplus of machine shop and machine tool capacity, and although the number of firms which at present can meet the specifications for ultra-precision work may be limited, they may be expected to increase.

Employee Relations

Astro has approximately 1,800 full-time employees of which 100 are in executive and managerial positions, 250 are engaged in professional, administrative and sales work, 280 are office and clerical and the balance consists of factory, warehouse and other production-related personnel. About 510 of the employees are represented by three unions under contracts expiring on September 30, 1971, February 29, 1972 and November 30, 1972. With the exception of a 64-day strike against the Beverage Equipment subdivision in 1967 and a three-day strike at the Food Equipment subdivision in 1966, there have been no work stoppages or other disruptive labor practices in recent years. The Food and Beverage Equipment Division has recently negotiated new contracts expiring September 30, 1971, and November 30, 1972 replacing two contracts which expired on September 30, 1969 and November 30, 1969, respectively. On August 8, 1969, a representation election was held at the RegO Division plant. Of the approximately 605 factory

LS 000277

Golc - CDA dm - 0277

employees entitled to vote 265 voted against union representation and 239 voted in favor of such representation. The results of this election have been certified by the National Labor Relations Board.

In addition to deferred compensation arrangements and bonus plans for its executives (See "Astro—Management—Remuneration of Directors and Officers," page 25.) Astro has non-contributory pension plans for both salaried and hourly employees of the RegO and Food and Beverage Equipment Divisions and a contributory profit sharing plan for the employees of the Pioneer Astro Division. Astro also has group hospital, medical, disability and life insurance plans. Astro has filed with the Securities and Exchange Commission a Monthly Investment Plan for its full time employees. This plan has become effective and is currently being offered to all full time employees.

Plants and Property

The principal plants operated by Astro are listed below, with their location, square footage and acreage involved, and the principal products manufactured or services rendered at such location. The first three facilities listed below are owned by the Company and the remainder are leased.

Division or Subsidiary	*Location*	*Approximate Floor Area (Square Feet)*	*Acreage (where applicable)*	*Principal Products*
RegO	Chicago, Illinois	315,000(1)	19.2	Valves and controls
Food and Beverage Equipment	Grand Haven, Michigan	315,000	17.8	Food equipment
	Paris, Illinois	79,000(2)	27.6	Beverage equipment
Pioneer Astro	Harwood Heights, Illinois	96,000(3)	—	Precision and ultra-precision machining
Corporate Headquarters	Chicago, Illinois	5,000(4)	—	Executive Offices

(1) See Note 3 to "Capitalization" concerning a mortgage on this plant.

(2) The Paris plant is being closed. Effort will be made to sell or lease this facility.

(3) The plant and adjacent land are leased for an annual rental of $72,600 plus taxes and insurance, which in the year ended April 30, 1969 amounted to approximately $21,000, from a trust established for the benefit of lineal descendants of Albert S. Kepen, Vice Chairman of the Board and Chief Executive Officer of Astro, for a term of six years ending September 30, 1972, with an option to renew for five years. Robert P. Kepen, an officer and director of Astro, and his children are lineal descendants of Albert S. Kepen. (See "Astro—Interests of Astro Directors and Others in Certain Transactions," page 27.)

(4) The annual rental is $35,203 with an expiration date of August 31, 1974.

With the exception of a leased computer, Astro owns all the significant machinery and equipment used in its operations. Astro considers that its plants and equipment, whether owned or leased, are well maintained, adequately insured and, with normal additions and improvements, adequate for its present and foreseeable requirements. Current utilization of Astro's facilities is approximately 91% of capacity.

Patents and Licenses

Astro holds 129 patents with respect to certain products sold by the RegO and Food and Beverage Equipment Divisions. The patents cover products such as valves, filters, regulators, pumps, carbonators, beverage dispensers, freezers, food warmers and gas control devices. In connection with certain of these patents, licenses have been granted to producers in Canada, Mexico, Great Britain, Argentina, Venezuela, Australia and Israel. Royalty income of about $100,000 per year is generated therefrom. Expiration dates on the income producing patents range from 1979 through 1985 and on the licenses from 90 days after notice to 1980. In the opinion of management, Astro's operations are not in any substantial way dependent upon any patents, patent applications or patent licenses.

LITIGATION

There are no material lawsuits pending or threatened against Astro other than normal, routine type of litigation, claiming alleged products liability, which are adequately covered by products liability insurance.

LS 000278

Golc - CDA dm - 0278

RIGHTS OF DISSENTING STOCKHOLDERS

AS TO GOLCONDA STOCKHOLDERS

Section 30-150 (as amended) and Section 30-156, Idaho Code, provide that a shareholder who does not vote in favor of a merger may, within 20 days after the date upon which the merger was authorized, object thereto in writing and demand payment for his shares. If the company and the shareholder cannot agree upon the value of the shares at the time such corporate action was authorized, the value shall be ascertained by three disinterested persons, one of whom shall be named by the shareholder, another by the company and the third by the two appraisers thus chosen. The findings of the appraisers shall be final.

Voting against, or a direction in the Proxy to vote against, the adoption of the Agreement of Merger does not constitute a written objection with respect to dissenting shareholders as referred to in the above paragraph. The corporation will give no further notice of the date before which objection to the merger must be filed as specified. Objections, if any, by Golconda shareholders must be filed with the company on or before September 1, 1970. A copy of the pertinent provisions of the Idaho Law is attached as Exhibit II.

AS TO ASTRO STOCKHOLDERS

The General Corporation Law of Delaware provides that a stockholder who desires to exercise his rights as a dissenter must (1) object in writing to the merger before the merger vote is taken; (2) not vote in favor of the merger; (3) within 20 days after receipt of the required written notice from the Surviving Corporation that the merger is effective, make written demand for payment of the value of his shares; and (4) within 5 months and 20 days after the mailing of the written notice by the Surviving Corporation, file suit in the Court of Chancery of Delaware.

In the event of the failure of the dissenting stockholder to take any one of the steps outlined, he probably will lose all rights as a dissenter. During the 30 days following the 20 days after receipt of the written notice from the Surviving Corporation, the dissenter may agree with the Surviving Corporation on the value of his shares.

Astro stockholders will not receive any notice, other than that set forth herein regarding the foregoing rights. Stockholders making a timely demand shall thereafter follow the procedures set forth in Section 262 of Title 8 of the General Corporation Law of the State of Delaware annexed hereto as Exhibit III.

GENERAL INFORMATION

In addition to the solicitation of proxies, the officers, directors and regular employees of Golconda and Astro, without receiving any additional compensation therefor, may solicit proxies by mail, telephone or personal contact. Each corporation will also request stock brokers, banks, and other fiduciaries to forward proxy material to their principals or customers who are the beneficial owners of shares, and each corporation will reimburse them for their out-of-pocket mailing and reasonable expenses in doing so. Golconda and Astro may engage the service of one or more professional proxy solicitation firms if such action is deemed desirable.

By Order of Golconda Mining Corporation

D. L. Hess, *Secretary*

By Order of Astro Controls, Inc.

Albert W. Thomson, *Secretary*

Dated: June 30, 1970

LS 000279

Golc - CDA dm - 0279

INDEX TO FINANCIAL STATEMENTS

	Page
Golconda Mining Corporation	
Statement of Income	11
Auditor's Opinion	39
Balance Sheets	40
Statement of Retained Earnings	41
Notes to Financial Statements	42
Capital Stock of Mining Companies	43
Hecla Mining Company and Wholly Owned Subsidiaries	
Consolidated Balance Sheet	44-45
Consolidated Statements of Income	46
Notes to Financial Statements	47
Astro Controls, Inc. and Subsidiaries	
Consolidated Statement of Earnings	13
Auditors' Opinions	49
Consolidated Balance Sheets	51
Consolidated Statement of Additional Contributed Capital	52
Consolidated Statement of Retained Earnings	52
Notes to Financial Statements	53
Golconda Corporation	
Pro Forma Combined Statement of Earnings	10
Pro Forma Combined Condensed Balance Sheet (Golconda's Investments Stated at Cost)	15
Pro Forma Combined Condensed Balance Sheet (Golconda's Investments Stated at Approximate Market Value)	16

LS 000280

Golc - CDA dm - 0280

AUDITOR'S OPINION

Board of Directors and Shareholders
GOLCONDA MINING CORPORATION

I have examined the balance sheet of GOLCONDA MINING CORPORATION as of December 31, 1969, and the related statement of income for the five years then ended and the statement of retained earnings for the three years then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances. All securities owned by the company were verified either by direct examination or confirmation.

In my opinion, the above mentioned financial statements present fairly the financial position of Golconda Mining Corporation at December 31, 1969, and the results of operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the capitalization of interest in the year 1969 with which I concur.

P. R. O'SHAUGHNESSY
Certified Public Accountant

Ellensburg, Washington
February 23, 1970

LS 000281

Golc - CDA dm - 0281

GOLCONDA MINING CORPORATION

BALANCE SHEETS

ASSETS

	December 31, 1969	March 31, 1970 (Unaudited)
CASH IN BANKS	$ 182,011	$ 275,154
RECEIVABLES—AFFILIATES AND OTHER	35,823	34,854
INVESTMENTS—AT COST (approximate market value $23,001,400 and $23,001,400 and $24,318,000 respectively) (Notes 2 and 4)	5,095,399	5,170,975
PROPERTY, PLANT AND EQUIPMENT—AT COST (Note 1)	697,096	697,096
Less accumulated amortization, depletion and depreciation	631,173	631,173
	65,923	65,923
	$5,379,156	$5,546,906

LIABILITIES AND CAPITAL

LIABILITIES		
Notes Payable—Banks (Note 2)	$2,245,000	$2,345,000
Accounts payable	206,206	197,591
Income taxes payable (Note 3)	—	—
Total liabilities	2,451,206	2,542,591
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 3 and 5)		
CAPITAL		
Capital stock, non-assessable, par value ten cents per share—authorized 2,000,000 shares, all of which are issued	200,000	200,000
Capital surplus	184,142	184,142
Retained earnings	3,029,408	3,105,773
Treasury stock—at cost (67,000 shares)	(485,600)	(485,600)
	2,927,950	3,004,315
	$5,379,156	$5,546,906

The accompanying notes are an integral part of these statements.

LS 000282

Golc - CDA dm - 0282

GOLCONDA MINING CORPORATION
STATEMENT OF RETAINED EARNINGS

	Year Ended December 31,			Three Months Ended March 31, 1970
	1967	1968	1969	(Unaudited)
Balance, beginning of period	$2,463,542	$2,662,970	$2,912,586	$3,029,408
Net investment income	281,674	284,323	310,472	76,365
Less dividends paid	212,630	231,960	231,960	–0–
Balance	69,044	52,363	78,512	76,365
Net realized gain on investments	130,384	197,253	38,310	–0–
Total	199,428	249,616	116,822	76,365
Balance, end of period	$2,662,970	$2,912,586	$3,029,408	$3,105,773

The accompanying notes are an integral part of these statements.

LS 000283

Golc - CDA dm - 0283

GOLCONDA MINING CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the three years ended December 31, 1969, and for the three months ended March 31, 1970 (Unaudited)

(1) PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment at December 31, 1969 and March 31, 1970 consists of the following:

	Cost	Accumulated Amortization, Depletion and Depreciation	Net
Mine tunnels and drifts	$ 386,618	$ 386,618	$ —
Depletable mining property	103,820	103,820	—
Flotation mill and mine buildings	140,021	140,021	—
Office equipment	1,046	714	332
Other mineral interests	65,591(a)	—	65,591
Total	$ 697,096	$ 631,173	$ 65,923

(a) An agreement was executed on Septemter 29, 1969 whereby a portion of these interests with a total cost of $31,850 would be exchanged for 806,400 shares of Alice Consolidated Mines, Inc. See "Golconda Mining Corporation—History and Business—Properties."

(2) NOTES PAYABLE—BANKS

The notes payable to banks are comprised as follows:

	Collateral(a)	December 31, 1969	March 31, 1970
9¼%, due July 1, 1970	234,850 shs.	$1,200,000	$1,200,000
9¼%, due July 1, 1970		—	100,000
8%, due May 21, 1970	10,000 shs.	45,000	45,000
8¼%, due June 15, 1970		110,000	110,000
9%, due April 1, 1970(b)	350,000 shs.	—	150,000
8%, due May 15, 1970		890,000	740,000
	594,850 shs.	$2,245,000	$2,345,000

(a) The notes are collateralized by shares of Hecla Mining Company as indicated above.

(b) A new loan agreement was entered into authorizing loans to a maximum of $200,000; $175,000 was borrowed to date and the $150,000 note was paid. The $175,000 is due in installments of $100,000 on June 10, 1970 and $75,000 on October 10, 1970.

(3) INCOME TAXES

The Internal Revenue Service has examined the federal income tax returns filed by the Company for the years 1962 through 1966, and has proposed additional tax of $276,571. The Company has contested this proposed liability and has filed a petition with the Tax Court. Returns for 1967, 1968 and 1969 have not been audited. For further information see "Golconda Mining Corporation—Litigation and Federal Income Tax"

(4) INTEREST EXPENSE

During 1969, additional interest in the amount of $75,200 was capitalized as cost of investments. If this amount had been charged to expense, total income for 1969 would be $276,582 or 14 cents per share. Interest capitalized to the cost of investments for the three months ended March 31, 1970 was $30,037 or 2 cents per share.

(5) COMMITMENTS AND CONTINGENT LIABILITIES

On April 3, 1970 the corporation elected to take a 20% participation in the working agreement between Hecla Mining Company and Alice Consolidated Mines, Inc. Golconda's portion of expenditures under this agreement are expected to amount to $500,000 over a five year period of time commencing in 1972.

(6) SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Supplementary profit and loss information is as follows:

	Year ended December 31			Three months ended
	1967	1968	1969	March 31, 1970
Charged to Profit and Loss				
Maintenance and repairs	$ 1,984	$ 3,802	$ 5,077	$ 583
Taxes, other than income	1,820	2,186	2,219	211
Rents and royalties	960	960	960	960
Total	$ 4,764	$ 6,948	$ 8,256	$ 1,754
Charged to "Other Mineral Interests"				
Maintenance and repairs	$ 8,956	$ 6,450	$ —	$ —

There was no depreciation, depletion and amortization or management and service contract fees during the above periods.

LS 000284

Golc - CDA dm - 0284

GOLCONDA MINING CORPORATION

CAPITAL STOCK OF MINING COMPANIES

	No. of Shares	December 31, 1969 Cost	December 31, 1969 Market	March 31, 1970 Cost	March 31, 1970 Market
				(Unaudited)	
OPERATING COMPANIES—					
COEUR D'ALENE MINING DISTRICT:					
Hecla Mining Company (affiliate)	691,900	$3,836,959	$20,065,100	$3,912,535	$20,929,975(a)
Gulf Resources & Chemical—$1.30 Pfd.	1,500	7,737	26,625	7,737	27,750
GOLCONDA AREA COMPANIES:					
To be included in Alice Consolidated project:					
Alice Silver-Lead Mining Co.	835,625	52,178	52,178*	52,178	52,178*
Mullan Silver-Lead Company	1,241,756	80,104	558,790	80,104	807,141
United Lead-Zinc Mines Company	1,413,354	210,291	876,279	210,291	1,060,016
Other companies:					
Bell Mining Company	203,000	15,000	15,000*	15,000	15,000*
Black Bear Mines Company	880,371	11,014	11,014*	11,014	11,014*
Granada Lead Mines, Incorporated	755,442	9,769	9,769*	9,769	9,769*
Great Eastern Mining Company, Ltd.	100,000	5,000	5,000*	5,000	5,000*
Ivanhoe Mining Company, Ltd.	358,000	4,690	4,690*	4,690	4,690*
Mullan Metals, Inc.	426,512	13,983	13,983*	13,983	13,983*
Square Deal Mining & Milling Co., Ltd.	997,459	69,552	259,339	69,552	279,289
OTHER COEUR D'ALENE DISTRICT COMPANIES:					
Aberdeen-Idaho Mining Company	13,000	4,575	3,900	4,575	4,030
Abot Mining Company	27,502	3,005	13,751	3,005	10,451
Bullion Mining Company	157,902	895	895*	895	895*
Coeur d'Alene Syndicate	318	48	48*	48	48*
East Coeur d'Alene Silver Mines, Inc.	100,000	3,500	23,000	3,500	21,000
Hunter Creek Mining Company	6,500	1,405	1,560	1,405	1,690
Idaho-Montana Silver, Inc.	253,834	9,989	38,075	9,989	38,075
Metropolitan Mines Corporation	88,500	64,517	72,570	64,517	68,145
Silver Bowl, Inc.	36,500	9,267	5,475	9,267	5,110
Silver Buckle Mines, Inc.	211,750	59,194	74,113	59,194	84,700
Vindicator Silver-Lead Mines Co.	148,500	57,017	148,500	57,017	126,225
Yreka-United, Inc.	95,500	28,195	20,055	28,195	22,920
Wallace Mining Company	254,025	4,845	4,845*	4,845	4,845*
OTHER MINING COMPANIES:					
American-South African Investment Co.	1,000	49,435	27,500	49,435	41,375
Campbell Red Lake Mines	1,000	24,775	17,250	24,775	21,625
Dome Mines, Ltd.	1,000	53,807	47,125	53,807	60,000
Granduc Mines, Ltd.	48,000	253,677	510,000	253,677	480,000
La Luz Mines, Ltd.	2,000	27,250	21,500	27,250	22,000
Homestake Mining Company	2,200	68,184	36,850	68,184	45,925
Silver Eureka Corporation	5,700	13,104	10,121	13,104	10,886
President Brand Gold Mining Co., Ltd.	2,000	42,438	26,500	42,438	32,250
Totals		$5,095,399	$23,001,400	$5,170,975	$24,318,000

The market value does not purport to represent the amount which might be realized upon disposition of these assets.

*Stated at cost, no quoted market value. The Board of Directors has designated the stated value to be the fair value of the related securities.

(a) The market value of the investment in Hecla Mining Company common stock based on the June 29, 1970 quoted price aggregated $15,221,800.

LS 000285

Golc - CDA dm - 0285

HECLA MINING COMPANY AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

The accompanying consolidated balance sheet, consolidated statements of income and notes to financial statements are a reproduction of the audited financial statements included in Hecla Mining Company's 1969 annual report to shareholders'.

	December 31	
	1969	1968(1)
CURRENT ASSETS:		
Cash	$ 802,412	$ 996,255
Certificates of deposit and accrued interest	1,446,290	1,941,176
Government securities, at cost and accrued interest (approximates market)	1,994,488	3,756,957
Listed capital stocks, at cost (market, $6,125,001 and $10,174,106) (Note 2)	5,033,609	6,098,105
Commodity margin deposits (Note 2)	1,235,519	1,244,638
Due from sales of products	1,700,971	1,737,180
Accounts and notes receivable	1,853,116	824,644
Inventories (Note 3)	613,700	533,010
Prepaid expenses	47,379	88,928
Total current assets	14,727,484	17,220,893
INVESTMENTS AND INTERESTS IN MINING PROPERTIES, AT COST:		
Day Mines, Inc. (13.6% owned; market $4,978,151 and $8,477,644)	3,628,798	3,628,798
Sunshine Mining Company (3.8% owned in 1969; market $2,800,000 and $5,200,000)	2,574,087	2,574,087
Granduc Mines, Limited (N.P.L.) (Note 4)	10,039,400	10,039,400
Other	514,856	480,062
PROPERTIES, PLANTS, AND EQUIPMENT, AT COST (Note 5)	17,843,844	14,512,526
Accumulated depreciation, depletion and amortization	(6,292,477)	(6,859,449)
OTHER ASSETS	487,545	301,543
	$43,523,537	$41,897,860

The accompanying notes are an integral part of the financial statements.

LS 000286

HECLA MINING COMPANY AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31	
	1969	*1968(1)*
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,354,537	$ 1,427,801
Accrued taxes	1,448,284	1,534,307
Total current liabilities	2,802,821	2,962,108
DEFERRED INCOME TAXES	674,200	201,700
COMMITMENTS (Note 8)		
STOCKHOLDERS' EQUITY (Statement Annexed):		
Capital stock, 25¢ par value:		
Authorized, 6,000,000 shares; issued 1969, 5,961,808; 1968, 5,957,208 shares	1,490,452	1,489,302
Capital Surplus	9,519,411	9,437,045
Earnings Retained in the Business	29,039,313	27,810,355
	40,049,176	38,736,702
Less, Capital stock reacquired, at cost: 1969, 235 shares; 1968, 233 shares	2,660	2,650
Total stockholders' equity	40,046,516	38,734,052
	$43,523,537	$41,897,860

The accompanying notes are an integral part of the financial statements.

LS 000287

Golc - CDA dm - 0287

HECLA MINING COMPANY AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 1969 and 1968

	1969	1968(1)
INCOME:		
Sales of concentrates and products	$24,019,091	$20,129,596
Gain (loss) on sale of securities and silver futures (Note 2)	(504,584)	1,302,907
Dividend income	548,961	530,808
Interest and other income	455,751	163,866
	24,519,219	22,127,177
COSTS AND EXPENSES:		
Cost of sales	13,668,558	11,570,243
Exploration	1,381,126	1,865,100
Consolidated Silver Project	275,262	—
General and administrative	747,860	579,155
Property and excise taxes	1,231,795	843,602
Other	100,464	212,611
	17,405,065	15,070,711
Income before provision for income taxes	7,114,154	7,056,466
Provision for income taxes, including federal income taxes of $1,908,000 and $2,084,000, respectively:		
Currently payable	1,767,500	2,290,200
Deferred	472,500	122,800
	2,240,000	2,413,000
NET INCOME	$ 4,874,154	$ 4,643,466
Per share of capital stock:		
Net income	$ 0.82	$ 0.78
Dividends paid	$ 0.70	$ 0.65

Costs and expenses include provisions for depreciation, depletion and amortization of $420,853 in 1969 and $362,734 in 1968.

The accompanying notes are an integral part of the financial statements.

LS 000288

Golc - CDA dm - 0288

HECLA MINING COMPANY AND WHOLLY OWNED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. ACQUISITION OF NET ASSETS OF TRANSARIZONA RESOURCES, INC.:

On September 12, 1969 the Company acquired substantially all of the assets of Transarizona Resources, Inc. for 1,000,000 shares of its authorized and unissued capital stock in a transaction accounted for as a pooling of interests. The 1968 financial statements have been restated to include the net assets acquired and results of operations of Transarizona.

2. LISTED CAPITAL STOCKS AND COMMODITY MARGIN DEPOSITS:

Details of listed capital stocks at December 31, 1969 are as follows:

	Number of Shares	*Cost*	*Value Based on Market Quotations*
American Smelting and Refining Company	80,000	$2,039,272	$2,590,400
Newmont Mining Corporation	38,125	764,621	1,210,469
St. Joseph Lead Company	15,400	347,131	565,950
New York and Honduras Rosario Mining Co.	15,810	692,056	664,020
Foote Mineral Co.	19,100	625,963	255,558
Foote Mineral Co. Convertible Preferred	7,900	322,171	196,552
Golconda Mining Corporation	25,200	50,355	233,100
Palabora Mining Company	40,700	173,107	386,650
Others		18,933	22,302
		$5,033,609	$6,125,001

During 1969 the Company purchased 290 silver futures contracts and sold 164 matured contracts at a loss before related income tax benefits of $1,241,632, which was partially offset by gains on sales of listed capital stocks in the amount of $737,048. At December 31, 1969 the Company held 350 silver futures contracts maturing at various dates from March 1970 through March 1971. Treasury bills and cash deposits in the amount of $1,235,519 were held by brokers as margin for the contracts. The futures quotations on December 31, 1969 were approximately $375,000 or 10.7¢ per ounce of silver below the prices at which the contracts were purchased.

3. INVENTORIES, AT LOWER OF AVERAGE COST OR MARKET:

	1969	*1968*
Materials and supplies	$ 444,295	$ 447,088
Metals and products	169,405	85,922
	$ 613,700	$ 533,010

On October 1, 1965 Grandue leased substantially all of its properties in British Columbia, Canada for a term of 50 years (with an option to renew for 25 years) to American Smelting and Refining Company and a wholly owned subsidiary of Newmont Mining Corporation. Under the terms of the lease, the lessees are to provide all necessary funds, services and equipment to put the mine into production. Grandue is to receive a royalty of 22½% of the defined net proceeds from operations on the first 32,500,000 tons of ore and 25% thereafter. As a condition of the lease, Hecla has waived its right to dividends on its preferred stock and Newmont has waived interest on its prior advances to Grandue until production begins.

A labor dispute during 1969 interrupted work on the property from March 4 to July 25. As a result production is now estimated to commence in the last half of 1970.

4. INVESTMENT IN GRANDUC MINES, LIMITED (N.P.L.):

5½% Redeemable preferred stock $100 par value (100% owned)	$ 4,855,430	$ 4,855,430
Common stock (35.4% owned)	5,183,970	5,183,970
	$10,039,400	$10,039,400

LS 000289

Golc - CDA dm - 0289

HECLA MINING COMPANY AND WHOLLY OWNED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—*Continued*

5. PROPERTIES, PLANTS AND EQUIPMENT:

Properties, plants and equipment at December 31, 1969 comprise:

	Cost	*Reserve*
Lakeshore copper property	$ 8,063,088	$
Other mining properties	1,723,453	872,876
Deferred development costs	1,916,918	638,237
Plants and equipment	5,218,260	4,281,518
Automotive equipment	814,724	499,846
Land	107,401	
	$17,843,844	$ 6,292,477

Depletion is computed on a unit of production basis and is based on estimated ore reserves. Depreciation is computed, generally, on the declining balance method. Amortization is computed on a straight-line method over an eight-year period.

6. STOCK OPTIONS:

The stock option plan approved by stockholders in 1964 provides for the issuance of qualified stock options to officers and key employees at 100% of fair market value on the dates the options are granted. The options are for a period of five years, exercisable during the first two and one-half years as to one-half the number of shares and during the second two and one-half years as to the other half. During the year options with respect to 4,600 shares were exercised. At December 31, 1969, 11,400 shares at the price of $18.91 per share were reserved for options granted and no shares were reserved for the granting of additional options. The excess of the amounts received for capital stock issued under the plan over the par value thereof has been credited to capital surplus.

7. PENSION PLANS:

The Company and its wholly owned subsidiaries have three pension plans covering substantially all employees. Total pension expense charged to income was $140,127 for 1969 and $105,618 for 1968, which was substantially paid into the funds. These amounts include actuarially computed current service costs, amortization of prior service costs on a 10% per year basis in respect of two plans and full accrual of prior service costs under the other plan for employees becoming eligible during the year.

8. COMMITMENTS:

The Company has entered into agreements relating to the Company's participation in development of a large copper ore deposit in Arizona (the Lakeshore Properties) which involves capital expenditures which may ultimately approximate $100,000,000.

LS 000290

Golc - CDA dm - 0290

AUDITORS' OPINION

Board of Directors and Stockholders
ASTRO CONTROLS, INC.

We have examined the consolidated balance sheet of Astro Controls, Inc. and Subsidiaries as of November 30, 1969 and the related consolidated statements of earnings, retained earnings and additional contributed capital for the two years then ended. As to The Bastian-Blessing Company for the year ended November 30, 1968 (See Note (a) of the Notes to the Consolidated Statement of Earnings), we were furnished the report of other certified public accountants. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination and the examination of other certified public accountants, the above mentioned statements present fairly the financial position of Astro Controls, Inc. and Subsidiaries as of November 30, 1969 and the results of operations and changes in additional contributed capital for the two years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Also, we have reviewed the compilation of the consolidated statement of earnings for the fiscal years ended 1965/6, 1966/7 and 1967/8 and of the consolidated statements of retained earnings and additional contributed capital for the fiscal year ended 1967/8. In our opinion, the consolidated statements of earnings, retained earnings, and additional contributed capital for the aforementioned periods have been properly compiled on a basis as explained in Note (a) of the Notes to the Consolidated Statement of Earnings.

ALEXANDER GRANT & COMPANY

Chicago, Illinois
January 30, 1970

LS 000291

Golc - CDA dm - 0291

OPINION OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
THE BASTIAN-BLESSING COMPANY

In our opinion, the consolidated statements of income and retained earnings of The Bastian-Blessing Company and its subsidiary (not presented separately herein) present fairly the results of their operations for the four fiscal years ended November 30, 1968, in conformity with generally accepted accounting principles consistently applied. Our examinations of the financial statements of The Bastian-Blessing Company for the four fiscal years ended November 30, 1968 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.

PRICE WATERHOUSE & CO.

Chicago, Illinois
January 31, 1969

AUDITORS' OPINION

Board of Directors and Stockholders
PIONEER ASTRO INDUSTRIES, INC.

We have examined the consolidated statement of earnings of Pioneer Astro Industries, Inc. and Subsidiary for the three years ended April 30, 1968 and the consolidated statement of retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements (not included separately herein) present fairly the results of operations of Pioneer Astro Industries, Inc. and Subsidiary for the three years ended April 30, 1968 in conformity with generally accepted accounting principles applied on a consistent basis.

ALEXANDER GRANT & COMPANY

Chicago, Illinois
June 7, 1968

LS 000292

Golc - CDA dm - 0292

ASTRO CONTROLS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	November 30, 1969	March 31, 1970 (Unaudited)
CURRENT ASSETS		
Cash	$ 1,472,600	$ 920,507
Commercial notes—at cost (which approximates market)	450,000	650,000
Accounts receivable		
Trade, less allowance for uncollectable receivables of $49,900 in 1969 and 1970	7,035,948	7,849,517
Federal income tax refund	199,482	29,480
Inventories (Note B)	15,791,664	15,870,987
Prepaid expenses and sundry deposits	95,997	208,649
Total current assets	25,045,691	25,529,140
PROPERTY, PLANT AND EQUIPMENT—AT COST less accumulated depreciation and amortization of $8,224,291 and $8,496,173 respectively (Note C)	7,175,522	7,180,966
OTHER ASSETS		
Excess of cost over underlying equity of net assets acquired (Note A)	4,374,476	4,374,476
Deferred debt expense (Note D)	264,583	767,429
Sundry	430,122	402,542
	$37,290,394	$38,254,553

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Notes payable:		
Banks	$ 4,000,000	$ —
Other	175,000	125,000
Current maturities of long term debt	—	4,526,654
Accounts payable	2,278,051	2,943,877
Dividends payable	—	114,091
Income taxes	241,855	198,542
Accrued liabilities		
Salaries, wages and commissions	553,597	696,021
Property and other taxes	251,379	467,693
Interest	198,269	198,451
Other accrued liabilities	134,326	116,767
Total current liabilities	7,832,477	9,387,096
LONG TERM DEBT—(Note E)	9,526,654	9,000,000
DEFERRED LIABILITIES		
Federal income taxes	381,377	386,578
Compensation plan cost	104,174	111,854
COMMITMENTS AND CONTINGENT LIABILITIES (Note F)	—	—
STOCKHOLDERS' EQUITY		
$1.00 Cumulative convertible preferred stock— Authorized, 600,000 shares of $1.00 par value; issued and outstanding 468,445 and 456,393 shares, respectively (redemption value $17,566,687 and $17,114,738, respectively) (Note I)	468,445	456,393
Common stock—authorized, 2,000,000 shares of no par value; issued and outstanding 547,628 and 559,680 respectively, at a stated value of $1.00 per share (Note I)	547,628	559,680
Additional contributed capital	6,529,803	6,529,803
Retained earnings	11,899,836	11,823,149
	19,445,712	19,369,025
	$37,290,394	$38,254,553

The accompanying notes are an integral part of these statements.

LS 000293

Golc - CDA dm - 0293

ASTRO CONTROLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ADDITIONAL CONTRIBUTED CAPITAL

	Fiscal Year ended 1967/8 (Note A)	Fiscal year ended November 30, 1968	1969	Four months ended March 31, 1970 (Unaudited)
Balance—beginning of period	$ —	$ 6,178,263	$ 6,307,018	$ 6,529,803
The Bastian-Blessing Company	3,249,253	—	—	—
Pioneer Astro Industries, Inc.	—	—	—	—
Contributed capital of Bastian applicable to portion of merger (41%) accounted for as purchase	(1,331,888)	—	—	—
Amount applicable to cancellation of 7,889 Bastian shares held in treasury	(30,742)	—	—	—
Excess of par value of Pioneer and Bastian Common stock exchanged for Astro shares	4,291,640	—	—	—
Costs relating to the merger of Pioneer and Bastian	—	(138,452)	(52,711)	—
Balance—beginning of period as restated	6,178,263	6,039,811	6,254,307	6,529,803
Proceeds in excess of par value arising from sale of 7,000 shares of Pioneer treasury stock and conversion of note payable prior to merger with Astro	—	267,207	—	—
Allocation of debt discount attributable to warrants issued in connection with 7% subordinated notes to insurance companies	—	—	275,496	—
Balance—end of period	$ 6,178,263	$ 6,307,018	$ 6,529,803	$ 6,529,803

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Balance—beginning of period	$ —	$10,741,512	$10,924,415	$11,899,836
The Bastian-Blessing Company—November 30, 1966	15,343,997	—	—	—
Pioneer Astro Industries, Inc.—April 30, 1967	1,297,551	—	—	—
Retained earnings of Bastian applicable to portion of merger (41%) accounted for as purchase	(6,289,530)	—	—	—
Amount applicable to cancellation of 7,889 Bastian shares held in treasury	(53,902)	—	—	—
Balance beginning of period as restated	10,298,116	10,741,512	10,924,415	11,899,836
Net earnings for the period	1,053,523	804,430	1,441,212	152,406
	11,351,639	11,545,942	12,365,627	12,052,242
Cash dividends				
The Bastian-Blessing Company	922,250	736,826	370,956	—
Less portion (41%) accounted for as a purchase	(378,123)	(302,098)	—	—
	544,127	434,728	370,956	—
Pioneer Astro Industries, Inc.	66,000	66,000	—	—
Astro Controls, Inc.—$.50 per preferred share	—	—	242,300	229,093
Duplication of earnings ($164,799), less dividends ($44,000) due to change in Pioneer's fiscal year end	—	120,799	—	—
Elimination of portion of Bastian dividends paid to Pioneer in 1968	—	—	(147,465)	—
	610,127	621,527	465,791	229,093
Balance—end of period	$10,741,512	$10,924,415	$11,899,836	$11,823,149

The accompanying notes are an integral part of these statements.

LS 000294

ASTRO CONTROLS, INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts subsequent to November 30, 1969 are Unaudited)

NOTE A—PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Astro Controls, Inc. and its subsidiaries. The Company is the result of a combination, on a partial pooling of interests basis, of Pioneer Astro Industries, Inc. and The Bastian-Blessing Company as of May 5, 1969.

Excess of cost over underlying equity of net assets acquired arose from the purchase by Pioneer of Bastian common stock which stock was cancelled under the terms of the consolidation into Astro Controls, Inc. In the opinion of management, the cost in excess of net assets acquired is of continuing value and, accordingly, is not subject to amortization.

NOTE B—INVENTORIES

Inventories used in the computation of cost of goods sold are as follows:

Fiscal year ended		
1966/7		$13,997,967
1967/8		15,353,184
November 30,		
1967		15,258,732
1968		14,279,549
1969 Raw materials and supplies	$ 2,423,027	
Work in process	2,603,716	
Finished goods	10,764,921	15,791,664
March 31, (unaudited)		
1969		14,750,680
1970		15,870,987

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market For interim reporting purposes, physical inventories are not taken and the inventory breakdown is not available.

NOTE C—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised as follows:

	November 30, 1969	*March 31, 1970*
Buildings and improvements	$ 4,198,300	$ 4,309,964
Machinery, equipment and tools	9,974,306	10,101,269
Office furniture and fixtures	553,749	592,448
	14,726,355	15,003,681
Accumulated depreciation and amortization	8,224,291	8,496,173
	6,502,064	6,507,508
Land	673,458	673,458
	$ 7,175,522	$ 7,180,966

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service lives and methods used in determining depreciation are as follows:

Description	*Service lives*	*Method of depreciation*
Buildings and improvements	8 to 50 years	Straight-line
Machinery and equipment	5 to 20 years	Straight-line and double declining-balance
Furniture and fixtures	8 to 20 years	Straight-line
Automobiles and aircraft	3 to 6 years	Principally double declining-balance
Land improvements	20 years	Straight-line
Leasehold improvements	Life of asset or term of lease whichever is shorter	Straight-line

LS 000295

Golc - CDA dm - 0295

Maintenance and repairs are charged to operations as incurred. Betterments and major renewals are capitalized. Upon sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with the depreciation taken prior to the sale with any resultant gain or loss reflected in earnings.

NOTE D—DEFERRED DEBT EXPENSE

During March 1970, the Company issued $5,000,000 of convertible debentures and incurred costs of $526,024 which are being amortized over the term of the debentures to January 1, 1990. At March 31, 1970, the unamortized balance of these costs amounted to $519,574. In addition unamortized deferred debt expense of $264,583 and $247,855 at November 30, 1969 and March 31, 1970, respectively, is being amortized over a period ending January 15, 1981.

NOTE E—LONG-TERM DEBT

Long-term debt is comprised of the following:

	November 30, 1969	*March 31, 1970*
Notes payable to bank at a rate of ½% above the prime rate (currently 8½%)		
Due January 15, 1971	$ 4,100,000	$ 4,100,000
Due January 15, 1971	426,654	426,654
7% subordinated notes payable to insurance companies due January 15, 1981	5,000,000(a)	4,000,000
7% convertible subordinated debentures due January 1, 1990	—	5,000,000
	$ 9,526,654	$13,526,654
Less current maturities	—	4,526,654
	$ 9,526,654	$ 9,000,000

(a) Semiannual sinking fund payments of $250,000 are due each January 15 and July 15 commencing July 15, 1971.

The loan agreement underlying the 7% subordinated notes payable contains a covenant that the Company will use its best efforts to consummate a public offering of equity or junior subordinated debt securities, and that the net proceeds of any such offering will be applied first to the retirement of the $4,000,000, 7½% note payable to bank due March 27, 1970, and the $426,654 note payable to bank due January 15, 1971, and second, to the prepayment of $1,000,000 principal amount of notes payable to insurance companies. Prepayment of these notes shall be credited to required sinking fund payments in inverse order of their due dates.

Covenants of the loan agreement further provide, among other things, that the Company:

(1) Will maintain consolidated net working capital of $10,000,000 and consolidated net worth, as defined, of $10,000,000. At November 30, 1969, consolidated net working capital and consolidated net worth as defined were $17,213,214 and $14,789,407, respectively and at March 31, 1970 were $16,142,044 and $14,704,542, respectively.

(2) Will not pay cash dividends in excess of 50% of consolidated net income as defined, after December 31, 1968. At November 30, 1969 and March 31, 1970, retained earnings in the amount of $312,807 and $159,917 respectively, were free of such restriction. The current annual cash dividend requirement on the cumulative convertible preferred stock outstanding is $468,445 at November 30, 1969 and $456,393 at March 31, 1970. No dividends were in arrears at November 30, 1969 and March 31, 1970.

(3) Will not incur unsecured bank indebtedness due within one year in excess of $3,000,000, or less depending upon the unpaid balance on the $4,100,000 bank note due January 15, 1971, and for a period of 60 consecutive days during each calendar year the Company shall not have any such unsecured indebtedness outstanding, other than that outstanding as of May 6, 1969.

(4) Will not incur secured indebtedness in excess of $500,000 until the required $1,000,000 prepayment of these notes has been made; thereafter, secured indebtedness will be limited to $2,000,000.

(5) Shall not incur obligations under long term leases, (except for data processing equipment) in excess of $150,000 per year. The current annual obligation under such leases is $125,000.

In March 1970, the Company issued 7% convertible subordinated debentures due January 1, 1990. Subsequent to the debenture offering the $4,000,000, 7½% note payable to bank due March 27, 1970 was retired and a prepayment of $1,000,000 principal amount of notes payable to insurance companies was made. The trust indenture underlying the debentures provides, among other things:

(1) Payment of principal and interest will be subordinated to the prior payment in full of all "Senior Indebtedness" as defined.

LS 000296

Golc - CDA dm - 0296

(2) The debentures are redeemable at the Company's option during twelve month periods beginning January 1, 1970 and ending in the twelve month period beginning January 1, 1989 at redemption prices beginning at 107% in 1970 and reducing to 100% in 1984 plus accrued interest.

(3) Commencing in 1976 the Company will pay to the Trustee as a required sinking fund $325,000 principal amount plus accrued interest prior to January 1 of each year; beginning in 1975 the Company has an option during each year to make an additional sinking fund payment of $325,000 plus accrued interest.

(4) The debentureholders, at their option, at any time prior to maturity may convert the principal amount into shares of common stock at a conversion price of $16. per share (subject to anti-dilution provisions).

(5) The Company will not declare any cash dividend on its common stock or acquire for cash any shares of its common stock if, after giving effect to the proposed declaration or acquisition, the aggregate amount of all cash dividends on all classes of capital stock paid after November 30, 1969 plus, the excess, if any, of the aggregate amount of all cash payments subsequent to such date on account of acquisition of common stock over the aggregate amount of the net cash proceeds from sales of common stock would exceed $1,000,000 plus (or minus in the case of a deficit) the consolidated net income from December 1, 1969 to the end of the last calendar month preceding the date of such proposed declaration or acquisition.

(6) The Company will not create, incur, issue or remain liable with respect to any additional "funded debt" if after giving effect thereto, consolidated funded debt would exceed 200% of consolidated stockholders equity. Funded debt is defined to mean any obligation payable more than one year from the date of the creation thereof. At March 31, 1970, the consolidated funded debt was $8,651,654, and consolidated stockholders equity was $19,369,025.

(7) The Company is also obligated to maintain consolidated net working capital (as defined) of at least $10,000,000, at March 31, 1970 consolidated net working capital was $16,142,044.

Note F—Commitments and Contingent Liabilities

At November 30, 1969 and at March 31, 1970 approximately $1,917,000 and $2,376,000, respectively, of gross sales of the Pioneer Division are subject to renegotiation. The Company does not expect any renegotiation adjustments. For additional information see "Astro—Business—Pioneer Astro Division."

At November 30, 1969 and March 31, 1970, the Company is contingently liable on notes receivable discounted in the amount of $241,077 and $172,179, respectively.

Note G—Employee Benefit Plans

The Company has various benefit plans, including pensions, profit sharing and executive incentive compensation plans covering a substantial portion of its employees. Provisions for these plans for the fiscal year ended November 30, 1969 approximated $654,000 and for the four month period ended March 31, 1970, $181,080. The pension plan is for substantially all salaried employees and full-time hourly rated employees of the Bastian Division. Unfunded past-service costs approximately $3,200,000 at November 30, 1969 are being funded on a thirty-year basis; current costs are being funded as accrued. The actuarially computed value of vested benefits for all plans as of November 30, 1969 exceed the total of the pension funds by $3,300,000. The charges to earnings for the cost of the pension plans were as follows:

Year ended	
November 30, 1968	$501,430
November 30, 1969	501,882
Four Months ended March 31,	
1969	$164,400
1970	171,080

On July 9, 1969, the Company adopted a Monthly Investment Plan whereby substantially all full-time employees may purchase the Company's common stock. The Company will contribute an amount equal to 20% of the first $20.00 per month paid to the Plan by the employee. The Plan became effective in February, 1970.

For additional information regarding employee benefit plans see "Astro—Management—Remuneration and Retirement Benefits".

Note H—Stock Option Plan

The Company has a qualified stock option plan at November 30, 1969 in which options covering 7,644 shares of cumulative convertible preferred stock were granted but not exercised. The options were priced at 100% of fair market value at the date of grant and may be exercised in whole or in part at any time prior to five years thereafter. All options were granted in prior years and no additional options may be granted under the plan. At November 30, 1969, the 7,644 shares under option had a fair market value at date of grant of $162,325. During the year ended

LS 000297

Golc - CDA dm - 0297

November 30, 1969 options to purchase 5,641 shares (having a fair market value at date of exercise of $191,600) were exercised for $120,574. Options to purchase 10,382 shares expired during that year. There were no changes from December 1, 1969 to March 31, 1970. Reference is made to "Stock Option Plan and Warrants" contained elesewhere herein.

NOTE I—CAPITAL STOCK

During the period from November 30, 1969 to March 31, 1970, 12,052 shares of cumulative convertible preferred stock were exchanged into common stock.

The capital stock does not include 7,644 shares of cumulative convertible preferred stock reserved for exercise of options, and 1,050,988 authorized but unissued shares of common stock which are reserved for issuance as follows: 312,500 shares upon conversion of the Debentures; 456,393 shares upon conversion of the cumulative convertible preferred stock currently outstanding; 7,644 shares upon conversion of the cumulative convertible preferred stock issuable upon exercise of options; and 274,451 shares upon exercise of warrants for the purchase of common stock. Reference is made to "Astro—Stock Option Plan and Warrants" contained elsewhere herein.

NOTE J—SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Supplementary profit and loss information is as follows:

	Fiscal 1967/8	*November 30*		*Four months ended March 31, 1970*
		1968	*1969*	
Maintenance and repairs				
Cost of goods sold or operating expenses	$ 805,985	$ 771,059	$ 765,740	$ 294,032
Other expenses	47,675	16,579	17,557	18,346
	$ 853,660	$ 787,638	$ 783,297	$ 312,378
Depreciation and amortization				
Cost of goods sold or operating expenses	$ 729,017	$ 654,253	$ 833,055	$ 263,302
Other expenses	104,782	85,267	88,618	33,036
	$ 833,799	$ 739,520	$ 921,673	$ 296,338
Taxes other than income taxes (a)				
Cost of goods sold or operating expenses	$ 711,983	$ 747,999	$ 853,147	$ 279,980
Other expenses	160,566	159,668	193,393	97,023
	$ 872,549	$ 907,667	$1,046,540	$ 377,003
Rents and royalties				
Cost of goods sold or operating expenses	$ 133,937	$ 81,400	$ 103,682	$ 41,238
Other expenses	122,154	134,964	190,450	76,076
	$ 256,091	$ 216,364	$ 294,132	$ 117,314
(a) Taxes other than income taxes comprise:				
Real estate and personal property taxes	$ 223,443	$ 232,029	$ 302,663	$ 99,440
Social security taxes	589,045	601,341	691,402	228,956
Sundry state taxes	60,061	74,297	52,475	48,607
	$ 872,549	$ 907,667	$1,046,540	$ 377,003

LS 000298

Golc - CDA dm - 0298

EXHIBIT I

PLAN AND AGREEMENT OF MERGER

OF

ASTRO CONTROLS, INC.
(A Delaware Corporation)

INTO

GOLCONDA MINING CORPORATION
(An Idaho Corporation)

This Plan and Agreement of Merger, dated as of April 16, 1970, is made by and between ASTRO CONTROLS, INC., a Delaware corporation (herein called "Astro"), and GOLCONDA MINING CORPORATION, an Idaho corporation (herein called "Golconda").

WITNESSETH:

WHEREAS, the boards of directors of Astro and Golconda, in consideration of the mutual agreements of each corporation as set forth herein, do deem it advisable to merge the business activities of Astro into Golconda to promote the efficient, economical and profitable conduct of said business; and

WHEREAS, Astro has authorized 2,000,000 shares of no par value common stock of which 552,502 shares were, as of December 31, 1969, issued and outstanding; and has authorized 600,000 shares of a cumulative, convertible preferred stock, of which 463,571 shares were, as of December 31, 1969, issued and outstanding; and

WHEREAS, Golconda has authorized 2,000,000 shares of common stock with a par value of 10c per share, of which 1,933,000 shares were, as of December 31, 1969, issued and outstanding;

NOW, THEREFORE, Astro and Golconda agree each with the other that Astro be merged into Golconda pursuant to the terms and conditions of this Agreement as follows:

1. The Articles of Incorporation of Golconda shall be amended so that they will provide as attached hereto as EXHIBIT A.

2. Astro warrants and represents that the balance sheet of Astro, as of November 30, 1969, with Notes, as certified by Alexander Grant & Company, is true and correct and that there have been no material changes in said balance sheet since that date, except as indicated in the Prospectus dated March 3, 1970, representing the sale of $5,000,000 in 7% Convertible Subordinated Debentures due January 1, 1990. This balance sheet is attached hereto as EXHIBIT B.

3. Golconda warrants and represents that the balance sheet of Golconda, as of December 31, 1969, with notes, as certified by P. R. O'Shaughnessy, is true and correct and that there have been no material changes in said balance sheet since that date, except as indicated on said balance sheet. This balance sheet is attached hereto as EXHIBIT C.

4. The manner of conversion of the stock and debentures of Astro and Golconda shall be as follows:

(a) Each share of common stock of Golconda shall, without any action by the holder thereof, remain one share of common stock of Golconda.

(b) Each share of convertible preferred stock of Astro shall be converted into one share of the convertible preferred stock of Golconda. The terms and provisions of the convertible preferred shares to be issued by Golconda are set forth in EXHIBIT A attached hereto.

(c) Each share of common stock of Astro shall be [illegible] one and one-half shares of common stock of Golconda. If, however, during the next sixty (60) trading days fol-

LS 000299

lowing March 24, 1970, the closing price of Golconda on the Pacific Coast Exchange is $14.00 per share or higher for ten out of any fifteen consecutive trading days, then such shares of common stock of Astro shall be converted into one and four-tenths shares of the common stock of Golconda.

(d) Golconda shall not be required to issue fractional shares of common stock. If any fractional interest is due to any holder of the common stock of Astro, the board of directors of Golconda may at its election (i) issue non-voting scrip for such fractional interest in such form as the board of directors may determine, which scrip shall be exchangeable within a period of one year following the date of its issue, together with other scrip, for one or more full shares of common stock, or (ii) pay an amount in cash equal to the current market value of such fractional interest, calculated to the nearest cent, computed on the basis of the last reported sales price for such common shares on the Pacific Coast Exchange on the effective date of the merger.

(e) Each convertible subordinated debenture of Astro shall, without any action by the holder thereof, become a convertible subordinated debenture of Golconda, convertible into the common stock of Golconda, unless previously redeemed, at the conversion price of $10.67 per share; but, if the conversion ratio is reduced to 1.4, as provided herein, the said subordinated convertible debentures unless previously redeemed shall be convertible into common stock of Golconda at the conversion price of $11.43 per share. Otherwise all the terms and provisions of said debentures and trust indenture dated January 1, 1970 shall remain in full force and effect.

(f) Each share of the convertible preferred stock of Golconda shall be convertible into one and one-half shares of the common stock of Golconda. However, if during the next sixty (60) trading days following March 24, 1970, the closing price of Golconda on the Pacific Coast Exchange is $14.00 per share or higher for ten out of any fifteen consecutive trading days, then each share of the convertible preferred stock of Golconda shall be convertible into 1.4 shares of the common stock of Golconda. The terms and conditions of such conversion are set forth in EXHIBIT A attached hereto.

5. The number, names and addresses of the directors of Golconda to be recommended for election by the management of Golconda at the shareholders' meeting called to consider this Plan and Agreement of Merger are as follows:

Name	*Address*
M. J. Coen	Kansas City, Missouri
Albert Thomson	Kansas City, Missouri
Edwin B. Wright	St. Joseph, Missouri
Daniel L. Brenner	Kansas City, Missouri
L. N. Lucas	Chicago, Illinois
Albert S. Kepen	Chicago, Illinois
Michael F. Drinkhouse	New York City, New York
Ray Dunn	Mountain Home, Arkansas
A. D. Martin	Dallas, Texas
Wray Featherstone	Wallace, Idaho
Walter L. Sly	Spokane, Washington
L. K. Teel	San Clemente, California
Gordon Smith	San Francisco, California
Norman Smith	Kellogg, Idaho

6. The Bylaws of Golconda shall be amended and said Bylaws attached hereto as EXHIBIT D shall be the Bylaws of Golconda.

7. Upon consummation of the merger herein provided for, Golconda shall possess all the rights, privileges, powers, franchises and immunities as well of a public as of a private nature, and be subject to all the liabilities, restrictions and duties of Astro, and all and singular, the rights, privileges, powers, franchises and immunities of Astro, and all property, real, personal and

LS 000300

Golc - CDA dm - 0300

mixed, wheresoever located, and all debts due to Astro on whatever account, and all other things in action of or belonging to Astro, shall be vested in Golconda; and all property, rights, privileges, powers, franchises and immunities and all and every other interest shall be thereafter as effectually the property of Golconda as they were of Astro and the title to any real estate, whether by deed or otherwise, vested in Astro shall not revert or be in any way impaired by reason of this merger, provided that all rights of creditors and all liens upon property of Astro shall be preserved unimpaired, limited to the property affected by such liens at the time of this merger, and all debts, liabilities and duties of Astro shall thenceforth attach to Golconda and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

If at any time Golconda shall consider or be advised that any further assignments or any things are necessary or desirable to vest in Golconda, according to the terms hereof, the title to any property, rights, privileges or franchises of Astro, the officers and directors of Astro last in office shall and will execute and make all such proper assignments and do all things necessary or desirable to vest in and confirm to Golconda title to and possession of all such property, rights, privileges and franchises, and otherwise to carry out the purposes of this Plan and Agreement of Merger.

8. Golconda reserves the right to amend its Articles of Incorporation as provided by the laws of the State of Idaho, and all rights conferred upon stockholders herein are subject to this reservation.

9. If the merger contemplated hereby is not consummated for any reason whatsoever, then all expenses incurred in connection with this Plan and Agreement of Merger shall be borne by the respective company that incurred the expense.

10. All outstanding options, agreements, warrants and other rights to purchase or otherwise receive shares of the common stock of Astro shall continue in effect without change, except that they shall be convertible to the common stock of Golconda in accordance with the ratio set forth in paragraph 4(c) above.

11. The boards of directors of Astro and Golconda reserve the right by mutual agreement, to amend, alter, change or repeal any provision contained in this Plan and Agreement of Merger so as to facilitate the performance thereof; provided however, that no amendment shall substantially change the terms of this Plan and Agreement of Merger as set forth in paragraph 4 hereof.

12. The name of the corporation shall be changed to Golconda Corporation.

13. Golconda's principal place of business shall be located in Chicago, Illinois, subject, however, to transfer to such other place or places as the board of directors may determine. Initially, the registered office of the corporation shall be located in Wallace, Idaho, subject to transfer to such other place within the State of Idaho as the board of directors may determine.

14. This Agreement is subject to necessary approvals from regulatory agencies, if any, including the Securities and Exchange Commission, if such approval be required. This Agreement is also subject to approval by banks, insurance companies and other parties, if such approval is required.

15. Golconda shall, by supplemental indenture satisfactory to the trustee, executed and delivered to the trustee by Golconda, expressly assume the due and punctual payment of the principal of (and premium, if any) and interest on all the subordinated debentures issued by Astro under the Indenture dated January 1, 1970, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of said debentures to be performed by Astro.

In addition, Golconda shall, if required, assume in writing the payment of any obligation of Astro's notes or other written instruments.

16. The boards of directors of Golconda and Astro shall have the right, after shareholder approval of this Plan and Agreement of Merger and prior to the closing thereof, by the joint actions of both boards to abandon said Plan and Agreement of Merger.

LS 000301

Golc - CDA dm - 0301

17. Prior to the shareholders' meetings Golconda and Astro shall receive an opinion from their respective counsel that this Plan and Agreement of Merger is a tax free reorganization under the Internal Revenue Code.

18. Pending the closing of this Plan and Agreement of Merger, neither corporation, without the consent of the other, shall effect any change in its capital structure nor declare any dividends except at the annualized rate prevailing in 1969, nor effect any transaction or agreement out of the ordinary course of business involving more than 10% of its assets. Notwithstanding the foregoing provision, Astro may proceed with the liquidation and transfer of its Paris, Illinois, plant and the sale or lease of any surplus real estate resulting from such transfer, and may proceed with the execution of a mortgage in the amount of $3,000,000 on its Peterson Avenue property and may proceed with the sale of the property adjoining the Peterson Avenue plant, and Golconda may proceed with the finalization of the reorganization of parts of its property and the property of its subsidiaries into Alice Consolidated Mines, Inc. and with its participation in the operating agreement between Alice Consolidated Mines, Inc. and Hecla Mining Company.

19. Golconda agrees that it may be served with process in the States of Illinois and Delaware in any proceeding for the enforcement of the rights of creditors or dissenting shareholders in the same manner as the service of process may now be effected against Astro.

20. It is contemplated that upon completion of the Plan and Agreement of Merger, Golconda will make application to the Securities and Exchange Commission for withdrawal of its registration as an investment company under the Investment Company Act of 1940.

21. The mode of carrying this merger into effect is as follows:

(a) This Plan and Agreement of Merger shall be submitted to the shareholders of Astro and Golconda, as provided by law, and shall take effect upon the approval or adoption thereof by the shareholders of Astro and Golconda in accordance with the laws of the States of Delaware and Idaho; provided, however, that for all purposes, the effective date of the merger shall be the date this Plan and Agreement of Merger is filed in the office of the Secretary of State of Idaho.

(b) Both parties will cooperate in filing with and obtaining approval of all regulatory bodies.

(c) This Plan and Agreement of Merger may be abandoned at any time prior to its approval by the shareholders of both corporations, by mutual consent of Astro and Golconda.

22. This Plan and Agreement of Merger may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

LS 000302

Golc - CDA dm - 0302

IN WITNESS WHEREOF, the parties to this Agreement, pursuant to authority duly given by their respective boards of directors, have caused these presents to be executed by a majority of the directors of each party thereof, and the corporate seals affixed.

DATED: April 16, 1970.

ASTRO CONTROLS, INC.

By .....
M. J. Coen, *Chairman of the Board*

.....
Daniel L. Brenner, *Director*

.....
M. J. Coen, *Director*

.....
Michael F. Drinkhouse, *Director*

.....
Ray Dunn, *Director*

.....
Albert S. Kepen, *Director*

.....
Robert P. Kepen, *Director*

.....
L. N. Lucas, *Director*

.....
A. D. Martin, *Director*

.....
John M. Stogin, *Director*

.....
Albert W. Thomson, *Director*

.....
Edwin B. Wright, *Director*

(SEAL)

Attest:

.....
Albert W. Thomson, *Secretary*

GOLCONDA MINING CORPORATION

By .....
Wray Featherstone, *President*

.....
Wray Featherstone, *Director*

.....
H. F. Korholz, *Director*

.....
L. K. Teel, *Director*
Not a director as of April 16, 1970

.....
Walter L. Sly, *Director*

.....
[illegible], *Director*

LS 000303

EXHIBIT A

AMENDED ARTICLES OF INCORPORATION
OF
GOLCONDA CORPORATION

ARTICLE 1: The name of the corporation is GOLCONDA CORPORATION.

ARTICLE 2: The registered office of the corporation is in the City of Wallace, County of Shoshone, State of Idaho.

ARTICLE 3: The duration of the corporation is perpetual.

ARTICLE 4: The purpose or purposes for which the corporation is organized are:

To buy, sell, design, engineer, manufacture, create and repair special machines, machine parts, jigs, tools, dies, fixtures, precision parts, and any other product in any manner similar thereto.

To manufacture, assemble, buy, sell, hire, install, research and develop, distribute or dispose of electromechanical components and assemblies, guidance components and assemblies, electropneumatic components and assemblies, precise instrumentation components and assemblies, and all kinds of goods, wares, merchandise, manufactures, commodities, machinery, tools, supplies and products, appliances, devices or equipment, of every kind and nature.

To design, develop, manufacture, buy or market various types of control devices, regulators, valves, welding devices, and any other devices of electric and/or mechanical nature.

To design, develop, manufacture, buy or market food serving devices and facilities including, but not limited to, display cases, refrigerators, serving counters, warming devices, carbonators, dispensers of liquids or semi-solid foods, ice cream makers, coffee makers, utensils and other devices used in the preparation, storage, serving and clean up of food or other materials used or consumed by humans. Generally to engage in and conduct any form of manufacturing or mercantile enterprise.

To locate, buy, acquire, own, enter, lease, sell, convey and deal in mines, and mineral lands of every kind and nature and description, also purchase, locate or otherwise acquire, own, enter or lease, sell and deal in mill sites, water rights and terminal facilities; to work, prospect, or develop mines and mineral lands of every nature or description, either for itself or for other companies, corporations or individuals upon such terms or for such remuneration as it shall deem fit and proper and to accept, take and hold mineral lands of every nature or description, either as an entirety or any interest in the same; to hold, purchase or otherwise acquire or be interested in, and to sell, assign, pledge or otherwise dispose of, shares of the capital stock, bonds, or other evidences of debt issued or created by any other corporation; whether foreign or domestic, and whether now or hereafter organized; and while the holder of any such shares of stock, to exercise all the rights and privileges of ownership, including the right to vote thereon to the same extent, as a natural person might or could do; to do everything that may be necessary or proper in the conduct of its business in the way of locating, prospecting, developing, acquiring, buying and selling mineral lands and mining claims of every kind, nature and description, and working such mines and the production of ores and minerals therefrom, and in the reducing such ores and minerals to the most merchantable value, and in doing the same, to contract, build, buy, sell, own and operate all necessary mills, smelters, machinery, roads, railroads, tramways, ditches, flumes, and such other property as shall be fit and necessary in carrying out the objects herein stated; to sell, buy, lease mines and mining property of all kinds and property of every kind and nature and description, useful and necessary in operating and maintaining the same, and in reducing the ores and in refining the minerals taken therefrom upon commission, whether such commission be paid in money or otherwise; to erect buildings, operate saw-mills and engage in trade of every kind both in stores and provisions, steam and other transportation, road building and engineering, freighting and carrying.

To conduct a general mining, milling and smelting business.

To purchase, secure, use, own and enjoy any and all franchises useful and beneficial for the prosecution of the business of this corporation.

To exercise the right of eminent domain according to law and condemn and acquire rights of way for tunnels, shafts, hoisting works, dumps, cuts, ditches, canals, reservoirs, storage basins, dams, roads, railroads and tramways incident, necessary or convenient for the uses and purposes and objects of this corporation and do all things incident to the general business of this corporation in the State of Idaho, in the other states and territories of the United States and elsewhere, that this corporation may desire or conclude to do business.

To buy and sell ores, bullion, metals, minerals and concentrates, and all other materials and supplies, and to reduce ores and minerals for pay.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, relating to or useful in connection with any business of this corporation.

