CERTIFICATE OF DISSOLUTION

OF

WELLMAN LIQUIDATING CORPORATION

Wellman Liquidating Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Company"),

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Company by the unanimous written consent of its members duly adopted the following resolutions:

. . . .

RESOLVED, That following the sale of substantially all of the assets of the Company, under and subject to its liabilities, under the terms of the Agreement For Sale of Assets referred to in the foregoing resolutions, this Board of Directors deems it advisable that the Company be dissolved as soon as practicable in accordance with Section 275 of the General Corporation Law of the State of Delaware and the assets of the Company remaining after payment or provision for payment is made for any and all liabilities and obligations of the Company be distributed to the stockholders cf the Company, pro rata; and further

RESOLVED, That a Special Meeting of Stockholders be held on December 31, 1975 at 11:00 A.M. E.S.T. on the 10th Floor of the Pennwalt Building, Three Parkway, Philadelphia, PA for the purpose of considering and voting upon the Agreement for Sale of Assets, the dissolution of the Company in accordance with Section 275 of the General Corporation Law of the State of Delaware, the change of the Company's name to Wellman Liquidating Corporation, and the subsequent distribution of the Company's remaining cash to its stockholders in complete liquidation, and such other matters as may come before the meeting or any adjournments thereof; and further

RESOLVED, That the record date for determining the stockholders entitled to notice of and to vote at the Special Meeting of Stockholders shall be December 9, 1975; and further

RESOLVED, That the President and any other officer of the Company are authorized and directed to mail to each stockholder entitled to notice of and to vote at the Special Meeting a notice of the meeting, to be followed on the earliest practicable date by a proxy and a proxy statement describing the matters to be voted on at the meeting in substantially the form attached hereto with such changes therein or modifications thereof as the President of the Company shall approve; . . . .

. . . .

SECOND: That notice of a meeting of the stockholders to be held at Three Parkway, Philadelphia, Pennsylvania for the purpose of acting upon such resolutions, was mailed to each stockholder of record entitled to vote not less than ten nor more than sixty days preceding the time appointed for the said meeting of stockholders.

That thereafter, a special meeting of the stockholders of the Company was held on December 31, 1975 at which meeting a vote of said stockholders in person or by proxy, was taken for and against the proposed dissolution, and that 825,247 shares were at the time of the meeting issued and outstanding and entitled to vote on dissolution, that it appears that the holders of 819,244 shares voted in favor of dissolution and the holders of 0 shares voted against dissolution, and that accordingly the holders of at least a majority of the issued and outstanding stock of the Company entitled to vote voted for the dissolution of the Company.

THIRD: That the dissolution of the Company was duly authorized in accordance with the provisions of section 275 of the General Corporation Law of the State of Delaware.

FOURTH: That the names and residences of the directors and officers of the Company are as follows:

ELF 0019003

D I R E C T O R S

NAMES	RESIDENCES
Edwin E. Tuttle	514 Pine Street, Philadelphia, PA 19106
James McWhirter	Box 217, Moylan, PA 19065
James Williams	410 S. Cummings Ave. Glassboro, NJ 08028

O F F I C E R S

NAMES	OFFICES	RESIDENCES
Edwin E. Tuttle	President	514 Pine Street, Phila., PA 19106
James McWhirter	Chairman of the Board of Directors	Box 217, Moylan, PA 19065
James Williams	Secretary and Treasurer	410 S. Cummings Ave. Glassboro, NJ 08028
James M. Skelly	Assistant Treasurer	503 Lombard Phila., PA 19146
Vera M. Byrne	Assistant Secretary	800 Fairfax Road Drexel Hill, PA 1902[illegible]

IN WITNESS WHEREOF, the Company has caused this certificate to be signed by James McWhirter, its Chairman of the Board of Directors, and attested by James Williams, Secretary, this 5th day of January, 1976.

WELLMAN LIQUIDATING CORPORATION

By_____

ATTEST:

By_____
Secretary

ELF 0019004

FORM 1025

PENNWALT CORPORATION

SUBJECT Wellman Dynamics

DATE May 2, 1975

TO Mr. William P. Drake

FROM J. M. Williams

IN REPLY TO

COPIES TO

In accordance with your request, I am attaching the story on the background and history of our getting into the Creston foundry through the merger with Wellman, subsequent operating and cash crisis, Pennwalt's decision and subsequent results of that decision.

JMW

JMW:gm
Attachments

WELLMAN DYNAMICS CORPORATION

Background and History

McCannalloy was a division of Hills McCanna operating a precision magnesium and aluminum foundry which moved from Chicago to Creston, Iowa in 1965. McCannalloy was acquired by Wallace & Tiernan in 1967 as part of the Hills McCanna acquisition, and subsequently acquired by Pennwalt in the 1969 Wallace & Tiernan acquisition.

Wellman Dynamics originated in Cleveland but moved to Bay City and conducted a business similar to that of McCannalloy. Wellman was heavily in debt to Dow Chemical and, in January, 1969 under a Wellman recapitalization, Dow took ownership of 86% of Wellman stock in consideration for which then existing debt of about $2 million was cancelled.

Starting about 1969, the aircraft and aerospace industries, on which both McCannalloy and Wellman relied heavily, started a very serious retrenchment program and, in subsequent years, business of both McCannalloy and Wellman dropped off sharply with a resulting decline in earnings so that both operations showed losses in 1970 and 1971.

During this period, a number of competing foundries were closed, one of which (Rolle) was absorbed by Wellman and another of which (Howard, owned by Sundstrand) sold some of its production equipment to McCannalloy.

Schedule "A" attached shows the sales and earnings before taxes for McCannalloy and Wellman and on a combined basis for the years 1965 through 1970 and the first 9 months of 1971.

Merger of McCannalloy and Wellman in 1971

During 1971, Pennwalt searched for a buyer for McCannalloy and, in the late Summer of 1971, arranged a merger of McCannalloy and Wellman hoping that there would be adequate business for the merged company to put it on a profitable basis.

This merger was completed as of September 30, 1971. Under the merger, Pennwalt acquired 44.64% of Wellman stock, Dow acquired 47.64%, and a minority group comprised of 50-60 individuals acquired 7.72%.

As part of the merger, Wellman's plant at Bay City, Michigan was closed and the Wellman operation moved to the McCannalloy plant at Creston, Iowa.

Provision was made in Wellman's 1971 income statement for an extraordinary charge of $575,000 to cover the costs of closing the Bay City plant and moving the operation to Creston. This move was started in late Fall 1971 and was not fully completed until mid-1972.

In the Fall of 1971 and the first quarter of 1972, the aircraft and aerospace industries came suddenly to life and a deluge of new orders came in to the merged Wellman operation. A backlog of unfilled orders which had been nominal at the time of the merger rose to about $2,500,000 at the end of 1971 and to about $5 million at the end of the first quarter of 1972.

In view of the previous drought of business, Wellman accepted orders and promised delivery dates which were beyond its productive capacity and took a lot of business at unrealistically low prices.

To meet the influx of orders, Wellman early in 1972 hired some 100 additional people. The confusion of moving the Bay City operation to Creston, inexperienced new help, very heavy turnover of labor, inadequate supervisory force, and inefficient production practice, led to a very low level of production, excessive scrap, poor quality of product, and consequent heavy customer rejections and returns.

Furthermore, inadequate cost information was available, standards were old and inaccurate, and very substantial labor and materials variances were incurred.

All of these factors contributed to a low level of shipments and very substantial earnings losses through the first 8 months of 1972, as indicated in the sales and earnings shown on Schedule "A" for the 3 months ended December 31, 1971 and the 8 months ended August 31, 1972.

Financial Crisis

Because of the substantial losses incurred by Wellman and the necessity for paying the costs of moving from Bay City to Creston, Wellman reached a crisis cash situation in August, 1972.

At that time, Wellman had borrowed $750,000 from the First National Bank in Creston and a St. Joseph, Missouri bank. These banks called this loan in August, 1972 and demanded that they either be paid or the parent companies, Pennwalt and Dow, guarantee the obligation.

Options and Decision

Although Dow had indicated to Pennwalt that it would be willing to participate in a guarantee of the bank loan, Dow changed its mind and advised Pennwalt toward the end of August, 1972 that Dow would not guarantee any of Wellman's obligations and would not advance any funds to continue Wellman in business.

At this point, Pennwalt had the option of following Dow's lead and let Wellman go into bankruptcy. Our legal counsel expressed the opinion that Wellman was sufficiently insulated from the parents that Wellman's creditors would have no recourse to the parents in the event of a Wellman bankruptcy.

Pennwalt exposure, if it had permitted a bankruptcy of Wellman, would have been approximately $2,500,000, comprising $900,000 of current investment in Wellman plus about $1,600,000 to buy out the lease liability on the Creston foundry. This lease obligation (which was guaranteed by W&T and subsequently by Pennwalt) called for rental of $169,000 per year through 1987 with a Wellman extension option for 9 years at a rental of $1 per year. As an alternative of buying out the lease, it could have been continued in which case Pennwalt's obligation would have been on the order of $400,000 per year for rental, depreciation, insurance, maintenance, and protection of the property.

After a detailed and intensive review of the prospects for Wellman continuing as a viable business, an affirmative conclusion was reached by Pennwalt and Pennwalt acquired Dow's stock interest in Wellman for $100. This brought Pennwalt's ownership to 92.28% leaving the small minority interest of 7.72%.

Pennwalt guaranteed the existing bank loan of $750,000 and arranged for an extension of the limit to $1,250,000.

The basic reasons for Pennwalt's decision were:

1) Wellman's existing backlog was $5 million and a thorough investigation of that backlog indicated that it could be liquidated at least on a break-even basis.

2) Analysis of the shop operation indicated that through prompt corrective action the potential existed for a profitable operation on a continuing basis.

3) The existing tax loss carry forward of approximately $2,500,000 would, in time, become available to Pennwalt.

4) While, as noted above, Pennwalt had no legal obligation to rescue Wellman, it felt that it did have some moral responsibility in that the banks had made the loan to Wellman knowing of Pennwalt's and Dow's stock ownership and the knowledge that the closing of the foundry, by far the largest enterprise in Creston and Union County, Iowa, would have had a very serious unfavorable effect upon the community.

Corrective Action Taken

In September, 1972 the following steps were immediately taken to bring Wellman to a profitable basis:

1) The work force was reduced by about 80 people to about 275.

2) A sales plan was put into effect which would be practical under the then productive capacity to plan sales at a level sufficient to produce a break-even operation within 3 months.

3) Shipments were immediately rescheduled to a realistic basis and customers were advised of the new shipping dates as a means of restoring customer confidence in Wellman's delivery promises.

4) Concentrated efforts were made to renegotiate selling prices on orders in the backlog in order to at least put them on a break-even basis. Wellman's customers were very understanding and cooperative in this respect.

5) Internal action was immediately taken to produce realistic costs for the major Wellman products and to insure communication between the sales and production departments so that future orders taken would be priced adequately to produce a 10% profit.

6) The unprofitable permanent mold line was shut down and all possible efforts were made to eliminate from the backlog any drastically unprofitable items. Here again, our customers were sympathetic.

7) The sales force was instructed to be discriminating in its bidding and its pricing on fixed price contracts and choosey in accepting orders only for products with which we had experience and could reasonably expect to produce profitably.

8) Action was taken to upgrade the quality control operation and improve the shipment of acceptable products and reduce customer returns. In this connection, inspection procedures were tightened up drastically so that faulty castings could be identified at the first production station and scrapped at that time instead of going through the subsequent processing operations and later being found defective.

9) Production flow through the plant was planned through a plant rearrangement program which was carried out over the next 6-9 months.

10) Production supervision was upgraded and training programs instituted.

11) Tight controls were placed on expenses outside of the production area and tight internal controls were instituted on all cash disbursements.

Results Subsequent to September 1, 1972

Schedule "A" shows the sales and earnings for the 4 months ended December 21, 1972, the full years 1973 and 1974 and the first quarter of 1975, showing the total Wellman earnings and that part representing Pennwalt's share of such earnings.

Since September 1, 1972, and through March 31, 1975, Wellman's earnings applicable to Pennwalt's interests amounted to $2,590,000.

Cash receipts and disbursements during this period are summarized on attached Schedule "B".

Pennwalt's debt exposure during this period is summarized on Schedule "C".

When Pennwalt made its decision in August, 1972, it was anticipated that in addition to guaranteeing the then existing $750,000 bank loan, Pennwalt would have to advance or guarantee up to another $750,000.

Actually, the high point of Pennwalt's debt exposure reached $1,559,000 during the period August 1973 through April 1974 after which the debt was steadily reduced and was completely extinguished on April 21, 1975.

Schedule "C" also shows Wellman's stockholders' equity in total and Pennwalt's share.

It will be noted that from Pennwalt's share of $576,000 on August 31, 1972, Wellman's stockholders' equity applicable to Pennwalt has increased to $3,159,000 at March 31, 1975.

Finally, Pennwalt has the satisfaction, in moral and social consideration, that the banks which were so exposed in August, 1972 to substantial losses on their loans to Wellman have been paid off in full and that Wellman from September 1, 1972 through March 31, 1975 has contributed to Creston and the surrounding community over $7 million in payrolls.

Schedule A

WELLMAN DYNAMICS CORPORATION AND PREDECESSOR COMPANIES
(000)

Separate Companies	SALES			EARNINGS BEFORE TAXES			
	McCann-alloy	Wellman	Combined	McCann-alloy	Wellman	Combined	
1965	3110	5793	8903	(570)	251	(319)	
1966	5096	9997	15093	733	835	1568	
1967	4614	9119	13733	558	(175)	383	
1968	5135	8360	13495	270	255	525	
1969	5201	7834	13035	72	340	412	
1970	3319	5581	8900	(584)	(151)	(735)	
9 Months 9/30/71	1693	2700	4393	(467)	(A) (548)	(1015)	
Combined Company From 10/1/71							Pennwalt Share of Earnings
3 Months 12/31/71			1452			(151)	(62)
1972							
8 Months 8/31/72			2610			(1221)	(505)
4 Months 9/1-12/31/72			1632			(340)	(62)
Year 1972			4242			(1561)	(567)
1973			6287			304	264
1974			8539			1698	1634
1st Quarter 1975			2716			791	754

(A) Does not include (575) extraordinary charge to provide for expenses related to move from Bay City to Creston.

ELF 00019156

Schedule B

WELLMAN DYNAMICS CORPORATION

CASH RECEIPTS AND DISBURSEMENTS

Cash Provided (Applied) (000)	1st Quarter 1975	Year 1974	Year 1973	4 Months 12/31/72	8 Months 8/31/72
Earnings Before Taxes	791	1698	304	(340)	(1221)
Depreciation	55	131	245	96	146
Changes In:					
Receivables	(8)	(450)	(105)	(68)	152
Inventory	94	(637)	(528)	77	107
Payables	(322)	(65)	(48)	(69)	333
Accruals	43	10	33	23	(249)
Prepayments	(9)	(6)	(7)	43	(15)
Capital (Expenditures)	(67)	(139)	(160)	6	(309)
Debt Incurred (Repaid)	(500)	(559)	315	200	1044
Total Cash Provided (Applied)	77	(17)	49	(32)	(12)
Cash On Hand End Of Period	115	38	55	6	38
Debt End of Period	500	1000	1559	1244	1044

Schedule C

WELLMAN DYNAMICS CORPORATION
PENNWALT-WELLMAN DYNAMICS DEBT EXPOSURE

	Direct Loans Pennwalt To Wellman	Wellman Bank Debt Guaranteed By Pennwalt	Total Debt Exposure
8/15/72		750,000	750,000
8/31/72	29,000	1,015,000	1,044,000
12/31/74	29,000	1,215,000	1,244,000
1/31/73	29,000	1,250,000	1,279,000
2/28/73	129,000	1,250,000	1,379,000
3/31/73	204,000	1,250,000	1,454,000
4/30/73	129,000	1,250,000	1,379,000
8/31/73	309,000	1,250,000	1,559,000
9/30/73 through 4/30/74	1,309,000	250,000	1,559,000
5/31/74 through 6/30/74	1,180,000	250,000	1,430,000
7/31/74 through 8/31/74	1,100,000	250,000	1,350,000
9/30/74	1,000,000	250,000	1,250,000
10/31/74	1,000,000	100,000	1,100,000
11/30/74	1,100,000	50,000	1,150,000
12/31/74 through 2/28/75	1,000,000	0	1,000,000
3/31/75	500,000	0	500,000
4/21/75	0	0	0

Stockholders Equity	Total	Pennwalt Share
December 31, 1971	2,512,000	1,121,000
August 31, 1972	1,291,000	576,000
September 1, 1972	1,291,000	1,191,000
December 31, 1972	951,000	878,000
December 31, 1973	1,255,000	1,158,000
December 31, 1974	2,953,000	2,725,000
March 31, 1975	3,423,000	3,159,000

Wellman Dynamics Corporation

August 23, 1972

Pennwalt Corporation
Three Parkway
Philadelphia, PA 19102

Subject: Wellman Dynamics Corporation

Gentlemen:

In consideration of your undertaking today to guarantee $750,000.00 of the indebtedness of Wellman Dynamics Corporation (Wellman) to The First National Bank in Crestline and in consideration of your acquisition from Dow Chemical Investment & Finance Corporation (DCIFC) of 3,939,190 Shares of Wellman's Common Stock, bringing your total ownership of Wellman's common stock to 88 per cent, we hereby waive any right to purchase from you or DCIFC any shares of Wellman Common Stock pursuant to the Letters of Understanding between us and Dow and you dated October 1, 1971, and October 2, 1971.

Yours very truly,

WELLMAN DYNAMICS CORPORATION

Glenn F. Illig
President

James Howarth
Vice President - Operations

jsl

A-6

AGREEMENT FOR SALE OF ASSETS

OF

HILLS-McCANNA COMPANY, McCANNALLOY DIVISION

TO

WELLMAN DYNAMICS CORPORATION

Dated: September 28, 1971

ELF 0019513

Table of Contents

		Page
Parties		1
Recitals		1
Article I	-- Representations and Warranties of Hills	2
Article II	-- Representations and Warranties of Wellman	7
Article III	-- Assets to be Sold, Purchase Price and Payment	12
Article IV	-- The Closing	15
Article V	-- Assumption of Liabilities	16
Article VI	-- Adjustment	18
Article VII	-- Conditions to Obligations of Hills	20
Article VIII	-- Conditions to Obligations of Wellman	22
Article IX	-- General Provisions	23
Signatures		27

AGREEMENT FOR SALE OF ASSETS

OF

HILLS-MCCANNA COMPANY, McCANNALLOY DIVISION

TO

WELLMAN DYNAMICS CORPORATION

THIS AGREEMENT FOR SALE OF ASSETS ("Agreement" herein), dated as of September 28, 1971, is to evidence the agreement between HILLS-MCCANNA COMPANY, a Delaware corporation with its principal office at Carpentersville, Illinois, ("Hills" herein) and WELLMAN DYNAMICS CORPORATION, a Delaware corporation with its principal office at Bay City, Michigan ("Wellman" herein).

PRELIMINARY RECITAL

It is the desire of Hills and Wellman that Wellman shall acquire the properties, assets and business of the McCannalloy Division of Hills located at Creston, Iowa (the "Division") in consideration of and exchange for the issuance to Hills of the number of shares of Common Stock (par value $1 per share) of Wellman hereinafter provided for and the assumption of certain of the liabilities and obligations of the Division by Wellman.

It is proposed that the conveyance of properties and assets of the Division in exchange for the Common Stock of Wellman shall be made on and as of a "Closing Date" and a "Second Closing Date" as hereinafter provided.

ELF 0019515

AGREEMENT

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF HILLS

Hills represents and warrants to Wellman as follows:

1.01 Hills is a corporation duly organized and existing in good standing under the laws of the State of Delaware. Hills (1) is lawfully entitled to own, lease and operate the properties of the Division and to carry on the business of the Division as conducted since December 31, 1970; (2) is in compliance with all applicable laws, governmental regulations, orders, writs, decrees and injunctions pertaining to the business of the Division; (3) has performed in all material respects all its obligations under all contracts, leases and other agreements, instruments, and commitments of the Division to which it is a party or by which it is bound; and (4) owns all of the following (herein called "Division Intangibles") that are necessary to conduct the business of the Division as and where conducted since December 31, 1970, namely, franchises, permits, patents, trade names, trademarks, copyrights or applications therefor, slogans, processes, invention rights, formulae and other intangible property.

1.02 Hills has furnished Wellman with copies of the following financial statements of the Division (hereinafter called "Division Financial Statements"), namely, (1) the balance sheet of the Division as of December 31, 1970, and the related statement of income for the twelve months ended December 31, 1970, as certified by the chief financial officer of Hills, and (2) the balance sheet of the Division as of August 31, 1971, and the related statement of income for the eight months ended August 31, 1971, as certified by the chief financial officer of Hills; such Division Financial Statements

ELF 0019516
ELF 0019516

present fairly the financial condition of the Division as of the dates indicated and the results of its operations for the periods indicated, and have been prepared in accordance with generally accepted accounting principles consistently applied.

1.03 The accounts receivable included in the Division Financial Statements or acquired since August 31, 1971, by Hills have been collected or are collectible in an aggregate amount at least equal to the gross book amounts thereof less applicable reserves therefrom as shown on the books of the Division and the Division Financial Statements.

1.04 Except for property disposed of since December 31, 1970, in the ordinary course of business for full value in money or money's worth Hills has and on the Closing Date will have (and, in the case of the items specified in Section 3.01(B), will also have on the Second Closing Date) good and marketable title to all of the following property of the Division (excluding cash but including without limitation machinery, equipment, inventory, leasehold and freehold estates in land, intangible property and securities), namely, (1) property reflected in its balance sheet as of December 31, 1970, (2) property acquired since December 31, 1970, and (3) property necessary to conduct its business as and where conducted since December 31, 1970; all property of the Division is fully insured and owned by Hills free and clear of all liens, security interests, mortgages, pledges, encumbrances or charges of any kind; and, subject only to normal maintenance in the ordinary course of business, the machinery and equipment of Hills included in its Pro Forma Net Worth under Article III, below, is in good operating condition.

1.05 Hills has no indebtedness or liabilities, absolute or contingent, known or unknown, relating to the assets, properties and business of the Division except as and to the extent, (1) disclosed on the Division

ELF 0019517

Financial Statements, (2) incurred since August 31, 1971, in the ordinary course of business for full value in money or money's worth, or (3) fully disclosed in the Division Schedule. The estimated termination costs associated with the transfer of Division's business to Wellman, which are not shown as anticipated liabilities, shall not exceed $50,000.

1.06 The Division Schedule attached hereto includes a list and brief description of all of the following (where the Division Schedule refers to written or other documentary items, true copies thereof have heretofore been delivered by Hills to Wellman), namely, (1) leases, other instruments and oral understandings pursuant to which the Division utilizes property, real or personal, owned by any third person; (2) any instrument, other arrangement or occurrence relating to the business of the Division whereby Hills is licensor or licensee in respect of, or may become liable for infringement or other use of, any Division Intangibles; (3) any rights of any shareholder or of any present or former officer or employee of Hills with respect to any Division Intangibles which pertain to the kind of business in which the Division is engaged or proposes to engage; (4) agreements, policies, plans and handbooks, outlines and other statements of any kind, setting forth, concerning or touching upon salaries, wages, bonuses, other compensation, hours, pensions, benefits (present or deferred), tenure or other terms or conditions, pursuant to which services may be rendered for the Division in the capacity of employee, independent contractor, dealer, distributor, representative, agent or otherwise; (5) arrangements relating to the business of the Division not cancellable by Hills without penalty or other liability on notice of not more than thirty days, pursuant to which services may be rendered by or for the Division in the capacity of employee, independent contractor, dealer, distributor, representative, agent or otherwise; (6) arrangements for payment of pensions or other benefits by reason of former

FLF 0019518

employment; (7) contracts or other arrangements relating to the business of the Division for the construction, alteration or purchase of buildings or equipment (other than contracts for the manufacture and sale of the line of products manufactured and sold by the Division in the ordinary course of business) or other capital items providing in the aggregate for expenditures exceeding $2,500; (8) contracts or other arrangements whereby continuing purchases or sales of merchandise or other property may be required by the Division; (9) unfilled purchase commitments of the Division for quantities materially in excess of current requirements, or at prices in excess of current market; (10) agreements, commitments or obligations of Hills to repurchase, rework, replace or accept returns of items previously sold by the Division; (11) mortgages, indentures, conditional sale contracts, line of credit agreements and similar contracts relating to the Division in which Hills is the mortgagor, vendee or debtor; (12) any pending or threatened action, suit or proceeding in any court or before any governmental agency, by, against or affecting the Division.

1.07 Without limitation by any of the other representations, warranties and other provisions herein contained, and except as fully disclosed in the Division Schedule, since August 31, 1971, Hills has not

(1) Incurred any obligation or liability (absolute or contingent) relating to the business of the Division, except current liabilities incurred, and obligations under contracts entered into, in the ordinary course of business, and except obligations and liabilities incurred in connection with the sale of its assets provided for in this Agreement;

ELF 0019519

(2) Discharged or satisfied any lien or encumbrance, or paid any obligation or liability (absolute or contingent) relating to the business of the Division other than current liabilities shown on the Division Financial Statements as of August 31, 1971, and current liabilities incurred after that date in the ordinary course of business;

(3) Mortgaged, pledged or subjected to lien or encumbrance any of the assets or properties of the Division, tangible or intangible;

(4) Sold or transferred any of the tangible assets of the Division or cancelled any debts or claims of the Division, except in each case in the ordinary course of business;

(5) Sold, assigned or transferred any of the Division Intangibles (as defined in paragraph 1.01 above); or

(6) Waived any right of the Division of any substantial value;

(7) Suffered any material adverse change in condition in the business of the Division, and there is no present threat or likelihood of any such change, as to financial position, earnings, properties, business or otherwise, including without limitation any material adverse change in relationship with any major customer or major supplier, labor relations, employment or terms of employment of any managerial employee, or tax valuation or zoning of any property utilized by the Division, or any material change arising from any litigation, pending or threatened, or from casualty or condemnation or acquisition or disposition of property.

ELF 0019520

ELF 0019520

1.08 The Board of Directors of Hills has approved this Agreement and the transactions contemplated herein and has authorized the execution and delivery hereof by Hills.

1.09 Except as disclosed on the Division Schedule, the execution and delivery by Hills of this Agreement and the performance by Hills of its obligations hereunder will not be or result in violation or breach, or permit any third person to modify or rescind any agreement, contract, or undertaking to which Hills is a party, by which any of them is bound, or through which any of them may be expected to derive any benefits.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF WELLMAN

Wellman represents and warrants to Hills, as follows:

2.01 Wellman is a corporation duly organized and existing in good standing under the laws of the State of Delaware. Wellman (1) is lawfully entitled to own, lease and operate its properties and to carry on its business as conducted since December 31, 1970; (2) is in compliance with all applicable laws, governmental regulations, orders, writs, decrees and injunctions pertaining to its business; (3) has performed in all material respects all its obligations under all contracts, leases and other agreements, instruments and commitments to which it is a party or by which it is bound; and (4) owns all of the following (herein called "Wellman Intangibles") that are necessary to conduct its business as and where conducted since December 31, 1970, namely franchises, permits, patents, trade names, trademarks, copyrights or applications therefor, slogans, processes, invention rights, formulae and other intangible property.

ELF 0019521

2.02 Wellman has furnished Hills with copies of the following financial statements (hereinafter called "Wellman Financial Statements"), namely, (1) the balance sheet of Wellman as of December 31, 1970, and the related statement of income for the twelve months ended December 31, 1970, as certified by Arthur Andersen & Co., independent public accountants, and (2) the balance sheet of Wellman as of August 31, 1971, and the related statement of income for the eight months ended August 31, 1971, as certified by the chief financial officer of Wellman; such Wellman Financial Statements present fairly the financial condition of Wellman as of the dates indicated and the results of its operations for the periods indicated, and have been prepared in accordance with generally accepted accounting principles consistently applied.

2.03 The accounts receivable included in the Wellman Financial Statements or acquired since August 31, 1971, by Wellman have been collected or are collectible in an aggregate amount at least equal to the gross book amounts thereof less applicable reserves therefrom as shown on the books of Wellman and the Wellman Financial Statements.

2.04 Except for property disposed of since December 31, 1970, in the ordinary course of business for full value in money or money's worth and property covered by that certain agreement (the "Dow Agreement") dated September 30, 1971, by and between Dow Chemical Financial Corp. and Wellman (a copy of which has been furnished to Hills), Wellman has and on the Closing Date will have good and marketable title to all of the following property (including without limitation machinery, equipment, inventory, leasehold and freehold estates in land, intangible property, securities, bank deposits and cash), namely, (1) property reflected on its balance sheet as of December 31, 1970, (2) property acquired since December 31, 1970, and (3)

ELF 0019522

property necessary to conduct its business as and where conducted since December 31, 1970; all property of Wellman is fully insured and owned by Wellman free and clear of all liens, security interests, mortgages, pledges, encumbrances or charges of any kind; and, subject only to normal maintenance in the ordinary course of business, the machinery and equipment of Wellman included in its Pro Forma Net Worth under Article III, below, is in good operating condition.

2.05 Should Wellman decide, after acquiring the assets of Hills, to relocate or combine any of its operations, Wellman represents and agrees that the costs and expenses paid or accrued by Wellman in connection with such relocation or combination shall not exceed $531,780.

2.06 The Wellman Schedule attached hereto includes a list and brief description of all of the following (where the Wellman Schedule refers to written or other documentary items, true copies thereof have heretofore been delivered by Wellman to Hills), namely, (1) leases, other instruments and oral understandings pursuant to which Wellman utilizes property, real or personal, owned by any third person; (2) any instrument, other arrangement or occurrence whereby Wellman is licensor or licensee in respect of, or may become liable for infringement or other use of, any Wellman Intangibles; (3) any rights of any shareholder or of any present or former officer or employee of Wellman with respect to any Wellman Intangibles which pertain to the kind of business in which Wellman is engaged or proposes to engage; (4) agreements, policies, plans and handbooks, outlines and other statements of any kind, setting forth, concerning or touching upon salaries, wages, bonuses, other

ELF 0019523

compensation, hours, pensions, benefits (present or deferred), tenure or other terms or conditions, pursuant to which services may be rendered for Wellman in the capacity of employee, independent contractor, dealer, distributor, representative, agent or otherwise; (5) arrangements not cancellable by Wellman without penalty or other liability on notice of not more than thirty days, pursuant to which services may be rendered by or for Wellman in the capacity of employee, independent contractor, dealer, distributor, representative, agent or otherwise; (6) arrangements for payments of pensions or other benefits by reason of former employment; (7) contracts or other arrangements for the construction, alteration or purchase of buildings or equipment (other than contracts for the sale of the line of products manufactured and sold by Wellman in the ordinary course of business) or other capital items providing in the aggregate expenditures exceeding $2,500; (8) contracts or other arrangements whereby continuing purchases or sales of merchandise or other property may be required by Wellman; (9) unfilled purchase commitments of Wellman for quantities materially in excess of current requirements, or at prices in excess or current market; (10) agreements, commitments or obligations of Wellman to repurchase, rework, replace or accept returns of items previously sold; (11) mortgages, indentures, conditional sale contracts, line of credit agreements and similar contracts in which Wellman is the mortgagor, vendee or debtor; (12) any pending or threatened action, suit or proceeding in any court or before any governmental agency, by, against or affecting Wellman.