To acquire by purchase, subscription, or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of capital stock, scrip, warrants, rights, bonds, debentures, notes, trusts receipts, and other securities, obligations, choses in action and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, syndicates, associations, firms, trusts or persons, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality or other political subdivision or by any governmental agency, and as owner thereof to possess and exercise all the rights, powers and privileges of ownership, including the right to execute consents and vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

To borrow or raise moneys for any of the purposes of the corporation and, from time to time without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof, and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To purchase, receive, take by grant, gift, devise, bequest or otherwise, lease, or otherwise acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated, and to sell, convey, lease, exchange, transfer or otherwise dispose of, or mortgage or pledge, all or any of the corporation's property and assets, or any interest therein, wherever situated.

To enter into partnership or joint venture agreements with other corporations, partnerships or individuals.

In general, to possess and exercise all the powers and privileges granted by the General Corporation Law of Idaho or by any other law of Idaho or by this document together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the corporation.

The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this document, but the business and purposes specified in each of the foregoing clauses of this article shall be regarded as independent business and purposes.

ARTICLE 5: The total number of shares of stock which Golconda shall have authority to issue is eight million, five hundred thousand (8,500,000) of which seven million, five hundred thousand (7,500,000) shares shall be common stock without par value and one million (1,000,000) shall be convertible preferred stock having a par value of $1.00 per share. All such shares shall be fully paid and non-assessable.

Each share of preferred stock of Golconda shall be convertible into one and one-half shares of the common stock of Golconda; provided, if during the next sixty (60) trading days following March 24, 1970, the closing price of Golconda common stock on the Pacific Coast Exchange is $14.00 per share or higher for ten (10) out of any fifteen (15) consecutive trading days; then each share of preferred stock of Golconda shall be convertible into one and four-tenths shares of the common stock of Golconda, upon surrender to the corporation of the certificates of convertible preferred stock so to be converted, duly assigned in blank for transfer. No adjustment of dividends will be made upon the exercise of the conversion privilege.

Golconda shall not be required to issue fractional shares of common stock in exchange for shares of its convertible preferred stock. If any fractional interest is due any holder of its preferred stock, the Board of Directors of Golconda may at its election (i) issue non-voting scrip for such fractional interest in such form as the Board of Directors may determine, which scrip shall be exchangeable within a period of one year following the date of its issue, together with other scrip, for one or more full shares of common stock, or (ii) pay an amount in cash equal to the current market value of such fractional interest, calculated to the nearest cent, computed on the basis of the last reported sales price for such common shares on the Pacific Coast Exchange on the date of conversion.

The holders of the convertible preferred stock shall be entitled to receive, when and as declared, dividends at the rate of $1.00 per share per annum payable quarterly. The dividends on the said preferred stock shall be cumulative and shall be payable before any dividends on the common shall be paid or set apart. If in any year, the dividends declared and paid upon the said preferred stock shall not amount to $1.00 per share, the deficiency shall be payable before any dividends shall be thereafter paid upon or set apart for the common stock; provided, however, that whenever all cumulative dividends on the said preferred stock for all previous years shall have been declared and become payable, and the accrued quarterly installments for the current year shall have been declared, and the corporation shall have paid such cumulative dividends for previous years, and such accrued quarterly installments, or shall have set aside from its surplus or net profits a sum sufficient for the payment thereof, the Board of Directors may declare dividends on the common stock payable then or thereafter out of any remaining surplus or net profits.

The convertible preferred shares shall be preferred as to assets as well as dividends, as aforesaid, and upon the dissolution, liquidation or winding up of the corporation, the holders of said preferred shares shall be entitled to receive and be paid for each said preferred share, out of the assets of the corporation (whether capital or surplus) $42.00 per share where such event is voluntary or $37.50 per share where such event is involuntary, plus an amount equal to dividends accumulated and unpaid thereon, whether earned or declared or not, before any distribution of assets shall be made to the holders of common shares, but the holders of said preferred shares shall not be entitled to further participation in such distribution, and the holders of the common shares shall be entitled, to the exclusion of the holders of said preferred shares, to all assets of the corporation remaining after payment to the holders of the said preferred shares of the full preferential amount aforesaid.

Neither a consolidation nor merger of the corporation with or into any other corporation, nor a merger of any other corporation into the corporation, nor the purchase or redemption of all or any part of the outstanding shares of any class or classes of stock of the corporation, nor the sale or transfer of the property and business of the corporation as or substantially as an entirety, shall be

construed to be a liquidation, dissolution, or winding up of the corporation within the meaning of the foregoing provisions.

The holders of the convertible preferred shares shall be entitled to one vote for each share held and shall have the power to vote cumulatively for the election of directors. The said preferred shares and the common shares shall vote together as one class.

The corporation, at its option to be exercised by its Board of Directors, may redeem in whole or in part the convertible preferred shares at any time after May 5, 1974, at $37.50 per share, plus an amount equal to dividends accumulated and unpaid thereon, whether earned or declared or not. Payment of the redemption price of the said preferred shares shall be made in cash. Notice of such redemption, stating the redemption date, the redemption price and the place of payment thereof shall be given by mailing a copy of such notice at least thirty (30) days prior to the date fixed for redemption to the holders of record of the said preferred shares to be redeemed at their respective addresses as the same appear on the books of the corporation. If such notice of redemption shall have been duly given and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside so as to be available therefor, then notwithstanding that any certificate for said preferred shares so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue from and after the date of redemption so fixed and all rights with respect to such preferred shares so called for redemption not theretofore expired shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable upon redemption thereof, but without interest.

Convertible preferred shares which are redeemed, purchased or otherwise acquired by the corporation shall be cancelled and shall not be reissued.

In case the corporation shall at any time, or from time to time, subdivide the outstanding shares of common stock into a greater number of shares, then with respect to each such subdivision the number of shares of common stock deliverable upon conversion of each share of convertible preferred stock hereby designated shall be increased in proportion to the increase resulting from such subdivision in the number of outstanding shares of common stock; and in case the corporation shall at any time, or from time to time, combine the outstanding shares of common stock into a smaller number of shares, then with respect to each such combination the number of shares of common stock deliverable upon the conversion of each share of convertible preferred stock hereby designated shall be decreased in proportion to the decrease resulting from such combination in the number of outstanding shares of common stock.

In case, prior to the conversion or redemption of the convertible preferred stock, the corporation shall be recapitalized by reclassifying its outstanding common stock into shares with a different par value or shall thereafter reclassify any such shares in like manner, or the corporation or a successor corporation shall consolidate or merge with or convey all or substantially all its or any successor corporation's property or assets to any other corporation or corporations, the holder of the convertible preferred stock shall thereafter have the right to convert pursuant to and on the terms and conditions and during the time specified herein, in lieu of the shares theretofore convertible, such shares of stock, securities or assets as may be issued or payable with respect to, or in exchange for, the number of shares theretofore receivable upon the conversion of the said preferred stock had such recapitalization, consolidation, merger or conveyance not taken place; and in any such event, the rights of the holder of said preferred shares to an adjustment in the number of common shares into which said preferred stock is convertible shall continue and be preserved in respect of any stock, securities or assets which the holder of said preferred stock is thus entitled.

In the event:

(A) The corporation shall take a record of the holders of its common stock for the purpose of entitling them to receive a dividend otherwise than in cash, or any other distribution

in respect of the common stock (including cash), pursuant to, without limitation, any spin-off, split-off or distribution of the corporation's assets; or

(B) The corporation shall take a record of the holders of its common stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or to receive any other rights; or

(C) Of any classification, reclassification, or other reorganization of the capital stock of the corporation, consolidation or merger of the corporation with or into another corporation or conveyance of all or substantially all of the assets of the corporation; or

(D) Of the voluntary or involuntary dissolution, liquidation or winding up of the corporation;

then, and in any such case, the corporation shall mail to the holders of convertible preferred stock, at least twenty (20) days prior to such record date, a notice stating the date or expected date on which a record is to be taken for the purpose of such dividend, distribution or rights, or the date on which such classification, reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation, or winding up is to take place, as the case may be.

In case the corporation, at any time while convertible preferred stock shall remain issued and outstanding, shall sell all or substantially all its property or dissolve, liquidate or wind up its affairs, the holder of said preferred stock may thereafter receive upon conversion thereof in lieu of each share of common stock of the corporation which such holder would have been entitled to receive, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidating or winding up with respect to each share of common stock of the company.

ARTICLE 6: At all elections of directors of Golconda, each common and convertible preferred stockholder shall be entitled to as many votes as shall equal the number of votes which (except for such provision as to cumulative voting) he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as he may see fit.

ARTICLE 7: No common or preferred stockholder of Golconda shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the corporation, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the Board of Directors, in its discretion from time to time may grant, and at such price as the Board of Directors in its discretion may fix; and the Board of Directors may issue shares of any class of Golconda, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class.

ARTICLE 8: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of Golconda is expressly authorized:

To make, alter or repeal the by-laws of Golconda except as otherwise provided for in the by-laws.

To authorize and cause to be executed mortgages and liens upon the real and personal property of Golconda.

To set apart out of any of the funds of Golconda available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

LS 000308

Golc - CDA dm - 0308

By a majority of the whole Board, to designate one or more committees, each committee to consist of two or more of the directors of Golconda. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution or in the by-laws of Golconda, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of Golconda, and may authorize the seal of the corporation to be affixed to all papers which may require it; provided, however, the by-laws may provide that in the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called upon such notice as is required by statute, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all or substantially all of the property and assets of Golconda, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property including shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of Golconda.

ARTICLE 9: Meetings of stockholders may be held within or without the State of Idaho as the by-laws may provide. The books of Golconda may be kept (subject to any provision contained in the statutes) outside the State of Idaho at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the corporation. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

ARTICLE 10: The corporation reserves the right to amend, alter, change or repeal any provision contained herein in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE 11: All outstanding options, agreements, warrants and other rights, to purchase or otherwise receive or acquire shares of stock of Astro Controls, Inc. shall be deemed options, agreements, warrants, or other rights, as the case may be, to purchase or otherwise receive or acquire under the same circumstances a number of shares of the common or convertible preferred stock of Golconda at the applicable exchange ratio.

ARTICLE 12: The business of the corporation shall be managed by a Board of Directors elected by the stockholders at any annual or special meeting of stockholders. Directors of the corporation need not be stockholders. The number of such directors shall be not less than ten (10) nor more than fifteen (15). The exact number of directors shall be fixed by the by-laws of the corporation. Vacancies in the Board of Directors shall be filled by the remaining members of the Board and each person so elected shall be a director of the corporation until his successor shall have been elected.

LS 000309

Golc - CDA dm - 0309

EXHIBIT B

ASTRO CONTROLS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

November 30, 1969

ASSETS

CURRENT ASSETS	
Cash	$ 1,472,600
Commercial notes—at cost (which approximates market)	450,000
Accounts receivable	
Trade, less allowance for uncollectible receivables of $49,900	7,035,948
Federal income tax refund	199,482
Inventories (Note B)	15,791,664
Prepaid expenses and sundry deposits	95,997
Total current assets	25,045,691
PROPERTY, PLANT AND EQUIPMENT—AT COST, less accumulated depreciation and amortization of $8,224,291 (Note C)	7,175,522
OTHER ASSETS	
Excess of cost over underlying equity of net assets acquired (Note A)	4,374,476
Sundry	694,705
	$37,290,394

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Notes payable	
Banks	$ 4,000,000
Other	175,000
Accounts payable	2,278,051
Income taxes	241,855
Accrued liabilities	
Salaries, wages and commissions	553,597
Property and other taxes	251,379
Interest	198,269
Other accrued liabilities	134,326
Total current liabilities	7,832,477
LONG-TERM DEBT (NOTE D)	
Bank	4,526,654
7% Subordinated Notes payable to insurance companies	5,000,000
DEFERRED INCOME TAXES AND OTHER LIABILITIES	
Federal income taxes	381,377
Compensation plan cost	104,174
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE E)	—
STOCKHOLDERS' EQUITY (NOTES D, F, G AND H)	
$1.00 Cumulative Convertible Preferred Stock—	
Authorized, 600,000 shares of $1.00 par value; issued and outstanding 468,445 (redemption value $17,566,687)	468,445
Common stock—authorized, 2,000,000 shares of no par value; issued and outstanding 547,628 at a stated value of $1.00 per share	547,628
Additional contributed capital	6,529,803
Retained earnings	11,899,836
	19,445,712
	$37,290,394

LS 000310

Golc - CDA dm - 0310

ASTRO CONTROLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ADDITIONAL CONTRIBUTED CAPITAL

	Fiscal Year ended 1967/8 (Note A)	*Fiscal year ended November 30,* 1968	1969
Balance—beginning of period	$ —	$ 6,178,263	$ 6,307,018
The Bastian-Blessing Company	3,249,253	—	—
Pioneer Astro Industries, Inc.	—	—	—
Contributed capital of Bastian applicable to portion of merger (41%) accounted for as purchase	(1,331,888)	—	—
Amount applicable to cancellation of 7,889 Bastian shares held in treasury	(30,742)	—	—
Excess of par value of Pioneer and Bastian Common stock exchanged for Astro shares	4,291,640	—	—
Costs relating to the merger of Pioneer and Bastian	—	(138,452)	(52,711)
Balance—beginning of period as restated	6,178,263	6,039,811	6,254,307
Proceeds in excess of par value arising from sale of 7,000 shares of Pioneer treasury stock and conversion of note payable prior to merger with Astro	—	267,207	—
Allocation of debt discount attributable to warrants issued in connection with 7% subordinated notes to insurance companies	—	—	275,496
Balance—end of period	$ 6,178,263	$ 6,307,018	$ 6,529,803

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Balance—beginning of period	$ —	$10,741,512	$10,924,415
The Bastian-Blessing Company—November 30, 1966	15,343,997	—	—
Pioneer Astro Industries, Inc.—April 30, 1967	1,297,551	—	—
Retained earnings of Bastian applicable to portion of merger (41%) accounted for as purchase	(6,289,530)	—	—
Amount applicable to cancellation of 7,889 Bastian shares held in treasury	(53,902)	—	—
Balance beginning of period as restated	10,298,116	10,741,512	10,924,415
Net earnings for the period	1,053,523	804,430	1,441,212
	11,351,639	11,545,942	12,365,627
Cash dividends paid			
The Bastian-Blessing Company	922,250	736,826	370,956
Less portion (41%) accounted for as a purchase	(378,123)	(302,098)	—
	544,127	434,728	370,956
Pioneer Astro Industries, Inc.	66,000	66,000	—
Astro Controls, Inc.—$.50 per preferred share	—	—	242,300
Duplication of earnings ($164,799), less dividends ($44,000) due to change in Pioneer's fiscal year end	—	120,799	—
Elimination of portion of Bastian dividends paid to Pioneer in 1968	—	—	(147,465)
	610,127	621,527	465,791
Balance—end of period	$10,741,512	$10,924,415	$11,899,836

LS 000311

Golc - CDA dm - 0311

ASTRO CONTROLS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A—PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Astro Controls, Inc. and its subsidiaries. The Company is the result of a combination, on a partial pooling of interests basis, of Pioneer Astro Industries, Inc. and The Bastian-Blessing Company as of May 5, 1969.

Excess of cost over underlying equity of net assets acquired arose from the purchase by Pioneer of Bastian common stock which stock was cancelled under the terms of the consolidation into Astro Controls, Inc. In the opinion of management, the cost in excess of net asets acquired is of continuing value and, accordingly, is not subject to amortization.

NOTE B—INVENTORIES

Inventories used in the computation of cost of goods sold are as follows:

Fiscal year ended			
1966/7			$13,997,967
1967/8			15,353,184
November 30,			
1967			15,258,732
1968			14,279,549
1969	Raw materials and supplies	$ 2,423,027	
	Work in process	2,603,716	
	Finished goods	10,764,921	15,791,664

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market.

NOTE C—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at November 30, 1969 is comprised as follows:

Buildings and improvements	$ 4,198,300
Machinery, equipment and tools	9,974,306
Office furniture and fixtures	553,749
	14,726,355
Accumulated depreciation and amortization	8,224,291
	6,502,064
Land	673,458
	$ 7,175,522

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service lives and methods used in determining depreciation are as follows:

Description	*Service lives*	*Method of depreciation*
Buildings and improvements	8 to 50 years	Straight-line
Machinery and equipment	5 to 20 years	Straight-line and double declining-balance
Furniture and fixtures	8 to 20 years	Straight-line
Automobiles and aircraft	3 to 6 years	Principally double declining-balance
Land improvements	20 years	Straight-line
Leasehold improvements	Life of asset or term of lease whichever is shorter	Straight-line

Maintenance and repairs are charged to operations as incurred. Betterments and major renewals are capitalized. Upon sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with the depreciation taken prior to the sale with any resultant gain or loss reflected in earnings.

LS 000312

Golc - CDA dm - 0312

NOTE D—LONG-TERM DEBT

Long-term debt at November 30, 1969 is comprised of the following:

Notes payable to bank at a rate of ½% above the prime rate (currently 9%)	
Due January 15, 1971	$4,100,000
Due January 15, 1971	426,654
7% subordinated notes payable to insurance companies due January 15, 1981	5,000,000(a)
	$9,526,654

(a) Semiannual sinking fund payments of $250,000 are due each January 15 and July 15 commencing July 15, 1971.

The loan agreement underlying the 7% subordinated notes payable contains a covenant that the Company will use its best efforts to consummate a public offering of equity or junior subordinated debt securities, and that the net proceeds of any such offering will be applied first to the retirement of the $4,000,000, 7½% note payable to bank due March 27, 1970, and the $426,654 note payable to bank due January 15, 1971, and second, to the prepayment of $1,000,000 principal amount of notes payable to insurance companies. Prepayment of these notes shall be credited to required sinking fund payments in inverse order of their due dates.

Covenants of the loan agreement further provide, among other things, that the Company:

(1) Will maintain consolidated net working capital of $10,000,000 and consolidated net worth, as defined, of $10,000,000. At November 30, 1969, consolidated net working capital and consolidated net worth as defined were $17,213,214 and $14,789,407, respectively.

(2) Will not pay cash dividends in excess of 50% of consolidated net income, as defined, after December 31, 1968. At November 30, 1969, retained earnings in the amount of $312,807 were free of such restriction. The current annual cash dividend requirement on the Cumulative Convertible Preferred Stock outstanding is $468,445. No dividends were in arrears at November 30, 1969.

(3) Will not incur unsecured bank indebtedness due within one year in excess of $3,000,000, or less depending upon the unpaid balance on the $4,100,000 bank note due January 15, 1971, and for a period of 60 consecutive days during each calendar year the Company shall not have any such unsecured indebtedness outstanding, other than that outstanding as of May 6, 1969.

(4) Will not incur secured indebtedness in excess of $500,000 until the required $1,000,000 prepayment of these notes has been made; thereafter, secured indebtedness will be limited to $2,000,000.

(5) Shall not incur obligations under long term leases, (except for data processing equipment) in excess of $150,000 per year. The current annual obligation under such leases is $125,000.

NOTE E—COMMITMENTS AND CONTINGENT LIABILITIES

Approximately $1,917,000 of gross sales of the Pioneer Division are subject to renegotiation at November 30, 1969. The Company does not expect any renegotiation adjustments. For additional information see "Business —Pioneer Astro Division".

At November 30, 1969, the Company is contingently liable on $241,077 of notes receivable discounted.

NOTE F—EMPLOYEE BENEFIT PLANS

The Company has various benefit plans, including pensions, profit sharing and executive incentive compensation plans covering a substantial portion of its employees. Provisions for these plans for the fiscal year ended November 30, 1969 approximated $654,000. The pension plan is for substantially all salaried employees and full-time hourly rated employees of the Bastian Division. Unfunded past-service costs approximating $3,200,000 at November 30, 1969 are being funded on a thirty-year basis; current costs are being funded as accrued. The actuarially computed value of vested benefits for all plans as of November 30, 1969 exceeded the total of the pension funds by $3,300,000. The charges to earnings for the cost of the pension plans were as follows:

Year ended	
November 30, 1968	$501,430
November 30, 1969	501,882

On July 9, 1969, the Company adopted a Monthly Investment Plan whereby substantially all full-time employees may purchase the Company's common stock. The Company will contribute an amount equal to 20% of the first $20.00 per month paid to the Plan by the employee. The Plan is on file with the Securities and

LS 000313

Golc - CDA dm - 0313

Exchange Commission but the registration of the shares offered pursuant to the Plan has not yet become effective.

For additional information regarding employee benefit plans see "Management—Remuneration and Retirement Benefits".

NOTE G—STOCK OPTION PLAN

The Company has a qualified stock option plan at November 30, 1969 in which options covering 7,644 shares of cumulative convertible preferred stock were granted but not exercised. The options were priced at 100% of fair market value at the date of grant and may be exercised in whole or in part at any time prior to five years thereafter. All options were granted in prior years and no additional options may be granted under the plan. At November 30, 1969, the 7,644 shares under option had a fair market value at date of grant of $162.325. During the year, options to purchase 5,641 shares (having a fair market value at date of exercise of $191,600) were exercised for $120,574. Options to purchase 10,382 shares expired during the year.

Reference is made to "Stock Option Plan and Warrants" contained elsewhere herein.

NOTE H—CAPITAL STOCK

During the period from May 6, 1969 (date of consolidation) to November 30, 1969, 18,935 shares of cumulative convertible preferred stock were exchanged into common stock.

NOTE I—SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Supplementary profit and loss information for the three fiscal periods ended November 30, 1969 is as follows:

	Fiscal	*November 30*	
	1967/8	*1968*	*1969*
Maintenance and repairs			
Cost of goods sold or operating expenses	$ 805,985	$ 771,059	$ 765,740
Other expenses	47,675	16,579	17,557
	$ 853,660	$ 787,638	$ 783,297
Depreciation and amortization			
Cost of goods sold or operating expenses	$ 729,017	$ 654,253	$ 833,055
Other expenses	104,782	85,267	88,618
	$ 833,799	$ 739,520	$ 921,673
Taxes other than income taxes (a)			
Cost of goods sold or operating expenses	$ 711,983	$ 747,999	$ 853,147
Other expenses	160,566	159,668	193,393
	$ 872,549	$ 907,667	$1,046,540
Rents and royalties			
Cost of goods sold or operating expenses	$ 133,937	$ 81,400	$ 103,682
Other expenses	122,154	134,964	190,450
	$ 256,091	$ 216,364	$ 294,132

(a) Taxes other than income taxes comprise:

Real estate and personal property taxes	$ 223,443	$ 232,029	$ 302,663
Social security taxes	589,045	601,341	691,402
Sundry state taxes	60,061	74,297	52,475
	$ 872,549	$ 907,667	$1,046,540

EXHIBIT C

GOLCONDA MINING CORPORATION

BALANCE SHEET

December 31, 1969 and 1968

ASSETS

CURRENT ASSETS:		
Cash in banks	$ 182,011	$ 20,174
Receivables	35,823	103,013
	217,834	123,187
PROPERTY, PLANT AND EQUIPMENT, at cost	697,096	697,096
Less accumulated amortization, depletion and depreciation	631,173	631,173
Remaining cost	65,923	65,923
OTHER MINING ASSETS:		
Capital stock in mining companies, at cost (approximate market value 12/31/69 $23,001,400; 12/31/68 $28,702,000)	5,095,399	3,865,297
Total	$5,379,156	$4,054,407

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:		
Accounts payable	$ 206,206	$ 135,445
Income taxes payable(1)		47,834
	206,206	183,279
NOTES PAYABLE, banks	2,245,000	1,060,000
CAPITAL:		
Capital stock, non-assessable, par value ten cents per share, authorized 2,000,000 shares, all of which are issued	200,000	200,000
Capital surplus	184,142	184,142
Retained earnings	3,029,408	2,912,586
Treasury stock, at cost, 67,000 shares	(485,600)	(485,600)
Total	$5,379,156	$4,054,407

GOLCONDA MINING CORPORATION

INCOME STATEMENT

For the years ended December 31, 1969 and 1968

	1969	1968
INCOME:		
Dividend income:		
Hecla Mining Company	$ 479,080	$ 427,980
Other	11,683	14,573
Miscellaneous	61	2,175
	490,824	444,728
EXPENSES:		
Interest	73,675(2)	70,198
Salaries	39,000	37,050
Office expense	40,325	32,286
General expenses	22,275	14,334
Mine and mill expense	5,077	6,537
	180,352	160,405
NET INVESTMENT INCOME	$ 310,472	$ 284,323

REALIZED GAIN ON INVESTMENTS

For the years ended December 31, 1969 and 1968

Aggregate sales price	$ 48,626	$ 350,623
Book cost	10,316	102,446
Gain on sales	38,310	248,177
Less income taxes(1)		50,924
NET REALIZED GAIN ON INVESTMENTS	$ 38,310	$ 197,253
TOTAL INCOME	$ 348,782	$ 481,576
PER SHARE	18 cents	25 cents

(1) The Internal Revenue Service has examined the federal income tax returns filed by the Company for the years 1962 through 1966 and has proposed additional tax of $276,571. The Company has contested this proposed liability and has filed a petition with the Tax Court. Returns for 1967, 1968 and 1969 have not been audited.

(2) During 1969 additional interest in the amount of $75,200 was capitalized as cost of investments. If this amount had been charged to expense, total income for 1969 would be $273,582 or 14 cents per share.

(3) On April 3, the corporation elected to take a 20% participation in the working agreement between Hecla Mining Company and Alice Consolidated Mines, Inc.

LS 000316

Golc - CDA dm - 0316

SCHEDULE OF CAPITAL STOCK IN MINING COMPANIES,

owned by

GOLCONDA MINING CORPORATION,

December 31, 1969

Security	*No. of Shares*	*Approximate Market Value*	*Cost*
Capital stock of operating companies located in the Coeur d'Alene Mining District:			
Hecla Mining Company (affiliate)	691,900	$20,065,100	$3,836,959
Gulf Resources & Chemical, $1.30 Pfd.	1,500	26,625	7,737
Capital stock of companies owning property in the Golconda Area of the Coeur d'Alene Mining District (affiliates):			
Alice Silver-Lead Mining	835,625	52,178*	52,178
Bell Mining Company	203,000	15,000*	15,000
Black Bear Mines Company	880,371	11,014*	11,014
Granada Lead Mines, Inc.	755,442	9,769*	9,769
Great Eastern Mining Company	100,000	5,000*	5,000
Ivanhoe Mining Company, Ltd.	358,000	4,690*	4,690
Mullan Metals, Inc.	426,512	13,983*	13,983
Mullan Silver-Lead Company	1,241,756	558,790	80,104
Square Deal Mining & Milling	997,459	259,339	69,552
United Lead-Zinc Mines	1,413,354	876,279	210,291
Wallace Mining Company	254,025	4,845*	4,845
Capital stock of other mining companies located in the Coeur d'Alene Mining District		401,942	241,607
Capital stock of other mining companies:			
American-South African Investment	1,000	27,500	49,435
Campbell Red Lake Mines	1,000	17,250	24,775
Dome Mines, Ltd.	1,000	47,125	53,807
Granduc Mines, Ltd.	48,000	510,000	253,677
La Luz Mines, Ltd.	2,000	21,500	27,250
Homestake Mining Company	2,200	36,850	68,184
Silver Eureka Corporation	5,700	10,121	13,104
President Brand Gold Mining Co.	2,000	26,500	42,438
Totals		$23,001,400	$5,095,399

The market value does not purport to represent the amount which might be realized upon disposition of these assets.

*** Stated at cost, no quoted market value. The Board of Directors has designated the stated value to be the fair value of the related securities.**

LS 000317

Golc - CDA dm - 0317

	1969	1968
Unrealized appreciation on investments	$17,906,001	$24,836,703
Aggregate purchase price of investments acquired during year	$ 1,268,412	$ 462,125

STATEMENT OF RETAINED EARNINGS

For the years ended December 31, 1969 and 1968

Balance, beginning of period	$ 2,912,586	$ 2,662,970
Net investment income less dividends paid ($231,960 in 1969 and in 1968)	78,512	52,363
Net realized gain on investments	38,310	197,253
Balance, end of period	$ 3,029,408	$ 2,912,586

The total remuneration of officers and directors during the year ended December 31, 1969, was $29,700.

AUDITOR'S CERTIFICATE

To the Board of Directors and Shareholders of
GOLCONDA MINING CORPORATION

I have examined the balance sheet of Golconda Mining Corporation as of December 31, 1969, and the related statements of income and retained earnings for the year then ended, and the schedule of capital stock in mining companies owned by Golconda Mining Corporation. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances. All securities owned by the Company were verified either by direct examination or confirmation. I made a similar examination for the year ended December 31, 1968.

In my opinion, the accompanying statements present fairly the financial position of Golconda Mining Corporation at December 31, 1969, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the capitalization of interest.

P. R. O'SHAUGHNESSY
Certified Public Accountant

Ellensburg, Washington
February 23, 1970

LS 000318

Golc - CDA dm - 0318

EXHIBIT D

GOLCONDA CORPORATION

BY-LAWS

ARTICLE I

OFFICES

SECTION 1. The registered office shall be in the City of Wallace, County of Shoshone, State of Idaho.

SECTION 2. The corporation may also have offices at such other places within and without the State of Idaho as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. All meetings of the stockholders for the election of directors shall be held in the City of Chicago, State of Illinois, at such location as may be fixed from time to time by the board of directors, or at such other city as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

SECTION 2. Annual meetings of stockholders, commencing with the year 1971, shall be held on the third Friday of April, if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 A.M., or at such other date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect by cumulative voting a board of directors, and transact such other business as may properly be brought before the meeting.

SECTION 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than fifty days before the date of the meeting.

SECTION 4. There shall be prepared, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

SECTION 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than fifty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

SECTION 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

SECTION 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before the meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question.

SECTION 10. Each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted more than eleven months from its date, unless the proxy provides for a longer period, then, in no event longer than three years. At all elections of directors, each stockholder shall be entitled to as many votes as shall equal the number of shares voted by them multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as he may see fit.

SECTION 11. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, by any provision of the statutes, the meeting and vote of stockholders may be dispensed with if all of the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken; or if the certificate of incorporation authorizes the action to be taken with the written consent of the holders of less than all of the stock who would have been entitled to vote upon the action if a meeting were held, then on the written consent of the stockholders having not less than such percentage of the number of votes as may be authorized in the certificate of incorporation; provided that in no case shall the written consent be by the holders of stock having less than the minimum percentage of the vote required by statute for the proposed corporate action, and provided that prompt notice must be given to all stockholders of the taking of corporate action without a meeting and by less than unanimous written consent.

ARTICLE III

DIRECTORS

SECTION 1. The number of directors which shall constitute the whole board shall be fourteen. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director shall hold office until his successor is elected and qualified. Directors need not be stockholders.

SECTION 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by the laws of Idaho. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Superior Court of Shoshone

LS 000320

Golc - CDA dm - 0320

County, Idaho, may, upon application of any stockholder or stockholders holding at least ten per cent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

SECTION 3. The business of the corporation shall be managed by its board of directors which may exercise all such power of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

SECTION 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Idaho.

SECTION 5. The first meeting of each newly elected board of directors shall be held immediately following the annual meeting of stockholders and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

SECTION 6. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

SECTION 7. Special meetings of the board may be called by the president on two days' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors.

SECTION 8. At all meetings of the board, a majority of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 9. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

COMMITTEES OF DIRECTORS

SECTION 10. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of two or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; provided, however, that in the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

SECTION 11. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

LS 000321

Golc - CDA dm - 0321

COMPENSATION OF DIRECTORS

SECTION 12. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed compensation for attending committee meetings.

ARTICLE IV

NOTICES

SECTION 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

SECTION 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

SECTION 1. The officers of the corporation shall be chosen by the board of directors, and shall be a chairman of the board, vice chairman of the board, a president, a vice president, a secretary and a treasurer. The board of directors may also choose additional vice presidents, and one or more assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

SECTION 2. The board of directors at its first meeting after each annual meeting of stockholders shall choose a chairman of the board, vice chairman, a president, one or more vice presidents, a secretary and a treasurer.

SECTION 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

SECTION 4. The salaries of all officers and agents of the corporation shall be fixed by the board of directors.

SECTION 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of the board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

THE CHAIRMAN OF THE BOARD AND VICE CHAIRMAN OF THE BOARD

SECTION 6. The chairman of the board shall preside over the meetings of the board of directors and of the stockholders, and shall perform such other services as are assigned to him by the board of directors. In the absence of the chairman or in the event of his inability or refusal to act, the vice chairman shall perform the duties of the chairman, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the chairman.

THE PRESIDENT

SECTION 7. The president shall be the chief operating officer of the corporation, shall have general and active management of the business of the corporation and shall see that all orders

LS 000322

Golc - CDA dm - 0322

and resolutions of the board of directors are carried into effect. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

THE VICE PRESIDENTS

SECTION 8. In the absence of the president or in the event of his inability or refusal to act, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice presidents shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

SECTION 9. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

SECTION 10. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the power of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

SECTION 11. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name of and to the credit of the corporation in such depositories as may be designated by the board of directors.

SECTION 12. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

SECTION 13. If required by the board of directors, he shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

SECTION 14. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI

INDEMNIFICATION OF OFFICERS AND DIRECTORS

SECTION 1. Any present or future director or officer, or the executor, administrator or other legal representative of any such director or officer, shall be indemnified by the corporation against reasonable costs, expenses (exclusive of any amount paid to the corporation in settlement), judgments, fines, amounts paid in settlement of any action, suit or proceedings, and counsel fees paid or incurred in connection with any action, suit or proceeding to which any such director or officer or his executor, administrator or other legal representative may hereafter be made a party by reason of his being or having been such director or officer; provided, (1) said action, suit or proceeding shall be prosecuted against such director or officer or against his executor, administrator or other legal representative to final determination, and it shall not be finally adjudged in said action, suit or proceeding that he had been derelict in the performance of his duties as such director or officer, or (2) said action, suit or proceeding shall not be settled or otherwise terminated as against such director or officer or his executor, administrator or other legal representative without a final determination on the merits, and it shall be determined that such director or officer had not in any substantial way been derelict in the performance of his duties as charged in such action, suit or proceeding, such determination to be made by a majority of the members of the board of directors who were not parties to such action, suit or proceeding, though less than a quorum, or by any one or more disinterested persons to whom the question may be referred by the board of directors. For purposes of the preceding sentence: (a) "action, suit or proceeding" shall include every action, suit or proceeding, civil, criminal or other; (b) the right of indemnification conferred thereby shall extend to any threatened action, suit or proceeding and the failure to institute it shall be deemed its final determination; (c) the termination of an action, suit or proceeding by a plea of nolo contendere or other like plea shall not constitute a final determination on the merits; (d) a judgment of conviction in any criminal action, suit or proceeding shall not constitute a determination that the person so convicted has been derelict in the performance of his duties if it is determined by a majority of the members of the board of directors who were not a party thereto, though less than a quorum, or by one or more disinterested persons in the manner provided in the preceding sentence that the person so convicted acted in good faith, for a purpose which he reasonably believed to be in the best interests of the company and that he had no reasonable cause to believe that his conduct was unlawful; and (e) advances may be made by the company against costs, expenses and fees as, and upon the terms, determined by the board of directors. The corporation shall indemnify an employee who is not an officer to the same extent that it does an officer. The foregoing right of indemnification shall not be exclusive of any other rights to which any director or officer may be entitled as a matter of law or which may be lawfully granted to him; and the indemnification hereby granted by the company shall be in addition to and not in restriction or limitation of any other privilege or power which the corporation may lawfully exercise with respect to the indemnification or reimbursement of directors, officers or employees.

ARTICLE VII

CERTIFICATES OF STOCK

SECTION 1. Every holder of stock in the corporation shall be entitled to have a certificate in the name of the corporation bearing the signature or a facsimile thereof of the chairman of the board of directors or the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

SECTION 2. Where a certificate is countersigned (1) by a transfer agent, or (2) by a registrar, such signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

SECTION 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFERS OF STOCK

SECTION 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

SECTION 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance of such action, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

SECTION 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Idaho.

ARTICLE VIII

GENERAL PROVISIONS

DIVIDENDS

SECTION 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

SECTION 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

SECTION 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

LS 000325

Golc - CDA dm - 0325

CHECKS

SECTION 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

SECTION 5. The fiscal year of the corporation shall be determined by the board of directors.

SEAL

SECTION 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Idaho". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IX

AMENDMENTS

SECTION 1. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders or by the board of directors.

LS 000326

Golc - CDA dm - 0326

EXHIBIT II

SECTIONS 150 AND 156 OF TITLE 30 OF THE CODE OF IDAHO

30-150. **Rights of shareholder to certain corporate action.**—1. If a corporation has authorized the sale, lease or exchange of all its assets, in accordance with the provisions of section 30-145, at a time when it is able to meet its liabilities then matured, or has, in accordance with the provisions of sections 30-146, 30-147, 30-148, or 30-160, authorized an amendment which charges the corporate purposes, extends the duration of the corporation, or changes the rights of the holders of any outstanding shares, a shareholder who did not vote in favor of such corporate action or a shareholder of a corporation who has objected to a proposal to extend the term of corporate existence of such corporation under the provisions of section 30-160 may, within twenty (20) days after the date upon which such action was authorized, object thereto in writing and demand payment for his shares.

2. If, after such a demand by a shareholder, the corporation and the shareholder cannot agree upon the value of the shares at the time such corporate action was authorized, such value shall be ascertained by three (3) disinterested persons, one of whom shall be named by the shareholder, another by the corporation and the third by the two (2) thus chosen. The finding of the appraisers shall be final, and if their award is not paid by the corporation within thirty (30) days after it is made, it may be recovered in an action by the shareholder against the corporation. Upon payment by the corporation to the shareholder of the agreed or awarded price of shares, the shareholder shall forthwith transfer and assign the shares held by him at, and in accordance with, the request of the corporation.

3. A shareholder shall not be entitled to payment for his shares under the provisions of this section unless the value of the corporate assets which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities exclusive of capital stock. [1929, ch. 262, § 37, p. 545; I. C. A., § 29-149; am. 1957, ch. 95, § 2, p. 166.]

30-156. **Rights of dissenting shareholders.**—When a corporation has become a party to a merger or consolidation agreement, as hereinbefore provided, any shareholder of such a corporation who did not vote in favor of such merger or consolidation at the meeting at which the merger or consolidation was authorized, may, at any time within twenty (20) days after such authorization was given, object thereto in writing and demand payment for his shares, and have the value of his shares appraised as provided in section 30-150; all of the provisions of which section shall in all respects be applicable. The liability of such corporation to such dissenting shareholder for the value of his shares so agreed upon or awarded shall also be a liability of the surviving or new corporation, as the case may be. [1929, ch. 262, § 43, p. 545; I. C. A., § 29-155.]

EXHIBIT III

SECTION 262 OF TITLE 8 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

§ 262. Payment for stock or membership of person objecting to merger or consolidation (a) When used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a non-stock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a non-stock corporation.

(b) The corporation surviving or resulting from any merger or consolidation shall within 10 days after the effective date of the merger or consolidation notify each stockholder of any corporation of this State so merging or consolidating, who objected thereto in writing and whose shares were not voted in favor of the merger or consolidation and who filed such written objection with the corporation before the taking of the vote on the merger or consolidation, that the merger or consolidation has become effective. The notice shall be sent by registered or certified mail, return receipt requested, addressed to the stockholder at his address as it appears on the records of the corporation. If any such stockholder shall within 20 days after the date of mailing of the notice demand in writing, from the corporation surviving or resulting from the merger or consolidation, payment of the value of his stock, the surviving or resulting corporation shall, within 30 days after the expiration of the period of 20 days, pay to him the value of his stock on the effective date of the merger or consolidation, exclusive of any element of value arising from the expectation or accomplishment of the merger or consolidation.

(c) If during a period of 30 days following the period of 20 days provided for in subsection (b) of this section, the corporation and any such objecting stockholder fail to agree upon the value of such stock, any such stockholder, or the corporation surviving or resulting from the merger or consolidation, may, by petition filed in the Court of Chancery within four months after the expiration of the period of 30 days, demand a determination of the value of the stock of all such objecting stockholders by an appraiser to be appointed by the Court.

(d) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the corporation, which shall within ten days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the corporation. If the petition shall be filed by the corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the corporation and to the stockholders shown upon the list at the addresses therein stated, and notice shall also be given by publishing a notice at least once at least one week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware. The Court may direct such additional publication of notice as it deems advisable. The forms of the notices by mail and by publication shall be approved by the Court.

(e) After the hearing on such petition the Court shall determine the stockholders who have complied with the provisions of this section and become entitled to the valuation of and payment for their shares, and shall appoint an appraiser to determine such value. Such appraiser may examine any of the books and records of the corporation or corporations the stock of which he is charged with the duty of valuing, and he shall make a determination of the value of the shares upon such investigation as to him seems proper. The appraiser shall also afford a reasonable opportunity to the parties interested to submit to him pertinent evidence on the value of the shares. The appraiser, also, shall have such powers and authority as may be conferred upon masters by the rules of the Court of Chancery or by the order of his appointment.

(f) The appraiser shall determine the value of the stock of the stockholders adjudged by the Court of Chancery to be entitled to payment therefor and shall file his report respecting such value in the office of the Register in Chancery and notice of the filing of such report shall be given by the Register in Chancery to the parties in interest. Such report shall be subject to exceptions to be heard before the Court both upon the law and facts. The Court shall by its decree determine the value of the stock of the stockholders entitled to payment therefor and shall direct the payment of such value, together with interest, if any, as hereinafter provided, to the stockholders entitled thereto by the surviving or resulting corporation upon the transfer to it of the certificates representing such stock, which decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any other state.

(g) At the time of appointment the appraiser or at any time thereafter the Court may require the stockholders who demanded payment for their shares to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and if any stockholder fails to comply with such direction the Court may dismiss the proceedings as to such stockholder.

(h) The cost of any such appraisal, including a reasonable fee to and the reasonable expenses of the appraiser, but exclusive of fees of counsel or of experts retained by any party, may on application of any party in interest be determined by the Court and taxed upon the parties to such appraisal or any of them as appears to be equitable, except that the cost of giving the notice by publication and by registered mail hereinabove provided for shall be paid by the corporation. The Court may, on application of any party in interest, determine the amount of interest, if any, to be paid upon the value of the stock of the stockholders entitled thereto.

(i) Any stockholder who has demanded payment of his stock as herein provided shall not thereafter be entitled to vote such stock for any purpose or be entitled to the payment of dividends or other distribution on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation) unless the appointment of an appraiser shall not be applied for within the time herein provided, or the proceeding be dismissed as to such stockholder, or unless such stockholder shall with the written approval of the corporation deliver to the corporation a written withdrawal of his objections to and an acceptance of the merger or consolidation, in any of which cases the right of such stockholder to payment for his stock shall cease.

(j) The shares of the surviving or resulting corporation into which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

(k) This section shall not apply to the shares of any class of stock, which, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders at which the agreement of merger or consolidation is to be acted on, were either (1) registered on a national securities exchange, or (2) held of record by not less than 2,000 stockholders, unless the certificate of incorporation of the corporation issuing such stock shall otherwise provide; nor shall this section apply to any of the shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation, as provided in subsection (f) of section 251 of this title. This subsection shall not be applicable to the holders of a class or series of stock of a constituent corporation if under the terms of a merger or consolidation pursuant to sections 251 or 252 of this title such holders are required to accept for such stock anything except stock or stock and cash in lieu of fractional shares, of the corporation surviving or resulting from such merger or consolidation.

LS 000329

EXHIBIT I

PLAN AND AGREEMENT OF CONSOLIDATION

OF

PIONEER ASTRO INDUSTRIES, INC.
(An Illinois Corporation)

AND

THE BASTIAN-BLESSING COMPANY
(An Illinois Corporation)

AND

KEPCO INCORPORATED
(A Delaware Corporation)

INTO

ASTRO CONTROLS, INC.
(A Delaware Corporation)

This Plan and Agreement of Consolidation, dated as of the 23rd day of January, 1969, made by and between PIONEER ASTRO INDUSTRIES, INC., a corporation organized and existing under the laws of the State of Illinois, party of the first part, THE BASTIAN-BLESSING COMPANY, a corporation organized and existing under the laws of the State of Illinois, party of the second part, Kepco Incorporated, a corporation organized and existing under the laws of the State of Delaware, party of the third part, hereinafter called "constituent companies",

WITNESSETH:

WHEREAS, the board of directors of each of the constituent companies, in consideration of the mutual agreements of each corporation as set forth herein, do deem it advisable to consolidate the business activities of said constituent companies to promote more efficient, economical and profitable conduct of said business through reduction of overhead, wider business contacts, and other means and to that end have each adopted a resolution approving the consolidation;

WHEREAS, said Pioneer Astro Industries, Inc. filed its Articles of Incorporation in the office of the Secretary of State of Illinois on April 27, 1946, under the name of Pioneer Tool & Engineering Co., and filed a copy thereof, certified by the Secretary of State, in the Office of the Recorder of Deeds in Cook County, Illinois on April 29, 1946, which was amended by filing Articles of Amendment in the office of said Secretary of State on March 24, 1952, October 6, 1952, December 31, 1954 and July 21, 1961 and by filing copies thereof, certified by the Secretary of State, in the Office of the Recorder of Deeds in Cook County, Illinois on May 27, 1952, October 14, 1952, January 5, 1955, and July 26, 1961, respectively, and has an authorized capital stock consisting of one million (1,000,000) shares of common stock without par value, of which capital stock five hundred and twenty-eight thousand six hundred and fifty-nine (528,659) shares are now issued and outstanding;

WHEREAS, said The Bastian-Blessing Company filed its Articles of Incorporation in the office of the Secretary of State of Illinois on May 9, 1908, under the name of C. L. Bastian & Co., and filed a copy thereof, certified by the Secretary of State, in the Office of the Recorder of Deeds in Cook County, Illinois on May 20, 1908, which was amended by Articles of Amendment in the office of said Secretary of State on August 26, 1908, December 21, 1909, January 10, 1918, November 28, 1920, January 19, 1925, May 26, 1927, October 29, 1928, June 16, 1932, June 16, 1932, August 25, 1936, August 7, 1941, February 7, 1950, and April 10, 1961

and by filing copies thereof, certified by the Secretary of State in the Office of the Recorder of Deeds in Cook County, Illinois on August 25, 1908, December 20, 1909, January 11, 1918, November 30, 1920, January 19, 1925, June 1, 1927, October 31, 1928, June 17, 1932, June 17, 1932, August 27, 1936, August 8, 1941, February 8, 1950, and April 11, 1961

and has an authorized capital stock of one million (1,000,000) shares of common stock without par value, of which capital stock seven thousand eight hundred and eighty-nine (7,889) shares are held

LS 000330

by the Company as treasury stock and eight hundred and twenty-five thousand nine hundred and thirty-six (825,936) shares are issued and outstanding;

WHEREAS, said Kepco Incorporated filed its Certificate of Incorporation in the office of the Secretary of State of Delaware on March 14, 1969, and has an authorized capital stock of one thousand (1,000) shares of common stock without par value of which capital stock 31 shares are issued and outstanding;

WHEREAS, the registered office of said Pioneer Astro Industries, Inc. in the State of Illinois is located at 7401 West Lawrence Avenue immediately outside the City of Chicago, County of Cook, and the name of its resident agent is Albert S. Kepen, the registered office of The Bastian-Blessing Company in the State of Illinois is located at 4201 West Peterson Avenue in the City of Chicago, County of Cook, and the name of its resident agent is H. G. Shellhamer, and the registered office of Kepco Incorporated in the State of Delaware is located at 100 West Tenth Street in the City of Wilmington, County of New Castle, and the name of its registered agent is The Corporation Trust Company.

NOW, THEREFORE, the corporations, parties to this agreement, by and between their respective boards of directors, in consideration of the mutual covenants, agreements and provisions hereinafter contained, have agreed and do hereby agree each with the other that Pioneer Astro Industries, Inc. The Bastian-Blessing Company and Kepco Incorporated be consolidated into a new corporation called Astro Controls, Inc. (hereinafter called "Astro"), pursuant to Section 252 of the Delaware Corporation Law, and do hereby agree upon and prescribe the terms and conditions of said consolidation and of carrying the same into effect, and the manner and basis of causing the shares of each of the constituent corporations to constitute or be converted into shares or other securities of the new corporation, as follows:

ARTICLE 1: Pioneer Astro Industries, Inc., The Bastian-Blessing Company and Kepco Incorporated shall be and hereby are consolidated to form a new corporation ,(hereinafter sometimes called the corporation). The name of the corporation is Astro Controls, Inc.

ARTICLE 2: The address of the registered office of the corporation is 100 West Tenth Street, Wilmington, Delaware, 19899, in the County of New Castle and the name of its registered agent at said address is The Corporation Trust Company.

ARTICLE 3: The duration of the corporation is perpetual.

ARTICLE 4: The purpose or purposes for which the corporation is organized are:

To buy, sell, design, engineer, manufacture, create and repair special machines, machine parts, jigs, tools, dies, fixtures, precision parts, and any other product in any manner similar thereto.

To manufacture, assemble, buy, sell, hire, install, research and develop, distribute or dispose of electromechanical components and assemblies, guidance components and assemblies, electropneumatic components and assemblies, precise instrumentation components and assemblies and all kinds of goods, wares, merchandise, manufactures, commodities, machinery, tools, supplies and products, appliances, devices or equipment, of every kind and nature.

To design, develop, manufacture, buy or market various types of control devices, regulators, valves, welding devices, and any other devices of electric and/or mechanical nature.

To design, develop, manufacture, buy or market food serving devices and facilities including, but not limited to, display cases, refrigerators, serving counters, warming devices, carbonators, dispensers of liquids or semi-solid foods, ice cream makers, coffee makers, utensils and other devices used in the preparation, storage, serving and clean up of food or other material used or consumed by humans. Generally to engage in and conduct any form of manufacturing or mercantile enterprise.

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

LS 000331

Golc - CDA dm - 0331

To acquire, and [illegible] for in cash, stock or bonds of this co[illegible]ration or otherwise, the good will, rights, assets [illegible] property, and to undertake or assu[illegible] the whole or any part of the obligations or liabilit[illegible] of any person, firm, association or co[illegible]oration.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, relating to or useful in connection with any business of this corporation.

To acquire by purchase, subscription or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of capital stock, scrip, warrants, rights, bonds, debentures, notes, trust receipts, and other securities, obligations, choses in action and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, syndicates, associations, firms, trusts or persons, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality or other political subdivision or by any governmental agency, and as owner thereof to possess and exercise all the rights, powers and privileges of ownership, including the right to execute consents and vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

To borrow or raise moneys for any of the purposes of the corporation and, from time to time without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To purchase, receive, take by grant, gift, devise, bequest or otherwise, lease, or otherwise acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated, and to sell, convey, lease, exchange, transfer or otherwise dispose of, or mortgage or pledge, all or any of the corporation's property and assets, or any interest therein, wherever situated.

In general, to possess and exercise all the powers and privileges granted by the General Corporation Law of Delaware or by any other law of Delaware or by this document together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the corporation.

The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this document, but the business and purposes specified in each of the foregoing clauses of this article shall be regarded as independent business and purposes.

ARTICLE 5: The total number of shares of stock which Astro shall have authority to issue is two million six hundred thousand (2,600,000) of which two million (2,000,000) shares shall be common stock without par value and six hundred thousand (600,000) shall be convertible preferred stock having a par value of $1.00 per share.

The convertible preferred stock, at the option of the respective holders thereof, shall be convertible at any time prior to redemption share for share, except as hereinafter provided, into fully paid and non-assessable shares of common stock, upon surrender to the corporation of the certificates of convertible preferred stock so to be converted, duly assigned in blank for transfer. No adjustment of dividends will be made upon the exercise of the conversion privilege.

The holders of the convertible preferred stock shall be entitled to receive, when and as declared, dividends at the rate of $1.00 per share per annum payable quarterly. The dividends on the said preferred stock shall be cumulative and shall be payable before any dividends on the common shall be paid or set apart. If in any year, the dividends declared and paid upon the said preferred stock shall not amount to $1.00 per share, the deficiency shall be payable before any dividends shall be thereafter paid upon or set apart for the common stock; provided, however, that whenever all cumulative dividends on the said preferred stock for all previous years shall have been declared and become payable, and the accrued quarterly installments for the current year shall have been declared, and the corporation shall have paid such cumulative dividends for previous years, and such accrued quarterly installments, or shall have set aside from its surplus or net profits a sum sufficient for the payment thereof, the board of directors may declare dividends on the common stock payable then or thereafter out of any remaining surplus or net profits.

The convertible preferred shares shall be preferred as to assets as well as dividends, as aforesaid, and upon the dissolution, liquidation or winding up of the corporation, the holders of said preferred shares shall be entitled to receive and be paid for each said preferred share, out of the assets of the corporation (whether capital or surplus) $42.00 per share where such event is voluntary or $37.50 per share where such event is involuntary, plus an amount equal to dividends accumulated and unpaid thereon, whether earned or declared or not, before any distribution of assets shall be made to the holders of common shares, but the holders of said preferred shares shall not be entitled to further participation in such distribution, and the holders of the common shares shall be entitled, to the exclusion of the holders of said preferred shares, to all assets of the corporation remaining after payment to the holders of the said preferred shares of the full preferential amount aforesaid.

Neither a consolidation nor merger of the corporation with or into any other corporation, nor a merger of any other corporation into the corporation, nor the purchase or redemption of all or any part of the outstanding shares of any class or classes of stock of the corporation, nor the sale or transfer of the property and business of the corporation as or substantially as an entirety, shall be construed to be a liquidation, dissolution, or winding up of the corporation within the meaning of the foregoing provisions.

The holders of the convertible preferred shares shall be entitled to one vote for each share held and shall have the power to vote cumulatively for the election of directors. The said preferred shares and the common shares shall vote together as one class.

The corporation, at its option to be exercised by its Board of Directors, may redeem in whole or in part the convertible preferred shares at any time five years or more after the effective date of the consolidation at $37.50 per share, plus an amount equal to dividends accumulated and unpaid thereon, whether earned or declared or not. Payment of the redemption price of the said preferred shares shall be made in cash. Notice of such redemption, stating the redemption date, the redemption price and the place of payment thereof shall be given by mailing a copy of such notice at least thirty (30) days prior to the date fixed for redemption to the holders of record of the said preferred shares to be redeemed at their respective addresses as the same appear on the books of the corporation. If such notice of redemption shall have been duly given and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside so as to be available therefor, then notwithstanding that any certificate for said preferred shares so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue from and after the date of redemption so fixed and all rights with respect to such preferred shares so called for redemption not theretofore expired shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable upon redemption thereof, but without interest.

Convertible preferred shares which are redeemed, purchased or otherwise acquired by the corporation shall be cancelled and shall not be reissued.

LS 000333

In case the corporation shall at any time or from time to time subdivide the outstanding shares of common stock into a greater number of shares, then with respect to each such subdivision the number of shares of common stock deliverable upon conversion of each share of convertible preferred stock hereby designated shall be increased in proportion to the increase resulting from such subdivision in the number of outstanding shares of common stock; and in case the corporation shall at any time or from time to time combine the outstanding shares of common stock into a smaller number of shares, then with respect to each such combination the number of shares of common stock deliverable upon the conversion of each share of convertible preferred stock hereby designated shall be decreased in proportion to the decrease resulting from such combination in the number of outstanding shares of common stock.

In case, prior to the conversion or redemption of the convertible preferred stock, the corporation shall be recapitalized by reclassifying its outstanding common stock into shares with a different par value or shall thereafter reclassify any such shares in like manner, or the corporation or a successor corporation shall consolidate or merge with or convey all or substantially all its or any successor corporation's property and assets to any other corporation or corporations, the holder of the convertible preferred stock shall thereafter have the right to convert pursuant to and on the terms and conditions and during the time specified herein, in lieu of the shares theretofore convertible, such shares of stock, securities or assets as may be issued or payable with respect to, or in exchange for, the number of shares theretofore receivable upon the conversion of the said preferred stock had such recapitalization, consolidation, merger or conveyance not taken place; and in any such event, the rights of the holder of said preferred shares to an adjustment in the number of common shares into which said preferred stock is convertible shall continue and be preserved in respect of any stock, securities or assets which the holder of said preferred stock is thus entitled.

In the event:

(A) The corporation shall take a record of the holders of its common stock for the purpose of entitling them to receive a dividend payable otherwise than in cash, or any other distribution in respect of the common stock (including cash), pursuant to, without limitation any spin-off, split-off or distribution of the corporation's assets; or

(B) The corporation shall take a record of the holders of its common stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or to receive any other rights; or

(C) Of any classification, reclassification or other reorganization of the capital stock of the corporation, consolidation or merger of the corporation with or into another corporation or conveyance of all or substantially all of the assets of the corporation; or

(D) Of the voluntary or involuntary dissolution, liquidation or winding up of the corporation;

then, and in any such case, the corporation shall mail to the holders of convertible preferred stock, at least twenty (20) days prior to such record date, a notice stating the date or expected date on which a record is to be taken for the purpose of such dividend, distribution or rights, or the date on which such classification, reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up is to take place, as the case may be.

In case the corporation, at any time while convertible preferred stock shall remain issued and outstanding, shall sell all or substantially all its property or dissolve, liquidate or wind up its affairs, the holder of said preferred stock may thereafter receive upon conversion thereof in lieu of each share of common stock of the corporation which such holder would have been entitled to receive, the same kind and amount of any securities or assets as may be issuable, distributable or payable upon any such sale, dissolution, liquidating or winding up with respect to each share of common stock of the company.

ARTICLE 6: At all elections of directors of Astro, each common and convertible preferred stockholder shall be entitled to as many votes as shall equal the number of votes which (except for such provision as to cumulative voting) he would be entitled to cast for the election of directors

with respect to his shares of stock multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as he may see fit.

ARTICLE 7: No common or preferred stockholder of Astro shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the board of directors, in its discretion from time to time may grant, and at such price as the board of directors in its discretion may fix; and the board of directors may issue shares of any class of Astro, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing stockholders of such class.

ARTICLE 8: The number, names, and addresses of the first directors of said Astro, who shall hold office until their successors be chosen or appointed according to the by-laws of said corporation, are as follows:

Names of Directors	*Address*
Albert S. Kepen	7401 W. Lawrence Ave., Chicago, Illinois
Robert P. Kepen	7401 W. Lawrence Ave., Chicago, Illinois
Edwin B. Wright	Drovers & Merchants Bank, St. Joseph, Missouri
A. D. Martin	1925 Cedar Springs Road, Dallas, Texas
Michael F. Drinkhouse	207 E. 43rd St., New York, New York
Daniel L. Brenner	800 Lathrop Bldg., 1005 Grand Ave., Kansas City, Missouri
H. F. Korholz	Shirley Highway & Edsall Rd., Alexandria, Virginia
A. L. Augur	4201 W. Peterson Ave., Chicago, Illinois
L. N. Lucas	4201 W. Peterson Ave., Chicago, Illinois
M. J. Coen	15 West Tenth St., Kansas City, Missouri
Albert W. Thomson	Union National Bank Building, Kansas City, Missouri
J. M. Stogin	4201 W. Peterson Ave., Chicago, Illinois

The first officers of said Astro shall be a chairman, vice chairman, president, vice president, treasurer, secretary and an assistant secretary.

ARTICLE 9: In furtherance and not in limitation of the powers conferred by statute, the board of directors of Astro is expressly authorized:

To make, alter or repeal the by-laws of Astro.

To authorize and cause to be executed mortgages and liens upon the real and personal property of Astro.

To set apart out of any of the funds of Astro available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of Astro. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution or in the by-laws of Astro, shall have and may exercise the powers of the board of directors in the management of the business and affairs of Astro, and may authorize the seal of

LS 000335

Golc - CDA dm - 0335

the corporation to be af[illegible]d to all papers which may require it; [illegible]ded, however, the by-laws may provide that in the [illegible]sence or disqualification of any mem[illegible] of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called upon such notice as is required by statute, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all or substantially all of the property and assets of Astro, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property including shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of Astro.

ARTICLE 10: Whenever a compromise or arrangement is proposed between Astro and its creditors or any class of them and/or between Astro and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of Astro or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for Astro under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or any receiver or receivers appointed for Astro under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of Astro, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of Astro, as the case may be, agree to any compromise or arrangement and to any reorganization of Astro as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of Astro, as the case may be, and also on Astro.

ARTICLE 11: Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of Astro may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

ARTICLE 12: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of consolidation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE 13: The manner of converting the capital stock of the constituent companies on the effective date of the Plan and Agreement of Consolidation into the capital stock of Astro shall be as follows:

(a) Each share of common stock of Pioneer Astro Industries, Inc. shall, without any action by the holder thereof, be deemed converted into one share of the no par value common stock of Astro.

(b) Each share of common stock of The Bastian-Blessing Company shall, without any action by the holder thereof, be deemed converted into one share of the $1.00 par value convertible preferred stock of Astro.

(c) Each share of the common stock of Kepco Incorporated shall, without any action by the holder thereof, be deemed converted into one share of the no par value common stock of Astro.

(d) If on the effective date of the Plan and Agreement of Consolidation said P... Astro Industries, Inc. shall own any of the outstanding shares of capital stock of T... tian-Blessing Company, such shares shall not be transferred, nor shall the benefi... thereto pass to Astro, but such shares of stock shall forthwith be deemed to be retir... celled and no share of preferred stock of Astro shall be issued in respect thereof.

(e) All shares of stock of Astro to be issued as a result of the consolidation shall ... paid and non-assessable.

(f) After the effective date of the Plan and Agreement of Consolidation, each ... of a certificate for a share of stock of the constituent companies shall surrender the ... duly endorsed as Astro may require for cancellation, and each such holder shall be entit... ceive in exchange therefor a certificate or certificates representing the shares of A... which the holder is entitled. Unless and until such certificate is surrendered, no divid... clared and made payable to holders of record of shares of Astro shall be paid to the ho... such certificate, but upon surrender of the certificate, the holder will be paid the amo... dividends payable with respect to the number of shares of stock of Astro represented ... new certificate.

ARTICLE 14: The by-laws of Astro shall be the by-laws which are attached hereto ... changed or amended as provided therein.

ARTICLE 15: Upon the effective date of the consolidation, the separate existence of P... Astro Industries, Inc., The Bastian-Blessing Company and Kepco Incorporated shall cease a... corporations shall become a new corporation (Astro), in accordance with the provisions of th... and Agreement of Consolidation, which shall possess all the rights, privileges, powers and f... chises as well of a public as of a private nature and be subject to all the restrictions, disabilit... duties of each of the corporations, parties to this Plan and Agreement of Consolidation, and, ... singular the rights, privileges, powers and franchises of each of said constituent compani... all property, real, personal and mixed, and all debts due on whatever accounts, as well ... stock subscriptions as all other things in action or belonging to each of said constituent c... nies; and all property, rights, privileges, powers and franchises, and all and every other inter... the three corporations, parties hereto, shall hereafter be as effectually the property of the ... Astro as they were of the several and respective corporations, parties hereto, and the title to ... and all real estate, whether by deed or otherwise vested in any of said constituent companies, ... not revert or be any way impaired by reason of the said consolidation, provided that all right ... creditors and all liens upon the property of any and all of said corporations, parties hereto, ... be preserved unimpaired, and the respective corporations, parties hereto, may be deemed to con... in existence in order to preserve the same; and all debts, liabilities and duties of either of ... constituent companies, parties hereto, shall forthwith attach to said Astro and may be enf... against it to the same extent as if said debts, liabilities and duties had been incurred or contr... by it, it being expressly provided that the consolidation of the constituent companies shall n... any manner impair the rights of any creditor or creditors of any of said corporations. If at ... time Astro shall deem or be advised that any further assignments, assurances in the law, or th... are necessary or desirable to vest in the said Astro, the title to any property of the cons... companies, the proper officers and directors shall and will execute all proper assignments an... surances in the law, and do all things necessary or proper to vest title to such property in the ... Astro and otherwise to carry out the purposes of this agreement.

ARTICLE 16: All outstanding options, agreements, warrants and other rights, to purcha... otherwise receive or acquire shares of stock of the constituent companies shall be deemed ... agreements, warrants, or other rights, as the case may be, to purchase or otherwise rec... acquire under the same circumstances a number of shares of the common or convertible pr... stock of Astro at the applicable exchange ratio.

ARTICLE 17: Each of the respective constituent companies shall be responsible for ... bear its expenses in consummating this Plan and Agreement of Consolidation. If the consol... contemplated hereby is not consummated for any reason whatever, then all expenses incurr...

LS 000337

Golc - CDA dm - 0337

...ction with this Plan ... Agreement of Consolidation shall b... orne by the respective con-...ent company that in... ed the expense.

ARTICLE 18: Astro reserves the right to amend, alter, change or repeal any provision con...d in this Plan and Agreement of Consolidation which may be contained in the articles of in-...oration of a corporation organized under the laws of the State of Delaware in the manner now ...hereafter prescribed by said laws of the State of Delaware, and all rights conferred upon stock-...lders herein are granted subject to this reservation.

ARTICLE 19: The mode of carrying this consolidation into effect is as follows:

(a) This Plan and Agreement of Consolidation shall be submitted to the shareholders of each of the constituent companies, as provided by law, and shall take effect and be deemed and be taken to be the Plan and Agreement of Consolidation of said companies upon the approval or adoption thereof by the shareholders of each of the constituent companies in accordance with the requirements of the laws of the States of Illinois and Delaware, and upon the execution, filing and recording of such documents and the doing of such acts and things as shall be required for accomplishing the consolidation under the provisions of the applicable statutes of the States of Illinois and Delaware, as heretofore amended and supplemented, provided, however, that for all purposes the effective date of the consolidation shall be the date this Plan and Agreement of Consolidation is filed in the office of the Secretary of State of Delaware.

(b) Anything herein or elsewhere to the contrary notwithstanding, this Plan and Agreement of Consolidation may be abandoned by any of the constituent companies by an appropriate resolution of its board of directors at any time prior to its approval or adoption by the shareholders thereof, or by the mutual consent of the constituent companies evidenced by appropriate resolutions of their respective boards of directors, at any time prior to the effective date of the consolidation.

ARTICLE 20: Astro agrees (1) that it may be served with process in Illinois in any proceeding for the enforcement of any obligation of any Illinois corporation which is a party to this consolidation and in any proceeding for the enforcement of the rights of a dissenting shareholder of any such Illinois corporation against the consolidated corporation, and (2) does hereby irrevocably appoint the Secretary of State of Illinois as its agent to accept service of process in any such proceeding, and (3) that it will promptly pay to the dissenting shareholders of any such Illinois corporation the amount, if any, to which they shall be entitled under the provisions of the Illinois Business Corporation Act with respect to the rights of dissenting shareholders.

ARTICLE 21: The constituent companies, in accordance with applicable law and by mutual agreement authorized by their respective boards of directors, from time to time, and whether before or after the approval of the stockholders of either or both constituent companies of this Plan and Agreement of Consolidation, may amend this Plan and Agreement of Consolidation to facilitate the performance thereof or to comply with any applicable law of any jurisdiction or for any other purpose; provided, however, that no amendment shall substantially change the terms of this Plan and Agreement of Consolidation as set forth in ARTICLE 13.

ARTICLE 22: If the common stock of Astro is listed on any stock exchange, Astro will apply for listing of the preferred stock on the same exchange.

ARTICLE 23: This Plan and Agreement of Consolidation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

LS 000338

annual report 1969

LS 000339

Golc - CDA dm - 0339

GOLCONDA MINING CORPORATION

REPORT TO SHAREHOLDERS

Golconda Mining Corporation derives the major portion of its income from dividends resulting from the production of silver, gold, lead and zinc. Highlights of the past year relating to your Company and these metals are as follows:

- *Net income for the year was $348,800, or 18 cents per share, as compared with $481,600, or 25 cents per share for the previous year.*

- *The general market decline affected the value of Golconda's investments in capital stocks of other mining companies. The market value of Golconda's investments was $23,001,400 on December 31, 1969, as compared with $28,702,000 at the previous year-end.*

- *In June, 1969, an agreement was entered into providing for the deep exploration of the southeastern portion of the Golconda Area.*

- *Free World consumption of silver again exceeded production. The gap between production and consumption amounted to 160 million ounces.*

- *Silver prices were lower, as other than fundamental factors dominated the market. The price averaged $1.79 an ounce for the year as compared to $2.14 for 1968.*

- *Demand for lead and zinc was strong, resulting in increased prices for these metals.*

LS 000341

FINANCIAL

Net income for 1969 was $348,782, or 18 cents per share. Net income for the previous year was $481,576, or 25 cents per share. The decline in income was attributable to a decrease in the realized gain from the sale of investments.

Net income for the past nine years and dividends paid are as follows:

	NET INCOME	DIVIDENDS PAID
1961	$ 185,464	$ 40,000
1962	523,972 (1)	80,000
1963	507,935 (2)	80,000
1964	477,689	100,000
1965	408,662	140,000
1966	1,000,523 (3)	176,490
1967	412,058	212,630
1968	481,576	231,960
1969	348,782	231,960

(1) Includes gain of $350,429, after taxes, resulting from sale of 14,600 shares of Lucky Friday stock.

(2) Includes gain of $95,394, after taxes, resulting from sale of 4,500 shares of Lucky Friday stock.

(3) Includes gain of $707,109, after taxes, resulting from sale of 43,410 shares of Bunker Hill capital stock.

Cash dividends amounting to twelve cents per share were paid during the year. Dividends were paid from current earnings and are fully taxable to shareholders as dividend income.

LS 000343

HECLA MINING COMPANY

Golconda purchased 30,000 shares of Hecla stock in early 1969, bringing its holdings to 691,900 shares (11.6%) of Hecla Mining Company capital stock.

Hecla's net income for 1969 was $4,874,154, or 82 cents per share, as compared to $4,643,466, or 78 cents per share for 1968. Both years reflect the issuance of 1,000,000 shares of capital stock in exchange for a one-half interest in the Lakeshore copper property near Casa Grande, Arizona. Hecla's net income for the current year was adversely affected by the lower price of silver.

Cash dividends of 70 cents per share were paid by Hecla in 1969. This is the 68th consecutive year the company has paid dividends and the 31st consecutive year that dividends have been paid quarterly.

Hecla has interests in several productive mining operations including the Lucky Friday mine (100%), the Mayflower mine (50%), the Star-Morning Unit Area (30%), and the Sunshine Unit Area (33.25%). It is the operator of the first three. Hecla is also the operator of the Consolidated Silver Corporation exploration project in which it owns a 37½% interest and is also the operator of the Lakeshore copper development in which it owns a 50% interest.

Hecla's share of metals produced in 1969, and its per cent of gross income from metallic concentrates sold were as follows:

METAL	PRODUCTION	GROSS INCOME
Silver	6,558,393 ozs.	51%
Gold	53,935 ozs.	8%
Lead	27,651 tons	29%
Zinc	9,047 tons	5%
Copper	1,895 tons	6%
Others		1%

Hecla was the largest domestic producer of silver, accounting for approximately 16% of the silver mined in the United States.

Exploration activities were carried on by Hecla in the Coeur d'Alene District of Idaho and in other parts of the western United States and in Canada.

In Canada, a major drilling program on the Liard—Schaft Creek prospect near Stewart, B. C., was conducted. Drilling results indicate that a commercial low-grade copper-molybdenum deposit of large tonnage may be developed. Additional drilling and evaluation will be continued in 1970.

The Lucky Friday mine produced 183,785 tons of ore assaying 16.35 ounces of silver per ton, 10.65% lead and 1.00% zinc. Normal production was achieved in spite of a periodic manpower shortage. However, the development program suffered and ore reserves decreased slightly from 626,000 tons the previous year to 598,000 tons at the beginning of 1970. A portion of the vein on the 3650 level was developed and ore of comparable grade and width to that being mined on the level above was exposed.

The Mayflower mine in the Park City District of Utah is leased by Hecla from New Park Mining Company. The lease provides for a royalty to New Park of 50% of the defined net operating profit. Production for 1969, totalled 117,452 tons of ore assaying 0.50 ounces of gold per ton, 6.25 ounces of silver per ton, 5.17% lead, 3.13% zinc and 1% copper. Year-end ore reserves are estimated at 257,000 tons.

LS 000345

GENERAL

In February, 1969, Hecla Mining Company announced it was entering into an agreement with Transarizona Resources, Inc., subsidiary of El Paso Natural Gas Company, to develop and bring into production the Lakeshore copper property in Arizona. Hecla proposed to issue 1,000,000 of its common shares for a one-half interest in certain mining claims and mineral leases in Pinal County, Arizona. In addition, Hecla agreed to enter into an operating agreement with El Paso which would commit Hecla to provide the necessary funds to bring the property into production with all such monies advanced to be recouped out of future earnings. Because of the magnitude of this commitment, the uncertainty of future financing and the dilution to present shareholders resulting from the issuance of an additional million shares of capital stock, Golconda opposed the Lakeshore proposal. At the annual meeting of Hecla shareholders held on May 29, 1969, a majority of the outstanding shares were voted in favor of the Lakeshore project. Thereafter, Golconda dismissed its legal actions against Hecla with the exception of the action seeking to require Hecla to allow cumulative voting in the election of its directors.

Mr. Norman M. Smith of Kellogg, Idaho, was appointed to the Board of Directors of Golconda Mining Corporation during the year. Mr. Smith is Vice President and General Manager of Clayton Silver Mines and is also an officer of several other mining companies.

Mr. Carl L. Turner, a director of Golconda since 1959, has decided not to stand for election at this year's annual meeting. Mr. Kenneth Teel has been selected as nominee for the Board of Directors at this year's annual meeting to replace Mr. Turner. Mr. Teel is President of Crestline, Incorporated, a manufacturer of building materials. We wish to express our appreciation to Mr. Turner for his many years of service to Golconda.

The accompanying financial statement sets forth the results of 1969 operations and the financial condition of the Company.

You are cordially invited to attend the annual meeting of shareholders to be held May 12, 1970. In the event you cannot attend, please date, sign and return the enclosed proxy.

OLCONDA MINING CORPORATION

BALANCE SHEET

ASSETS	DECEMBER 31, 1969	1968
CURRENT ASSETS		
Cash in banks	$ 182,011	$ 20,174
Receivables	35,823	103,013
	217,834	123,187
PROPERTY, PLANT AND EQUIPMENT,		
at cost	697,096	697,096
Less accumulated amortization, depletion and depreciation	631,173	631,173
Remaining cost	65,923	65,923
OTHER MINING ASSETS		
Capital stock in mining companies, at cost (approximate market value 12/31/69 $23,001,400; 12/31/68 $28,702,000)	5,095,399	3,865,297
Total	$5,379,156	$4,054,407

LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$ 206,206	$ 135,445
Income taxes payable *(1)*		47,834
	206,206	183,279
NOTES PAYABLE, banks	2,245,000	1,060,000
CAPITAL:		
Capital stock, non-assessable, par value ten cents per share, authorized 2,000,000 shares, all of which are issued	200,000	200,000
Capital surplus	184,142	184,142
Retained earnings	3,029,408	2,912,586
Treasury stock, at cost, 67,000 shares	(485,600)	(485,600)
Total	$5,379,156	$4,054,407

LS 000349

OLCONDA MINING CORPORATION

SCHEDULE OF CAPITAL STOCK IN
MINING COMPANIES, December 31, 1969

SECURITY	NO. OF SHARES	APPROXIMATE MARKET VALUE	COST
Capital stock of operating companies located in the Coeur d'Alene Mining District:			
Hecla Mining Company *(affiliate)*	691,900	$20,065,100	$3,836,959
Gulf Resources & Chemical, $1.30 Pfd.	1,500	26,625	7,737
Capital stock of companies owning property in the Golconda Area of the Coeur d'Alene Mining District *(affiliates)*:			
Alice Silver–Lead Mining Company	835,625	52,178*	52,178
Bell Mining Company	203,000	15,000*	15,000
Black Bear Mines Company	880,371	11,014*	11,014
Granada Lead Mines, Inc	755,442	9,769*	9,769
Great Eastern Mining Company	100,000	5,000*	5,000
Ivanhoe Mining Company, Ltd.	358,000	4,690*	4,690
Mullan Metals, Inc.	426,512	13,983*	13,983
Mullan Silver–Lead Company	1,241,756	558,790	80,104
Square Deal Mining & Milling Co., Ltd.	997,459	259,339	69,552
United Lead–Zinc Mines Company	1,413,354	876,279	210,291
Wallace Mining Company	254,025	4,845*	4,845
Capital stock of other mining companies located in the Coeur d'Alene Mining District		401,942	241,607
Capital stock of other mining companies:			
American-South African Investment	1,000	27,500	49,435
Campbell Red Lake Mines	1,000	17,250	24,775
Dome Mines, Ltd.	1,000	47,125	53,807
Granduc Mines, Ltd.	48,000	510,000	253,677
La Luz Mines, Ltd.	2,000	21,500	27,250
Homestake Mining Company	2,200	36,850	68,184
Silver Eureka Corporation	5,700	10,121	13,104
President Brand Gold Mining Co.	2,000	26,500	42,438
Totals		$23,001,400	$5,095,399

The market value does not purport to represent the amount which might be realized upon disposition of these assets.

* *Stated at cost, no quoted market value. The Board of Directors has designated the stated value to be the fair value of the unlisted securities.*

	1969	1968
Unrealized appreciation on investments	$17,906,001	$24,836,703
Aggregate purchase price of investments acquired during year	$ 1,268,412	$ 462,125

LS 000351

PROPERTY MAP

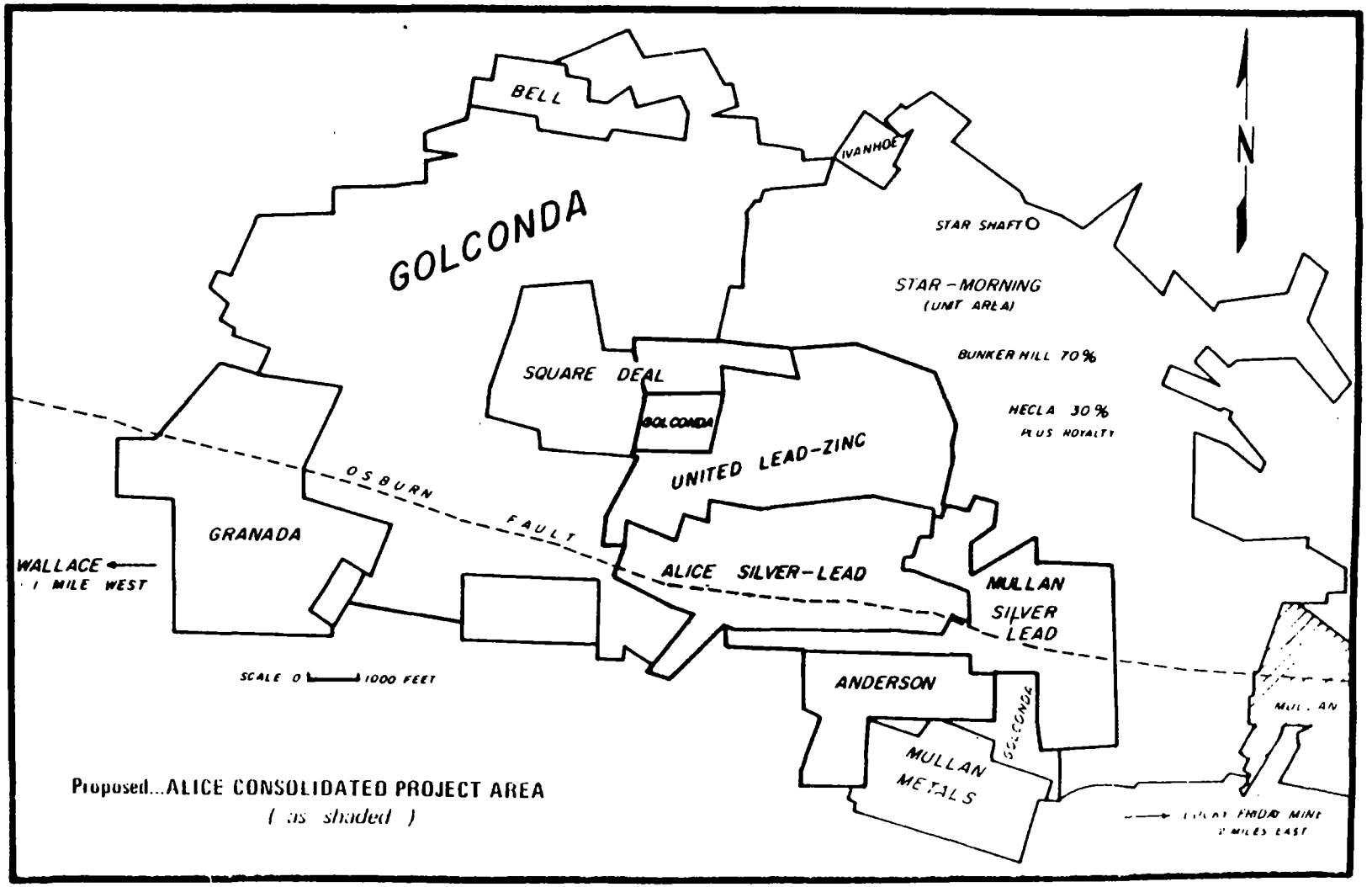
GOLCONDA AREA

Coeur d'Alene Mining District

Shoshone County, Idaho

GOLCONDA OWNERSHIP

Golconda group **100%** property interest
Anderson **90%** mineral rights
Square Deal **54.3%** stock interest
United Lead-Zinc **47.1%** stock interest
Alice Silver-Lead **52.2%** stock interest
Mullan Silver-Lead **54.8%** stock interest
Granada **30.2%** stock interest
Bell **40.6%** stock interest
Mullan Metals, Inc. **42.7%** stock interest
Ivanhoe Mining Co., Inc. **23.9%** stock interest



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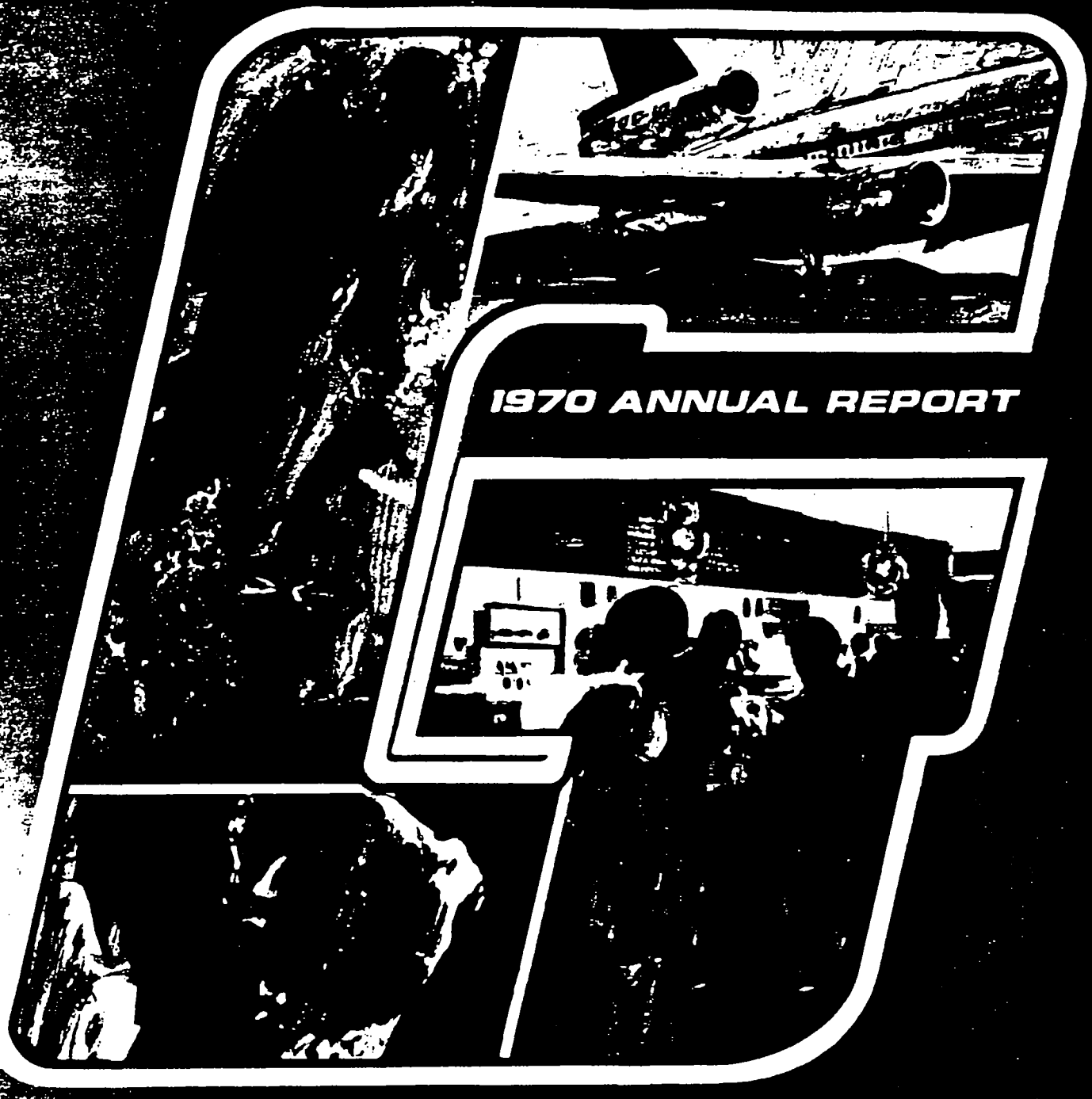
GOLCONDA CORPORATION



1970 ANNUAL REPORT

Experienced People Producing for Expanding Markets

LS 000354

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Golconda Corporation appointed Mr. George B. Howell Executive Vice President and Chief Executive Officer *during the third quarter of 1970. Mr. Howell is shown in*specting one of Bastian-Blessing's newest food service systems in The Wells Fargo Bank San Francisco Corporate Headquarters.

HIGHLIGHTS OF 1970

- Golconda Corporation formed by merger of Golconda Mining Corporation and Astro Controls, Inc. (Bastian-Blessing and Pioneer Astro Industries.)
- Capital structure strengthened by Golconda Mining holdings.
- Liquidity improved by retirement of 4 million dollars short-term debt.
- Sales reached record of nearly 46 million dollars.
- Net income (before extraordinary items) affected by the 1970 recession totaled 17¢ per share, substantially all of which was earned in the second half of 1970.
- Paris, Illinois, plant closed to stop operating losses, resulting in *about 1 million dollars one time extraordinary after tax loss.*
- Operations were decentralized into profit center businesses.
- Computerized material control system developed for RegO Division.
- Pioneer Division strengthened market position by shifting predominant product mix from military to non-military components.
- First numerically-controlled Wiedematic Press installed to improve productivity and lower costs at Bastian-Blessing food service equipment plant at Grand Haven, Michigan.
- Golconda Mining and Hecla Mining finalized a joint mining venture — Alice Consolidated Mines, Inc. — 54% owned by Golconda.

CORPORATE MANAGEMENT

M. J. COEN
Chairman of the Board, President

ALBERT S. KEPEN
Vice Chairman of the Board

GEORGE B. HOWELL
Executive Vice President, Chief Executive Officer

ALBERT W. THOMSON
First Vice President, Secretary

EDWIN B. WRIGHT
Treasurer

L. N. LUCAS
Vice President

J. M. STOGIN
Vice President — Legal and Finance

EDWIN C. SWIATLO
Controller, Assistant Secretary and Assistant Treasurer

D. L. HESS
Assistant Secretary and Assistant Treasurer

WRAY FEATHERSTONE
Vice President

C. T JOHNSON
Vice President, Bastian-Blessing Division

ROBERT P KEPEN
Vice President, Pioneer Astro Industries Division

RICHARD S. SLOMA
Vice President, RegO Division

CONTENTS

Operations and Financial Review 1 Golconda Mining Division 4 RegO Division 6 Pioneer Astro Industries Division 8 Bastian-Blessing Division 10 Consolidated Balance Sheet 12 Consolidated Statement of Operations 14 Consolidated Statement of Stockholders' Equity 15 Consolidated Statement of Source and Application of Funds 16 Statement of Investments 17 Notes to Consolidated Financial Statements 18 Auditors Report 19

Golconda Corporation and Subsidiaries

FINANCIAL HIGHLIGHTS

For the Years Ended November 30, 1970 and 1969

	1970	1969
SALES	$45,864,833	$43,676,378
EARNINGS		
Earnings before extraordinary items	931,780	1,509,743
Extraordinary items	(995,187)	280,251
Net Earnings	(63,407)	1,789,994
CASH FLOW		
(Funds derived from net earnings)	844,741	2,798,785
CASH DIVIDENDS		
Preferred Stock	455,394	242,300
Common Stock	283,190	455,451
	738,584	697,751
WORKING CAPITAL	17,581,532	14,979,842
STOCKHOLDERS' EQUITY	21,392,911	22,373,662
PER SHARE DATA		
Earnings per Share*	$ .17	$ .38
Extraordinary Items per Share*	(.36)	.10
Net Earnings (Loss) per Share*	(.19)	.48
Cash Flow per Share*	.30	1.03
Working Capital per Share**	5.08	4.[illegible]3
Stockholders' Equity per Share**	6.18	6[illegible]

* Per share amounts are based on the weighted average number of common shares outstanding during the year after deducting from earnings per share and net earnings per share the preferred dividend requirements. (See Note 10 to financial statements)

** Per share amounts are based on the total of the common shares and common equivalent shares outstanding as of November 30, 1970.

LS 000355

OPERATIONS AND FINANCIAL REVIEW FOR OUR SHAREHOLDERS

To Our Shareholders:

The merger of Golconda Mining Corporation and Astro Controls, Inc., resulting in the change of the Corporate name to Golconda Corporation on September 15, 1970, was 1970's most significant event.

BOTH PARTNERS GAIN BY MERGER

Golconda Mining Corporation has holdings of valuable mining equities, as well as ownership of 2,500 acres of undeveloped mineral properties in the rich, silver bearing Coeur d'Alene district of Idaho. The market value of these holdings, after applicable taxes, is about four dollars per share and, when applied to the former Astro Controls balance sheet, has improved the debt to equity ratio from about 70% for Astro to 40% for Golconda.

From the Astro Controls side of the merger came the advantages of dominant positions in two major markets. The Bastian-Blessing Division is the number one producer of stainless steel food service equipment, and the RegO Division holds the number one market position in liquefied petroleum gas regulation.

Additionally, the Pioneer Astro Industries Division has an international reputation for close tolerance manufacturing of aerospace components from difficult-to-machine materials. For example, beryllium components for the Apollo moon flight capsules were made by Pioneer.

The long-term customer acceptance of our products in these diverse markets points to promise of increased future earnings for the new Company.

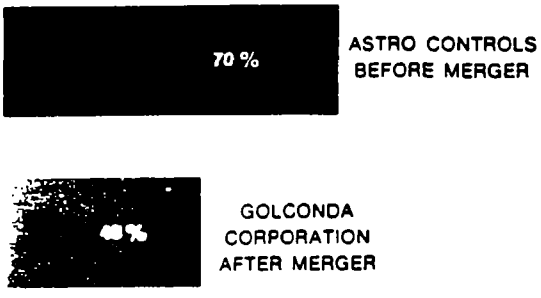
LIQUIDITY IMPROVES

The Company's liquidity position was greatly strengthened during the year by retiring four million dollars in short-term borrowings at a rate of 9% with the proceeds from the issuance of 7% long-term subordinated convertible debentures. In addition to retiring this short-term debt, another one million dollars in 7% subordinated notes were liquidated. The net effect on liquidity was an increase from 2.4 to 3.5 in the ratio of current assets to current liabilities.

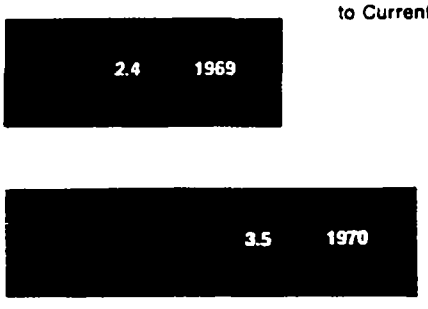
LATENT POTENTIAL IN THE SILVER MARKET

Further earnings and capital gains possibilities for Golconda stem from its ownership of about 700,000 shares of

DEBT TO EQUITY RATIO



LIQUIDITY
Current Assets to Current Liabilities



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ned a Mining Company, the largest silver producer in the United States. On November 10, 1970, the U. S. Government stopped a long-standing practice of selling silver from its almost depleted stockpile, thereby releasing silver prices to seek "free" market conditions. Since industrial consumption of silver alone exceeds the present production, the long-range price forecast for silver offers some interesting possibilities.

MAJOR MARKETS REMAIN STRONG

Sales and new orders received were a highlight of 1970, with both the Bastian-Blessing food service equipment division and RegO compressed gas regulation division setting sales volume records. Not only does Golconda have a dominant position in these markets, but both markets maintained their strength throughout most of 1970, running counter to the recession.

However, Pioneer Astro Industries was hit severely by the drop in military spending, and particularly the cancellation of the U. S. Army Ordnance Cheyenne Helicopter contract.

OPERATING EARNINGS RISE IN SECOND HALF

Although earnings for the year, at 17¢ per share, were seriously affected by the general economic recession of 1970, the second half of the year did produce substantially all of the earnings for the year. Rigorous cost reduction efforts at Pioneer Astro Industries offset substantially all of a $227,000 loss experienced during the first half of 1970, and at RegO, both improved shipments and tight expense control during the second half of 1970 contributed to a 60% improvement in earnings over the first half.

A LOSER IS DROPPED

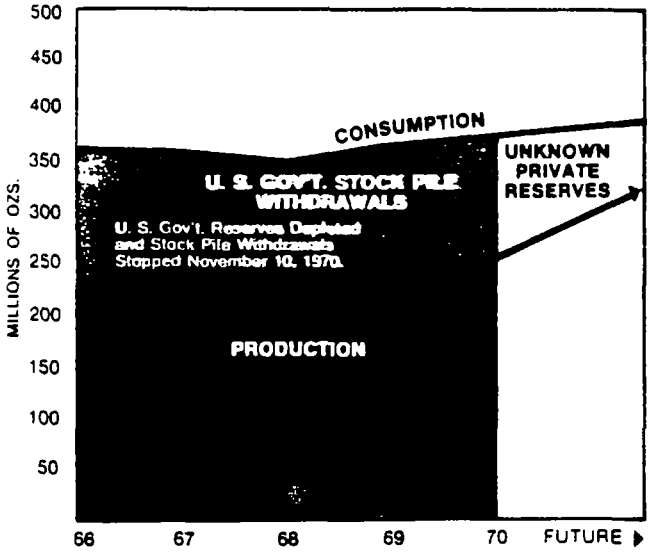
After experiencing continuing operating losses over the past several years, the plant at Paris, Illinois, was closed at the end of July, in accordance with information given to shareholders in the June 30, 1970, proxy statement, in order to avoid future losses from this operation.

MANAGEMENT STRENGTHENED

During 1970, these organization and key management moves were made, both to strengthen the Company's ability to improve earnings from operations and to provide a base for future growth:

- The Golconda Mining and Astro Controls merger afforded an opportunity to add men of broad backgrounds to the Board of Directors of Golconda Corporation.
- Recognizing the diverse nature of Golconda's businesses, the Divisions were completely decentralized, with profit accountability placed with a corporate vice president and general manager of each business. Administrative and financial controls remain at the corporate level.
- Mr. George B. Howell, a seasoned businessman with a proven general management performance record, was engaged as Executive Vice President and Chief Executive Officer

FREE WORLD SILVER MARKET TREND



LS 000357

- Mr. Richard S. Sugma, a former ITT executive and division head, was hired as Vice President and General Manager of the RegO Division.

OUTLOOK FOR 1971 IMPROVES

The outlook for 1971 is for a moderately improved economic climate in Golconda's major markets. The one large inconceivable is the future extent of the cost-price squeeze caused by continuing uncontrolled inflation. On balance, however, substantial earnings improvement is projected for 1971 through increased sales, aggressive cost reduction and moderate price adjustments.

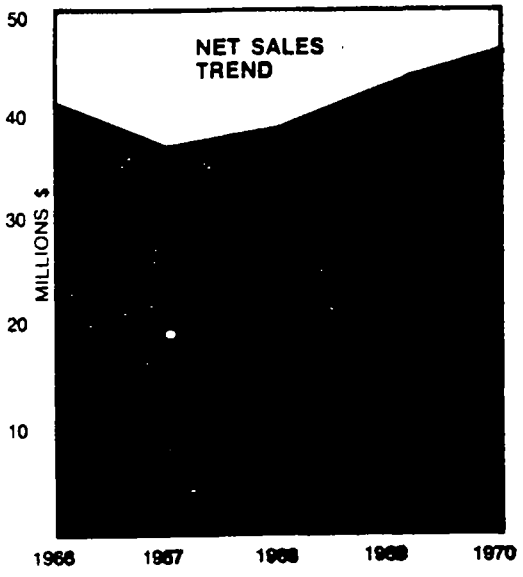
OUR THANKS TO SHAREHOLDERS AND EMPLOYEES

To the many shareholders who make Golconda possible by providing capital, we thank you for your confidence and assure you that your investment will be managed with initiative throughout 1971. For example, since the end of fiscal 1970, the Company has cleared with the Securities and Exchange Commission the purchase of up to 100,000 shares of the company's preferred stock. Approximately 27,000 shares have already been purchased using proceeds from the sale of investments which were not paying cash dividends.

In large measure, the strength of the Company is in the dedicated competence of employees who design, make and market its products and manage its resources. We sincerely appreciate your continuing efforts on behalf of Golconda.

Chairman of the Board, President

Executive Vice President, Chief Executive Officer



LS 000358

GOLCONDA MINING DIVISION

COEUR D'ALENE MINING DISTRICT — STRONGHOLD FOR SILVER

The Coeur d'Alene Mining District, one of the world's major mining districts and in recent years the source of 50% of U. S. silver production, is situated in northern Idaho. Golconda Mining, founded in 1927, is a mining company headquartered in Wallace, Idaho, in the heart of the Coeur d'Alene District, with important holdings in this world famous mining district. Golconda, in addition to its own mining properties, has capital stock interests in 26 mining companies, most of which have property in the Coeur d'Alene District.

Golconda owns 11% of the outstanding capital stock of Hecla Mining Company, presently the largest domestic producer of silver with 16% of the market. Hecla's silver production was in excess of six million ounces during 1970. Hecla's other mining activities include a major development program to bring the Lakeshore copper property near Casa Grande, Arizona, into production. It also has a substantial capital stock interest in the Granduc copper property near Stewart, British Columbia, which will be brought into production during 1971.

ALICE CONSOLIDATED VENTURE — UNTAPPED FUTURE POTENTIAL

Important among Golconda's mining holdings is its 54% ownership of Alice Consolidated Mines, Inc. This company owns 1,109 acres of contiguous mining property which will be exploited, commencing in 1971, under an operating lease agreement with Hecla Mining Company.

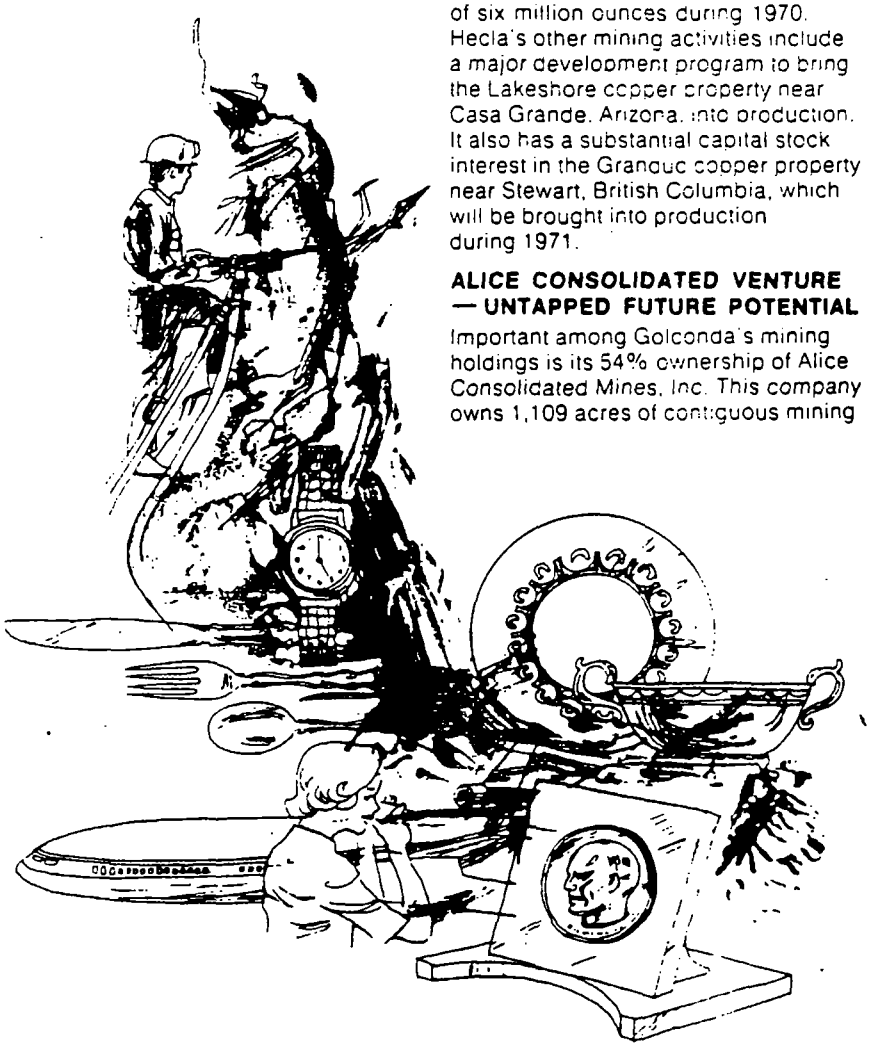
U. S. TREASURY SILVER DEPLETED IN 1970

Significant developments in 1970 indicate a more favorable long-term price for silver producers. Consumption of silver in the United States during recent years has exceeded new production by over 100 million ounces per year. During the last ten years, industrial consumption of free world silver was in excess of three billion ounces. New free world production provided slightly more than two billion ounces, which left a deficit of about 840 million ounces. The gap between production and consumption was largely provided from U. S. Government supplies, which in 1959 totalled in excess of 2.1 billion ounces. The U. S. Treasury officially discontinued sales of government silver on November 10, 1970. The elimination of this major source of silver will very probably affect the price of silver during the Seventies. An improvement in the price of silver could provide a more favorable climate for the exploration of other property interests held by Golconda.

PRIVATE MINTS — A NEW GROWTH MARKET FOR SILVER

Traditionally, markets for silver have included electronics, space and defense projects, along with the more commonly known uses in silverware and jewelry. Although the largest consumption of silver at the present time is for film used in the photographic industry, the possibility exists that a new industry, private mints, will soon consume as much or more silver than the photographic industry. Recently, the market has increased substantially for collector items of limited issue. Additionally, legislation was approved in 1970 providing for the minting of 150 million Eisenhower dollars containing 40% silver.

The outlook for increased growth in widening use of silver has interesting possibilities. With the Golconda Mining Division's important holdings in companies and major exploration and development programs, the future can be viewed with confidence.



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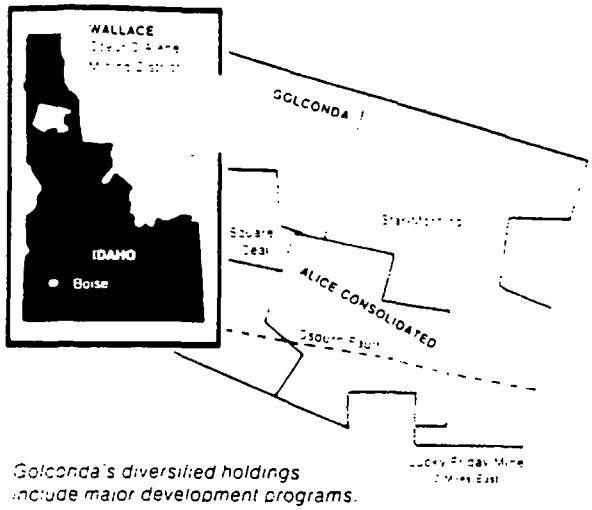
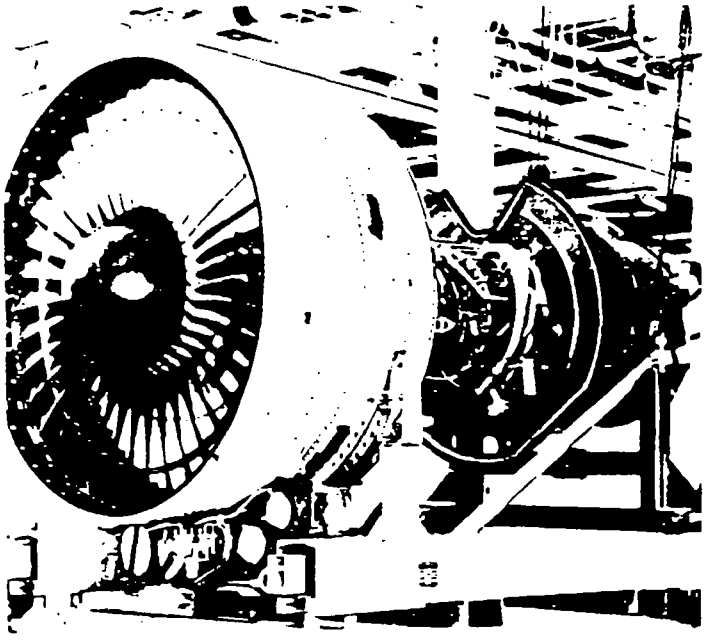
Silver's biggest use is in photographic film



Golconda's diversified holdings include major development programs.



Considerable silver is used in jet engine applications

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Termination of government silver sales w[illegible] need for more silver mining [illegible]

DIVISION

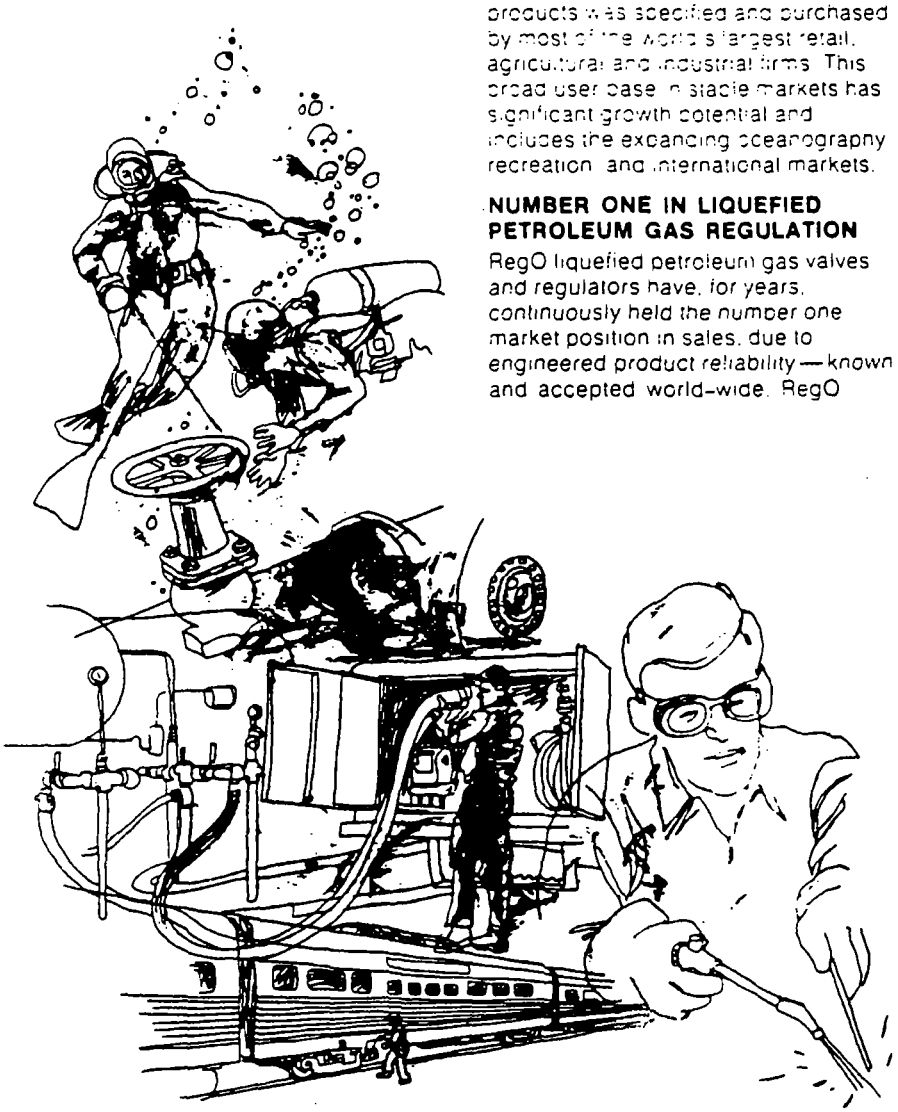
OPERATING ON A BROAD USER BASE

Wherever you might look outside chances are you will see an application for RegO Division's valves and regulators — on storage tanks serving homes and plants; on trains and truck transporters; in farming; in welding; and as part of self-contained breathing equipment used under water or for firemen's and miners' rescue equipment.

During 1970, the broad line of RegO products was specified and purchased by most of the world's largest retail, agricultural and industrial firms. This broad user base in stable markets has significant growth potential and includes the expanding oceanography recreation and international markets.

NUMBER ONE IN LIQUEFIED PETROLEUM GAS REGULATION

RegO liquefied petroleum gas valves and regulators have, for years, continuously held the number one market position in sales, due to engineered product reliability — known and accepted world-wide. RegO products are used for safe, sure handling and storage of LP-gas in transport vehicles, in storage depots and by rural and mobile homes nationwide. Also widely used are RegO compressed gas valves, regulators and oxyacetylene welding and cutting torches. In addition, the Division strengthened its position to increase volume for its line of compressed air filters, regulators and lubricators used by the fluid power industry. RegO serves the nation's largest customers in all major consumer areas of pressurized or liquid gas transportation, storage and use. These customers provide products used in volume by people in their homes, such as propane service for heating and cooking, home welding kits, and for many recreational uses including under water breathing regulators for Scuba diving.



BASE ESTABLISHED FOR COST REDUCTIONS AND IMPROVED CUSTOMER SERVICE

During the second half of 1970, emphasis was placed on tightening factory cost controls and improving customer services. Also, a broader long-range base for reducing product cost was established through a Value Analysis Program. Purchasing activities involving marketing, engineering and factory operations are expected to result in cost savings of over a half million dollars during the coming year. A newly-developed computer aided materials control system should also bring additional results by improving inventory management and customer services.

Initial short-range action on these programs enabled RegO to realize a 15% increase in sales and a much greater increase in earnings during the second half as compared to the first half of 1970.

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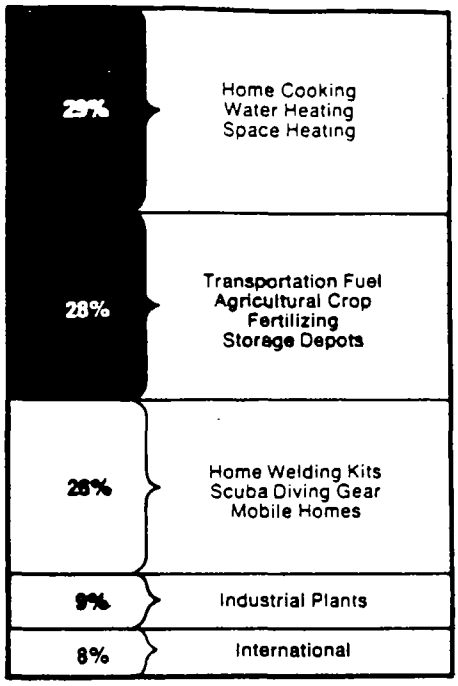
Golc - CDA dm - 0354

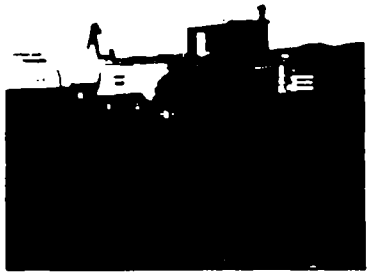
RegO products are used world-wide for safe sure storage of compressed gases

1970 REGO PRODUCTS AND MARKETS



LS 000362

RegO regulators provide highest reliability required for underwater breathing



Anhydrous ammonia is another volume market for RegO valves

RegO is the world's largest manufacturer of liquefied petroleum gas

PIONEER ASTRO INDUSTRIES DIVISION

DIVERSIFIED PRECISION COMPONENTS PRODUCTION

Apollo moon program . . . Boeing 747 jet aircraft . . . atomic powered surface ships . . . computers. These are but a few of the diverse applications for highly precise machined metal components from the Pioneer Astro Industries Division.

Pioneer Astro engineers and manufactures precision and ultraprecision components and assemblies for government contracts — both military and non-military — as well as for a wide variety of industrial and commercial products. In addition, the Division's considerable engineering and manufacturing talents are used to design and build custom machinery, tools and dies.

The Pioneer Astro Industries Division operates a modern plant in Chicago with the latest equipment for manufacturing and quality control, including a wide range of numerically-controlled machining centers. A high degree of engineering capabilities and technological skills is found among Pioneer Astro's design and manufacturing personnel.

A TURN-AROUND AFTER MID-YEAR

Cutbacks in federal government spending during 1970 had extremely adverse effects on the aerospace-industry. Pioneer Astro felt these actions on a broad front, but most severely with the cancellation of the U. S. Army Ordnance contract for components on the Cheyenne Helicopter. The result was an operating loss for the first six months of the year.

During 1970, the efforts of the Pioneer Astro sales force were focused on securing non-military business to offset the loss of military contract work. This action, plus cost reduction programs leading to higher efficiencies, resulted in considerable success. By year end, the operating loss had been almost completely eliminated.

A CHANGING PRODUCT MIX

The following significant projects in 1970 reveal an increase in high precision hardware for non-military applications:

- Hydraulic assemblies for aileron controls in 747 commercial jet aircraft.
- Beginning of long-range program for manufacture of major components for computer peripheral equipment.
- Components of sophisticated metals, such as beryllium, for Apollo Moon Flight Capsules and satellite programs.
- Main accessory gearbox for jet engines powering the new DC-10 superjet.

With the several large orders received near year end and continuing aggressive cost control and marketing efforts, Pioneer Astro is confident of extending in 1971 the favorable results achieved during the last half of 1970.

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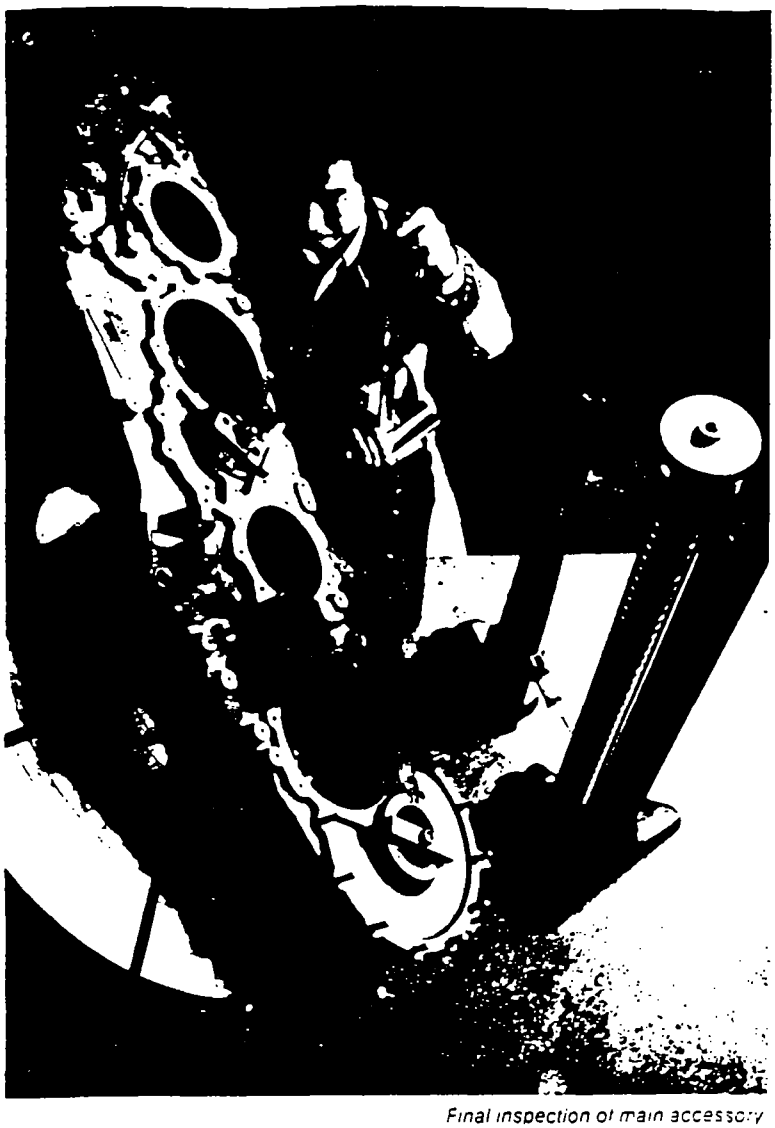
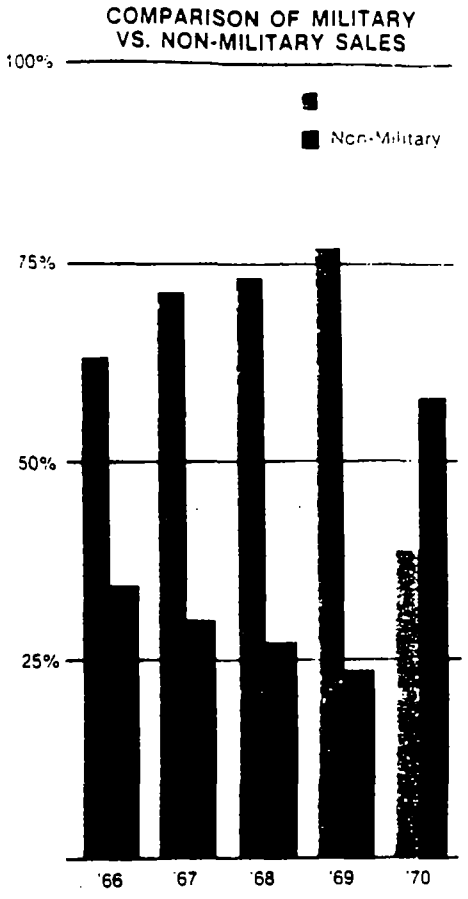
Golc - CDA dm - 0356



Final inspection of main accessory gearbox in jet engines for DC-10 aircraft



High-production assembly machine custom built for major office equipment company.

Ultra-clean white room [illegible] atomic components are assem[illegible]

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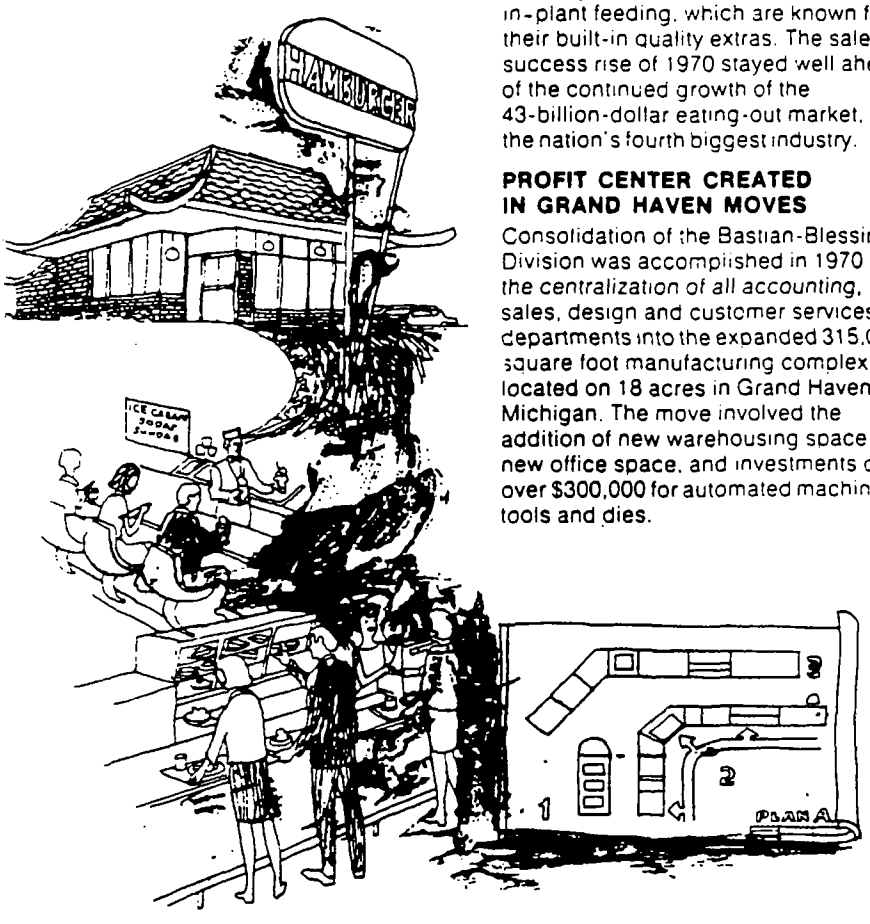
BASTIAN-BLESSING DIVISION



A RECORD SALES VOLUME SET IN 1970

The food service business is one market that remains strong in practically all economic times, and in 1970, Bastian-Blessing set a volume sales record serving this industry. Bastian-Blessing is the best recognized name in the industry and the nation's number one producer of stainless steel food service equipment. Wherever people eat out, from the finest restaurants to the most famous nationwide drive-in chains, Bastian-Blessing type food service equipment is involved in the preparation or serving of the food. Utilizing a nationwide distributor network and National Account offices, Bastian-Blessing offers a wide range of modular equipment, food service systems and concepts for office buildings, schools, institutions and in-plant feeding, which are known for their built-in quality extras. The sales success rise of 1970 stayed well ahead of the continued growth of the 43-billion-dollar eating-out market, the nation's fourth biggest industry.

PROFIT CENTER CREATED IN GRAND HAVEN MOVES

Consolidation of the Bastian-Blessing Division was accomplished in 1970 with the centralization of all accounting, sales, design and customer services departments into the expanded 315,000 square foot manufacturing complex located on 18 acres in Grand Haven, Michigan. The move involved the addition of new warehousing space, new office space, and investments of over $300,000 for automated machinery, tools and dies.

The numerically-controlled Wiedematic Turret Punch Press utilizes its own tape controlled computer system to plan and punch complex fabricated parts in minutes. This investment in numerically-controlled machinery has improved product quality, reduced lead times and allowed for more economical and shorter production runs.

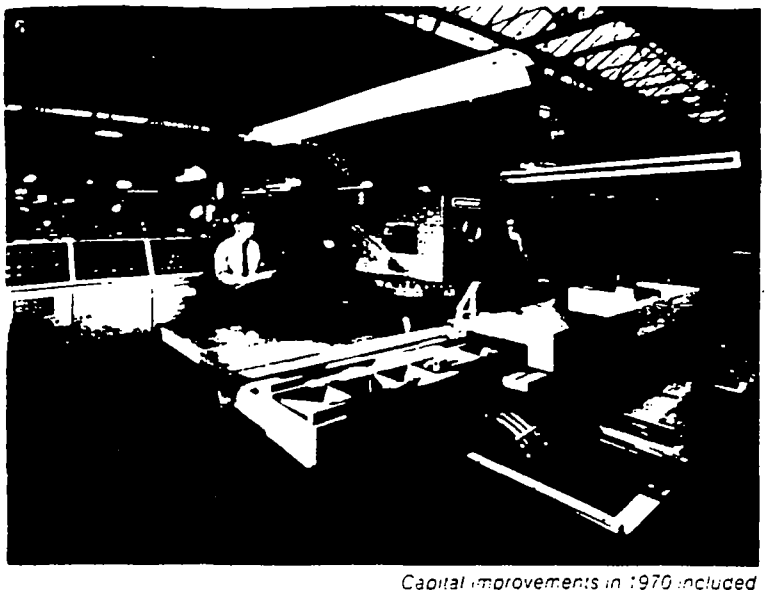
INCREASED EMPHASIS IN 1970 ON MULTI-UNIT CUSTOM SYSTEMS

Sold throughout the world, Bastian-Blessing's multi-unit food service systems are specified increasingly by the largest, best known company-owned and franchised fast-food operations. This type of equipment is custom built to fit the individual customer's style of operations. Standard modular units making up complete systems are produced for snack bars, cafeterias, and kitchens in the lunch and restaurant facilities of the world's leading chain operators. These continuing customers include most of the large national and regional variety and department stores, food chains, airlines, and drug stores.