2.07 Without limitation by any of the other representations, warranties and other provisions herein contained, and except as fully dis-

ELF 0019524

closed in the Schedule or provided in the Dow Agreement, since August 31, 1971, Wellman has not

(a) Issued or sold, any stock, bonds, notes or other of its securities;

(b) Incurred any obligation or liability (absolute or contingent), except current liabilities incurred, and obligations under contracts entered into, in the ordinary course of business, and except obligations and liabilities incurred in connection with the sale of its assets provided for in this Agreement;

(c) Purchased any outstanding shares of its stock or made any payment or distribution to its shareholders (including any shareholders exercising so-called "dissenters' rights");

(d) Discharged or satisfied any lien or encumbrance, or paid any obligation or liability (absolute or contingent) other than current liabilities shown on its Balance Sheet as of August 31, 1971, and current liabilities incurred after that date in the ordinary course of business;

(e) Mortgaged, pledged or subjected to lien or encumbrance any of its assets, tangible or intangible;

(f) Sold or transferred any of its tangible assets or cancelled any debts or claims, except in each case in the ordinary course of business;

(g) Sold, assigned or transferred any trademark, trade name, patent or other intangible assets; or

(h) Waived any right of any substantial value;

(i) Suffered any material adverse change in condition, and there is no present threat or likelihood of any such

ELF 0019525

change, as to financial position, earnings, properties, business or otherwise, including without limitation any material adverse change in relationship with any major customer or major supplier, labor relations, employment or terms of employment of any officer or managerial employee or director or shareholder or relative of any of the foregoing, or tax valuation or zoning of any property utilized by Wellman, or any material change arising from any litigation, pending or threatened, or from casualty or condemnation or acquisition or disposition of property.

2.09 The Board of Directors of Wellman has approved this Agreement and the transactions contemplated herein (including the execution and delivery of the Dow Agreement) and has authorized the execution and delivery hereof by Wellman.

2.10 The execution and delivery by Wellman of this Agreement and the performance by Wellman of its obligations hereunder will not be or result in violation or breach, or permit any third person to modify or rescind any agreement, contract, or undertaking to which Wellman is a party, by which any of them is bound, or through which any of them may be expected to derive any benefits.

ARTICLE III

ASSETS TO BE SOLD, PURCHASE PRICE AND PAYMENT

3.01 Upon the terms and subject to the conditions set forth in this Agreement and in reliance on the representations and warranties contained in this Agreement, Hills agrees to sell, assign, transfer and deliver possession of to Wellman, and Wellman agrees to buy from Hills all the assets and properties, tangible and intangible, (except cash on

ELF 0019526

hand or in bank) held or owned by Hills and used by the Division in the conduct of its business whether located at Creston, Iowa, or elsewhere (the "Purchased Assets"), including without limitation the following:

(A) To be sold, assigned, transferred and delivered on the Closing Date:

(1) All accounts and notes receivable, claims and causes of action of any kind or character held or owned by Hills and relating to the business of the Division;

(2) All of the inventories (including raw materials, work-in-process, finished products, assemblies, spare parts and supplies) owned by Hills and held for sale or use in connection with the business of the Division whether located at Hills' plants or elsewhere;

(3) All production drawings, specifications, designs, data and records, all sales records and materials, and all inventory and financial books and records pertaining solely to the business of the Division;

(4) All patents, applications for patents, inventions, shop-rights, discoveries, trade secrets, patent licenses, copyrights, memberships, trademarks and trade names owned by Hills and pertaining to or used in the business of the Division;

(5) All rights possessed by Hills in and to the name "McCannalloy";

(6) All of the right, title and interest of Hills in and to contracts made or orders given by Hills relating to the purchase of materials, parts, supplies and commodities for use in the business of the Division;

(7) All of the right, title and interest of Hills in and to contracts made or orders received by Hills relating to the sale of products manufactured or dealt with in connection with the business of the Division;

(8) To the extent transferable by law, all of the right, title and interest of Hills in and to funds and ratings under workmen's compensation and unemployment compensation laws of the State of Iowa, pension and other funds accumulated by Hills for the benefit of employees of the Division under pension and other deferred compensation plans;

ELF 0019527

(9) All of the right, title and interest of Hills in those certain contracts, agreements or obligations which Wellman expressly agrees to assume under the provisions of this Agreement;

(10) All right, title and interest of Hills, as lessor or lessee, in an to the leases of real estate and personal property held for use in the business of the Division, together with all leasehold improvements located thereon, including without limitation all rights of possession of Hills in and to any of such special tools, tooling, jigs, dies, patterns, molds and production fixtures not owned by Hills but used by the Division.

(B) To be sold, assigned, transferred and delivered on the Second Closing Date:

All machinery, equipment, furniture, fixtures, business machines, special tools, tooling, jigs, dies, patterns, molds, production fixtures, material handling equipment and vehicles used in connection with the business of the Division.

3.02 Upon the terms and subject to the conditions set forth in this Agreement and in reliance on the representations and warranties contained in this Agreement, Wellman agrees to issue to Hills (or its nominee), in exchange for the assets and properties to be sold to Wellman hereunder, 368,351 fully paid and non-assessable shares of Common Stock ($1 par value) of Wellman and to assume as of the Closing Date the liabilities of Hills to the extent and in the manner set forth in Article V below, 196,478 of such shares to be issued on the Closing Date and 171,873 of such shares to be issued on the Closing Date and delivered to Hills on the Second Closing Date.

3.03 The number of shares of Common Stock ($1 par value) of Wellman to be issued to Hills has been determined by comparing on a pro forma basis the various assets and liabilities of the Division and Wellman estimated as of September 30, 1971, which comparison is attached hereto as Exhibit A (the "Pro Forma Net Worth"). It is understood that any values reflected in the Pro Forma Net Worth assume all transfers to take place as of the date thereof and are solely for the purposes hereof and shall not be used by

ELF 0019528

either party for any other purpose. Hills and Wellman agree that the fair market values of the assets purchased by Wellman are the same as their values on the books of Hills, that this Agreement has been negotiated on that basis, and that the assets purchased by Wellman will be recorded on its books and for tax purposes at those fair market values.

ARTICLE IV

THE CLOSING

4.01 The Closing Date shall be October 1, 1971, or such other date as shall be mutually agreed upon by Hills and Wellman and the closing shall be effective as of the opening of business on the Closing Date. The closing will be held at the offices of Squire, Sanders & Dempsey, 1800 Union Commerce Building, Cleveland, Ohio. The Second Closing Date shall be January 7, 1972, or such other date as shall be mutually agreed upon by Hills and Wellman.

4.02 Against delivery to Wellman on the Closing Date, or the Second Closing Date, as the case may be, of all such deeds, bills of sale, conveyances, assignments and other instruments of transfer as Wellman may reasonably deem necessary or expedient to transfer to Wellman all of the Purchased Assets of Hills required to be transferred hereunder, Wellman will:

(1) Issue to Hills (or an agent, trustee or nominee designated by Hills) on the Closing Date a single stock certificate representing 196,478 fully paid and non-assessable shares of Common Stock ($1 par value) of Wellman;

(2) Deliver to Hills on the Closing Date a formal instrument of assumption of liabilities of Hills, as provided in Article V hereof; and

(3) Issue to Philadelphia National Bank, as escrow agent, a single stock certificate representing 171,873 fully paid and non-assessable shares of Common Stock ($1 par value) which certificate shall be held by said escrow agent and delivered to Hills on the Second Closing Date in accordance with the terms hereof.

ELF 0019529

4.03 Notwithstanding any other provision hereof, in the event that on the Closing Date there shall be pending or threatened against Wellman or Hills any legal proceeding or proceedings, the purpose of which is to prevent the consummation of the acquisition of assets provided for in this Agreement, the Closing Date shall be postponed to such date and time as the parties agree to but not later than January 6, 1972. In the event any such or similar proceeding or proceedings shall not have been finally disposed of by January 6, 1972, by decision, settlement or otherwise, either party hereto may, at its option by written notice to the other, abandon and terminate this Agreement without any liability on the part of either to the other.

ARTICLE V

ASSUMPTION OF LIABILITIES

5.01 In reliance on the representations and warranties of Hills contained herein, and upon the terms and subject to the conditions set forth in this Agreement, Wellman will assume on the Closing Date and pay, perform and discharge in due course the obligations, contracts and liabilities of Hills set forth on Exhibit B, attached hereto, and incurred in connection with the business of the Division up to the Closing Date; provided, however, that Wellman shall not assume any liabilities of Hills respecting the following:

(1) Obligations of Hills to perform under this Agreement;

(2) Obligations or liabilities of Hills for expenses and fees incident to the preparation of this Agreement or the consummation of the transactions contemplated hereby, except to the extent set forth on Exhibit B;

FLE 0019530

(3) Liabilities for any federal, state or local taxes, fees or charges which may be asserted in connection with the acquisition of the assets and business of the Division pursuant to this Agreement;

(4) Liabilities of Hills under actions, suits or proceedings now pending except that Wellman shall assume actions, suits or proceedings expressly set forth on Exhibit B.

5.02 From and after the Closing Date, Hills agrees to indemnify and hold Wellman harmless from and against any and all claims, liabilities or obligations whatsoever based on any obligations and liabilities incurred in connection with the business of the Division and not expressly assumed by Wellman under the provisions of paragraph 5.01; Wellman agrees to indemnify and hold Hills harmless from and against any and all claims, liabilities or obligations whatsoever based on the obligations and liabilities of Hills assumed by Wellman pursuant to paragraph 5.01, provided:

(1) The party entitled to such indemnification shall give prompt notice to the other of the institution of any such actions, suits or proceedings or the making of any such demand; and

(2) The party entitled to such indemnification shall at the time of the giving of such notice give (or theretofore shall have given) the other full authority to defend, adjust, compromise or settle the action, suit, proceeding or demand of which such notice shall have been so given, in its own name or otherwise, as the other party may elect.

5.03 The assumption of the liabilities of Hills by Wellman as provided herein is not intended to and shall not result in the waiver or release of any rights which Hills may have under insurance or indemnification contracts or agreements, and Hills agrees that it will assert any and all such rights which it may have with respect to the liabilities to be assumed by Wellman for the account of Wellman.

ELF 0019531

ARTICLE VI

ADJUSTMENT

6.01 The Adjustment Date shall be six months following the Closing Date, or such other date as shall be mutually agreed upon by Hills and Wellman.

6.02 On the Adjustment Date certain adjustments shall be made in the number of shares of Wellman Common Stock issued to Hills under this Agreement on the basis of the adjustment factors which shall be computed as follows:

(1) Adjustment Factor - Representations and Warranties - -

(a) The amount by which (i) the aggregate of amounts expended or accrued by Wellman during the period from the Closing Date to the Adjustment Date to satisfy liabilities, obligations, expenses or losses of the business of the Division assumed by Wellman hereunder arising in connection with the inaccuracy in or breach of representations or warranties of Hills contained in Article I of this Agreement, shall exceed (ii) the aggregate amount of any and all liabilities, obligations or losses of the business of the Division disclosed on the Division Schedule and assumed by Wellman which are cancelled or otherwise determined not to be owing;

(b) Shall be deducted from the amount by which (i) the aggregate of amounts expended or accrued by Wellman during the period from the Closing Date to the Adjustment Date to satisfy liabilities, obligations, expenses, or losses of the Wellman business arising in connection with the inaccuracy in or breach of representations or warranties of Wellman contained in Article II of this Agreement, shall exceed (ii) the aggregate amount of any and all liabilities, obligations or losses of the Wellman business disclosed on the Wellman Schedule which are cancelled or otherwise determined not to be owing.

(2) Adjustment Factor - Pro Forma Net Worth - -

(a) The actual Pro Forma Net Worth of the Division as of September 30, 1971, (computed in accordance with the

ELF 0019532

ELF 0019532

principles upon which the Exhibit A Pro Forma Net Worth of Hills was based) shall be deducted from the Pro Forma Net Worth of Hills as shown on Exhibit A.

(b) The actual Pro Forma Net Worth of Wellman as of September 30, 1971, (computed in accordance with the principles upon which the Exhibit A Pro Forma Net Worth of Wellman was based) shall be deducted from the Pro Forma Net Worth of Wellman as shown on Exhibit A.

6.03 To the extent the Adjustment Factor - Representations and Warranties computed under Section 6.02(1) is a negative number greater than $25,000 such excess shall be added to the amount by which the Adjustment Factor - Pro Forma Net Worth computed under Section 6.02(2)(b) exceeds a positive $25,000 and the resulting sum shall be the Hills Adjustment Total.

6.04 To the extent the Adjustment Factor - Representations and Warranties computed under Section 6.02(1) is a positive number greater than $25,000 such excess shall be added to the amount by which the Adjustment Factor - Pro Forma Net Worth computed under Section 6.02(2)(a) exceeds a positive $25,000, and the resulting sum shall be the Wellman Adjustment Total.

6.05 Adjustments in the number of shares shall be made on the Adjustment Date as follows: (1) to the extent the Hills Adjustment Total computed under Section 6.03 exceeds the Wellman Adjustment Total computed under Section 6.04, Wellman shall deliver a stock certificate representing the number of whole shares of Wellman Common Stock computed by dividing such excess by $4.50, the agreed per share value for adjustment purposes; (2) to the extent the Wellman Adjustment Total computed under Section 6.04 exceeds the Hills Adjustment Total computed under Section 6.03, Hills shall deliver to Wellman the stock certificate issued to Hills on the Closing Date in accordance with Section 4.02 hereof and Wellman shall reissue a new stock

ELF 0019533

certificate reduced by the number of whole shares of Wellman Common Stock computed by dividing such excess by $4.50; provided, however, that the number of shares of Wellman Common Stock subject to adjustment under (1) or (2) hereof shall not exceed 35,000 shares.

ARTICLE VII

CONDITIONS TO OBLIGATIONS OF HILLS

The obligations of Hills under this Agreement are, at the option of Hills, subject to the condition that, on the Closing Date:

7.01 All actions, proceedings, instruments and documents required to carry out this Agreement by Wellman, and all related legal matters shall have been approved by Messrs. Dechert Price & Rhoads, counsel for Hills.

7.02 Hills shall have received an opinion of Messrs. Squire, Sanders & Dempsey, counsel for Wellman dated the Closing Date to the effect that (1) Wellman is a corporation duly organized and in good standing under the laws of the State of Delaware; (2) Wellman has full power and authority to purchase and acquire the assets, property and business as provided in this Agreement and to perform the obligations assumed by it under this Agreement; (3) All corporate and other proceedings required to be taken by or on the part of Wellman to authorize it to carry out this Agreement and to issue and deliver the shares of Wellman Common Stock deliverable pursuant to this Agreement have been duly and properly taken; (4) Said shares of Wellman Common Stock will, on delivery to Hills in accordance with the terms of this Agreement, be duly and validly issued, fully paid and non-assessable shares; and (5) This Agreement and the instruments of assumption to be delivered to Hills hereunder have been duly authorized, executed and delivered by Wellman and

FLF 0019534

are legal, valid and binding obligations of Wellman in accordance with their terms. Such opinion shall also contain statements that show counsel knows (a) of no suit or proceeding pending or threatened against Wellman which might materially and adversely affect the properties, assets or business of Wellman; (b) of no contract to which Wellman is a party which would prevent the carrying out of this Agreement.

7.03 Hills shall have received a fully executed copy of the Dow Agreement.

7.04 Hills shall have received certified copies of the resolutions of the Board of Directors of Wellman: (1) authorizing and approving the execution and delivery of the Dow Agreement, the execution and delivery of this Agreement, the execution and delivery of all instruments (including the issuance of the shares of Wellman Common Stock) provided for herein and the carrying out of the transactions contemplated hereunder; and (2) changing the By-Laws of Wellman to provide for a Board of Directors of either five or seven members and, effective as of the Closing, electing two Hills nominees to the Board, if composed of five members, or three Hills nominees, if composed of seven members.

7.05 Hills shall have received a certificate signed by the President of Wellman, dated the Closing Date, to the effect that the representations and warranties of Wellman contained in Article II hereof are true and correct in all material respects as of such date.

7.06 Hills shall have received letters dated as of the Closing Date signed by the Trustees under that certain Voting Trust Agreement dated as of June 30, 1969, (a copy of which agreement has been furnished to Hills) stating, in form satisfactory to Hills, the assurances requested by Hills.

ELF 0019535

ARTICLE VIII

CONDITIONS TO THE OBLIGATIONS OF WELLMAN

The obligations of Wellman under this Agreement are, at the option of Wellman, subject to the conditions that, on the Closing Date:

8.01 All actions, proceedings, instruments and documents required to carry out this Agreement by Hills and all related legal matters shall have been approved by Messrs. Squire, Sanders & Dempsey, counsel for Wellman.

8.02 Pennwalt Corporation, sole stockholder of Hills, shall have executed the guarantee agreement appended to this Agreement as a part of Exhibit C.

8.03 Wellman shall have received an opinion of Messrs. Dechert Price & Rhoads, counsel for Hills, dated the Closing Date to the effect that: (1) Hills is a corporation duly organized and in good standing under the laws of the State of Delaware; (2) Hills has full power and authority to sell, convey, assign, transfer and deliver the assets, properties and business being sold hereunder; (3) all corporate and other proceedings required to be taken by or on the part of Hills to authorize it to carry out this Agreement and to sell, convey, assign, transfer and deliver the assets, properties and business hereunder to Wellman in accordance with this Agreement have been duly and properly taken; and (4) this Agreement and the instruments of transfer to be delivered to Wellman hereunder have been duly authorized, executed and delivered by Hills and are legal, valid and binding obligations of Hills in accordance with their terms. Such opinion shall also contain statements that show counsel knows (a) of no suit or

ELF 0019536

proceeding pending or threatened against Hills which might materially and adversely affect the properties, assets or business to be sold to Wellman hereunder; (b) of no contract to which Hills is a party which would prevent the carrying out of this Agreement.

8.04 Wellman shall have received certified copies of the resolutions of the Board of Directors of Hills authorizing and approving the execution and delivery of this Agreement, the execution and delivery of all instruments provided for herein and the carrying out of the transactions contemplated hereunder.

8.05 Wellman shall have received a certificate signed by the Chairman of Hills, dated the Closing Date, to the effect that the representations and warranties made by Hills herein are true and correct in all material respects as of such date.

8.06 Hills shall have executed the Investment Representation and Registration Agreement dated as of September 30, 1971, between Hills and Wellman.

ARTICLE IX

GENERAL PROVISIONS

9.01 Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute any agreement to assign any claim, contract, license, lease, commitment, sales order or purchase order if an attempted assignment thereof without the consent of another party thereto would constitute a breach thereof or in any material way affect the rights of Hills thereunder, unless such consent is obtained. If such consent is not obtained, or if an attempted assignment would be ineffective or would materially affect Hills rights thereunder so that Wellman would not in fact receive all such rights, Hills will cooperate to provide for Wellman the

ELF 0019537

benefits under any such claims, contracts, licenses, leases, commitments, sales orders or purchase orders.

9.02 Wellman hereby waives compliance by Hills with the provisions of the so-called "Bulk Sales Law" of any state.

9.03 Hills agrees that, at the request of Wellman, at any time and from time to time after the Closing Date, it will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney or assurances as may, in the sole judgment of Wellman, be necessary or desirable to complete the assigning, transferring, granting, conveying, assuring and confirming to Wellman or for aiding and assisting in the collection of or reducing to possession by Wellman of any of the assets and properties purchased hereunder.

9.04 From and after the Closing Date, Hills agrees to use its best efforts to refer to Wellman promptly upon receipt all orders or inquiries it may receive from customers or prospective customers with respect to products manufactured by the Division.

9.05 The covenants, warranties and representations contained in or made pursuant to this Agreement shall survive the closings on the Closing Date and the Second Closing Date, provided, however, that neither Hills nor Wellman shall be liable for any breach of any representation or warranty contained herein unless written notice by the party claiming such breach is given to the other prior to the Adjustment Date.

ELF 0019538

9.06 Hills and Wellman agree that for a period of seven years from the Closing Date all books and records acquired by Wellman under this Agreement and all books and records retained by Hills in accordance with the terms hereof and pertaining in part to the business of the Division shall be available for inspection during regular business hours to their respective authorized representatives. If either Hills or Wellman shall desire to dispose of any such books and records prior to the expiration of seven years from the Closing Date, the party desiring to make such disposition shall give the other an opportunity, at the other's cost and expense, to segregate and remove any of such books and records as it may select.

9.07 Hills and Wellman each represents to the other that it has no responsibility to any person for any brokerage or finders fee in connection with the transaction dealt with in and covered by this Agreement. Each party hereto agrees to indemnify and hold harmless the other from any claim or demand fro commission or other compensation by any broker, finder or similar agent claiming to have been employed by or on behalf of such party.

9.08 This Agreement shall not be assignable by either party, except that Hills may, in connection with its merger into or the transfer of substantially all its assets to its sole shareholder, Penmwalt Corporation, assign this Agreement to Penmwalt Corporation. Nothing in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto, any rights or remedies under or by reason of this Agreement.

FLF 0019539

9.09 Any notice, request, instruction or other documents to be given hereunder by either party hereto to the other shall be in writing and delivered personally or mailed by registered mail, postage prepaid:

(1) If to Wellman --

Wellman Dynamics Corporation
Attention: Glenn F. Ihrig, President
801 Andre Street
Bay City, Michigan 48706

with copy to --

Brooks W. Maccracken, Esq.
1800 Union Commerce Building
Cleveland, Ohio 44115

(2) If to Hills --

Hills-McCanna Company
Attention: Charles A. Howe, Chairman
400 Maple Avenue
Carpentersville, Illinois 60110

with copy to --

Eugene C. Swift, Group Vice President
Pennwalt Corporation
Pennwalt Building
No. 3 Parkway
Philadelphia, Pennsylvania 19102

9.10 This instrument contains the entire agreement between the parties hereto with respect to the transactions contemplated herein and may be modified or terminated only by a written instrument executed by an officer of each party.

ELF 0019540

IN WITNESS WHEREOF, WELLMAN DYNAMICS CORPORATION and HILLS-McCANNA COMPANY have caused this Agreement to be executed in their respective corporate names, by their respective duly authorized officers, and their respective corporate seals to be hereunto affixed and attested, as of the year and day first above written.

(Seal)

Attest: _____
Brooks W. Maccracken, Secretary

WELLMAN DYNAMICS CORPORATION

By _____
Glenn F. Ihrig, President

(Seal)

Attest: _____

HILLS-McCANNA COMPANY

By _____
Charles A. Howe, Chairman

ELF 0019541

EXHIBIT A

STATEMENT OF

PRO FORMA NET WORTH

Estimated as of September 30, 1971

Assets			
Current Assets	**Wellman**	**Division**	**Total**
Cash	$230,800	$---------	$ 230,800
Accounts Receivable - Net	626,000	452,200	1,078,200
Inventory	713,000	473,000	1,186,000
Misc. Prepaid Assets	22,160	2,000	24,160
Property - Net $374,740 102,336	477,076	778,500	1,255,576
NOL Carry - forward[1]	283,200	---------	283,200
Total Assets	$2,352,236	$1,675,700	$4,027,936
Liabilities			
Current Liabilities			
Accounts Payable	$ 95,000	$ 116,500	$ 211,500
Accrued Liabilities (Payrolls, vac., etc.)	189,285	69,200	258,485
Total Liabilities	$ 284,285	$ 185,700	$ 469,985
Pro Forma Net Worth	$2,067,951	$1,520,000	$3,587,951

(1) Equal to 48% of $590,000, NOL from operations to September 30, 1971; no adjustment made for anticipated losses on termination.

Exhibit B

Divisional Schedule

(1) LEASES:

1. Equitable Life Insurance Company of Iowa, dated September 1, 1967, which is assignable only to affiliates of lessee without lessor's consent, and which contains financial covenants in Article XX which may be breached now and as a result of the assignments, but which lease Pennwalt Corporation has agreed to guarantee to Wellman.

2. L. O. Boggs Company dated July 1, 1967.

3. Thermogas Company, Inc. dated August 27, 1969.

4. Thermogas, Inc. dated October 27, 1969.

5. Chicago Burlington and Quincy Railroad, dated October 15, 1964.

(2) ROYALTY AGREEMENTS:

1. Magnesium Elektron Limited, Lumn's Lane, Clifton Junction, near Manchester, England relating to patents No. 2,604,396 dated November 19, 1954, No. 2,750,288 dated November 29, 1956, No. 2,549,955 dated August 14, 1961 and No. 3,039,868 dated January 1, 1969 (to the extent not expired).

(3) RIGHTS OF SHAREHOLDERS OR FORMER OFFICERS OR EMPLOYEES:

1. See Item (4)8.

(4) AGREEMENTS, POLICIES, ETC.:

1. Agreement with Local 17, I.M.&A.W.U. dated September 20, 1971.

2. Agreement with Hatcher Excavating dated 1964, as amended.

3. Consignment of 12,551 lbs. of QE-22 metal from Magnesium Electron, Inc.

4. Commission agreement with William Nolan.

5. Pennwalt General Aviation Product liability policy No. 9931/5025, 80% with Lloyd's and 20% with Aircraft Builders Council expiring December 1, 1971, which will be terminated for Hills-McCanna Company on October 2, 1971.

6. Pennwalt comprehensive general liability policy No. 2222-00-026404 with Employer's Mutual Liability Insurance Company of Wisconsin, expiring January 1, 1972, which will be terminated for Hills-McCanna Company on October 2, 1971.

7. Life, Health, Accident and Sickness for the hourly employees with Traveller's Insurance Company.

8. Salaried employees pension plan.

9. Hills-McCanna Company Fire and Supplemental policy No. 31-8-25095 with F.I.A. Co., which will be terminated October 1, 1971.

10. Hills-McCanna Company Fire and Supplemental policy No. 31-8-25096 with F.I.A. Co., which will be terminated October 1, 1971.

11. Fire policy No. 13456 C N 3843 with Lloyds, which will be terminated October 1, 1971.

(5) ARRANGEMENTS NOT CANCELLABLE BY HILLS-McCANNA ON NOTICE OF NOT MORE THAN 30 DAYS:

1. See Items (1) 1-6; (2) 1; (4) 1, 2 and 8; (8) 2.

(6) ARRANGEMENTS FOR PAYMENTS OF PENSIONS AND OTHER BENEFITS BY REASON OF FORMER EMPLOYMENT:

1. See Item (4).

ELF 0019544

ELF 0019544

(7) CONSTRUCTION ITEMS, ETC.:

1. None.

(8) OTHER PURCHASE ARRANGEMENTS:

1. Magnesium Elektron, Inc.

(a) Consignment inventories:

12,441 lbs. of QE-22 metal.

2. Thermogas, Inc., LP gas. agreement dated August 27, 1969.

(9) UNFILLED PURCHASE COMMITMENTS FOR QUANTITIES MATERIALLY IN EXCESS OF CURRENT REQUIREMENTS, OR AT PRICES IN EXCESS OF CURRENT MARKET:

1. None.

(10) AGREEMENTS, COMMITMENTS OR OBLIGATIONS TO REPURCHASE, REWORK REPLACE, OR ACCEPT RETURNS OF ITEMS PREVIOUSLY SOLD:

1. Terms and conditions of sale.

2. Rework orders per attached schedule.

(11) MORTGAGES, ETC.:

1. None.

(12) PENDING OR THREATENED ACTIONS OR SUITS:

1. Workmen's Compensation Claims.

2. $1,200 claim by Magnesium Elektron, Inc.

3. $46,922 claim by General Electric.

4. Any severance pay for salaried employees of Hills.

5. Legal fees incurred by Hills in connection with the Agreement.

ELF 0019545

6. Liability (approximately $6,450) of Hills to relocate fence.

7. Potential liability (not to exceed $) of Hills in litigation by Bendix v. Transelco, Inc., now pending as case No. L 29868-69 in Superior Court, Law. Div., Bergen County, N.J.

8. Dispute by AVCO Corp., Lycoming division, over $22,600 account receivable.

ELF 0019546
ELF 0019546

McCANNALLOY DIVISION
DEBIT MEMOS
9-28-71

Customer Name	Invoice Date	Invoice No.	Invoice Amount
Allison Div. of GMC	9-24-71	D 779117	$ 133.92
Power Transmission	9-20-71	D 95409	1,371.42
General Electric Co.	1-15-71	DM 7321	61.50
General Electric Co.	5-10-71	DM 1732	584.25
General Electric Co.	6-18-71	DM 03137	40.69
General Electric	5-25-71	DM 02383	527.41
General Electric	6-7-71	DM 69529	1,040.10
General Electric	5-10-71	DM 1592	1,143.42
General Electric	8-21-71	DM 4199	493.94
General Electric	9-24-71	D 16843	464.56
General Electric	9-24-71	D 16565	799.39
Buehler Corp.	9-2-71	D 38595	382.42
Lycoming	9-13-71	D 81390	945.94
Man-Turbo	3-5-71	D 221169	780.00
Man-Turbo	3-5-71	D 221170	780.00
Man-Turbo	12-8-70	D 220667	426.41
Man-Turbo	5-19-71	D 222063	426.41
Mataren Turbinen Union	7-15-71	D 235014	4,415.30
Man-Turbo	8-9-71	D 222955	1,556.30
McDonnell Aircraft Co.	7-6-71	D 427912	570.43
Northrop	4-8-71	DM 86924	5,705.44
Northrop	4-8-71	DM 17556	596.59
Pratt & Whitney	9-24-71	D 192506	301.56
Pratt & Whitney	9-24-71	D 193159	268.78
Pratt & Whitney	9-24-71	D 193160	132.61
Pratt & Whitney	12-4-70	D 176607	364.00

Customer Name	Invoice Date	Invoice No.	Invoice Amount
Pratt & Whitney	11-9-70	D 175323	$ 268.78
Pratt & Whitney	9-28-70	D 175172	544.97
Pratt & Whitney	4-2-70	D 155893	623.69
Pratt & Whitney	8-16-71	D 192903	623.69
Pratt & Whitney	2-11-70	D 150361	1,764.31
Pratt & Whitney	3-9-70	D 155458	623.69
Pratt & Whitney	8-7-70	D 168384	570.31
Pratt & Whitney	11-9-70	D 176076	1,121.95
Pratt & Whitney	11-14-70	D 167162	310.65
Pratt & Whitney	6-16-70	D 166084	656.11
Pratt & Whitney	8-4-71	D 192805	100.52
Pratt & Whitney	8-16-71	D 192904	656.11
Pratt & Whitney	8-7-70	D 168224	246.62
Pratt & Whitney	7-9-70	D 167367	310.00
Pratt & Whitney	6-18-70	D 165665	364.00
Pratt & Whitney	5-27-70	D 163246	225.66
Pratt & Whitney	4-6-70	D 156169	1,194.00
Pratt & Whitney	4-2-70	D 155770	1,247.38
Pratt & Whitney	3-13-70	D 155395	728.00
Pratt & Whitney	3-9-70	D 155398	1,140.62
Pratt & Whitney	1-12-70	D 149889	570.31
Pratt & Whitney	7-29-71	D 192505	45.70
Pratt & Whitney	7-29-71	D 192507	656.11
Pratt & Whitney	6-21-71	D 189555	132.61
Pratt & Whitney	4-26-71	DM 48414	135.16
Pratt & Whitney	3-18-71	DM 47464	112.61
Pratt & Whitney	2-8-71	D 46573	25.84
Pratt & Whitney	1-8-71	DM 45918	684.11
Pratt & Whitney	11-7-69	DM 33957	741.00

Customer Name	Invoice Date	Invoice No.	Invoice Amount
Pratt & Whitney	5-27-70	D 163122	$ 123.31
Pratt & Whitney	4-6-70	DM 39013	369.49
Pratt & Whitney	11-30-70	D 176608	4,592.77
Pratt & Whitney	11-9-70	D 176017	268.78
Pratt & Whitney	7-19-71	D 189948	268.78
Pratt & Whitney	8-3-70	D 170960	1,430.91
Pratt & Whitney	4-5-71	DM 47773	135.66
Pratt & Whitney	6-1-71	DM 49275	822.74
Pratt & Whitney	7-6-71	D 049850	161.15
Pratt & Whitney	4-5-71	DM 47772	45.22
Pratt & Whitney	8-4-71	D 50447	36.09
Pratt & Whitney	8-4-71	D 428403	8,869.74
Thyssen Steel Corp.	5-26-71	Debit	3,377.20
Teledyne-CAE	8-2-71	D 6440	213.49
Man-Turbo	12-8-70	D 220668	426.41
Mataren Turbinen Union	7-15-71	121369	65.87
Airesearch	8-23-71	D 63320	362.98
Airesearch Corp.	7-6-71	DM 61144	846.45
Allison Div. of GMC	9-28-70	DM 62401	1,841.80
Allison Div. of GMC	3-29-71	D 756243	1,420.45
Pratt & Whitney	7-17-70	D 167719	623.69
Teledyne CAE	9-14-71	D 6640	214.19
Teledyne CAE	8-2-71	D 6514	214.36

67,466.23

67,448.83

III L-1

AGREEMENT FOR SALE OF ASSETS

This Agreement For Sale of Assets ("Agreement") is dated December 9, 1975 and is executed by Creston Corporation ("Creston"), Creston's wholly-owned subsidiary New Wellman Dynamics Corporation ("New Wellman"), Wellman Dynamics Corporation ("Wellman"), and Pennwalt Corporation ("Pennwalt"). (Each of these is a Delaware corporation except Pennwalt which is a Pennsylvania corporation.)