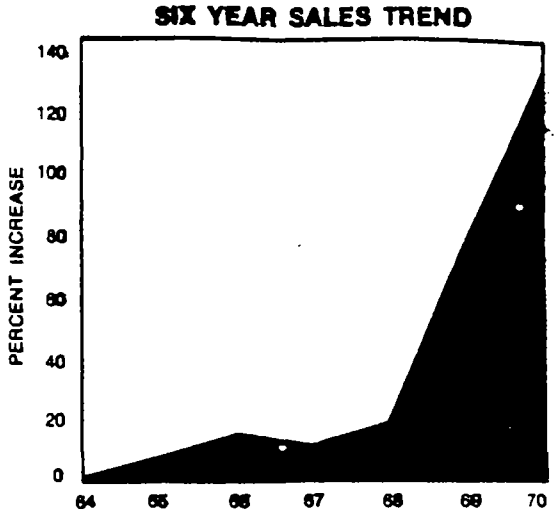
FIRMLY ESTABLISHED WITH CONTINUING CUSTOMER LOYALTY

Bastian-Blessing is famous for its progressive growth during the past six decades in the ice cream industry. Today the Division is a regular supplier of modern multi-unit service systems for leading customers operating ice cream chains throughout the United States. Bastian-Blessing equipment is utilized for Army and Air Force Exchanges as well. Easily recognized registered trade names like Meteor, Flomatic, Selector, Vapormatic and Fast-Serv appear everywhere. Through our Research & Development Department, new products are continually being introduced to our customers to reduce their labor and food costs. Bastian-Blessing's full design capabilities produced new customers [illegible] and new marketing areas for [illegible] development in the Seventies. The enthusiastic and experienced [illegible] Bastian-Blessing are confident [illegible] 1970 sales record, the profit center concept of operation at Grand Haven and the improvements in manufacturing capabilities are just the beginning [illegible] series of progressive steps which enhance the Division's growth [illegible] the Seventies.

LS 000365



Capital improvements in 1970 included a computerized tape controlled turret punch press.



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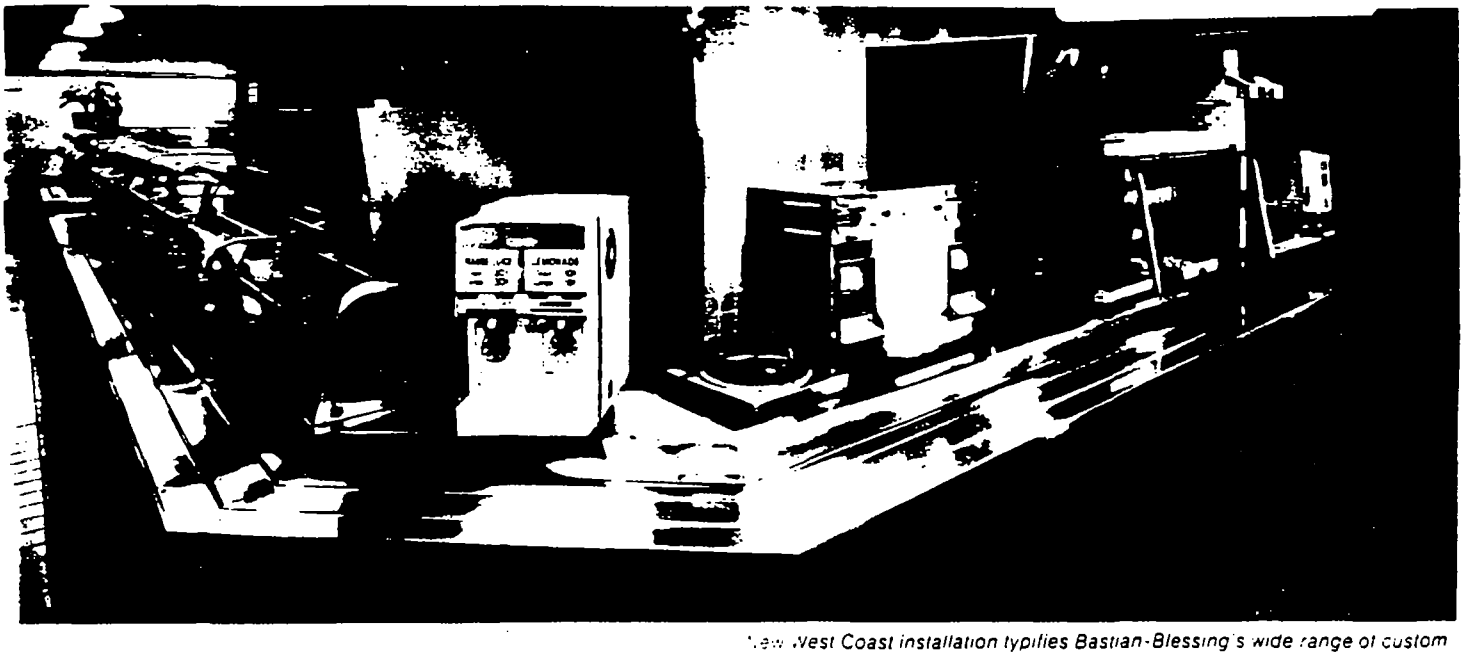

New West Coast installation typifies Bastian-Blessing's wide range of custom food service systems for office buildings, banks and recreation centers.

Standard modular units offer schools, institutions and industry feeding a wide range of design flexibilities

Custom or standard kitchen equipment is sold through a nationwide [illegible] network to the nation's leading independent, franchised or chain operated food [illegible]

Golc - CDA dm - 0359

Golconda Corporation and Subsidiaries

November 30, 1970 and 1969

ASSETS	1970	1969
CURRENT ASSETS		
Cash	$ 1,583,454	$ 1,654,611
Marketable securities — at cost plus accrued interest, which approximates market	1,061,310	450,000
Notes and accounts receivable, less allowance for uncollectible receivables of $53,000 in 1970 and $49,900 in 1969	8,883,940	7,271,253
Inventories — at the lower of cost (determined by the first-in, first-out method) or market	12,914,944	15,791,664
Prepaid expenses and sundry deposits	140,957	95,997
Total current assets	24,584,605	25,263,525
INVESTMENTS — AT COST (approximate market value, $19,824,995 in 1970 and $23,001,400 in 1969) (note 2)	4,925,848	5,095,399
PROPERTY, PLANT AND EQUIPMENT — AT COST (note 3)		
Buildings and improvements	3,397,315	4,198,300
Machinery, equipment and tools	9,454,529	9,974,306
Office furniture and fixtures	624,930	553,749
	13,476,774	14,726,355
Less accumulated depreciation and amortization	8,103,835	8,224,291
	5,372,939	6,502,064
Land and mining properties, less accumulated amortization, depletion and depreciation of $631,173	645,087	705,641
	6,018,026	7,207,705
OTHER ASSETS		
Excess of cost over underlying equity of net assets acquired (not subject to amortization)	4,374,476	4,374,476
Notes receivable, less current portion of $413,678	1,081,322	—
Deferred debt expense — net of amortization	852,867	264,583
Cash surrender value of life insurance	256,189	218,141
Sundry	153,551	245,721
	6,718,405	5,102,921
	$42,246,884	$42,669,550

LS 000367

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 602,936	$ —
Notes payable		
Bank (note 2)	2,330,000	6,245,000
Other	—	175,000
Accounts payable	2,392,848	2,438,637
Dividends payable	210,031	45,620
Income taxes	191,017	241,855
Accrued liabilities	1,276,241	1,137,571
Total current liabilities	7,003,073	10,283,683
LONG-TERM DEBT (note 4)	13,320,533	9,526,654
DEFERRED LIABILITIES	530,367	485,551
COMMITMENTS AND CONTINGENCIES (note 5)	—	—
STOCKHOLDERS' EQUITY (notes 6, 7 and 8)		
Capital		
Preferred	449,856	468,445
Common	769,217	747,628
Additional contributed capital	6,532,185	6,713,945
Retained earnings	14,127,253	14,929,244
	21,878,511	22,859,262
Less treasury stock — at cost	485,600	485,600
	21,392,911	22,373,662
	$42,246,884	$42,669,550

The accompanying notes are an integral part of this statement.

LS 000368

Golc - CDA dm - 0361

GOLCONDA CORPORATION AND SUBSIDIARIES

FOR THE YEARS ENDED NOVEMBER 30, 1970 AND 1969

	1970	1969
Net sales	$45,864,833	$43,676,378
Cost of goods sold	35,498,737	33,825,575
Gross profit	10,366,096	9,850,803
Selling, general and administrative expenses	7,613,342	6,572,273
Operating profit from manufacturing operations	2,752,754	3,278,530
Investment revenues — net (note 2)	22,015	348,782
Operating profit	2,774,769	3,627,312
Other income (deductions)		
Interest expense	(1,158,292)	(1,150,958)
Sundry — net	150,303	317,389
	(1,007,989)	(833,569)
Earnings before income taxes and extraordinary items	1,766,780	2,793,743
Income taxes (principally Federal)	835,000	1,284,000
Earnings before extraordinary items	931,780	1,509,743
Extraordinary items, net of applicable taxes (note 9)	(995,187)	280,251
NET EARNINGS (LOSS)	$(63,407)	$ 1,789,994
Earnings (loss) per common share (note 10)		
Earnings before extraordinary items	$ .17	$ .38
Extraordinary items	(.36)	.10
Net earnings (loss)	$(.19)	$ .48

The accompanying notes are an integral part of this statement.

LS 000369

FOR THE YEAR ENDED NOVEMBER 30, 1970

	Preferred stock	Common stock	Additional contributed capital	Retained earnings	Treasury stock	Total
Balance at beginning of period (note 1)						
Golconda Corporation	$ —	$200,000	$ 184,142	$ 3,029,408	$(485,600)	$ 2,927,950
Astro Controls, Inc.	468,445	547,628	6,529,803	11,899,836	—	19,445,712
Balance at beginning of period, as restated	468,445	747,628	6,713,945	14,929,244	(485,600)	22,373,662
Conversion of 18,589 shares of preferred stock into common stock during the year on a one-for-one basis (prior to merger)	(18,589)	18,589	—	—	—	—
Conversion of 7% convertible debentures into 3,000 shares of common stock	—	3,000	45,000	—	—	48,000
Costs relating to merger	—	—	(226,760)	—	—	(226,760)
	449,856	769,217	6,532,185	14,929,244	(485,600)	22,194,902
Net loss for the period (includes net investment loss of $213,927 and net realized gain on sale of investments of $235,942)	—	—	—	(63,407)	—	(63,407)
Cash dividends paid or payable						
Common stock						
June 15, 1970 ($.06 per share)	—	—	—	(115,980)	—	(115,980)
December 16, 1970 ($.06 per share)	—	—	—	(167,210)	—	(167,210)
	—	—	—	(283,190)	—	(283,190)
Preferred stock ($1.00 per share)	—	—	—	(455,394)	—	(455,394)
	—	—	—	(738,584)	—	(738,584)
Balance at end of period	$449,856	$769,217	$6,532,185	$14,127,253	$(485,600)	$21,392,911

The accompanying notes are an integral part of this statement.

LS 000370

GOLCONDA CORPORATION AND SUBSIDIARIES

FOR THE YEARS ENDED NOVEMBER 30, 1970 AND 1969

	1970	1969
SOURCE OF FUNDS		
From operations		
Net earnings (loss)	$(63,407)	$ 1,789,994
Provision for depreciation and amortization	867,949	921,673
Provision for deferred expenses	40,199	87,118
	844,741	2,798,785
Increase in long-term debt—net	4,396,815	—
Cost of investments sold	226,115	154,249
Disposition of property, plant and equipment at Paris, Illinois, division	1,022,372	—
Sundry	82,013	48,587
Total source of funds	6,572,056	3,001,621
APPLICATION OF FUNDS		
Long-term debt currently due	602,936	4,175,000
Registration and financing costs	582,074	92,936
Increase in cash surrender value of life insurance	38,048	41,007
Costs relating to mergers	226,760	52,711
Cash dividends declared	738,584	697,751
Net additions to property, plant and equipment	700,642	853,734
Investment in stock of mining companies	—	1,230,102
Long-term portion of notes receivable	1,081,322	—
Total application of funds	3,970,366	7,143,241
INCREASE (DECREASE) IN WORKING CAPITAL	$ 2,601,690	$(4,141,620)

The accompanying notes are an integral part of this statement.

LS 000371

Golc - CDA dm - 0364

NOVEMBER 30, 1970

	Shares	Approximate market value	Cost
Capital stock of operating company located in the Coeur d'Alene Mining District			
Hecla Mining Company (affiliate) (note 2)	696,488	$16,367,468	$3,832,001
Capital stock of companies owning property in the Golconda Area of the Coeur d'Alene Mining District (affiliates)			
Alice Consolidated Mines, Inc. (note 2)	4,308,020	2,584,812	399,137
Bell Mining Company	203,000	15,000*	15,000
Black Bear Mines Company	880,371	11,014*	11,014
Granada Lead Mines, Inc.	755,442	9,769*	9,769
Great Eastern Mining Company	100,000	5,000*	5,000
Ivanhoe Mining Company, Ltd.	358,000	4,690*	4,690
Mullan Metals, Inc.	426,512	13,983*	13,983
Square Deal Mining & Milling Co., Ltd.	997,459	209,466	69,552
Wallace Mining Company	254,025	4,845*	4,845
Capital stock of other mining companies located in the Coeur d'Alene Mining District		235,158	241,607
Capital stock of other mining companies			
Granduc Mines, Ltd.	48,000	326,400	253,677
La Luz Mines, Ltd.	2,000	12,500	27,250
Homestake Mining Company	800	20,900	25,219
Silver Eureka Corporation	5,700	3,990	13,104
		$19,824,995	$4,925,848

NOTE

The approximate market value does not purport to represent the amount which might be realized upon disposition of these assets.

* Stated at cost, no quoted market value. The Board of Directors has designated the stated value to be the fair value of the related securities.

	1970	1969
Unrealized appreciation on investments, net of estimated Federal income taxes of $4,500,000 and $5,400,000, respectively	$10,399,147	$12,506,001
Aggregate purchase price of investments acquired during the period	$ —	$ 1,230,102

The accompanying notes are an integral part of this statement.

LS 000372

NOVEMBER 30, 1970

Note 1

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Golconda Corporation, formerly Golconda Mining Corporation, and its wholly-owned subsidiaries. Effective September 15, 1970, the Company acquired all of the outstanding stock of Astro Controls, Inc., and has accounted for the transaction on a pooling-of-interests basis.

The Company, which previously reported on a calendar year, adopted a November 30 fiscal year-end. Accordingly, the statement of operations includes the results of operations of Golconda Corporation for the eleven months ended November 30, 1970, combined with those of Astro Controls, Inc. for the twelve months then ended. Operations of Golconda Corporation for the month of December 1969 excluded from the statement of operations were insignificant. Financial statements for 1969 were combined for the two companies on the basis of their respective year-ends.

Note 2

INVESTMENTS

At November 30, 1970, 594,850 shares of Hecla Mining Company stock were pledged as collateral under notes payable to banks. Subsequently, the number of shares pledged has been reduced to 344,850. During the year, the Company entered into an agreement with the Hecla Mining Company which restricts the sale of Hecla stock to certain amounts during a period ending August 15, 1972.

Investment revenues are comprised as follows:

Net investment income (loss)	1970	1969
Income — principally dividends	$ 129,139	$490,824
Expenses — including interest of $198,206 and $73,675 respectively (a)	343,066	180,352
	(213,927)	310,472
Net realized gain on investments		
Aggregate sales price	462,057	48,626
Cost	226,115	10,316
	235,942	38,310
INVESTMENT REVENUES—NET	$ 22,015	$348,782

(a) During 1970, the Company, for financial reporting purposes only, expensed interest on certain debt in the amount of $108,389. In 1969, interest on this debt in the amount of $75,000 was capitalized as cost of investments.

Alice Consolidated Mines, Inc. owns 1,109 acres of mining properties. Hecla Mining Company and Alice Consolidated Mines, Inc. are engaged in an exploration and development program to be conducted by Hecla on this property. The Company has a 20 percent participation in the pre-production costs for the exploration and development program. The Company's expenditures are expected to amount to $500,000 over a five year period, commencing [illegible]. The Company will receive 20 percent of the net pro[illegible], until such pre-production costs have been recovere[illegible] percent thereafter.

Note 3

PROPERTY, PLANT AND [illegible]NT

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization of $867,949 in 1970 and $921,673 in 1969, computed primarily on the straight-line method, are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives.

Note 4

LONG-TERM DEBT

Long-term debt at November 30, 1970 is comprised of the following:

Note payable to bank at an interest rate of ½% above the prime rate, principal payments of $100,000 due quarterly, beginning May 1, 1971, final payment due August 1, 1975	$ 2,000,000
7% subordinated notes to insurance companies payable in semi-annual sinking fund payments of $250,000, commencing July 15, 1971, final payment due January 15, 1979	4,000,000
7% convertible subordinated debentures due January 1, 1990	4,952,000
10% first mortgage note payable in monthly installments of $28,975 including interest, final payment due April 1, 1990	2,971,469
	13,923,469
Less current maturities	602,936
	$13,320,533

The 7% subordinated notes to insurance companies and the 7% convertible subordinated debenture agreements contain certain covenants, the most restrictive of which provide, among other things, that the Company:

Will maintain consolidated net working capital of $10,000,000 and consolidated net worth, as defined, of $10,000,000. At November 30, 1970, consolidated net working capital and consolidated net worth, as defined, were $17,368,776 and $15,594,318, respectively.

Will not pay cash dividends or acquire for cash any shares of its stock in excess of 50% of cumulative consolidated net income, as defined, after December 31, 1968. At November 30, 1970, retained earnings in the amount of $156,093 were free of such restrictions. The current annual cash dividend requirement on the cumulative convertible preferred stock outstanding is $449,856. No dividends were in arrears at November 30, 1970.

Will not incur unsecured bank indebtedness due within one year in excess of $3,000,000 and for a period of 60 consecutive days during each calendar year, the Company shall not have any such unsecured indebtedness outstanding.

Will not incur secured indebtedness in excess of $2,000,000.

Will not incur obligations under long-term leases, as defined, in excess of $150,000 per year. The current annual obligation under such leases is $130,000.

All covenants were either complied with or expressly waived.

In connection with loan agreements, the Company has issued warrants entitling the holders thereof to purchase, at prices from $14.81 to $20.00, up to 410,592 shares of the Company's common stock. These warrants expire at various dates through January 15, 1979.

The trust indenture underlying the convertible subordinated debentures provides, among other things, that the debentures are redeemable at the Company's option at prices ranging from 107% in 1970 to 100% in 1984; that annual sinking fund payments of $325,000 are required beginning in 1976; that the Company has an option to make additional annual payments of $325,000 beginning in 1975 and, that the debentures are convertible into shares of common stock at a conversion price of $10.67 per share (subject to antidilution provisions).

Note 5

COMMITMENTS AND CONTINGENT LIABILITIES

Federal income tax returns of the Company (formerly Golconda Mining Corporation) for the years 1962 through 1966 were examined by the Internal Revenue Service and an additional tax of $276,571 was proposed. A petition was filed with the Tax Court and the hearing was concluded during the year, however no decision has been rendered. It is the opinion of counsel that there is no deficiency owed by the Company. In addition, the Company's (formerly Golconda Mining Corporation) Federal income tax returns for the years 1967 through 1969 were examined and the Internal Revenue Service proposed tax deficiencies amounting to $70,170. The ultimate liability, if any, for such deficiencies, is presently undeterminable.

Note 6

EMPLOYEE BENEFIT PLANS

The Company has various benefit plans, including pensions, profit sharing and executive incentive compensation plans covering a substantial portion of its employees. Provisions for these plans for the fiscal year ended November 30, 1970 approximated $640,884. The pension plan is for substantially all salaried employees and full-time hourly rated employees of two divisions. Unfunded past service costs are being funded on a thirty-year basis; current costs are being funded as accrued. The actuarially computed value of vested benefits for all plans as of November 30, 1969 (the most recent actuarial

LS 000373

valuation date) exceeded the total of the pension funds by $3,300,000. The charges to operations for the cost of the pension plans for the years ended November 30, 1970 and 1969 were $513,969 and $501,882, respectively.

The consolidated statement of operations includes employees' discretionary bonuses in the amount (net of taxes) of $138,000 or $.05 per share, which were paid in April, 1970. Employees' discretionary bonuses were not paid in 1969. This bonus plan has been discontinued and no further payments are required.

Note 7

STOCK OPTION PLAN

The Company has a qualified stock option plan at November 30, 1970 in which options covering 4,360 shares of cumulative convertible preferred stock were previously granted but not exercised. The options were priced at 100% of fair market value at the date of grant and may be exercised in whole or in part at any time prior to five years thereafter. All options were granted in prior years and no additional options may be granted under the plan. The 4,360 shares under option had a fair market value at date of grant of $92,539. During the year, no options were exercised, and options to purchase 3,284 shares were cancelled.

Note 8

CAPITAL STOCK

Preferred stock consists of 1,000,000 authorized shares of $1.00 par value of which 449,856 shares are issued and outstanding at November 30, 1970 and 4,360 shares of the authorized but unissued preferred shares were reserved under the stock option plan (note 7).

The preferred stock is entitled to a preferential cumulative annual dividend at a rate of $1.00 per share. The shares are redeemable at the option of the Company after May 6, 1974 at $37.50 per share plus unpaid cumulative dividends. The aggregate redemption value at November 30, 1970 is $16,869,600. The preferred stock has liquidation rights over the common stock in any final distribution and is entitled to one vote for each share held. No dividends are in arrears.

The preferred shares are convertible into common shares at the option of the holder at the rate of one and one-half shares common stock for each preferred share held. This conversion rate is subject to antidilution provisions.

Common stock consists of 7,500,000 authorized shares, without par value, of which 2,786,826 shares are outstanding. At November 30, 1970, 1,556,021 shares of authorized but unissued common shares have been reserved as follows: 674,784 shares upon conversion of preferred stock; 464,105 shares upon conversion of the 7% convertible subordinated debentures (note 4); 410,592 shares upon exercise of warrants for the purchase of common stock (note 4); and 6,540 under the stock option plan (note 7).

At November 30, 1970, there are 67,000 shares of common stock held in treasury.

Note 9

EXTRAORDINARY ITEMS

Extraordinary items consist of the following:

	Year ended November 30,	
	1970	1969
Loss on discontinued operation and liquidation of the Paris, Illinois division, net of Federal income tax credit of $1,032,000	$(995,187)	$ —
Gain on sale of securities net of Federal income taxes of $92,000	—	242,251
Gain on sale of portion of operations and assets of wholly-owned subsidiary, net of Federal income taxes of $12,000	—	38,000
	$(995,187)	$280,251

Note 10

EARNINGS PER SHARE

Earnings per common share are based on the weighted average number of shares, 2,771,084 and 2,726,848, respectively, outstanding during each period. The dividends paid on preferred stock of $455,394 during 1970 and, for comparative purposes, the assumed preferred dividend requirement of $485,990 for 1969 were deducted in arriving at earnings available for common stock. The effects of the convertible preferred stock, stock options, warrants and convertible debentures have not been reflected in the computation of per share data because they are antidilutive.

Note 11

SALARIES AND EXPENSES

During the year ended November 30, 1970, the aggregate remuneration paid to directors and officers amounted to $440,000.

Expenses include charges for legal services of Linde, Thomson, Van Dyke, Fairchild & Langworthy amounting to $75,000 and of Brenner, Lockwood & O'Neal amounting to $33,000. Travel and other expenses of $28,000 were also paid to Midland Aircraft Corporation. Certain officers and directors of the Company are members of these firms.

Board of Directors and Stockholders
Golconda Corporation

We have examined the consolidated balance sheet and statement of investments of Golconda Corporation and Subsidiaries as of November 30, 1970 and the related statements of operations, stockholders' equity and source and application of funds for the year then ended (note 1). Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including inspection or confirmation of securities owned at November 30, 1970. We have previously reported on the consolidated financial statements of Astro Controls, Inc., as of November 30, 1969 and for the year then ended. Golconda Corporation was reported upon by another certified public accountant as of December 31, 1969 and for the year then ended.

In our opinion, the accompanying consolidated balance sheet and statements of investments, operations, stockholders' equity and source and application of funds present fairly the financial position of Golconda Corporation and Subsidiaries as of November 30, 1970, and the results of operations and source and applications of funds for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois
January 18, 1971

LS 000374

ALEXANDER GRANT & COMPANY

COUNSEL:
Linde, Thomson, Van Dyke, Fairchild & Langworthy
Kansas City, Missouri

AUDITORS:
Alexander Grant & Company
Chicago, Illinois

TRANSFER AGENT:
Central National Bank in Chicago
Chicago, Illinois

CO-TRANSFER AGENTS:
United States National Bank
San Diego, California
Franklin National Bank
New York, New York
Golconda Corporation
Wallace, Idaho

REGISTRAR:
The First National Bank of Chicago
Chicago, Illinois

CO-REGISTRARS:
The Bank of California
San Diego, California
Chemical Bank
New York, New York
Idaho First National Bank
Wallace, Idaho

BOARD OF DIRECTORS

* M. J. COEN
Chairman of the Board, President
President, First California Company, San Francisco

* ALBERT S. KEPEN
Vice Chairman of the Board

* ALBERT W. THOMSON
First Vice President, Secretary
Partner—Linde, Thomson, Van Dyke, Fairchild & Langworthy, Kansas City

EDWIN B. WRIGHT
Treasurer
President, The Drovers and Merchants Bank, St. Joseph, Missouri

* DANIEL L. BRENNER
Senior Partner—Brenner, Lockwood & O'Neal, Kansas City

MICHAEL F. DRINKHOUSE
Restaurateur and Investor—New York City

R. M. DUNN
Director Emeritus, Trans World Airlines
Senior Vice President (retired), Trans World Airlines

* WRAY FEATHERSTONE
Vice President
President, Golconda Mining Corporation
Mining Engineer, Wallace, Idaho

* L. N. LUCAS
Vice President

A. D. MARTIN
Financier and Investor—Dallas, Texas
Chairman of the Board—Central Engineering & Supply Company, Dallas, Texas

WALTER L. SLY
General Contractor (retired), Spokane, Washington

* GORDON PAUL SMITH
President, Gordon Paul Smith Company, San Francisco

NORMAN M. SMITH
Mining Engineer, Wallace, Idaho
General Manager, Clayton Silver Mines

KENNETH TEEL
President and Director, Crestlite Incorporated, San Clemente, California

* *Member of Executive Committee*

LS 000375

BUSINESS LOCATIONS

Corporate Headquarters, Chicago, Illinois
Golconda Mining Division, Wallace, Idaho
RegO Division, Chicago, Illinois
Pioneer Astro Industries Division, Chicago, Illinois
Bastian-Blessing Division, Grand Haven, Michigan

International Locations

L. P. Gas Equipment Co. (Licensees),
Birmingham, England

Eisfink Bastian-Blessing,
Asperg, West Germany, 20% Owned

Number of Shareholders, 5,661
Total Manufacturing Space,
726,000 sq. ft.
Number of Employees, 1,750

The Golconda Corporation is an organization with a combination of financial strengths and manufacturing experience dedicated to successful business expansion and diversification. The four cornerstones of progress include mining interests, production of quality gas control devices, versatile food service equipment, and ultraprecision components for major industries. Golconda is experienced people producing products for expanding markets

LS 000376

LS 000377

GOLCONDA CORPORATION

8550 WEST BRYN MAWR AVENUE • CHICAGO, ILLINOIS 60631 • 312/693-5544

Experienced People Producing for Expanding Markets

GOLCONDA CORPORATION

LS 000378

Golc - CDA dm - 0371

HIGHLIGHTS OF 1971

- General industry declines resulted in sales drop of 12% in 1971 vs. 1970.
- Net earnings, before extraordinary items, however, totaled 19¢ per share, up 12% over 1970, on operating profits and on gain from sales of investments.
- The Company retired 47,478 shares of preferred stock and thereby strengthened its financial position.
- Liquidity remained strong throughout 1971.
- Silver prices dropped—causing slide in value of Golconda Mining holdings.
- Bastian-Blessing, Inc., a wholly-owned subsidiary of Golconda Corporation, was formed.
- New capital input was provided from internally generated cash, enabling Golconda to add facilities to reduce manufacturing costs and maintain the Company's long-standing "Quality Leader" image.
- A new material flow plan was devised and put into operation at Bastian-Blessing Food Service Equipment Division, resulting in important future cost savings and shorter customer delivery cycles.
- RegO Division had dramatic improvement in customer service and earnings.
- Pioneer Astro Division diversified into hardware components for computers and copy machines, partially offsetting losses from the drop in aerospace industry.

Golconda Corporation and Subsidiaries

FINANCIAL HIGHLIGHTS

For the years ending November 30.

	1971	1970
SALES	$40,484,596	$45,864,833
Earnings		
Earnings before extraordinary items	942,605	931,780
Extraordinary items	(52,000)	(995,187)
Net Earnings	890,605	(63,407)
CASH DIVIDENDS		
Preferred Stock	412,749	455,394
Common Stock	—	283,190
	412,749	738,584
WORKING CAPITAL	16,623,835	17,581,532
STOCKHOLDERS' EQUITY	21,139,086	21,392,911

	1971	1970
PER SHARE DATA*		
Earnings per share	.19	.17
Extraordinary items per share	(.02)	(.36)
Net Earnings (loss) per share	.17	(.19)
Working capital per share**	4.91	5.08
Stockholders' Equity per share**	6.24	6.18

*Per share amounts are based on the weighted average number of common shares outstanding during the year after deducting from earnings per share and net earnings per share the preferred dividend requirement.

**Per share amounts are based on the total of the common shares and common equivalent shares outstanding as of November 30, 1971 and 1970, respectively.

LS 000379

OPERATIONS AND FINANCIAL REVIEW FOR OUR SHAREHOLDERS

To Our Shareholders:

SALES & INCOME

Golconda's capital goods oriented businesses did not escape the generally prevailing problem in these markets during 1971. Delayed construction and capital spending resulted in orders and sales below forecasts, and 12% below 1970. Net earnings (excluding extraordinary items) totaled 19¢ per share, 12% over 1970 earnings of 17¢ per share. Net earnings in 1971 included 10¢ per share from the investment operations (primarily gain on sale of investments). The proceeds from investment sales were used to retire 47,478 shares of preferred stock and reduce bank debt.

LIQUIDITY

Our strong working capital position, which existed last year, was maintained in 1971. Whereas earlier improvement had come from retiring high cost short-term debt with the issuance of 7% long-term subordinated convertible debentures, the strength in 1971 resulted from improved cash flow and an improved receivables collection time.

PRINCIPAL SHAREHOLDER

Shareholders were advised in the 1971 Annual Meeting Proxy Statement that Westgate-California Corporation of San Diego had acquired a 20% interest in Golconda, and intended to seek to negotiate a merger with Golconda. The Boards of Directors of both companies carefully considered the feasibility and desirability of such a merger but announced in December, 1971 the discontinuance of further negotiations. However, as of February 18, 1972, Westgate's holdings comprised about 26% of the voting shares.

SILVER

In November, 1970, the U. S. Government stopped a long-standing practice of selling silver from its almost depleted supplies. Since industrial consumption of silver alone exceeds production, it was widely anticipated by experts that exhaustion of U.S. Treasury supplies would cause a marked increase in the price of silver. Market conditions proved otherwise; instead of the anticipated shortage, there has been a surplus of silver. This condition, coupled with unfavorable economic factors existing throughout 1971, resulted in a sharp decline in the price of silver. The decline in silver prices impacted severely on the value of Golconda's silver securities—principally some 700,000 shares of Hecla Mining Company common stock. Recently, there has been a partial recovery of silver prices and, at this time, there are several factors that could affect prices in the near term future, making short-term predictions difficult. However, we remain optimistic as to the future for silver.

CAPITAL SPENDING

One of the major goals of your management during the past year has been to infuse new capital into present businesses in order to maintain the Company's long-standing quality image and, at the same time, make the Company more competitive. Further, our objective was to provide this capital without the use of investments or outside financing. This goal was achieved so that we were able to increase capital spending by 80% over the 1970 level with funds generated entirely from operations. New equipment and machines already are generating broad based benefits through improved productivity, reduction of manufacturing cycles and higher quality.

BASTIAN-BLESSING DIVISION

Food service equipment is manufactured at Grand Haven, Michigan, at Bastian-Blessing's 315,000 sq. ft. plant. During 1971 an important modernization step was taken. A manufacturing cycle and material flow plan was devised, resulting in a rearrangement of the Grand Haven plant, which eliminated over half of the travel distance through the plant and resulted in a 25% reduction in manufacturing cycle time. In addition to improvements in material flow, we are automating manufacturing methods and installing other efficiencies to make Grand Haven more competitive.

REGO DIVISION

RegO's reputation for unexcelled quality in compressed gas regulation devices is internationally known. During the past year, improved management and production control, coupled with a computerized system, resulted in customer original delivery promises being improved from 35% on-time to 85% on-time. This improvement enabled RegO to substantially enhance its market position. Operating earnings of RegO were greatly improved through a well-planned and executed cost reduction program touching every facet of the business, including engineering, purchasing, factory productivity and overhead. These cost reductions, in spite of a volume drop, enabled RegO to experience a dramatic

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improvement of earnings compared with 1970. Improved operations at RegO enabled the division to double capital expenditures over the previous year and, at the same time, generate a substantial cash flow for the Corporation.

PIONEER ASTRO DIVISION

Economic difficulties in the aerospace industry, together with declines in military spending, have been well publicized over the past two to three years. Although the major part of Pioneer's business was in aerospace, it was our belief that its unique capability for close tolerance machining of special materials at competitive costs could be translated successfully into other fields. An aggressive two-pronged program was generated to maintain Pioneer as a viable business. First, the break-even point was lowered by 11%, and second, an aggressive marketing program was initiated. This marketing program resulted in diversifying Pioneer's business into the manufacture of hardware for the computer and copy machine industries, so that it would be less dependent upon aerospace. In 1971 non-aerospace business increased to 38% of total sales, and this direction will be further extended in 1972. The deferral of government funding of two large beryllium contracts exceeded the rate of pickup in new business. In spite of this, however, the substantial diversification and lowered break-even point prevented what would have otherwise been heavier losses.

ECONOMIC OUTLOOK

With national efforts to stem inflation and, in general, improve business and consumer confidence, many economists are predicting over twice the rate of real growth for the economy in 1972, as compared with 1971. Much of this improvement is projected in the capital goods and industrial product sectors which comprise Golconda's major markets. Within the backdrop of these economic forecasts, we are projecting substantial increases in sales. We are pleased to report that orders for the recent weeks is beginning to bear out the forecasted improvements in economic conditions, and our outlook is positive for fiscal year 1972.

MANAGEMENT CHANGES AND GOALS

On January 27, 1972, your Company's Board of Directors and corporate management were realigned to accomplish certain objectives. These objectives were:

1. To reduce the size of the Board to a more efficient level.
2. To facilitate membership on the Board by representatives of the Company's principal shareholder, Westgate-California Corporation.
3. To further streamline our corporate management and to reduce administrative costs and, at the same time, preserve and enhance over-all management effectiveness.

In this connection, Messrs. M. J. Coen, Albert S. Kepen, Albert W. Thomson, Edwin B. Wright, George B. Howell and Norman M. Smith resigned from the Board, and Messrs. C. Arnholt Smith and Philip A. Toft of Westgate were elected to the Board. Additionally, Mr. C. Arnholt Smith was elected Chairman of the Board to replace Mr. Coen, and Mr. Gordon Paul Smith (no relation) was elected as President and Chief Executive Officer to assume management responsibilities performed previously by Mr. Coen and Mr. Howell.

We want to take this opportunity to express appreciation to Messrs. Coen, Kepen, Thomson, Wright, Howell and Norman Smith for the fine contributions they have made to the Company.

We also want you to know that your Board and management are committed to a program of planned growth and profit success for the Company. We are confident that the end results of fiscal year 1972 will demonstrate that this goal has been pursued diligently and vigorously. Indeed, barring any significant labor or national economic problems over which we would have little control, profit opportunities for fiscal year 1972 appear to be considerably above those of 1971. We will work toward this goal by:

1. Further planned reductions in our corporate overhead (which already was cut significantly in 1971).
2. A continuous strengthening of our current businesses internally as well as in their market places.
3. An alertness to possible acquisitions that would be compatible with our present operations and which would enhance our earnings.

As your new President, I want to take this initial opportunity to express appreciation to our employees who serve the Company so well, to our directors for their guidance and counsel, and to our shareholders for their fine support. Golconda is a Company of operating divisions which have earned considerable pride and prestige over the years. It is the aspirations of our total team that Golconda's performance in 1972 and the future will lead to even further inner pride and to even greater success in the business world.

Gordon Paul Smith, President and Chief Executive Officer

The Coeur d'Alene Mining District, one of the world's most famous, is situated in northern Idaho. It is the source of about 46% of U. S. silver production, 12% of the lead mined and 8% of the zinc. Golconda Mining Corporation, a wholly-owned subsidiary of Golconda Corporation, headquartered in Wallace Idaho, has important holdings in this district. These include mining properties and capital stock ownerships in mining companies, most of which have property in the area.

Golconda's most important holding is its 11% ownership of the capital stock of Hecla Mining Company, presently the largest domestic producer of silver with a yearly output of over six million ounces. Hecla operates mines in the Coeur d Alene District of Idaho and in the Newpark District of Utah. Hecla's other mining activities include the Lakeshore copper property in Arizona, which is in the development stage. Other important Hecla holdings include a substantial capital stock interest in the Granduc copper mine near Stewart, British Columbia, which recently came into production.

Metal markets currently are showing some pickup from their conditions during 1971, caused by uncertainties with respect to the future course of inflation, international monetary conditions and world trade. However, substantial improvement in metal markets, including Golconda's, could be expected if there is a sustained recovery in business conditions in the United States and other consuming countries.

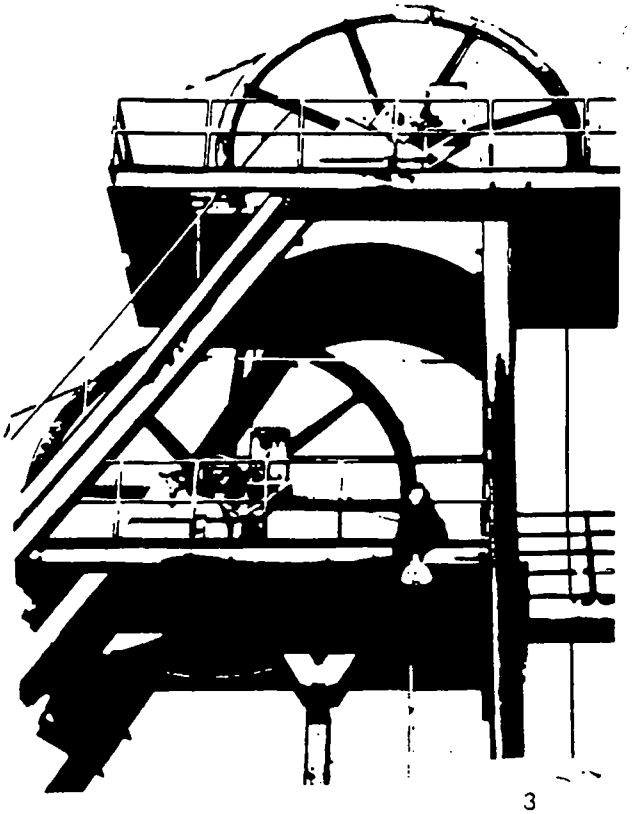
ALICE PROJECT PROGRESSES

Golconda owns 54% of the outstanding capital stock of Alice Consolidated Mines, Inc. Mining property in the Coeur d'Alene mining district held by Alice is being explored for possible silver, lead and zinc mineralization under an operating lease agreement with Hecla Mining Company. Newmont Exploration, Ltd. and Golconda are participants in the lease agreement with Hecla.

During the 1971 field season, work on the Alice Project consisted of geologic study, diamond drilling and photogrammetric mapping. Approximately 5,000 feet of diamond core drilling was completed from surface drill sites. During the winter mining maps will be prepared, geologic studies made of the drill cores and further engineering work done on shaft site location and surface plant design. Field work on the project is expected to resume when weather conditions permit in the spring.

SILVER MARKET PARTIALLY RECOVERS

Consumption of silver in the Free World continued to exceed new production by a substantial margin. However, it appears that forced liquidation of accumulated speculative silver holdings in weak hands dominated the silver market in 1971. The price of silver retreated to $1.30 per ounce, its lowest level since May, 1967. Other factors, including the world-wide economic slowdown, resulting in lower demand, and the uncertainties with respect to international monetary conditions, probably contributed to the slump. Because of unsettled conditions in the market place, the short-term silver outlook remains unpredictable. From the long-term standpoint, it appears that in future years a shortage of silver supplies could again emerge with commensurate positive effect on silver prices.



LS 000381

CORPORATE MANAGEMENT

GORDON PAUL SMITH

① **C. ARNHOLT SMITH**
Chairman of the Board

① **GORDON PAUL SMITH**
President and Chief Executive Officer

JOHN M. STOGIN
Vice President—Corporate Counsel
Secretary

DONALD W. ADAMS
Vice President—Finance
Treasurer

WRAY FEATHERSTONE
Vice President
President—Golconda Mining Corporation

RICHARD S. SLOMA
Vice President
President—Bastian-Blessing, Inc.

L. N. LUCAS
Vice President—Bastian-Blessing Division

J. T. PERSINGER
Vice President—Pioneer Astro Industries Division

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② **M. J. COEN**
Chairman of the Board
President and Chief Executive Officer

② **ALBERT S. KEPEN**
Vice Chairman of the Board

③ **GEORGE B. HOWELL**
Executive Vice President

② **ALBERT W. THOMSON**
First Vice President
Secretary

② **EDWIN B. WRIGHT**
Treasurer

① *Elected January 27, 1972*
② Resigned January 27, 1972
③ Resignation effective March 31, 1972

LS 000382

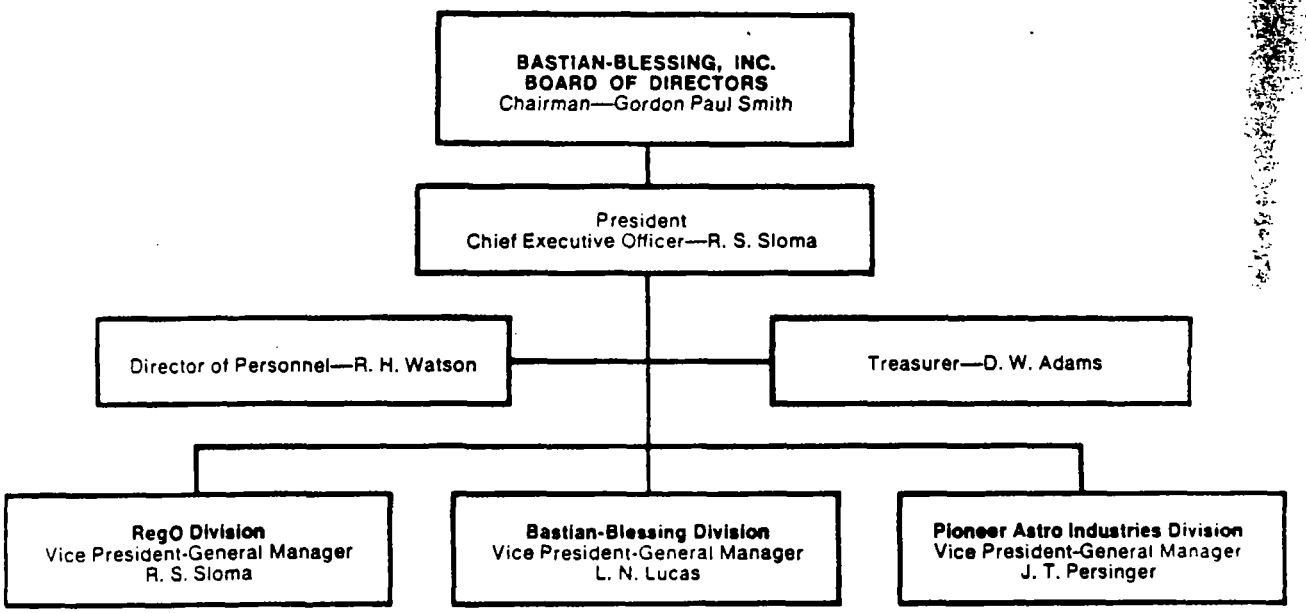
Golc - CDA dm - 0376

BASTIAN-BLESSING, INC.
NEW SUBSIDIARY

Golconda Corporation has changed its structure in a way which will significantly strengthen the Company's ability to grow, as well as to achieve maximum operating efficiencies of existing businesses. The Board of Directors of Golconda was of the opinion that the management of the Company's operations would be more effective if the manufacturing operations were transferred to a separate, wholly-owned subsidiary with full profit responsibility for operations vested in the subsidiary's President. The name, Bastian-Blessing, has long been the "symbol for quality" in the food service equipment and compressed gas regulation industries, and this return to the Bastian-Blessing name will further enhance our position in the market place.

Mr. Richard S. Sloma, who has done an outstanding job as Vice President and General Manager of the RegO Division, has been appointed President of the new operating subsidiary.

RICHARD S. SLOMA



LS 000383

BASTIAN-BLESSING FOOD SERVICE EQUIPMENT DIVISION

LEADERSHIP IN INDUSTRY CONTINUES

Although 1971 sales were slightly less than the record sales volume established in 1970, Bastian-Blessing continued to maintain its position of industry leadership as the nation's number one producer of fabricated stainless steel food service equipment. In practically every segment of the food service industry leading operators continue, year after year, to buy and install Bastian-Blessing equipment. And during 1971 additional emphasis was placed on product development and design so that we were able to display a whole new line of self-contained refrigerated units at the National Hotel & Motel Exposition in New York last November. Engineering competence continues to merit the acceptance of Bastian-Blessing fabricated stainless steel food equipment as top value throughout the country.

NEW DIRECT SALES OFFICES IN DALLAS AND SAN FRANCISCO

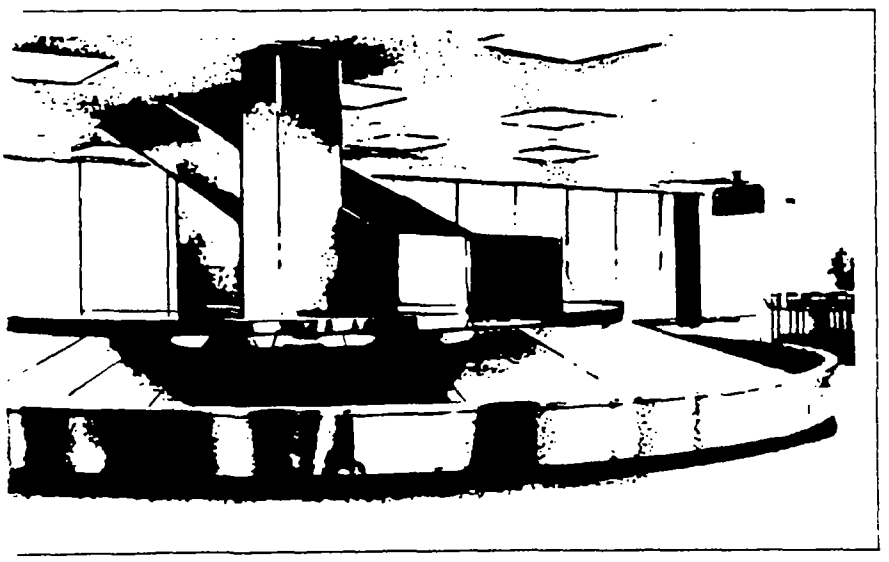
To strengthen and broaden the Company's position in the marketing of food service equipment, two new direct sales offices were established in addition to those in New York City and Chicago. One is in Dallas covering the Southwest, and the other is in San Francisco to handle the West Coast. These new offices are expected to contribute to sales and give Bastian-Blessing an improved capability of dealing with repetitive national users and prime contract accounts located in their respective geographical areas. Several sizable contracts have already been negotiated from these offices for shipment in 1972.

O. E. M. CONTRACT SALES DEPARTMENT EXPANDED

During the past fiscal year, the scope of our Contract Sales in the fabrication of sheet metal products to original equipment manufacturers was broadened. Among the wide variety of items produced were parts for ham deboning units, commercial permanent press washing machines, carrot bagging equipment, laboratory hoods, and stainless steel shrouding used to enclose airport baggage handling conveyor equipment. This department is being expanded further, as the potential for contract sheet metal fabrication is most attractive in such industries as dairy, brewery, meat packing, packaging, produce and machinery.

TOTAL PLANT REARRANGEMENT COMPLETED

During the past fiscal year, after careful study, a detailed plan was prepared for the complete rearrangement of all machinery and departments in the entire plant. Through the years, as the result of one addition after another, this plant had grown from less than 100,000 square feet to 315,000 square feet under one roof. This necessitated relocating departments and machines to provide for a more efficient direct flow from receipt of raw materials to the completely fabricated products ready for shipment. The new materials flow plan, which has just been completed after an expenditure of nearly $300,000, provides this efficiency. Previously, because of necessary cross and back-and-forth movement, material would travel as far as 4,300 feet from its point of receipt until it was completely fabricated, ready for shipment. The new flow plan reduces this to 1,650 feet, on the average. This will result in faster and more efficient manufacturing, and better service to our customers.



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REGO DIVISION

SUBSTANTIAL PROFIT IMPROVEMENT

The year 1971, on the whole, has shown that the RegO management team possesses the professionalism required to withstand adverse economic conditions. While the U. S. economy generally dawdled in the doldrums of uncertainty, the RegO Division reported significantly improved profits over 1970. Basic improvements and changes made during 1971 bolster our confidence to achieve the record-setting goals established by RegO for 1972.

NEW FACILITIES, PRODUCTS AND MARKETS

The most extensive and aggressive capital expenditure program in the past ten years was successfully implemented at RegO. This enables the Company not only to be more competitive in the market place, but contributes significantly to improved working conditions. An automatic brazing machine was specifically designed to improve the quality and cost performance of RegO Liquefied Petroleum Gas equipment.

In 1971, RegO acquired an oilless air compressor product line to complement its fluid power product line. The project was carefully planned and implemented. First shipment of the new RegO products was made less than eight weeks after the product line was acquired.

The Nauti-Call boat whistle was introduced in 1971 for the recreational marine market. This product was developed by RegO engineering and operational personnel, and establishes RegO in the consumer market.

RESPONSIBILITIES TO OUR EMPLOYEES

Many firsts were recorded in 1971 which improved the total working environment for our employees. In December 1970, there was an employee contribution reduction for health and accident insurance and an increase in life insurance benefits at no increase in cost to employees. In January, 1971 pension benefits were improved. In March RegO announced a milestone in hours worked without a lost-time accident. In April, the RegO Open House was conducted, which attracted more than 2,000 visitors.

Plant modernization plans began to take shape during the year. Rest rooms were modernized, lighting conditions throughout the plant improved, colorful uniforms made available for female employees and, in general, RegO became a more colorful, pleasant place to work.

Led by an aggressive management effort, employees cooperated fully with a safety program, and 1971 had the lowest accident incidence of the past eleven years.

RESPONSIBILITIES TO OUR CUSTOMERS

In 1971, RegO employees committed themselves to a renewed awareness of the responsibilities to our customers. Additional quality assurance programs were installed to insure that RegO products rank among the very highest in quality.

The most tangible, dramatic improvement in customer service in RegO history was evidenced in the fourth quarter when RegO shipped more than $1 million worth of goods to our customers within 24 hours of receipt of an order, without an increase in total inventory.

RESPONSIBILITIES TO THE COMMUNITY

Increasingly responsive to the need for ecological conservation, RegO took three major steps in 1971, as part of the total capital expenditure program:

1. The installation of a fume scrubber in the Chrome Plating Department to insure that effluents are pollution-free.
2. The first of a series of oil mist collectors were installed on production machines to insure that the air employees breathe and the air exhausted into the atmosphere is clean.
3. Acid neutralization tanks were installed to prevent water pollution.

Bolstered by the achievements recorded in 1971, the management team eagerly looks forward to the challenges and opportunities of 1972. RegO is proud of accomplishments to date and yet, increasingly aware of the responsibilities it will face in 1972 and beyond.

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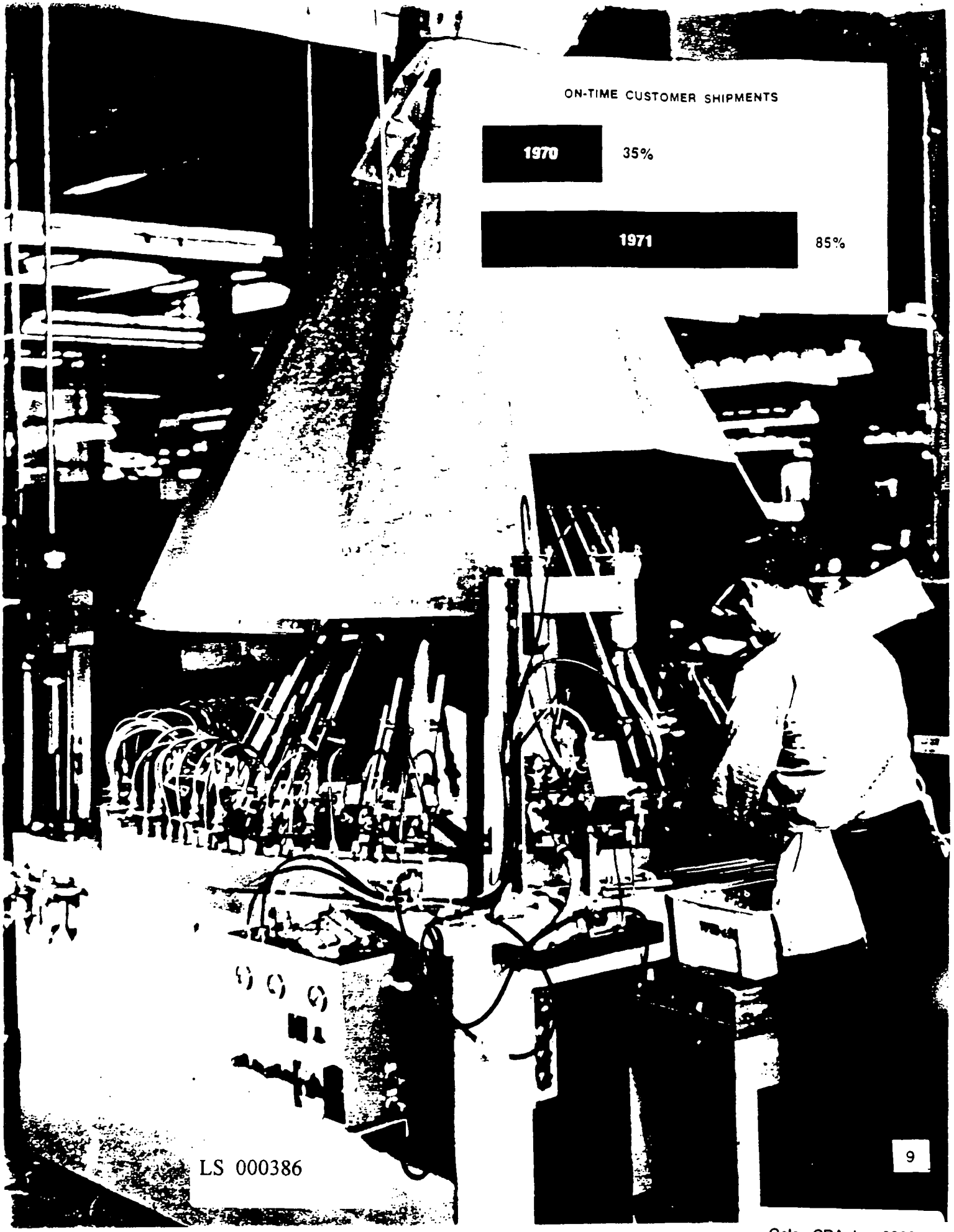

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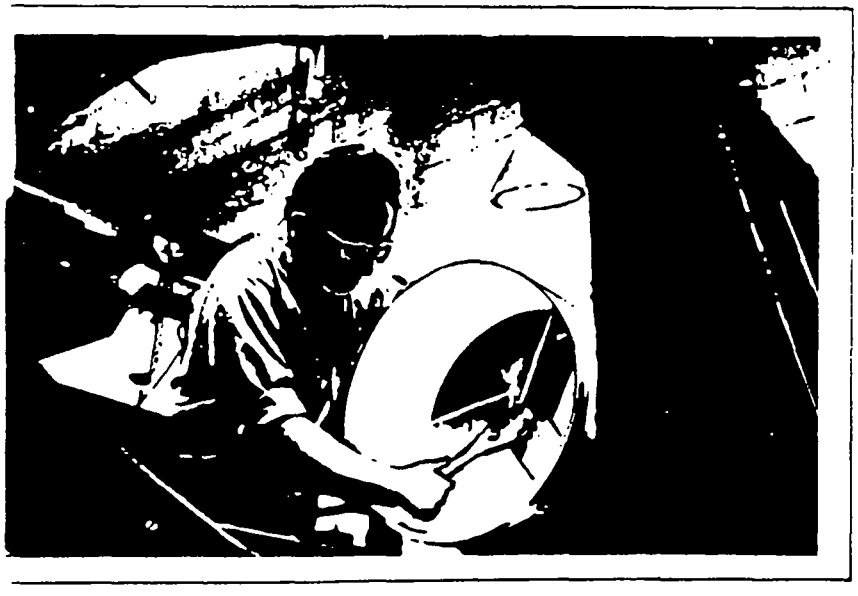
PIONEER ASTRO INDUSTRIES DIVISION

COMPETITIVE CAPABILITY IN PRECISION PRODUCTS

Pioneer Astro Industries Division continued during 1971 as an important supplier of ultra-precision machined metal components for a variety of highly demanding critical applications. Poseidon Missile Program . . . orbiting satellites . . . Mark 48 Torpedoes . . . Boeing 747 jet aircraft . . . atomic powered surface ships . . . Pioneer Astro components can be found in all of these — and more.

Among the Division's customers are government agencies, aerospace companies, the military, and new in 1971, a wide variety of industries in the private sector, including computers. In addition to the precision components and assemblies mentioned above, Pioneer Astro's significant engineering talents and precision manufacturing capabilities are called upon to design and build special, custom production machinery, tools and dies.

Pioneer Astro's modern plant in Chicago features the latest in sophisticated production equipment, including a battery of numerically-controlled machining centers. Highly precise instrumentation is used to assure the strictest quality control standards.



REDUCING A DEPENDENCY

Efforts continued during the year to move away from too close a reliance upon government and military business, and increase the Division's involvement in the private sector. To achieve this, Pioneer Astro embarked on a long-range program to market and manufacture components for computers and copy machines. Further diversification efforts were made by establishing a long-range program to provide major hardware systems for off-the-road equipment suppliers. This focus on non-military business will continue to receive major emphasis.

ORDERS UP IN 4TH QUARTER

Along with the 1971 economy in general, Pioneer Astro was affected by the stagnating business climate. Federal spending cutbacks, initiated during 1970, continued during 1971 to exert their adverse influence on the Division's business. One major setback experienced during 1971 was the cancellation of the SST program. However, the largest single influence on the operations of Pioneer Astro during the year was the U. S. Government reduction and deferral of funding in some of the major beryllium programs in which Pioneer has a large market share. These cutbacks alone caused a loss from planned sales of 20%. During the fourth quarter, however, orders for beryllium programs made a significant comeback, enabling the Division to record an order inflow for the quarter which almost equalled total orders received during the first three quarters of 1971. This improved order inflow is expected to continue into 1972, with a substantial pickup in shipments scheduled for the second half of the year.

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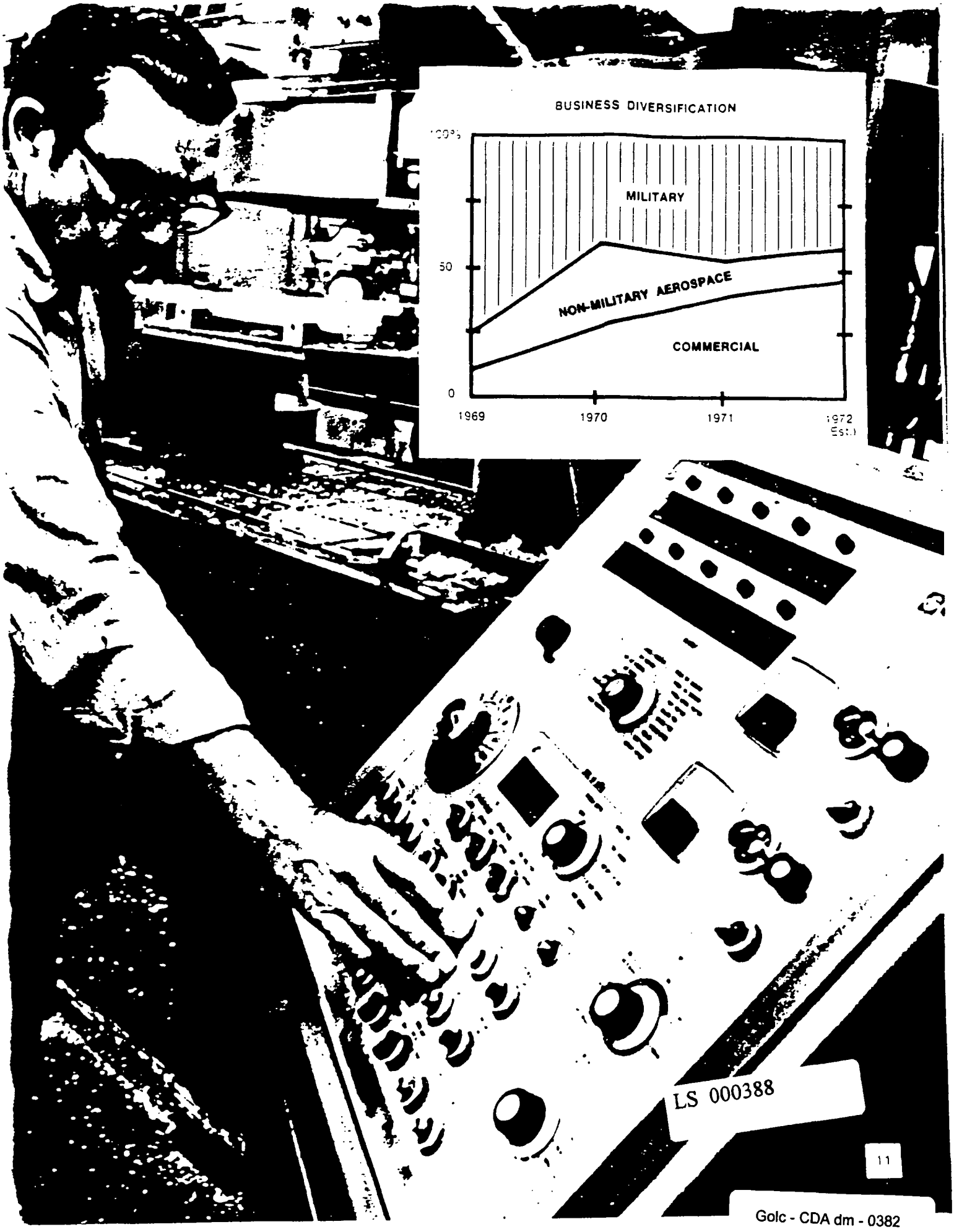

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GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

NOVEMBER 30,

ASSETS

	1971	1970
CURRENT ASSETS		
Cash and certificates of deposit	$ 2,256,035	$ 2,644,764
Notes and accounts receivable, less allowance for doubtful receivables of $70,000 in 1971 and $53,000 in 1970	7,713,812	8,883,940
Inventories—at the lower of cost (determined by the first-in, first-out method) or market	13,233,938	12,914,944
Prepaid expenses and sundry deposits	115,231	140,957
Total current assets	23,319,016	24,584,605
INVESTMENTS — AT COST (note 2)	4,465,702	4,925,848
PROPERTY, PLANT AND EQUIPMENT — AT COST (notes 3 and 4)		
Buildings and improvements	3,684,541	3,397,315
Machinery, equipment and tools	9,620,802	9,454,529
Office furniture and fixtures	555,780	624,930
	13,861,123	13,476,774
Less accumulated depreciation and amortization	7,889,620	8,103,835
	5,971,503	5,372,939
Land	645,087	645,087
	6,616,590	6,018,026
OTHER ASSETS		
Excess of cost over underlying equity of net assets acquired (not subject to amortization)	4,374,476	4,374,476
Notes receivable, less current portion of $286,968 in 1971 and $413,678 in 1970	679,845	1,081,322
Deferred debt expense—net of amortization	754,230	852,867
Cash surrender value of life insurance	111,796	256,189
Sundry	147,256	153,551
	6,067,603	6,718,405
	$40,468,911	$42,246,884

LS 000389

Golc - CDA dm - 0383

LIABILITIES

	1971	1970
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 558,479	$ 602,936
Notes payable — Banks (note 2)	1,921,733	2,330,000
Accounts payable	2,367,123	2,392,848
Dividends payable	—	210,031
Income taxes	338,976	191,017
Accrued liabilities	1,508,870	1,276,241
Total current liabilities	6,695,181	7,003,073
LONG-TERM DEBT (note 4)	12,160,055	13,320,533
DEFERRED CREDITS (principally Federal Income Taxes)	474,589	530,367
COMMITMENTS AND CONTINGENCIES (notes 2, 5 and 6)	—	—
STOCKHOLDERS' EQUITY (notes 4 and 7)		
Capital stock		
Preferred	401,273	449,856
Common	771,958	769,217
Additional contributed capital	5,880,346	6,532,185
Retained earnings	14,605,109	14,127,253
	21,658,686	21,878,511
Less treasury stock—at cost	519,600	485,600
	21,139,086	21,392,911
	$40,468,911	$42,246,884

The accompanying notes are an integral part of this statement.

LS 000390

Golc - CDA dm - 0384

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED NOVEMBER 30,

	1971	1970
Net Sales	$40,484,596	$45,864,833
Cost of goods sold	31,378,760	35,498,737
Gross profit	9,105,836	10,366,096
Selling, General and Administrative Expenses	7,323,989	7,613,342
Interest expense	1,117,336	1,158,292
Other (income) expense—net	(489,925)	(150,303)
	7,951,400	8,621,331
Operating profit from manufacturing operations	1,154,436	1,744,765
Investment operations (primarily gain on sale of investments) (note 2)	310,169	22,015
Earnings before income taxes and extraordinary items	1,464,605	1,766,780
Income taxes (principally Federal):		
Current	370,000	865,000
Deferred	152,000	(30,000)
	522,000	835,000
Earnings before extraordinary items	942,605	931,780
Extraordinary items:		
Provision for settlement of lawsuit related to products of operations discontinued in 1970, net of Federal Income Tax credit of $48,000	(52,000)	—
Loss on discontinued operation and liquidation of the Paris, Illinois Division, net of Federal Income Tax credit of $1,032,000	—	(995,187)
NET EARNINGS (LOSS)	$ 890,605	$ (63,407)

Net earnings (loss) per common share (note 8):

	Year Ended November 30,			
	1971		1970	
	Amount	Per Share	Amount	Per Share
Earnings before extraordinary items:				
Manufacturing operations	$653,436	$ .24	$ 849,765	$ .31
Investment operations (primarily gain on sales of investments) (note 2)	289,169	.10	82,015	.03
Earnings before extraordinary items	942,605	.34	931,780	.34
Less—Preferred dividend requirement	(412,749)	(.15)	(455,394)	(.17)
Earnings (loss) to common shareholders before extraordinary items	529,856	.19	476,386	.17
Extraordinary items	(52,000)	(.02)	(995,187)	(.36)
Net earnings (loss) to common shareholders	$477,856	$ .17	$(518,801)	$(.19)

The accompanying notes are an integral part of this statement.

LS 000391

Golc - CDA dm - 0385

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED NOVEMBER 30.

	1971	1970
SOURCE OF WORKING CAPITAL		
From operations		
Earnings before extraordinary items	$ 942,605	$ 931,780
Add expenses not requiring outlay of working capital in the period		
Provision for depreciation and amortization	668,630	867,949
Amortization of deferred expenses	118,241	40,199
Cost of investments sold	460,146	226,115
Working capital provided from operations for the period, exclusive of extraordinary items	2,189,622	2,066,043
Working capital requirement related to extraordinary loss—net of Federal income tax credit	(52,000)	(995,187)
Disposition of property, plant and equipment at Paris, Illinois Division	—	1,022,372
	(52,000)	27,185
	2,137,622	2,093,228
Reduction of long-term notes receivable	299,477	—
Long-term borrowings	—	4,396,815
Surrender of life insurance policies	160,934	—
Sundry	35,654	82,013
Total source of working capital	2,633,687	6,572,056
DISPOSITION OF WORKING CAPITAL		
Reduction of notes payable due after one year	1,160,478	602,936
Purchase and retirement of preferred stock	700,422	—
Registration and financing costs	—	582,074
Purchase of common stock held in treasury	34,000	—
Increase in cash surrender value of life insurance	16,541	38,048
Costs relating to mergers	—	226,760
Cash dividends declared	412,749	738,584
Net additions to property, plant and equipment	1,267,194	700,642
Long-term portion of notes receivable	—	1,081,322
Total disposition of working capital	3,591,384	3,970,366
INCREASE (DECREASE) IN WORKING CAPITAL	$ (957,697)	$ 2,601,690
INCREASES (DECREASES) IN WORKING CAPITAL COMPONENTS:		
Cash and certificates of deposit	$ (388,729)	$ 540,153
Notes and accounts receivable—net	(1,170,128)	1,612,687
Inventories	318,994	(2,876,720)
Prepaid expenses and sundry deposits	(25,726)	44,960
Net (decrease) in current assets	(1,265,589)	(678,920)
Current maturities of long-term debt	(44,457)	602,936
Notes payable	(408,267)	(4,090,000)
Accounts payable	(25,725)	(45,789)
Dividends payable	(210,031)	164,411
Income taxes	147,959	(50,838)
Accrued liabilities	232,629	138,670
Net (decrease) in current liabilities	(307,892)	(3,280,610)
INCREASE (DECREASE) IN WORKING CAPITAL	$ (957,697)	$ 2,601,690

The accompanying notes are an integral part of this statement.

LS 000392

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEARS ENDED NOVEMBER 30,

	1971	1970
Balance at beginning of year	$14,127,253	$14,929,244
Net earnings (loss) for the period	890,605	(63,407)
Cash dividends—paid or payable		
Common—$.12 per share	—	(283,190)
Preferred—$1.00 per share	(412,749)	(455,394)
	(412,749)	(738,584)
Balance at end of year	$14,605,109	$14,127,253

The accompanying notes are an integral part of this statement.

AUDITORS REPORT

Board of Directors and Stockholders
Golconda Corporation

We have examined the consolidated balance sheet of Golconda Corporation and Subsidiaries as of November 30, 1971, and the related consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Golconda Corporation and Subsidiaries as of November 30, 1971, and the consolidated results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, in which we concur, in the method of recognizing gains or losses on sales of investments as explained in note 2.

ALEXANDER GRANT & COMPANY

Chicago, Illinois
January 27, 1972

LS 000393

Golc - CDA dm - 0387

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1971

Note 1
PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Golconda Corporation and its wholly-owned subsidiaries.

Note 2
INVESTMENTS AND CHANGE IN ACCOUNTING METHOD

The Company has revised its method of recognizing gains or losses on sales of its investments in securities, effective December 1, 1970, for financial reporting purposes only. As a result, the Company has adopted, with the recommendation of its independent public accountants, the average cost method in preference to the specific identification cost method previously used. The average cost method provides for the determination of gains or losses on a uniform cost basis as compared to the Company's former method of using specific identification for the determination of the cost basis of securities sold.

As a result of the change in the method of determining the cost basis of securities sold, net earnings for 1971 were increased by $214,139 ($.08 per common share). The effect of the change on 1970, would be to decrease net earnings $30,080 ($.01 per common share). Because the change in method did not materially affect the aggregate cost of the securities held, at December 1, 1970, but pertains to the determination of the cost of securities sold, the change has no material cumulative effect.

At November 30, investments were comprised principally of capital stock of mining companies and are as follows:

Income from investments for the years ended November 30, is summarized as follows:

	1971	1970
Net realized gain on investment sales		
Hecla Mining Company	$ 572,[illegible]	$ 226,220
Other	[illegible]	9,722
	[illegible]	235,942
Other investment income—principally dividends	[illegible]	129,139
Expenses including interest of $148,254 and $198,206, respectively	(282,697)	(343,066)
Investment income before income taxes	$ 310,169	$ 22,015

At November 30, 1971, 344,850 shares of Hecla Mining Company stock were pledged as collateral under notes payable to banks. In connection with the Company's application for de-registration as a closed-end investment company in 1970, the Company has an agreement with the Hecla Mining Company which restricts the sale of Hecla stock during a period ending August 15, 1972.

Alice Consolidated Mines, Inc. (Alice) owns 1,109 acres of mining properties. Hecla Mining Company and Alice Consolidated Mines, Inc. are engaged in an exploration and development program to be conducted by Hecla on this property. The Company has a 20 percent participation in the pre-production costs for the exploration and development program. The Company's expenditures are expected to amount to $500,000 over a five-year period, commencing late in 1972. The Company will receive 20 percent of the net profits, if any, until such pre-production costs have been recovered, and 10 percent thereafter. The realization of the cost of the Company's investment in Alice is dependent upon the success of the exploration and development program.

	1971		1970	
	Cost	Quoted Market Price	Cost	Quoted Market Price
Hecla Mining Company (681,857 shares in 1971 and 696,488 shares in 1970)	$3,678,001	$ 8,864,000	$3,832,001	$16,367,000
Alice Consolidated Mines, Inc. (54% owned) (4,308,020 shares in 1971 and 1970)	399,137	1,723,000	399,137	2,585,000
Other	388,564	317,000	694,710	873,000
	$4,465,702	$10,904,000	$4,925,848	$19,825,000

LS 000394

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont)

NOVEMBER 30, 1971

Note 3

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization of $668,630 in 1971 and $667,949 in 1970, computed primarily on the straight-line method, are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives.

Note 4

LONG-TERM DEBT

Long-term debt at November 30, 1971 is comprised of the following:

Note payable to bank with interest at ½% above prime rate; maximum loan availability ($1,700,000 at November 30, 1971) is reduced $100,000 per quarter, final payment due Aug. 1, 1975	$ 1,100,000
7% subordinated notes to insurance companies payable in semi-annual sinking fund payments of $250,000, final payment due January 15, 1979	3,750,000
7% convertible subordinated debentures due January 1, 1990	4,950,000
10% first mortgage note payable in monthly installments of $28,975 including interest, final payment due April 1, 1990	2,918,534
	12,718,534
Less current maturities	558,479
	$12,160,055

The 7% subordinated notes to insurance companies and the 7% convertible subordinated debenture agreements contain certain covenants, the most restrictive of which provide, among other things, that the Company:

Will maintain consolidated net working capital of $10,000,000 and consolidated net worth, as defined, of $10,000,000. At November 30, 1971, consolidated net working capital and consolidated net worth, as defined, were $16,379,867 and $15,996,371, respectively.

Will not pay cash dividends or acquire for cash any shares of its stock in excess of 50% of cumulative consolidated net income, as defined, after December 31, 1968. At November 30, 1971, retained earnings in the amount of $188,646 were free of such restrictions.

In connection with the 7% subordinated note agreements, the Company has issued warrants entitling the holders thereof to purchase, at a price per share of $14.51, up to 292,467 shares of the Company's common stock. These warrants expire January 15, 1979.

The trust indenture underlying the convertible subordinated debentures provides, among other things, that the debentures are redeemable at the Company's option at prices ranging from 106.5% in 1971 to 100% in 1984; that annual sinking fund payments of $325,000 are required beginning in 1976; that the Company has an option to make additional annual payments of $325,000 beginning in 1975 and, that the debentures are convertible into shares of common stock at a conversion price of $10.67 per share (subject to antidilution provisions).

Note 5

COMMITMENTS AND CONTINGENT LIABILITIES

Federal income tax returns of the Company (formerly Golconda Mining Corporation) for the years 1962 through 1966 were examined by the Internal Revenue Service and an additional tax of $276,571 was proposed. A petition was filed with the Tax Court and the hearing has been concluded; however, no decision has been rendered. It is the opinion of counsel that there is no material deficiency owed by the Company. In addition, the Company's (formerly Golconda Mining Corporation) Federal income tax returns for the years 1967 through 1969 were examined and the Internal Revenue Service proposed tax deficiencies amounting to $70,170. The ultimate liability, if any, for such deficiencies, is presently undeterminable.

Note 6

EMPLOYEE BENEFIT PLANS

The Company has various benefit plans, including pensions, profit sharing and executive incentive compensation plans covering a substantial portion of its employees. Provisions for these plans for the fiscal year ended November 30, 1971 approximated $628,000. The pension plan is for substantially all salaried employees and full-time hourly rated employees of two divisions. Unfunded past service costs are being funded on a thirty-year basis; current costs are being funded as accrued. The actuarially computed value of vested benefits for all plans as of August 1, 1971 (the most recent actuarial valuation date) exceeded the total of the pension funds by $4,300,000. The increase of approximately $1,000,000 in such excess as compared to the previous valuation date (November 30, 1969) relates primarily to increases in benefits [illegible]. The charges to operations for the cost of the pension plans for the years ended November 30, 1971 and 1970 were $527,712 and $513,969, respectively.

Note 7

CAPITAL STOCK

Preferred stock consists of 952,522 authorized shares of $1.00 par value of which 401,273 shares are issued and outstanding at November 30, 1971 and 738 shares of the authorized but unissued preferred shares were reserved under a stock option plan. During the year ended November 30, 1971, options for 3,622 shares were cancelled.

The preferred stock is entitled to a preferential cumulative annual dividend at a rate of $1.00 per share. The shares are redeemable at the option of the Company after May 6, 1974 at $37.50 per share plus unpaid cumulative dividends. The aggregate redemption and liquidation value at November 30, 1971 is $15,047,737. The preferred stock has liquidation rights over the common stock in any final distribution and is entitled to one vote for each share held. No dividends are in arrears.

The preferred shares are convertible into common shares at the option of the holder at the rate of one and one-half shares common stock for each preferred share held. This conversion rate is subject to antidilution provisions.

Common stock consists of 7,500,000 authorized shares, without par value, of which 2,784,375 shares are outstanding. At November 30, 1971, 1,359,400 shares of authorized but unissued common shares have been reserved as follows: 601,909 shares upon conversion of preferred stock; 463,917 shares upon conversion of the 7% convertible subordinated debentures (note 4); 292,467 shares upon exercise of warrants for the purchase of common stock (note 4); and 1,107 under a stock option plan.

At November 30, 1971, there are 71,250 shares of common stock held in treasury.

An analysis of the transactions during 1971 affecting preferred and common stock, additional contributed capital and treasury stock follows:

	Preferred Stock	Common Stock	Additional Contributed Capital	Treasury Stock
Balance at December 1, 1970	$449,856	$769,217	$6,532,185	$(485,600)
Purchase and retirement of 47,478 shares of Preferred stock	(47,478)		(651,839)	
Conversion of 1,105 shares of Preferred stock into 1,657 shares of Common stock	(1,105)	1,105		
Conversion of 7% Convertible Debentures into 186 shares of Common stock		1,988		
Purchase of 4,250 shares of Common stock acquired				(34,000)
Cost of fractional shares of Common stock acquired		(352)		
Balance at November 30, 1971	$401,273	$771,958	$5,880,346	$(519,600)

Note 8

EARNINGS PER SHARE

Earnings per common share are based on the weighted average number of shares, 2,784,899 and 2,771,084, respectively, outstanding during each period. The dividends paid on preferred stock of $412,749 and $455,394 during 1971 and 1970 were deducted in arriving at earnings available for common stock. The effects of the convertible preferred stock, stock options, warrants and convertible debentures have not been reflected in the computation of per share data because they are antidilutive

LS 000396

BOARD OF DIRECTORS

① C. ARNHOLT SMITH
Chairman of the Board
Chairman, President, Chief Executive Officer
Westgate-California Corporation

① • GORDON PAUL SMITH
Chairman of the Executive Committee
President and Chief Executive Officer

DANIEL L. BRENNER
Senior Partner—Brenner, Lockwood & O'Neal,
Kansas City, Missouri

MICHAEL F. DRINKHOUSE
Restaurateur and Investor—New York City

• R. M. DUNN
Director Emeritus, Trans World Airlines
Senior Vice President (retired), Trans World Airlines

WRAY FEATHERSTONE
Vice President
President, Golconda Mining Corporation
Mining Engineer, Wallace, Idaho

• H. F. MAGNUSON
President, H. F. Magnuson & Company, Wallace, Idaho

A. D. MARTIN
Financier and Investor—Dallas, Texas
Chairman of the Board—Central Engineering & Supply
Company, Dallas, Texas

WALTER L. SLY
General Contractor (retired), Spokane, Washington

KENNETH TEEL
President and Director, Crestlite Incorporated,
San Clemente, California

① • PHILIP A. TOFT
Executive Vice President, Westgate-California Corporation

---

③ • M. J. COEN
Chairman of the Board, President, Chief Executive Officer
President, First California Company, San Francisco

③ ALBERT S. KEPEN
Vice Chairman of the Board

③ • ALBERT W. THOMSON
First Vice President, Secretary
Partner—Linde, Thomson, Van Dyke, Fairchild & Langworthy,
Kansas City, Missouri

③ • EDWIN B. WRIGHT
Treasurer
President, The Drovers and Merchants Bank,
St. Joseph, Missouri

③ NORMAN M. SMITH
Mining Engineer, Wallace, Idaho
General Manager, Clayton Silver Mines

③ GEORGE B. HOWELL
Executive Vice President

• *Member of Executive Committee*

① *Elected January 27, 1972*

③ *Elected President, Chief Executive Officer, January 27, 1972*

③ *Resigned January 27, 1972*

COUNSEL
Linde, Thomson, Van Dyke, Fairchild & Langworthy
Kansas City, Missouri

AUDITORS
Alexander Grant & Company
Chicago, Illinois

TRANSFER AGENT
Central National Bank in Chicago
Chicago, Illinois

CO-TRANSFER AGENTS
United States National Bank
San Diego, California

Franklin National Bank
New York, New York

Golconda Corporation
Wallace, Idaho

REGISTRAR
The First National Bank of Chicago
Chicago, Illinois

CO-REGISTRARS
The Bank of California
San Diego, California

Chemical Bank
New York, New York

Idaho First National Bank
Wallace, Idaho

LS 000397

Golc - CDA dm - 0391

Number of Shareholders, 6,000
Total Manufacturing Space, 726,000 sq. ft.
Number of Employees, 1,600

The Golconda Corporation is an organization with a combination of financial strengths and manufacturing experience dedicated to successful business expansion and diversification. The four cornerstones of progress include mining interests, production of quality gas control devices, versatile food service equipment and ultraprecision components for major industries. Golconda's experienced people producing for expanding markets.

BUSINESS LOCATIONS

Corporate Headquarters, Chicago, Illinois
Golconda Mining Corporation, Wallace, Idaho
Bastian-Blessing, Inc., Chicago, Illinois
- RegO Division, Chicago, Illinois
- Pioneer Astro Industries Division, Chicago, Illinois
- Bastian-Blessing Division, Grand Haven, Michigan

International Locations

L.P. Gas Equipment Co. (Licensees),
Birmingham, England

Eisfink Bastian-Blessing
Asperg, West Germany, 20% Owned

LS 000398

ANNUAL REPORT 1972

Up 14.7%

Up 91.6%

Up 176.5%

Up 25.2%

GOLCONDA CORPORATION

LS 000399

Golc - CDA dm - 0393

The Year at a Glance

All manufacturing divisions reported profit improvement.

International marketing efforts given new impetus.

New inter-divisional programs launched.

Profits aided by cost control at all levels.

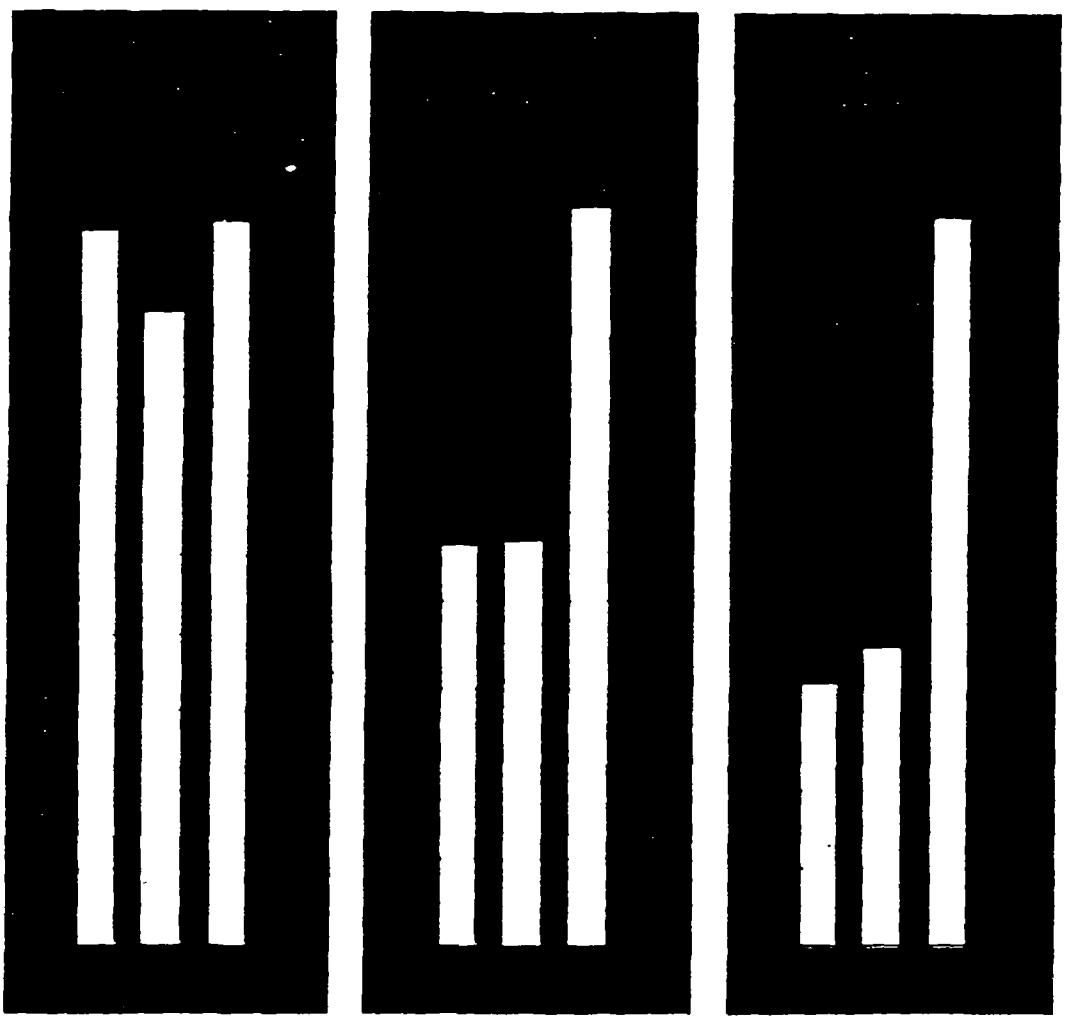
Two established businesses acquired.

Silver mining exploration advanced.

Financial Highlights

FOR THE YEARS ENDED NOVEMBER 30	1972	1971	Change
Sales	**$46,449,257**	$40,484,596	**Up 14.7%**
Profit (before taxes) from manufacturing operations	2,607,098	1,154,436	Up 125.8%
Profit (before taxes) from investment operations	374,937	310,169	Up 20.9%
Net earnings, after taxes	1,706,035	890,605	**Up 91.6%**
Per share basis:			
Manufacturing operations, after taxes	.51	.24	Up 112.5%
Investment operations, after taxes	.10	.10	—
Extraordinary item	—	(.02)	—
Less-preferred dividend requirement	(.14)	(.15)	—
Net earnings per common share	.47	.17	**Up 176.5%**
Other highlights:			
Working capital	17,073,609	16,623,835	Up 2.7%
Stockholders' equity	22,228,938	21,064,379	Up 5.5%
Equity per share	6.60	6.22	Up 6.1%
Manufacturing order backlog	12,905,000	10,309,000	**Up 25.2%**

LS 000400



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*Before extraordinary charges to earnings of $995,187, or 36 cents per share, in 1970, and $52,000, or 2 cents per share, in 1971.

LS 000401

Gordon Paul Smith
President and Chief Executive Officer

To Our Shareholders:

It is a pleasure to report the results of Golconda's operations for fiscal year 1972.

After becoming President on February 1, 1972, I made the following statement to shareholders at the annual meeting held in Chicago on April 21:

"Golconda stands on the threshold of crossing over into a new era — an era of success and excitement. We should clearly recognize, however, that the genesis of Golconda's success must be quality performance — quality products, outstanding service, competent management, profitable operations."

With this spirit of optimism, our Board and Management dedicated themselves to carrying out a comprehensive program for improvement in corporate planning, marketing and sales techniques, production methods, customer deliveries and service, cost controls and management teamwork.

Results? Well, they speak for themselves. The Company's 1972 sales increased to $46.4 million from $40.5 million in 1971 — up 15 per cent. Net income in 1972 rose to $1.7 million from $891,000 in 1971 — up 92 per cent. Earnings per share jumped to 47 cents in 1972 from 17 cents in 1971 — up 177 per cent. Included in 1971 was a deduction of 2 cents per share for an extraordinary item related to manufacturing operations. Manufacturing order backlog at the end of 1972 was $12,905,000 compared to $10,309,000 at the end of 1971 — up 25 per cent.

From an operating standpoint, 1972 represented even better progress than that indicated in the above figures. You will note in the financial statements contained in this report that of the 17 cents per share earned by Golconda in 1971, 7 cents was achieved from manufacturing operations and 10 cents from net profit on investment activity. In 1972, 37 cents was earned from manufacturing and a similar 10 cents from net profit on investment activity. In other words, profits from our principal business, manufacturing, quintupled in 1972 over 1971. This comparison really reflects where the Company is headed.

Indeed, 1972 was a fine year of progress, and Golconda's sights and efforts continue to be directed toward increased internal strength, growth potential and profit success for 1973 and the future.

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Management Developments

The new thrust at Golconda included changes at both corporate and divisional levels.

Our corporate staff was reduced by more than 50 per cent. The Company's separate headquarters facility was closed, with all corporate office activities moved into our RegO Division building in Chicago. As a result, corporate affairs were streamlined and brought closer to Company operations—and its costs were cut by about $500,000 on an annualized basis.

Manufacturing divisions were reorganized along more efficient lines and were combined under the direction of Richard S. Sloma, who was moved up to Executive Vice President and Chief Operating Officer of Golconda. The Bastian-Blessing Division was assigned to Rocco R. Del Presto, whose performance as operations manager at RegO was outstanding; and Pioneer Astro Division was put under the direction of Jack W. Hasselbring, the former successful marketing manager of RegO. During the year, Richard H. Watson was appointed Golconda's Vice President of Personnel and Organization Planning. Additionally, Messrs. Del Presto and Hasselbring were promoted to Vice Presidents of Golconda as well as general managers of their divisions.

Of the 27 key positions throughout the Company, 18 have been filled in the past two years by promotions from within or by excellent additions from the outside. The average age of the 27 persons in the management group is now 43.4 years, compared with 48.6 years in 1970.

New reporting systems have been designed and installed to insure that management decisions are made on the basis of facts, not wishful thinking. Check points also have been built into new programs so that managers can gauge progress more accurately and commit division resources more productively.

Manufacturing Operations

Much of the improvement in manufacturing operations can be related to clearer and more careful definition of divisional goals. Some of the most impressive progress was in the synergistic, inter-divisional programs described later in this report.

RegO Division, manufacturer of regulators, valves and control devices for LP gas and other compressed gas and compressed air equipment, accounted for approximately 55 per cent of Golconda's sales. The Division continued to achieve excellent profits, and has formulated a dynamic program for growth in the future. RegO's products are nationally known for their quality.

Anderson Copper and Brass Company, acquired by Golconda on July 1, 1972, performed in a commendable profit manner. Anderson's comprehensive line of high-quality compression and flared brass fittings moves through many of

LS 000403

the same distribution lines as RegO products. This has been a productive acquisition for Golconda, and it should contribute significantly to our total future growth.

Pioneer Astro Industries Division, manufacturer of precision and ultra precision components for missiles, aircraft, computers and similar high technology applications, continued to have difficulty in reaching a profit level in 1972. Cutbacks in defense and aerospace spending during the past two years have had an adverse effect on Pioneer's operations. However, we have instituted in this Division a new marketing strategy and a program for commercial product applications, such as the recently acquired M & M flow valve line. We expect that 1973 will see a profit turnaround at Pioneer.

Bastian-Blessing Division, which manufactures food service equipment for McDonald's, Kresge, Woolworth and other fast food restaurants and a variety of institutions, demonstrated considerable profit improvement in 1972. Bastian-Blessing is recognized throughout the country as a top producer of food service equipment.

Acquisitions

The 1972 acquisitions of Anderson Copper and Brass Company and the product line of M & M Flow Products are examples of criteria for acquisitions now formally defined, including: marketing or manufacturing compatibility with present operations; access to new markets; availability of useful new manufacturing skills; capable management; an established record of profitable operations; growth potential; and a high return on our investment. It may be unlikely that any one company could completely meet all our criteria, but the guidelines enable Golconda to direct its search intelligently, avoiding situations which would bring problems.

Golconda Mining Operations

Our wholly owned subsidiary, Golconda Mining Corporation, owns or controls nearly 3,000 acres of mining property in the Coeur d'Alene Mining District of Idaho. This District supplies nearly 50% of the nation's production of newly mined silver. Golconda Mining is participating with Hecla Mining Company and Newmont Mining Corporation in the Alice Consolidated project, a program to explore and develop mineral property held by Alice Consolidated Mines, Inc., located in the Coeur d'Alene Mining District. This is a relatively long-range project and any profit potential will not be known for three or four years. Golconda also has a 54% capital stock ownership in Alice Consolidated Mines, Inc. In view of Golconda's substantial investments in companies interested in silver, particularly 638,000 shares of Hecla Mining Company capital stock, it should be noted that the price of silver increased substantially during the past year and is presently approximately $2 per ounce. Many experts are of the opinion that the price of silver will continue to increase over the longer term and thereby enhance the production and earnings of silver mining companies.

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International Activities

In 1972, Golconda for the first time developed an aggressive, programmed approach to international markets. New marketing ventures have been organized in Europe and the Far East for our RegO products, and we expect soon to be in a Far East manufacturing venture and a Latin American marketing operation. Our plans for 1973 call for a 35 per cent increase in overseas sales of RegO products. We also are planning a greater penetration of our Bastian-Blessing products and those of other divisions into international markets. Within a few years, we expect to earn recognition as a world wide leader in our major product fields.

Financial Management

Capital additions in 1972 were held to approximately $825,000, because it was a year when Management concentrated on the necessary re-direction of Company operations and the exploration of profit opportunities. Now that Golconda has attained a stronger financial position, it can support a substantially higher level of capital investment in 1973.

About $2 million will be spent in the divisions in 1973 for new equipment and modernization of existing facilities. In addition, close to $1 million will be committed to the first phase of a three-year expansion program of the RegO plant, where through the use of advanced manufacturing processes we hope to increase annual capacity from just under $30 million at the present time to about $50 million within the next three years.

We also plan to spend about $1.5 million in 1973 on the creation of a brass forging operation, to be called the Golconda Metals Division. This plant will be responsible for reclaiming our brass scrap and forging it into brass raw material components for manufacturing into valves, regulators and other products in our RegO, Anderson and Pioneer facilities. The return on our investment in this operation will add significantly to Golconda profits once the new Division is fully underway, which we expect to be about next September.

As one means toward improving the Company's capitalization structure, the Board of Directors authorized in 1972 up to $750,000 of open market purchases of the Company's preferred stock and convertible debentures. As of the end of fiscal 1972, about $350,000 was expended for this purpose. Such purchases are continuing into fiscal 1973.

Shareholder and Investment Community Relations

During the latter part of 1972, we began discussions with officials of the American Stock Exchange regarding the possibility of Golconda's common stock being listed on the Exchange. We are hopeful that our stock will be listed on Amex during the early part of 1973. This would be a significant step forward, for it would mean that daily price quotations would be carried in many more newspapers throughout the country and it would make it more convenient for investment firms to handle transactions.

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Beginning in October, 1972, Golconda Management initiated a series of meetings with investment analysts in major cities throughout the country. The purpose of the meetings is to describe the thrust of the Company — what it is, what it is doing, where it is going. These meetings, during which a factual presentation is given and questions are answered, are continuing in 1973.

Outlook As mentioned previously, we enter fiscal year 1973 with our manufacturing order backlog up 25 per cent. Moreover, the Company should receive a full year's benefit in 1973 from the many marketing, operating and cost improvements initiated in 1972.

There are problems, to be sure, as there are in any company moving forward. For example, we are not satisfied completely with inventory levels, one division faces a continuing need to increase its order intake, and another is very much aware that its cost ratios and delivery schedules will have to be improved. Overall, however, Golconda has come a long way in the last year.

The national economy appears strong, we have exciting plans, and our greatest assets in looking to the future are the enthusiasm and dedication of our people. Golconda is fortunate to have wholehearted cooperation from men and women at all levels of responsibility, for it takes teamwork by veterans and new employees to achieve good results. We are confident, therefore, that our targets for continued growth and profitability can be met, and by design those targets have been made challenging.

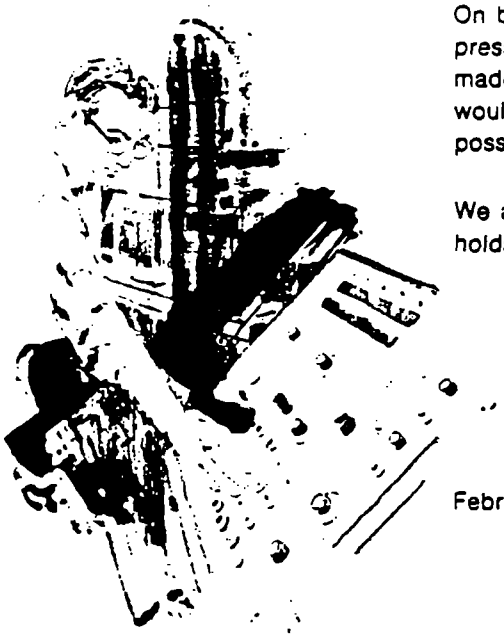
On behalf of the Board of Directors and the Management team, I want to express our sincere appreciation to our Shareholders. We respect the fact that you made your investment with the trust that its underlying value in the Company would be enhanced. You have our commitment that we will do everything possible to see that this is accomplished.

We are more than optimistic — we are confident — that the success of 1972 holds promise of higher attainments in 1973 and the years to come.

Respectfully yours,

GORDON PAUL SMITH
President and Chief Executive Officer

February 2, 1973



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1972: Talent Plus Teamwork

Richard S. Sloma
Executive Vice President, Chief Operating Officer

The 1972 improvement in manufacturing operations confirmed the adage that most solutions to problems involve working smarter and harder. The phrase Talent Plus Teamwork says much about the year's activities. Requirement No. 1 was recognizing and using the abilities of sound decision makers. No. 2 was an orderly planning process, assuring that talented individuals work together toward challenging, realistic objectives.

Virtually every quantitative improvement in operations is related to clearer and more careful definition of divisional goals. Using accepted principles of management by objective, the division management teams committed to outstanding "stretch" sales and production targets, documented plans for penetrating new markets, formulated programs for production economies, and evaluated the profit potential of new ventures and new products.

Each division has set new highs, too, in employee wages and benefits. Recognizing that our corporate growth is based upon the productivity and loyalty of each and every employee, we have made notable improvements in working conditions. Mindful of our responsibility, we have made our plants and offices both more pleasant and safer places to work.

Our management philosophy is very plain. We recognize the worth and dignity of the individual. Management has an obligation to continually provide new opportunities for individual development and to encourage each individual to take advantage of those opportunities.

INTER-DIVISIONAL ACTIVITY

During 1972, a new, basic operational strategy was initiated. Simply, it embodies the concept that, "The whole is greater than the sum of the parts." Specifically, it calls for formulation, documentation and implementation of inter-divisional integration programs. The scope of the programs generated has included all major functions to varying degrees. Marketing and Operations programs offer greatest growth prospects; while programs related to interdivision Purchasing, Engineering and Finance offer considerable promise for expense control and reduction. Personnel planning, too, has broadened to include inter-division programs. The General Managers of Bastian-Blessing and Pioneer Astro Industries Divisions, for example, were previously Manager of Operations and Manager of Marketing, respectively, of the RegO Division.

While the profit potential of inter-divisional programs will be most noted at the corporate level, each division will remain a profit center and each division General Manager will retain profit and loss autonomy.

These programs, and those yet to be developed in 1973, provide not only an enhanced profit and cash flow position for Golconda, but more importantly, provide a strengthened inter-division cohesion which is, after all, the basis for confidence in sustained, sound corporate growth.

Golconda Metals Division

One of the most challenging 1973 programs will involve the establishment of a new manufacturing venture, the Golconda Metals Division, to operate in a plant now under construction. The plant will engage in brass forging, a "first" for our company.

It will serve the needs of the RegO, Anderson Copper and Brass and Pioneer Astro Divisions. The forging plant is being built adjacent to Anderson's present facility in Alsip, Ill., a Chicago suburb, and is scheduled for limited production in the third quarter. Investment will be about $1.5 million.

Combined, the Golconda divisions are the fifth largest user of brass forgings in the United States. Considerable potential cost savings in a company owned facility arise from the fact that significant quantities of turnings are produced within the divisions in normal machining operations. At present, these turnings are re-sold to suppliers at scrap prices. This will be the chief raw material source for the new forging operation.

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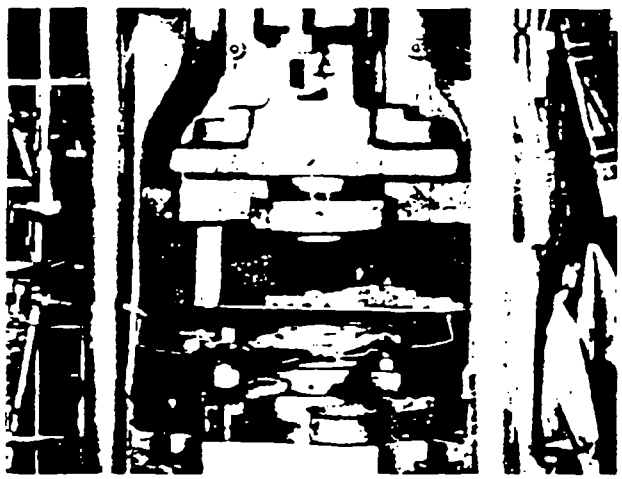


In addition, RegO and other divisions are redesigning certain standard forgings to effect a reduction in the follow-on machining operations which are now performed. Preliminary study of potential cost savings indicates that the RegO Division will be able to enter certain markets which are not sufficiently profitable under present circumstances.

Inter-Divisional Marketing Programs

Fiscal 1972 was the first year in which joint marketing became practical. Much further work faces RegO, Anderson and Pioneer, but the preliminary plans have been made and objectives established. In 1973, there should be a modest volume of Anderson products sold through RegO channels and it is hoped that Pioneer's M&M Flow Products marketing organization will begin to handle certain RegO products. In turn, the fluid power products distribution system, established by RegO, provides nationwide channels for the M&M line not previously available.

Inter-Divisional Operations Programs

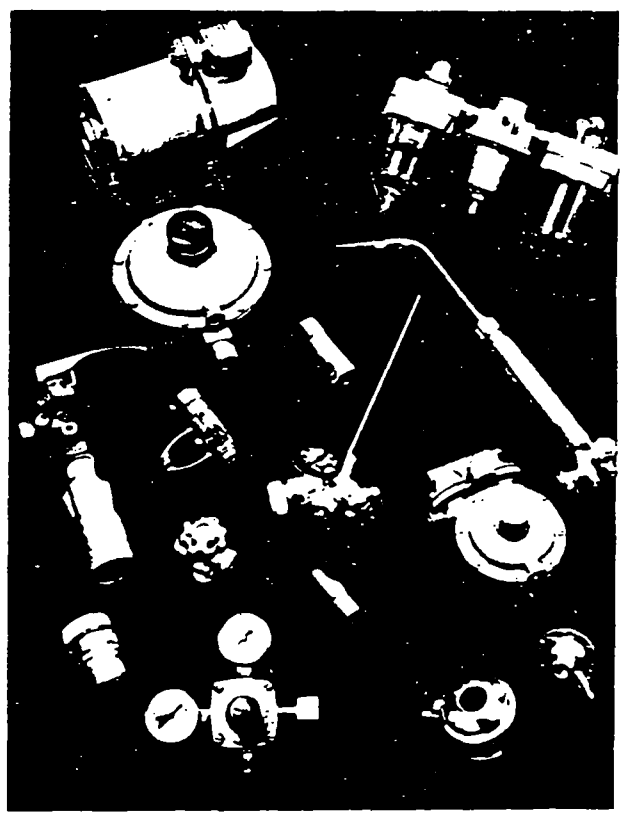
Pioneer's program to make pressure gauges for RegO was the first step in what will be a very active program. While each division previously had its own "make or buy" program, it is planned that future make/buy decisions will encompass all units. The most immediate possibility would appear to involve exchange of skills between RegO and Anderson. In broad terms, it is planned that certain complex machining operations will be centered in RegO's plant, regardless of the division which requires the work, while other, less complicated production tasks will be assigned elsewhere.

REGO DIVISION

All product lines contributed to the 26 per cent increase in orders received in 1972. Under a new, precisely organized system of product line responsibility, RegO's progress in various markets can be measured more accurately. Presented on the next page are graphs on RegO's sales by product line and the potential which we believe is available in each field.

Areas of 1972 progress included the following:

■ A new RegO Distribution Center was established to provide two major benefits, faster delivery to customers and better



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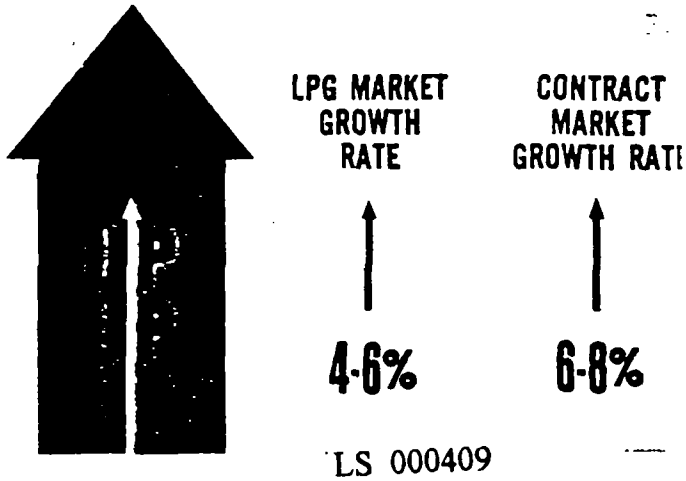
production scheduling. This center is building a stock of more than 1,000 different items to permit filling of all small and medium size orders from customers in the northeast quadrant of the United States and, in turn, ordering in quantity from the factory. The additional cost of inventory will be more than offset by savings on longer production runs.

■ Separate organizations were given the marketing responsibility in compressed gas and fluid power product areas. While RegO volume in these areas is small in relation to liquefied petroleum gas control products, the newly organized effort produced significant increases in 1972.

■ A system to team production planning supervisors with product sales managers was another of the actions taken which will contribute to a better record of on-time deliveries. Lines of responsibility have been greatly simplified, thus facilitating planning and making it far easier to project and balance input needs with output goals.



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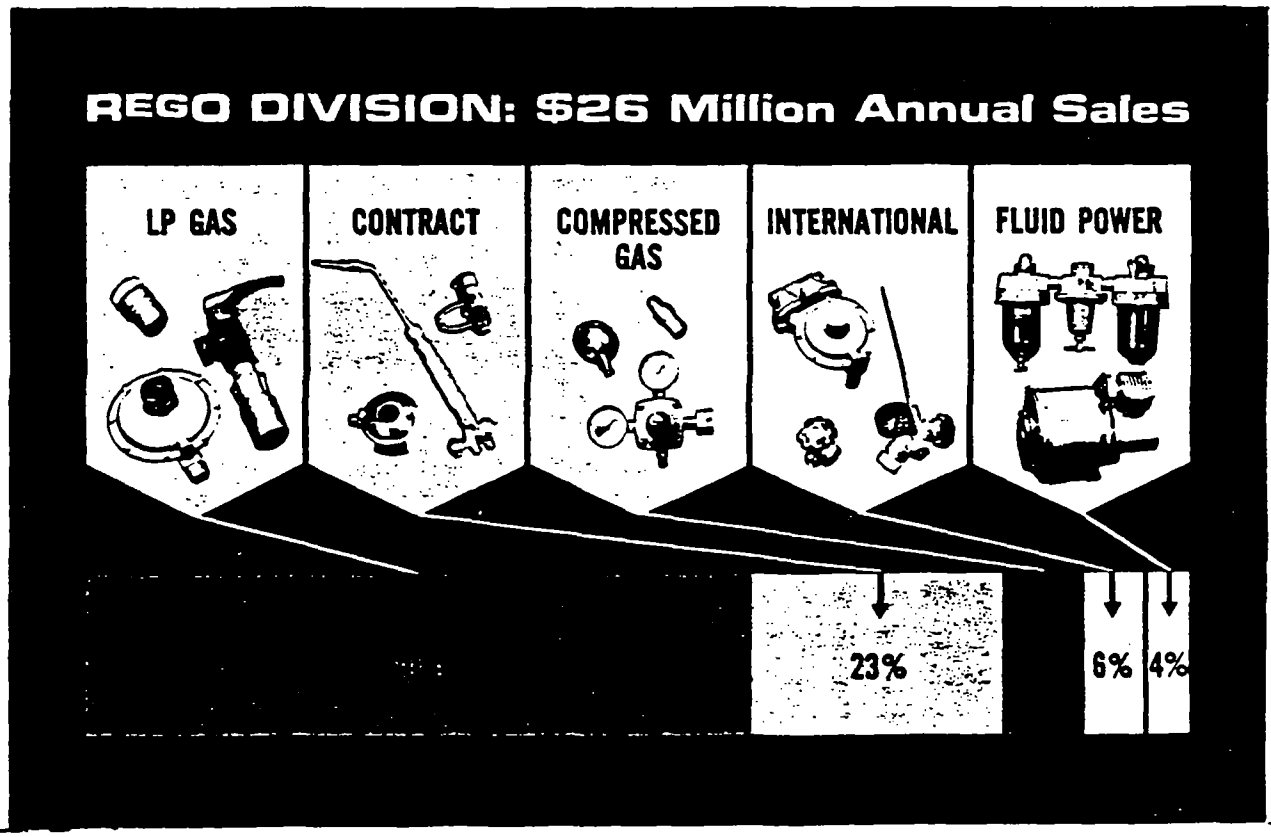

COMPRESSED GAS MARKET GROWTH RATE	INTERNATIONAL MARKET GROWTH RATE	FLUID POWER MARKET GROWTH RATE
6-8%	15-18%	14-16%

Targets for improvement. RegO achieved another substantial earnings increase in 1972 and continues to be the corporation's largest profit producer. Partly because of a labor shortage in certain skilled areas, RegO has encountered higher than desired costs for overtime, recruiting and training, and certain other functions. The direct labor content of certain products is a related problem, and we believe that the installation of new production methods together with production engineering changes can effect a lower labor unit cost while maintaining a high quality standard.

Expansion to begin in 1973. A new "RegO 50" program has the objective of increasing the division's manufacturing capacity to a $50 million annual sales level, approximately 66 per cent above the present potential. This will be a three-year program, with 1973 capital expenditures in excess of $1 million. Much of the new equipment will alleviate the pressure to recruit skills which are now in short supply in the Chicago area. Skilled labor shortages presently inhibit substantial increases in production output levels.

ANDERSON COPPER & BRASS DIVISION

Anderson Copper & Brass was acquired on July 1, 1972. A proven profit performer for more than a quarter century, ACB produces and sells a broad line of brass fittings and components. These products are a natural complement to products offered through RegO Division's LPG and Fluid Power marketing channels.

Operations were virtually at capacity when the company became a Golconda division. The strong order intake trend continued through the remainder of the fiscal year. As compared with a comparable time period for 1971, sales and profits both increased by 30 per cent.

One of the attractive features of this acquisition relates to the close relationship between RegO and Anderson products, markets, and manufacturing requirements. RegO has already begun to market selected Anderson products. Now under study are the questions whether certain RegO and Anderson manufacturing operations can be combined, and, if so, would the combination produce economies and/or an overall increase in capacity. One of Anderson's major strengths is an excellent capability to perform standard manufacturing operations. RegO, on the other hand, possesses strong capability for complex machining. The study seeks to determine how both strengths can be used to the fullest advantage.

Target for improvement. Many Anderson Division products are standard fittings which sell at relatively low prices. The division is capable of making more sophisticated fittings, and with the input of the RegO marketing organization, management believes the product line can be upgraded and expanded.

Outlook for 1973. The expanding economy that is forecast for 1973 can be the basis for Anderson growth. One of the major markets, the mobile home industry, is continuing strong, with projections indicating a stable first quarter in this area as well as others.

The opportunity to combine major purchases, particularly raw material, with other divisions, will tend to keep cost increases to a minimum. While the supply of skilled workers remains tight, the plant is located in the center of a large supply of industrial workers and this should tend to keep the cost of labor competitive.

New machinery, now on hand and on order, will provide the increased production necessary to support increased sales effort.

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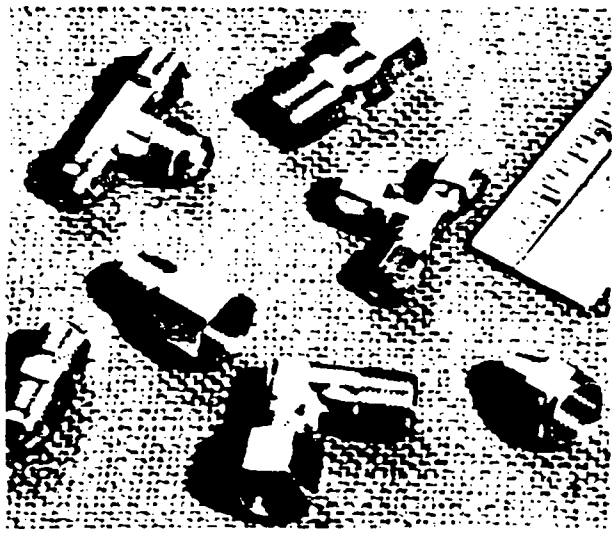


Anderson entered 1973 with a growing backlog of business and with the same shortage of skills facing Rego. However, division management considers these difficulties simply as challenges. They forecast record shipments and profits.

PIONEER ASTRO INDUSTRIES DIVISION

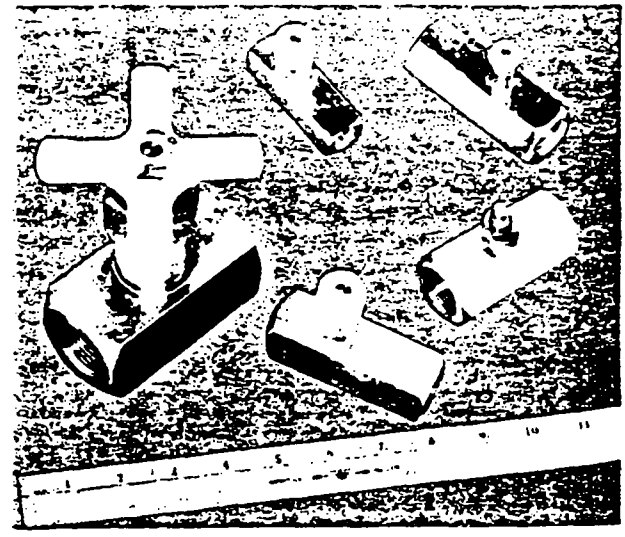
Incoming order improvement and tight cost control produced a near break-even fourth quarter for Pioneer Astro. To a considerable extent, the final period represented the light at the end of a long tunnel because the division's results through most of 1972 as well as 1971 suffered from decreasing new business from major customers in aerospace and military hardware, due to federal budget cuts and expenditure delays.

Both government and industrial orders improved in the fourth quarter. Pioneer has obtained new subcontracting work from two aerospace equipment manufacturers who are among the top seven defense contractors in the country. In non-military work, parts business from a major manufacturer of business machines accounted for about 10 per cent of 1972 volume. Pioneer also made its first inroads into manufacturing components for printing equipment, a potentially large field.

M&M Flow Products, a line of needle and flow valves for the fluid power market was acquired on July 21, 1972. Production, engineering and sales facilities were combined at the Pioneer Astro Division. Thus, the market base at PAI was broadened with proven, profitable product.

Acquisition of the M&M line marked Pioneer's entry into two important markets, fluid power devices for industrial plant applications and petrochemical processing equipment. These are Pioneer's first proprietary products. A key growth strategy supporting this acquisition is the ability to route M&M products through the well-established RegO Fluid Power distributor network. One of the important aspects of the M&M program is that the existing nationwide distributor organization can market other proprietary products as Pioneer and RegO marketing management develop them.

Targets for improvement. A three-part action program is designed to increase 1973 volume in the face of a continuing decline in military awards. First is a newly organized sales effort in previously untouched markets, including construction equipment, machine tooling and printing equipment. Second, Pioneer will be making pressure gauges and perhaps other components for RegO products. The business was obtained on a competitive quotation basis and Pioneer expects to attain normal profit margins therefrom. Third, it is planned that the inter-divisional product engineering effort will be successful in expanding the line now marketed under the M&M name.



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Outlook for 1973. Activity in government funded aerospace projects in Pioneer's fields of interest appears to be at the highest level in two years. Pioneer currently has a substantial amount of work on optical equipment for orbiting satellites. While military hardware volume remains low, Pioneer's overall billings on government funded work is expected to increase considerably. In commercial work, the entire program is predicated on a change in the division's complexion from a special order shop to a marketing oriented organization which identifies and works on sales opportunities. Inroads in the industries named above, including printing and construction equipment, are reasons to be optimistic as to 1973.

BASTIAN-BLESSING DIVISION

After a loss in the first quarter of fiscal 1972, accompanied by production and delivery difficulties, the Bastian-Blessing organization instituted a profit assurance program which produced excellent results. Each succeeding quarter saw profits at a higher level than the preceding quarter. The division completed the year with much improved results over 1971.

Cost reduction was a major factor in the turnaround. One, there was a vigorous attack on field installation expenses, a major cost item because food service equipment usually is priced on an installed basis. Management achieved cost reductions by setting installation time standards, adopting new field labor procedures and a number of other measures. Two, the factory cost picture was considerably improved. A labor contract was settled within government guidelines and the limits considered necessary for competitive operation. Three, improved plant layout allowed for the elimination of four leased warehouses and generated reduced overhead expenses.

Another management action program produced a reduction in delivery time and improvement in on-time shipments. One of the new management reporting systems monitors delivery promises daily with the result that Bastian-Blessing's credibility with customers continues to improve.

Overall, management discipline has become a key phrase. Areas of responsibility have been more clearly defined and there is close monitoring so that both positive attainments and unfilled commitments will be noted.

Targets for improvement. In 1973, Bastian-Blessing is taking a new "value analysis" approach to competitive price quotations on custom installations. It is intended that the approach will bring us closer to the ideal situation—the fair-

est possible price to the customer which still provides a satisfactory profit opportunity. Management believes it would be desirable to eliminate certain catalogued products at the same time other products are added to the line. Both eliminations and additions would result from a very careful study of manufacturing capabilities and profit opportunities.

Outlook for 1973. The backlog at the beginning of the new fiscal year was $1 million higher than a year earlier. This provides an excellent start, especially considering that the first fiscal quarter normally is the low sales quarter of the year. Management believes that volume throughout the year will be bolstered by an improved delivery schedule (the target is eight weeks average installation compared with eleven weeks in 1972), improved quoting skills, and an aggressive sales effort. There is also indication of further improvement in profit as a percent of the sales dollar. Finally and among the most important subjects, there is an outlook for improved labor productivity. Capital expenditures and motivated supervisors blend to improve output per manhour

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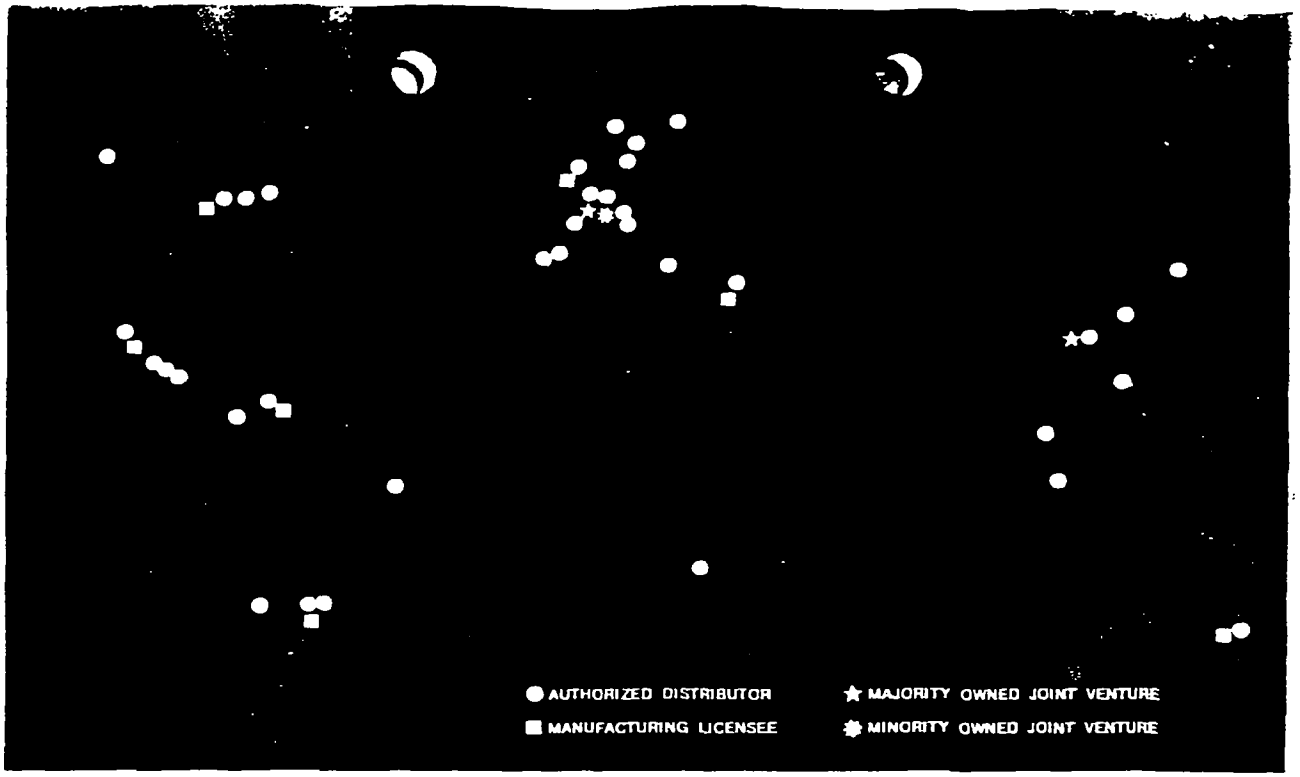

INTERNATIONAL ACTIVITY

Fiscal 1972 was a year when Golconda made its first aggressive and organized approach to international marketing. Previously, RegO and, to a lesser extent, Bastian-Blessing had export sales, but did not exercise full management control over offshore marketing efforts.

RegO Europe, an 80 per cent Golconda owned joint venture, was established in June of 1972 with headquarters in Brussels. This company is a sales management-technical service organization whose primary mission is to manage, initially, the LPG product distribution system in Europe. Product requirements in Europe are reasonably similar to the U.S., encouraging RegO management to believe that increased sales of present products can be achieved through an organized effort.