Recitals

A. Pennwalt's second-tier, wholly-owned subsidiary, Delaware Chemicals Corporation, owns 92.28% (761,541 shares) of the outstanding common stock of Wellman, the balance of which is owned of record by approximately 53 other persons.

B. It is the purpose of this Agreement to provide for the sale of substantially all of the assets of Wellman to New Wellman upon the terms and conditions below stated, to be followed by the change of Wellman's name to Wellman Liquidating Corporation and its dissolution and the distribution of its remaining assets to its stockholders in cancellation of all of its outstanding stock.

1. SALE OF ASSETS FOR CASH. At the Closing provided for in paragraph 2 below, Wellman will sell to New Wellman all of Wellman's properties, tangible and intangible, wherever located, except only as expressly provided herein, and in exchange therefor New Wellman will (a) deliver to Wellman cash in the amount of $3,721,864 reduced, however, by the amount of any cash retained by Wellman, and (b) assume the contracts, liabilities and obligations of Wellman to the extent provided in paragraph 5 hereof.

2. CLOSING. The Closing under this Agreement (the "Closing") will take place at 11:00 a.m. E.S.T., on December 31, 1975 or January 2, 1976, at the option of Pennwalt, or at such other time not later than March 1, 1976, as may be agreed upon by the parties.

3. STOCKHOLDER APPROVAL. The favorable vote of the holders of a majority of the outstanding common stock of Wellman is required as a condition of consummation of the sale contemplated hereby, and the entire agreement set forth herein

is contingent upon such vote having been obtained at a meeting of the Wellman stockholders to be held not later than December 31, 1975, at which meeting stockholder approval will likewise be sought for the dissolution of Wellman in accordance with Section 275 of the Delaware Corporation Law and the change of its name to Wellman Liquidating Corporation. Pennwalt will cause Delaware Chemicals Corporation to vote the shares of Wellman stock owned by it in favor of the foregoing proposals upon satisfaction of the conditions precedent to Pennwalt's and Wellman's obligations specified in paragraph 12 hereof.

4. TRANSFER OF WELLMAN'S ASSETS TO NEW WELLMAN. At the Closing Wellman will sell, assign, transfer and convey to New Wellman all of Wellman's properties, assets, business, and contracts, agreements and rights of every kind and description, real and personal, tangible and intangible, wherever situated and whether or not reflected on its September 30, 1975 balance sheet hereafter mentioned.

5. ASSUMPTION OF WELLMAN'S LIABILITIES; INSURANCE. At the Closing, New Wellman will assume and agree to perform and pay when due, which undertaking Creston will guarantee, all taxes, including income taxes to the extent provided in paragraph 13 hereof, debts, commitments, contracts, obligations and liabilities of Wellman of every kind and character whether fixed or contingent and whether or not reflected or reserved against on Wellman's balance sheet as at September 30, 1975 hereafter mentioned, except

(a) any obligations or liabilities of Wellman, or costs and expenses in connection therewith, to the extent that such obligations or liabilities, and costs and expenses, are satisfied or paid by an insurer or insurers under a policy or policies of insurance issued to Wellman;

(b) any obligations or liabilities of Wellman to its stockholders as such;

(c) any obligations or liabilities of Wellman arising or incurred after the Closing, except any which accrued, or are alleged to have arisen out of acts or omissions by Wellman, prior to the Closing;

(d) any tax imposed upon Wellman by reason of the sale of its assets and business pursuant to this Agreement, or upon any stockholder of Wellman by reason of his surrender

ELF 0019682

of stock of Wellman in connection with Wellman's liquidation and dissolution as contemplated by this Agreement;

(e) any debts, liabilities or obligations of Wellman as to which New Wellman in good faith is contesting the amount or validity provided that New Wellman pays all costs of contesting the same and all amounts determined to be payable with respect thereto; or

(f) any debt, liability or obligation of Wellman which is barred by the applicable statute of limitations or which by reason of the passage of time following the dissolution of Wellman cannot under applicable law be asserted against Wellman, its directors, stockholders, or any of them, provided that New Wellman pays all costs of contesting the same and all amounts determined to be payable with respect thereto.

At the Closing, New Wellman will deliver to Pennwalt and Wellman satisfactory evidence that aircraft products liability insurance, of the type and in the amounts presently maintained by Pennwalt and Wellman with respect to the latter's products will be continued in force by New Wellman at its expense after the Closing. After the Closing Pennwalt and Wellman will be named as additional insureds in all such policies without cost to them, which will be continued in effect so long as Pennwalt or Wellman may have any exposure to claims arising out of or relating to the sale or use before or after the Closing of any Wellman product.

6. REPRESENTATIONS AND WARRANTIES OF WELLMAN AND PENNWALT. Wellman and Pennwalt jointly and severally represent and warrant to Creston and New Wellman as follows:

(a) Organization and Good Standing. Wellman is and at the time of Closing will be a corporation duly organized, validly existing and in good standing under the laws of Delaware, and is and at the time of Closing will be duly qualified and in good standing as a foreign corporation in those jurisdictions where the character of the properties owned or leased by Wellman or the nature of its business makes such qualification necessary; and the copies of the certificate of incorporation of Wellman and all amendments thereto and its by-laws as amended which have been delivered to Creston are correct as at the date of this Agreement, and will be correct as at the time of Closing.

ELF 0019683

(b) Capitalization. Wellman's authorized capital stock consists of 1,500,000 shares of Common Stock, par value $1 per share ("Wellman Stock"), of which 825,247 shares are issued and presently outstanding, and 50,000 shares of Preferred Stock, without par value, none of which has been issued. All the outstanding shares of Wellman Stock have been validly issued and are fully paid and non-assessable, and there are no outstanding options, warrants, agreements, calls, commitments or demands of any character relating to the authorized but unissued capital stock of Wellman.

(c) Subsidiaries. Wellman does not directly or indirectly control any other corporation or business organization, except for one wholly-owned subsidiary which is inactive.

(d) Financial Statements. The following financial statements of Wellman have been delivered to Creston:

(i) Statements of income and retained earnings for the years ended December 31, 1970 through 1974 together with the auditor's report of Arthur Andersen & Co.;

(ii) Balance sheets as at December 31, 1970 through 1974 together with the auditor's report of Arthur Andersen & Co.;

(iii) Statements of changes in financial position for the fiscal years ended December 31, 1970 through 1974 together with the auditor's report of Arthur Andersen & Co.; and

(iv) Statements of income and retained earnings for the nine months ended September 30, 1975 and a balance sheet as at September 30, 1975, certified by the Controller of Pennwalt and subject to year-end adjustments.

All of the financial statements referred to in this paragraph 6(d) are correct and complete; fairly present the financial condition, assets and liabilities of Wellman as at their respective dates and the results of operations for such periods; and have been prepared in accordance with generally accepted accounting principles consistently applied since the beginning of the period indicated except to the extent that

ELF 0019684

changes may be referred to in the notes to such financial statements.

(e) Absence of Undisclosed Liabilities. As at September 30, 1975, Wellman had no liability or obligation of any nature, whether due or to become due, absolute, contingent or otherwise, including without any implied limitation any liabilities for federal, state and local taxes and any interest or penalties relating thereto, for or relating to any period prior to September 30, 1975, except to the extent reflected or reserved against in its September 30, 1975 balance sheet or incurred in the ordinary course of business thereafter or as disclosed by or pursuant to this Agreement. Neither Pennwalt nor Wellman knows, nor has, nor at the Closing will have, any reasonable ground to know of any basis for the assertion against Wellman as at September 30, 1975 of any liability of any nature or in any amount not fully reflected or reserved against in its September 30, 1975 balance sheet with the exceptions referred to above, including, without implied limitation, any liability as at September 30, 1975, or the date of Closing which may arise out of any excessive profit determination by the United States Renegotiation Board.

(f) No Changes Prior to Closing. Except as agreed by Creston, between September 30, 1975 and the Closing there will not have been:

(i) Any changes in the financial or other condition, assets, liabilities or business of Wellman, except changes in the ordinary course of business, none of which individually or in the aggregate has been or will be materially adverse to Wellman;

(ii) Any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the business, prospects or any property of Wellman;

(iii) Any declaration, setting aside or payment of a dividend or other distribution in respect of any of the capital stock of Wellman or any direct or indirect redemption, purchase or other acquisitions of any such stock;

ELF 0019685

(iv) Any increase in the compensation payable or to become payable by Wellman to any of its officers, employees or agents other than increases under collective bargaining agreements and other wage or salary adjustments which are minor in overall effect and generally in line with similar adjustments made in the past; or

(v) Any strike, lockout, labor trouble or any event or condition of any character materially adversely affecting the business or prospects of Wellman.

(g) Federal Tax Matters. Wellman has duly filed all federal income tax returns required to be filed by it and has joined in the filing of Pennwalt's consolidated federal income tax returns for all taxable years in which it was required to do so; all taxes shown by such returns to be due have been paid.

(h) Real Estate. Wellman has delivered to Creston and New Wellman correct summary descriptions of all real properties owned or leased by Wellman, including all title insurance policies on such properties; all structures on such properties and the equipment therein are in good operating condition; and the construction, use and operation of all such properties conform in all material respects to all applicable building, zoning and other laws, ordinances, regulations, permits, licenses and certificates.

(i) Material Leases, Contracts and Commitments. Wellman does not have any presently existing material lease, contract or commitment of any kind including without implied limitation mortgages, employment agreements, collective bargaining agreements, distribution agreements, patent license agreements, contracts for future purchase or delivery of goods or retention of service, bonus, pension or retirement plans, accrued vacation pay and insurance and welfare agreements (except as described in a schedule delivered by Wellman to Creston and New Wellman dated the date of this Agreement). All parties (including Wellman) to all leases, contracts and other commitments to which Wellman is a party have complied with the material provisions of such leases, contracts or other commitments; no such party is in default under any of the terms thereof; no event has occurred which, but for the passage of time or the giving of notice, or both, would constitute a default; and Wellman has or at the Closing will have the power (subject to the consent of the other party

ELF 0019686

thereto in the case of purchase orders or other contracts requiring consent to assignment) to transfer to New Wellman at Closing all of its rights and benefits, subject to its obligations, under all of such leases, contracts and commitments.

(j) Patents, Trademarks and Licenses. Wellman has delivered to Creston and New Wellman a correct list and summary description of all patents, patent applications, trademarks, tradenames, copyrights and licenses presently owned, held or used by Wellman, all of which are valid and in good standing and to the best of the knowledge of Wellman none of which infringes (nor has any claim been made that any of them infringes) the patents, trademarks or copyrights of others.

(k) Compensation Arrangements and Bank Accounts. Wellman has delivered to Creston a correct list showing:

(i) The names of all persons whose aggregate compensation from Wellman for the present fiscal year will exceed $20,000 and the aggregate compensation to be paid to each such person;

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

(iii) All policies of insurance with respect to Wellman and its properties.

(l) Title to Properties. Wellman has good and marketable title to all its properties and assets including those reflected in its September 30, 1975 balance sheet (except as since disposed of in the ordinary course of business), subject to no mortgage, pledge, lien, restriction, claim, encumbrance or security interest, except as disclosed in such balance sheet and the notes to financial statements related thereto and except for minor imperfections of title and encumbrances which, individually and in the aggregate, are not substantial in amount and do not materially detract from the value of or impair the use of the affected properties or materially impair any operations of Wellman.

(m) Accounts Receivable. All of the accounts receivable of Wellman have been incurred in the ordinary

ELF 0019687

ELF 0019687

course of business and are fully collectible except to the extent that a reserve for doubtful accounts is reflected in the balance sheet of Wellman at September 30, 1975.

(n) Litigation. There is no order, notice, claim, litigation, proceeding or investigation pending, or to the knowledge of Pennwalt or Wellman threatened against, or affecting, Wellman or any of its assets, property or businesses, whether or not fully covered by insurance except for minor workmen's compensation claims and one proceeding brought under the Federal Equal Opportunity Employment Act and the Iowa Civil Rights Act.

(o) Disclosure. No representation or warranty by Pennwalt or Wellman in this Agreement and no statement in any certificate or other instrument furnished or to be furnished to Creston or New Wellman pursuant hereto or in connection with the transactions contemplated hereby, contains or at the time of Closing will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make it not misleading or necessary to provide New Wellman or Creston with proper information as to Wellman and its affairs.

7. REPRESENTATIONS AND WARRANTIES OF CRESTON AND NEW WELLMAN. Creston and New Wellman jointly and severally represent and warrant to Pennwalt and Wellman as follows:

(a) Organization and Good Standing of Creston. Creston is and will be at the time of Closing a corporation duly organized, validly existing and in good standing under the laws of Delaware.

(b) Organization and Good Standing of New Wellman. New Wellman is and at the time of Closing will be a corporation duly organized, validly existing and in good standing under the laws of Delaware, and at the time of Closing will be duly qualified and in good standing as a foreign corporation in those states in which such qualification will be required after the Closing under this Agreement in carrying on the business presently conducted by Wellman.

(c) Capitalization of New Wellman. At the time of Closing, New Wellman's authorized capital stock will consist of 1,000 shares of common stock, without par value, 800 of which will be issued and outstanding and owned of

ELF 0019688

record and beneficially by Creston, which will have paid not less than $1,000,000 upon issuance thereof.

(d) Disclosure. No representation or warranty by Creston or New Wellman in this Agreement and no statements in any certificate or other instrument furnished or to be furnished to Pennwalt or Wellman pursuant hereto or in connection with the transactions contemplated hereby, contains or at the time of Closing will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make it not misleading or necessary to provide Pennwalt and Wellman with proper information as to Creston and New Wellman and their affairs.

(e) Compliance with Securities Laws. In connection with the issue, offer and sale of the capital stock of Creston, and the consummation of the transactions contemplated by this Agreement, Creston has fully complied and will comply with all applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations thereunder and the securities laws, rules and regulations of each state in which an offer or sale of the capital stock of Creston has been or prior to Closing will be made.

8. COST, EXPENSES AND TAXES. Except as provided below, each party hereto will pay all costs and expenses incurred in connection with the performance of the undertakings on its part contained in this Agreement, provided that if the Closing is not consummated because of the inability of Creston and New Wellman to obtain, notwithstanding their best efforts to do so, the financing required to carry out their obligations hereunder Creston and New Wellman will on demand reimburse Wellman and Pennwalt for all of such costs and expenses which they may reasonably have incurred up to a maximum of $20,000, which shall in such event be the extent of Creston's and New Wellman's liability under this Agreement.

9. ACCESS, INFORMATION AND DOCUMENTS. Pending the Closing, Wellman and Pennwalt will give to Creston and New Wellman and their counsel, accountants, stockholders and other representatives full access during normal business hours to all of the properties, books, contracts, commitments and records of Wellman and will furnish to Creston and New Wellman all such documents and copies of documents (certified as true copies if requested) and all information with respect to the affairs of Wellman as Creston or New Wellman or any of their stockholders may reasonably request.

ELF 0019689

10. CONDUCT OF BUSINESS PENDING CLOSING.

(a) Undertakings of Wellman and Pennwalt. Pending the Closing, the business of Wellman will be conducted only in the ordinary course, and Wellman and Pennwalt will use their best efforts to preserve the business organization of Wellman intact, to keep available to Creston and to New Wellman the services of the present officers and employees of Wellman and to preserve for the benefit of Creston and New Wellman the good will of the suppliers and customers of Wellman and others having business relations with Wellman.

(b) Restrictions on Wellman. Pending the Closing, Wellman will not without Creston's consent:

(i) Amend its certificate of incorporation or by-laws;

(ii) Authorize or issue any capital stock or issue any rights or options to acquire shares of its authorized but unissued capital stock;

(iii) Declare any dividend or make any other distribution or payment in respect of its capital stock of any class or make any payment to redeem, purchase or otherwise acquire any of its capital stock of any class;

(iv) Enter into any contract or commitment, or cancel or otherwise terminate any contract or commitment the performance of which may extend beyond the time of Closing, except any made, cancelled or terminated in the ordinary course of business and with respect to any contract entered into, the terms of which are consistent with its past practice and reasonable in light of current conditions;

(v) Change the compensation payments or banking and safe deposit arrangements referred to in paragraph 6(k) hereof;

(vi) Purchase any item of real or personal property for more than $5,000 or sell, transfer, lease or otherwise dispose of any of its assets, other than in the ordinary course of its business.

ELF 0019690

ELF 0019690

11. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF CRESTON AND NEW WELLMAN. The obligations of Creston and New Wellman under this Agreement are subject to the fulfillment prior to or at Closing of the following conditions:

(a) Warranties of Wellman and Pennwalt. The representations and warranties of Wellman and Pennwalt contained in paragraph 6 hereof will be true in all material respects at the time of Closing and Creston and New Wellman will have received certificates to that effect signed by authorized officers of Wellman and Pennwalt.

(b) Performance and Compliance. Wellman and Pennwalt will have performed all agreements and complied with all provisions of this Agreement requiring performance or compliance prior to or at Closing.

(c) Opinion of Counsel for Wellman. Wellman will have delivered to Creston and New Wellman an opinion of its counsel, Dechert Price & Rhoads, dated the Closing date, satisfactory in form and substance to Creston and New Wellman and its counsel, to the effect that:

(i) Wellman is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) This Agreement has been duly authorized, executed and delivered by Wellman and constitutes the valid and binding obligation of Wellman enforceable in accordance with its terms, except as limited by bankruptcy, insolvency and similar laws affecting creditors' rights, and the consummation of the transactions contemplated by this Agreement will not violate any unwaived provision of any material contract or agreement binding upon Wellman known to such counsel; and

(iii) Such counsel knows of no litigation, proceeding or investigation pending or threatened against any party hereto which could affect its right to consummate the transactions contemplated hereby.

ELF 0019691

12. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF PENNWALT AND WELLMAN. The obligations of Pennwalt and Wellman under this Agreement are subject to the fulfillment prior to or at Closing of the following conditions:

(a) Warranties of Creston and New Wellman. The representations and warranties of Creston and New Wellman contained in paragraph 7 hereof will be true in all material respects at the time of Closing and Wellman will have received certificates to that effect signed by an authorized officer of Creston and New Wellman.

(b) Performance and Compliance. Creston and New Wellman will have performed all agreements and complied with all provisions of this Agreement requiring compliance or performance prior to or at Closing.

(c) Director and Stockholder Approval. The transactions contemplated by this Agreement will have been approved by the affirmative vote of the holders of not less than a majority of the outstanding shares of Wellman Stock.

(d) Opinion of Counsel for Creston and New Wellman. Wellman and Pennwalt will have received an opinion from Dutton, Kappes & Overman dated the Closing date, satisfactory in form and substance to Wellman and Pennwalt and their counsel, to the effect that:

(i) Creston is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) New Wellman is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(iii) New Wellman's authorized capital stock consists solely of 1,000 shares of common stock, without par value, of which 800 shares are issued and presently outstanding; all such outstanding shares have been validly issued and are fully paid and non-assessable, and are owned of record and to the best of such counsel's knowledge beneficially by Creston, free and clear of any lien, security interest, restriction, encumbrance or claim;

(iv) In connection with the issue, offer and sale of the capital stock of Creston and the

ELF 0019692

ELF 0019692

consummation of the transactions contemplated by this Agreement, Creston has fully complied with all applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations thereunder and the securities laws, rules and regulations of each state in which an offer or sale of the capital stock of Creston has been made;

(v) This Agreement has been duly authorized, executed and delivered by Creston and New Wellman and constitutes the valid and binding obligation of Creston and New Wellman enforceable in accordance with its terms, except as limited by bankruptcy, insolvency and similar laws affecting creditors' rights, and the consummation of the transactions contemplated by this Agreement will not violate any unwaived provision of any material contract or agreement binding upon Creston or New Wellman known to such counsel; and

(vi) Such counsel knows of no litigation, proceedings or investigation pending or threatened against any party hereto which could affect its right to consummate the transactions contemplated hereby.

In giving their opinion Messrs. Dutton, Kappes & Overman may to the extent therein stated rely on an opinion of Messrs. Bradshaw, Fowler, Proctor & Fairgrave.

(e) Purchase of Wellman Foundry. New Wellman will have purchased the foundry presently operated by Wellman in Creston, Iowa, and the lease under which Wellman now holds possession thereof will have been extinguished.

13. FEDERAL AND STATE INCOME TAXES OF WELLMAN.

(a) Assumption of Wellman's Federal Tax Liability by New Wellman. Without limiting the generality of paragraph 5 hereof, New Wellman will at Closing assume liability for all federal income taxes in respect of Wellman's activities during any taxable year ending prior to or on Closing or during any portion of a taxable year beginning before and ending with the Closing except that New Wellman will not assume any liability nor claim any benefit in respect of taxes attributable to the sale of Wellman's assets hereunder. For this purpose even if

FLF 0019693

Wellman was or is included in Pennwalt's consolidated federal income tax return, Wellman's federal income tax liability will be computed as though Wellman had filed a separate federal income tax return on the basis of facts to be used in filing the consolidated tax returns and without regard to adjustments, if any, made following audit by Internal Revenue Service subject to the following modifications:

(i) The surtax exemption provided by section 11(d) of the Internal Revenue Code of 1954, as amended ("Code"), will not be allowed;

(ii) The normal tax imposed by Code section 11(a) will be 22%;

(iii) Any investment tax credit arising during any year in which Wellman is included in Pennwalt's consolidated federal income tax return in excess of the amount creditable against the tax liability attributable to Wellman's separate taxable income will be applied against the consolidated tax liability of the Pennwalt group and will not result in or add to any investment tax credit carryover or carryback;

(iv) No investment tax credit will be allowed for in 1975 except for carryovers of investment tax credit from taxable periods ending prior to September 1, 1972;

(v) Any net operating loss suffered during any taxable year ending prior to January 1, 1976 in which Wellman is included in Pennwalt's consolidated federal income tax return will not result in or add to any net operating loss carryover or carryback and will be applied to reduce the consolidated taxable income of the Pennwalt group;

(vi) Wellman's net operating loss carryover deduction in 1975 will be $464,588; and

(vii) Any net operating loss suffered attributable to Wellman's activities other than the sale of its assets pursuant to this Agreement beginning on January 1, 1976 and ending on the Closing date will be treated as a net operating loss carryback to 1975.

ELF 0019694

(b) Payment Attributable to Federal Taxes. New Wellman will pay to Pennwalt, to the extent Wellman has not paid to Pennwalt prior to Closing, upon demand the amount of any federal tax liability computed under subparagraph (a) hereof. Pennwalt or Wellman will pay to New Wellman the amount of any tax reduction resulting from carryback of a net operating loss pursuant to subparagraph (a)(vii) within 30 days after Pennwalt files its 1976 consolidated federal income tax return.

(c) State Tax Liability. New Wellman will at Closing assume liability for all state income taxes in respect of Wellman's activities during any taxable year ending prior to or on Closing or during any portion of a taxable year beginning before and ending with the Closing except that New Wellman will not assume any liability or claim any benefit in respect of taxes attributable to the sale of its assets hereunder. This liability will be calculated and paid to Pennwalt or Wellman in the same manner as the federal tax liability.

14. WAIVERS. Prior to or on the date of Closing, Creston and New Wellman will have the right to waive any default in the performance of any term of this Agreement by Wellman or Pennwalt of any of their obligations hereunder, and to waive any or all of the conditions precedent to Creston's and New Wellman's obligations hereunder. Prior to or on the date of Closing, Wellman and Pennwalt will have the right to waive any default in the performance of any term of this Agreement by Creston or New Wellman of any of their respective obligations hereunder and to waive any or all of the conditions precedent to the obligations of Wellman and Pennwalt hereunder. Creston and New Wellman waive compliance by Wellman with any applicable bulk sales laws or similar legislation.

15. NATURE AND SURVIVAL OF REPRESENTATIONS. All statements contained in any certificate or other instrument delivered by Pennwalt or Wellman pursuant to this Agreement or in connection with the transactions contemplated hereby will be deemed representations and warranties by Pennwalt and Wellman hereunder, and all statements contained in paragraph 5 and 13 hereof and in any certificate or other instrument delivered by or on behalf of Creston or New Wellman pursuant to this Agreement will be deemed representations and

ELF 0019695

warranties by Creston and New Wellman. All of the representations, warranties, agreements and obligations made or undertaken herein or in connection with the transactions contemplated hereunder will be extinguished upon completion of the Closing and will not create the basis for a claim by any party hereto except for the undertakings of New Wellman, guaranteed by Creston, in paragraph 5 and 13 hereof and in any of the instruments of assumption of Wellman's liabilities delivered pursuant to paragraph 5 hereof, and the undertaking of Pennwalt in paragraph 13 hereof, and except that

(a) The representations and warranties of Pennwalt and Wellman contained in paragraphs 6(d) and (e) will survive until the second anniversary of the Closing hereunder, on which date they will be extinguished and of no further effect and will not create the basis for a claim by any party hereto except as to any claim made theretofore in writing by Creston or New Wellman to Pennwalt that a breach of one or more thereof has occurred, specifying the nature thereof, and except for the representation and warranty contained in paragraph 6(e) with respect to Renegotiation Board determinations which will survive the Closing without limitation in time; and

(b) The representations and warranties of Creston and New Wellman contained in paragraphs 7(b) and (c) will continue until the second anniversary of the Closing hereunder, on which date they will be extinguished and of no further effect and will not create the basis for a claim by any party hereto except as stated in the last sentence of this paragraph 15(b) and except as to any claim made theretofore in writing by Pennwalt to New Wellman or Creston that a breach of one or more thereof has occurred, specifying the nature thereof. Notwithstanding the foregoing, the undertakings specified in paragraph 7(e) will survive the Closing without limitation in time.

16. INDEMNIFICATION. To the extent provided in paragraph 15 hereof, each party will indemnify and hold harmless the other party or parties against any damage or deficiency resulting from any misrepresentation, breach of warranty or nonfulfillment of any obligation or agreement on the part of the indemnifying party contained in this Agreement or in any document delivered pursuant to the provisions hereof, and any actions, judgments, costs and expenses incident to the foregoing, provided that

FLF 0019696

(a) no claim shall be made hereunder against any party hereto more than two years after the date of Closing hereunder except any claim of Pennwalt arising under paragraphs 5, 7(e) or 13 hereof or any claim of New Wellman arising under paragraph 13 hereof or under paragraph 6(e) with respect to Renegotiation Board determinations;

(b) Pennwalt and Wellman shall not be liable for any such damage or deficiency except to the extent that the aggregate amount of all such damages and deficiencies, including related costs but after deduction of any related tax or other benefit, exceeds the sum of $100,000, but in no event shall Pennwalt and Wellman be liable hereunder for an amount in excess of an aggregate of $2,000,000;

(c) no claim shall be made hereunder by Creston or New Wellman against any stockholder of Wellman in his capacity as such.

17. GOVERNING LAW; PARTIES IN INTEREST. This Agreement will be governed by Delaware law and will bind and inure to the benefit of the successors and assigns of the parties hereto but may not be assigned by any party hereto without the consent of all other parties and may not be construed to confer any benefit or right on any person other than the parties hereto.

18. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto relating to the transactions contemplated hereby and no statements, undertakings or understandings which are not contained in this Agreement will be deemed to be material to such transactions or to have been relied upon by any party.

19. NOTICES. All notices, consents and other communications hereunder will be in writing and will be deemed to have been duly given if delivered or mailed, first-class, postage pre-paid:

(a) If to Wellman or Pennwalt, to

Edwin E. Tuttle
Executive Vice President
Pennwalt Corporation
Pennwalt Building
Three Parkway
Philadelphia, PA 19102

ELF 0019697

(b) If to Creston or to New Wellman, to

Philip S. Kappes, Esq.
Dutton, Kappes & Overman
710 Guarantee Building
Indianapolis, Indiana 46204

with copy to:

Glenn F. Ihrig, President
Wellman Dynamics Corporation
P. O. Box 147
Creston, Iowa 50801

or to such other person at such other address as any of the parties hereto may hereafter designate by written notice to the other parties.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have duly executed this Agreement as of the date first above written

WELLMAN DYNAMICS CORPORATION

By Glenn F. Ihrig

PENNWALT CORPORATION

By _____
Chairman & President

CRESTON CORPORATION

By Philip S. Kappes
Secretary

NEW WELLMAN DYNAMICS CORPORATION

By _____

ELF 0019698
ELF 0019698

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

OF WELLMAN DYNAMICS CORPORATION

Creston, Iowa
September 13, 1973

Pursuant to the call of the President and notice duly given, a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the President, at Creston, on Thursday, September 13, 1973, at 8:30 a.m.

The meeting was called to order by James McWhirter. At such time the following directors were present:

Theodore M. Englehart

Glenn F. Ihrig

James McWhirter

James M. Williams

Also present were Mr. James Howarth, Vice President - Operations, Mr. P. C. Higgs, Vice President - Finance, and Edward E. Johnson, Secretary of the Corporation.

The minutes of the Special Meeting of the Board of Directors held on July 26, 1973, having been previously mailed to the directors, were approved as mailed.

Ratification of Appointment of James McWhirter as member and Chairman of the Board of Directors. The informal action which

had been taken by the Board of Directors on August 15, 1973, of electing Mr. James McWhirter to fill the vacancy on the Board of Directors created by the death of Eugene C. Swift and further to elect him to serve as the Chairman of the Board of Directors was formally approved and ratified by the Board of Directors.

Announcement of Appointment of James McWhirter as Successor Trustee to Eugene C. Swift under the Voting Trust Agreement dated June 30, 1969. It was announced that pursuant to Section 15 of the Voting Trust Agreement dated as of June 30, 1969 (the "Voting Trust Agreement") by and between certain shareholders of Wellman Dynamics Corporation and Robert C. Wellman, C. F. Weaver, and Glenn F. Ihrig, as Trustees, James McWhirter had been appointed by Pennwalt Corporation, being the current holder of all of the shares of common stock of Wellman Dynamics Corporation referred to in Paragraph 15 of the Voting Trust Agreement as the "1969 Issue", to act as a Trustee under the Voting Trust Agreement to succeed Eugene C. Swift, who died suddenly and unexpectedly on July 28, 1973.

Report of the President. Mr. Ihrig reported sales for August of $821,000. Since the Company has a sales backlog of approximately $5,700,000, most of the Company's productive capacity for 1974 is already scheduled.

The Company anticipates receiving its new spectograph in December.

Although the Board authorized management to acquire up to five forklift trucks, management has ordered only three such

trucks. Management, pursuant to the authority delegated to it by the Board, decided that leasing is the most advantageous method of acquiring the trucks. The Company is hopeful of receiving the trucks by December.

Mr. Ihrig reported that the Company is having difficulty acquiring the necessary employees. Mr. Ihrig further reported that the Company is actively recruiting women for foundry work.

Report of Vice President-Operations. Mr. Howarth reported the following production figures for the 23 operating days of August:

Production	$672,375	($29,200 per day)
Shipments	621,000	
First Inspection Scrap		(660 per day) 2.2%
Final Scrap (Standard)	68,700	(11.3%)
Customer Returns	15,000	(2.4%)

During this period the company employed 270 hourly employees and 77 salaried employees.

Mr. Howarth indicated that production has been lower than would otherwise be expected due to increasing emphasis on quality control and the fact that more production employees are being deferred to such matters.

Mr. Howarth indicated that the Company is continuing to be troubled by the lack of workers in the Creston area who are capable of doing skilled foundry work.

In response to Mr. McWhirter's inquiry of whether it would be possible to bring in experienced personnel especially in a supervisory capacity, Mr. Howarth stated that this has been attempted in the past. However, it does not seem to work very well in that it is difficult to find people who are willing to

relocate in Creston, Iowa.

Mr. Howarth and Mr. Simmons are developing seminars for the Company's employees to improve their job skills.

The Company's efforts to work with the local junior college and high school to develop interest in becoming employed at Wellman have met with little success so far.

The Company's efforts to acquire good quality personnel is further thwarted by the fact that other industries in the Creston area are expanding and increasing the competition for the workers who are available.

There then followed a general discussion on the problem the foundry industry is having in recruiting employees and it was concluded that to a certain degree Wellman's problem is comparable to that of the industry.

As of August 1, 1973, the Company started paying its supervisors straight time and giving them scheduled overtime. The result has been to improve supervisor and worker morale. Employee morale has been helped by the elevation of local employees from the Creston area to positions of importance with the Company.

Mr. Howarth, reported the following plant efficiency figures for August:

Coreroom	90%
Squeezer	105%
Fig. 6	106%
Fig. 9	102%
H/Lift	105%
Dry Sand	89%

Mr. McWhirter and Mr. Howarth discussed the impact of overtime upon worker productivity. Mr. Howarth stated that it is his

opinion that so long as overtime is used on a selective basis, it can be effective. It is his further opinion, however, that if the overtime becomes routine it becomes self-defeating.

Report of the Vice President-Finance. Mr. Higgs reported that during August the Company had gross shipments of $619,006 and a pretax loss of $1,017. For the first eight months of the year, the Company has had gross shipments of $4,039,767 and pretax income of $81,852. Year-to-date shipments are 114.7% of budget and pretax income is 105.1% of budget.

Mr. Higgs reported that the loss for August was especially disappointing since the volume of shipments that the Company made during this month should have resulted in a profit of approximately $60,000.

Mr. Higgs stated that the main cause of the loss had been variances. The Company has been reviewing its standards and it has been determined that its metal usage standards are not correct. Therefore, new quotations will contain a new material formula.

There was considerable discussion by the Board of whether or not the Company's prices are as high as they should be.

Mr. Williams noted that Mr. Howarth's report had shown an increase in the number of employees and raised the question of whether the increase in employees had contributed to the Company's loss in August. Mr. Howarth responded that there had been a considerable amount of absenteeism in August so that there was not a significant net increase in the number of employees during that month.

Mr. Englehart stated that he would like to have the Company's management furnish direct labor and material cost breakdowns to the Board each month.

Mr. Higgs reported that at the end of September the Company should have sufficient cash to pay $50,000 on its debt obligation and that the Company's trade receivable position has improved.

Mr. Higgs further reported that the First National Bank in Creston has called the Company's loan and demanded that $1,000,000 be paid on the same. The bank has stated that it will consider loaning Wellman up to $250,000 if Pennwalt will guaranty the same.

Authorization of Mr. McWhirter and Mr. Ihrig to enter into Loans with the First National Bank in Creston. There was a discussion of the fact that pursuant to the resolution of the Board dated October 25, 1972, Eugene C. Swift and Glenn F. Ihrig were jointly authorized to enter into loans on behalf of the corporation with the First National Bank in Creston. In view of Mr. Swift's death it was concluded that a new resolution should be adopted. Thereupon the following resolutions were moved, seconded, and unanimously adopted:

> RESOLVED, that Glenn F. Ihrig, and James McWhirter, President and Chairman of the Board of Directors of this Corporation respectively, be and they are hereby authorized (1) to negotiate with The First National Bank in Creston, and such of its correspondent banks as it may suggest, to borrow up to an aggregate amount of $300,000 on such terms and conditions as they shall both deem appropriate in the interests of the corporation, (2) to make and enter into such agreements with respect to said borrowing as they may both deem appropriate, and (3) to borrow from time to time such amounts, up

to the aggregate amount of said $300,000, in such amounts as they shall both deem necessary for the needs and purposes of the corporation.

FURTHER RESOLVED that said Messrs. Ihrig and McWhirter be and they are authorized, for and on behalf of the Corporation, to execute jointly and to enter jointly into with The First National Bank in Creston, or its correspondent banks as aforesaid, a written agreement or agreements with respect to said borrowing as authorized by this resolution, and to make, execute, and deliver jointly to such bank a note or notes, or renewals thereof, for the amount or amounts borrowed pursuant to this resolution; and that Edward E. Johnson, Secretary of this Corporation, be, and he is hereby, authorized to furnish The First National Bank in Creston, or its correspondent banks, with a certified copy of this resolution.

Authorization of Employee of Pennwalt To Sign Checks on Wellman Account. Mr. McWhirter explained that it is Pennwalt's standard procedure to have an employee of Pennwalt authorized to write checks on the accounts of companies in which Pennwalt has a substantial interest. Thereupon, it was duly moved, seconded, and unanimously adopted that Pennwalt be permitted to designate one of its employees to have the authority to sign checks on Wellman's bank account.

Customer Relations. Mr. Williams inquired as to the Company's relations with its customers and Mr. Ihrig reported that such relations appear to be improving monthly.

Plant Reorganization. An outline of the Company's schedule for implementing its plant reorganization was discussed. Mr. McWhirter commented that the reorganization should be done in such a manner so as not to interfer with the Company's production capacity.

Lindberg Furnaces. The Company has had inquiries with respect to the Lindberg Furnaces that it acquired from Lindberg. However, as of this date, the Company has been unable to resell the furnaces.

Community Chest Contribution. After discussion, it was moved, seconded, and adopted that the Company contribute $125 per quarter to the Creston Community Chest during the coming year.

Pensions. It was decided that further discussion of the Company's pension plan should be deferred until a future meeting of the Board.

Resignation of P. C. Higgs. Mr. Higgs announced that he was leaving the employment of Wellman Dynamics Corporation. Mr. Higgs' resignation was thereupon tendered and accepted.

Resolution of Commendation of Service of Eugene C. Swift to Board of Directors. After a lengthy review of the contributions that Mr. Swift had made to the Wellman Board of Directors, the following resolution was duly approved, seconded, and adopted:

> BE IT RESOLVED, that the Board of Directors of Wellman Dynamics Corporation wish to express their sense of sorrow and personal loss in the untimely death of Eugene C. Swift. His dedication, counsel, and deep understanding contributed greatly to Wellman Dynamics Corporation during a very difficult period in its business life. His contribution to this company has played a vital role in its growth and development.

There being no further business to come before the meeting, it was therefore adjourned.

Edward E. Johnson

EDWARD E. JOHNSON, SECRETARY

PENNWALT CORPORATION
E. C. SWIFT

CHARLES A. HOWE
400 MAPLE AVENUE
CARPENTERSVILLE, ILLINOIS 60110

Rec'd MAY 7 1973

May 2, 1973

Mr. E. C. Swift, Chairman
Board of Directors
Wellman Dynamics Corporation
Creston, Iowa

Dear Gene,

Thanks for your letter of April 30th. I was pleased to hear that everything went routinely at the Annual Meeting. I share the pleasure of Peter Wellman and Dick Alchin over progress finally recorded and profitabilty reported. I truly hope that both will continue and that you will encounter a minimum of "surprises" in the future.

I quite agree that your board is an operating board and in my opinion that is the way it should function well into the future. Having Jimmy Howarth and Peter Higgs attend meetings and report on their activities is an excellent procedure. Under these circumstances and particularly with Pennwalt having dominant control of the situation, I don't see that I would serve any useful purpose on your Board. For these reasons I wish to tender my resignation as a member of The Board of Directors, effective at your convenience.

I, too, will miss seeing you from time to time, asin the past. Perhaps our paths will cross in some other areas.

With best regards,

Chuck

P.S. Though questionable, it is possible the interest of Eaton Manufacturing in permold and sand cast aluminum may work out. I passed on to Glenn the interest of Arne Thompson - (Dagmar's brother) - General Manager of their Connersville, Ind. plant, in such castings in very substantial monthly quantities.

C

MINUTES OF ANNUAL STOCKHOLDERS' MEETING

OF

WELLMAN DYNAMICS CORPORATION

Philadelphia, Pennsylvania
April 24, 1973

Pursuant to the By-Laws of the Corporation and the call of the Board of Directors, the Annual Meeting of the Stockholders of Wellman Dynamics Corporation was held at the Pennwalt Building, Philadelphia, Pennsylvania, on Tuesday, April 24, 1973, at 10:00 o'clock A.M. There were present in person at the meeting:

Peter H. Wellman, Eugene C. Swift and Glenn F. Ihrig, Trustees, holding	452,828 shares
Eugene C. Swift, as Vice President of Pennwalt Corporation, holding	368,351 shares
Proxies were received in favor of Peter H. Wellman, Eugene C. Swift and Glenn F. Ihrig from the following:	
Mary Clough	50 shares
Lauretta E. Mericka	110 shares

The total number of shares represented at the meeting in person or by proxy were, therefore, 821,339 out of a total of 825,247 shares issued and outstanding. There was also present Theodore M. Englehart and James M. Williams, Directors; James Howarth, Vice President - Operations; Peter C. Higgs, Vice President - Finance; Richard Allchin, stockholder whose stock is held in the Voting Trust; and James M. Ellis, attorney with Pennwalt Corporation.

Eugene C. Swift was unanimously chosen Chairman of the meeting and presided. James M. Ellis was selected as Secretary of the meeting.

It was reported that on April 10, 1973, a written notice of the meeting had been mailed to all stockholders of the corporation of record on that date entitled under the By-Laws to vote at the meeting.

Upon motion unanimously adopted, the reading of the minutes of the preceding Annual Meeting of the Stockholders was waived.

The President, Glenn F. Ihrig, gave a report, a copy of which is attached.

James Howarth, Vice President-Operations, gave a report on operations, a copy of which is attached.

Peter C. Higgs, Vice President-Finance, gave a report, a copy of which is attached. Copies of all three of the aforementioned reports were given to the stockholders present, but they were asked to return Mr. Higgs' report after reading it for security reasons.

Mr. Swift then made some general and summary comments and opened the meeting to questions from the floor.

Mr. Allchin asked whether the first quarter profits reported by Mr. Higgs were after allowance for interest. Mr. Swift responded in the affirmative.

Mr. Wellman asked whether it was possible that the first quarter results might have been unusual and not indicative of future results. Mr. Swift responded that that was possible.

Mr. Allchin asked whether inventories had been reduced during the first quarter. Mr. Ihrig responded that inventory had increased

during the first quarter and cited a number of reasons for this.

Mr. Englehart commented that Pennwalt's involvement, and particularly Mr. Swift's participation, in the company's affairs had been beneficial. Mr. Allchin indicated his agreement.

Mr. Swift then proceeded to call for the election of Directors. He indicated that recently some question had arisen as to whether Mr. Howe would continue to participate as a Director, but that pending further developments it appeared reasonable to continue the number of Directors as presently fixed at five. Mr. Wellman nominated the following persons as Directors:

Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift
James M. Williams

Mr. Allchin seconded the nominations. There being no further nominations, the five nominees were declared unanimously elected as Directors.

Mr. Swift recommended that Arthur Andersen & Co. be appointed the company's auditors. After brief discussion of the financial advantage to the company that would result, Mr. Ihrig moved the appointment of Arthur Andersen & Co. Mr. Allchin seconded it, and the motion was unanimously approved.

Mr. Swift announced that the 1970 Employee Stock Option Plan for key salaried employees had been suspended by the Board of Directors at the February, 1973 Board meeting and that the Board sought ratification and approval of the suspension by the stockholders. The stockholders unanimously ratified and approved the suspension.

Mr. Swift invited further questions and comments from the floor.

Mr. Allchin commented that the company had been through a difficult experience recently which, in his opinion, had been handled well by management. He indicated that management's target of a 10 percent pretax return on sales was appropriate, although perhaps on the low side. Mr. Swift responded that that was only management's initial objective. Mr. Allchin responded that low profit margins were, in fact, an industry-wide problem.

Mr. Wellman asked Mr. Ihrig whether there had been any significant changes in recent years with respect to the type of business or the overall backlog experienced either by the company or by the industry as a whole. Mr. Ihrig responded that there had been no overall changes of significance. The company has experienced some increases in its aircraft business, some temporary decreases in its helicopter business, and appears to be doing generally good military business overall.

There being no further business, Mr. Swift invited Messrs. Allchin and Wellman to attend the Board of Directors' Meeting scheduled immediately thereafter, and the stockholders' meeting was thereupon adjourned.

JAMES M. ELLIS, SECRETARY

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Creston, Iowa
October 25, 1972

Pursuant to call of the President and notice duly given, a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the President at Creston, Iowa, on Wednesday, October 25, 1972, at 9:00 a.m.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following directors were present:

Theodore M. Englehart
Glenn F. Ihrig
Eugene C. Swift
James M. Williams

Mr. Charles A. Howe was absent.

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary Pro-tem of the corporation.

The minutes of the last directors' meeting held on September 12, 1972, having been previously mailed to the directors, were approved as mailed.

Report of the President. Mr. Ihrig reported a general improvement in the morale of the company's supervisors and managers as well as hourly employees.

The company has had difficulty completing the remaining capital improvement projects due to contractor delays and

non-performance. However, Mr. Stan Simmons, from the company's Purchasing and Personnel Department, has made arrangements so that these projects should be completed within the near future.

Mr. Ihrig is studying the possibility of having twenty-four-hour, seven-days-a-week guard service provided by Pinkerton's Inc. Currently the company is using the Burns Agency on weekends and during the evenings. Mr. Ihrig will be preparing cost figures for adopting a Pinkerton proposal, and will distribute such figures to the Board for its consideration. Such figures will include a contrast between the company's current guard costs and the Pinkerton proposal.

The company has entered into subcontracting arrangements with Fairfield Aluminum and it now appears that Fairfield may be responsible for $100,000 to $150,000 of sales in the fourth quarter.

Mr. Ihrig reported that the company's current sales backlog is approximately $5,000,000. There were new orders posted in September of $250,000. For the period of October 1, 1972, through October 20, 1972, an additional $365,000 in orders were posted.

The company's largest backlogs are with:

1. Northrup
2. Detroit Diesel Allison
3. Sikorsky and its satellites
4. Boeing-Vertol and its satellites
5. General Electric and its satellites

Report of Vice President-Operations. Mr. Howarth reported the following production figures for the October 1-20, 1972, period (containing fifteen production days):

Production	$368,000	($24,500 per day)
Shipments	267,196	
1st Inspection Scrap	4,748	($316.00 per day)
Final Scrap	25,171	(10.5%) (of net sales)
Customer Returns	30,000	(11.3%)

Mr. Howarth contrasted these production figures for the first fifteen production days of October with the following production figures for the first nineteen production days for September, 1972:

Production	$427,000	($22,500 per day)
Shipments	345,684	
1st Inspection Scrap	6,778	($356.00 per day)
Final Scrap	54,912	(17.4%) (of net sales)
Customer Returns	25,205	(7.4%)

During the first fifteen production days of October the company had 219 hourly and 70 salary employees while during the first nineteen production days of September the company had 214 hourly and 69 salary employees.

Mr. Howarth also presented various scrap analyses which he viewed as giving some indication that the company may be able to reduce its scrap costs.

Report of the Vice President-Finance. Mr. Higgs has projected for the last quarter of 1972 gross sales of $1,230,000 and net

sales of $1,130,000 with a loss of $90,000 on such sales. However, Mr. Higgs commented that such a loss may be unduly pessimistic. Mr. Higgs predicts that the $90,000 loss will be covered from a cash flow point of view by an anticipated $100,000 reduction in the company's receivables during the fourth quarter.

Mr. Higgs reported that the $200,000 which was borrowed in September should be the last borrowing that will be necessary for the succeeding fifteen months.

In projecting the company's cash flow, Mr. Higgs has taken into consideration the deferred payment arrangements that have been made with the company's various creditors.

Mr. Higgs is in the process of preparing a budget for 1973.

Mr. Higgs has been supervising certain testing procedures which are designed to assess the credibility of the company's estimating assumptions. It is Mr. Higgs' preliminary conclusion, that the company's basic estimating assumptions will need revision.

Compensation Arrangement for Messrs. Swift and Williams. After discussion of the compensation proposal that Pennwalt Corporation had made to the company with respect to the service of Messrs. Swift and Williams, the following resolution was moved, seconded, and unanimously adopted:

> RESOLVED, that Glenn F. Ihrig, President of this corporation, is and he is hereby authorized to enter into the following written agreement with Pennwalt Corporation on behalf of this corporation with respect to the consulting services of Messrs. Eugene C. Swift and James M. Williams, who are Pennwalt employees:

(1) The written agreement shall confirm the earlier oral arrangements that have been made by and between Pennwalt and Wellman with respect to the services of Messrs. Swift and Williams;

(2) Messrs. Swift and Williams will at mutually agreed upon times and places be available for consultation with Wellman personnel, subject to Wellman's payment to Pennwalt for their services at a per diem rate of $200 for Mr. Swift and $100 for Mr. Williams, plus their and Pennwalt's reasonable out-of-pocket expenses incurred in the process thereof;

(3) Until such time as the cash position of Wellman improves, said payments shall be accrued, with the understanding that the amounts due will be paid in cash as soon as feasible in light of Wellman's financial position;

(4) It is understood that Mr. Swift will serve as chairman of the Board of Directors of Wellman, having been elected to that position at the meeting of the Board on September 12, 1972, but that neither he nor Mr. Williams is to engage in other than a consultancy role with Wellman and its personnel, and that operating decisions except as the same may be formulated in broad outline by the Board of Directors shall continue to be solely within the province of Wellman's own personnel.

Announcement of Resignation of C. F. Weaver as Trustee of Voting Trust Agreement dated February 1, 1969, and Announcement of Successor. It was then announced by Mr. Swift that C. F. Weaver had resigned as Trustee of the Voting Trust Agreement dated February 1, 1969, by and between certain shareholders of Wellman Dynamics Corporation and Robert C. Wellman, C. F. Weaver, and Glen F. Ihrig, as Trustees, and that Eugene C. Swift had been appointed by Pennwalt Corporation, as the current holder of the shares of common stock of Wellman Dynamics Corporation

referred to in Paragraph 15 of the voting trust agreement as the "1969 Issue" to succeed said C. F. Weaver.

Authorization of Certain Borrowing by the Corporation. The following resolution was moved, seconded and unanimously adopted:

> RESOLVED that Glenn F. Ihrig, and Eugene C. Swift, President and Chairman of the Board of Directors of this Corporation respectively, be and they are hereby authorized (1) to negotiate with The First National Bank in Creston, and such of its correspondent banks as it may suggest, to borrow up to an aggregate amount of $1,250,000 on such terms and conditions as they shall both deem appropriate in the interests of the corporation, (2) to make and enter into such agreements with respect to said borrowing as they may both deem appropriate, and (3) to borrow from time to time such amounts, up to the aggregate amount of said $1,250,000, in such amounts as they shall both deem necessary for the needs and purposes of the corporation.
>
> FURTHER RESOLVED that said Messrs. Ihrig and Swift be and they are authorized, for and on behalf of the Corporation, to execute jointly and to enter jointly into with The First National Bank in Creston, or its correspondent banks as aforesaid, a written agreement or agreements with respect to said borrowing as authorized by this resolution, and to make, execute, and deliver jointly to such bank a note or notes, or renewals thereof, for the amount or amounts borrowed pursuant to this resolution; and that Edward E. Johnson, Secretary Pro-tem of this Corporation, be, and he is hereby, authorized to furnish The First National Bank in Creston, or its correspondent banks, with a certified copy of this resolution.

Report to Shareholders and Holders of Trust Certificates. Mr. Ihrig's proposed report to the Corporation's stockholders and voting trust certificate holders was read, discussed, and approved for mailing.

Community Chest Contribution. After discussion, it was moved, seconded, and unanimously adopted that the company contribute $100.00 per quarter to the Creston Community Chest during the coming year.

Miscellaneous Matters. Mr. Ihrig made a brief report on the status of the Lindberg furnace matter. More detailed discussion of this matter was deferred until the next board meeting.

There was a lengthy preliminary discussion of potential employee incentive plans that might be adopted by the company. It is decided that this topic should be further explored by the board in the future.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
March 28, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Regency-Hyatt House, O'Hare Airport, Chicago, Illinois, on Tuesday, March 28, 1972, at 9:00 o'clock A.M. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Glenn F. Ihrig
Eugene C. Swift

Absent: Charles A. Howe

J. Herbert Burling, Vice President - Finance, James Howarth, Vice President - Operations, and Brooks W. Maccracken, Secretary, were also present. For a time in the latter part of the meeting, Mr. Leland E. Schmitt, Vice President - Group and Pension Sales, American United Life Insurance Company, of Indianapolis, Indiana, and Mr. Timothy Durbin of Arthur Andersen & Co., Detroit, were also present.

Mr. Ihrig presided and Mr. Maccracken was secretary of the meeting. The minutes of the Directors' meeting held February 22, 1972, having been previously mailed to the Directors, were approved as mailed.

The January and February operating statements were discussed at length. Mr. Ihrig explained the mistakes which had resulted in the previous report of a profit for January and attributed the loss in each month primarily to the excessive amount of scrap in the production which, in turn, is due to the inefficiency of new and inexperienced workers. Mr. Ihrig expects that the sales dollar amount of scrap

ELF 0021756

occurring in the first quarter of the year will be in excess of $350,000 though scrap is shown on the accounts of the Company at cost rather than sales value. Mr. Howarth referred to his manufacturing profile submitted to the February meeting as showing his expectation on how the scrap will be reduced from 20% in the first quarter to 8% in the fourth quarter of the year as the new workers become better trained and more experienced.

Among other aspects of the operating statements discussed was the amount of sales expenses, which Mr. Ihrig explained was due to extra time having to be spent with customers because of problems flowing from the combining of operations at Creston. In response to an inquiry as to why the sales commissions should have increased when the amount of sales did not, Mr. Ihrig said he would investigate and report. Mr. Burling suggested that the commissions shown for the two months included a special commission on a foreign account. Mr. Swift observed that if the Company's budgets aren't right it will be necessary to get them into line and gave a number of examples as to how this might be done. He further expressed his desire that management have the budgeting tools and live with them, both budgetwise and cash flowwise.

Mr. Ihrig reported that sales in the aircraft industry were starting to pick up and that this was being reflected in the receipt of orders by the Company. He expects that the Company can be producing at the rate of $600,000 a month by June. Some of the Directors doubted whether the Company would be able to finance production at this rate and Mr. Englehart suggested that the increase in sales could be used to be more selective in the orders being accepted, to which Mr. Ihrig responded that they were trying to be selective and had turned down three jobs in the last week. Mr. Englehart further proposed that the Company's backlog be tailored to the optimum capacity of the plant.

ELF 0021757

In response to an inquiry from Mr. Swift as to what results could be expected for the second quarter of the year, Mr. Ihrig declined to give a profit forecast, but mentioned factors which would limit the Company's production capacity and its profitability, emphasizing the present lack of heat treating capacity. He stated that they might be able to have some of their heat treating done by a competitor in Texas, but did not like to do this for any length of time.

In answer to an inquiry about the Company's inventory, Mr. Ihrig stated that metal inventory was running high, but he hopes it will be reduced. He said the Company was getting caught up with its payables and that they hope to have the force at Bay City reduced by the end of March to one person plus guards. He reported that Dow is anxious to settle the rent for the plant and that he expects this will be resolved also by this week.

There was then a discussion of the facilities profile as sent to the Directors with the agenda for the meeting, together with Mr. Ihrig's letter reports of March 15 and March 16. In response to the Directors' expression of the need to determine the order of priorities on these items, Mr. Ihrig reviewed them item by item, reporting those which were already in process, those which were absolute musts and those which could be delayed. It was conceded that all of the items would ultimately be necessary, but those which Mr. Ihrig identified as in process or immediately necessary totalled about $380,000. Mr. Swift stated that Mr. Williams of Pennwalt would be able to be in Creston to assist in the preparation of a presentation of the Company's financial picture to the bank and he emphasized the need to show how the Company's facility needs could be financed out of earnings, but he stated that when financial figures are submitted to a third party in support of financial requests they are kept and correlated against results.

ELF 0021758

Mr. Schmitt of The American United Life Insurance Company was then invited into the meeting and presented a pension plan proposal for the benefit of all of the Company's salaried employees, including those at Creston who were previously employed by Pennwalt. He proposed that these benefits be funded by a deposit administration group annuity contract rather than by a bank trust and individual insurance policies as at present. Utilizing present values which he understood to be about $160,000, Mr. Schmitt estimated that the Company's first year contributions under his proposal could be at any figure between zero and $81,000, that the future current costs of the plan would average about $35,000 a year, and that the total cost would depend upon the number of years over which the past service costs were amortized, rising to $48,000 if amortized over 20 years and $46,000 if amortized over 30 years. Mr. Schmitt distributed copies of his proposal to the Directors and answered questions, but no decisions were made.

The meeting recessed for lunch and reconvened after lunch with Mr. Durbin of Arthur Andersen & Co. and all others present except Mr. Swift and Mr. Schmitt. The method of computing the Company's inventory of work in process as of December 31 was discussed, including the pros and cons of using the method previously used by Wellman, the method previously used by Hills, or the method proposed to be followed by the Company as of April 1. The consensus was that it would be best to show it as nearly as possible on the method which the Company proposed to employ in the future; otherwise on the method which Wellman had previously employed.

The time and place for the Annual Meeting of the Stockholders was discussed and it was moved, seconded and unanimously resolved that the By-Laws of the Company be amended so as to include in Section 1 of Article II the following

ELF 0021759

provision:

> The Annual Meeting of Stockholders for the year 1972 shall be held on Tuesday, April 25, 1972, at 9:00 o'clock A. M. at the offices of the Company in Creston, Iowa.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ELF 0021760

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
February 22, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Regency Hyatt House, Chicago, Illinois, on Tuesday, February 22, 1972, at 10:00 o'clock A. M. The following Directors were present:

Thomas E. Brown
Theodore M. Erglehart
Glenn F. Ihrig
Eugene C. Swift

Absent: Charles A. Howe

J. Herbert Burling, Vice President - Finance, and Brooks W. Maccracken, Secretary, were also present, as was David B. Quigley, Vice President, Hills-McCanna Division of Pennwalt Corporation.

Mr. Ihrig presided and Mr. Maccracken was secretary of the meeting. Copies of the minutes of the Directors' meeting held January 25, 1972, were distributed, read by the Directors and approved.

The December operating statements, as mailed to the Directors with the agenda for the meeting, were then discussed. Mr. Swift compared the amounts of the receivables and inventories reported as of December 31 and the net income for the quarter ended December 31 with the forecasts previously made, noting the amounts by which the receivables were less than, and the inventories and net loss more

ELF 0021761

than, the amounts which had been forecast. Mr. Englehart noted the unusual amount of pattern inventory and suggested that efforts be made to obtain progress payments on tooling and patterns. Mr. Burling noted the resistance he received from customers in asking such progress payments when not provided for in the government contract, but it was agreed that progress payments were normal procedure when provided for in the original contract.

Mr. Ihrig reported on the continued urgent need for cash and analyzed the amount of receivables as of February 18. He then reported briefly on the status of the January operations, stating that preliminary figures indicated about $1,800 profit on $327,000 of net sales and $437,000 of net good production. He reported the current sales backlog was approximately $4,600,000 and that $972,000 of orders had been booked in January. He distributed a manufacturing profile prepared by Mr. Howarth as of February 19, 1972, and the same was discussed. Mr. Ihrig stated that they were still planning to make approximately $1,400,000 of shipments in the first quarter and a projected profit of about $90,000. The difficulties of attaining these projections were noted and discussed.

The President also reported on the current status of the reserves for relocation costs and stated that as of January 31 there was a net balance in the reserve account of $172,000. He also reported on a number of the items making up the Company's current accounts payable. Mr. Quigley and Mr. Burling compared the per hour amount of labor burden previously experienced by Wellman at Bay City

ELF 0021762

with that previously experienced at Creston and the current experience, concluding that the latter continued to be about as forecast and a substantial reduction from the rates at Bay City.

A short report of the status of the Bay City facilities having been previously mailed to the Directors, the same was discussed, together with the need for negotiating a rental agreement with Dow for the period of time certain of the buildings would need to be occupied for warehouse space. It was suggested that in preparation for these negotiations the management should find out what warehouse space is currently renting for in Bay City.

The need for additional capital expenditures at Creston was then discussed, in particular for heat treat department expansion and additional office and warehouse space. Decision on these matters was postponed pending a solution to the Company's financing problems, it being the consensus view that the management is under the gun and expenditures must be kept down to an amount commensurate with what can be produced. The necessity for these proposals was conceded, but management was urged to consider ways and means by which some of them could be temporarily delayed.

The Company's financing problems were then discussed at length, at the conclusion of which the problems were put in three categories:

1. The need to renegotiate the lease arrangements with Equitable and to include in the renegotiated lease all real estate related items. Mr. Swift stated that he would have his staff at Pennwalt make the necessary preparations for negotiations with Equitable and, while he was not sure whether terms could be obtained from Equitable which would

ELF 0021763

be acceptable to Pennwalt, he considered this a matter primarily for Pennwalt inasmuch as it would have to assure Wellman continued possession of the property.

2. The need for a line of credit of up to $500,000. The management was again urged to prepare a presentation to an appropriate bank, giving an explanation of the Company's recent history and achievements and showing the Company's special needs, the available security for a line of credit and a pro forma forecast of sales, costs, receipts and disbursements, including a plan of repayment. Such a presentation should be made as soon as possible, with the understanding that when and as a financing program acceptable to the management is worked out, the same will be reported to the Directors for their approval. Mr. Englehart suggested that insofar as receivables are to be pledged as security, the same should be only specific identified receivables rather than a pledge of receivables generally.

3. An immediate borrowing of up to $290,000 against present accounts receivable from Air Research - Phoenix, General Electric - Cincinnati, McDonald Douglas - Santa Monica, and Northrop - Norair.

The following resolution was moved, seconded and unanimously adopted:

RESOLVED that the officers of this Corporation be, and they are hereby, authorized to borrow from The First National Bank in Creston up to an aggregate amount of $290,000, in addition to the $100,000 heretofore authorized, and to execute for the same a note or notes payable at such time or times and with such rate of interest and such other terms and provisions as may be acceptable to the said officers, and to submit to the said Bank a list of accounts receivable with an agreement to reduce the amount of such borrowing and note or notes as payments are received from the said accounts receivable;

FURTHER RESOLVED that any one of the following officers of the Corporation - namely:

Glenn F. Ihrig - President and Treasurer
J. Herbert Burling - Vice President-Finance
James Howarth - Vice President-Operations

ELF 0021764

be, and they are hereby, authorized, for and on behalf of the Corporation, to make, execute and deliver the note or notes or any renewals thereof authorized by this resolution; and that the Secretary be, and he is hereby, authorized to furnish The First National Bank in Creston with a certified copy of this resolution.

Mr. Burling reported a recommendation that the group hospitalization and insurance program for the Company be transferred from Travelers to the Blue Cross serving Creston, which would result in a saving to the Company. After a discussion in which the Directors referred to their various experiences with such programs, management was authorized to investigate the matter further and report back to the Board.

Messrs. Ihrig and Burling presented a summary received from American United Life Insurance Company for a revised Salaried Employees Pension Plan, various aspects of which were discussed, and it was agreed that copies of the Plan would be sent to the Directors for their comments. Mr. Ihrig stated that at present about $4,000 a month was budgeted to pay the costs of the Salaried Plan and the proposal would increase the budgeted cost to about $5,000 a month. In response to a suggestion that the Plan could be presented on a minimum basis now and improved as and when the Company's income permitted, Mr. Ihrig said he would find out what the proposer could do for the same amount as the present budget.