In the Far East, a second sales management-technical service company, RegO Far East Ltd., was recently formed in Hong Kong, also with 80 per cent Golconda ownership. An additional Far East joint venture program, aimed at providing a Philippine based manufacturing source, is now in the final consideration stages. Full operation of RegO Philippines Manufacturing Inc., is targeted for mid-1973. The purpose of the venture is to produce a new competitively priced LPG product line for use in cooking and water heating in the home. Market surveys have shown these products to be in major demand in the Far East.

Latin America is the third target for RegO sales expansion. The 1973 plan calls for the establishment of at least one joint venture to serve one or more South American countries which appear to have fairly immediate sales potential. The long term plan envisions strategically located offshore manufacturing facilities as well as marketing organizations.

Product emphasis overseas is on LP gas control devices, the field in which RegO is the leading U.S. company. LP gas provides a convenient, relatively inexpensive means of home cooking, especially in the more rapidly developing Asian and Latin American countries.

RegO's initial capital investments in Europe and in the Far East have been minimal, and management plans a general strategy of modest overseas investments, with future growth being financed from earnings.

Bastian-Blessing is also in the initial stage of a worldwide marketing program. The division is presently engaged in a small West German joint venture manufacturing activity, with further European expansion planned in coordination with the RegO Europe program. Possibilities for additional joint venture market penetration exist in Japan. Bastian-Blessing, it will be remembered, is a major supplier to leading American fast-food companies who now sell hamburgers in downtown Tokyo.

Finally, there will be major efforts in 1973 to expand the overseas marketing of RegO Fluid Power and Compressed Gas products, as well as the product lines of M&M and Anderson Copper and Brass Division. Existing RegO LPG distribution channels, including RegO Europe and RegO Far East, will be heavily employed.

Outlook for 1973. RegO's overseas sales are budgeted for a 35 per cent increase in 1973. While total foreign business will be well under 10 per cent of corporate volume in 1973, the substantial percentage increase attests to the potential to be attained through international marketing. The economic outlook in all major international areas is good. The RegO Division's international distributor organization is now very sound and for the first time, there is a Chicago-based group to take specific responsibility for overseas development.

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GOLCONDA MINING CORPORATION

Golconda Mining Corporation has major interests and holdings in the Coeur d'Alene Mining District, the source of approximately 50% of the silver mined in the U.S. and a substantial portion of domestic lead and zinc production. Past mineral production from the district exceeds $4.5 billion at current prices. Golconda Mining's interests in the district include mineral properties and capital stock ownership in several mining companies.

Golconda's most important mining holding is 638,000 shares of Hecla Mining Company, one of the largest domestic producers of silver, which operates mines in the Coeur d'Alene area and is developing a large copper deposit in Arizona. Hecla also is involved in mineral exploration projects in Idaho and in British Columbia. Another mining interest held by Hecla is its capital stock ownership in the newly productive Granduc copper mine operated by Newmont Mining Corporation near Stewart, B.C.

Silver Exploration Project

Golconda also owns 54% of the outstanding capital stock of Alice Consolidated Mines, Inc. Mineral property owned by Alice in the Coeur d'Alene District is being explored by Hecla Mining under an operating lease agreement. Newmont Mining and Golconda are participants in the lease agreement.

Geologic tests in 1972 produced one result which was both unexpected and apparently favorable. It is indicated that strata favorable for silver-lead deposition in a significant part of Alice's property is closer to the surface than originally estimated. Potentially, this could save on further development costs.

The original exploration plan was to sink a shaft from the surface. It now appears practical to tunnel horizontally from existing property already being worked. It is hoped that further tests will bear out this indication.

Currently, the companies with interests in Alice Consolidated are negotiating with the owners of the adjacent property where the tunnel would be started. If the agreement is reached soon, as now appears likely, underground exploration could begin in early spring. It is estimated that initial exploration will take two years.

Silver Market Improves

World consumption of silver in 1972 again exceeded new production. Warehouse inventories of silver in London and New York declined substantially. The price of silver was $1.38 per ounce at the beginning of the year and gradually increased to $2 per ounce by yearend in a fairly orderly market that did not demonstrate the precipitous fluctuations of the previous year.

In August, silver price controls were removed. It appears that weak positions in silver have been liquidated and the market may now respond to the fundamentals of supply and demand. Statistics compiled during the past year indicate that the actual consumption of silver has exceeded previous estimates for recent years. In view of the continuing gap between the expanding consumption and the almost level production, we remain optimistic as to the longer term outlook for silver.

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Consolidated Statement of Earnings

FOR THE YEARS ENDED NOVEMBER 30,	1972	1971
Net Sales	$ 46,449,257	$ 40,484,596
Cost of goods sold	35,917,709	31,378,760
Gross profit	10,531,548	9,105,836
Selling, General and Administrative Expenses	7,374,601	7,323,989
Interest expense	993,873	1,117,336
Other (income) expense—net	(444,024)	(489,925)
	7,924,450	7,951,400
Operating profit from manufacturing operations	2,607,098	1,154,436
Investment operations (primarily gain on sale of investments)— (notes 1 and 2)	374,937	310,169
Earnings before income taxes and extraordinary item	2,982,035	1,464,605
Income taxes (principally Federal) (note 1):		
Current	960,000	370,000
Deferred	316,000	152,000
	1,276,000	522,000
Earnings before extraordinary item	1,706,035	942,605
Extraordinary item—		
Provision for settlement of lawsuit related to products of operations discontinued in 1970, net of Federal Income Tax credit of $48,000	—	(52,000)
NET EARNINGS	$ 1,706,035	$ 890,605

	Year Ended November 30,			
	1972		1971	
	Amount	Per Share	Amount	Per Share
NET EARNINGS PER COMMON SHARE (note 6):				
Earnings before extraordinary item				
Manufacturing operations	$ 1,420,625	$ .51	$ 653,436	$ .24
Investment operations (primarily gain *on sales of investments) (note 2)*	285,410	.10	289,169	.10
Earnings before extraordinary item	1,706,035	.61	942,605	.34
Less—Preferred dividend requirement	(398,741)	(.14)	(412,749)	(.15)
Earnings to common shareholders before extraordinary item	1,307,294	.47	529,856	.19
Extraordinary item	—	—	(52,000)	(.02)
Net earnings to common shareholders	$ 1,307,294	$ .47	$ 477,856	$ .17

The accompanying notes are an integral part of this statement.

LS 000415

Golc - CDA dm - 0409

Consolidated Statement of Changes in Financial Position

FOR THE YEARS ENDED NOVEMBER 30,	1972	1971
SOURCE OF WORKING CAPITAL		
From operations		
Earnings before extraordinary item	$ 1,706,035	$ 942,605
Add expenses not requiring outlay of working capital in the period		
Depreciation (note 1)	764,921	668,630
Amortization of deferred expenses	111,143	118,241
Deferred income taxes	316,000	152,000
Cost of investments sold	305,748	460,146
Working capital provided from operations, exclusive of extraordinary item	3,203,847	2,341,622
Working capital requirement related to extraordinary loss—net of Federal income tax credit	—	(52,000)
Working capital provided from operations	3,203,847	2,289,622
Reduction of long-term notes receivable	328,554	299,477
Long-term borrowings	859,500	—
Surrender of life insurance policies	73,232	160,934
Total source of working capital	4,465,133	2,750,033
DISPOSITION OF WORKING CAPITAL		
Reduction of long-term debt	1,825,602	1,160,478
Purchase and retirement of preferred stock	143,832	700,422
Purchase of common stock held in treasury	—	34,000
Prior years tax settlement	74,707	—
Increase in cash surrender value of life insurance	18,829	16,541
Preferred dividends declared	398,741	412,749
Plant and equipment acquired through acquisitions	854,271	—
Net additions to property, plant and equipment	624,606	1,267,194
Sundry	74,771	116,346
Total disposition of working capital	4,015,359	3,707,730
INCREASE (DECREASE) IN WORKING CAPITAL	$ 449,774	$ (957,697)
INCREASES (DECREASES) IN WORKING CAPITAL COMPONENTS:		
Cash and certificates of deposit	$ (445,147)	$ (388,729)
Notes and accounts receivable—net	2,269,148	(1,170,128)
Inventories	2,735,886	318,994
Prepaid expenses and sundry deposits	93,520	(25,726)
Net increase (decrease) in current assets	4,653,407	(1,265,589)
Current maturities of long-term debt	476,482	(44,457)
Notes payable	(330,000)	(408,267)
Accounts payable	3,164,967	(25,725)
Dividends payable	—	(210,031)
Income taxes	568,770	147,959
Accrued liabilities	323,414	232,629
Net increase (decrease) in current liabilities	4,203,633	(307,892)
INCREASE (DECREASE) IN WORKING CAPITAL	$ 449,774	(957,697)

The accompanying notes are an integral part of this statement.

LS 000416

Golc - CDA dm - 0410

Consolidated Balance Sheet — November 30,

Assets	1972	1971
CURRENT ASSETS		
Cash and certificates of deposit	$ 1,810,888	$ 2,256,035
Notes and accounts receivable, less allowance for doubtful receivables (1972—$52,000; 1971—$70,000)	9,982,960	7,713,812
Inventories (note 1)	15,969,824	13,233,938
Prepaid expenses and sundry deposits	208,751	115,231
Total current assets	27,972,423	23,319,016
INVESTMENTS—AT COST (notes 1 and 2)	4,159,954	4,465,702
PROPERTY, PLANT AND EQUIPMENT—AT COST (notes 1 and 3)		
Buildings and improvements	4,278,903	3,684,541
Machinery, equipment and tools	10,196,141	9,620,802
Office furniture and fixtures	539,336	555,780
	15,014,380	13,861,123
Less accumulated depreciation	8,373,773	7,889,620
	6,640,607	5,971,503
Land	690,380	645,087
	7,330,987	6,616,590
OTHER ASSETS		
Excess of cost over underlying equity of net assets acquired (note 1)	4,374,476	4,374,476
Notes receivable, less current portion (1972—$165,544; 1971—$286,968)	351,291	679,845
Deferred debt expense—net of amortization	661,142	754,230
Sundry	227,691	259,052
	5,614,600	6,067,603
	$45,077,964	$40,468,911

LS 000417

Golc - CDA dm - 0411

Liabilities	1972	1971
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 1,034,961	$ 558,479
Notes payable—Banks (note 2)	1,591,733	1,921,733
Accounts payable	5,532,090	2,367,123
Income taxes	907,746	338,976
Accrued liabilities	1,832,284	1,508,870
Total current liabilities	10,898,814	6,695,181
LONG-TERM DEBT (note 3)	11,193,953	12,160,055
DEFERRED CREDITS (principally Federal Income Taxes)	756,259	549,296
COMMITMENTS (notes 2 and 4)	—	—
STOCKHOLDERS' EQUITY (notes 3 and 5)		
Capital stock		
Preferred	390,204	401,273
Common	773,055	771,958
Additional contributed capital	5,747,583	5,880,346
Retained earnings	15,837,696	14,530,402
	22,748,538	21,583,979
Less treasury stock—at cost	519,600	519,600
	22,228,938	21,064,379
	$45,077,964	$40,468,911

The accompanying notes are an integral part of this statement.

LS 000418

Golc - CDA dm - 0412

Consolidated Statement of Retained Earnings

FOR THE YEARS ENDED NOVEMBER 30,	1972	1971
Balance at beginning of year, as previously reported	$ 14,605,109	$ 14,127,253
Settlement of Golconda Mining Co. tax liability for the period 1962-1969, including legal costs net of tax benefit	(74,707)	(74,707)
Balance at beginning of year—restated	14,530,402	14,052,546
Net earnings for the period	1,706,035	890,605
Preferred dividends declared—$1.00 per share	(398,741)	(412,749)
Balance at end of year	$ 15,837,696	$ 14,530,402

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements *November 30, 1972*

Note 1: SUMMARY OF ACCOUNTING POLICIES

CONSOLIDATION — All operating subsidiaries are consolidated and significant inter-company transactions have been eliminated. During the year, two acquisitions were made, which were accounted for as purchases, and consequently, revenues and earnings have been included from the respective dates of acquisition in the latter part of the year. As a result, revenues and earnings of the Company were not materially affected by these transactions.

INVENTORIES — Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories are comprised as follows:

	November 30,	
	1972	1971
Raw materials and supplies	$ 4,117,972	$ 3,126,661
Work-in-process and finished goods	11,851,852	10,107,277
	$15,969,824	$13,233,938

INVESTMENTS — The Company carries its investments in capital stock of mining companies at cost. The equity method of accounting is not appropriate for the Company's investment (Note 2) in Alice Consolidated Mines, Inc. (Alice) because Alice is in a pre-operating stage. The Company employs the average cost method in the determination of gains or losses from sales of its securities for financial reporting purposes.

DEPRECIATION — For financial reporting purposes, the Company computes depreciation on a straight line basis over the estimated useful life of the assets.

INCOME TAXES — Provision is made for deferred taxes which arise primarily from the use for tax purposes of accelerated depreciation methods and timing differences in the recognition of investment income. Available investment tax credits on capital additions are accounted for under the "flow-through" method. The investment tax credit and the effect of the use of a Domestic International Sales Corporation in 1972 resulted in reduction of the current federal income tax provision of $58,000 and $15,000, in 1972 and 1971, respectively.

RESEARCH AND PRODUCT DEVELOPMENT COST — The Company follows the practice of expensing research costs.

EXCESS OF COST OF ACQUIRED COMPANIES OVER EQUITY — The amount shown on the balance sheet arose prior to fiscal year 1971, and is not being amortized.

PENSION PLANS—Unfunded past service costs are being funded on a thirty-year basis; current costs are being funded as accrued.

LS 000419

Golc - CDA dm - 0413

Note 2: INVESTMENTS

At November 30, investments were comprised principally of capital stock of mining companies and are as follows:

	1972		1971	
	Cost	Quoted Market Price	Cost	Quoted Market Price
Hecla Mining Company (10% owned) (637,674 shares in 1972 and 681,857 shares in 1971)	$3,372,253	$ 8,927,000	$3,678,001	$ 8,864,000
Alice Consolidated Mines, Inc. (54% owned) (4,308,020 shares in 1972 and 1971)	399,137	2,154,000	399,137	1,723,000
Other	388,564	441,000	388,564	317,000
	$4,159,954	$11,522,000	$4,465,702	$10,904,000

Income from investments for the years ended November 30, is summarized as follows:

	1972	1971
Net realized gain on investment sales		
Hecla Mining Company	$ 585,390	$ 502,908
Other	—	89,888
	585,390	592,796
Other investment income	145	70
Expenses including interest of $107,535 and $148,254, respectively	(210,598)	(282,697)
Investment income before income taxes	$ 374,937	$ 310,169

At November 30, 1972, 344,850 shares of Hecla Mining Company stock were pledged as collateral under notes payable to banks.

Alice Consolidated Mines, Inc. (Alice) owns 1,109 acres of mining properties. Hecla Mining Company, Newmont Mining Corporation and Alice Consolidated Mines, Inc. are engaged in an exploration and development program to be conducted by Hecla on this property. The Company has a 20 percent participation in the pre-production costs for the exploration and development program. The Company's expenditures are expected to amount to $200,000 over a five-year period, and to commence in 1975. The Company will receive 20 percent of the net profits, if any, until such pre-production costs have been recovered, and 10 percent thereafter. The realization of the cost of the Company's investment in Alice is dependent upon the success of the exploration and development program.

Note 3: LONG-TERM DEBT

Long-term debt at November 30, 1972 is comprised of the following:

LS 000420

Golc - CDA dm - 0414

Notes *(Continued)*

Note payable to bank with interest at ½% above prime rate; loan is reduced $100,000 per quarter, final payment due August 1, 1975	$ 1,300,000
7% subordinated notes to insurance companies payable in semi-annual sinking fund payments of $250,000, final payment due January 15, 1979	3,250,000
7% convertible subordinated debentures due January 1, 1990	4,689,000
10% first mortgage note payable in monthly installments of $28,975 including interest, final payment due April 1, 1990	2,854,914
Other	135,000
	12,228,914
Less current maturities	1,034,961
	$11,193,953

The 7% subordinated notes to insurance companies and the 7% convertible subordinated debenture agreements contain certain covenants, the most restrictive of which provide, among other things, that the Company:

Will maintain consolidated net working capital of $10,000,000 and consolidated net worth, as defined, of $10,000,000. At November 30, 1972, consolidated net working capital and consolidated net worth, as defined, were $16,662,610 and $17,058,219, respectively.

Will not pay cash dividends or acquire for cash any shares of its stock in excess of 50% of cumulative consolidated net income, as defined, after December 31, 1968. At November 30, 1972, retained earnings in the amount of $642,923 were free of such restrictions.

In connection with the 7% subordinated note agreements, the Company has issued warrants entitling the holders thereof to purchase, at a price per share of $14.51, up to 292,467 shares of the Company's common stock. These warrants expire January 15, 1979.

The trust indenture underlying the convertible subordinated debentures provides, among other things, that the debentures are redeemable at the Company's option at prices ranging from 106% in 1972 to 100% in 1984; that annual sinking fund payments of $325,000 are required beginning in 1976; that the Company has an option to make additional annual payments of $325,000 beginning in 1975 and, that the debentures are convertible into shares of common stock at a conversion price of $10.67 per share (subject to antidilution provisions).

Note 4: EMPLOYEE BENEFIT PLANS

The Company has various benefit plans, including pension and executive incentive compensation plans covering a substantial portion of its employees. Provisions for these plans for the fiscal year ended November 30, 1972 approximated $660,000. The pension plan is for substantially all salaried employees and full-time hourly rated employees of three divisions. The actuarially computed value of vested benefits for all plans as of December 1, 1972 exceeded the total of the pension funds by $4,600,000. The charges to operations for the cost of the pension plans for the years ended November 30, 1972 and 1971 were $546,151, and $527,712, respectively.

Note 5: CAPITAL STOCK

Preferred stock consists of 941,453 authorized shares of $1.00 par value of which 390,204 shares are issued and outstanding at November 30, 1972 and 738 shares of the authorized but unissued preferred shares were reserved under a stock option plan.

The preferred stock is entitled to a preferential cumulative annual dividend at a rate of $1.00 per share. The shares are redeemable at the option of the Company after May 6, 1974 at $37.50 per share plus unpaid cumulative dividends. The aggregate redemption and liquidation value at November 30, 1972 is $14,632,650. The preferred stock has liquidation rights over the common stock in any final distribution and is entitled to one vote for each share held.

The preferred shares are convertible into common shares at the option of the holder at the rate of one and one-half shares common stock for each preferred share held. This conversion rate is subject to antidilution provisions.

Common stock consists of 7,500,000 authorized shares, without par value, of which 2,784,375 shares are outstanding. At November 30, 1972, 1,318,336 shares of authorized but unissued common shares have been reserved as follows: 585,306 shares upon conversion of preferred stock; 439,456 shares upon conversion of the 7% convertible subordinated debentures (note 3); 292,467 shares upon exercise of

LS 000421

Golc - CDA dm - 0415

warrants for the purchase of common stock (note 3); and 1,107 under a stock option plan. At November 30, 1972, there are 71,250 shares of common stock held in treasury.

	Preferred Stock	Common Stock	Additional Contributed Capital	Treasury Stock
Balance at December 1, 1970	$ 449,856	$ 769,217	$ 6,532,185	$(485,600)
Purchase and retirement of 47,478 shares of Preferred stock	(47,478)		(651,839)	
Conversion of 1,105 shares of Preferred stock into 1,657 shares of Common stock	(1,105)	1,105		
Conversion of 7% Convertible Debentures into 186 shares of Common stock		1,988		
Purchase of 4,250 shares of Common stock acquired				(34,000)
Cost of fractional shares of Common stock acquired		(352)		
Balance at December 1, 1971	401,273	771,958	5,880,346	(519,600)
Purchase and retirement of 10,964 shares of Preferred stock	(10,964)		(132,763)	
Conversion of 105 shares of Preferred stock into 157.5 shares of Common stock	(105)	101		
Conversion of 7% Convertible Debentures into 93 shares of Common stock		996		
Balance at November 30, 1972	$ 390,204	$ 773,055	$ 5,747,583	$(519,600)

Note 6: EARNINGS PER COMMON SHARE

Earnings per common share are based on the weighted average number of shares, 2,785,000 and 2,785,000, respectively, outstanding during each period. The effects of the convertible preferred stock, stock options and warrants have not been reflected in the computation of per share data because they are antidilutive. The fully diluted earnings per share for 1972, as a result of the effect of the convertible debentures, would not differ materially from primary earnings per share. The debentures were antidilutive in 1971.

Auditors Report

Board of Directors and Stockholders Golconda Corporation

We have examined the consolidated balance sheet of Golconda Corporation and Subsidiaries as of November 30, 1972 and 1971; and the related consolidated statements of earnings, retained earnings and changes in financial position for the two 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 financial statements referred to above present fairly the consolidated financial position of Golconda Corporation and Subsidiaries as of November 30, 1972 and 1971, and the consolidated results of their operations and changes in their financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ALEXANDER GRANT & COMPANY

Chicago, Illinois
January 22, 1973

LS 000422

Golc - CDA dm - 0416

BOARD OF DIRECTORS

C. Arnholt Smith*, Chairman of the Board
Chairman,
Westgate-California Corporation

Daniel L. Brenner
Senior Partner—Brenner, Lockwood & O'Neal,
Kansas City, Missouri

R. M. Dunn
Chairman, Ken-A-Vision Mfg. Co.
Kansas City, Missouri

Wray Featherstone
Vice President
President, Golconda Mining Corporation
Wallace, Idaho

H. F. Magnuson
President, H. F. Magnuson & Company,
Certified Public Accountants, Wallace, Idaho

A. D. Martin
Financier and Investor—Dallas, Texas
Chairman of the Board—Central Engineering & Supply Company, Dallas, Texas

Richard S. Sloma
Executive Vice President, Chief Operating Officer

Gordon Paul Smith*
President and Chief Executive Officer

Walter L. Sly
General Contractor (retired), Spokane, Washington

Philip A. Toft
President, Westgate-California Corporation

**Mr. C. Arnholt Smith and Mr. Gordon P. Smith are not related*

EXECUTIVE COMMITTEE

Gordon P. Smith, Chairman

R. M. Dunn **Richard S. Sloma**

H. F. Magnuson **Philip A. Toft**

Gordon P. Smith, President
& Chief Executive Officer

Donald W. Adams
Vice President—
Finance,
Treasurer

John M. Stogin
Vice President—
Corporate
Counsel,
Secretary

Richard S. Sloma
Executive Vice
President, Chief
Operating
Officer

Richard H. Watson
Vice President—
Personnel &
Organizational
Planning

Wray Featherstone
Vice President
President, Golconda
Mining Corporation

Donald V. Ytterberg
Vice President,
General Manager
Anderson Copper &
Brass Division

Richard S. Sloma
General Manager
RegO Division

Rocco Del Presto
Vice President,
General Manager
Bastian-Blessing
Division

Jack W. Hasselbring
Vice President,
General Manager
Pioneer Astro
Industries
Division

LS 000423

LS 000424

LS 000425

GOLCONDA CORPORATION
1973 ANNUAL REPORT

LS 000426

TO OUR SHAREHOLDERS

We are pleased to report that Golconda in 1973, continuing to move forward on a sound growth and profit course, achieved the highest sales and profit levels in its history.

A strong national economy as well as the implementation of more effective marketing techniques and production and delivery methods made it possible for the Company to further penetrate the markets for its various products. As a result, sales increased 15.3 percent, from $46.4 million in 1972 to $53.6 million in 1973. And, at the end of 1973, manufacturing order backlog amounted to a record $15.3 million. This provides an excellent start for 1974.

Net income of $3.2 million in 1973 represents a rise of 87.6 percent over net income of $1.7 million in 1972. Of this total, net profit from manufacturing operations amounted to $2.1 million in 1973, compared to $1.4 million in the prior year; net profit from investment operations totaled $1.1 million, compared to $0.3 million in 1972. The Company's net earnings per share doubled from $0.47 in 1972 to $0.95 in 1973.

All divisions of the Company are contributing to this sustained progress, with the RegO Division leading the way. Although subsequent sections of this report contain pertinent information on each of the Company's divisions, some of the more significant events that took place in 1973 are summarized as follows:

"RegO 50" Launched

Early in the year, the RegO Division announced plans for "RegO 50," a major expansion program aimed at reaching a $50-million annual sales rate for the Division by the end of 1975. RegO at present is the largest Golconda division, accounting for 55 percent of sales. The first step in "RegO 50" was the building of a new warehouse and shipping facility adjacent to the Division's existing plant in Chicago. A large portion of this facility, now completed, is devoted to modern storage and staging/packing/shipping areas so that the Division can stock a broader array of finished goods for more competitive, off-the-shelf service to customers. The move into the new warehouse opened valuable manufacturing floor space in the plant for the increased production requirements that the Division's growth is generating.

Further steps taken as part of the "RegO 50" program include increasing emphasis on better engineering of new products; establishing Product Line Operations Managers (PLOM), each of whom has total profit responsibility for the manufacture and assembly of a major product group (liquefied petroleum gas, compressed gas, fluid power, and contract); greater emphasis on managing by objectives; and implementing innovative employee relations programs.

RegO Distribution Center Created

RegO Distribution Center is a new wholly owned distribution and sales organization. Its business is the stocking and expediting of shipments of RegO products for the LP gas market in the Northeast quadrant of the country, as well as distributing brass fittings of the Anderson Copper and Brass Division and other products.

The Center is a separate profit division of the Company, with its own field and office staff. Two Center facilities have been opened so far: one is a 25,000-sq. ft. structure next to RegO's manufacturing plant in Chicago, with an initial inventory of hundreds of products valued in excess of $1.5 million; the second is in Upper Saddle River, N.J., and provides 24-hour delivery to the New England and Middle Atlantic states. Additional Centers are planned for 1974.

Golconda Metals Division Established

In December, 1972 the Board of Directors authorized the establishment of the new Golconda Metals Division. This Division was created for the purpose of recycling brass scrap generated by the manufacturing processes at the RegO, Anderson Copper and Brass, and Pioneer Astro Industries Divisions.

Ground was broken for the Division's brass forging plant in Alsip, Illinois in January, 1973. Nine months later the Division produced, out of scrap, its first brass raw material products for manufacturing use at RegO and Anderson.

Golconda Metals is a fine example of the Company's increasing synergism; its output of forged brass raw materials eventually will supply Pioneer, as well as RegO and

LS 000427

Golc - CDA dm - 0421

Anderson. The Division should help immensely toward solving possible brass raw materials shortages facing the Company's three manufacturing divisions in the Chicago area, while at the same time providing opportunities for added profit-generation through sales to selected outside customers.

International Activity Intensified

At mid-year, our international activities were consolidated and broadened into a single Golconda International Division, responsible for developing and coordinating off-shore operations of all Golconda divisions. This is being accomplished through joint ventures, representative organizations, and related activities. To tap the potential of overseas markets, the Division has an international network of 46 independent distributor-representative firms, nine licensed manufacturing companies, and two majority-controlled joint venture distribution operations.

Among other developments, two new equity participation agreements were undertaken in 1973:

- RegO Far East, Ltd.—to manage the marketing and to provide the technical assistance related to Golconda products. This is a 60-percent, Golconda-owned joint venture.
- RegO Philippines Industries, Inc.—a 40-percent Golconda-owned joint venture manufacturing company for LP gas products to serve the Asian market.

Financial Management Strengthened

Heavy emphasis is being placed on financial management throughout the Company to closely monitor operating results on a weekly basis, as well as to reconfirm that return on assets is the fundamental operating performance criterion. In the year just ended, the return on assets from manufacturing operations increased 25 percent over the prior year. The Company's financial management also is concentrating on cash flow, accounts receivable collection, inventory controls, raw materials availabilities and prices, internal and external effects of the energy crisis, and the identification of quantitative objectives as the means for measuring the performance of decision-making executives.

Capital expenditures totaled $3.7 million in 1973, much of that for the previously mentioned new Golconda Metals Division facility, establishment of RegO Distribution Center, inauguration of the "RegO 50" program with construction of a modern warehouse, and installation of a manufacturing process in the Pioneer Division to produce an essential line of pressure gauges for RegO.

In 1973, a restructuring of the Company's bank credit was completed and an excellent new major banking relationship established. The basic arrangement calls for a line of credit availability of $2.5 million with the cost of money equal to the prime rate. The Company's debt-to-equity ratio continues to improve.

Silver Market Moved Upward

Golconda—with significant holdings of securities in silver, lead, and zinc mining companies and holdings of other assets related to mining in the Coeur d'Alene Mining District of Idaho—benefited from the increase in metal prices during 1973. As of the preparation of this report, for example, the silver market continues to surge forward, with the spot ounce price of silver being in excess of $4.00 compared to approximately $2.00 a year ago.

Outlook for 1974

The Company's plans for 1974 and the immediate years ahead call for continued growth in sales and manufacturing earnings. As we move into 1974, however, we are cautious in light of certain potential problems arising in the economy. For example, the availability and cost, but particularly the availability, of essential raw materials could be a problem. During 1973, the Company was confronted with just such a problem, largely in brass raw materials. Although the problem

LS 000428

Golc - CDA dm - 0422

was eventually solved, it could again become severe. Nevertheless, we have organized a comprehensive approach toward meeting any such unfavorable situations that might develop in any materials essential to our businesses.

The energy crisis, with its present uncertain implications for the internal operations and external markets of the Company, also poses a threat. In this connection, we have assigned one of our most competent and technically qualified executives to head up a task force responsible for examining the situation and developing plans to cope with it.

The Board and Management, however, are confident of the future because the Company has been moving steadily on a solid track of growth and profitability. Although our goals for the years ahead are challenging, they still seem attainable.

On behalf of the Board of Directors, we want to express sincere appreciation to all Golconda shareholders for your continued interest and confidence in the Company. We hope you will share our feeling that a fundamental reason the Company has progressed as well as it has during the past two years is the dedicated effort and competency of its employees. No company can attribute success solely to capital, facilities, machines, and available markets. It also takes people, working together in an effective way, to employ these resources and to achieve results. Golconda is fortunate to have such outstanding human resources.

Yes, 1973 was a record year. But, it is in the past. Our sights are now focused on the attainment of higher goals in 1974.

Respectfully submitted,

Gordon Paul Smith
President and Chief Executive Officer

Richard S. Sloma
Executive Vice President and
Chief Operating Officer

January 31, 1974

Richard S. Sloma (left) and Gordon P. Smith

LS 000429

THE GOLCONDA STORY

Golconda Corporation is comprised of several operating divisions—each increasingly supportive of the other yet maintaining individual profit center responsibility—plus investment interests, chiefly in mining and extractive operations. The recent thrust of operating management's efforts has been directed toward improving early-warning monitoring of all activity, moving decision-making nearer to the points of action, and developing individual talent at every level of the organization.

REGO DIVISION

Increased sales and profits plus the advent of "RegO 50" dominated the year for RegO Division (a leading manufacturer of regulators, valves, and control devices for LP gas and other compressed gas equipment). "RegO 50" is an all-encompassing expansion program with the objective of increasing the Division's manufacturing volume to a $50-million rate by the end of 1975. Present annual sales are $29 million. The program was launched early in 1973 with the announcement of plans for a $400,000 warehousing and shipping facility adjacent to RegO headquarters in Chicago.

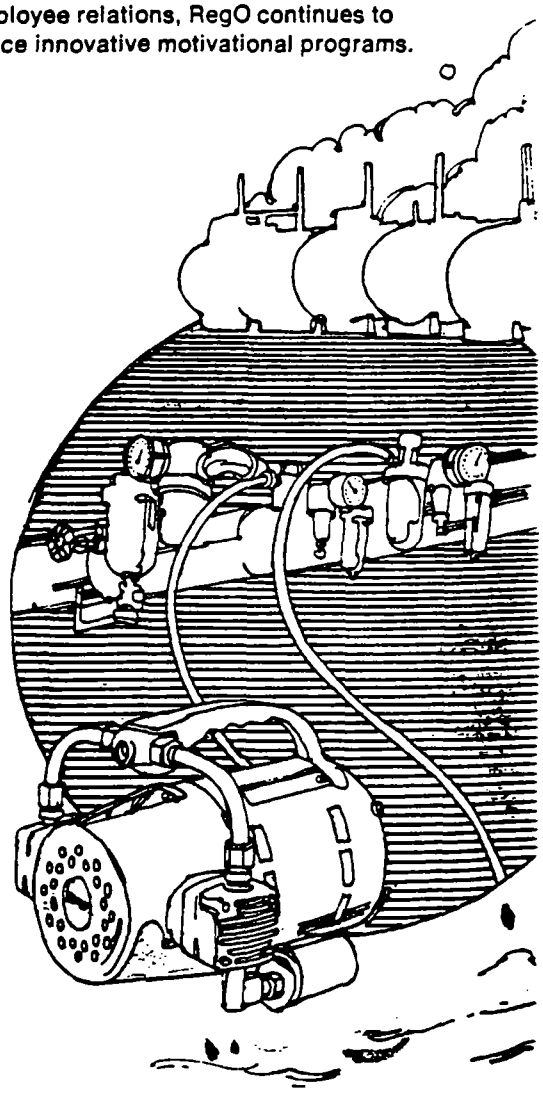
That warehouse, completed in October, brought about substantial improvements in customer service, manufacturing capabilities, and storage and shipping controls. Space formerly allocated in the plant to those functions now provides additional production area. Several new pieces of manufacturing equipment will be purchased, alleviating increased manufacturing backlogs and unprecedented demands on production. This new equipment (and the resultant openings of jobs on the day shift) should facilitate the hiring and training of people for the evening shift. Skilled-labor shortages have been an operating obstacle for RegO, inhibiting substantial increases in production; recruiting and on-the-job training programs are being intensified.

Increased production will become even more vital in 1974 as marketing plans developed in 1973 begin to take effect. The Division expects to generate significant new business opportunities as it broadens its coverage of established markets and penetrates new ones.

To help realize the objectives of "RegO 50," a unique, new organizational structure of Product Line Operations Managers (PLOM) will be invaluable. Prior to the introduction of PLOM, plant management was organized along the traditional, functional activities of machining, assembly, and so on, rather than serving the varied output requirements of each product line as determined by market dynamics.

Today, each PLOM is charged with coordination of *all* production operations for a given product line. He links arms (and objectives) with each market manager. Instead of traditional production schedules determining sales and shipments performance, RegO has placed first emphasis on marketing priorities to determine production schedules and shipments. RegO now makes what is being sold rather than trying to sell what has been made.

In employee relations, RegO continues to introduce innovative motivational programs.



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One such program, Forum LXIV, is believed to be the first of its kind anywhere. Designed for employees who reach age 64 and enter their last year before retirement, the program bestows recognition, privileges, and certain unique responsibilities. "Senators" (as Forum LXIV members are known) do not have to punch a time clock. They receive free lunches and physical examinations, personal and financial counseling on impending retirement, and special three-day weekends during the summer. They get a full week off with pay and no regular work hours otherwise during the last quarter on the job. Each "Senator" also has the responsibility and opportunity

Applications for RegO Division's valves and regulators can be seen everywhere—on storage tanks serving homes and plants, on truck transporters, welding supplies, compressors, lubricators, and hundreds of others.

LS 000431

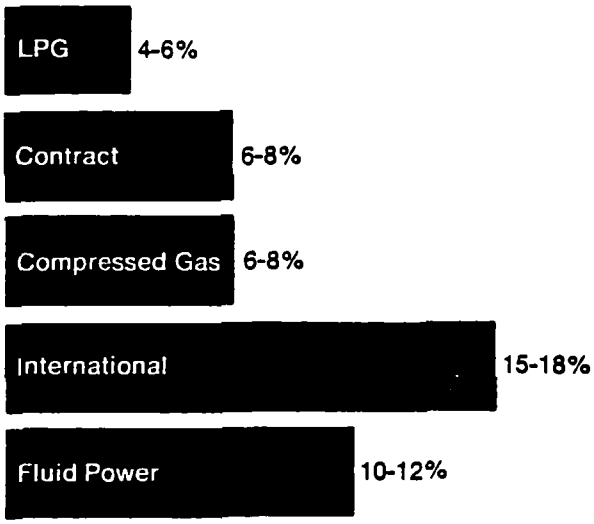
Golc - CDA dm - 0425

of training his successor. Feedback and productivity have proven to be most favorable.

The two major problems of 1973—raw materials shortages and sky-rocketing materials costs (the price of brass almost doubled during the year)—appear to be improving somewhat. The advent of Golconda Metals Division will offer substantial assistance to RegO by assuring a continuing supply of needed brass stock.

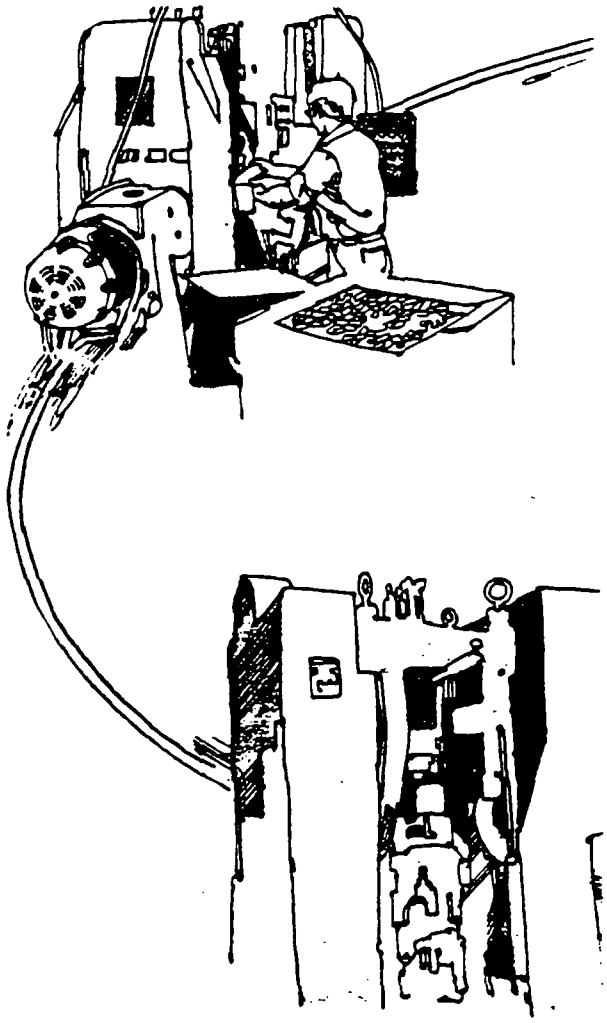
The world energy crisis may help as well as hinder the Division. While there may be fewer installations of residential propane gas facilities, RegO should experience improved order intake from the construction of industrial-commercial LPG facilities. The outlook is for somewhat slower growth in the first half of 1974 and accelerated demand in the second half.

RegO annual growth rate by markets



GOLCONDA METALS DIVISION

Golconda Metals Division was created to recycle brass scrap (from the RegO, Pioneer, and Anderson Divisions) into forgings. Those forgings are used by the Divisions in manufacturing their products. Although not yet in full operation, Golconda Metals has progressed from the idea and planning stage in December, 1972 to actual shipments of forged parts on October 1, 1973; a record-setting period of time for so major a project. The quality of product produced has proven extremely high by independent laboratory tests. The Division is presently in production on forgings and is scheduled to



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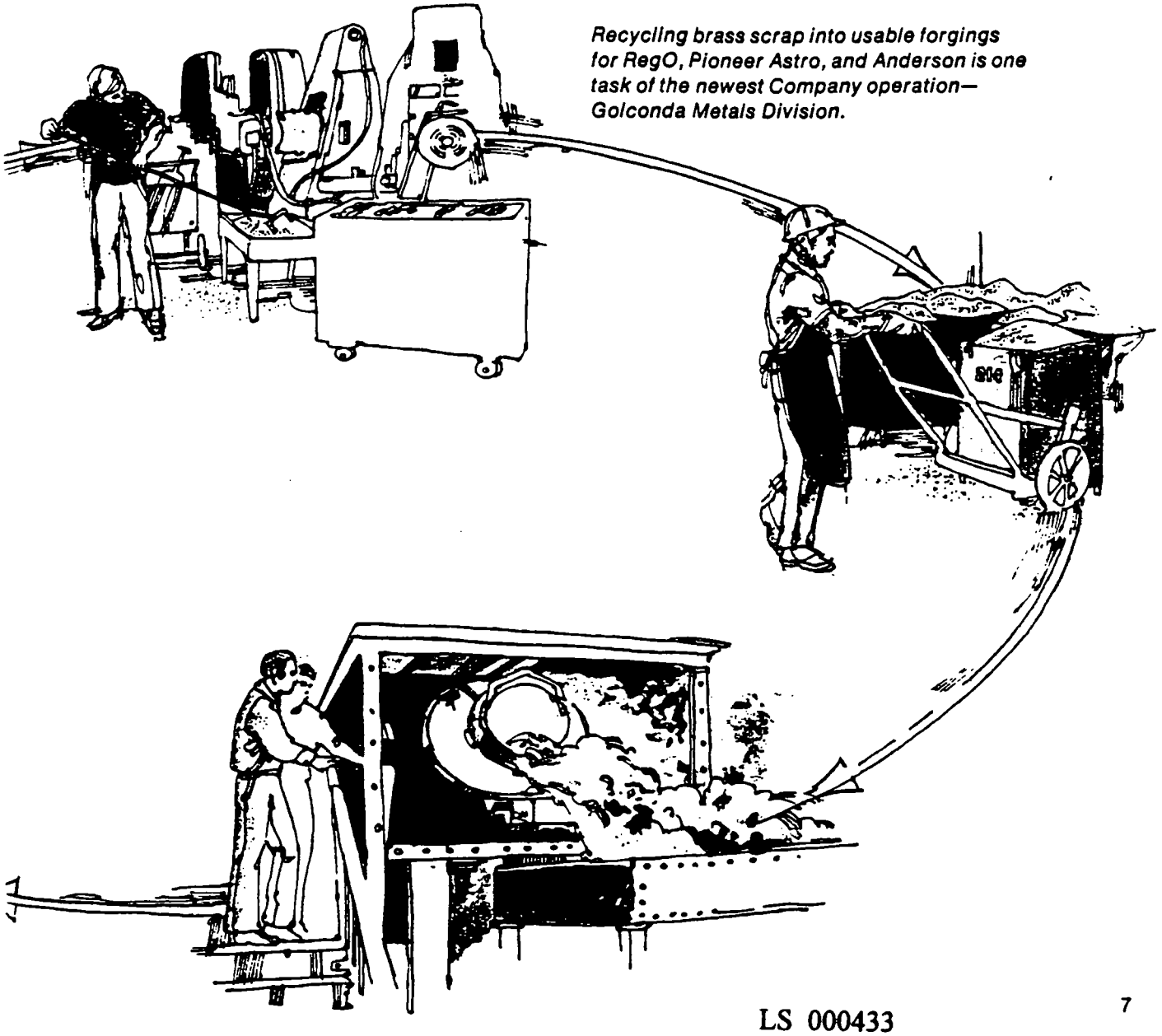
Golc - CDA dm - 0426

begin aluminum die casting by the end of the first quarter of 1974.

Golconda Metals utilizes the most modern, proven machinery in the world. It is considered a pioneer operation in brass recycling . . . and is the first new hot brass forging operation to go on-stream in the United States in more than a decade.

The Division is the first user in America of an automatic cored forging process developed in England. The process produces less scrap, increases productivity, reduces tooling costs, and cuts shipping and material handling costs substantially. A recently installed horizontal continuous casting machine is also unique to the United States.

Pollution control, often a problem for brass forging plants, has been turned into an asset. The equipment that has been installed exceeds any known or contemplated federal, state, or local standards and creates a usable by-product—zinc oxide—that can be sold to paint and pharmaceutical firms.



Recycling brass scrap into usable forgings for RegO, Pioneer Astro, and Anderson is one task of the newest Company operation—Golconda Metals Division.

LS 000433

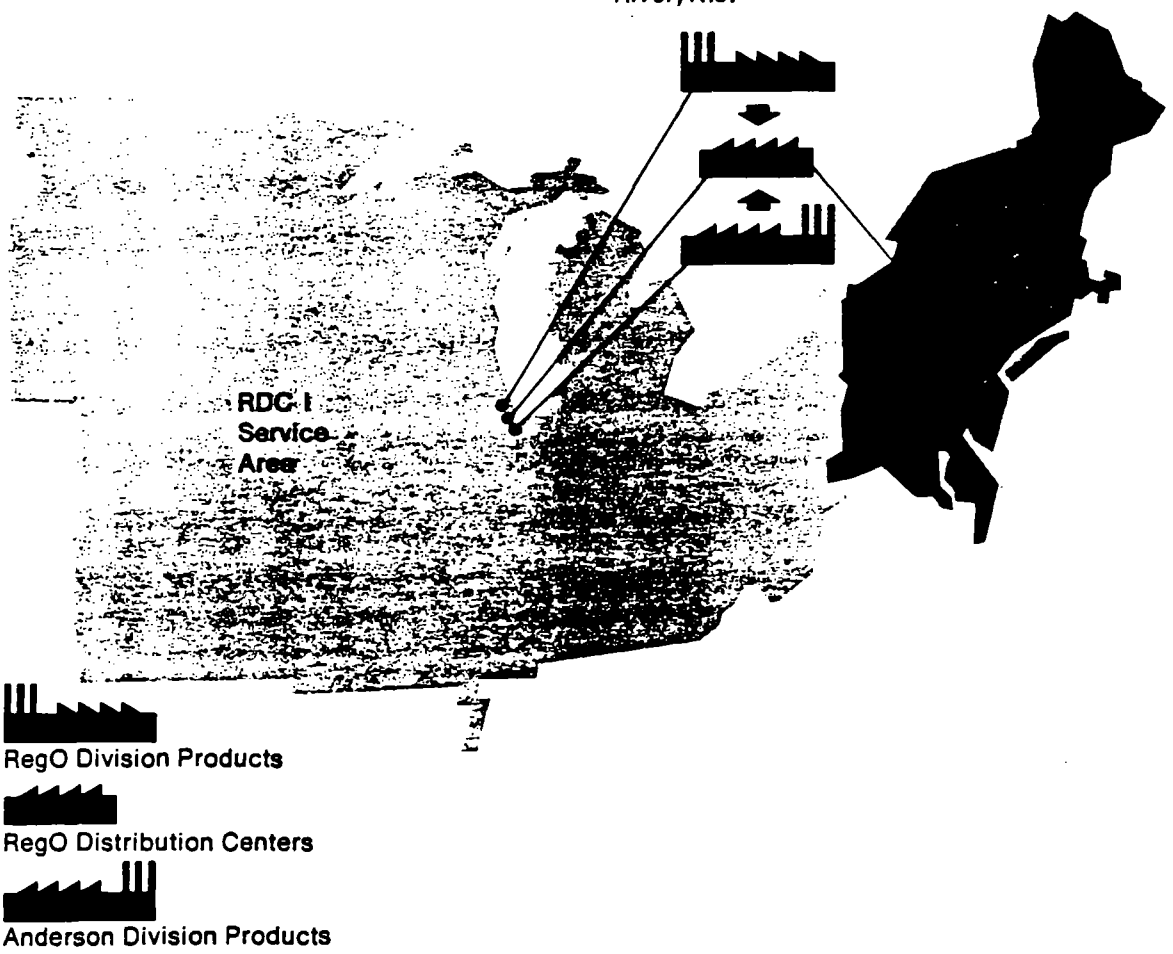
REGO DISTRIBUTION CENTERS

Historically, the RegO Division has sold LP gas and ammonia control products in the Northeastern quadrant of the United States on a direct basis. In the balance of the country, distributors have been utilized. In 1973, the concept of the RegO Distribution Center (RDC) became a reality, and today brings a full-line inventory of RegO products, Rochester gauges, and some Anderson Copper and Brass fittings closer to the end user through off-the-shelf delivery direct from Golconda. Two Centers have been opened. One is in Chicago adjacent to RegO manufacturing facilities headquarters, housing some $1.5 million worth of products. The other (RDC II) is in Upper Saddle River, N.J., and provides 24-hour warehouse delivery service to the New England and Middle Atlantic states.

Advantages of this updated marketing structure are many: improved customer service, better inventory and turnover controls, potential for better penetration of markets, better production planning for the RegO Division, and a solid distribution base in the largest, most industrialized section of the country.

Additional sources of income ultimately will be realized through distribution of non-Golconda manufactured products used in the LP gas/ammonia market.

The 26-state Northeast quadrant of the U.S. is covered by the new RegO Distribution Centers in Chicago and Upper Saddle River, N.J.



LS 000434

ANDERSON COPPER AND BRASS DIVISION

The year just ended was a record one for the Division, as it exceeded goals for sales and profits in fiscal 1973. Anderson's broad line of brass fittings and components are in such record-breaking demand that shipment delays have occurred. Several steps were undertaken in 1973 to help alleviate the delivery problem. The capability of Golconda Metals Division to supply brass bar stock is a big step, offering a reliable new source for raw materials that have been unobtainable in many cases . . . as well as making possible better control for economical order quantities and inventory levels. Standardized packaging procedures—where parts will be pre-packaged, placed on the shelf, ready to go—are also helping solve production-timing problems.

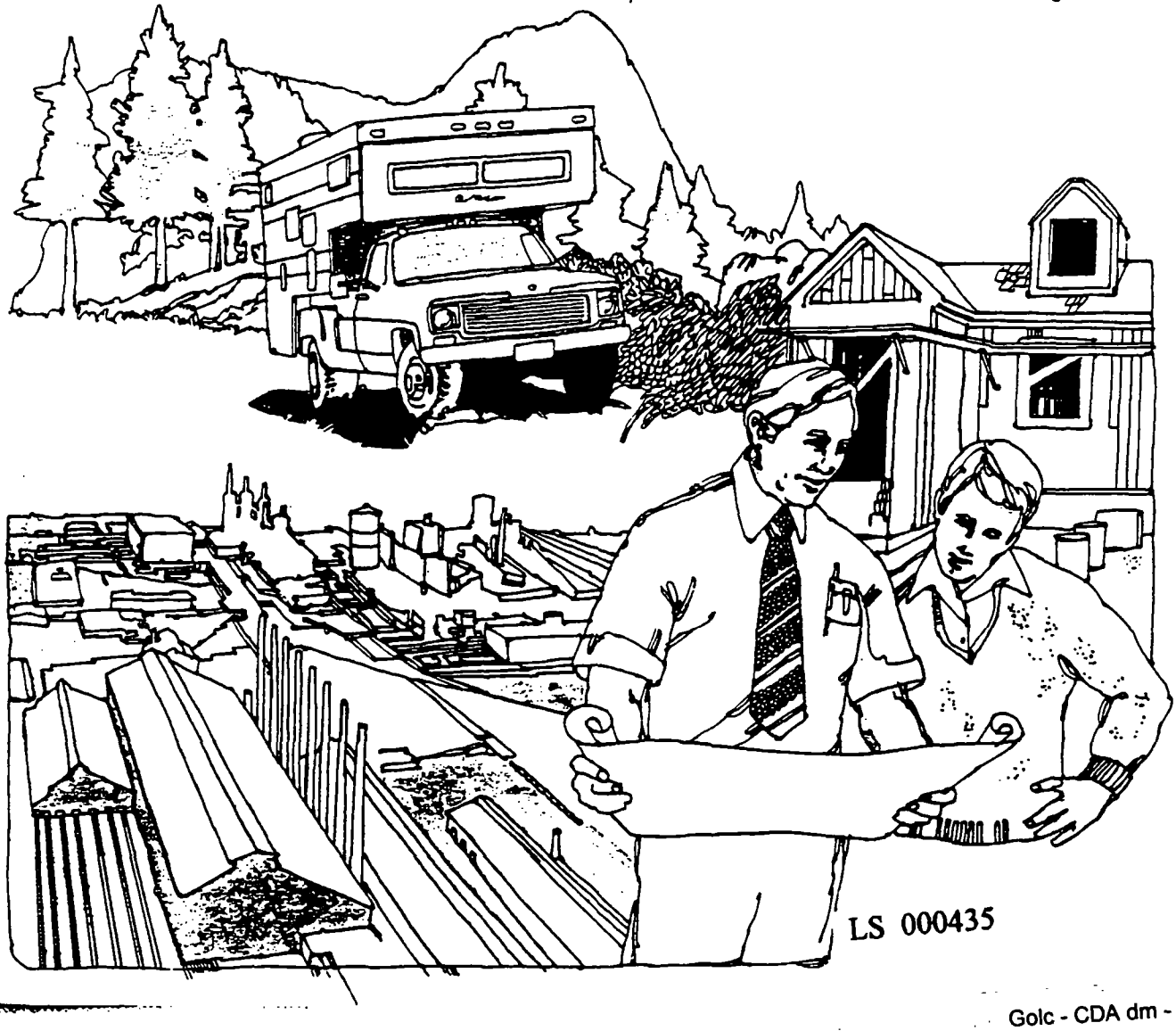
Anderson has expanded its screw machine department to a partial second shift, with plans to go to full second-shift operation in 1974. New equipment—an automatic elbow machine and high-speed screw machines—also should help eliminate present capacity problems.

New sources of revenue were developed in 1973, including:

- Introducing a complete line of plastic fittings for use with thermoplastic tubing.
- Establishing closer marketing relationships between the Division and RegO and Pioneer, a natural synergistic opportunity for Anderson.

Competition in the brass fittings industry is keen. But Anderson, with its reputation for high quality, expects to continue growing at record rates.

Commercial (including mobile homes), residential, or industrial—all are viable, important markets for Anderson brass fittings.



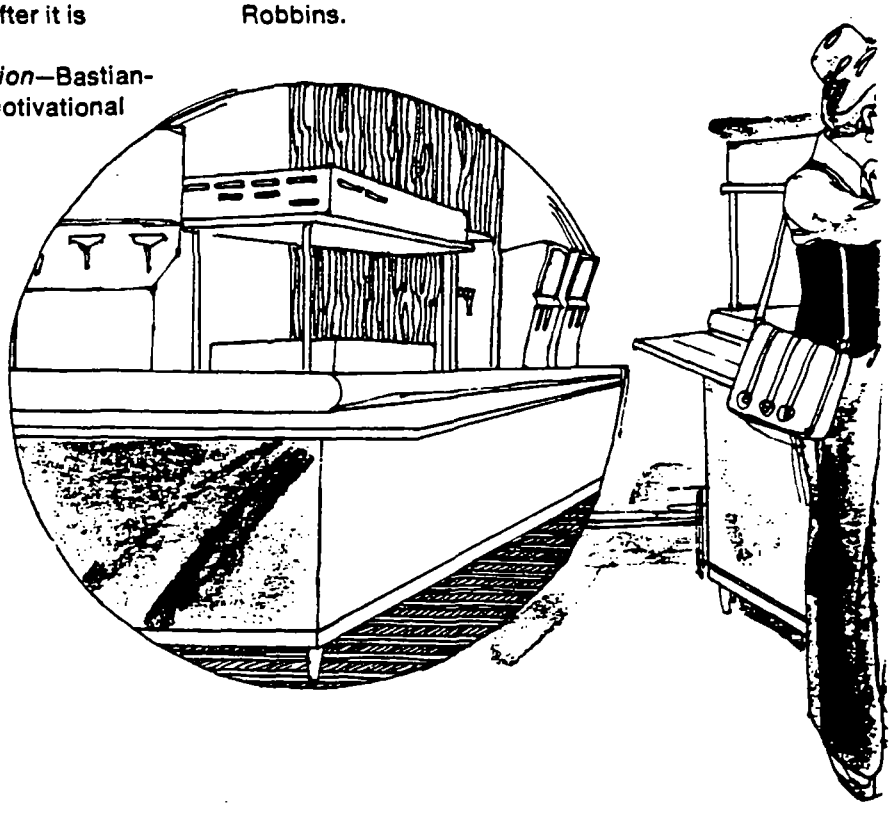
LS 000435

BASTIAN-BLESSING DIVISION

Fiscal 1973 was a year of internal improvements for Bastian-Blessing, which manufactures food service equipment for fast-food restaurants and a variety of institutions. The internal improvements were important not only in terms of 1973 results, but will be even more vital to the future. Specifically, the Division:

- *Improved product delivery schedule*—Two years ago, an average of 11 weeks elapsed from sale to delivery. Today that figure has been reduced to 7 weeks. And in 1974, the Division expects to reduce it even further. The major factor in this reduction is a reorganization of the production management team into specific work center groups . . . each supported by in-process scheduling performance reviews. Also, certain difficult-to-manufacture, low-volume catalog items have been eliminated so that standardization procedures could be installed.
- *Fully instituted value analysis*—The Division now has a fully operational value analysis procedure that spots potential trouble areas before an order is taken—not after it is completed.
- *Increased employee motivation*—Bastian-Blessing established several motivational techniques in 1973, including management by objectives as a way of business and a Senior Citizen committee made up of its executive committee and six selected employees who meet monthly to discuss ways to improve operations in the plant. The results of the Division's activities in this area have shown up in improved productivity, housekeeping, safety, scheduling, absenteeism, security, and (most noticeably) morale.

The long-standing image of the Division in its industry as a high-quality operation was reconfirmed in a non-Company sponsored study by a large consulting firm that said, "Bastian-Blessing's equipment is considered the 'Cadillac' of the industry and they enjoy almost 20 percent of the total market. Part of Bastian-Blessing's success and growth is due to its being a major supplier to the fast-food segment of the food service equipment industry." The report goes on to state that Bastian-Blessing customers include such giants as Kresge's (K-Mart), Dunkin' Donuts, McDonald's, Friendly's, and Baskin-Robbins.



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To assure continued input to maintain its high reputation, the Division has reinstated a "Dealer Advisory Council." This organization is comprised of key dealers and generates feedback, criticisms, and suggestions related to products, services, marketing, pricing, and distribution.

Fast-food restaurant installations are a significant factor in Bastian-Blessing's business. The Division's engineering competence continues to dominate this growing industry.

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Golc - CDA dm - 0431

PIONEER ASTRO INDUSTRIES DIVISION

Pioneer Astro Industries Division, manufacturer of precision and ultra-precision components for missiles, aircraft, computers, and similar high-technology applications, accomplished a turnaround in earnings in 1973. Backlog at year-end was up 96 percent, an all-time high.

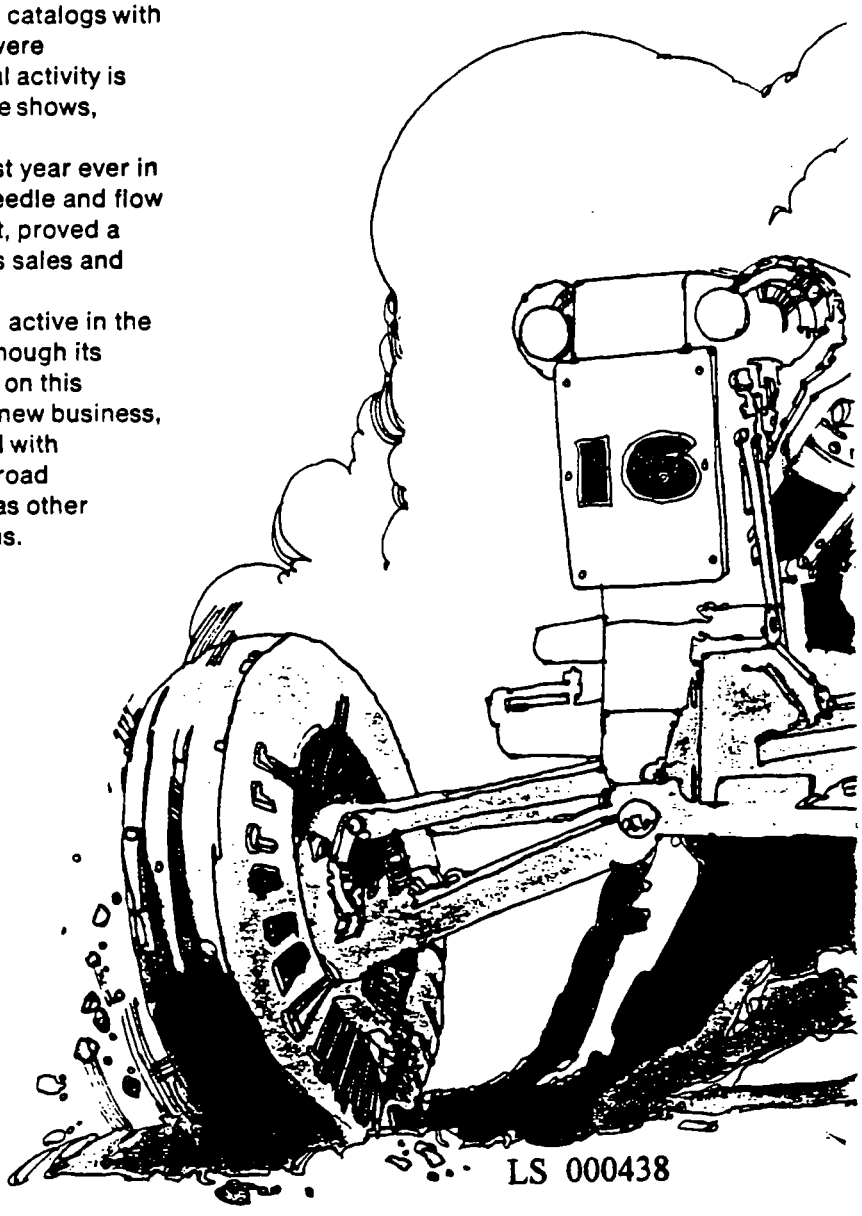
The Division opened several new aerospace accounts, including Hughes Aircraft in California. These new accounts (as well as new business in other areas) came about as a result of a re-directed, aggressive marketing program. The sales department was completely realigned and restructured, company sales staff relocated, and new distributors added. Pioneer has experienced a marked order intake increase in the area of hard goods, particularly in space optics and laser equipment for peace-time use. Up-to-date printed materials (including catalogs with in-depth technical information) were produced. Increased promotional activity is also underway in the area of trade shows, seminars, and symposiums.

M&M Flow Products had its best year ever in 1973. M&M, with its full line of needle and flow valves for the fluid power market, proved a valuable contributor to Pioneer's sales and profits.

The Division will continue to be active in the military-aerospace business, although its heavy dependence of years past on this market will diminish. Significant new business, for example, has been developed with a major manufacturer of off-the-road construction equipment as well as other non-military oriented applications.

The energy crisis—with its resultant search for better, more efficient means of producing power—could prove beneficial to Division sales. As more and more power companies switch to nuclear reactors, demand will increase for vital ultra-precision beryllium components. Pioneer, as one of the leading suppliers of these parts, intends to capture a large share of this business.

Commercial work, particularly in the area of business machines, also should continue to be a major revenue producer.



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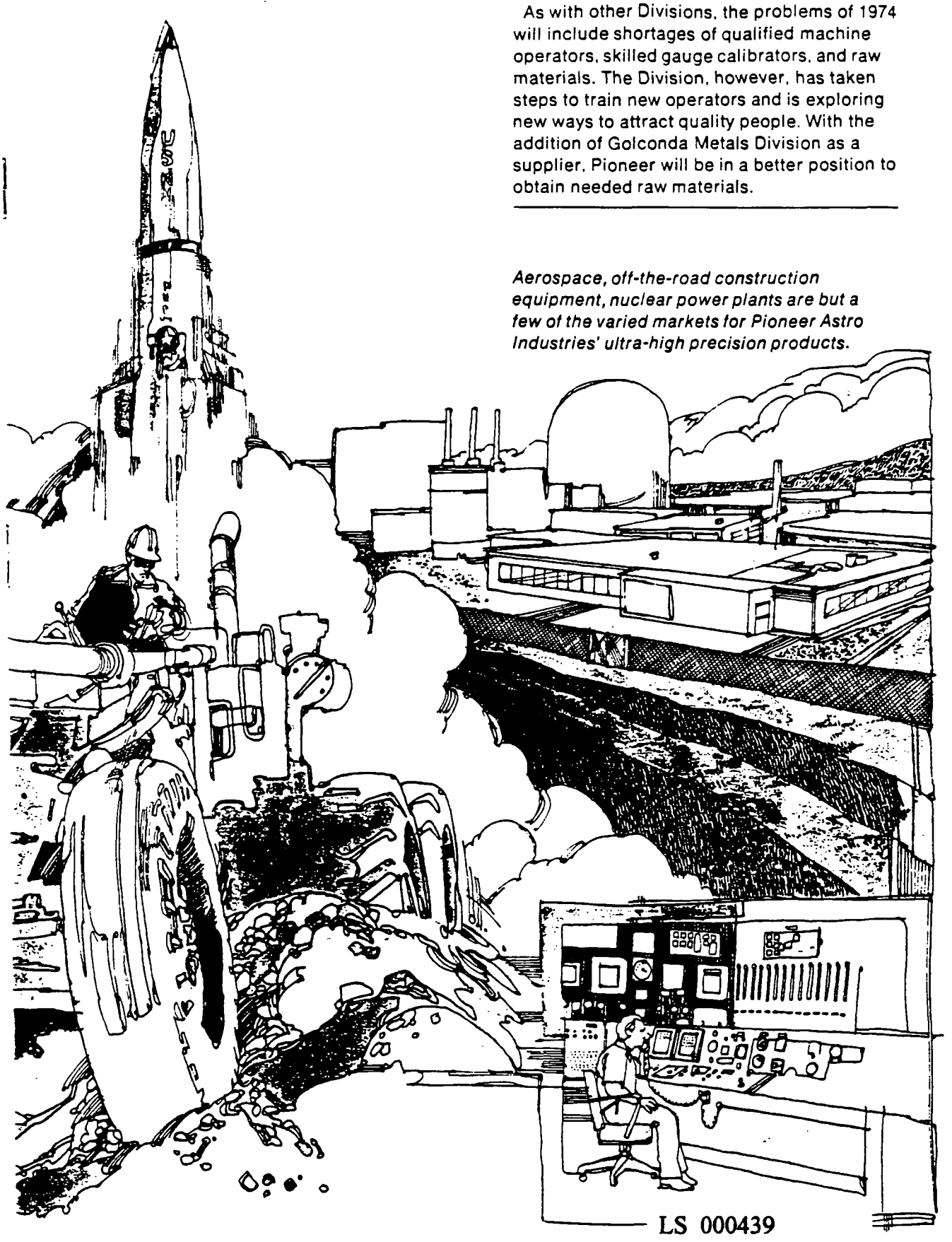
As with other Divisions, the problems of 1974 will include shortages of qualified machine operators, skilled gauge calibrators, and raw materials. The Division, however, has taken steps to train new operators and is exploring new ways to attract quality people. With the addition of Golconda Metals Division as a supplier, Pioneer will be in a better position to obtain needed raw materials.

Aerospace, off-the-road construction equipment, nuclear power plants are but a few of the varied markets for Pioneer Astro Industries' ultra-high precision products.



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GOLCONDA INTERNATIONAL DIVISION

Sales potential for Golconda products can be found in all major market areas of the world, with primary concentration presently in Canada, Europe, Asia, and Latin America. To penetrate these markets more effectively, Golconda has consolidated all non-domestic activity in its International Division, a worldwide network of 46 independent distributor-representative firms, nine licensed manufacturing companies, two majority-controlled joint venture distribution operations, and a minority interest in a joint venture manufacturing company.

Although RegO LP gas products traditionally have accounted for the majority of Golconda's sales and profits overseas, emphasis in 1974 will be placed on other RegO and Golconda products. Two significant steps in that direction were taken in 1973 as the Division established equity participation with:

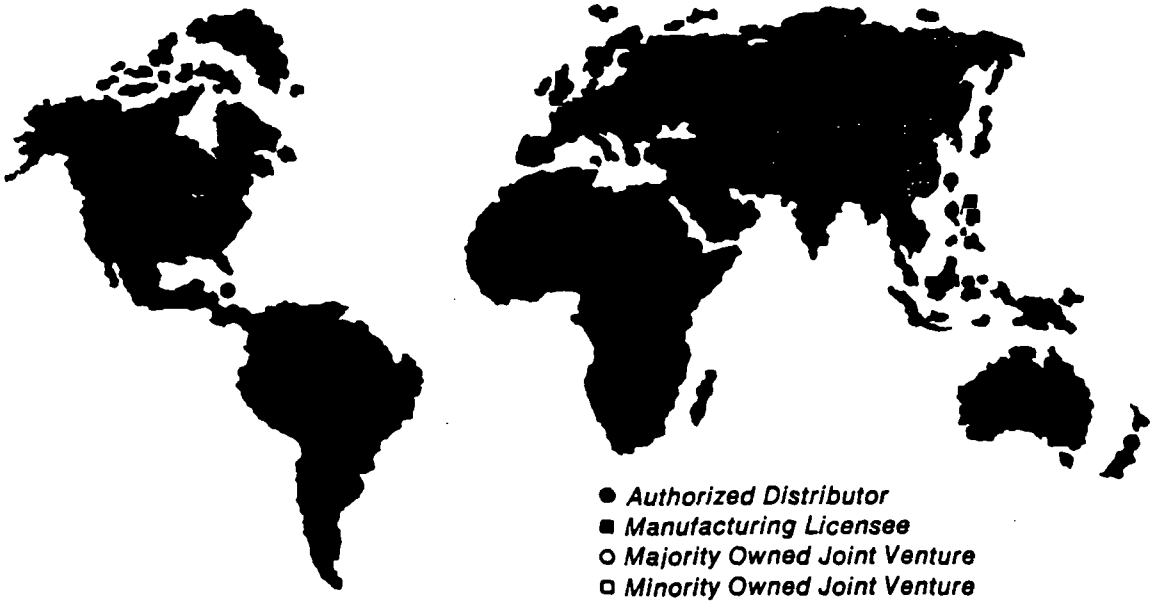
- RegO Far East, Ltd.—A 60-percent interest is held in this sales management and technical services organization based in Hong Kong.
- RegO Philippines Industries, Inc.—A 40-percent interest is held in this joint venture manufacturing company based in Manila. RegO Philippines manufactures LP gas products sold by RegO Far East.

Because product requirements in Europe are reasonably similar to those in the United States, increased efforts are underway to more fully penetrate the European market through Golconda's investment in RegO Europe, a 60-percent-owned joint venture.

Additional equity participations in Brazil, the Netherlands, and Mexico are planned for implementation in 1974.

In short, Golconda continues to expand on its base of RegO export sales, launching a coordinated international program for all Golconda products. RegO overseas sales alone are budgeted to increase by 50 percent in 1974. While foreign sales will be under 10 percent of total corporate volume in 1974, the substantial *percentage increase* expected in overseas business points to great potential growth to be attained through intensified international marketing.

Golconda products are sold around the world. Flags on the map pinpoint the location of the joint ventures—RegO Far East, Ltd. and RegO Philippines Industries, Inc.—established in 1973.



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GOLCONDA MINING CORPORATION

In the mountains of Northern Idaho is located one of the world's most famous mining districts—the Coeur d'Alene Mining District. It is here that approximately 50 percent of the United States' silver is mined, as is a substantial portion of the domestic production of lead and zinc. It is here also that Golconda Mining Corporation, a wholly owned subsidiary, manages the Company's major interests and holdings.

These interests include mineral properties and capital stock ownership in several mining companies. Most important of these holdings is 407,000 shares of Hecla Mining Company, one of the largest domestic producers of silver. Hecla operates mines in the Coeur d'Alene Mining District, and is presently placing the Lakeshore property, located in Arizona, in production. The Lakeshore property contains a large copper deposit. Hecla is also engaged in mineral exploration projects in the Western United States and Canada. Additionally, Hecla has a large capital stock ownership in the Granduc copper mine, which is operated under a lease to Newmont Mining Corporation and American Smelting & Refining Company.

Two major developments dominated the year for Golconda Mining Corporation—both of which hold promise for the future.

• *Worldwide mineral shortages*—The worldwide shortage of minerals—particularly silver, lead, zinc, copper, and gold against a backdrop of increased consumption—has resulted in significantly increased prices for metals. The following table illustrates these changes.

	January 1, 1973	January 21, 1974	% Increase
Silver	$2.05/oz.	$3.90/oz.	90.2
Lead	.145/lb.	.22/lb.	51.7
Copper	.505/lb.	.70/lb.	38.6
Gold	65.20/oz.	138.25/oz.	112.0
Zinc	.18/lb.	.32/lb.	77.8

The outlook for these metals in 1974 is for more of the same—monetary uncertainties, continuing scarcity, increased consumption, and increased prices.

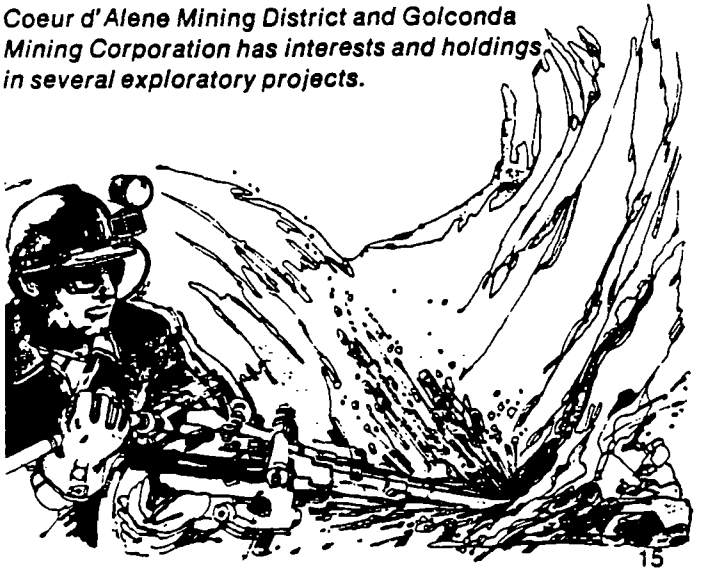
In recent months there has been considerable publicity regarding the energy crisis. Since the United States faces an equally critical shortage of minerals in the near future, hopefully national policies will be formulated to encourage the exploration and development of domestic minerals. Only in that fashion can the nation reduce its reliance on foreign sources for mineral requirements.

• *Underground exploration underway*—Golconda owns 4,308,020 shares (54 percent) of Alice Consolidated Mines, Inc. capital stock. The 1,200-acre mineral property owned by Alice located in the Coeur d'Alene Mining District is being explored by Hecla pursuant to an operating lease. Newmont Mining Corporation and Golconda are participants in the lease agreement.

Hecla performed surface exploration on the Alice property in 1971. A diamond drilling program from the surface of the Alice property was completed during 1972. Following this, underground exploration commenced in June, 1973. This program consists of driving a lateral approximately 2,750 ft. in length westerly from the Morning Mine No. 6 Tunnel into the Alice property at an elevation of 3,300 ft. Approximately 7,500 ft. of diamond drilling from the lateral is planned to explore the area between the Osburn and White Ledge Faults. The initial project is scheduled to take about two years to complete and requires a minimum expenditure of an additional $300,000.

Golconda holds interests in an additional 1,800 acres adjoining the Alice property. Further geologic study of this area is in progress. In view of the increasing interest in minerals, long-range plans for the exploration of this property are being reviewed.

The worldwide shortage of silver has brought increased interest in the exploration of the Coeur d'Alene Mining District and Golconda Mining Corporation has interests and holdings in several exploratory projects.



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Golconda Corporation

CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended November 30, 1973	1972
Manufacturing Operations		
Net sales	**$53,568,000**	$46,449,000
Cost of goods sold	**40,996,000**	35,917,000
Gross profit	**12,572,000**	10,532,000
Selling, general, and administrative expenses	**8,123,000**	7,375,000
Interest expense	**1,101,000**	994,000
Other income—net	**(262,000)**	(444,000)
	8,962,000	7,925,000
Profit from manufacturing operations	**3,610,000**	2,607,000
Investment Operations (*primarily gain on sale of investments*) (Notes 1 and 3)	**1,581,000**	375,000
Earnings before income taxes	**5,191,000**	2,982,000
Income Taxes (principally federal) (Note 1)		
Current	**1,485,000**	960,000
Deferred	**505,000**	316,000
	1,990,000	1,276,000
Net Earnings	**$ 3,201,000**	$ 1,706,000
Net Earnings per Common and Common equivalent share (Note 2)		
Primary	**$.95**	$.47
Fully diluted	**$.89**	$.46
Average number of Common shares outstanding	**2,785,000**	2,785,000
Average number of Common and Common equivalent shares outstanding	**3,365,000**	—
Average number of fully diluted shares	**3,793,000**	3,237,000

The accompanying notes are an integral part of this statement.

LS 000442

Golconda Corporation

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended November 30, 1973	Year Ended November 30, 1972
Sources of Working Capital		
From operations		
Net earnings	$ 3,201,000	$ 1,706,000
Add expenses not requiring outlay of working capital		
Depreciation	896,000	765,000
Amortization of deferred expenses	91,000	111,000
Deferred income taxes	505,000	316,000
Cost of investments sold	742,000	306,000
Working capital provided from operations	5,435,000	3,204,000
Reduction of long-term notes receivable	48,000	329,000
Long-term borrowings	—	859,000
Surrender of life insurance policies	52,000	73,000
Total sources of working capital	5,535,000	4,465,000
Dispositions of Working Capital		
Net additions to property, plant, and equipment	3,714,000	625,000
Reduction of long-term debt	990,000	1,825,000
Purchase and retirement of Preferred stock	81,000	144,000
Preferred dividends declared	385,000	399,000
Plant and equipment acquired through acquisitions	—	854,000
Sundry	149,000	168,000
Total dispositions of working capital	5,319,000	4,015,000
Increase in Working Capital	$ 216,000	$ 450,000
Increases (Decreases) in Working Capital Components		
Cash and certificates of deposit	$(582,000)	$(445,000)
Notes and accounts receivable—net	(1,070,000)	2,269,000
Inventories	3,744,000	2,736,000
Prepaid expenses and sundry deposits	(20,000)	93,000
Net increase in current assets	2,072,000	4,653,000
Current maturities of long-term debt	(139,000)	476,000
Notes payable—banks	2,043,000	(330,000)
Accounts payable	156,000	3,165,000
Income taxes	(30,000)	569,000
Accrued liabilities	(174,000)	323,000
Net increase in current liabilities	1,856,000	4,203,000
Increase in Working Capital	$ 216,000	$ 450,000

The accompanying notes are an integral part of this statement.

LS 000443

Golconda Corporation

CONSOLIDATED BALANCE SHEET

	At November 30, 1973	At November 30, 1972
Assets		
Current Assets		
Cash and certificates of deposit	$ 1,229,000	$ 1,811,000
Notes and accounts receivable, less allowance for doubtful receivables (1973—$81,000; 1972—$52,000)	8,913,000	9,982,000
Inventories (Note 1)	19,714,000	15,970,000
Prepaid expenses and sundry deposits	189,000	209,000
Total current assets	30,045,000	27,972,000
Investments—at Cost (Notes 1 and 3)	3,418,000	4,160,000
Property, Plant, and Equipment—at Cost (Notes 1 and 5)		
Buildings and improvements	4,947,000	4,279,000
Machinery, equipment, and tools	13,066,000	10,196,000
Office furniture and fixtures	523,000	539,000
	18,536,000	15,014,000
Less accumulated depreciation	9,078,000	8,374,000
	9,458,000	6,640,000
Land	691,000	691,000
	10,149,000	7,331,000
Other Assets		
Excess of cost over underlying equity of net assets acquired (Note 1)	4,375,000	4,375,000
Notes receivable, less current portion (1973—$49,000; 1972—$166,000)	303,000	351,000
Deferred debt expense—net of amortization	570,000	661,000
Sundry	205,000	228,000
	5,453,000	5,615,000
	$49,065,000	$45,078,000
Liabilities		
Current Liabilities		
Current maturities of long-term debt	$ 896,000	$ 1,035,000
Notes payable—banks (Note 4)	3,635,000	1,592,000
Accounts payable	5,688,000	5,532,000
Income taxes (Note 8)	878,000	908,000
Accrued liabilities	1,658,000	1,832,000
Total current liabilities	12,755,000	10,899,000
Long-Term Debt (Notes 3 and 5)	10,192,000	11,194,000
Deferred Income Taxes (Note 1)	1,153,000	756,000
Commitments and Contingent Liabilities (Notes 3, 6, and 8)	—	—
Stockholders' Equity (Notes 5 and 7)		
Capital stock		
Preferred	383,000	390,000
Common	774,000	773,000
Additional contributed capital	5,674,000	5,748,000
Retained earnings	18,654,000	15,838,000
	25,485,000	22,749,000
Less treasury stock—at cost	520,000	520,000
	24,965,000	22,229,000
	$49,065,000	$45,078,000

The accompanying notes are an integral part of this statement.

LS 000444

Golconda Corporation

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended November 30, 1973	Year Ended November 30, 1972
Balance at beginning of year	**$15,838,000**	$14,531,000
Net earnings for the period	**3,201,000**	1,706,000
Preferred dividends—$1.00 per share	**(385,000)**	(399,000)
Balance at end of year	**$18,654,000**	$15,838,000

The accompanying notes are an integral part of this statement.

Golconda Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1973 and 1972

Note 1: Summary of Accounting Policies— *Consolidation*—All operating subsidiaries are consolidated and significant inter-company transactions have been eliminated.

Inventories—Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories are comprised as follows:

	At November 30, (000's omitted) 1973	1972
Raw materials and supplies	**$ 4,928**	$ 4,118
Work-in-process and finished goods	**14,786**	11,852
	$19,714	$15,970

Investments—The Company carries its investments in capital stock of mining companies at cost. The equity method of accounting is not appropriate for the Company's investment (Note 3) in Alice Consolidated Mines, Inc. (Alice) because Alice is in a pre-operating stage. The Company employs the average cost method in the determination of gains or losses from sales of its securities for financial reporting purposes.

Depreciation—For financial reporting purposes, the Company computes depreciation on a straight-line basis over the estimated useful life of the assets.

Income Taxes—Provision is made for deferred taxes which arise primarily from the use for tax purposes of accelerated depreciation methods and timing differences in the recognition of investment income. Available investment tax credits on capital additions are accounted for under the "flow-through" method (1973—$149,000; 1972—$22,000). The investment tax credit and the effect of the use of a Domestic International Sales Corporation resulted in reductions of the current federal income tax provision of $247,000 and $58,000 in 1973 and 1972, respectively.

Research and Product Development Cost—The Company follows the practice of expensing research costs as incurred.

Excess of Cost of Acquired Companies Over Equity—The amount shown on the balance sheet arose prior to fiscal year 1971, and is not being amortized.

Pension Plans—Unfunded past service costs are being funded on a thirty-year basis; current costs are being funded as accrued.

Note 2: Earnings Per Share—Earnings per Common and Common equivalent share were computed for 1973 by dividing net earnings by the average number of Common and Common equivalent (Preferred stock) shares outstanding. The computation of earnings per share for 1972 excludes the Preferred stock as Common equivalent shares, inasmuch as such stock did not have a dilutive effect for that year.

Fully diluted earnings per share were determined on the assumption that the average number of Common and/or Common equivalent shares outstanding was further increased (to 3,793,000 shares in 1973 and 3,237,000 shares in 1972) by conversion as of the beginning of each year of the Convertible Debentures outstanding.

LS 000445

A summary of the computation of primary earnings per share follows:

	Year Ended November 30, 1973 Amount	1973 Per Share	1972 Amount	1972 Per Share
Earnings				
Manufacturing operations	$2,063,000	$.61	$1,421,000	$.51
Investment operations (primarily gain on sales of investments) (Note 3)	1,138,000	.34	285,000	.10
Net earnings	3,201,000	$.95	1,706,000	.61
Less—Preferred dividend requirement	385,000		399,000	.14
Net earnings attributable to Common shareholders	$2,816,000		$1,307,000	$.47

The effect of the warrants (Note 7) has not been reflected in the computations of per share data because it is non-dilutive.

Note 3: Investments—At Nov. 30, investments were comprised principally of capital stock of mining companies and are as follows:

	1973 Cost	1973 Quoted Market Price	1972 Cost	1972 Quoted Market Price
Hecla Mining Company (507,327 Common shares in 1973 and 637,674 Common shares in 1972)	$2,630,000	$ 7,483,000	$3,372,000	$ 8,927,000
Alice Consolidated Mines, Inc. (54% owned) (4,308,020 shares in 1973 and 1972)	399,000	2,671,000	399,000	2,154,000
Other	389,000	415,000	389,000	441,000
	$3,418,000	$10,569,000	$4,160,000	$11,522,000

Earnings from investments for the years ended Nov. 30 is summarized as follows:

	1973	1972
Net realized gain on sales of Hecla Mining Company stock	$1,753,000	$585,000
Expenses including interest of $87,000 and $107,000, respectively	172,000	210,000
Investment earnings before income taxes	$1,581,000	$375,000

At Nov. 30, 1973, 269,850 shares of Hecla Mining Company stock were pledged as collateral for current and long-term notes payable to banks (Notes 4 and 5).

Alice Consolidated Mines, Inc. (Alice) owns 1,109 acres of mining properties. Hecla Mining Company, Newmont Mining Corporation, and Alice Consolidated Mines, Inc. are engaged in an exploration and development program to be conducted by Hecla on this property. The Company has a 20% participation in the pre-production costs for the exploration and development program. The Company's expenditures are expected to amount to $200,000 over a five-year period, and to commence in 1975. The Company will receive 20% of the net profits, if any, until such pre-production costs have been recovered, and 10% thereafter. The realization of the cost of the Company's investment in Alice is dependent upon the success of the exploration and development program.

Note 4: Short-Term Debt—The Company's short-term debts are primarily unsecured borrowings of $3,500,000 in accordance with a line of credit agreement at a major Chicago bank. The borrowing level at Nov. 30 is the maximum available under the current agreement, which provides for borrowing at the prime rate for $2,500,000 and ½% over prime

LS 000446

on the balance, along with unrestricted compensating balances in a range of 15% to 20%.

The remaining short-term loans of $135,000 are collateralized by 35,000 shares of Hecla Mining Company Common stock with an average interest rate of 9.6% and no compensating balance requirements. One of the loans with a $25,000 balance was paid on Dec. 15, 1973 and 25,000 shares of Hecla were returned to the Company.

Maximum short-term borrowings during fiscal 1973 (including the loan of $1,106,733 presently classified as long-term debt) was $4,771,000.

Note 5: Long-Term Debt—Long-term debt at Nov. 30, 1973 is comprised of the following:

7% Convertible Subordinated Debentures due Jan. 1, 1990	$ 4,441,000
7% Subordinated notes to insurance companies payable in semi-annual sinking fund payments of $250,000, final payment due Jan. 15, 1979	2,750,000
10% First mortgage note payable in monthly installments of $28,975 including interest, final payment due April 1, 1990	2,790,000
Note payable to bank with interest at ¾% above prime rate with monthly installments of $30,000 plus interest beginning Jan. 10, 1974, final payment Jan. 10, 1977 (collateralized by 234,850 shares of Hecla Mining Company Common stock)	1,107,000
	$11,088,000
Less current maturities	896,000
	$10,192,000

Annual maturities of long-term debt for the five years subsequent to Nov. 30, 1973 are as follows:

1974	$ 896,000
1975	931,000
1976	939,000
1977	644,000
1978	687,000

The 7% subordinated notes to insurance companies and the 7% Convertible Subordinated Debenture agreements contain certain covenants, the most restrictive of which provide, among other things, that the Company:

Will maintain consolidated net working capital of $10,000,000 and consolidated net worth, as defined, of $10,000,000. At Nov. 30, 1973, consolidated net working capital and consolidated net worth, as defined, were $16,649,000 and $20,070,000, respectively.

Will not pay cash dividends or acquire for cash any shares of its stock in excess of 50% of cumulative consolidated net income, as defined, after Dec. 31, 1968. At Nov. 30, 1973, retained earnings in the amount of $1,859,000 were free of such restrictions.

In connection with the 7% subordinated note agreements, the Company has issued warrants entitling the holders thereof to purchase, at a price per share of $14.51, up to 292,467 shares of the Company's Common stock. These warrants expire Jan. 15, 1979.

The trust indenture underlying the Convertible Subordinated Debentures provides that the Debentures are redeemable at the Company's option at prices ranging from 105% in 1974 to 100% in 1984; that annual sinking fund payments of $325,000 are required beginning in 1977; that the Company has an option to make additional annual payments of $325,000 beginning in 1975 and, that the Debentures are convertible into shares of Common stock at a conversion price of $10.67 per share (subject to anti-dilution provisions).

Note 6: Employee Benefit Plans—The Company has various benefit plans, including pension and executive incentive compensation plans covering a substantial portion of its employees. Provisions for these plans for the fiscal year ended Nov. 30, 1973 approximated $769,000. The pension plan is for substantially all salaried employees and full-time hourly rated employees of three divisions. The actuarially computed value of vested benefits for all plans as of Dec. 1, 1973 exceeded the total of the pension funds by $5,500,000. The charges to operations for the cost of the pension plans for the years ended Nov. 30, 1973 and 1972 were $576,000 and $546,000 respectively. In addition, the Company paid $856,000 as its portion of the cost of the federal government's Social Security program.

LS 000447

Golc - CDA dm - 0441

Note 7: Capital Stock—Preferred stock consists of 934,461 authorized shares of $1.00 par value of which 383,212 shares are issued and outstanding at Nov. 30, 1973.

The Preferred stock is entitled to a preferential cumulative annual dividend at a rate of $1.00 per share. The shares are redeemable at the option of the Company after May 6, 1974 at $37.50 per share plus unpaid cumulative dividends. The aggregate redemption and liquidation value at Nov. 30, 1973 is $14,370,450. The Preferred stock has liquidation rights over the Common stock in any final distribution and is entitled to one vote for each share held.

The Preferred shares are convertible into Common shares at the option of the holder at the rate of one and one-half shares Common stock for each Preferred share held. This conversion rate is subject to non-dilution provisions.

Common stock consists of 7,500,000 authorized shares, without par value, of which 2,785,513 shares are outstanding. At Nov. 30, 1973, 1,283,498 shares of authorized but unissued Common shares have been reserved as follows: 574,818 shares upon conversion of Preferred stock; 416,213 shares upon conversion of the 7% Convertible Subordinated Debentures (Note 5); and 292,467 shares upon exercise of warrants for the purchase of Common stock (Note 5). At Nov. 30, 1973, there are 71,250 shares of Common stock held in treasury.

	Preferred Stock	Common Stock	Additional Contributed Capital	Treasury Stock
Balance at Dec. 1, 1971	$ 401,273	$771,958	$ 5,880,346	$(519,600)
Purchase and retirement of 10,964 shares of Preferred stock	(10,964)		(132,763)	
Conversion of 105 shares of Preferred stock into 157 shares of Common stock	(105)	101		
Conversion of 7% Convertible Debentures into 93 shares of Common stock		996		
Balance at Dec. 1, 1972	390,204	773,055	5,747,583	(519,600)
Purchase and retirement of 6,400 shares of Preferred stock	(6,400)		(74,044)	
Conversion of 592 shares of Preferred stock into 888 shares of Common stock	(592)	592		
Balance at Nov. 30, 1973	$ 383,212	$773,647	$ 5,673,539	$(519,600)

Note 8: Contingent Liabilities—During June, 1973, the Internal Revenue Service completed its examination of the Company's tax returns for the periods ended Nov. 30, 1969, Sept. 15, 1970, and Nov. 30, 1970 and proposed a deficiency of approximately $120,000 (reflecting available carry forwards).

Management of the Company and its independent public accountants are of the opinion that the Company will sustain its position with regard to the primary item of dispute (related to the timing of the losses recorded in 1970 in connection with the sale of the Paris, Ill. plant) and its reserves for federal income taxes are adequate and that any adjustments which may ultimately be determined will not materially affect the financial position or results of operations of the Company.

The Company is one of 35 defendants in an alleged class action by a shareholder of United States National Bank of San Diego, in Fred H. Harmsen vs. C. Arnholt Smith, et al., filed on Oct. 29, 1973, in the United States District Court for the Southern District of California. The plaintiff purports to be acting in a derivative capacity on behalf of the shareholders of the bank. The complaint seeks damages and other relief on behalf of the shareholders of the bank on account of alleged violations of federal securities laws, illegal loans, improper acts of the bank's directors, and conspiracy to commit the foregoing acts and fraud. On Nov. 27, 1973, the court entered an order staying proceedings for a period of six months commencing Nov. 19, 1973 or further order of court.

In view of the early stage of the proceedings and the order staying proceedings, counsel is not in a position to express an

LS 000448

Golc - CDA dm - 0442

opinion with respect thereto, and an appraisal of the Company's potential liability, or the amount of such liability in the event that plaintiff prevails, cannot be made. There have not been any material transactions between the Company and the other defendants and the United States National Bank of San Diego, and it is management's opinion that there are no facts, nor have any been specifically alleged relating to Golconda, warranting inclusion of the Company in the complaint. At such time as the order staying proceedings expires or is removed by the court, the Company intends to file a motion to dismiss the Company from the complaint.

Note 9: Fourth-Quarter Results (Unaudited)—The financial information appearing in this note has not been specifically audited by the Company's independent public accountants during the course of their examination of the financial statements for the years ended Nov. 30, 1973 and 1972.

Such information is presented in response to an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants issued in May, 1973 requiring certain disclosure of fourth-quarter results.

Sales and earnings for the fourth quarter of fiscal 1973 were as follows:

	Thirteen Weeks Ended November 30,			
	1973		1972	
	Amount	Per Share	Amount	Per Share
Sales	$13,387,000		$14,713,000	
Net Earnings				
Manufacturing operations	$ 818,000	$ .24	$ 674,000	$ .24
Investment operations	341,000	.10	160,000	.06
Total Net Earnings	1,159,000	$ .34	834,000	.30
Less—Preferred Dividend Requirement	96,000		99,000	.04
Net Earnings Attributable to Common Shareholders	$ 1,063,000		$ 735,000	$ .26

Fourth-quarter earnings were sufficiently large to result in the Preferred stock becoming dilutive in the computation of earnings-per-share data for the year. Earnings per-share computations as reported to shareholders for the first three quarters of the year did not reflect the Preferred stock as outstanding for purposes of the primary earnings computation. Therefore, the quarterly earnings for 1973, as restated for the impact of Preferred shares, and as originally reported are as follows:

	Restated	Originally Reported
1st Quarter	$.06	$.04
2nd Quarter	.16	.15
3rd Quarter	.39	.44

The sales decline in the fourth quarter of 1973 is primarily attributable to shipment delays at customer request for the Bastian-Blessing Division. Total customer backlog at Nov. 30, 1973 of $15,251,000 is $2,346,000, or 18%, higher than the comparable amount at Nov. 30, 1972.

The recording of $83,000 of investment credit attributable to the completion of Golconda Metals Division in the fourth quarter is the major item contributing to the quarterly year-to-year profit increase for manufacturing.

LS 000449

Golc - CDA dm - 0443

FINANCIAL HIGHLIGHTS

	Year Ended November 30,		
	1973	1972	% Change
Net Sales	**$53,568,000**	$46,449,000	up 15.3
Profit (before taxes) from manufacturing operations	**3,610,000**	2,607,000	up 38.5
Profit (before taxes) from investment operations	**1,581,000**	375,000	up 321.6
Net Earnings, after taxes	**3,201,000**	1,706,000	up 87.6
Per Share Earnings Data			
Manufacturing operations, after taxes	**.61**	.37	up 64.9
Investment operations, after taxes	**.34**	.10	up 240.0
Net Earnings Per Common and Common Equivalent Share in 1973 and Per Common Share in 1972 (See Note 2 of notes to financial statements)	**.95**	.47	up 102.1
Working capital	**17,290,000**	17,074,000	up 1.3
Stockholders' equity	**24,965,000**	22,229,000	up 12.3
Equity per Common and Common equivalent share	**7.43**	6.60	up 12.6
Manufacturing Order Backlog	**15,251,000**	12,905,000	up 18.2

TABLE OF CONTENTS

Letter to Shareholders 1
The Golconda Story 4
RegO Division 4
Golconda Metals Division 6
RegO Distribution Center 8
Anderson Copper and Brass Division 9
Bastian-Blessing Division 10
Pioneer Astro Industries Division 12
International Division 14
Golconda Mining Corporation 15
Statement of Earnings 16
Changes in Financial Position 17
Consolidated Balance Sheet 18
Retained Earnings 19
Notes to Consolidated Financial Statements 19
Directors and Corporate Officers 24
Five-Year Summary Inside Back Cover
Divisions and Subsidiaries Back Cover

Golconda Corporation is a major manufacturer of capital goods for diverse markets, including gas control devices, food service equipment, and precision components for aerospace and other high-technology applications. Golconda also has significant silver mining interests.

LS 000450

AUDITORS' REPORT

Board of Directors and Stockholders
Golconda Corporation

We have examined the consolidated balance sheet of Golconda Corporation and Subsidiaries as of November 30, 1973 and 1972; and the related consolidated statements of earnings, retained earnings, and changes in financial position for the two 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 financial statements referred to above present fairly the consolidated financial position of Golconda Corporation and Subsidiaries as of November 30, 1973 and 1972, and the consolidated results of their operations and changes in their financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant & Company

Chicago, Illinois
December 31, 1973

Board of Directors

*Gordon Paul Smith
President and Chief Executive Officer,
Chairman of the Executive Committee

Daniel L. Brenner
Senior Partner—Brenner, Lockwood & O'Neal
Kansas City, Mo.

*R. M. Dunn
Chairman—Ken-A-Vision Mfg. Co.
Kansas City, Mo.

Wray Featherstone
Vice President;
President—Golconda Mining Corporation
Wallace, Idaho

*Herbert Kunzel
President, Chairman of Executive Committee—
Westgate-California Corporation
San Diego, Calif.
(Elected to Board Jan. 4, 1974)

H. R. Land, Jr.
President—Rex Land & Associates, Inc.
Los Angeles, Calif.
(Elected to Board Jan. 4, 1974)

*H. F. Magnuson
President—H. F. Magnuson & Company,
Certified Public Accountants
Wallace, Idaho

A. D. Martin
Financier and Investor,
Chairman of the Board—Central Engineering
& Supply Company
Dallas, Texas

*Richard S. Sloma
Executive Vice President, Chief
Operating Officer

Walter L. Sly
General Contractor (retired)
Spokane, Wash.

*Executive Committee

Officers

Gordon Paul Smith
President, Chief Executive Officer

Richard S. Sloma
Executive Vice President,
Chief Operating Officer;
President, RegO Division

Donald W. Adams
Vice President—Finance; Treasurer

John M. Stogin
Vice President—Corporate Counsel;
Secretary

Richard H. Watson
Vice President—Personnel &
Organizational Planning

Rocco R. Del Presto
Vice President;
President, Bastian-Blessing Division

Wray Featherstone
Vice President;
President, Golconda Mining Corporation

Jack W. Hasselbring
Vice President;
President, Pioneer Astro Industries Division

Donald V. Ytterberg
Vice President;
President, Anderson Copper & Brass Division

Auditors
Alexander Grant & Company
Chicago, Illinois

Principal Transfer Agent and Registrar
American National Bank & Trust Company
of Chicago
Chicago, Illinois

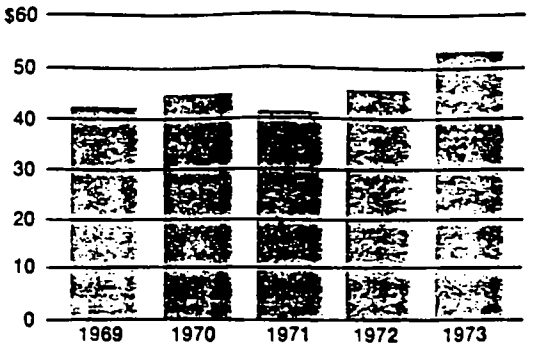
Co-Transfer Agent
Golconda Corporation
Wallace, Idaho

Co-Registrar
Idaho First National Bank
Wallace, Idaho

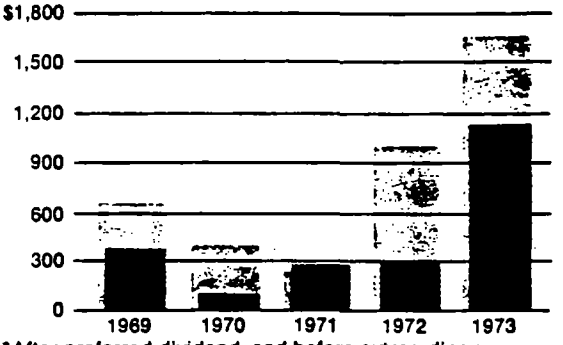
LS 000451

Golc - CDA dm - 0445

Net Sales (in millions)

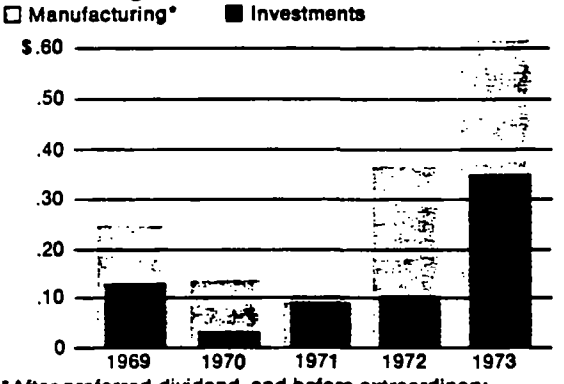


Net Earnings After Taxes (000's omitted)



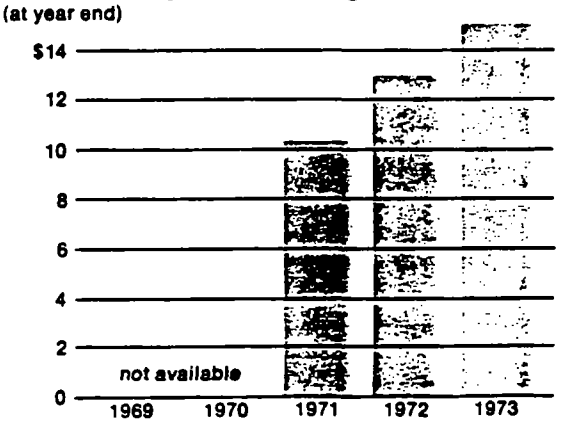
*After preferred dividend, and before extraordinary items in 1969,'70,and'71

Net Earnings Per Share



*After preferred dividend, and before extraordinary items in 1969,'70,and'71

Manufacturing Order Backlog (in millions)
(at year end)



LS 000452

Golconda Corporation

FIVE-YEAR FINANCIAL COMPARISON

(000's omitted except per-share data)

	NOVEMBER 30,				
	1973	**1972**	**1971**	**1970**	**1969**
Sales and earnings					
Net sales	**$53,568**	$46,449	$40,485	$45,865	$43,676
Manufacturing earnings before taxes	**3,610**	2,607	1,155	1,745	2,445
Investment earnings before taxes	**1,581**	375	310	22	349
Provision for income taxes	**(1,990)**	(1,276)	(522)	(835)	(1,284)
Extraordinary item—net of taxes	**—**	—	(52)	(995)	280
Preferred dividend requirement	**(385)**	(399)	(413)	(456)	(486)
Net earnings attributable to Common shareholders	**2,816**	1,307	478	(519)	1,304
Resource growth					
Manufacturing order backlog	**15,251**	12,905	10,309	not available	not available
Capital expenditures—net	**3,714**	625	1,267	701	854
Depreciation expense	**896**	765	669	868	922
Inventories	**19,714**	15,970	13,234	12,915	15,792
Total assets	**49,065**	45,078	40,469	42,247	42,670
Financial data					
Working capital	**17,290**	17,074	16,624	17,582	14,980
Notes payable—banks and long-term debt including current maturities	**14,723**	13,821	14,640	16,253	15,772
Stockholders' equity	**24,965**	22,229	21,064	21,393	22,374
Per Common share data (see Note 2 of Notes to Financial Statements)					
Manufacturing earnings after taxes and Preferred dividends	**.61**	.37	.09	.14	.25
Investment earnings after taxes	**.34**	.10	.10	.03	.13
Extraordinary item	**—**	—	(.02)	(.36)	.10
Net earnings	**.95**	.47	.17	(.19)	.48
Stockholders' equity (including Common share equivalents)	**7.43**	6.60	6.22	6.18	6.52
Average number of Common shares outstanding	**2,785**	2,785	2,785	2,771	2,727
Ratios and percentages					
Current ratio	**2.4**	2.6	3.5	3.5	2.5
Return on stockholders' equity (after extraordinary item)	**13.6%**	7.9%	4.2%	(0.3%)	8.0%
Return on invested capital (stockholders' equity plus long-term debt) (after extraordinary item)	**9.3%**	5.1%	2.6%	(0.2%)	5.6%
Manufacturing data					
Return on sales (before extraordinary item and Preferred dividend)	**3.8%**	3.1%	1.6%	1.9%	2.7%
Return on assets (before extraordinary item and Preferred dividend)	**5.0%**	4.0%	1.8%	2.3%	3.2%
Change in sales	**15.3%**	14.7%	(11.7%)	5.0%	11.3%
Change in earnings after taxes (before extraordinary item and Preferred dividend)	**45.2%**	117.4%	(23.1%)	(26.8%)	59.8%

GOLCONDA'S CREED

"Dedicated to the Quest for Excellence"

- To respect the confidence shown in our Company by investors, and to demonstrate this respect by striving to enhance the underlying value of their investments.
- To clearly recognize that the seeds for producing success can only be carried and cultivated in outstanding performance.
- To produce quality products that will be highly competitive in their respective market places, and which at the same time, will be profitable to the Company.
- To perform in such a manner that our customers will be assured of our viability, vitality, growth potential, and resourcefulness, and thereby to enhance our competitive attractiveness to potential new customers.
- To develop and maintain an efficient teamwork approach throughout the organization in order to facilitate success.
- To create a pleasant environment and to foster inner pride for our employees who make possible the Company's success.
- To imaginatively plan and program the Company's essential growth through sound expansion of its current operations, as well as through the development of attractive and compatible new businesses.
- To earn and retain a recognized place of integrity, prestige, and success on the American business scene, and to serve as a full industrial participant in the betterment of our Nation's economic, social, and environmental standards of living.
- To communicate the Company's results and plans to our shareholders, the financial community, public agencies, and the general public in a factual, conservative, and straightforward way.
- To dedicate the Company to a determined effort for achievement of these goals, and to make our quest for excellence never-ending.

Adopted by Board of Directors
March 23, 1972

Divisions of Golconda Corporation ■ RegO, 4201 West Peterson Avenue, Chicago, Illinois 60646, (312) 685-1121 ■ Bastian-Blessing, 422 North Griffin, Grand Haven, Michigan 49417, (616) 842-7200 ■ Pioneer Astro Industries, 7401 West Lawrence Avenue, Chicago, Illinois 60650, (312) 867-7500 ■ Anderson Copper and Brass, 3800 West 127th Street, Alsip, Illinois 60658, (312) 597-3726 ■ Golconda Metals, 12630 Hamlin Court, Alsip, Illinois 60658, (312) 821-6726 ■ International, 4201 West Peterson Avenue, Chicago, Illinois 60646, (312) 685-1121 ■ **Wholly-Owned Subsidiaries (Divisions)** ■ RegO Distribution Center, Inc., 120 Pleasant Avenue, Upper Saddle River, New Jersey 07458, (201) 327-6010 ■ Golconda Mining Corporation, Scott Building, Wallace, Idaho 83873, (208) 752-1131 ■ Golvest Corporation, Terminal Annex, Spokane, Washington 99220

GOLCONDA CORPORATION
4201 West Peterson Avenue, Chicago, Illinois 60646 · 312/685-0600

LS 000454

GOLCONDA CORPORATION ANNUAL REPORT 1974

LS 000455

Golc - CDA dm - 0448

GOLCONDA CORPORATION
4201 WEST PETERSON AVENUE · CHICAGO, ILLINOIS 60646 · 312/685-0600

April 15, 1975

TO OUR SHAREHOLDERS

The year 1974 is recorded as a year of significant change, both within our company and in the business condition of the markets that we serve. The most apparent change is the attached copy of our 10-K Report rather than the previously used Annual Report formats. Recent changes of disclosure rules led your management to the decision that the 10-K Report represented maximum disclosure at the least expense. The extensive detail in the 10-K precludes the need of a lengthy cover letter. It is hoped that you find this change useful as well as interesting.

Early in 1974, Cerro Corporation obtained ownership of approximately 85% of the voting control of Golconda Corporation.

In February, 1975, Golconda Corporation entered into a contractual agreement for the sale of the Bastian-Blessing Division to Page-Mill International Corporation and the closing occurred in early April.

Negotiations for the sale of the business of the Pioneer-Astro Industries Division are in progress.

Details of these transactions and results from on-going operations are presented in the accompanying 10-K Report. The on-going operations will consist of the RegO, Anderson Copper and Brass, and Golconda Metals Divisions.

The sales decrease in 1974 was caused by several principal factors; generally depressed business conditions, uncertainty of price and supply of propane compounded by initiation of numerous governmental requirements, diminishing rate of housing starts, and high interest rates.

The impact on earnings caused by the volume decrease was somewhat softened by successive cost- and expense-cutting programs during the year. Earnings were also impacted by reserves established against inventories, receivables and for the disposition of certain machinery and equipment.

Despite the interruption of the pattern of continuing growth, our relative strength in our markets has not diminished. The emphasis on expense reduction and working capital reduction has been achieved without significant loss of resiliency. Your management remains confident of the ultimate successful resumption of growth from a combination of general recovery of demand in our traditional markets and the introduction of new products, some for our present markets and some for new markets.

The table below presents financial highlights:

	For the Year Ended December 31, 1974	For the Year Ended November 30, 1973
Net Sales, from continuing operations	$34,800,000	$36,196,000
Net Earnings (Loss):		
From continuing operations		
Manufacturing	$ 471,000	$ 1,936,000
Investments	7,032,000	1,168,000
	7,503,000	3,104,000
From discontinued operations	(1,942,000)	97,000
Net	$ 5,561,000	3,201,000
Net Earnings (Loss): Per Share		
From continuing operations		
Manufacturing	$ .14	$ .57
Investments	2.09	.35
	2.23	.92
From discontinued operations	(.57)	.03
Net	$ 1.66	$ .95
Working Capital	$25,073,000	$17,290,000
Stockholders' Equity	$30,422,000	$24,965,000
Stockholders' Equity Per Share	$ 9.05	$ 7.43

The following table presents the quarterly high and low prices of Golconda stock for the past two years as reported by the Pacific Coast Stock Exchange where the stock is traded:

Period	Common High	Common Low	Preferred High	Preferred Low
1973				
First Quarter	8-1/4	5-7/8	14	12
Second Quarter	6-1/2	4	13-1/8	10-1/4
Third Quarter	5-5/8	4	12-5/8	11-3/8
Fourth Quarter	5-1/2	3-1/2	12-1/8	11-1/4
1974				
First Quarter	8-7/8	4	16	11-3/8
Second Quarter	8-5/8	7	16-5/8	12-3/4
Third Quarter	8	4	12-3/4	10
Fourth Quarter	4-1/8	3-1/8	10	9-1/2

No dividends have been paid on the Common stock in the past two years. A dividend of 25¢ per share has been paid each quarter on the $1.00 Cumulative Convertible Preferred stock.

Richard S. Sloma
President & Chief Executive Officer
RSS:rr

LS 000457

GOLCONDA CORPORATION

DIRECTORS

Name	Principal Occupation and Business
Paul J. Bennett	Vice President and Controller Cerro Corporation New York, New York (Diversified Manufacturer)
R. M. Dunn	Director and Chairman Executive Committee of Ozark Airlines, Inc.; Chairman of the Board, Ken-A-Vision Manufacturing Co., Kansas City, Missouri (Manufacturer)
Wray Featherstone	President of Subsidiary, Golconda Mining Corporation Wallace, Idaho
David A. Gardiner	President, Cerro Metal Products, Div. of Cerro Corporation, Bellefonte, Pennsylvania
Harry F. Magnuson	Certified Public Accountant Wallace, Idaho
Robert A. Pritzker	President, Cerro Corporation New York, New York; President, The Marmon Group, Inc. (Michigan Chicago, Illinois (Diversified Manufacturer)
Frederick F. Schauder	Vice President-Finance and Treasurer; Vice President and Controller [redacted] Manufacturing Group Cerro Corporation New York, New York
Richard S. Sloma	President
Gordon Paul Smith	Chairman
Peter D. Weisse	Vice President - Manufacturing Group Cerro Corporation New York, New York

LS 000458

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Year Ended
December 31, 1974

Commission File No. 811-1342-3

GOLCONDA CORPORATION
(Exact name of registrant as specified in its charter)

Idaho	82-0122540
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4201 West Peterson Avenue, Chicago, Illinois 60646
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (312) 685-0600

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
$1.00 Cumulative Convertible Preferred Stock	Pacific Coast Stock Exchange
Common Stock	Pacific Coast Stock Exchange Spokane Stock Exchange Intermountain Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of Class

7% Convertible Subordinated Debentures Due January 1, 1990

Indicate by check mark whether the registrant (1) has filed all annual, quarterly and other reports required to be filed with the Commission, (2) has been subject to the filing requirements for at least the past ninety (90) days.

Yes X

No ____

LS 000459

Item 1 HISTORY AND BUSINESS

The business of the Company consists of two principal classifications: (i) the manufacturing and marketing of valves, fittings, regulators and other controls for pressurized gases and the engineering and manufacturing of precision components and assemblies for use in aerospace vehicles, military and commercial aircraft, computers, and a variety of other industrial and commercial products, and (ii) the participation through stock ownership and other means in mineral resources, exploration and development. In February, 1975 the Company sold its division which was engaged in the design, manufacturing and marketing of modular and custom kitchen, cafeteria, and restaurant equipment for commercial and industrial feeding operations.

The Company was incorporated in 1927 in the State of Idaho as Golconda Lead Mines. From 1928 until 1957 it operated a mine and a flotation mill located in the Coeur d'Alene Mining District of Idaho. In 1957 the combination of declining metal prices, rising costs, and the exhaustion of the then known ore reserves resulted in the closing of the mine. The mill treated ores of other mines on a contract basis until 1960. The name of the Company was changed in 1962 to Golconda Mining Corporation.

In 1957 the Company began a program of acquiring mining companies and properties in the vicinity of the Osburn Fault between Wallace and Mullan, Idaho, an area known as the Golconda Area. As a result of its holdings and securities in other mining companies, it came within the definition of an investment company as that term is defined in the Investment Company Act of 1940. In February, 1966 the Company's registration as a non-diversified closed-end management investment company under that Act became effective. It continued as such until March, 1971 when it was deregistered following a change in the nature of its business which occurred when Astro Controls, Inc. was merged into the Company on September 15, 1970 at which time the name of the Company was changed to Golconda Corporation, its present title.

Astro Controls, Inc. was organized under Delaware law on May 6, 1969, pursuant to an Agreement of Consolidation among Pioneer-Astro Industries, Inc., an Illinois corporation organized on April 27, 1946 and The Bastian-Blessing Company, an Illinois corporation organized on May 9, 1908.

Controls and Related Equipment

Through its RegO Division, the Company designs, develops, manufactures and markets: (a) pressure regulators, valves and other control equipment for LP-gas and anhydrous ammonia; (b) pressure regulators, cylinder valves, manifolds and other control equipment for atmospheric and other compressed, liquefied and dissolved gases; (c) gas welding and cutting equipment; (d) medical oxygen and chemical equipment; (e) electric welding products; (f) pneumatic control devices for the fluid power industry; and (g) cylinder valves and regulators for self-contained breathing apparatus. A common characteristic of RegO Division products is the control or regulation of the flow of gases either into or out of containers in which the gases are stored, or into piping systems. RegO products are designed for a wide variety of gases and temperature and pressure extremes. Products for use with cryogenic gases are required to withstand temperatures as low as minus 320° F. Depending on the application, RegO equipment is designed to regulate pressures from a few ounces to 10,000 pounds per square inch.

RegO Division products are sold nation-wide and, to a limited extent, abroad. These sales are made by a combination of twelve fulltime RegO salesmen, and three hundred and eleven distributors locat[illegible] primarily in the United States and some abroad. RegO also distributes a substantial number of catalogs to LP-gas marketers and anhydrous ammonia dealers throughout the country. In 1974, the largest custome[illegible]

of this Division accounted for 10% of its sales and its five largest customers accounted for about 38% of its sales.

Through its Anderson Copper and Brass Division (Anderson), the Company manufactures and markets a line of fittings for use with copper tubing. Included in the product line are flared fittings, compression fittings, inverted flare, double compression and brass pipe fittings, as well as garden hose and air hose fittings. A catalog of standard items is issued, but orders are solicited for special items of a related nature. Designed for use with a variety of gases and liquids, the primary application is in the plumbing industry.

The Anderson Division manufacturing operations, located in Alsip, Illinois, consist primarily of screw machine and chucking machine operations, the raw material being exclusively brass rod and brass forgings. The Division purchases other components, such as valves and tubing tools, and offers them for sale to its customers also.

Brass fittings manufactured by the Anderson Division are sold on a nation-wide basis by twenty-four manufacturer's agents who service approximately eight hundred accounts. A limited amount of sales are abroad. In 1974, the largest customer of the Division accounted for 8% of its sales and its five largest customers accounted for about 30% of its sales.

Historically, the RegO Division has sold LP-gas and ammonia control products in the Northeastern quadrant of the United States on a direct basis. In the balance of the country, distributors have been utilized. In 1973, the concept of the RegO Distribution Center (RDC), a new division, was adopted to bring a full-line inventory of RegO products, Rochester gauges, selected Anderson Copper and Brass fittings and other LP-market related products including pumps, hose, paint, etc., on a resale basis closer to the end user through off-the-shelf delivery direct from Golconda. Two centers are in operation. One is in Chicago adjacent to RegO manufacturing facilities headquarters, housing some $1,000,000 worth of products. The other (RDC II) is in Upper Saddle River, N.J., and provides 24-hour warehouse delivery service from its one-half million dollar inventory to the New England and Middle Atlantic states.

Through its Pioneer Astro Industries Division, the Company is engaged in the engineering and manufacture of precision and ultra-precision components and assemblies or subassemblies for direct use in space optics and laser equipment, missiles, space vehicles, fire control equipment, ground support devices, radar and tracking devices, other products associated with national defense, commercial aircraft, computers, vehicles and other industrial and commercial products. Products include: (a) gear box housing and covers for jet engines; (b) housing and frames for inertial guidance equipment; (c) shafts, rotors, and drive plates for air bearings; (d) stator torque tubes; (e) inner cylinders for commercial aircraft; (f) gear boxes for atomic submarines; (g) war heads for two classified missile projects; (h) beryllium housing, discs, head plates and lens cells for NASA; and (i) frames and supports for computers. The Division has sought to expand its sales of products which are not military/aerospace oriented. The acquisition in 1972 of a line of needle and flow valves for the fluid power market and the establishment during 1973 of the capability to manufacture pressure gauges for use primarily by the RegO Division will enable Pioneer to further limit the military/aerospace dependency. In 1974, the largest customer of the Division accounted for 15% of its sales and its five largest customers accounted for about 47% of its sales.

All of the sales of Pioneer Astro Division for Government end use are pursuant to fixed price contracts. The Renegotiation Act of 1951, as amended, makes subject to renegotiations by the Government all profits realized under Government contracts. Approximately 68% of Pioneer's sales in 1974 were subject to renegotiation. Pioneer does not anticipate an adjustment of profits from renegotiation.

sales for the year, but it cannot offer any assurance as to the outcome of renegotiation proceedings.

Golconda Metals Division was created in 1973 to recycle brass scrap (from the RegO, Pioneer and Anderson Divisions) into machining rod and forgings. Those products are used by the Divisions in manufacturing their products. The quality of product produced has been proven by independent laboratory tests. The Division has experienced substantial difficulties in attaining satisfactory levels of production. This had the effect of adversely affecting earnings during 1974. Efforts are still underway to correct the situation. The Division is presently in partial production on forgings and aluminum die castings.

The Division uses an automatic cored forging process developed in England. The purpose is to produce less scrap, increase productivity, reduce tooling costs, and cut shipping and material handling costs. These objectives, however, have not yet been fully realized.

Mining Activities and Investments

Through its Golconda Mining Division, the Company is engaged in mineral exploration and developments through capital stock holdings in affiliated companies and operating lease agreements with affiliates for the exploration and development of certain properties. The Division has not engaged in direct mining, milling, or exploration work since 1960. The Division is headquartered in Wallace, Idaho, in what is known as the Coeur d'Alene District. During the year, Golconda disposed of its entire holdings of the shares of Hecla Mining Company.

Golconda owns 54% of Alice Consolidated Mines, Inc., a company owning 1,109 acres of mining property to be explored with Hecla under an operating lease agreement. By the terms of the lease, Hecla will perform specified exploration and development work in the area. If exploration proves successful, by terms of an agreement dated April 3, 1970, Golconda will share 20% of the pre-production costs of development, and receive 20% of the net profits, if any, from Hecla's operation of the exploration. After Hecla and Golconda have recovered their respective shares of pre-production costs, net profits from operations will be divided as follows: 50% to Alice Consolidated, 40% to Hecla and 10% to Golconda. Some exploration has taken place, but no significant developments have occurred. Golconda's share of pre-development costs are expected to total $200,000 over a five-year period, and to commence in 1975.

Competition

Golconda Corporation is subject to intense competition from a large number of firms in each of the fields in which it is engaged. Competition varies from older and larger firms having greater financial resources than Golconda to small local and regional competitors which have advantages deriving from proximity to local markets. RegO Division's principal market is the LP-gas industry, and RegO is a significant supplier of LP-gas equipment. There are many large and small machine shop and machine tool firms competing with the Pioneer Astro Division for available business. In addition, major defense and aerospace firms are competing for business which may have formerly gone to the small firms. The principal factor affecting Golconda Mining Corporation's business is the price of silver in the world and domestic markets. Development of the mining property interests held by Golconda will be primarily influenced by increases in the price of silver.

Backlog

As of December 31, 1974, the Company's backlog of orders totaled $9,570,000, substantially all of which is expected to be filled in 1975. At November 30, 1973, the end of the prior fiscal year, backlog amounted to $15,251,000. Backlog amounts are not necessarily indicative of sales for subsequent periods.

Materials

The Company's manufacturing activities obtain their materials and components from commercial sources. During 1974, Golconda experienced basic material problems resulting from shortages in the economy. Added costs were incurred to obtain materials and insure availability.

In the case of the mining part of the business, the discovery of silver ore bodies on its related properties would obviously be of benefit to the value of the Company's holdings of land and mining securities, but since the Company does not at the present time operate any mines, it is not to that extent dependent upon the discovery of ore bodies and the available supply of silver.

Research and Development

The dollar amount of expenditures during the last fiscal year relating to the development of new products or the improvements of existing products was not material.

Number of Employees

The Company has approximately 1,075 full-time employees, of which 60 are in executive and managerial positions, 100 are engaged in professional, administrative and sales work, 115 are office and clerical and the remaining balance of 800 consists of factory, warehouse and other production-related personnel.

Energy Shortage

The energy shortage through its effect on materials suppliers had an adverse impact upon the Company's manufacturing operations and its sales and customer orders. To the extent that a pronounced long-term shortage adversely affects the economy in general and/or sales of LP-gas in particular, its impact upon the Company's operations could be significant. The extent, if any, to which manufacturing operations will have to be curtailed will depend on the severity of the shortage and the manner in which fuel is allocated to the various sectors of the economy.

Environmental Matters

The Company is subject to environmental regulation by federal, state and local authorities. There are no known material expenditures required of the Company for pollution control equipment under applicable environmental laws, for any of our long-standing operating divisions. The establishment of the Golconda Metals Division in 1973 required expenditures for pollution control. The Division has installed equipment which it is believed meets or exceeds known federal, state or local standards.

Line of Business Information

Golconda's continuing manufacturing operations are and have been for the last five years, engaged in only one line of business--the production and sale of controls and related equipment.

GOLCONDA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS, RETAINED EARNINGS AND ADDITIONAL CONTRIBUTED CAPITAL

The following consolidated statements of earnings, retained earnings and additional contributed capital for the years ended November 30, 1973 and December 31, 1974 have been examined by independent certified public accountants whose reports are included elsewhere herein. In the opinion of management, the consolidated statements of earnings, retained earnings and additional contributed capital for the three years ended November 30, 1972 include all adjustments (consisting of normal recurring accruals) necessary to a fair presentation of such statements.