The meeting recessed for lunch, during which Messrs. Brown, Englehart and Swift met as a Compensation Committee, and after which they reported a proposed budget incentive plan for the officers for

ELF 0021765

the year 1972, copy of which is attached to the minutes of this meeting. The following resolution was moved, seconded and unanimously adopted by all the Directors present, except Mr. Ihrig who abstained from voting:

> RESOLVED that the Company adopt, subject to the approval of its general counsel as being within the permissive provisions of Phase II of the Wage Stabilization Program, a budget earnings target plan for the officers of the Company following the schedule attached to the minutes of this meeting.

There being no further business to come before the meeting it was adjourned, with the understanding that the next meeting of the Board would be at the Regency Hyatt House, Chicago, on Tuesday, March 28, at 9:00 o'clock A.M., and that an April meeting of the Board would be held in Creston on Tuesday morning, April 25, preceded by an inspection of the plant and other meetings on the afternoon of the 24th.

Secretary

ELF 0021766

MINUTES OF REGULAR MEETING

OF

BOARD OF DIRECTORS

OF

WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
January 25, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Regency Hyatt House, Chicago, Illinois, on Tuesday, January 25, 1972, at 9:00 a.m. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

James Howarth, Vice President - Operations, J. Herbert Burling, Vice President - Finance, and Richard K. Howe, Assistant Secretary, were also present, together with David B. Quigley, Vice President, Hills-McCanna Company.

Mr. Ihrig presided and Mr. Richard Howe was Secretary of the meeting. The minutes of the Directors' meeting held November 23, 1971, having been previously mailed to the Directors, were approved as mailed.

The combined operating statements for the Creston plant and the Bay City plant for the month of November were distributed and discussed, together with the cash flow and other forecasts for December and the first quarter of 1972. It was observed that the Bay City plant phased out all manufacturing prior to Thanksgiving and that the November statements

would be the last separating the two operations. It was pointed out that the Reserve for Contingencies relating to removals and freight charges will be higher than originally estimated, the number of trailers required will be approximately 150 rather than 80 as originally estimated primarily due to the volume of customers' patterns. The November loss was attributed primarily to low shipments. Although the December figures were unavailable, Mr. Ihrig indicated that the loss for December would total approximately $75,000, bringing the aggregate loss for the fourth quarter to approximately $150,000. It was observed that the cash flow situation was not developing according to schedule and this was attributed to two reasons: (a) poor shipments relative to production resulting in a high inventory (presently shipping less than one-half of what is being poured), and (b) receivables are not turning as rapidly as planned. Mr. Ihrig reported that cleaning and shipping procedures were being revised and that subcontracting was planned to do some of the cleaning work. In addition, letters have been written to customers and the receivables situation is expected to improve. Mr. Howarth reported that the shipping situation may not clear up until late in the first quarter of 1972. Mr. Swift indicated that management should be realistic about first quarter shipments since the first quarter cash flow is dependent on meeting the first quarter shipment forecasts. Mr. Ihrig pointed out that in view of the substantial backlog of overdue orders and simply to keep the company's customers happy the projected $1.4 million of first quarter shipments was an essential goal.

Mr. Ihrig reported that it had been necessary to borrow $100,000 from The First National Bank of Creston in the form of a 6-1/2% demand note to ease temporarily the cash squeeze.

December production, which was down due to holiday closings, totalled $383,000 and January production is expected to equal approximately $480,000.

Sales backlog as of January 14, 1972, totalled $4,385,000.

Mr. Ihrig reported on the status of the removal of assets from the Bay City facility and indicated that due to a shortage of space in Creston pending completion of the warehouse and other expansion projects it would be necessary to leave some equipment, principally customers patterns and one heat-treat furnace, in Bay City for several more months. Mr. Ihrig indicated he was negotiating with The Dow Chemical Company with respect to use of one or two buildings in the Bay City facility for such storage.

Mr. Ihrig reported on the status of various leases, agreements, insurance policies and pending claims relating to the business of the Company. He also reported on the status of various remodeling and construction projects underway at Creston. Construction of the pattern storage warehouse has met with delays due to the weather, and completion is now expected in late February or early March. This delay has resulted in storage and utilization of space problems at the Creston plant.

Hourly employees at Creston presently total 162 individuals and present plans are to add approximately 24 more. Salaried employment is presently at 80 persons, and it is not anticipated that increases will be required in spite of the forecasted increase in sales.

Messrs. Ihrig and Howarth presented certain proposals for additional capital expenditures at Creston including a plant addition for heat-treat facilities, a plant addition for sales office space, receiving dock, railroad siding to plant, relocation of engineering offices and quality control offices and installation of a sand reclamation system. In terms of priorities, Mr. Ihrig indicated that the heat-treat facilities and the construction of sales space and relocation of engineering and quality control were the most important

of the proposals. With respect to heat-treat facilities, Mr. Ihrig reported that Foundry Design had proposed a plant addition to accommodate the large furnaces moved from Bay City. Cost of construction of the addition together with installation costs is anticipated at approximately $90,000. The new construction associated with the sales office which would require an addition to the front of the Creston plant together with the relocation of engineering and quality control could be expected to cost approximately $30,000. Mr. Swift indicated that he did not feel it advisable to proceed with additional capital expenditure commitments until various avenues of financing and obtaining a line of credit had been fully explored. Mr. Englehart concurred and proposed the following resolution which, on motion duly made and seconded, was unanimously adopted:

> RESOLVED, that no commitment be made by management for additional fixed asset expenditures, specifically the proposed heat-treat facilities and new sales office area, until such time as the Board has been presented with a complete outline of a fixed asset budget proposal and financing program.

A discussion was held relating to the need for exploration of financial sources to obtain additional cash for working capital requirements until the shipment situation is clarified and for the proposed capital expenditures. A number of possible approaches to obtain such financing were discussed including approaching the lessor of the Creston plant and banks in Creston, Des Moines and Chicago. Mr. Brown indicated that he would recommend to Dow Chemical Financial Corp. that it assist Wellman in exploring these and other avenues of obtaining financing. Mr. Swift indicated that he would be willing to provide some financial planning assistance through Pennwalt Corporation. On motion duly made and seconded, the following resolutions were unanimously adopted to enable the officers of the Company to explore financing alternatives

and to approve the existing loan taken down from The First National Bank in Creston:

RESOLVED, that the action of the President of the Corporation in borrowing the sum of $100,000 from The First National Bank in Creston on a demand note basis with interest at 6-1/2% per annum, which borrowing was done in anticipation of the next following Resolution, be, and is hereby, ratified, approved and confirmed.

and

RESOLVED, that the officers of the Corporation be, and they are hereby, authorized to borrow from The First National Bank in Creston, on notes of the Corporation, an aggregate amount of $100,000 at any one time outstanding; that such borrowing be evidenced by notes maturing in less than one year, bearing such rate or rates of interest and containing such terms, conditions and other provisions as such lending bank may require and as to which the Corporation's officers executing such notes may assent, the execution of each such note by the Corporation's officers to be conclusive evidence of their assent thereto and the approval thereof of this Board of Directors; and

FURTHER RESOLVED, that any of the following officers of the Corporation, namely:

Glenn F. Ihrig	President and Treasurer
James Howarth	Vice President - Operations
J. Herbert Burling	Vice President - Finance

be, and they are authorized, for and on behalf of the Corporation, to make, execute and deliver the notes or any renewals thereof authorized by the foregoing resolution; and

FURTHER RESOLVED, that a certified copy of these resolutions be delivered to The First National Bank in Creston, and that such bank be, and is hereby, authorized to rely thereon.

and

RESOLVED, that the officers of the corporation be, and are hereby, authorized to explore and discuss with banks and other institutional lenders the possibility of securing a line of credit, on a short or long-term basis, or a combination thereof, of up to $500,000; and that such officers are directed to report to this Board of Directors from time to time as to the status of such exploration and discussions.

The need for a new salaried employees pension plan at Creston was discussed and it was agreed that a presentation of a new plan would be made at the February meeting of the Board.

Mr. Ihrig indicated that the Fairfield Aluminum Company located in Fairfield, Iowa, a small commercial aluminum casting manufacturer, had proposed an arrangement whereby Wellman would handle Fairfield's sales as a sales representative in marketing areas where Fairfield had not as yet expanded. It was indicated that such representation might help Wellman spread its sales costs and develop additional contacts in the industry. The Board discussed the proposal and agreed that if an arrangement could be worked out whereby Wellman obtained a decent commission rate and its activities would not hamper Wellman's sales effort, Mr. Ihrig was authorized to proceed. Concern was expressed by the Directors that management not divert its effort from its main job of promoting and developing Wellman's business.

In view of the fact that the Company is no longer doing business in the State of Ohio it was, upon motion duly made and seconded, unanimously:

> RESOLVED, that the officers of the corporation be, and are hereby, authorized and directed to instruct the corporation's statutory agent and to file all required certificates and take any and all other action necessary to surrender all applicable licenses and withdraw and remove the corporation from qualification to do business in the State of Ohio.

Messrs. Ihrig, Howarth, Burling and Quigley then left the meeting and the Board in executive session met to consider officers' compensation. Messrs. Swift and Englehart gave the report of the Executive Compensation Committee and recommended the following salaries:

Glenn F. Ihrig, President and Treasurer	$50,000
James Howarth, Vice President - Operations	$30,000
J. Herbert Burling, Vice President - Finance	$23,500

Upon motion duly made and seconded, the Board unanimously approved the recommendation of the Executive Compensation Committee as to officers' salaries to be effective February 1, 1972, subject to confirmation by Squire, Sanders & Dempsey, counsel for the Corporation, that such salaries are in compliance with the Phase II Presidential Wage Controls. The Board then discussed the need for an incentive bonus plan for the company. Mr. Swift agreed to prepare such a plan in consultation with Mr. Englehart and present it at the February meeting of the Board.

Mr. Ihrig then returned to the meeting and the Board reported to him its determination on officers' salaries.

There being no further business to come before the meeting, it was there upon adjourned with the understanding that the next meeting of the Board of Directors would be held on February 22, 1972, in Chicago.

Assistant Secretary

WELLMAN DYNAMICS CORPORATION

May 11, 1972

TO THE STOCKHOLDERS AND
VOTING TRUST CERTIFICATE HOLDERS:

The Annual Meeting of the Stockholders of this Company was held, in accordance with the notice sent you by the Secretary, in Creston, Iowa, on Tuesday, April 25, 1972. The only persons present at the meeting, in addition to the officers and Directors, were Mr. Peter Wellman and Mr. C. F. Weaver, who with me were the Voting Trustees representing the Voting Trust Certificate Holders. It is, therefore, appropriate that I give you who could not be present in Creston a brief report on the results of the Company's operations for 1971, together with our view of its present position and outlook for the future.

In my letter of last November, I told you in some detail about the agreements by which the Company acquired, for common stock, the foundry and business in Creston, Iowa, of the McCannalloy Division of the Hills-McCanna Company (another company in the aerospace foundry market place and a subsidiary of Pennwalt Corporation), and also obtained the agreement of Dow Chemical Financial Corporation to the early termination of the lease of the Company's Bay City plant. In accordance with those agreements, the Company prior to year end transferred its entire operations from Bay City to Creston. The assets acquired and liabilities assumed in Creston were recorded on the books of the Company at an aggregate net amount of $1,469,734, and 368,351 new shares of common stock in the Company were issued to Pennwalt Corporation. In my letter I expressed our belief (which we still hold) that the Creston plant is newer, smaller and more efficient in a number of ways than was the Bay City plant.

I likewise reported in my letter that the Company's audited figures for 1971 were expected to show a loss for the year in excess of $700,000.

P. O. BOX 147 U. S. ROUTE 34 CRESTON, IOWA 50801 TELEPHONE 515 782-6521

In fact, the audited figures presented to the Annual Meeting show a loss for the year of $698,958 before extraordinary items. The extraordinary items not included in that loss were the costs of termination pay, freight and moving expenses and losses on abandonment of plant and equipment in connection with the closing of the Bay City plant in the aggregate amount for 1971 of $574,903, for which the Company had established in September a reserve of $531,780. While some further costs of the same classifications have carried over to 1972, almost all of them are now behind us.

Our working capital at December 31, 1971, was $1,293,007, compared with $1,538,699 at December 31, 1970. Our cash position is very tight and our requirements are high.

The reason is that, as with any relocation, we have had considerable start-up problems in consolidating at Creston the production requirements of our Wellman operations with the pre-existing work of the Creston plant. Employment at the Creston plant has increased from about 160 people prior to the consolidation to approximately 300 people now, including 25 transferred from Bay City. Good production and shipments have been substantially less than either our Company estimates or our customer requirements, due largely to the lack of experience of new employees and delays in getting needed equipment into operation. All this has resulted in insufficient net sales and cash receipts, excessive inventory and manufacturing costs, and a continued operating net loss in 1972. However, our training program is taking effect and we have taken other steps to reduce absenteeism and overtime, so that our current shipments are finally catching up with our goals. Moreover, our customers have reacted favorably to our decision to move to Creston, and there has been a considerable upturn in the aerospace industry, starting as of the fourth quarter of 1971. This is confirmed by the increase in our backlog from $2,800,000 to $5,000,000 as of this date.

Now that we have been in Creston for more than six months, we continue to feel without reservation that the move was a good decision and that our restructured facility should enable us to be the most competitive and quality-oriented producer of high-integrity aluminum and magnesium castings in the aerospace field. We appreciate the assistance and understanding of all concerned. The people of Creston have welcomed us most sincerely. All of them, including in particular our local bankers (The First National Bank in Creston), have been highly cooperative and of great assistance.

Our principal stockholders, Dow and Pennwalt, have continued to give us without cost the benefit of their executives' time, experience, and advice. To all of the stockholders we say thank you for your tolerance and understanding. Despite the operating losses which we have experienced to date, we predict that 1972 will finally see the establishment of a profit-oriented direction for the Wellman Dynamics Corporation.

If you have any questions, my fellow officers and I are here to answer them to the best of our ability.

Sincerely and confidently yours,

WELLMAN DYNAMICS CORPORATION

Glenn F. Ihrig

Glenn F. Ihrig
President

GFI:jsl

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
September 12, 1972

Pursuant to the determination at the preceding meeting and notice duly given, a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at Johnny and Kay's Hyatt House Hotel, Des Moines, Iowa, on Tuesday, September 12, 1972, at 10:00 a.m.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following directors were present:

Theodore M. Englehart
Glen F. Ihrig
Charles A. Howe
Eugene C. Swift

Mr. Thomas E. Brown was absent.

Also present were J. Herbert Burling, Vice President-Finance, James M. Williams, proposed new member of the Board of Directors, Brooks W. Maccracken, resigning Secretary of the corporation, and Edward E. Johnson, proposed Secretary Pro-tem of the corporation.

Mr. Johnson was designated to serve as Secretary for the meeting.

The first order of business was the nomination and election of Mr. Swift as Chairman of the Board of Directors. Mr. Swift's nomination was duly moved, seconded and unanimously approved.

The minutes of the previous Board of Directors meeting on August 17, 1972, having been previously distributed to and reviewed by all members of the Board of Directors, were approved as distributed.

Mr. Thomas E. Brown's previously tendered resignation from the Board of Directors was accepted.

Mr. Ihrig moved that Mr. James W. Williams be nominated and elected to the Board of Directors. This motion was seconded by Mr. Howe and unanimously approved. Immediately upon such approval, Mr. Williams assumed his position and participated in the remaining business before the Board.

Mr. Brooks W. Maccracken tendered his resignation as secretary orally and in writing. Mr. Maccracken also orally tendered the resignation as assistant secretary of his associate, Richard K. Howe. The resignations of Mr. Maccracken and Mr. Howe were accepted. It was determined that Mr. Burling would continue to act as assistant secretary of the corporation and that Mr. Johnson would act as secretary pro-tem.

There was a unanimous expression of appreciation for the good and faithful services that have been extended by Mr. Maccracken and his law firm during their term of service to the corporation.

The President's report followed. Mr. Ihrig pointed out that losses for the corporation during July are normal and expected due to the fact that the company is on vacation during this time and accumulated maintenance work is done during this month which is immediately written off. After an adjustment to inventory, Mr. Ihrig reported that there was a $75,000 loss in July on net sales of $320,000.

Mr. Ihrig reported that August financial information for the company is not yet complete, but indicated that earlier estimates for the month will undoubtedly prove to be overly-optimistic.

Mr. Ihrig reviewed earlier projections that the third quarter would be a break-even quarter and that the fourth quarter would be a profitable quarter. However, Mr. Ihrig stated that due to the fact that the assumptions upon which these projections had been based now appeared to be incorrect, no break-even for the third quarter appears possible.

Mr. Ihrig indicated that the following steps have been taken to improve the company's financial position:

(1) Eliminating overtime expenses. The company has eliminated overtime as of September 1, 1972.

(2) Cutting back on the number of items manufactured at the same time. Since September 1, 1972, the company has reduced the number of items manufactured during the same week to approximately 18.

Also, there has been a layoff of certain hourly employees as of August 31, 1972.

Based on the information available for the first four days of the first full week in September, the foregoing changes appear to be improving the company's opportunities to become profitable.

Mr. Ihrig predicted that the reduction of items manufactured by the corporation would reduce its scrap costs, an essential element of the company's financial recovery. Mr. Ihrig believes it is realistic to reduce scrap expenses to 12%.

Mr. Ihrig has talked to the company's key customers and many of the company's customers are aware of the company's current financial problems. Customers are being informed of potential delays in delivery.

Mr. Ihrig is hopeful that by the end of the fourth quarter the company will start to operate at least on a break-even basis.

It was reported that the company is now in the midst of negotiations with the union that represents the company's hourly employees. The union has been apprised of the company's financial situation and it appears that the company may be able to obtain a complete six-month moratorium on any contract changes.

Formal demand on the corporation's unsecured notes in the amount of $750,000 was made in July. However, it was reported that Pennwalt Corporation has agreed to guarantee these notes. Furthermore, due to Pennwalt's guarantee, an additional $500,000 line of credit has now been made available to the corporation. Due to the Pennwalt guarantees the company is able to qualify for the Chicago prime rate. Interest is to be paid quarterly on the outstanding indebtedness. To date, the corporation has not used the full extent of this borrowing power.

Mr. Swift, who has been in the process of making an extensive review of the Wellman operation, then reported that improved cost accounting analysis is imperative in order to plan intelligently Wellman's financial recovery. Mr. Swift also reported that scrap control will be of vital importance to Wellman's recovery. Mr. Englehart concurred with Mr. Swift in the importance of cost accounting information.

Mr. Williams indicated the greater importance of knowing the

ELF 0022129

volume of items shipped each week than knowing the volume of items produced each week. There appears to be approximately a 30-45 day delay between completion of production and the shipping of a produced item. In the future shipping information is to be reviewed and kept current on a weekly basis.

Mr. Ihrig outlined various priority improvements for the Creston plant. A lengthy discussion of each proposed improvement then followed during which the cost, necessity and cost savings of each proposed improvement was discussed. Upon the conclusion of this discussion, Mr. Howe moved that Mr. Swift be authorized, without further approval from the Board, to expend the following sums for the following improvements:

(1)	Completion of Steel Warehouse	$38,600 (which sum is to be increased to include the cost of a pad for the warehouse if the pad is not already charged on the company's books)
(2)	Motorized Crane	$2,500
(3)	Completing Plant Security and Boundary Fence	$9,500
(4)	Installation of Automatic Door Closers	$10,000
(5)	Installation of Monorail Hoist from Bay City Plant in Knock-out Area to Handle Large Molds	$3,000
	TOTAL	$63,600 (plus warehouse pad, if not already booked)

Mr. Howe's motion was seconded by Mr. Englehart and unanimously approved by the Board.

Upon the passage of this motion, Mr. Swift commented that the foregoing improvements should be the last improvements made until the

the company is operating on a break-even basis, with the exception of any improvements that might have a very rapid payback. This comment received the unanimous concurrence of the Board.

Mr. Swift indicated that he is currently in the process of preparing a report for distribution to the shareholders for purposes of bringing them up to date with the status of the company.

Mr. Swift suggested that in the interim until the next Board of Directors Meeting, he keep the other directors informed of subsequent developments in the company's operations through letters.

This comment met with the approval of the Board.

Mr. Swift reported that the Creston bank has requested monthly financial statements from Wellman Corporation. However, it was the opinion of the Board that quarterly financial reports should be sufficient for the bank's purposes.

The Board then adjourned to executive session for the purposes of discussing officers' salaries. Mr. Ihrig, Mr. Burling, and Mr. Maccracken excused themselves and left the meeting room. There followed an extensive discussion by the remaining Board members of what type of reductions in officers' salaries would be fair to the individuals involved and appropriate in light of the company's current financial condition. After considerable discussion, it was moved, seconded, and unanimously approved by the Board that the Officers' salaries be established as follows:

Mr. Ihrig -	$40,000
Mr. Howarth -	$27,500
Mr. Burling -	$20,000

ELF 0022131

Mr. Swift then reported that the Board of Directors of Pennwalt, recognizing the necessity of providing top-level management assistance to the corporation in conjunction with Pennwalt's increased equity interest therein, had authorized Pennwalt to make the services of Messrs. Swift and Williams available to the corporation on a consulting basis. A brief discussion of the compensation arrangements for such consulting services followed, with the board of directors deciding to defer final action on such arrangements until the next meeting.

There being no further business to come before the meeting, it was thereupon adjourned.

Edward E. Johnson
Secretary

WELLMAN DYNAMICS CORPORATION

Officers and Directors

James McWhirter Chairman
James M. Williams Director
Pennwalt Corporation

Glenn Ihrig President and Director
James Howarth Vice President-Operations
Herbert Burling Vice President, Treasurer & Asst. Sec.

Wellman Dynamics Corporation
P. O. Box 147
Creston, Iowa 50801
(515) 782-8521

Theodore Englehart Director

Laboratory Equipment Corporation
P. O. Box 158
Mooresville, Indiana 46158
(317) 831-2990

Peter Wellman Director

Roulston & Company Inc.
Investment Plaza
Cleveland, Ohio 44114
(216) 696-3070

Edward E. Johnson Secretary

Bradshaw, Fowler, Proctor & Fairgrave
11th Floor, Des Moines Building
Des Moines, Iowa 50309
(515) 243-4191

WELLMAN DYNAMICS CORPORATION

President - Annual Report - 1973

To: The Board of Directors
Wellman Dynamics Corporation

Annual Stockholders Meeting: April 24, 1973 - Philadelphia, Penna.

Details of our 1972 operations are covered by reports of our financial and operating executives.

Highlights of 1972 were as follows, i. e., the bad news:

1. Bookings of new orders came on more rapidly than our production control could properly schedule due to the lack of proper standards.

2. Time and cost to upgrade equipment and facilities caused delays in shipping schedules.

3. Personnel turnover and the quality of the production worker caused an extensive turnover, much higher than one would normally anticipate. This resulted in extensive training costs, low production, and high scrap.

These major items dissipated our working capital and put us in a negative cash position.

Now the good news:

1. In August, Dow elected to abandon its interest in Wellman. Pennwalt acquired their interest and guaranteed our bank debt. We all developed an operating plan that in due time should put the Company in a positive cash flow position.

2. Personnel started to stabilize in the 4th quarter. Turnover was reduced and this has reflected improved productivity and improved quality.

3. Standards were upgraded, which is now reflecting the values of our work in process inventory and stabilizing our labor costs.

4. Last, but not least, our major customers were responding to our appeals for pricing adjustments, delivery stretchouts, etc., as we wanted to re-establish our creditability of Wellman service and quality.

With a realistic plan for foundry production being implemented in September, we could see positive results by the end of 1972. This has been proven as we are off to a healthy start as demonstrated by the results of our first quarter of 1973 which showed sales of $1,706,000; earnings, pre-tax, of $140,800.

Sincerely,

Glenn F. Ihrig

ELF 0022168

MINUTES OF THE

SPECIAL MEETING OF STOCKHOLDERS

OF WELLMAN DYNAMICS CORPORATION

Pursuant to due call and notice, a special meeting of the stockholders of Wellman Dynamics Corporation, a Delaware corporation ("Company"), was held on the 10th floor, Three Parkway, Philadelphia, Pennsylvania, on December 31, 1975 at 11:00 a.m. E.S.T.

The meeting was called to order by James McWhirter, Chairman of the Board of Directors, as temporary Chairman. Upon motion duly made and carried, James McWhirter was elected Chairman of the meeting.

The Chairman then appointed George Reath, Esq. to serve as secretary of the meeting.

The Secretary read the Certificate of Mailing of the Notice of the Special Meeting of Stockholders made by Candace S. Cummings on December 10, 1975, attached to which is a list of the stockholders of the Company as of December 9, 1975 and a copy of the Notice so mailed. The Chairman directed that the Certificate of Mailing be inserted in the minute book immediately following the minutes of the meeting and as a part thereof.

The Chairman appointed James Williams and George Reath to act as the Proxy Committee. Thereafter, the Proxy Committee reported and certified that the Company had received valid proxies from stockholders holding 819,244 shares of the issued and outstanding common stock of the Company with respect to all matters coming before the meeting for a vote.

The Chairman then announced, on the basis of the report by the Proxy Committee, that the holders of 819,244 shares of the Company's issued and outstanding common stock were represented at the meeting by valid proxies. The Chairman also announced that a total of 825,247 shares of the common stock were outstanding on the record date. The Chairman announced that a quorum of stockholders was therefore present and the meeting was duly convened.

The Chairman then announced that the first order of business was the reading of the Minutes of the Annual Meeting of the Stockholders held on April 1, 1975. Upon motion duly made and carried the reading of the minutes of said meeting was waived.

The Chairman then announced that the next order of business to come before the meeting was to vote on the plan of Complete Liquidation and Dissolution of the Company. The Chairman called upon the secretary to present a resolution calling for the adoption of the plan.

The Secretary first noted that paragraph 2 of the resolution which had been recited in the proxy which had been mailed to stockholders had been modified as to form, though not as to substance in order to comply with Delaware law. The Secretary then read the following resolution:

> RESOLVED, that the stockholders of the Company hereby adopt the following plan of Complete Liquidation and Dissolution of the Company:
>
> 1. Substantially all of the assets of the Company shall be sold provided in the Agreement For Sale of Assets described in the Company's Proxy Statement dated December 12, 1975;
>
> 2. Article First of the Restated Certificate of Incorporation of the Company be amended to read as follows:
>
> FIRST: The name of the corporation is WELLMAN LIQUIDATING CORPORATION.
>
> 3. As soon as practicable and in no event later than three years from the date of the adoption of this resolution, the remaining net assets of the Company shall be distributed pro rata to its stockholders in complete liquidation and the Company shall be dissolved.

Balloting having been duly had and all of the stockholders present in person or by proxy having voted (James Williams, to whom Company stockholders had granted proxies covering 819,244 shares voting all such proxies in favor of said resolution), the Proxy Committee reported that out of 825,247 shares of common stock issued and outstanding 819,244 had been voted in favor of said resolution and no shares had been voted against it, said vote in favor of said resolution representing 99.27% of the issued and outstanding common stock of the Company. On motion duly made and carried, the report of the Proxy Committee was accepted as filed.

The Chairman thereupon declared the resolution as having been duly adopted by the stockholders of the Company.

There being no further business to come before the meeting, on motion the meeting was adjourned.

George Reath

George Reath, Secretary

FLF 0022259

WELLMAN DYNAMICS CORPORATION

INFORMAL ACTION OF DIRECTORS

The undersigned, being all of the Directors of Wellman Dynamics Corporation (the "Company"), hereby consent to the adoption of the following resolutions without a meeting, pursuant to Section 141(f) of The General Corporation Law of Delaware:

RESOLVED, that the resignations of Glenn F. Ihrig, James Howarth, J. Herbert Burling and Edward E. Johnson from their respective offices with the Company are hereby accepted and that, in accordance with Article IV, Section 4 of the By-laws of the Company, the following persons are elected to the offices set opposite their names:

Edwin E. Tuttle	-	President
James M. Williams	-	Secretary and Treasurer
Vera M. Byrne	-	Assistant Secretary

RESOLVED, that Girard Trust Bank is hereby appointed as Exchange Agent in connection with the complete liquidation of the Company; that the officers of the Company are authorized and directed to issue instructions to the Exchange Agent as to the procedures to be followed to enable the stockholders of the Company to surrender their certificates representing the Common Stock of the Company for cash; and that the officers of the Company are authorized and directed to execute such documents and to take such steps as they may deem necessary or desirable to carry out the intent of this resolution.

Dated: January 5, 1976

James McWhirter

Edwin E. Tuttle

James M. Williams

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AGREEMENT OF MERGER, WHICH MERGES:

"WELLMAN DYNAMICS CORPORATION", A OHIO CORPORATION,

WITH AND INTO "WELLMAN DYNAMICS INC." UNDER THE NAME OF "WELLMAN DYNAMICS CORPORATION", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE SECOND DAY OF MAY, A.D. 1966, AT 10 O'CLOCK A.M.

Edward J. Freel, Secretary of State

AUTHENTICATION: 7394912

DATE: 02-02-95

0638528 8100M

950024664

ELF 0022624

AGREEMENT OF MERGER

AGREEMENT OF MERGER dated the 26th day of April, 1966, between WELLMAN DYNAMICS CORPORATION, a corporation organized and existing under the laws of the State of Ohio (hereinafter sometimes called the "Ohio Corporation") and WELLMAN DYNAMICS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter sometimes called the "Delaware Corporation" or the "Surviving Corporation"), which corporations are hereinafter sometimes referred to jointly as the "Constituent Corporations",

W I T N E S S E T H:

The Ohio Corporation has an authorized capital stock consisting of 100,000 Common Shares of the par value of $5.00 each, of which 63,706 shares are issued and outstanding.

The Delaware Corporation has an authorized capital stock consisting of 100,000 shares of Common Stock of the par value of $5.00 each and 50,000 shares of Preferred Stock without par value, of which 200 shares of the Common Stock are issued and outstanding.

The General Corporation Law of Delaware authorizes the merger of corporations organized under the laws of other states into a corporation organized under the said General Corporation Law of Delaware, and Title 17, Chapter 1701, of the Revised Code of Ohio authorizes the merger of a corporation organized under the laws of Ohio into a corporation organized under the laws of another state.

The Board of Directors of each of the Constituent Corporations has determined that it is advisable and to the benefit of the parties and their

00013

ELF 0022625

respective stockholders that the Ohio Corporation be merged into the Delaware Corporation on the terms and conditions hereinafter set forth in accordance with the applicable provisions of the aforesaid laws of the States of Delaware and Ohio.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants herein contained, it is agreed that the Ohio Corporation shall be, and the same hereby is, merged into the Delaware Corporation and the Delaware Corporation shall be the Surviving Corporation under the name "WELLMAN DYNAMICS CORPORATION", and that the terms and conditions of such merger and the mode of carrying the same into effect are and the same shall be as follows:

ARTICLE I.

Each of the parties hereto agrees and prescribes that the laws which shall continue to govern the Surviving Corporation shall be the laws of the State of Delaware.

ARTICLE II.

The Certificate of Incorporation of the Surviving Corporation (hereinafter in this ARTICLE II referred to as the "Corporation") is hereby amended, as of the effective date of the merger, to read in full as follows:

FIRST. The name of the corporation is WELLMAN DYNAMICS CORPORATION.

SECOND. Its principal office in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company,

No. 100 West Tenth Street, Wilmington 99, Delaware.

THIRD. The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

To manufacture, process, compound, produce, finish, forge, fabricate, press, cast, smelt, refine and otherwise deal in all kinds of metals, castings, ingots, billets and kindred products and accessories of the metal industry and plastic molding and casting resins and other resins, plastics, and plastic and fiberglass compounds of every nature and description, and materials, components and ingredients and products made in whole or in part therefrom, and to manufacture, produce, purchase or otherwise acquire, and to store, transport, sell, exchange, distribute or otherwise dispose of and deal in materials and products of all other kinds.

To purchase, acquire, hold, lease, mortgage, pledge, hypothecate, loan money upon, exchange, sell and otherwise deal in personal property and real property of every kind, character and description whatsoever and wheresoever situated, and any interest therein.

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; and to endorse or guarantee the same or become surety in respect thereof, and to aid by loan, subsidy, guarantee or otherwise, those issuing, selling, creating or responsible for the same.