CONSOLIDATED STATEMENT OF EARNINGS
(In thousands except per share data)

	Fiscal Year Ended				
	November 30,				Dec. 31,
	1970 (C)	1971	1972	1973	1974 (A)
	(Not covered by auditors' report)				
Net sales from manufacturing operations (B)(F)	$29,282	$24,837	$29,554	$36,196	$34,800
Cost of goods sold	22,507	18,190	21,984	26,314	27,397
Gross profit from manufacturing operations	6,775	6,647	7,570	9,882	7,403
Selling, general and administrative expenses	5,333	4,727	4,641	6,027	6,402
Interest expense	1,158	1,117	994	923	1,274
Other income - net	(251)	(609)	(577)	(425)	(943)
	6,240	5,235	5,058	6,525	6,733
Profit from continuing manufacturing operations	535	1,412	2,512	3,357	670
Investment (D)	220	458	483	1,668	10,266
Earnings from continuing operations before income taxes	755	1,870	2,995	5,025	10,936
Income taxes (E)					
Current	352	536	966	1,416	1,670
Deferred-provision (benefit)	(30)	152	316	505	1,763
	322	688	1,282	1,921	3,433
Earnings from continuing operations	433	1,182	1,713	3,104	7,503
Discontinued operations (B)(F):					
Earnings (loss) from discontinued operations	1,012	(405)	(13)	166	507
Income taxes (benefit)	513	(166)	(6)	69	259
	499	(239)	(7)	97	248
(Loss) on sale of Bastian-Blessing Division:					
Applicable to net assets of division (less applicable income taxes of $950)	-	-	-	-	(950)
Applicable to goodwill written off (no tax benefit)	-	-	-	-	(1,240)
	499	(239)	(7)	97	(1,942)
Earnings before extraordinary items	932	943	1,706	3,201	5,561
Extraordinary items (net of Federal income taxes)(F)	(995)	(52)	-	-	-
Net Income (Loss)	$(63)	$ 891	$ 1,706	$ 3,201	$ 5,561
Weighted average shares outstanding (G):					
Common	2,771	2,785	2,785	2,785	2,785
Common and Common Equivalent				3,365	3,360

(continued)

LS 000464

	Fiscal Year Ended				
	November 30,				Dec. 31,
	1970 (C)	1971	1972	1973	1974 (A)
Primary Earnings Per Share:					
From Continuing Operations					
Manufacturing	$ .09	$ .29	$ .49	$ .57	$ .14
Investments	.07	.13	.12	.35	2.09
	.16	.42	.61	.92	2.23
Discontinued Operations	.18	(.08)	-	.03	(.57)
	.34	.34	.61	.95	1.66
Less: preferred dividend requirement	.17	.15	.14	-	-
Earnings before extraordinary items	.17	.19	.47	.95	1.66
Extraordinary items	(.36)	(.02)	-	-	-
Net income (loss)	$(.19)	$ .17	$ .47	$ .95	$ 1.66
Fully Diluted Earnings	$(.19)	$ .17	$ .47	$ .89	$ 1.52
Dividend per common share (H)	$ .12	$ -	$ -	$ -	$ -

Note: See Note 2 of Notes to Consolidated Financial Statements.

The accompanying notes are an integral part of this statement.

LS 000465

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Fiscal Year Ended				
	November 30				Dec. 31,
	1970	1971	1972	1973	1974 (A)
	(Not covered by auditors' report)				
Balance - beginning of period	$14,854,000	$14,053,000	$14,531,000	$15,838,000	$18,654,000
Net earnings (loss) for the period	(63,000)	891,000	1,706,000	3,201,000	5,561,000
Net earnings for December, 1973 (Note A)	-	-	-	-	279,000
	$14,791,000	$14,944,000	$16,237,000	$19,039,000	$24,494,000
Cash dividends paid					
Common	(283,000)	-	-	-	-
Preferred	(455,000)	(413,000)	(399,000)	(385,000)	(383,000)
	(738,000)	(413,000)	(399,000)	(385,000)	(383,000)
Balance - end of period	$14,053,000	$14,531,000	$15,838,000	$18,654,000	$24,111,000

The accompanying notes are an integral part of this statement.

LS 000466

Golc - CDA dm - 0460

	Fiscal Year Ended November 30, 1970 (C)	1971	1972	1973	Dec. 31, 1974 (A)
Primary Earnings Per Share:					
From Continuing Operations					
Manufacturing	$ .09	$ .29	$ .49	$ .57	$ .14
Investments	.07	.13	.12	.35	2.09
	.16	.42	.61	.92	2.23
Discontinued Operations	.18	(.08)	-	.03	(.57)
	.34	.34	.61	.95	1.66
Less: preferred dividend requirement	.17	.15	.14	-	-
Earnings before extraordinary items	.17	.19	.47	.95	1.66
Extraordinary items	(.36)	(.02)	-	-	-
Net income (loss)	$(.19)	$ .17	$ .47	$ .95	$ 1.66
Fully Diluted Earnings	$(.19)	$ .17	$ .47	$ .89	$ 1.52
Dividend per common share (H)	$ .12	$ -	$ -	$ -	$ -

Note: See Note 2 of Notes to Consolidated Financial Statements.

The accompanying notes are an integral part of this statement.

LS 000465

GOLCONDA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS OF EARNINGS, RETAINED EARNINGS AND ADDITIONAL CONTRIBUTED CAPITAL

(A) Change of Fiscal Year

During 1974 Golconda changed its fiscal year end to December 31 to conform to the year end of its parent company--Cerro Corporation. December, 1973 operating results, net of taxes of $47,000 have been credited directly to retained earnings and are summarized below:

	000's
Net Sales	
Continuing Operations	$ 2,216
Discontinued Operations	1,075
	$ 3,291
Net Earnings (Loss)	
Continuing Operations	
Manufacturing	$(67)
Investments	382
	315
Discontinued Operations	(36)
	$ 279

(B) Sale of Bastian-Blessing Division

On February 13, 1975 Golconda entered into an agreement to sell the Bastian-Blessing (B-B) Division for cash. Total proceeds are estimated at $4,660,000. A reserve was provided for a loss of $950,000 (net of tax benefit of $950,000) on the disposition of net assets and $1,240,000 on the write-off of goodwill applicable to B-B. This transaction is reflected in the financial statements for the year ended December 31, 1974.

The accompanying Consolidated Statement of Earnings for the fiscal years ended November 30, 1970 through 1973 have been restated to present B-B's operating results as discontinued operations consistent with 1974. The following table shows the impact of the restatement on previously reported net sales (in thousands):

	YEAR ENDED NOVEMBER 30,			
	1970	1971	1972	1973
As originally reported	$45,865	$40,484	$46,449	$53,568
Less: Discontinued Operations	16,583	15,647	16,895	17,372
As per the accompanying Consolidated Statement of Earnings	$29,282	$24,837	$29,554	$36,196

In determining earnings (loss) from discontinued operations, B-B was charged with a portion of corporate administrative expenses which are relatable to B-B and which are not expected to recur and with interest expense which would have been eliminated and/or earned through the use of the proceeds on the sale.

(C) Astro Controls, Inc.

Golconda Corporation (formerly Golconda Mining Corporation) acquired all of the outstanding stock of Astro Controls, Inc. (Astro), effective September 15, 1970 and has accounted for the transaction on a pooling-of-interest basis. The Consolidated Statement of Earnings combines the results of operations of Golconda Mining Corporation (Golconda) for the eleven months ended November 30, 1970 with those of Astro for the twelve months then ended. The results of operations of Golconda for the month of December, 1969, excluded in the year ended November 30, 1970, were insignificant.

LS 000468

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ADDITIONAL CONTRIBUTED CAPITAL

	Fiscal Year Ended November 30, 1970	1971	1972	1973	Dec. 31, 1974
	(Not covered by auditors' report)				
Balance at beginning of period	$6,714,000	$6,532,000	$5,880,000	$5,748,000	$5,674,000
Conversion of 7% convertible debentures into 3,000 shares of common	45,000	-	-	-	-
Costs relating to merger of Golconda and Astro Controls	(227,000)	-	-	-	-
Purchase and retirement of Preferred Stock (47,478; 10,964 and 6,400 shares, respectively)	-	(652,000)	(132,000)	(74,000)	-
Balance - end of period	$6,532,000	$5,880,000	$5,748,000	$5,674,000	$5,674,000

The accompanying notes are an integral part of this statement.

LS 000467

Golc - CDA dm - 0463

	(in thousands)				
	1970	1971	1972	1973	1974
Income from continuing operations before income taxes -	$ 755	$1,870	$2,995	$5,025	$10,936
Investment earnings not currently taxable due to use of installment sales tax treatment (1974) and specific identification costing	30	(306)	(610)	(529)	(6,709)
Excess of tax over book depreciation	(49)	(120)	(226)	(310)	(308)
Commissions on Domestic International Sales Corporation	-	-	(105)	(195)	195
Reserves not currently deductible for tax purposes--primarily related to inventory	-	-	-	-	900
Other	88	13	203	(284)	304
Current taxable income	$ 824	$1,457	$2,257	$3,707	$ 5,318
Current income tax provision	$ 352	$ 536	$ 966	$1,416	$ 1,670

The provision for income taxes consists of:

	(in thousands)				
	1970	1971	1972	1973	1974
Current					
Federal	$(291)	$ 337	$ 892	$1,316	$ 1,818
State	124	33	68	169	111
Deferred	(30)	104	316	505	813
	$(197)	$ 474	$1,276	$1,990	$ 2,742
Allocated to:					
Continuing operations	$ 322	$ 688	$1,282	$1,921	$ 3,433
Discontinued operations	513	(166)	(6)	69	(691)
Extraordinary items	(1,032)	(48)	-	-	-
	$(197)	$ 474	$1,276	$1,990	$ 2,742

( ) = Benefit

See also Note 1 to Notes to Consolidated Financial Statements.

LS 000470

(D) Investment Operations

Effective December 1, 1970, Golconda with the recommendation of its independent public accountants, revised its method of recognizing gains or losses on sales of its investments in securities from the specific identification cost method to the average cost method. The average cost method provides for the determination of gains and losses on a uniform cost basis as compared to the company's former method of using specific identification for the determination of the cost basis of securities sold. The effect of the change on net earnings for 1971 was an increase of $214,000 ($.08 per common share). The effect of the change in 1970 would be to decrease net earnings $30,000 ($.01 per common share). Because the change in method did not materially affect the aggregate cost of the securities held at December 1, 1970, but pertains to the determination of the cost of securities sold, the change has no material cumulative effect. (See Note 3 of Notes to Consolidated Financial Statements.)

(E) Income Taxes

Golconda's effective tax rates for earnings from continuing operations are different than the Federal statutory rates. The following table analyzes these differences:

	1970	1971	1972	1973	1974
Statutory rates - Federal	49.6	48.0%	48.0%	48.0%	48.0%
Impact of capital gains rates on investment income	(3.8)	(4.8)	(3.3)	(6.2)	(17.2)
Investment tax credits and profits of Domestic International Sales Corporation	-	(1.0)	(1.8)	(4.9)	(1.8)
State taxes and other	(3.1)	(5.4)	(.1)	1.3	2.4
	42.7%	36.8%	42.8%	38.2%	31.4%

Tax law allows or requires the determination of taxable income in a manner different from generally accepted accounting principles. The table below reconciles earnings of continuing operations per the accompanying financial statement to currently payable taxes (computed at each years' effective tax rate).

LS 000469

MANAGEMENT ANALYSIS OF VARIATIONS IN CONTINUING OPERATIONS

Manufacturing

In 1970, sales declined by approximately 6% due to the shutdown in the third quarter of the Paris division. However, earnings declined more severely due to a one-time discretionary bonus paid to all employees, inability to pass along increased manufacturing costs at the RegO division, higher salaries to administrative personnel and consulting fees.

There was a 15% sales drop in 1971 caused by the full year impact of the shutdown of the Paris division and reduced sales to two RegO contract customers. Earnings increased from 1970 reflecting the impact of higher sales prices at the RegO division and reduced administrative expenses.

Sales increased 19% in 1972, of which the acquisition of Anderson Copper and Brass (Anderson) division in mid-year accounts for 5% and the balance is from sharply higher sales at RegO division. Earnings increased by 46% due to higher sales, cost control programs and reduced interest expense.

Sales rose by 22% in 1973, 8% of which is the full year impact of Anderson, and continued growth of the RegO division. Earnings increased by 24% due to higher sales and improved gross profit margins from reduced manufacturing costs. Operating expenses increased substantially due to higher selling expenses and commissions on increased sales, the full year impact of Anderson, costs for new computer applications and services from an outside service bureau and an incentive bonus plan.

Net sales decreased 4% in 1974; however, the volume decline was much steeper as the company was partially able to offset lost volume by increased prices. The lower volume is principally attributable to the depressed conditions in the liquid petroleum gas industry. Earnings were severely impacted by the reduced volume, start-up problems at the new Golconda Metals division (GMD) and by reserves provided to protect against losses on receivables, inventories and the sale of certain equipment. The reserves were considered appropriate in the depressed general economic conditions and the particularly hard hit liquid petroleum gas industry. Start-up of GMD results in increases in operating expenses such as maintenance and repairs, depreciation and real estate taxes on the new plant. Increased interest expense reflects the cost of financing working capital requirements at RegO and GMD. Higher amounts of other income are due to interest earned on a note received from Cerro Corporation on the sale of Hecla stock.

Investments

Investment earnings fell in 1970 when Hecla Mining Company discontinued its cash dividend. Earnings in subsequent years reflect sales of Hecla common stock at market prices in the applicable years.

LS 000472

(F) Extraordinary Items

Extraordinary items consist of the following:

	(in thousands) 1970	1971
Loss on Liquidation of Paris, Ill. plant	$ 2,027	$ -
Provision for settlement of lawsuit related to products of Paris, Ill.	-	100
	2,027	100
Tax Benefit	(1,032)	(48)
Net Extraordinary Loss	$ 995	$ 52

Golconda discontinued operations of its Paris, Illinois manufacturing plant in 1970. However, since operating results were not significant, the consolidated statement of earnings for 1970 was not restated to treat results of operations as an extraordinary item.

In accordance with the provisions of Accounting Principles Board Opinion 30, effective October, 1973, the above items would have been charged to continuing operations. However, Opinion 30 prohibits restating prior year financial statements for conformity. Had the 1970 and 1971 statements of consolidated operations been restated, earnings from continuing operations would have been reduced by the respective amounts above.

(G) Earnings Per Share

Primary earnings per share for the fiscal years 1970 through 1972 are based on the weighted average number of common shares outstanding during each period. Primary earnings per share for fiscal 1973 and calendar year 1974 were computed by dividing net earnings by the average number of common and common equivalent (preferred stock) shares outstanding. For the years 1973 and 1974, such preferred stock had a dilutive effect on earnings per share, whereas such stock had an anti-dilutive effect for the years prior to 1973. (See Note 2 of Notes to Financial Statements.)

The preferred dividends paid and deducted in arriving at earnings available for common shares in 1970, 1971, and 1972 were $455,000, $413,000 and $399,000, respectively.

(H) Dividends

Dividends per common share are those paid by Golconda Corporation only and do not reflect the dividend policies of Astro Controls, Inc. prior to its merger with Golconda.

Golconda owns all of the significant machinery and equipment used in its operations and considers that its plants and equipment, whether owned or leased, are well maintained, adequately insured, and with normal additions and improvements, adequate for its present and foreseeable requirements.

Golconda Corporation owns or controls through stock interests approximately 2,500 acres of undeveloped mineral properties in the silver bearing Coeur d'Alene District of Idaho. The Company also owns an assortment of buildings, sheds, and other pieces of apparatus connected with discontinued operations of the Golconda mine closed in 1957 due to exhaustion of known ore reserves and low metal prices. These structures do not constitute substantial capital properties.

ITEM 4 PARENTS AND SUBSIDIARIES

Parent

Cerro Corporation, a New York corporation, located at 300 Park Avenue, New York, New York 10022, owns 85% of the outstanding voting stock of the registrant and may be deemed to be a parent of Golconda Corporation.

Subsidiaries

Golconda Corporation has various subsidiaries under various names, all of which in the aggregate as a single subsidiary would not constitute a significant subsidiary.

Item 5 PENDING LEGAL PROCEEDINGS

See Note 8 of Notes to Consolidated Financial Statements.

Two complaints have been filed against the Company by the Metropolitan Sanitary District of Greater Chicago alleging that the Company's Anderson Copper and Brass plant in Alsip, Illinois and the Company's RegO Division facilities in Chicago have violated applicable ordinances through discharge of acids and metals into the Metropolitan Sanitary District sewer system. The complaints seek to halt the allegedly illegal discharges and other appropriate relief. The Company believes that these matters can be settled and compliance demonstrated without any material liability or expense to the Company.

There are no other pending material legal proceedings, other than ordinary routine litigation incidental to the business to which the Company or any of its subsidiaries has become a party or of which any of their property has become the subject.

ITEM 3 PROPERTY

The principal plants operated by Golconda Corporation are listed below with their location, square footage, and the principal products manufactured at each location.

Division	Location	Floor Area (Square Feet)	Acreage (Where Appl.)	Principal Products	Owned or Leased
RegO	Chicago, Illinois	347,000	19.2	Valves & Controls	Owned (1)
RDC	Upper Saddle River, N.J. & Chicago, Illinois	9,000	-	Distribution Center	Leased (2)
Pioneer Astro	Chicago, Illinois	93,000	-	Precision Machining	Leased (3)
Anderson	Alsip, Illinois	29,000	1.7	Brass Fittings	Owned
Golconda Metals	Alsip, Illinois	25,000	1.6	Brass Forgings	Owned
Corporate	Alsip, Illinois	-	5.4	Vacant Land	Owned

(1) See Note 5 of Notes to Financial Statements concerning a mortgage on this plant.

(2) Comprised of two structures, one owned and located in Chicago, Illinois adjacent to the RegO Division manufacturing facilities; and the other leased and located in Upper Saddle River, New Jersey for an annual rental of $33,000.

(3) The plant and adjacent land are leased for an annual rental of $72,600, plus taxes and insurance (totaling $30,000 in 1973) for a period of five years ending September 30, 1977.

RegO Division operations are conducted in seven adjacent buildings. Manufacturing operations are conducted in a single story brick structure. Two of the remaining six buildings, which are used for storage and warehousing of raw material, semi-finished and finished parts, are of brick construction, and four are metal frame. In total, 243,000 square feet are utilized for manufacturing, 34,000 square feet for divisional and corporate office space, and 70,000 square feet are used for storage and warehousing. Manufacturing machinery and equipment consists of light to medium metal cutting and processing equipment owned by the Company. Normal utilization of plant capacity is estimated at 90% of the 90% practical capacity. Practical capacity is defined as the realizable utilization of rated capacity.

Pioneer Astro Division conducts its manufacturing operations in a single one-story brick structure. Approximately 54,000 square feet are utilized for manufacturing, 21,000 square feet for warehousing and storage and 18,000 square feet for office space. All of its manufacturing equipment falls into the category of standard and specialized precision metal working machinery. Current utilization of Pioneer's facilities is approximately 70%.

Anderson Copper and Brass Division's manufacturing facilities consist of a one-story expandable concrete and steel building. Space is divided into 27,000 square feet for manufacturing and related facilities and 2,000 square feet for office functions. Normal operations are at 75% of capacity.

Golconda Metals Division's facility consists of one pre-fabricated concrete single story structure. Space is divided into 23,000 square feet for manufacturing and 2,000 for administrative and office functions. Operations are at 20% of planned capacity.

ITEM 7 APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

$1.00 Cumulative Convertible Preferred Stock, $1.00 par value	650
Common Stock, no par value	1,520
7% Convertible Subordinated Debentures due January 1, 1990	650
Warrants expiring January 15, 1979 (each to purchase one share of common stock at $14.51 per share)	4

ITEM 8 EXECUTIVE OFFICERS OF THE REGISTRANT

All officers are elected by the board of directors and serve at the pleasure of the board.

Gordon Paul Smith (58) - Chairman of the Board of Directors (June 27, 1974) previously President and Chief Executive Officer, Chairman of the Executive Committee, Vice Chairman of the Board and Director.

Prior to November, 1970, Mr. Smith was a vice president of Booz, Allen & Hamilton, Inc., an international management consulting organization. He became a director of Golconda in September, 1970 and subsequently was named to the executive committee of the board which he served as chairman. He was elected president and chief executive officer as of February 1, 1972.

Richard S. Sloma (45) - President and Chief Executive Officer (June 27, 1974) previously Executive Vice President and Chief Operating Officer. President of the RegO Division. Director and member of executive committee.

Prior to May, 1970, Mr. Sloma was president of ITT's Abrasive Products Company. He joined the RegO Division of Astro Controls, Inc. in June, 1970 which merged with Golconda in September, 1970 and continued to serve as such until December, 1971 when he assumed responsibility for all manufacturing operations of Golconda. He was elected a director in April, 1972 and named executive vice president, chief operating officer as of December 1, 1972.

John M. Stogin (45) - Secretary and Vice President-Corporate Counsel

In 1969, Mr. Stogin was vice president-finance of The Bastian-Blessing Company. That company was consolidated in May, 1969 to form Astro Controls, Inc. and he then became vice president-legal and finance and a director of Astro. The latter company was merged with Golconda in September, 1970 and he continued as vice president-legal and finance until March, 1971 when he became vice president-corporate counsel for the company. He was elected to the additional post of secretary in February, 1972.

Frederick F. Schauder (36) - Vice President-Finance and Treasurer

Mr. Schauder was appointed as a director on September 12, 1974 and vice president-finance and treasurer on March 20, 1975. He is also vice president and controller of Cerro Corporation's Manufacturing Group. Prior to joining Cerro in 1973, he spent ten years with Arthur Andersen & Co.

Charles B. Cranford (37)- Vice President-Controller

Since joining the company in January, 1973 Mr. Cranford has served as controller of both the corporation and its RegO Division. He was promoted to his present position in January, 1974. Prior to joining Golconda, he served as division controller and in other accounting assignments for the AMF Corporation.

ITEM 6 INCREASES AND DECREASES IN OUTSTANDING EQUITY SECURITIES

(A) Cumulative Convertible Preferred Stock (Par value $1.00 per share)

Description of Transaction	Date of Transaction	Increase (Decrease) in Number	Amount Outstanding
Balance - December 1, 1973			383,212
Conversion to Common Shares	April, 1974	(55)	383,157
Balance - December 31, 1974			383,157

(B) Common Stock (No par value)

Description of Transaction	Date of Transaction	Increase (Decrease) in Number	Amount Outstanding (1)
Balance - December 1, 1973			2,785,513
Conversion of Preferred Stock to Common Shares	April, 1974	82	2,785,595
Balance - December 31, 1974			2,785,595

(1) Exclusive of treasury shares (71,250 at December 1, 1973 and December 31, 1974)

(C) 7% Convertible Subordinated Debentures due January 1, 1990

Description of Transaction	Date of Transaction	Increase (Decrease) in Number	Amount Outstanding
Balance - December 1, 1973			4,441,000
Purchased by Company	January & December, 1974	(14,000)	4,427,000
Balance - December 31, 1974			4,427,000

(D) Warrants to Purchase Common Stock @ $14.51 per share expiring January 15, 1979

Description of Transaction	Date of Transaction	Increase (Decrease) in Number	Amount Outstanding (1)
Balance - December 1, 1973			292,467
Balance - December 31, 1974			292,467

(1) Exercisable from January 15, 1969, expiring January 15, 1979.

judgment of conviction in any criminal action, suit or proceeding shall not constitute a determination that the person so convicted has been derelict in the performance of his duties if it is determined by a majority of the members of the board of directors who were not a party thereto, though less than a quorum, or by one or more disinterested persons in the manner provided in the preceding sentence that the person so convicted acted in good faith, for a purpose which he reasonably believed to be in the best interests of the company and that he had no reasonable cause to believe that his conduct was unlawful; and (e) advances may be made by the company against costs, expenses and fees as, and upon the terms, determined by the board of directors. The corporation shall indemnify an employee who is not an officer to the same extent that it does an officer. The foregoing right of indemnification shall not be exclusive of any other rights to which any director or officer may be entitled as a matter of law or which may be lawfully granted to him; and the indemnification hereby granted by the company shall be in addition to and not in restriction or limitation of any other privilege or power which the corporation may lawfully exercise with respect to the indemnification or reimbursement of directors, officers or employees."

Rocco R. Del Presto (50) - Vice President; President Bastian-Blessing Division

Since joining the company in August, 1971, Mr. Del Presto has served in various managerial capacities with the RegO and Bastian-Blessing Divisions of the company. He was named general manager of the Bastian-Blessing Division in January, 1972 and was elected a corporate vice president as of December 1, 1972. Prior to August, 1971, he was vice president and general manager of ITT's Nesbitt Company ($50,000,000 sales). (This division was sold in February, 1975 and Mr. Del Presto became an employee of the purchaser.)

Wray Featherstone (62) - Vice President; President Golconda Mining Corporation. Director.

Mr. Featherstone has almost forty years of experience in the mining field and is responsible for all of the company's mining activities in the Wallace, Idaho area.

Richard H. Watson (53) - Vice President-Personnel & Organizational Planning

Mr. Watson was director of industrial relations in 1969 when The Bastian-Blessing Company was consolidated into Astro Controls, Inc. which in September, 1970 merged with Golconda Corporation. He served as director of industrial relations for those companies until December 1, 1972 when he was named a corporate vice president responsible for personnel and organizational planning.

Donald V. Ytterberg (48) - Vice President; President Anderson Copper and Brass Division

Mr. Ytterberg was a vice president of the Anderson Copper and Brass Company when it was acquired by Golconda in July, 1972. He was named a corporate vice president as of December 1, 1972.

ITEM 9 INDEMNIFICATION OF DIRECTORS AND OFFICERS

(a) "Any present or future director or officer, or the executor, administrator or other legal representative of any such director or officer, shall be indemnified by the corporation against reasonable costs, expenses (exclusive of any amount paid to the corporation in settlement), judgments, fines, amounts paid in settlement of any action, suit or proceedings, and counsel fees paid or incurred in connection with any action, suit or proceeding to which legal representative may hereafter be made a party by reason of his being or having been such director or officer; provided, (1) said action, suit or proceeding shall be prosecuted against such director or officer or against his executor, administrator or other legal representative to final determination, and it shall not be finally adjudged in said action, suit or proceedings that he had been derelict in the performance of his duties as such director or officer, or (2) said action, suit or proceeding shall not be settled or otherwise terminated as against such director or officer or his executor, administrator or other legal representative without a final determination on the merits, and it shall be determined that such director or officer had not in any substantial way been derelict in the performance of his duties as charged in such action, suit or proceeding, such determination to be made by a majority of the members of the board of directors who were not parties to such action, suit or proceeding, though less than a quorum, or by any one or more disinterested persons to whom the question may be referred by the board of directors. For purposes of the preceding sentence: (a) "action, suit or proceeding" shall include every action, suit or proceeding, civil, criminal or other; (b) the right of indemnification conferred thereby shall extend to any threatened action, suit or proceeding and the failure to institute it shall be deemed its final determination; (c) the termination of an action, suit or proceeding by a plea of nolo contendere or other like plea shall not constitute a final determination on the merits; (d) a

To the Shareholders and
Board of Directors of

Golconda Corporation

We have examined the consolidated balance sheet of Golconda Corporation (a subsidiary of Cerro Corporation) and its subsidiaries as of December 31, 1974 and the related consolidated statements of earnings, retained earnings, additional contributed capital, appearing elsewhere herein, and changes in financial position and schedules for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In 1973, the accounting profession changed the criteria for determining the types of items to be reported as extraordinary items, and accordingly, the company has reflected these changes in its 1974 consolidated statement of earnings, as described in Note F to the consolidated statement of earnings.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Golconda Corporation and its subsidiaries at December 31, 1974, the results of their operations and the changes in financial position for the fiscal year then ended, in conformity with generally accepted accounting principles consistently applied during the year except for the change, with which we concur, referred to in the preceding paragraph.

The consolidated financial statements of Golconda Corporation and its subsidiaries for the fiscal year ended November 30, 1973 were examined by other independent accountants.

Price Waterhouse & Co.

Chicago, Illinois
February 27, 1975, except as
to Note 10, which is as of
March 14, 1975

LS 000480

ITEM 10

GOLCONDA CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

November 30, 1973 and December 31, 1974

	PAGE
Reports of Independent Accountants	
Price Waterhouse & Co.	F-2
Alexander Grant & Company	F-3
Financial Statements	
Consolidated Balance Sheet	F-4 & F-5
Consolidated Statement of Earnings	Item 2
Consolidated Statement of Retained Earnings	Item 2
Consolidated Statement of Additional Contributed Capital	Item 2
Consolidated Statement of Changes in Financial Position	F-6 & F-7
Notes to Consolidated Financial Statements	F-8 to F-15
Schedules	
V - Property, Plant and Equipment	F-16
VI - Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment	F-17
VII - Intangible Assets, Deferred Research and Development Expenses, Preoperating Expenses and Similar Deferrals	F-18
XII - Reserves	F-19
XVI - Supplementary Income Statement Information	F-20
Exhibit I - Calculation of Earnings Per Share	F-21 & F-22

Schedules not included above are omitted as either not applicable or not required or the required information is included in Notes to Consolidated Financial Statements.

The individual financial statements of the Registrant are omitted because consolidated financial statements are filed and because the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements are totally-held subsidiaries.

LS 000479

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

November 30, 1973 and December 31, 1974

ASSETS

CURRENT ASSETS	1973	1974
Cash	$ 479,000	$ 1,827,000
Certificates of Deposit	750,000	-
Notes and Accounts Receivable less allowance for doubtful receivables (1973 - $81,000; 1974 - $268,000) (Schedule XII)	8,913,000	5,556,000
Note receivable from Cerro Corporation, including interest (Note 3)	-	9,242,000
Inventories (Note 1) (Schedule XII)	19,714,000	17,518,000
Prepaid expenses and sundry deposits	189,000	82,000
Net Assets of Division Sold (Notes 9 and B)	-	4,660,000
Total current assets	30,045,000	38,885,000
INVESTMENTS - AT COST less reserve of $175,000 at December 31, 1974 for market decline (Notes 1 and 3)	3,418,000	613,000
PROPERTY, PLANT AND EQUIPMENT - AT COST (Notes 1 and 5) (Schedules V & VI)		
Buildings and Improvements	4,947,000	3,396,000
Machinery, equipment and tools	13,066,000	12,356,000
Office furniture and fixtures	523,000	409,000
	18,536,000	16,161,000
Less accumulated depreciation	(9,078,000)	(8,084,000)
	9,458,000	8,077,000
Land	691,000	839,000
	10,149,000	8,916,000
OTHER ASSETS		
Excess of cost over underlying equity of net assets acquired (Notes 1 & B) (Schedule VII)	4,375,000	3,135,000
Deferred debt expense - less amortization on the bonds outstanding method (1973-$91,000; 1974-$160,000)	570,000	410,000
Sundry	508,000	297,000
	5,453,000	3,842,000
TOTAL ASSETS	$49,065,000	$52,256,000

The accompanying notes are an integral part of this statement.

LS 000482

AUDITORS' REPORT

Board of Directors and Stockholders
Golconda Corporation

We have examined the consolidated balance sheet of Golconda Corporation and Subsidiaries as of November 30, 1973 and the related consolidated statements of earnings, retained earnings, additional contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Golconda Corporation and Subsidiaries as of November 30, 1973 and the consolidated results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined Schedules V, VI, VII, XII and XVI which are included in this report for the year ended November 30, 1973 and in our opinion, these schedules present fairly the information required to be set forth therein.

Alexander Grant & Company

Chicago, Illinois
December 31, 1973, except as to
Notes B and 9 for which the
date is February 13, 1975.

LS 000481

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GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES

IN FINANCIAL POSITION

	Year Ended November 30, 1972	1973	Dec. 31, 1974
SOURCES OF WORKING CAPITAL			
From Operations:			
Earnings from continuing operations	$1,814,000	$3,125,000	$ 7,503,000
Earnings (loss) from discontinued operations	(108,000)	76,000	(1,942,000)
Add (deduct) expenses not requiring outlay of working capital			
Provision for depreciation	765,000	896,000	1,192,000
Amortization of deferred expenses	111,000	91,000	153,000
Deferred income taxes	316,000	505,000	(189,000)
Cost of investments sold	306,000	742,000	2,382,000
Reserve for decline in value of investments	-	-	175,000
Write-down of asset held for sale	-	-	237,000
Write-off of excess cost over underlying equity of net assets acquired	-	-	1,240,000
Working capital provided from operations	3,204,000	5,435,000	10,751,000
Net fixed assets of Division sold	-	-	1,695,000
Reduction of long-term notes receivable	329,000	48,000	298,000
Long-term borrowings	859,000	-	-
Cash surrender value of life insurance policies	73,000	52,000	-
Increase in working capital for December, 1973 (Note A)	-	-	405,000
Total sources of working capital	4,465,000	5,535,000	13,149,000
DISPOSITIONS OF WORKING CAPITAL			
Net additions to property, plant and equipment	625,000	3,714,000	1,890,000
Reduction of long-term debt	1,825,000	990,000	3,098,000
Purchase and retirement of preferred stock	144,000	81,000	-
Preferred cash dividends declared	399,000	385,000	383,000
Plant and equipment purchased through acquisitions	854,000	-	-
Sundry	168,000	149,000	(5,000)
Total dispositions of working capital	4,015,000	5,319,000	5,366,000
INCREASE IN WORKING CAPITAL	$ 450,000	$ 216,000	$ 7,783,000

INCREASES (DECREASES) IN WORKING CAPITAL COMPONENTS:	Year Ended Nov. 30, 1972	1973	13 Mos. Ended Dec. 31, 1974
Cash and certificates of deposit	$(445,000)	$(582,000)	$ 598,000
Notes & accounts receivable-net	2,269,000	(1,070,000)	5,885,000
Inventories	2,736,000	3,744,000	(2,196,000)
Prepaid expenses & sundry deposits	93,000	(20,000)	(107,000)
Net assets of Division sold	-	-	4,660,000
Net increase (decrease) in current assets	4,653,000	2,072,000	8,840,000

(continued)

LS 000484

Golc - CDA dm - 0478

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

November 30, 1973 and December 31, 1974

LIABILITIES

CURRENT LIABILITIES	1973	1974
Current maturities of long-term debt (Note 5)	$ 896,000	$ 80,000
Notes payable - banks (Note 4)	3,635,000	8,000,000
Accounts payable	5,688,000	2,352,000
Income taxes		
Currently payable	878,000	1,420,000
Deferred	-	1,136,000
Accrued Liabilities		
Salaries, Wages, etc.	673,000	193,000
Property and Payroll Taxes	426,000	315,000
Interest	239,000	79,000
Employee Benefits	129,000	181,000
Other	191,000	56,000
Total current liabilities	12,755,000	13,812,000
LONG-TERM DEBT (Note 5)	10,192,000	7,058,000
DEFERRED INCOME TAXES (Note 1)	1,153,000	964,000
COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS (Notes 3, 4, 6 and 8)	-	-
STOCKHOLDERS' EQUITY (Notes 5 & 7)		
Capital Stock		
Preferred (Redemption and liquidation value - 1973 $14,370,000; 1974 $14,368,000)	383,000	383,000
Common	774,000	774,000
Additional contributed capital	5,674,000	5,674,000
Retained earnings	18,654,000	24,111,000
	25,485,000	30,942,000
Less treasury stock - at cost	520,000	520,000
	24,965,000	30,422,000
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$49,065,000	$52,256,000

The accompanying notes are an integral part of this statement.

LS 000483

GOLCONDA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1973 AND DECEMBER 31, 1974

Note 1: SUMMARY OF ACCOUNTING POLICIES

CONSOLIDATION - All operating subsidiaries are consolidated and significant inter-company transactions have been eliminated.

NOTE REFERENCES - In the accompanying financial statements, alphabetic note references are to Notes to Consolidated Statement of Earnings included elsewhere herein.

INVENTORIES - Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories are comprised of the following:

	(in thousands)			
	November 30,		December 31,	
	1972	1973	1973	1974
Finished Goods and Work in Process	$11,852	$14,786	$16,598	$14,685
Raw Materials and Supplies	4,118	4,928	3,718	2,833
Total	$15,970	$19,714	$20,316	$17,518

INVESTMENTS - Golconda carries its investments in mining companies (except Alice Consolidated Mines, Inc. - Alice) on the cost basis. Reserves are provided for declines in market value. Alice is accounted for on the equity method. Gains or losses on sales are determined based on the average cost of securities.

DEPRECIATION - For financial reporting purposes, the Company computes depreciation principally on a straight-line basis over the estimated useful life of the assets. The estimated service lives and methods used in determining depreciation are as follows:

Description	Service Lives	Method of Depreciation
Buildings and improvements	8 to 50 years	Straight-line
Machinery	5 to 20 years	Straight-line
Furniture and fixtures	8 to 20 years	Straight-line
Land improvements	20 years	Straight-line
Leasehold improvements	Life of asset or term of lease, whichever is shorter	Straight-line

Maintenance and repairs are charged to operations as incurred. Betterments and major renewals are capitalized. Upon sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with the depreciation taken prior to the sale with any resultant gain or loss reflected in earnings.

INCOME TAXES - Provision is made for deferred taxes which arise primarily from the use for tax purposes of accelerated depreciation methods and timing differences in the recognition of investment income. Available investment tax credits on capital additions are accounted for under the "flow-through" method (1974-$43,000; 1973-$149,000). The investment tax credit and the effect of the use of a Domestic International Sales Corporation resulted in reductions of the Federal income tax provision of $180,000 and $247,000 in 1974 and 1973, respectively.

Effective June 2, 1974, Golconda will be included in the consolidated Federal tax return of Cerro Corporation. Under Cerro's tax policy, each subsidiary computes its Federal tax liability and expense on a separate company basis and remits to Cerro the amount of liability determined. In this connection, Golconda will pay Cerro approximately $1,136,000 in 1975 applicable to the current deferred tax liability at December 31, 1974. State income tax returns are filed on an individual company basis.

LS 000486

Golc - CDA dm - 0480

GOLCONDA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES

IN FINANCIAL POSITION

	Year Ended November 30, 1972	Year Ended November 30, 1973	Year Ended Dec. 31, 1974
Current maturities of long-term debt	$ 476,000	$(139,000)	$(816,000)
Notes payable	(330,000)	2,043,000	4,365,000
Accounts payable	3,165,000	156,000	(3,336,000)
Income taxes	569,000	(30,000)	1,678,000
Accrued liabilities	323,000	(174,000)	(834,000)
Net increase (decrease) in current liabilities	4,203,000	1,856,000	1,057,000
INCREASE (DECREASE) IN WORKING CAPITAL	$ 450,000	$ 216,000	$ 7,783,000

The accompanying notes are an integral part of this statement.

LS 000485

Note 3 (continued)

Earnings from investments for the years ended November 30, 1973 and December 31, 1974 are summarized below:

	1973	1974
Net realized gain on sales of Hecla Mining Company stock:		
Shares sold to Cerro Corporation	$ -	$ 8,033,000
Shares sold to Others	1,753,000	2,508,000
Expenses including interest of $87,000 and None, respectively	(172,000)	(101,000)
Reserve for market decline of certain investments	-	(175,000)
Investment earnings before income taxes	$1,581,000	$10,265,000

The sale of Hecla stock to Cerro was completed on a basis which resulted in Golconda receiving $916,651 in cash and $9,000,000 in a 2-1/2 year promissory note of Cerro which bears interest at 110% of the prime rate. On January 24, 1975 the note was prepaid by Cerro together with accrued interest.

Alice Consolidated Mines, Inc. (Alice) owns 1,109 acres of mining properties. Hecla Mining Company and Alice Consolidated Mines, Inc. are engaged in an exploration and development program to be conducted by Hecla on this property. The Company has a 20 percent participation in the pre-production costs for the exploration and development program. The Company's expenditures are expected to amount to $200,000 over a five-year period, and to commence in 1975. The Company will receive 20 percent of the net profits, if any, until such pre-production costs have been recovered, and 10 percent thereafter. The realization of the Company's investment in Alice is dependent upon the success of the exploration and development program.

Note 4: SHORT-TERM DEBT AND COMPENSATING BALANCES

At December 31, 1974, the Company has a $3,000,000 line of credit agreement at a major Chicago bank which provides for unsecured borrowings until May 31, 1975, generally for periods of ninety days, at the bank's prime interest rate. Continuation of this line of credit is subject to the terms and conditions of the bank, such as the maintenance of average collected balances, and management believes that the line will be reviewed and renewed at May 31, 1975.

Maximum short-term borrowing during 1974 was $4,600,000, and, based upon a weighted average month-end computation, the average balance outstanding was $2,181,000 and the weighted average interest rate was 10.43 percent.

The $8,000,000 note payable to bank arose in conjunction with the sale of Hecla shares (see Note 3) and, although originally a long-term borrowing, has been classified as short-term in the balance sheet because the proceeds of the Cerro note receivable (see Note 3) were used to retire this obligation on January 25, 1975.

There are no withdrawal restrictions on cash balances maintained at the bank. However, in connection with the $3,000,000 line of credit and the $8,000,000 note payable to bank, the Company has agreed to maintain an average collected balance of 10% of the unused line (20% on any used portion) and 10% of the note payable. At December 31, 1974, the cash balance shown in the balance sheet principally represented this compensating balance after adjusting for float. Float (negative at December 31, 1974) is comprised of $550,000 of unpresented checks less $150,000 of deposits in transit and $1,200,000 representing one day's deposits.

LS 000488

RESEARCH AND PRODUCT DEVELOPMENT COST - The Company follows the practice of expensing research costs as incurred.

EXCESS OF COST OF ACQUIRED COMPANIES OVER EQUITY - The amount shown on the balance sheet arose prior to fiscal year 1971 and is not being amortized because, in the opinion of management, there has been no diminution of value.

PENSION PLANS - Unfunded past service costs are being funded on a thirty-year basis; current costs are being funded as accrued.

Note 2: EARNINGS PER SHARE

Earnings per common and common equivalent share were computed for 1973 and 1974 by dividing net earnings by the average number of common and common equivalent (preferred stock) shares outstanding (3,365,000 in 1973 and 3,360,000 in 1974). Fully diluted earnings per share were determined on the assumption that the average number of common and/or common equivalent shares outstanding was further increased (to 3,793,000 shares in 1973 and 3,776,000 shares in 1974) by conversion as of the beginning of each year of the convertible debentures outstanding. Warrants have not been reflected in the computation because they are antidilutive.

Note 3: INVESTMENTS

At November 30, 1973 and December 31, 1974 investments were comprised principally of capital stock of mining companies and are as follows:

	November 30, 1973		December 31, 1974	
	Cost	Quoted Market Price	Cost	Quoted Market Price
Hecla Mining Company (None in 1974; 507,327 shares in 1973)	$2,630,000	$ 7,483,000	$ -	$ -
Alice Consolidated Mines, Inc. (54% owned) (4,308,020 shares in 1973 and 1974)	399,000	2,671,000	399,000	1,508,000
Other, net of reserve	389,000	415,000	214,000	388,000
	$3,418,000	$10,569,000	$613,000	$1,896,000

LS 000487

Note 6: EMPLOYEE BENEFIT PLANS

The Company has various benefit plans, including pension and executive incentive compensation plans, covering a substantial portion of its employees. Provisions for these plans for the year ended December 31, 1974 were $436,000 and $359,000 for the continuing operations and discontinued operations, respectively. The pension plan is for substantially all salaried employees and full time hourly rated employees of all of the Company's divisions. The actuarially computed values of vested benefits and unfunded prior service cost for all of the continuing plans as of December 1, 1974 exceed the total of the pension funds by $2,900,000 and $3,700,000, respectively. The charges to continuing operations for the cost of the pension plans for the years ended December 31, 1974 and November 30, 1973 were $381,000 and $320,000, respectively. Management believes that the requirements of the new Pension Law will not materially affect the cost of the Company's pension plans.

In connection with the sale of the Bastian-Blessing Division (see Note 9), the Company has agreed to transfer the pension fund assets applicable to Bastian-Blessing Division employees to separate plans and the buyer has agreed to assume all liability with respect to pensions attributable to Bastian-Blessing employees. This assumption resulted in reduction of the Company's December 1, 1974 unfunded vested benefit and unfunded prior service liabilities by $2,000,000 and $2,200,000, respectively. In the absence of regulations or interpretations of the new Pension Law, it is not possible to say that Golconda will not be liable for the failure or inability of the buyer to honor the terms of the pension plans. The Bastian-Blessing Division charges for the cost of its pension plans for the years ended December 31, 1974 and November 30, 1973 were $311,000 and $256,000, respectively.

Note 7: CAPITAL STOCK

Preferred stock consists of 934,406 authorized shares of $1.00 par value, of which 383,157 shares are issued and outstanding at December 31, 1974.

The preferred stock is entitled to a preferential cumulative annual dividend at a rate of $1.00 per share. The shares are redeemable at the option of the Company at $37.50 per share plus unpaid cumulative dividends. The aggregate redemption and liquidation value at December 31, 1974 is $14,368,387. The preferred stock has liquidation rights over the common stock in any final distribution and is entitled to one vote for each share held.

The preferred shares are convertible into common shares at the option of the holder at the rate of one and one-half shares common stock for each preferred share held. This conversion rate is subject to non-dilution provisions.

Common stock consists of 7,500,000 authorized shares, without par value, of which 2,785,595 shares are outstanding. At December 31, 1974, 1,282,103 shares of authorized but unissued common shares have been reserved as follows: 574,735 shares upon conversion of preferred stock; 414,901 shares upon conversion of the 7% convertible subordinated debenture (Note 5): 292,467 shares upon exercise of warrants for the purchase of common stock (Note 5). At December 31, 1974, there are 71,250 shares of common stock held in treasury.

During 1974, Cerro Corporation acquired 2,411,325 common shares and 281,635 preferred shares representing 86.6% and 73.5% of the total outstanding, respectively.

An analysis of the transactions during the year ended November 30, 1973 and the thirteen months ended December 31, 1974 affecting preferred and common stock, additional contributed capital and treasury stock follows:

LS 000490

Note 5: LONG-TERM DEBT

Long-term debt at November 30, 1973 and December 31, 1974 is comprised of the following:

	(in thousands) 1973	1974
7% convertible subordinated debentures due January 1, 1990	$ 4,441	$ 4,427
10% first mortgage note payable in monthly instalments of $28,975 including interest, final payment due April 1, 1990	2,790	2,711
7% subordinated notes payable to insurance companies	2,750	-
Note payable to a bank with interest at prime plus 3/4%	1,107	-
	11,088	7,138
Less current maturities	896	80
	$10,192	$ 7,058

The aggregate amounts of long-term debt maturing in each of the five years subsequent to December 31, 1974 are as follows:

1975	$ 80,000
1976	165,000
1977	423,000
1978	433,000
1979	444,000

The 7% convertible subordinated debenture agreement contains certain covenants, the most restrictive of which provide, among other things, that the Company:

Will maintain consolidated net working capital of $10,000,000. At December 31, 1974, consolidated net working capital was $25,073,000.

Will not pay cash dividends or acquire for cash any shares of its stock in excess of $1,000,000 plus its cumulative consolidated net income after November 30, 1969. At December 31, 1974, retained earnings in the amount of $10,256,000 were free of such restrictions.

In connection with the 7% subordinated note agreements, the Company has issued warrants entitling the holders thereof to purchase, at a price per share of $14.51, up to 292,467 shares of the Company's common stock. These warrants expire January 15, 1979.

The trust indenture underlying the convertible subordinated debentures provides, among other things, that the debentures are redeemable at the Company's option at prices ranging from 104.5% in 1975 to 100% in 1984; that annual sinking fund payments of $325,000 are required beginning in 1976 (such payments can be reduced by the principal amount of debentures acquired by the Company or converted into common stock, as a result all of the 1976 installment and all but $77,000 of the 1977 installment have already been satisfied), that the Company has an option to make additional annual payments of $325,000 beginning in 1975 and that the debentures are convertible into shares of common stock at a conversion price of $10.67 per share (subject to non-dilution provisions).

LS 000489

Golc - CDA dm - 0485

Note 10: SUBSEQUENT EVENTS

On March 14, 1975, Golconda entered into a preliminary agreement to sell, subject to approval of the Board of Directors, the business and substantially all of the net assets of the contracts business of its Pioneer Astro Division. Certain of the assets and all liabilities will be sold for cash equal to the net book value at March 31, 1975, the closing date. Contracts in process will be transferred to a joint venture between Golconda and the buyer. The buyer will manage the joint venture and reimburse Golconda for the fair market value of the in-process contracts as the contracts are completed and cash is collected from customers. Golconda and the buyer will share equally in the gains or losses recognized on completing the in-process contracts. Total proceeds from the sale are estimated at $1,628,000 and it is not anticipated that Golconda will suffer any loss on this transaction.

Presented below is condensed 1974 financial information for the Pioneer Astro contract business (in thousands, except per share data). Consolidated financial statements for 1974 have not been restated for this transaction.

Sales	$ 3,741
Net Earnings	$ 83
Net Earnings Per Share	$ .02
Assets -	
Receivables	$ 447
Inventories	632
Net fixed assets	721
	1,800
Liabilities	(172)
Net assets	$ 1,628

Note 11: FOURTH QUARTER RESULTS (UNAUDITED)

The financial information appearing in this note has not been specifically audited by the Company's independent public accountants during the course of their examination of the financial statements for the years ended December 31, 1973 and 1974.

Such information is presented in response to an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants issued in May, 1973 requiring certain disclosure of fourth quarter results.

Sales and earnings for the fourth quarter of 1973 and 1974 were as follows:

	Three Months Ended December 31,			
	1973		1974	
	Amount	Per Share	Amount	Per Share
	(in thousands)			
Sales -				
Continuing operations	$ 8,144		$ 6,202	
Discontinued operation	4,353		6,747	
	$12,497		$12,949	
Net Earnings (Loss)				
From continuing operations -				
Manufacturing	$ 567	$ .17	$(201)	$(.07)
Investments	727	.21	(334)	(.10)
	1,294	.38	(535)	(.17)
From discontinued operations	(4)	-	(1,957)	(.58)
Net	$ 1,290	$ .38	$(2,492)	$(.75)

LS 000492

Note 7 (continued)

	Preferred Stock	Common Stock	Additional Contributed Capital	Treasury Stock
Balance at December 1, 1972	$ 390,204	$ 773,055	$5,747,583	$(519,600)
Purchase and retirement of 6,400 shares of preferred stock	(6,400)		(74,044)	
Conversion of 592 shares of preferred stock into 888 shares of common stock	(592)	592		
Balance at November 30, 1973	383,212	773,647	5,673,539	(519,600)
Conversion of 55 shares of preferred stock into 82 shares of common stock	(55)	55		
Balance at December 31, 1974	$ 383,157	$ 773,702	$5,673,539	$(519,600)

Note 8: CONTINGENT LIABILITIES

The Company is one of 35 defendants in an alleged class action by a shareholder of United States National Bank of San Diego, in Fred H. Harmsen, et al vs. C. Arnholt Smith, et al., filed on October 29, 1973, in the United States District Court for the Southern District of California. The plaintiff purports to be acting in a derivative capacity on behalf of the shareholders of the bank. The complaint seeks damages and other relief on behalf of the shareholders of the bank on account of alleged violations of federal securities laws, illegal loans, improper acts of the bank's directors, and conspiracy to commit the foregoing acts and fraud.

In the opinion of the Company, the exposure of Golconda Corporation to any liability seems very remote in that the corporation's only connection with the United States National Bank or with C. A. Smith is that some of Golconda Corporation's stock was at one time possessed by one of the Smith-dominated corporations. There have not been any material transactions between the Company and the other defendants and the United States National Bank of San Diego, and it is management's opinion that there are no facts, nor have any been specifically alleged relating to Golconda warranting inclusion of the Company in the complaint. An identical class action suit was filed by plaintiff in the Superior Court in and for the County of San Diego to toll the statute of limitations in the State Court, but to date this suit has not yet been formally served upon Golconda Corporation.

Note 9: SALE OF BASTIAN-BLESSING DIVISION

Refer to Note B of Notes to Consolidated Statement of Earnings for details as to the terms, proceeds, date and loss on the sale of the Bastian-Blessing (B-B) Division. Presented below is a condensed balance sheet of B-B as of December 31, 1974:

	000's
Receivables	$ 3,865
Inventories	3,500
Other current assets	41
	7,406
Current liabilities	(2,541)
Net working capital	4,865
Net fixed assets	1,695
Reserve for loss on sale	(1,900)
Net assets sold	$ 4,660

LS 000491

GOLCONDA CORPORATION & SUBSIDIARIES

SCHEDULE V

PROPERTIES

Consolidated:	Balance at Beginning of Period	Additions at Cost	Deductions: Properties of Discontinued Operations	Deductions: Retirements and Sales	Deductions: Other Changes	Balance at End of Period
Year Ended 12/31/74:						
Land	$ 691,000	$ 180,000	$(32,000)	$ -	$ -	$ 839,000
Buildings & Improvements	4,963,000	349,000	(1,896,000)	(20,000)	-	3,396,000
Machinery, Equipment & Tools	13,178,000	1,329,000	(1,565,000)	(290,000)	(296,000)(A)	12,356,000
Furniture & Fixtures	525,000	85,000	(168,000)	(33,000)	-	409,000
	$19,357,000	$1,943,000	$(3,661,000)	$(343,000)	$(296,000)	$17,000,000
Year Ended 11/30/73:						
Land	$ 691,000	$ -	$ -	$ -	$ -	$ 691,000
Buildings & Improvements	4,279,000	717,000	-	28,000	(21,000)(B)	4,947,000
Machinery, Equipment & Tools	10,196,000	2,928,000	-	166,000	108,000 (B)	13,066,000
Furniture & Fixtures	539,000	87,000	-	16,000	(87,000)(B)	523,000
	$15,705,000	$3,732,000	$ -	$ 210,000	$ -	$19,227,000
One Month Ended 12/31/73:						
Land	$ 691,000	-	-	-	-	691,000
Buildings & Improvements	4,947,000	16,000	-	-	-	4,963,000
Machinery, Equipment & Tools	13,066,000	117,000	-	(3,000)	(2,000)(B)	13,178,000
Furniture & Fixtures	523,000	-	-	-	2,000 (B)	525,000
	$19,227,000	$ 133,000	$ -	$(3,000)	$ -	$19,357,000

(A) Transfer to Asset Held for Sale
(B) Reclassification

LS 000494

Golc - CDA dm - 0488

Note 11 (continued)

Sales from continuing manufacturing businesses fell 25% from 1973, principally due to the depressed liquid petroleum gas industry. Earnings from continuing operations were lower because of reduced sales. Because of depressed economic conditions reserves were established against losses on inventories, receivables and for the disposition of certain machinery and equipment.

Discontinued operations sales and earnings were substantially improved over 1973 due to the high number of shipments to McDonalds. However, a reserve for the loss on the sale and the write-off of goodwill attributable to B-B result in a net loss for the quarter of $1,957,000, after tax benefit of $950,000.

Investment earnings for the 1973 quarter include gains on the sale of Hecla Mining Company common stock. There were no similar sales in the fourth quarter of 1974. The 1974 fourth quarter investment earnings were down due to providing a reserve against market decline in the value of mining company stocks and as a result of a change in the estimated tax provision rate.

GOLCONDA CORPORATION & SUBSIDIARIES

SCHEDULE VII

INTANGIBLE ASSETS, DEFERRED RESEARCH AND DEVELOPMENT EXPENSES, PRE-OPERATING EXPENSES AND SIMILAR DEFERRALS

EXCESS OF COST OVER UNDERLYING EQUITY OF NET ASSETS ACQUIRED

Description	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Deductions	Column E Other Changes	Column F Balance at End of Period
Year Ended 12/31/74	$4,375,000	$ -	$(1,240,000) (A)	$ -	$3,135,000
Year Ended 11/30/73	$4,375,000	$ -	$ -	$ -	$4,375,000
One Month Ended 12/31/73	$4,375,000	$ -	$ -	$ -	$4,375,000

(A) Written off in connection with sale of division.

LS 000496

GOLCONDA CORPORATION & SUBSIDIARIES

SCHEDULE VI

ACCUMULATED DEPRECIATION

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Balance of Discontinued Operations	Retirements and Sales	Other	Balance at End of Period
Consolidated:						
Year Ended 12/31/74						
Buildings & Improvements	$2,035,000	$ 249,000	$(863,000)	$(21,000)	$ -	$1,400,000
Machinery, Equipment & Tools	6,842,000	879,000	(1,007,000)	(242,000)	(26,000)(A)	6,446,000
Furniture & Fixtures	299,000	64,000	(98,000)	(27,000)	-	238,000
	$9,176,000	$1,192,000	$(1,968,000)	$(290,000)	$(26,000)	$8,084,000
Year Ended 11/30/73						
Buildings & Improvements	$1,816,000	$ 217,000	$ -	$ 23,000	$ -	$2,010,000
Machinery, Equipment & Tools	6,254,000	642,000	-	153,000	29,000 (B)	6,772,000
Furniture & Fixtures	304,000	37,000	-	16,000	(29,000)(B)	296,000
	$8,374,000	$ 896,000	$ -	$ 192,000	$ -	$9,078,000
One Month Ended 12/31/73						
Buildings & Improvements	$2,010,000	$ 25,000	$ -	$ -	$ -	$2,035,000
Machinery, Equipment & Tools	6,772,000	70,000	-	-	-	6,842,000
Furniture & Fixtures	296,000	3,000	-	-	-	299,000
	$9,078,000	$ 98,000	$ -	$ -	$ -	$9,176,000

(A) Transfer to Assets Held for Sale

(B) Reclassification

LS 000495

Golc - CDA dm - 0491

GOLCONDA CORPORATION & SUBSIDIARIES

SCHEDULE XVI

SUPPLEMENTARY INCOME STATEMENT INFORMATION

	Year Ended 12/31/74	Year Ended 11/30/73	One Month Ended 12/31/73
Continuing Operations:			
Maintenance & Repairs	$ 782,000	$ 689,000	$ 19,000
Depreciation of Property, Plant & Equipment	992,000	719,000	77,000
Taxes Other Than Income Taxes:			
Real Estate & Personal Property	428,000	262,000	28,000
Payroll	852,000	846,000	73,000
Sundry	1,000	7,000	-
Total	1,281,000	1,115,000	101,000
Discontinued Operations:			
Maintenance & Repairs	50,000	67,000	7,000
Depreciation of Property, Plant & Equipment	200,000	177,000	20,000
Taxes Other Than Income Taxes:			
Real Estate & Personal Property	174,000	161,000	9,000
Payroll	429,000	420,000	42,000
Sundry	6,000	20,000	5,000
Total	609,000	601,000	56,000

LS 000498

Golc - CDA dm - 0492

GOLCONDA CORPORATION & SUBSIDIARIES

SCHEDULE XII

RESERVES

	Balance at Beginning of Period	Charged Costs and Expenses	Deductions	Balance at End of Period
Continuing Operations				
Allowance for Doubtful Receivables:				
Year Ended 12/31/74	$ 55,000	$292,000	$(79,000) (A)	$268,000
Year Ended 11/30/73	$ 30,000	$ 24,000	$(1,000) (A)	$ 53,000
One Month Ended 12/31/73	$ 53,000	$ 2,000	$ -	$ 55,000
Inventory valuation reserve				
Year Ended 12/31/74	$ -	$900,000	$ -	$900,000
Reserve for Decline in Market Value of Investments				
Year Ended 12/31/74	$ -	$175,000	$ -	$175,000
Discontinued Operations				
Allowance for Doubtful Receivables:				
Year Ended 12/31/74	$ 29,000	$ 64,000	$(7,000) (A)	$ 86,000
Year Ended 11/30/73	$ 22,000	$ 12,000	$(6,000) (A)	$ 28,000
One Month Ended 12/31/73	$ 28,000	$ 1,000	$ -	$ 29,000

(A) Uncollectible accounts written off, net of recoveries.

LS 000497

EXHIBIT I

GOLCONDA CORPORATION AND SUBSIDIARIES
CALCULATION OF EARNINGS PER SHARE
(In thousands except for per share data)

	1970	1971	1972	1973	1974(A)
Shares for computations:-					
Weighted average shares outstanding	2,771	2,785	2,785	2,785	2,785
Common stock equivalents (B):					
Assumed conversion of convertible preferred stock into common	(C)	(C)	(C)	580	575
Employee stock options and stock warrants under the treasury stock method	(D)	(D)	(D)	(D)	(D)
Common shares for primary earnings per share	2,771	2,785	2,785	3,365	3,360
Assumed conversion of convertible preferred stock into common	675	602	585	(C)	(C)
Assumed conversion of 7% convertible subordinated debentures under if converted method	348	464	439	428	416
Additional stock option and stock warrant shares under treasury stock method	(D)	(D)	(D)	(D)	(D)
Common shares for fully diluted earnings per share	3,794	3,851	3,809	3,793	3,776
Net income for computations:-					
Earnings from continuing operations:					
Manufacturing	$ 252	$ 819	$1,372	$1,921	$ 482
Add interest savings net of applicable income taxes (B):					
Employee stock options and stock warrants	(D)	(D)	(D)	(D)	(D)
	252	819	1,372	1,921	482
Investments	181	363	341	1,183	7,021
	433	1,182	1,713	3,104	7,503
Earnings (loss) of discontinued operation	499	(239)	(7)	97	(1,942)
Earnings before preferred dividend requirement and extraordinary items	932	943	1,706	3,201	5,561
Less preferred dividend requirement (C)	(455)	(413)	(399)	-	-
Earnings before extraordinary items	477	530	1,307	3,201	5,561
Extraordinary items	(995)	(52)	-	-	-
Net income (loss) for primary earnings per share	(518)	478	1,307	3,201	5,561
Plus preferred dividend requirement (C)	455	413	399	-	-
Add interest savings, net of applicable income taxes:					
7% convertible debentures	136	200	197	185	184
Employee stock options and stock warrants	(D)	(D)	(D)	(D)	(D)
Net income (loss) for fully diluted earnings per share	$ 73	$1,091	$1,903	$3,386	$5,745

(See Notes on next page)

LS 000500

Golc - CDA dm - 0494

(A) Reference is made to Note A of Notes to Consolidated Statement of Earnings.

(B) Yield of the 7% convertible debenture exceeded 66-2/3% of prime rate at date of issue, and therefore is not a common stock equivalent.

(C) Anti-dilutive in 1970, 1971 and 1972. Dilutive, and therefore included in shares for primary earnings computation, in 1973 and 1974.

(D) Options and warrants are anti-dilutive, and therefore excluded from primary and fully diluted earnings per share calculations based on calculations where shares are assumed to be repurchased at the higher of average price or year-end closing price of Golconda Corporation or its predecessor. Interest savings resulting from assumed retirement of debt from proceeds of options and warrants would be determined under the 20% rule if warrants were not anti-dilutive in each year.

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LS 000502

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