To acquire all or any part of the goodwill, rights, property and business of any corporation, association, partnership, firm, trust, syndicate, combination, organization, other entity, or individual, domestic or foreign, heretofore or hereafter en-

gaged in any business similar to the business of the corporation or otherwise, and to pay for the same in cash or in shares or obligations of the corporation or otherwise, and to hold, utilize, enjoy and in any manner dispose of the whole or any part of the rights and property so acquired, and to assume in connection therewith any liabilities of any such corporation, association, partnership, firm, trust, syndicate, combination, organization, individual or other entity, domestic or foreign.

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, trademarks and trade names, relating to or useful in connection with any business of this corporation.

To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or government or colony or dependency 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 loan to any person, firm or corporation any of its surplus funds, either with or without security.

To purchase, hold, sell and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To conduct its business in this state, other states, the District of Columbia, the territories and colonies of the United States, and foreign countries and the territories and colonies thereof, and have one or more offices outside of this state, and to acquire, purchase, hold, market, pledge, assign, transfer and convey real and personal property out of the state and in foreign countries and the territories and colonies thereof.

In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the General Corporation Law of the State of Delaware, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The objects 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 certificate of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FOURTH. The total number of shares of stock which the corporation shall have the authority to issue is one hundred and fifty thousand (150,000), of which one hundred thousand (100,000) shares of the par value of Five Dollars ($5.00) each, amounting in the aggregate to Five Hundred Thousand Dollars ($500,000.00), shall be common stock, and of which fifty thousand (50,000) shares, without par value, shall be preferred stock.

The Board of Directors is expressly granted authority to issue the preferred stock in one or more series as it shall by resolution or resolutions determine, provided that each series of preferred stock, if there be more than one, shall be distinctly designated, and the designations and powers, preferences and rights and the qualifications, limitations or restrictions of every share of any one series of preferred stock shall be alike. The Board of Directors is hereby expressly granted the authority, except as herein otherwise expressly provided, to issue the preferred stock and any series thereof

(a) with such voting powers, full or limited, or without voting powers;

(b) with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof;

(c) subject to such redemption at such time or times and at such price or prices;

(d) with such right to receive dividends at such rates and on such conditions and at such times;

(e) with such rights upon the dissolution of, or upon any distribution of the assets of, the corporation; and

(f) with such rights of conversion into, or exchange for, shares of any other class or series, at such price or prices or at such rates of exchange and with such adjustments,

as shall be stated and expressed in the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors pursuant to the authority hereby vested in it.

No holder of stock of the corporation of any class shall be entitled as of right to subscribe to and/or purchase any additional or increased stock of any class, whether now or hereafter authorized, or obligations convertible into any class or classes of stock or stock of any class convertible into stock of any other class or classes, and/or obligations, stock or other securities carrying warrants or rights to subscribe to stock of the corporation of any class or classes (whether now or hereafter authorized) but any and all shares of stock, bonds, debentures or other securities or obligations, whether or not convertible into stock or carrying warrants entitling the holders thereof to subscribe to stock, may be issued, sold and disposed of from time to time by the Board of Directors to such persons, firms or corporations, and for such consideration (so far as may be permitted by law) as it shall from time to time in its absolute discretion determine, without offering any of such increased or additional stock or obligations or other securities to stockholders of any class or to holders of warrants entitling them to subscribe to capital stock of any class or to obligations which may be converted into stock of any class.

Notwithstanding the foregoing provisions, however, the Board of Directors may in its discretion afford the holders of stock of any class or series, to the exclusion of the holders of stock of any other class or series, a right to subscribe to any additional or increased stock of any class or series, whether now or hereafter authorized, or obligations convertible into any class or series of stock, or stock of any class or series convertible into stock of any other class or series and/or obligations, stock or other securities carrying warrants or rights to subscribe to stock of the corporation of any class or series (whether now or hereafter authorized), on such terms as the Board of Directors shall fix and determine.

FIFTH. The minimum amount of capital with which the corporation will commence business is One Thousand Dollars ($1,000.00).

SIXTH. The names and places of residence of the incorporators are:

NAMES	RESIDENCES
Brooks W. Maccracken	2238 Tudor Drive, Cleveland Heights, Ohio 44106
Frank M. Rasmussen	19519 Shakerwood Road, Warrensville Heights, Ohio 44122
George J. Dunn	2374 Roxboro Road, Cleveland Heights, Ohio 44106

SEVENTH. The corporation is to have perpetual existence.

EIGHTH. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

NINTH. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

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

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

To set apart out of any of the funds of the corporation 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 resolution passed 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 the corporation, which, to the extent provided in the resolution or in the by-laws of the corporation, 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. Such committee or committees shall have such name or names as may be stated in the by-laws of the corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

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 for that purpose, 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 of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part 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 the corporation.

No contract or other transaction between the corporation and any other corporation and no act of the corporation shall in any way be affected or invalidated by the fact that any of the directors of the corporation are pecuniarily or otherwise interested in, or are directors or officers of, such other corporation; any director individually, or any firm of which any director may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the corporation, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the Board of Directors or a majority thereof; and any director of the corporation who is also a director or officer of such corporation

00020

or who is so interested may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the corporation which shall authorize any such contract or transaction and may vote thereat to authorize any such contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested.

Each director and officer of the corporation shall be indemnified against any costs and expenses which may be imposed on or reasonably incurred by him in connection with any claim, action, suit, or proceeding hereafter made or instituted in which he may be involved by reason of his being or having been a director or officer of the corporation or of any other company in which he served or serves as director or officer at the request of or at the instance of the corporation whether or not he continues to be a director or officer at the time of imposition of such costs or incurring of such expenses. The "costs and expenses" shall be deemed to include the cost to such director or officer of reasonable settlements made with the consent of the corporation, including amounts paid with such consent upon a plea of nolo contendere or similar plea. The corporation shall not, however, indemnify such director or officer with respect to matters as to which he shall be finally adjudged in any such action, suit or proceeding to be liable because of dereliction in the performance of his duties as such director or officer. The foregoing right of indemnification shall not be exclusive of other rights to which any person concerned may be entitled as a matter of law, and shall inure to the benefits of the heirs, executors, and administrators of any such person.

TENTH. Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this

00021

ELF 0022633

corporation 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 this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation 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 this corporation, 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 this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation 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 this corporation, as the case may be, and also on this corporation.

ELEVENTH. Meetings of stockholders may be held outside the State of Delaware, if the by-laws so provide. The books of the corporation 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 ballot unless the by-laws of the corporation shall so provide.

00022

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

ARTICLE III.

The By-Laws of the Delaware Corporation as in effect on the date of this Agreement shall be the By-Laws of the Surviving Corporation until the same shall thereafter be altered, amended or repealed in accordance with the laws of the State of Delaware, the Certificate of Incorporation and said By-Laws.

ARTICLE IV.

The names and addresses of the first directors and officers of the Surviving Corporation shall be as follows:

Directors

Names	Addresses
Dan T. Wellman	85 S. E. 4th Avenue, Delray Beach, Florida
Glenn F. Ihrig	801 Andre Street, Bay City, Michigan
R. C. Wellman	1405 East 6th Street, Cleveland, Ohio
Richard Allchin	26300 Lakeland, Cleveland, Ohio
C. F. Taplin, Jr.	700 Terminal Tower, Cleveland, Ohio
David V. Stickle	2305 Wuthering Road, Timonium, Maryland
Peter H. Wellman	Battles Road, Gates Mills, Ohio

Officers

Names	Addresses
Dan T. Wellman, Chairman of the Board	85 S. E. 4th Avenue, Delray Beach, Florida
Glenn F. Ihrig, President	801 Andre Street, Bay City, Michigan
Robert G. Brown, Vice President - Manufacturing	801 Andre Street, Bay City, Michigan
J. D. Melgaard, Vice President - Sales	801 Andre Street, Bay City, Michigan
J. Herbert Burling, Vice President - Finance	801 Andre Street, Bay City, Michigan
C. F. Taplin, Jr., Secretary and General Counsel	700 Terminal Tower, Cleveland, Ohio
Alton W. Whitehouse, Jr., Assistant Secretary	700 Terminal Tower, Cleveland, Ohio

provided that if prior to the Effective Date of this Agreement any persons other than the persons named as directors above shall be elected directors of the Ohio Corporation the persons so elected shall be substituted as directors of the Surviving Corporation in lieu of the persons named who are not elected; and further provided that if prior to the Effective Date of this Agreement any person named above as an officer of the Surviving Corporation shall cease to be an officer of the Ohio Corporation, such person shall likewise cease to be an officer of the Surviving Corporation, and if prior to the Effective Date of this Agreement any other person shall be elected an officer of the Ohio Corporation, such other person shall become a like officer of the Surviving Corporation.

ARTICLE V.

The manner and basis of converting the shares of each of the Constituent Corporations into shares of the Surviving Corporation are as follows:

1. Each Common Share of the Ohio Corporation issued and outstanding at the time the merger becomes effective, and all rights in respect thereof, shall by virtue of the merger and without any action on the part of the holde thereof be converted forthwith into one share of Common Stock of the Surviving Corporation of the par value of $5.00 each. Outstanding certificates representing Common Shares of the Ohio Corporation shall thenceforth represent the same number of shares of Common Stock of the Surviving Corporation and each holder thereof shall be entitled to precisely the same rights he would enjoy if he held certificates issued by the Surviving Corporation. Upon the surrender of any such certificate to the Surviving Corporation or its Transfer Agent, the transferee or other holder of the certificate surrendered shall receive in exchange therefor a certificate or certificates of the Surviving Corporation.

2. Forthwith upon the merger becoming effective, all shares of Common Stock of the Delaware Corporation theretofore outstanding shall be cancelled and retired and no new shares of Common Stock or other stock or securities of the Surviving Corporation shall be issuable with respect thereto.

ARTICLE VI.

Upon the Effective Date the Surviving Corporation shall possess all the rights, privileges, immunities, powers, franchises and authority as well of a public as of a private nature and be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations; and all and

singular the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to each of the Constituent Corporations shall be vested in the Surviving Corporation; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the respective Constituent Corporations; and the title to any real estate or interest therein, whether by deed or otherwise, vested in either of the Constituent Corporations shall not revert or be in any way impaired by reason of this merger; provided that all rights of creditors and all liens upon the property of either of the Constituent Corporations shall be preserved, unimpaired, and all debts, obligations, liabilities and duties of the respective Constituent Corporations shall thenceforth attach to, and are hereby assumed by, the Surviving Corporation and may be enforced against it to the same extent as if said debts, obligations, liabilities and duties had been incurred or contracted by it.

The Ohio Corporation hereby agrees that as and when requested by the Surviving Corporation, or by its officers or assigns, the Ohio Corporation will execute and deliver all such deeds and other instruments and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest or perfect in the Surviving Corporation or to further assure, confirm of record or otherwise, title to and possession of all said property, rights, privileges, powers and franchises, and otherwise to carry out the purposes of this Agreement. The Surviving Corporation shall pay all expenses of carrying this Agreement into effect, and of accomplishing the merger, including amounts, if any, to

which dissenting stockholders of the Ohio Corporation may be entitled by reason of this merger.

ARTICLE VII.

The assets, liabilities and net worth accounts of the Constituent Corporations shall be taken up on the books of the Surviving Corporation as at the Effective Date in the amounts at which they shall then be carried on the books of the respective Constituent Corporations, subject to such adjustments or eliminations of inter-company items as may be appropriate in giving effect to the merger; provided that the amount of earned surplus of the Surviving Corporation shall not exceed the lesser of

(a) the excess, if any, of the assets of the Surviving Corporation, taken at their fair value to the Surviving Corporation, over the sum of its liabilities, including liabilities derived from the Constituent Corporations or resulting from the merger, and stated capital, and

(b) the combined earned surplus of the Constituent Corporations diminished by the deficit of any Constituent Corporation.

ARTICLE VIII.

All corporate acts, plans, policies, approvals and authorizations of the Ohio Corporation, its shareholders, Board of Directors, committees elected or appointed by the Board of Directors, officers and agents, which are valid and effective immediately prior to the Effective Date shall be taken for all purposes as the acts, plans, policies, approvals and authorizations of the Surviving Corporation and shall be as effective and binding thereon as the same were with respect to the Ohio Corporation. The employees of the Ohio Corporation shall become the employees of the Surviving Corporation and con-

tinue to be entitled to the same rights and benefits which they enjoyed as employees of the Ohio Corporation.

ARTICLE IX.

The Surviving Corporation may be sued and served with process in the State of Ohio in any proceeding for the enforcement of any obligation of the Ohio Corporation and in any proceeding for the enforcement of the rights of a dissenting shareholder of the Ohio Corporation against the Surviving Corporation, and the Surviving Corporation hereby irrevocably appoints the Secretary of State of the State of Ohio as its agent to accept service of process in any such proceeding and agrees that it will promptly pay to dissenting shareholders of the Ohio Corporation the amount, if any, to which they shall be entitled under Section 1701.85 of the Revised Code of Ohio.

The Surviving Corporation further states that it desires to transact business in the State of Ohio as a foreign corporation and appoints as its statutory agent C. F. Taplin, Jr., 700 Terminal Tower, Cleveland, Ohio 44113, and irrevocably consents to service of any process, notice or demand on such agent as long as the authority of such agent continues and to service of any process, notice or demand on the Secretary of State of the State of Ohio in the events provided for in Section 1703.19 of the Revised Code of Ohio.

ARTICLE X.

The Effective Date of this Agreement and on which the Ohio Corporation shall be merged into the Delaware Corporation and the separate existence of the Ohio Corporation shall cease except insofar as it may be continued by statute, shall be the date on which all of the following conditions shall have been satisfied:

1. This Agreement shall have been authorized, adopted, approved, signed and acknowledged in accordance with the laws of the State of Delaware and the State of Ohio and any and all certificates required by the laws of those states with respect thereto shall have been executed in accordance with such laws;

2. A certificate containing either this signed Agreement or a copy thereof and a statement of the manner of its adoption executed in accordance with the laws of the State of Ohio shall have been filed in the office of the Secretary of State of Ohio; and

3. This Agreement authorized, adopted, approved, signed and acknowledged in accordance with the laws of the State of Delaware shall have been filed in the office of the Secretary of State of Delaware and a copy thereof certified by the Secretary of State shall have been recorded in the office of the Recorder of New Castle County, Delaware.

IN WITNESS WHEREOF, this Agreement has been signed by the President, th Secretary and a majority of the directors of each of the Constituent Corporation and each of the Constituent Corporations has caused its corporate seal to be her to affixed and attested by the signature of its Secretary, all as of the day and year first above written.

Glenn F. Ihrig, President and Director of Wellman Dynamics Corporation (Ohio) and Wellman Dynamics, Inc.

C. F. Taplin, Jr., Secretary and Director of Wellman Dynamics Corporation (Ohio) and Wellman Dynamics, Inc

Director of Wellman Dynamics Corporation (Ohio) and Wellman Dynamics, Inc.

Director of Wellman Dynamics Corporation (Ohio) and Wellman Dynamics, Inc

Director of Wellman Dynamics Corporation (Ohio) and Wellman Dynamics, Inc.

Director of Wellman Dynamics Corporation (Ohio) and Wellman Dynamics, Inc

ATTEST:

Secretary, Wellman Dynamics Corporation (Ohio)

ATTEST:

Secretary, Wellman Dynamics, Inc.

00029

CERTIFICATE OF THE SECRETARY
OF
WELLMAN DYNAMICS, INC.

I, C. F. TAPLIN, JR., Secretary of WELLMAN DYNAMICS, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify as such Secretary and under the seal of said corporation that the Agreement of Merger to which this certificate is attached, after having been duly signed by a majority of the directors of said corporation and under the corporate seal of said corporation and after having been duly approved by the directors and signed by the President and Secretary of Wellman Dynamics Corporation, a corporation organized and existing under the laws of the State of Ohio, was duly approved and adopted by the holder of all of the issued and outstanding stock of said Wellman Dynamics Corporation, as required by the Delaware Corporation Law, as the act of the stockholder of said corporation and the agreement of said corporation.

WITNESS my hand and the seal of said Wellman Dynamics, Inc., April 21, 1966.

Secretary,
Wellman Dynamics, Inc.

SEAL

00030

18

CERTIFICATE OF THE PRESIDENT AND SECRETARY
OF
WELLMAN DYNAMICS CORPORATION

The undersigned, GLENN F. IHRIG, President, and C. F. TAPLIN, JR., Secretary, of WELLMAN DYNAMICS CORPORATION, a corporation organized and existing under the laws of the State of Ohio, hereby certify, as such President and Secretary and under the seal of said corporation, that the Agreement of Merger to which this certificate is attached, after having been duly approved by the directors of said corporation and duly signed by the President and Secretary of said corporation and by a majority of the directors of Wellman Dynamics, Inc., a corporation organized and existing under the laws of the State of Delaware, was, upon direction of the directors of said Wellman Dynamics Corporation, duly submitted to the shareholders of said Wellman Dynamics Corporation entitled to vote thereon at a meeting of the shareholders of said Wellman Dynamics Corporation called for the purpose of considering and taking action upon said Agreement of Merger and held on April 26, 1966, after due notice of said meeting, as required by the Ohio General Corporation Law, to all of the shareholders of said Wellman Dynamics Corporation; that holders of shares of said Wellman Dynamics Corporation entitling them to exercise more than two-thirds of the voting power of said Wellman Dynamics Corporation in respect of the adoption of said Agreement of Merger were present in person or represented by proxy at said meeting; that at said meeting a vote of said shareholders was taken on said Agreement of Merger; that at said meeting said Agreement of Merger was adopted by the affirmative vote of the holders of shares of said Wellman Dynamics Corporation entitling them to exercise more than two-thirds of the voting power of said corporation in respect of the adoption of said Agreement of Merger; and that only one class of stock of said Wellman Dynamics Corporation is and was at the time of said meeting issued and outstanding.

WITNESS our hands and the seal of said Wellman Dynamics Corporation, April 26th, 1966.

Glenn F. Ihrig
President, Wellman Dynamics Corporation

C. F. Taplin
Secretary, Wellman Dynamics Corporation

00031

The foregoing Agreement of Merger having been duly signed by the Directors of Wellman Dynamics, Inc., a Delaware corporation, and having been duly adopted in writing by the holder of all of the issued and outstanding capital stock of said Corporation and those facts having been duly certified as hereinbefore set forth, all in accordance with the Delaware Corporation Law, and the said Agreement of Merger having been duly approved by the Directors and duly signed by the President and the Secretary of Wellman Dynamics Corporation, an Ohio corporation, and having been duly submitted to and duly adopted by the requisite vote of the shareholders of said Wellman Dynamics Corporation at a regular meeting of the shareholders of said Corporation, duly called and held on April 26, 1966, and those facts having been duly certified as hereinbefore set forth, all in accordance with the Ohio General Corporation Law, said Agreement of Merger is now duly signed by the President and the Secretary of said Wellman Dynamics, Inc. under its corporate seal and acknowledged by the President to be the act, deed and agreement of said Wellman Dynamics, Inc., and is also signed by the President and the Secretary of said Wellman Dynamics Corporation under its corporate seal and acknowledged by the President to be the act, deed and agreement of said Wellman Dynamics Corporation, all at Cleveland, Ohio, April 26th, 1966.

WELLMAN DYNAMICS, INC.

ATTEST:

Secretary

By Glenn F. Ihrig
President

And
Secretary

WELLMAN DYNAMICS CORPORATION

ATTEST:

Secretary

By Glenn F. Ihrig
President

And
Secretary

STATE OF OHIO)
) SS:
CUYAHOGA COUNTY)

BE IT REMEMBERED that on April 26th, 1966, personally came before me Brooks W. Maccracken, a Notary Public in and for the County and State aforesaid, Glenn F. Ihrig, known to me personally to be the President of Wellman Dynamics, Inc., a corporation of the State of Delaware, and also President of Wellman Dynamics Corporation, a corporation of the State of Ohio, they being the Constituent Corporations described in and which executed the foregoing Agreement of Merger; and he the said Glenn F. Ihrig as the President of each of said Corporations duly executed said Agreement of Merger before me and acknowledged that said Agreement of Merger is the act, deed and agreement of each of said Corporations; that the signatures of the

President and the Secretary of each of said Corporations to the said Agreement of Merger are in the handwriting of said President and Secretary; and that the seals affixed to said Agreement of Merger are the respective common corporate seals of the said Corporations.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Notary Public

21

7-

00033

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

September 28, 1971.

Mr. C. F. Weaver, President
Dow Chemical Financial Corp.
P. O. Box 1684
Midland, Michigan 48640

Mr. Eugene C. Swift
Group Vice President
Pennwalt Corporation
Pennwalt Building
Philadelphia, Pa. 19102

Gentlemen:

In view of the pending issuance to Hills-McCanna Company, or its nominee, of a number of shares of new Wellman Dynamics Common Stock equal at least to 40% of what will then be the aggregate number of outstanding shares of that stock, and further in view of the pending restructuring of the Board of Directors of Wellman Dynamics Corporation, I have been asked, and I think it appropriate, to advise you of my future policy in the matter of electing Directors and filling vacancies on the Board of Directors.

I intend and (so far as I have the right to do so) I agree to exercise my voting rights as Voting Trustee in favor of electing to the Wellman Dynamics Board of Directors at least two (or if the Board of Directors shall consist of seven, at least three) persons nominated by Hills-McCanna Company, or its nominee, as the holder of the aforementioned new Common Stock and a like number of persons nominated by Dow Chemical Financial Corp. as the holder of a generally equivalent number of shares of Common Stock, thereby recognizing in each case the rights that holder would otherwise have through cumulative voting.

In the event of any vacancy on the Board arising from the resignation, death or incapacity of any Director nominated by either Hills-McCanna or Dow Chemical Financial

Corp., I would intend to vote for filling the vacancy by a person nominated by the same interests, and I agree to do so unless the person so nominated is obviously disqualified to act as a Director or the election of such a Director would otherwise be unlawful.

Very truly yours,

Glenn F. Ihrig

cc: Mr. Peter H. Wellman

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

September 27, 1971.

Mr. Glenn F. Ihrig, President
Wellman Dynamics Corporation
801 Andre Street
Bay City, Michigan 48706

Mr. C. F. Weaver, President
Dow Chemical Financial Corp.
P. O. Box 1684
Midland, Michigan 48640

Gentlemen:

In view of the pending issuance to Hills-McCanna Company, or its nominee, of a number of shares of new Wellman Dynamics Common Stock equal at least to 40% of what will then be the aggregate number of outstanding shares of such Wellman Dynamics Common Stock, I have been asked, and I think it appropriate, to advise you of my future policy in the voting of the shares of Common Stock now held by you and me as Voting Trustees under the Voting Trust Agreement of June 30, 1969.

I intend and (so far as I have the right to do so) I agree to exercise my voting rights as Voting Trustee in favor of electing to the Wellman Dynamics Board of Directors at least two (or if the Board of Directors shall consist of seven, at least three) persons nominated by Hills-McCanna Company, or its nominee, as the holder of the aforementioned new Common Stock, thereby recognizing the rights that holder would otherwise have through cumulative voting. It is my understanding that each of you intends to do likewise.

I intend and also agree to consult with the representatives of Hills-McCanna Company, or its nominee, on the Wellman Dynamics Board of Directors before voting or acting on any other matter upon which we, as Voting Trustees, shall be expected to vote or to act, and I shall be guided by their expressed wishes unless the action or vote proposed

by them should be unlawful or a breach of any obligation I may then have to other stockholders of Wellman Dynamics Corporation.

Very truly yours,

Peter H. Wellman

cc: Mr. Eugene C. Swift

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
September 28, 1971

Pursuant to notice duly given, a Special Meeting of the Board of Directors of Wellman Dynamics Corporation was held at the offices of Squire, Sanders & Dempsey, 1800 Union Commerce Building, Cleveland, Ohio, on Tuesday, September 28, 1971, at 11:10 o'clock A. M., immediately following the adjournment of the Special Stockholders' Meeting. The following Directors were present:

Richard Allchin
Theodore M. Englehart
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

being all of the members of the Board.

Messrs. Cyrus Wellman, Carl H. Schemmelman and Steven Schaeffer, who had been present at the Stockholders' Meeting, were invited to remain for the Directors' meeting. Mr. Richard K. Howe, Assistant Secretary, was also present. The Chairman of the Board presided and the Secretary was secretary of the meeting. The minutes of the Directors' meeting held August 31, 1971, having been previously mailed to the Directors, it was moved that they be approved as mailed. However, the President stated that since that meeting the management had retained Detroit labor counsel to assist the management in meeting with the Union representatives of the employees and that it was

ARK 00248

no longer the intention of the management to send a letter to the employees as previously planned, and he, therefore, requested that the minutes of the meeting of August 31, insofar as they related to the proposed agreement with Hills-McCanna Company, be revised so as to refer generally to the Company's future operations without specific reference to a particular plan. The Secretary indicated his willingness so to revise the minutes and, subject to such revision, the minutes were approved.

At the request of the Chairman, Mr. Howe distributed the latest draft of the proposed agreement with Hills-McCanna and of the estimated pro forma net worth of the transaction as of September 30, 1971. He stated that these were apparently satisfactory to counsel for Hills-McCanna, except that he had now received a request to delay until January, 1972 the transfer of title to the capital equipment at Creston and the issuance of approximately half of the shares for the Hills-McCanna assets. The possible effect of this change was discussed and the Directors raised no objection, but Mr. Schemmelman asked to consult with his accountants before committing DCFC to the change. A cash flow forecast, prepared by Messrs. Burling and Quigley, was distributed, discussed and accepted, subject to some expressed concern that its assumptions were optimistic for liquidation of inventory, collection of accounts receivable and net income. Mr. Howe then reported that he and Mr. Schaeffer were discussing the conditions under which DCFC

ARK 00249

would agree to terminate the lease of the Bay City property and settle the rent obligations thereunder and to cancel the Wellman note and contribute to Wellman capital the amount owing on the note; and that he was also having some discussions as to the appropriate terms on which Wellman would assume the expense of registering shares of its Common Stock at the request of either DCFC or Hills-McCanna. The Directors indicated that these matters could be appropriately left to the decision of the officers of the Company and legal counsel. The following resolutions were then moved, seconded and unanimously adopted:

> RESOLVED that the Chairman of the Board or the President and the Secretary or Assistant Secretary of this Corporation are hereby authorized to execute an Agreement between this Corporation and Hills-McCanna Company for the acquisition of the inventories, accounts receivable, equipment and related property assets of Hills-McCanna's McCannalloy Division in Creston, Iowa, and for the issuance, in exchange for the same, of up to 418,351 shares of the $1.00 par value Common Stock of this Corporation and the assumption of specified liabilities of said McCannalloy Division, substantially on the terms and conditions set forth in the draft agreement submitted to this meeting or otherwise outlined and explained to this Board, with such changes therein as the signing officers shall deem appropriate and advisable;
>
> FURTHER RESOLVED that the Chairman of the Board or the President and the Secretary or Assistant Secretary of this Corporation are hereby authorized to execute an Agreement with Dow Chemical Financial Corp. for the modification and change of termination date of the Lease Agreement made and entered into as of the 1st day of February, 1969, by and between Dow Chemical Financial Corp., as lessor, and this Corporation, as lessee, and for the cancellation of the promissory note of the same date executed by this Corporation and payable to the order of Dow Chemical Financial Corp., in the original amount of $500,000.00, and for the contribution to the capital of this Corpora-

ARK 00250

tion of the amount unpaid on said note at the time of its cancellation and for the modification or cancellation of the Security Agreement securing said note, on such terms and conditions as the signing officers shall deem appropriate and advisable;

FURTHER RESOLVED that the Chairman of the Board or the President and, if necessary or appropriate, the Secretary or Assistant Secretary are hereby authorized to execute acceptances or confirmations of investment representation and registration agreements from and with Hills-McCanna Company and Dow Chemical Financial Corp., each with respect to the possible future registration of shares of this Corporation's Common Stock at the expense of this Corporation, upon the request of either of said companies, upon and subject to such terms and conditions as the signing officers, being advised by the General Counsel of this Corporation, shall deem appropriate in the light of the agreements authorized by the preceding resolutions of this Board;

FURTHER RESOLVED that the appropriate officers and executives of this Corporation are hereby authorized and directed to do all such acts and to execute all such further instruments, documents and agreements as may be called for by the agreements authorized by the preceding resolutions of this Board of Directors, or any of them, or as may be necessary or appropriate to the performance or carrying out of the same;

FURTHER RESOLVED that the Chairman of the Board or the President and the Secretary or Assistant Secretary of this Corporation are hereby authorized and directed to execute, issue and deliver to Hills-McCanna Company, or its nominees, certificates for shares of the $1.00 par value Common Stock of this Corporation at the times, for the amounts and otherwise as called for by the Agreement between this Corporation and Hills-McCanna Company authorized by the preceding resolutions or by the adjustment provided for in that Agreement, and in the event that such adjustment should call for a reduction in the number of shares of Common Stock evidenced by the stock certificates theretofore issued pursuant to said Agreement, the said officers are authorized and directed to exchange for any certificate or certificates so issued a new certificate or certificates in the name of Hills-McCanna Company, or its nominees, for such reduced number of shares of said Common Stock as may be called for by said adjustment and to restore

ARK 00251

to the treasury or to the status of unissued stock the number of shares of Common Stock corresponding to the difference between the shares evidenced by the certificate or certificates accepted for exchange and the number of shares evidenced by the newly issued certificate or certificates;

FURTHER RESOLVED that the amount of consideration for the shares of Common Stock to be issued pursuant to the preceding resolutions shall be determined in accordance with the agreement executed pursuant to the preceding resolutions and the amount of such consideration up to the par value of the number of shares of Common Stock issued pursuant to the agreement shall be recorded as capital of the Corporation, and the amount of the consideration over and above said par value shall be recorded as paid-in surplus along with the amount contributed to the capital of this Corporation by Dow Chemical Financial Corp. pursuant to the Agreement between it and this Corporation.

Thereupon, Mr. Richard Allchin submitted his written resignation as Director and Chairman of the Board of Directors of the Corporation, and Messrs. Walter C. Loeman, Brooks W. Maccracken and Peter H. Wellman submitted their written resignations as Directors of the Corporation, which resignations are appended to the minutes of this meeting, and the following resolutions were moved, seconded and unanimously adopted:

RESOLVED that the By-Laws of this Corporation be, and they are hereby, amended, effective when the Agreement between this Corporation and Hills-McCanna Company for the issuance of shares of Common Stock of this Corporation authorized by other resolutions of this Board of Directors is executed, by changing the first sentence of Section 2 of ARTICLE III thereof to read:

"The number of Directors of the Corporation shall be five until changed by resolution of the stockholders at the Annual Meeting or any Special Meeting called for that purpose or until otherwise changed by amendment of these By-Laws."

ARK 00252

FURTHER RESOLVED that the resignations of Richard Allchin as Director and Chairman of the Board of Directors of this Corporation and of Walter C. Loeman, Brooks W. Maccracken and Peter H. Wellman as Directors of this Corporation as the same have been submitted to this Board of Directors, are hereby accepted and that the vacancies on this Board of Directors created by those resignations be filled until the next Annual Meeting of the Stockholders of this Corporation and until their successors are elected and qualified by the election to this Board of the following:

C. F. Weaver
Eugene C. Swift
C. A. Howe

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 00253

PENNWALT CORPORATION

Certificate of the Secretary

I, J. Gordon Logue, Secretary of Pennwalt Corporation, a Pennsylvania Corporation (the "Company"), do hereby certify that attached hereto are true and correct copies of resolutions duly adopted by the Board of Directors of the Company on September 1, 1971; such resolutions have not been amended or revoked and are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Company this 1st day of October, 1971.

[CORPORATE SEAL]

J. Gordon Logue

J. Gordon Logue, Secretary

RESOLVED, That the officers of the Company are authorized to negotiate and, in their discretion, to execute agreements for the transfer of substantially all the assets of the McCannalloy Division of Hills-McCanna Company to Wellman Dynamics Corporation in exchange for stock of Wellman, the number of shares of Wellman stock to be received to be based approximately on the net book value of the McCannalloy assets and the net book value of the Wellman assets as of September 30, 1971; and

FURTHER RESOLVED, That the officers of the Company are authorized to take all action they consider necessary or appropriate to effectuate that transfer.

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Creston, Iowa
October 20, 1971

Pursuant to notice duly given, a Regular Meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Heritage Room of The First National Bank of Creston, Creston, Iowa, on Wednesday, October 20, 1971, at nine o'clock a.m.

The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

Mr. J. Herbert Burling, Vice President - Finance, Mr. James Howarth, Vice President - Operations, and Mr. Richard K. Howe, Assistant Secretary, were also present. Mr. David B. Quigley, Vice President, Hills-McCanna Company, was also present by invitation.

Mr. Ihrig presided and Mr. R. K. Howe was Secretary of the meeting. The minutes of the Directors' meeting held September 28, 1971, having been previously mailed to the Directors, were approved as mailed.

The financial statements for the month of September for the Bay City operations and the Creston operations were presented by Mr. Burling and Mr. Quigley, respectively, and discussed. The President reported on the current cash position. During the discussion which followed, it was recommended that a formal statement of income and balance sheet be prepared as of October 1, 1971, the date of the combination of the McCannalloy Division of Hills-McCanna Company with the Corporation and that such statements be presented to the Board at its November meeting. In addition, concern was expressed that the Directors be kept advised of the cash flow status of the Corporation during the period of the combination of the two operations and that current cash flow statements be prepared and available for the Directors for each meeting.

The President reported that the winding up of the Bay City operations was proceeding in an orderly fashion with the final shipments of products from Bay City to be completed prior to the end of November. The President also reported that a satisfactory agreement had been reached with the Pattern Makers Association of Saginaw with respect to termination and that a tentative termination agreement had been reached with the United Auto Workers, Local 804, subject to ratification

by the members on October 24, 1971. The President indicated that he was optimistic that the UAW would approve this agreement.

With respect to salaried personnel to be transferred to Creston, the President reported that 22 persons had accepted transfers and that 5 of the relocations had already been effected. Mr. Ihrig and Mr. Howarth indicated that the Creston salaried personnel situation was being reviewed and that Edward N. Hayes and Rohrer, Hibler & Replogle had been retained to analyze the salary structure of the Creston operations and assist in the evaluation of certain of the former McCannalloy Division personnel.

The President reported that Foundry Design, Inc., had been engaged to assist in setting up and relocating equipment at Creston as a part of the combination of operations and was authorized to proceed with the expectation that the total expenditure involved would not exceed $15,000.

There followed a discussion relating to certain leasehold improvements and equipment needs of the Corporation in Creston. Mr. Swift emphasized the need to maintain up-to-date cash flow projections, establish priorities and the exploration of means of financing as prerequisites to the consideration of capital improvements. The need for warehouse space for patterns

was discussed. It was agreed that some form of building would have to be constructed on the premises at Creston and the consensus was that if financing could be obtained, a reasonably permanent structure such as a "pole barn" would be preferred. In view of the season, management was authorized to construct concrete pads suitable to accommodate such a building. The need for executive office space was discussed and management was authorized to explore the feasibility of renting or purchasing a mobile home for such purpose.

Messrs. Ihrig and Howarth reported the need for new furnaces and were authorized to spend $30,000 for 4 induction furnaces and $52,000 for 8 electric holding furnaces, 2 of each for immediate delivery and the balance for delivery in the first half of 1972.

There was then a discussion relating to Directors' meetings and fees. It was concluded that, for the ensuing six months, meetings of the Board should be held on a monthly basis. It was also agreed that during such period the Directors would serve without remuneration, with the exception of Mr. Englehart who is to receive a consulting fee of $200 per meeting for his attendance at Directors' meetings during such period.

It was proposed that letters of appreciation to Messrs. Allchin, Loeman, Maccracken and Wellman, former Directors of the

Corporation, be prepared. It was, on motion duly made, seconded and unanimously adopted:

> RESOLVED that the President be, and he hereby is, authorized and directed to prepare and forward to Mr. Richard Allchin, Mr. Walter C. Loeman, Mr. Brooks W. Maccracken and Mr. Peter H. Wellman, former Directors of Wellman Dynamics Corporation, a letter on behalf of the Board of Directors expressing their deep appreciation for the many years of service given to the Corporation by those individuals.

Contributions to the United Way and United Appeal campaigns of Creston and Bay City were discussed and Mr. Ihrig was authorized to handle the matter on behalf of the Corporation in his discretion.

The President requested authorization to establish accounts at The First National Bank in Creston and The Iowa State Savings Bank, both of Creston, Iowa, and on motion duly made and seconded, the following resolutions were unanimously adopted:

> RESOLVED that The First National Bank of Creston, Creston, Iowa, is hereby designated as a depository for the funds of this Corporation and the President or any Vice President of this Corporation is hereby authorized in the name and on behalf of this Corporation, to open or cause to be opened and to continue an account or accounts with said Bank, and to execute and deliver to said Bank appropriate signature cards containing said Bank's usual customer agreement applicable to such account or accounts and the signatures of the officers herein named, and that each of the officers of this Corporation hereinafter named is hereby authorized, for and on behalf

of this Corporation, to endorse or cause to be endorsed, to negotiate or cause to be negotiated, or to deposit or cause to be deposited in such account or accounts any money, checks, drafts, orders, notes or other instruments payable to or held by this Corporation;

FURTHER RESOLVED that the funds of this Corporation on deposit in said account or accounts shall be subject to be withdrawn at any time upon a check, draft, note or order of this Corporation drawn against the particular account or accounts and bearing the actual or facsimile signature of one of the following:

Glenn F. Ihrig	-	President and Treasurer
J. H. Burling	-	Vice President - Finance
James Howarth	-	Vice President - Operations

provided that such signatures shall correspond to the specimens thereof certified to the Bank by the Secretary or an Assistant Secretary of this Corporation, and that no checks, drafts, notes or orders drawn against said Bank shall be valid unless bearing such a signature; and

FURTHER RESOLVED that the Secretary or an Assistant Secretary of this Corporation is hereby authorized to certify to said Bank a copy of this resolution and of the actual and facsimile signatures of the above named officers and said Bank is authorized to rely on said certificate of this resolution until notice to the contrary in writing is given to said Bank by the Secretary or an Assistant Secretary of this Corporation;

AND RESOLVED that The Iowa State Savings Bank, Creston, Iowa, is hereby designated as a depository for the funds of this Corporation and the President or any Vice President of this Corporation is hereby authorized in the name and on behalf of this Corporation, to open or cause to be opened and to continue an account or accounts with said Bank, and to execute and deliver to said Bank appropriate signature cards containing

said Bank's usual customer agreement applicable to such account or accounts and the signatures of the officers herein named, and that each of the officers of this Corporation hereinafter named is hereby authorized, for and on behalf of this Corporation, to endorse or cause to be endorsed, to negotiate or cause to be negotiated, or to deposit or cause to be deposited in such account or accounts any money, checks, drafts, orders, notes or other instruments payable to or held by this Corporation;

FURTHER RESOLVED that the funds of this Corporation on deposit in said account or accounts shall be subject to be withdrawn at any time upon a check, draft, note or order of this Corporation drawn against the particular account or accounts and bearing the actual or facsimile signature of one of the following:

Glenn F. Ihrig	-	President and Treasurer
J. H. Burling	-	Vice President - Finance
James Howarth	-	Vice President - Operations

provided that such signatures shall correspond to the specimens thereof certified to the Bank by the Secretary or an Assistant Secretary of this Corporation, and that no checks, drafts, notes or orders drawn against said Bank shall be valid unless bearing such a signature; and

FURTHER RESOLVED that the Secretary or an Assistant Secretary of this Corporation is hereby authorized to certify to said Bank a copy of this resolution and of the actual and facsimile signatures of the above named officers and said Bank is authorized to rely on said certificate of this resolution until notice to the contrary in writing is given to said Bank by the Secretary or an Assistant Secretary of this Corporation.

There being no further business to come before the meeting, it was thereupon adjourned with the understanding that the next meeting of the Board of Directors would be held on

November 23, 1971, in Chicago.

Assistant Secretary

WELLMAN DYNAMICS CORPORATION

ACTION OF DIRECTORS WITHOUT A MEETING

The undersigned, being all of the Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 1 of ARTICLE III of the By-Laws of the Corporation and the provisions of Section 141 of the Delaware Corporation Law and having received the declination of C. F. Weaver to serve as Director of the Corporation, do hereby elect Thomas E. Brown to the vacancy of the Board which exists due to such declination.

Theodore M. Englehart

Charles A. Howe

Glenn F. Ihrig

Eugene C. Swift

Dated: October 20, 1971

ACTION OF THE BOARD OF DIRECTORS

WITHOUT A MEETING

October 1 , 1971.

We, the undersigned Directors of Wellman Dynamics Corporation acting without a meeting pursuant to Section 1 of ARTICLE III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law and having received the written resignations of Richard Allchin, Walter C. Loeman, Brooks W. Maccracken and Peter H. Wellman as Directors of the Corporation, do hereby elect to the vacancies of the Board created by such resignations, C. F. Weaver, Eugene C. Swift and C. A. Howe.

Glenn F. Ihrig

Theodore M. Engelhart

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
November 23, 1971

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at O'Hare Inn, Chicago, Illinois, on Tuesday, November 23, 1971, at 9:00 o'clock A. M. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

J. Herbert Burling, Vice President - Finance, and Brooks W. Maccracken, Secretary, were also present, together with Mr. David B. Quigley, Vice President, Hills-McCanna Company.

Mr. Ihrig presided and Mr. Maccracken was secretary of the meeting. The minutes of the Directors' meeting held October 20, 1971, were distributed to the Directors and approved, subject to revising the paragraph of authorization respecting furnaces for the Creston plant to correspond with the written advice given by the President to the Directors.

The operating statements for the Bay City plant and the Creston plant for the month of October were distributed and discussed, together with the cash flow and the forecasts for November and

ARK 00268

December. In connection with the operations at Creston, it was observed that some $31,000 of the returns and allowances experienced were items which had been noted in the estimates as of September 30, 1971, and the Board requested that the statements for the Creston plant be prepared to separately indicate all items for which liabilities and costs had been estimated as of September 30, 1971, and to charge against reserves for those items the actual amounts experienced from time to time in the same manner that the resume submitted to the Board analyzed the changes in the Bay City reserves for termination costs and moving and travel expenses. In that manner the Board desires to keep track of how the actual experiences both at Bay City and at Creston compare with the estimates made at the time of the agreement to combine operations. Likewise the Board requested that a cash flow statement be prepared in such a manner as to indicate how the various items affecting cash flow relate to the estimated cash flow as of September 30, 1971. After the discussion, Mr. Burling and Mr. Quigley retired, at the request of the Board, to prepare such a cash flow to the best of their ability at the present time. At the conclusion of the meeting they presented to the Board this new cash flow, with the understanding that it would be typed and mailed to the Directors.

Mr. Ihrig and Mr. Burling reported their rough projections of the shipments and production to be expected both at the Creston plant and the Bay City plant in November and December. Mr. Ihrig reported that there were only three jobs remaining at the Bay City

ARK 00269

plant and those were expected to be completed before December. Much of the shipments from Creston thus far made were from inventory existing September 30, but he expects to book about $1,500,000 of new orders in November and wants to cast in Creston about $410,000 in December, and $450,000 in January, with an ultimate projected production, when facilities and equipment are available, of $25,000 a day, which amounts will include scrap.

Mr. Burling reported the current amount of cash at $86,000 and Mr. Ihrig stated that he intended to ask customers for their cooperation in the prompt payment of accounts receivable to enable the Company to meet its special needs for cash during the transition period. In response to questions, Mr. Ihrig reported what he knew as to the current status of the helicopter industry and of other companies in the aluminum and magnesium industries, many of which he understood are having difficulties. He also reported satisfactory progress in his conversations with the Defense Department on his proposals for emergency forward planning in engineering. Both the Defense Department and the customers have expressed favorable reaction with Wellman's move to Creston.

Mr. Ihrig distributed the current Organization Chart which he said he has shown to appropriate personnel both within the Company and interested customers and which has been favorably received. The cost of employee terminations at Creston through November is well under the estimated cost of $50,000 and he does not anticipate that there will be any great addition to this cost. Both the Edward N.

ARK 00270

Hay & Associates representative and Dr. David Merrell of Rohrer, Hibler & Replogle will visit the Creston plant in December for consultation and advice with respect to personnel and salary adjustments.

Mr. Ihrig reported that he has effected a lease for 9,000 square feet of storage space in downtown Creston at a rental of $400.00 per month; that a steel office building is on order and should be installed by the year end at a cost of approximately $15,000; and that the Company's computer is being transferred from Bay City to Creston, since IBM was unable to secure a delivery date for a new printer. It is expected that data processing at Creston will start on the 29th of November and he is assured that the transfer cost will be no more than the new installation through the Omaha office.

Drawings were distributed and examined shewing the proposed changes for the installation of cranes and jibs to be transferred from Bay City and for the initial consolidation of various work areas. The installation cost for cranes and the cost of preparation therefor is within the budget previously approved. He also distributed a drawing for a proposed final modernization which is still under study and, subject to future determination and approval, provides for certain new experimental processes in molding.

Mr. Ihrig discussed certain claims of customers respecting previous operations at Creston, of some of which he had advised the Directors by letter. The Directors expressed their approval of the

ARK 00271

settlements which he had made and approved his recommendations with respect to the claims against Lycoming and MEL. The Directors also requested management to make a complete investigation of the operating practices on certain job orders for Pratt & Whitney and General Electric about which the President expressed his concern, and it was understood that the facts found from this investigation will be reported to the Directors so that an appropriate policy with respect thereto can be agreed upon.

The Company's present Product Liability Insurance expires November 30 and management has been in communication with Davis & Dissette on the cost and feasibility of having the new policy include coverage of products which were made and shipped by the McCannalloy Division prior to Wellman's taking charge of the operations. The President was requested to find out the costs involved for increasing the coverage to $10,000,000 and to report to Mr. Swift the cost for including the McCannalloy coverage so that comparison could be made with other possibilities of handling the latter.

Upon the recommendation of the President, Messrs. Swift and Englehart were named as members of the Executive Compensation Committee to receive and review recommendations for compensation to the officers.

The President has designated S. J. Simmons, Director of Industrial Relations, to review with the Company's professional advisers the inclusion of Creston personnel in the Company's Salaried Pension Plan so that the Directors may review this Plan and other related

ARK 00272

fringe benefits and determine what, if any, changes should be made therein.

Negotiations with the patternmakers are underway. While the Union is requesting substantial increases, they have shown a willingness to be cooperative and understanding of the Company's immediate problems in getting reorganized.

At the conclusion of the meeting, the Directors requested the management to prepare for the next meeting of the Board the following: A proposed budget of income and expenses for the year 1972 by quarters; proposed budget for capital expenditures indicating the time of each principal expenditure; pro forma balance sheets by quarters; and a projected cash flow by quarters. Likewise the Vice President - Finance was requested to prepare his recommendations for the establishment and management of appropriate separate bank accounts so as to minimize the possibility of mishandling or loss.

It was agreed that the next meeting of the Board will be in Chicago on the morning of January 25, 1972.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 00273

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Creston, Iowa
April 24, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the President at Creston, Iowa, on Monday, April 24, 1972, at 3:00 o'clock P.M., following a tour of the plant. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

J. Herbert Burling, Vice President - Finance, James Howarth, Vice President - Operations, Brooks W. Maccracken, Secretary, and C. F. Weaver and Peter H. Wellman, Trustees under the Voting Trust Agreement, were also present.

Mr. Ihrig presided and Mr. Maccracken was secretary of the meeting. The minutes of the Directors' meeting of March 28, 1972, having been previously mailed to the Directors, were approved as mailed, after explanation of the reports on scrap and sales commissions.

The Financial Statements and Auditors' Report for 1971, prepared by Arthur Andersen & Co., were distributed, and a resume of operations for March and a revised pro forma statement and financial

ARK 00280

projections, and were discussed at length, along with the operating statements for March as previously mailed. It was agreed that the amount by which the value of inventories of castings in process on the books of the Company at March 4 was over standard should be written off as of March 31 and that none of it should be charged to April. Mr. Burling explained that in the future the inventory of castings in process will be reported by stage of completion at standard cost, but that prior to December 31 sufficient records were not available to report the inventory on that basis.

Mr. Ihrig enumerated various reasons for the operating loss shown in the month of March, including a Xyglo occurrence in the middle of the month which required a reprocessing of a number of castings, absentism, employee turnover, excessive overtime, and change of requirements by some of the customers. He and Mr. Howarth believe that the personnel and payroll problems are being corrected by such steps as a change in quality control supervision, the issuance of an order for the elimination of overtime, earlier hours for the work shift, and progress in the training program. These improvements are expected to bring payroll costs more in line with previous experience and to reduce the Company's operating break-even point which some of the Directors thought may be as high as $500,000 a month. There was a long discussion as to the amount of shipments that could actually be anticipated in April and for the second quarter. The Directors approved the management proposal that for monthly reporting purposes the month of April be extended through May 5. On that basis, Mr. Howarth expressed his belief that because of the

ARK 00281

large amount of nearly finished work in the inventory, shipment of which had been delayed by the problems experienced in March and previous months, $500,000 of shipments could be achieved in April, despite low shipments for April to date.

The cash condition was discussed at length and it was agreed that the immediate need was to convert work in process to cash. All requisitions have been stopped except for the continued installation of heat treat facilities. It was agreed that the Company would be justified in financing the recent additions to and improvements in the Company plant and buildings through renegotiation of the lease from Equitable of Iowa, but Mr. Swift emphasized that before submitting figures either to the Bank or to Equitable it is necessary to establish credibility by explaining with precision the large differences between the Company's previous forecasts and the actual operating figures, and he requested management to prepare such an explanation and to demonstrate that the reasons for such past differences were behind us.

Mr. Englehart proposed that management be given authority to obtain current receivable financing as a bridge until projections are good enough to anticipate permanent bank financing on a line of credit basis. This proposal was not seconded, the feeling being expressed that bank relief can be obtained once credibility is established as proposed by Mr. Swift. In the meantime, Mr. Burling reported that all but one of the major creditors of the Company had indicated their willingness to accept delayed payment until the

ARK 00282

present cash position can be rectified.

Mr. Ihrig reported that the patterns and material still in Bay City could be placed in one building as of the end of the month and the balance of the property turned over to Dow, maintaining guards only for the one building.

Mr. Swift and Mr. Brown reported that actuaries in their companies would study this Company's employee schedules and figures pertinent to a Salaried Employees Pension Plan for the purpose of making recommendations to the Company on that subject.

The projected quarterly capital additions were discussed and Mr. Ihrig reported that everything had been stopped except that which was virtually completed and the installation of the heat treat facilities; and that delivery could be delayed on an order for the purchase of Lindberg furnaces. A substantial amount is owing to the local construction contractor, but the President anticipates that acceptable arrangements can be made for payments on that account. Mr. Englehart again expressed the importance of being selective in the acceptance of orders on a profitable basis and only up to the optimum capacity of the Company's facilities.

It was agreed that the next regular meeting of the Board would be in Des Moines at noon on Monday, May 22, so that all Directors can travel to and return from the meeting on the same day. In the meantime it was agreed that the members of the Board would be promptly advised when the management has determined what specific authority it will need from the Board for any further financing.

_____
Secretary

ARK 00283

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
May 22, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Des Moines Club, Des Moines, Iowa, on Monday, May 22, 1972 at 10:30 a.m. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

James Howarth, Vice President-Operations, and Richard K. Howe, Assistant Secretary, were also present. Mr. C. F. Weaver of Dow Chemical Financial Corp. and Mr. James Williams of Pennwalt Corporation were also present.

Mr. Ihrig presided and Mr. Richard Howe was secretary of the meeting. The minutes of the Directors' meeting held April 24, 1972, having been previously mailed to the Directors, were approved as mailed.

Current Operations and Financial Condition. The financial statements for the month ending May 6, 1972 were presented to the meeting. Mr. Ihrig indicated that management was surprised at the magnitude of the loss for the month and discussed several of the approaches being taken to alleviate the

continuing substantial variances in material costs, labor costs and scrap. Producing some fragmentary figures for production in the first part of the current month, Messrs. Ihrig and Howarth indicated that the scrap problem seemed to be improving and that better connection was being obtained in production control chains. However, a loss for the current month, which is a short month, is projected on shipments in the vicinity of $450,000. Sales backlog at May 15 was reported as $5,200,000.

In response to an inquiry regarding the determination of a break-even point, Mr. Ihrig and Mr. Weaver, who had spent several days in Creston reviewing the operations of the Company, generally agreed that on the basis of the present product mix, it was too early to determine a break-even point. With respect to product mix and unprofitable contracts, Mr. Ihrig advised that attempts are being made to renegotiate some contracts and that new quotes have a 7% escalation clause. Mr. Brown pointed out that given the present substantial sales backlog, the Company must be selective in taking new orders to be sure such orders will be profitable.

The loss from operations in April and the resultant cash position (Mr. Ihrig reported only $8,000 cash in bank as of the morning of the meeting) led immediately to a lengthy discussion of short range cash flow problems. Mr. Ihrig outlined the receivables and payables situation and concluded by requesting permission to increase the Company's draw against its line of credit with the First National Bank in Creston by $200,000. He indicated that this figure assumed that an additional $106,000 would be paid down on the loan from

ARK 00285

that Bank related to pattern receivables. Mr. Swift requested that the Board defer action on this question until it had reviewed the current status of the capital improvement programs.

Capital Improvements. A discussion was held reviewing present commitments for capital improvements and Mr. Ihrig presented several proposals for new improvements at the Creston facility. The most substantial improvement presented to the meeting was the new warehouse which is expected to cost approximately $50,000. Mr. Ihrig indicated that there had been a minor fire in the plant the previous week and that it was absolutely essential that a concrete pad and sewer area be installed at the rear of the plant so that pots may be properly cleaned. The other new proposals presented were for an additional LP gas system, a new scalping screen for the molding sand system, molding machine pit construction and the installation of a plant heating system.

Mr. Swift reviewed the April loss and indicated the substantial variance from the budget projections for the second quarter. He concluded that there was very little evidence that the Company could meet its projections for the second quarter and pointed out that scrap and returns already exceeded budget for the second quarter. He concluded that it was clear that additional money was needed for working capital and capital improvements, but indicated he was reluctant to approve additional loans for both purposes until such time as the Board was better advised as to expected results from operations. He suggested that projected operating statements be reworked on a monthly basis and that such statements be updated monthly as management's experience becomes more refined. Such statements should include a monthly projection of the profit and loss, cash flow and information regarding receivables.

ARK 00286

Mr. Ihrig indicated that it was essential that work continue on the heat treat facilities and that, because of the potential fire hazard, the new concrete and sewer area for pot cleaning should be done immediately. In addition, Mr. Ihrig proposed that management be permitted to go ahead with the concrete pad for the new warehouse which could be installed for approximately $19,000 and which would enable warehouse construction to proceed without delay at such time as the Board approved. The following resolution was proposed and on motion duly made and seconded was unanimously adopted:

> RESOLVED, that pursuant to resolution of the Board of Directors dated May 1, 1972 the officers of the Corporation are hereby authorized to draw down an additional $200,000 from the revolving line of credit approved in the aforesaid action;
>
> RESOLVED, that the officers are hereby authorized to proceed with the completion of the new heat treat facilities, the construction of a concrete pad and sewer system for pot cleaning, and the construction of a concrete pad suitable for erection of a warehouse; but no steps shall be taken toward the construction of such new warehouse; and
>
> RESOLVED, that revisions of profit and loss projections including information regarding cash flow and receivables be prepared at the earliest possible date and forwarded to the Directors and that such information be updated by management on a monthly basis and furnished to the Directors.

There being no further business to come before the meeting, it was thereupon adjourned with the understanding that the next meeting of the Board of Directors would be held on June 29, 1972 in Chicago.

RICHARD K. HOWE
Assistant Secretary

ARK 00287

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Rosemont, Illinois
June 29, 1972

Pursuant to determination at the preceeding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the O'Hare Inn, Rosemont, Illinois, on June 29, 1972, at 9 A.M. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig

The other member of the Board, Eugene C. Swift, was not present.

J. Herbert Burling, Vice President - Finance, and Assistant Secretary, and James Howarth, Vice President - Operations, were present. Edwin E. Tuttle, Vice President - Finance of Pennwalt Corporation was also present.

Mr. Ihrig presided and Mr. Burling was secretary of the meeting. The minutes of the Directors' meeting held May 22, 1972, having previously been mailed to the Directors, were approved as mailed.

The financial statements for the month ending June 3, 1972, were presented to the meeting. Messrs. Ihrig, Burling, and Howarth pointed

out that while shipments did not meet the volume projected and there was a loss for the month of $74,668, the unfavorable direct labor variance and unfavorable scrap variance had been reduced. Messrs. Ihrig and Howarth also stated that every effort will be made to continue to make progress in these areas and also to reduce and control other manufacturing costs.

A projected statement of profit (loss) for the month of June, 1972 was presented to the meeting, together with a list of reinstallation and expense costs anticipated to be incurred in June and July which are estimated to total $133,926.00, and also a projected statement of cash flow for the month. These presentations led to a lengthy discussion of short range cash flow problems. Mr. Englehart suggested that Mr. Ihrig explore the possibility of increasing the revolving bank credit to $900,000 in case of emergency need. Mr. Tuttle agreed, but suggested to Mr. Ihrig he stress to the bankers that he is still very optimistic that requirements will not exceed the present limit of $750,000. Mr. Brown agreed.

Mr. Ihrig stated the present amount owing to the bank was $653,000. Also, $41,391.00 was collected June 28 on pledged accounts receivable. He had reported this to the bank and had received permission to defer payment of this amount to the bank for ten days. He also said he hoped to be able to defer future borrowings, but if such need developed he would inform all Directors before acting.

ARK 00289

Mr. Ihrig reported as of the close of business June 27 Accounts Receivable of $658,756.82, Accounts Payable of $393,148.50 and a backlog of $5,342,195.00. In response to a question, he stated he would not at this time change his forecast of shipments for the last half of this year.

Mr. Brown pointed out that there had been a misinterpretation of the Board's request for reworked projections on a monthly basis. It was agreed that the presentations should also include the effects on the balance of the year, by quarters, together with any changes required beyond the next month which become obvious as information is acquired.

Mr. Ihrig reported he had contacted the six largest customers and requested progress payments on castings in progress and so far Northrop has agreed to pay 65% of selling price at the time x-ray results show a casting can be expected to result in shipment in a reasonable length of time. He is also attempting to get 80% of selling price at the time a major pattern is received from the patternmaker.

The labor force was discussed. Preliminary negotiations on the labor contract which expires September 20, 1972, will begin in late July.

In response to a question from Mr. Ihrig, Mr. Tuttle advised that Equitable of Iowa has not been approached for any changes in the present mortgage.

An updated organization chart was presented and reviewed.

ARK 00290

Mr. Burling was instructed to obtain all reports and survey results at Carpentersville and Creston relating to air and water pollution.

With reference to reviews being made by Dow and Pennwalt personnel of the proposed new pension plan for salaried employees, both Mr. Brown and Mr. Tuttle agreed to check progress and advise Mr. Ihrig.

Mr. Ihrig reported rent for the Bay City property for the period from January 7 to June 30, 1972, of $12,000.00 has been paid.

Creston facility improvements were reviewed by Mr. Ihrig. Lindberg's bid of $23,000 to reline the G.E. heat treat furnace has been accepted. Melt room changes and improvements are necessary and will be done during the first week of July. The roof over the melt room will also be repaired. Mr. Howarth reported that all roofing has deteriorated and all lightning rods must be reset.

A new business opportunity was discussed. It is the production of magnesium billet stock for the Dow Russellville, Arkansas and Denver, Colorado extrusion plants.

J. H. Burling

J. H. Burling
Assistant Secretary

MINUTES OF REGULAR MEETING OF

BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Midland, Michigan
July 24, 1972

Pursuant to the determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Midland Country Club, Midland, Michigan on Monday, July 24, 1972, at 9:00 A.M. The following Directors were present:

Thomas E. Brown
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

Mr. Theodore M. Englehart was absent.

J. Herbert Burling, Vice President - Finance and Richard K. Howe, Assistant Secretary, were also present.

Mr. Ihrig presided and Mr. Richard Howe was Secretary of the meeting. The minutes of the last Directors' meeting held June 29, 1972, having been previously mailed to the Directors, were approved as mailed.

Current Operations and Financial Condition. The financial statements for the month ended June 30, 1972, showing a net loss of $185,136 were presented to the meeting by Messrs. Ihrig and Burling. Mr. Ihrig indicated that the basic problem remains that of getting the Company's products out the plant door. While some progress is being made, bottlenecks still exist at heat treat, welding and the special finishing areas. The

addition of several new floor supervisors with primary responsibility for administering these troublesome areas is expected to alleviate this problem and increase productivity. Mr. Burling pointed out that a substantial portion of the high direct and indirect manufacturing expenses for the month was attributable to an increase in manufacturing and maintenance supply costs. It was also indicated that the work-in-process inventory for the first six months of the year has been undervalued in terms of stage of completion. This undervaluation will be compensated for by a change in valuation procedure and will be accompanied by a credit of approximately of $55,000 to be reflected in the July financial statements. Mr. Ihrig stated that the month of June had been the Company's best month of production in Creston with approximately $413,000 of good production out of a total production of $521,000.

Projected financial statements for July and for the balance of the year were presented and discussed. These statements indicate the Company will break even at some point during the third quarter and achieve profitable results for the fourth quarter. Mr. Charles Howe indicated that he felt the projected statements were optimistic and that a more realistic appraisal of the situation would indicate that break-even would not occur until the fourth quarter of the year. Mr. Ihrig replied that he thought that the third quarter projected breakeven was a reasonable prediction, notwithstanding the projection of a net loss in excess of $100,000 for the month of July.

Mr. Burling presented a schedule analyzing where the Company's breakeven point would have been for the first six months of operations

and a further analysis of necessary cost reductions and efficiencies to reduce the breakeven to a more realistic figure. This schedule was discussed at length by the Board and it was concluded that the indicated breakeven point of approximately $370,000 of monthly sales assuming certain cost reductions would probably be true only where the Corporation's total monthly sales were substantially higher than that amount.

In preparation for a discussion of the Company's current cash situation, Mr. Charles Howe requested an update on the receivables and payables position of the Company. Mr. Ihrig reported that well over one-half of the receivables shown on the June 30 balance sheet were current (less than thirty days) and that the only substantial receivables older than ninety days were for patterns and amounts due from former customers of the McCannalloy Division of Hills-McCanna. He further indicated that an increase could be expected in receivables as sales increase, but that no greater than a sixty day turnover could be expected. Payables were reduced further during June but were forecast to increase substantially in the third quarter due to the Company's cash position. The Board indicated that the projected increase in payables was unwise and that every effort should be made to provide sufficient working capital to keep them on no greater than a sixty day turnover.

Working Capital and Cash Requirements. Mr. Ihrig reported that, following a discussion with Mr. Brown in accordance with the resolution of the Board of Directors dated May 1, 1972, he had taken down the remaining $97,000 of the Company's line of credit with The First National Bank in Creston and its correspondent bank in St. Joseph, Missouri. He reported that the Company has now borrowed the limit of its line of credit, $750,000. Pursuant to the discussion of the Board at its June 29 meeting, Mr. Ihrig reported that he had discussed

with the Bank the possibility of increasing the Company's line of credit to $900,000. The bank indicated that it was willing to continue to participate to the extent of the Company's working capital needs but felt the costs of capital improvements should be advanced by the two principal shareholders of the Corporation, Dow Chemical and Pennwalt. In the alternative, the bank suggested that it would accept a guarantee of the entire loan, including the addition, by Pennwalt and Dow and would reduce the interest on the loan to the prime rate.

Reviewing the Projected Statement of Source and Application of Funds for the balance of the year, Mr. Swift indicated that before he could go to his Board a better outline of exactly what the Company's needs are expected to be is necessary. Mr. Brown concurred from the standpoint of Dow Chemical. Mr. Ihrig indicated that he felt a compromise position which the banks might accept would be for Dow and/or Pennwalt to guarantee an additional loan under the proposed terms in an amount sufficient to cover committed and projected capital expenditures. Mr. Swift agreed that might be a possibility but emphasized that the first priority must be to prepare realistic projections of expected cash flow showing, among other things, the cash necessary for capital expenditures presently committed, the cash necessary for new capital expenditures, plus an in-depth analysis of working capital needs including cash necessary to finance projected increases in inventory and receivables and possible operating losses. Mr. Ihrig indicated that the new cash flow projections which will be prepared immediately will assume that the Company will hold its payables to a sixty day turn and will take into account the forecasted increases in inventory and receivables as well as a consideration of

the capital expenditure situation. Mr. Charles Howe recommended that for purposes of the new projection a third quarter loss of approximately $150,000 and a breakeven fourth quarter should be assumed. Mr. Swift indicated that he would make available Jim Williams of Pennwalt to assist in the preparation of the new projection. Mr. Brown indicated his approval of this procedure.

The entire Board recognized the need for immediate action in a resolution of the Company's cash crisis. It was recognized that the Board might have to act in writing within the next week or two if necessary.

Miscellaneous. Mr. Ihrig indicated that in view of the July 31 anniversary of the existing Wellman (Bay City) salaried pension plan, it would be desirable that some resolution be made of the procedure for including all salaried employees at Creston under a pension plan. Mr. Swift and Mr. Brown indicated that their respective pension experts would be completing their review of the plan proposed to the Board earlier in the year.

Mr. Ihrig reported on the current state of the Company's clean-up operations at its former Bay City location. Costs of scrapping patterns and other items still in Bay City are currently running at approximately $4,000 per month; it is anticipated that such operations will be completed in the near future.

To give the members of the Board additional time to review the monthly results of the Company's operations as well as revised projections, it was decided to change the date of the next regular meeting of the Board on a trial basis. To that end and in view of the fact there was no further

business to come before the meeting, it was thereupon adjourned with the understanding that the next meeting of the Board of Directors would be held on September 12, 1972, in Chicago.

Richard K. Howe, Assistant Secretary

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Creston, Iowa
August 17, 1972

Pursuant to call of the President and notice duly given, a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the President at Creston, Iowa, on Thursday, August 17, 1972, at 9:00 o'clock A.M. The following Directors were present:

Theodore M. Englehart
Glenn F. Ihrig
Eugene C. Swift

Absent: Thomas E. Brown
Charles A. Howe

Brooks W. Maccracken, Secretary, was also present.

Mr. Ihrig presided and Mr. Maccracken was secretary of the meeting.

Mr. Ihrig reported that he had received from Mr. Brown a letter of resignation addressed to the Board of Directors, but, since this was a special meeting for a special purpose, action on the letter was deferred until the next regular meeting of the Board.

The financial statements for the month of July, and a special weekly cash flow projection through September 29, prepared at the request of Mr. Swift, were distributed and explained. Mr. Ihrig then recognized Mr. Swift, who stated that the purpose of

ARK 00298

the meeting was to advise the Directors of the Company's present cash situation. He said that The First National Bank of Creston had made demand for payment of the Company's outstanding notes payable, and reported on the conferences which he and Mr. Brown had had with representatives of that Bank and of The First National Bank of St. Joseph, Missouri, incident to that demand. He also reported on various conferences with representatives of Dow Chemical Company, which had resulted in Dow's determination not to give further financial assistance to Wellman either by joining in a guarantee of its notes to the Banks or otherwise. He said that Dow had made an offer to sell its interest in the Company to Pennwalt for a nominal dollar amount. Mr. Swift stated that in view of those conferences, Pennwalt still had under consideration its position with respect to financial assistance to Wellman and an acceptance of Dow's offer and that no final decision would be made until it had had an opportunity to review the studies of the Wellman business and operations now being made, including, in particular, an evaluation of the Company's backlog. There then followed a long discussion of the Company's financial needs and its obligations to principal customers, together with the possibility of receiving progress payments or price adjustments from some of those customers.

Mr. Maccracken outlined some of the legal possibilities to the Company if neither Pennwalt nor Dow should finally conclude to give it the needed financial assistance. Mr. Englehart suggested the possibility of consulting representatives of Talcott Business

ARK 00299

Finance, a subsidiary of James Talcott, Inc., of Chicago and Minneapolis. With the approval of the Directors present, he talked by telephone with Messrs. Russell Donahue and Clarence Adams of that Company, and reported that the latter would visit Creston the following week for the purpose of evaluating the situation and making recommendations. It was agreed that this company should be given the benefit of the studies being currently made by the representatives of Pennwalt and the management of the Company.

At the close of the meeting, preliminary results of the study of the Company's backlog were submitted, and the meeting adjourned, subject to call of a further special meeting of the Board by any Director on 24 hours' notice to the other Directors.

_____
Secretary

ARK 00300

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
November 17, 1972

Pursuant to the call of the President and notice duly given a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the law firm of Bradshaw, Fowler, Proctor & Fairgrave at Des Moines, Iowa, on Friday, November 17, 1972, at 10:00 a.m.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following directors were present:

Theodore M. Englehart

Glenn F. Ihrig

Eugene C. Swift

James M. Williams

Mr. Charles A. Howe was absent.

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary Pro-tem of the corporation.

The minutes of the last Directors' Meeting held on October 25, 1972, having been previously mailed to the directors, were approved as mailed with the exception that Mr. Ihrig moved that the minutes of the last meeting be clarified with respect to the compensation arrangement for Messrs. Swift and Williams so as to provide that Messrs. Swift and Williams would not be compensated for the time spent at Board of Directors Meetings of Wellman Dynamics Corporation.

Mr. Ihrig's motion was duly seconded and adopted.

Formal Resignation of Richard K. Howe as Assistant Secretary of the Corporation. Mr. Ihrig presented a formal, written resignation which had been tendered to him by Richard K. Howe as Assistant Secretary of Wellman Dynamics Corporation. Mr. Howe's resignation was unanimously accepted by the Board.

Report of the President. Mr. Ihrig reported that the company is taking various steps to improve its image within the Creston community. The company plans to issue newsreleases with respect to important contracts and union-management activities. The company will work with the high school, the Southwestern Community College, and N.E.B.I.T. (New and Expanding Business in Industrial Techniques), an organization sponsored by the Iowa State Department of Public Instruction and the Iowa State Development Department. The company will work with these entities for the purpose of increasing the number of people who would be interested in working for the corporation. The company is also considering developing an apprenticeship program. Mr. Ihrig is hopeful that the foregoing efforts, when combined with the help that the company is receiving from the Creston Development Corporation, will make it possible to recruit thirty (30) new employees.

Mr. Ihrig reported that the steel work on the second warehouse has been completed. However, work has been suspended on this project at the moment due to labor shortage and weather. The winter door closures are completed except for installation of outside overhead doors. The concrete aprons for flask storage are all complete and will be in use within two weeks.

Sales for September totaled $390,000. For the period between October 1st and October 15th, sales were $180,000. The company has several large contracts pending, with companies such as: (1) Rocketdyne, a division of North American Rockwell, (2) Lycoming, a division of Avco Corporation, and (3) Clevite Corporation, a division of Gould, Inc. As a result thereof, Mr. Ihrig contemplates that the company will have another $1,500,000 in orders by the end of the year.

Mr. Ihrig suggested that if the company were able to obtain sufficient manpower to implement the same, the company should install a roll-over machine and four sand hoppers so as to increase the company coremaking capacity. Mr. Ihrig estimated that these improvements would cost the company $5,000. This cost would be that of the company's own maintenance labor. There would be no equipment cost since the company already has the necessary equipment. Mr. Swift commented that it would appear that this type of improvement should result in a quick payback and requested Mr. Higgs to prepare a brief analysis of the probable return that the company would obtain from such an investment.

Mr. Ihrig then concluded his report by stating that with the various inventory corrections being taken care of in October, he is of the opinion that the company's November and December operations will result in the company operating at an overall break-even basis for this quarter.

Report of Vice President-Operations. Mr. Howarth reported the

following production figures for the first ten (10) production days of November:

Production	$245,000	($24,500 per day)
Shipments	167,000	
First Inspection scrap	2,114	($211.00 per day)
Final Scrap	22,174	(13.5%)
Customer Returns	4,898	(3%)

Mr. Howarth contrasted these figures with production figures of $23,450 per day in October and $22,500 per day in September; first inspection scrap figures of $298 per day for October and $356 per day for September; final scrap figures of 10.9% for October and 17.4% for September; and customer return figures of 7.3% for October and 7.4% for September.

Mr. Howarth reported that the company currently has 219 hourly and 69 salaried employees.

Report of the Vice President-Finance. Mr. Higgs reported on the operations for October.

Shipments in the amount of $472,000 were higherthan anticipated. However, due to the fact that the company was unable to maintain the September level of work in process, the company suffered an overall loss of $6400, rather than realize the profit of approximately $7,000 which had been projected for the month.

During October receivables increased by only $10,000 against exceptionally high shipments as a result of the company's reducing certain accounts of 90 days and over. The current receivables for the company now amount to 65% of the total compared to 45% for the month before. Accounts over 90 days were reduced by a net of

$40,000. Also, the company was able to reduce its accounts payable during the month from $528,000 to $381,000. Mr. Higgs forecasts that the company will not be required to borrow any further funds in the foreseeable future.

Mr. Higgs summarized the financial result for October by stating that the month was encouraging although at the same time, disappointing; the volume of shipments was sufficient enough to produce a profit if only the work-in-process inventory had remained level.

Preliminary Draft of 1973 Budget. A considerable amount of time was devoted to a 25-page draft of the 1973 budget which had been prepared by the company's management.

This budget was based on the following assumptions: that returns and allowances will not exceed 6%; that scrap will not exceed 11%; that the company will have 152 direct laborers; that the company will have 95 indirect laborers; and that the company will have 65 salaried persons.

The budget projects net sales of $5,794,000 with a pretax profit of $131,000 or 2.3% of net sales. The budget projects a break-even point of $5,615,000 in net sales leaving a margin of safety of 3.1%. Otherwise stated, the budget means that the pretax income will be made in the last eight days of the year.

Management assumes that it will be able to operate during 1973 with a 40-day inventory on hand and a 40-45 day collection period. If this assumption is correct the cash flow of the corporation should be self-sustaining during 1973.

The budget highlights the great impact of scrap on the company's overall financial success. Based on the figures in the budget, $1 worth of scrap deprives the company of $1.62 worth of net sales of $.35 worth of profit.

Borsic Fiber Program. After a discussion of this matter, the Board concluded that this matter should be reviewed closely with the view toward making different arrangements with respect to it.

Lindberg Furnaces. Mr. Ihrig reported that Fairfield Aluminum appears interested in buying six of the eight furnaces in question. Mr. Ihrig will continue negotiations with Fairfield. Also, Mr. Ihrig will prepare an analysis for the December meeting so that the Board can decide whether or not to purchase the other two furnaces.

Fencing and Security. After discussion, it was moved, seconded and unanimously approved that management complete the fencing of the premises for security purposes and implement around-the-clock guard service.

Salesman Price Determination. In response to a question by Mr. Swift, Mr. Ihrig stated that it is the company's policy that no salesman has the authority to quote a price below the computer estimate for a product without first obtaining the approval of Mr. Ihrig.

Employee Incentives and Employee Relations. Mr. Howarth reported that tentative plans are being made for an open house in the spring. Other ways of maintaining and improving employee morale and productivity will be discussed at future board meetings.

Wages and the company's overall approach in the coming negotiations with the union will be discussed in January. The preliminary 1973 budget does not allow for any pension costs.

Further Comments on 1973 Budget; Theme for December Board Meeting. Before the meeting was concluded there were some overall comments by the members of the Board on the preliminary 1973 budget which had been presented to it by management. These comments are summarized below.

Management should review the relationship between shipments and expense in categories other than direct labor and come up with their recommendations, based on assumed shipments, as to what would be a reasonable per cent of shipments to allocate to sales, engineering, finance and manufacturing overhead. Obviously, this is based on competitive foundry practice and presumably there are some statistics that can be gathered on this. A great deal of it, however, is going to have to be based on management's recommendation.

As the present budget for 1973 calls for a minimum return on sales, and admittedly is going to be tight, management should consider two further alternatives that would be discussed at the next Board Meeting. First, management should present at the next meeting their view of what can be trimmed from the company's existing overhead in the areas of manufacturing, engineering, sales and financial expense. They should also present their view of the consequences of such reduction of overhead. Included in this recommendation might be a different approach to what is being done at the present time and the expenses applicable thereto.

Secondly, management should present at the next meeting what the company would have to do with respect to personnel to break even in the event that, based on the 1973 budget, there was a 20% underfall in shipments; also, the consequences of such actions are to be discussed.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

WELLMAN DYNAMICS CORPORATION

BOARD OF DIRECTORS MEETING

Tuesday, April 24, 1973

Immediately following Annual Meeting which convenes at 10:30 o'clock, A.M.

AGENDA

Items to be Discussed:

1. Reading and Review of Minutes of Last Meeting.
2. Election of Officers.
3. President's Report.
4. Other Management Reports.
5. Old Business.
6. New Business.

MINUTES OF ANNUAL MEETING

OF

BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Pursuant to the By-laws of the Corporation, the Annual Meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Pennwalt Building, Philadelphia, Pennsylvania, on Tuesday, April 24, 1973, at 11:30 a.m., immediately following the conclusion of the Annual Stockholders' Meeting.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following Directors were present:

Theodore M. Englehart

Glenn F. Ihrig

Eugene C. Swift (presiding)

James M. Williams

Mr. Charles A. Howe was absent. The following persons were also present:

Richard Allchin

James M. Ellis

Peter C. Higgs

James Howarth

Peter H. Wellman

Mr. James M. Ellis was designated to act as Secretary of the meeting.

The minutes of the February 15, 1973, Board meeting were read for the benefit of the non-Directors present and were unanimously approved.

Upon motion duly made, seconded, and unanimously adopted, the following officers of the company were elected to serve at the pleasure of the Board:

Eugene C. Swift	Chairman of the Board of Directors
Glenn F. Ihrig	President
James Howarth	Vice President - Operations
Peter C. Higgs	Vice President - Finance
J. Herbert Burling	Vice President - Treasurer & Assistant Secretary
Edward E. Johnson	Secretary

Mr. Ihrig reported that management was attempting to stabilize the company's backlog to correlate with monthly shipments of about $600,000 and was currently working on the fourth quarter 1973 order backlog to round it out. He gave the breakdown of current backlog by geographical area and reviewed the current condition of the company's business in light of competition.

There was a discussion of the relative desirability of leasing or purchasing replacement fork lift trucks and lorries. Mr. Ihrig was asked to give a report on this question, including Mr. Englehart's suggestion that the cost of overhauling the trucks and lorries be determined, at the next Board meeting.

There was a discussion as to the desirability of relocating the Welding Department. At the conclusion of this discussion the Board authorized management to expend $8,000 to relocate the

Welding Department on the basis of management's previous report that that cost should be recovered within six months after completion of the relocation.

The Board was informed of the steps that the Company has taken in order to assure that it was complying with OSHA. Mr. Swift offered to make a Pennwalt expert available to inspect the company's plant and give further assistance to the company in order to assure compliance.

The Board discussed certain changes in the company's organization chart presented by Mr. Ihrig, particularly changes that had been made in the Quality Control functions.

There was some discussion of improvements in correlating production, shipments and inventory.

Mr. Higgs reported that revision of standard costs to more realistic levels had resulted in reduced variances. He also reported that the company had been financing its inventory increases with funds borrowed at 6 1/2% interest while returning 11% on investment.

Mr. Ihrig reported a number of problems on the horizon with respect to purchase of magnesium ingots. He suggested that a possible solution was to purchase magnesium from the U.S. Government stockpile, but that his initial information was that it would be necessary to make a minimum purchase of 200,000 to 300,000 lbs. Mr. Ihrig was asked to investigate the matter further and report back to the Board on the entire magnesium supply situation at the next Board meeting.

Mr. Ihrig was also asked to report back to the Board at the next meeting on the Lindberg furnace transaction.

There was some discussion of the probability that the cost of aluminum will increase in the near future.

There being no further business to come before the meeting, it was thereupon adjourned.

James M. Ellis
Secretary

PENNWALT CORPORATION
LEGAL DEPARTMENT

Rec'd AUG 8 1973

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Creston, Iowa
June 4, 1973

Pursuant to the call of the President and notice duly given a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the President at Creston, on Monday, June 4, 1973, at 1:00 o'clock A.M.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following Directors were present:

Theodore M. Englehart

Glenn F. Ihrig

Eugene C. Swift

James M. Williams

Mr. Charles A. Howe was absent.

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary of the corporation.

The Minutes of the Annual Meeting of the Board of Directors held on April 24, 1973, having been previously mailed to the directors, were approved as mailed.

Report of the President. In April, the company booked $61,600 of aluminum and $205,700 of magnesium sales; a total

of $267,300 of sales. In May, the company booked approximately $1,100,000 in sales. As of May 21, 1973, the company had approximately $4,300,000 in sales backlog. Mr. Ihrig estimates that by July 1, 1973, the company will have a $5,000,000 to $5,500,000 sales backlog.

The company's sales are consisting of a large percentage of the type of business the company desires to acquire.

During the first quarter the company became entitled to an adjustment with respect to its Iowa Unemployment rates with these rates being adjusted downward from 2.2% to .9%. As a result of this adjustment, the company over-accrued approximately $11,000 in the first quarter. The continuing revisions of the company's standards are resulting in a more accurate reflection of the value of the company's inventory and as a result of such revisions the company's inventory has recently been increased by approximately $14,000.

Two old accounts, Aerospace America and Schwabe, Inc., have been collected in full. The Airesearch account appears now to be under control. The company appears to be carrying on successful negotiations with Bell Helicopter and General Electric with respect to the recovery of pattern expenses.

The company's continuing improvement in profitability appears to be improving overall morale and productivity.

Report of Vice President-Operations. Mr. Howarth reported the following production figures for the 20 operating days of April:

Production	$605,194	($30,260 per day)
Shipments	537,853	
First Inspection Scrap		($457 per day) 1.5%
Final Scrap	65,899	(12.6%)
Customer Returns	27,030	(5.03%)

During this period the company employed 249 hourly employees and 70 salaried employees.

Mr. Howarth reported that the company's total scrap had increased recently. However, Mr. Howarth attributed this fact to the company's efforts to eliminate scrap that had accumulated in the past and should have been scrapped earlier. After this period of "cleaning house" Mr. Howarth anticipates that scrap will decrease and that it will resume more normal, and hopefully below normal, proportions.

Although Mr. Howarth did not have the final figures for May he estimated that production was approximately $775,000 and that gross shipments were approximately $580,000.

The Board concurred in Mr. Swift's suggestion to management that every effort be made to keep from accumulating scrap in the future and to keep it in close correlation with production.

Mr. Howarth noted a slight decline in efficiency in the Coreroom,Squeezer, and Figure 6 production areas. He commented, however, that this efficiency is still within tolerable limits and that it is anticipated that the earlier established efficiencies for these production areas will be regained within the near future.

Report of the Vice President-Finance. Mr. Higgs reported that during April the company had gross shipments of $542,202 and

a pre-tax income of $80,017. For the first four months of the year the company has had gross shipments of $2,247,850 and pre-tax income of $229,817. As compared to the budget, year-to-date shipments are 120% of budget and pre-tax income is 696% of budget.

April was the fourth profitable month in a row for the company. The company's financial results has exceeded budget for each of these months.

Mr. Higgs reported that the company's April earnings were enhanced by inventory write-ups, previous months' adjustments, and unusually high pattern income. Pattern income for the month totaled an estimated $45,000, leaving the balance of $35,000 attributable to production and the shipment of castings. The inventory write-ups were the result of the company's continuing effort to validate its standards.

Mr. Higgs reported that it now appears the company's standards are under control and are valid for the Creston plant.

The company's working capital has improved and as of April 30, 1973, the company's ratio of current assets to current liabilities was 1:1.

Mr. Higgs reported that in March the company repaid $75,000 of its debt to Pennwalt and made significant reductions in its trade payables. Mr. Higgs noted, however, that the company may have cash flow difficulties during June.

The company's production continues to exceed shipments and shipments at the moment are exceeding firm new orders. Mr. Higgs commented that a three-way balance must be achieved if profitability is to be maintained.

In response to Mr. Higgs' report, Mr. Englehart commented that the re-evaluation of the company's standards and the concomitant re-evaluation in its inventory may give the company an opportunity for a potential tax saving. Also, Mr. Englehart inquired whether the company's current standards are being used as a basis for the company's quotes. Mr. Higgs answered that with certain limited exceptions, the company's standards are being used for quotation purposes.

Resignation of Mr. Chuck Howe. Mr. Swift read a letter from Mr. Howe tending his resignation from the Board.

This announcement was met with expressions of regret from the members of the Board. After further discussion, it was decided that Mr. Howe's resignation would be accepted but that no further action would be taken on obtaining a replacement at this time.

Intra-plant vehicles. Mr. Ihrig reported that the company currently has seven forklift trucks and four lories. During the first four months of 1973 the company's cost for repairing these vehicles was $8,551.74, or an average monthly cost of $2,137.94. On an annualized basis, the repair for these vehicles would be $25,655.28. Mr. Ihrig outlined the various options available to the company with respect to this matter and their projected costs. The various alternatives that had been outlined by Mr. Ihrig were then discussed in detail by the Board. At the conclusion of this discussion, the Board decided to defer action on this matter until the next Board meeting.

Quantometer. Mr. Ihrig reported that the company is currently using a Jarrall Ash spectograph. The company is not able to obtain the quality control required of certain of its customers with this instrument. The company is considering tne replacement of this spectograph with an Applied Research Laboratories Model 29000 Production Control Quantometer. The various approaches and alternative methods of acquiring such a quantometer were outlined by Mr. Ihrig. An extensive discussion of this matter by the Board ensued. During this discussing the Board was impressed by the fact that if some action is not taken with respect to its current spectograph, the company will undoubtedly have a considerable amount of difficulty with its customers.

Mr. Swift suggested that before further action is taken on this matter an expert metallurgist be consulted and Mr. Swift stated that he would make arrangements with respect to obtaining the opinion of such an expert. Thereupon, the Board decided to hold in abeyance further action with respect to this matter.

Plant Reorganization. The company's management team submitted a written report of a proposed plant reorganization. The background research for this report had been performed by Drake Watson of Pennwalt and J. C. Sever, Manufacturing Engineer for Wellman. The goal of the reorganization is the improvement of employee safety. After a considerable discussion of this proposal by the Board it was concluded that certain detailed

information that Mr. Swift had requested with respect to the plan would be given to him, that Mr. Ihrig and other members of the company's management team would prepare a priority list for implementing the plan, that Mr. Englehart and other members of the Board would walk through the plant so as to assess the effectiveness of the reorganization plan, and that further action on this matter would be deferred until the next Board meeting.

Bidding on Magnesium from U. S. stockpile. Mr. Ihrig reported that the company has placed bids on magnesium that is being held in the government stockpile.

Urea. Mr. Ihrig reported that for the present the company has a sufficient supply of urea.

Lindberg Furnaces. Mr. Ihrig reported that continuing discussions are taking place with Lindberg. However, at the moment the company is still encountering difficulty in resolving the disposition of the five remaining Lindberg furnaces.

Deviations from Budget. Mr. Swift noted that the company's operational costs have deviated in various instances from expenditures that were budgeted with respect thereto and requested from Mr. Higgs a brief explanation of these variations.

There being no further regular business to come before the meeting, Mr. Howarth and Mr. Higgs excused themselves and the Board adjourned to Executive session.

Edward E. Johnson Secretary

EXECUTIVE SESSION RE COMPANY'S

PENSION PLAN

Creston, Iowa
June 4, 1973

After Messers. Higgs and Howarth had excused themselves, the Board spent a considerable amount of time discussing and evaluating the company's current pension plan. Based on this discussion it was the Board's conclusion that it appeared that there should be alternate plans which would be better for all concerned.

The fact that the company had made special arrangements with certain of its former officers was discussed. It was thereupon decided that the details of these special arrangements should be ascertained and that the Board should then further explore alternate pension plans.

Edward E. Johnson, Secretary

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
July 26, 1973

Pursuant to the call of the President and notice duly given a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at Johnny and Kay's Hyatt House Hotel at Des Moines, Iowa, on Thursday, July 26, 1973, at 10:00 o'clock A.M.

The meeting was called to order by Mr. Eugene Swift. At such time the following Directors were present:

Theodore M. Englehart

Glenn F. Ihrig

Eugene C. Swift

James M. Williams

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary of the corporation.

The Minutes of the Special Meeting of the Board of Directors held on June 4, 1973, were reviewed, corrected and approved as corrected.

Report of President. In June, the company booked $16,095.90 of aluminum and $843,685.03 of magnesium sales; a total of

$859,780.93 of sales. The company's backlog as of July 23, 1973, was $4,926,268.10.

Mr. Ihrig reported that the metals and certain sand inhibitors that the company uses in its production are in short supply and then gave the Board a detailed report of the company's status with respect to its various production supplies.

Mr. Ihrig also reported that Dow Chemical is demanding cash on delivery for its cell mag unless Pennwalt agrees to guaranty payment. Mr. Swift stated that he would check to see whether Pennwalt would be willing to guaranty payment.

Report of Vice President-Operations. Mr. Howarth reported the following production figures for the 23 operating days of May:

Production	$790,000	($34,300 per day)
Shipments	584,000	
First Inspection Scrap		($380 per day) 1.06%
Final Scrap	69,980	(12.8%)
Customer Returns	38,464	(7.04%)

During this period the company employed 258 hourly employees and 72 salaried employees.

Mr. Howarth also reported the following production figures for the 21 operating days of June:

Production	$621,500	($29,600 per day)
Shipments	480,000	
First Inspection Scrap		($470 per day) 1.6%
Final Scrap	79,621	(21%)
Customer Returns	31,400	(6.4%)

During this period the company employed 268 hourly employees and 73 salaried employees.

Mr. Howarth reported that June was the worst month that the company has had with respect to scrap for a considerable amount of time. Mr. Howarth commented that this problem points up the company's continuing necessity to maintain and improve quality. Mr. Howarth has established a special team to work on these problems.

Mr. Englehart suggested that the sale value of scrap be deducted from the monthly production figures that are given to the Board. Mr. Howarth indicated that this would be no problem and that in the future the production figures would be shown both as they have been in the past and in the manner suggested by Mr. Englehart.

Mr. Swift commented that he had noticed an increase of four salaried employees on the company's payroll during the period between January and June of 1973. Mr. Howarth will be preparing and furnishing to Mr. Swift an analysis of what duties these four employees are performing.

Report of Vice President-Finance. Mr. Higgs reported that during May the company had gross shipments of $581,118 but suffered a loss of $21,214. During June, the company had gross shipments of $480,931 but suffered a loss of $48,520. As compared to budget, as of June, the year-to-date shipments are 114.9% of budget and pre-tax income is 168.1% of budget.

With respect to May, Mr. Higgs reported that there appeared to be four major factors contributing the company's loss during that period. These factors were:

1. Higher than budget customer returns;

2. Higher than budget scrap;

3. A high raw materal cost value; and

4. A reduction in work-in-progress inventory value.

Mr. Higgs then outlined the various steps that were being taken to counteract these influences.

The company's cash flow for May was satisfactory and no borrowing was necessary.

Some of the negative influences that had contributed to the May loss reoccurred in June. However, the company appears to be having some success in mitigating against these influences.

The company's cash flow in June tightened, as predicted, but not to such an extent that borrowing was necessary.

Mr. Higgs concluded his remarks by stating that he was cautiously optimistic that the company would obtain its budgeted earnings for 1973.

Intra-plant vehicles. After further discussion of the company's problem with respect to intra-plant vehicles, it was duly moved, seconded and approved:

1. That the company retain two of its current forklift trucks and one "Elpar" large lorie;

2. That the company sell or trade three of its lories and five of its forklift trucks;

3. That the company acquire one 10M# forklift truck and five 5M# forklift trucks; and

4. That the company's management team make further exploration of the relative advantages or disadvantages of leasing or purchasing and then proceed without further authority from the board.

Quantometer. After further discussion of the problems that the company is having with its Jarrell-Ash Spectograph, it was duly moved, seconded, and approved that the company purchase an ARL Model #4700B Quantometer.

Plant Reorganization. After further discussion of the reorganization of the company's plant it was duly moved, seconded, and approved that the company proceed to take the necessary steps to implement the plant reorganization plan which had been presented in the report dated May 31, 1973, the total cost of which is $64,000. A copy of this proposal is attached to these minutes. In so doing, the Board delegated to the company's management the responsibility of implementing this plan in as efficient a manner as possible.

Lindberg Furnaces. Mr. Ihrig reported that this matter had been resolved by the company paying Lindberg $34,110 on July 23, 1973, for the remaining five furnaces. The company is now in the process of attempting to sell these furnaces.

There being no further business to come before the meeting, it was thereupon adjourned.

Edward E. Johnson, Secretary

May 31st, 1973

REASON FOR ACTION:

In our present operations a number of problems areas exist. The casting flow is inefficient. There is a large amount of prime work space used ineffectively. Also the weld department requires an increased working area but none is available in their present location. Compliance with the requirements of the Occupational Safety and Health Act of 1970 is not practically possible if the "status quo" is maintained.

BENEFITS:

I. Flow of castings will be linear rather than cyclical.

II. Supporting operations will be centrally located.

III. Work areas utilized to the fullest.

IV. Quality should improve due to open work areas allowing closer supervision and availability of final inspection to all departments.

V. Existance of the new Sand Blast Unit and Relocation of Chipping Booth will remove the congestion of the saw room area and increase our flexibility to improve product quality.

VI. A more open work space for both the welding and grinding departments will allow a full work crew to operate without interruptions from fellow workers.

It is expected that the benefits of one through four will improve the efficiency of the cleaning room by 10 to 15%. This area is the "bottle

neck" for present casting flow so improving this area will improve total shipping output by a similar amount of 20%.

Another increase in productivity of 5% will be seen in the saw room where congestion will be eliminated due to installation of sandblaster and relocation of chipping booth.

The Weld department should experience a 10 - 20% increase in productivity while the amount of welding per casting required should reduce due to the improved quality.

The installation of roller conveyer behind the grinders and added space between the grinding machines will increase production by 10%.

The operation will comply with OSHA Fire Codes requiring the area in which magnesium/aluminum dust is produced to be explosion proof. This is a Class II electrical area.

ADDENDUM TO BENEFITS:

I. The total expenditure can be considered divided 30% to improved efficiency and 70% to compliance with Safety Standards.

AREA OF DEPARTMENTS AFFECTED BY PLANT REORGANIZATION

DEPARTMENT	PRESENT AREA SQUARE FEET	PROPOSED AREA SQUARE FEET	NET CHANGE SQUARE FEET
AIRFRAME	2,448	1,800	-648
CHECKOUT	225	250	+ 25
CLEANING ROOM	4,121	3,977	-144
CUSTOMER RTN. & BOND	810	798	- 12
FINAL INSPECTION	865	783	- 82
FIXTURE (EXLUDING ROOM)	1,440	1,378	- 62
MACHINE TRIM	2,531	2,466	- 65
SAND BLAST	---	437	+437
SHIPPING DOCK	2,349	1,900	-449
STORAGE AND AISLES	8,754	8,784	+ 30
TOUCH UP	320	144	-176
WELD	1,187	1,598	+411
X-RAY	1,586	2,098	+512

DOLLAR ESTIMATE

JOBS IN ORDER OF COMPLETION

I. Electrical work for installation of equipment per area

Material *			$19,851.00
Labor *	1000 hours @ 12.00/hr	=	12,000.00
Total Cost			$31,851.00
Time for Completion			500 hours

II. Extension of shipping dock working area to door opening - Installation and organization of shipping equipment - Installation of doors and hydraulic lift gates.

NOTE: It was previously hoped to deck over the present open area with a steel sheet on I beam frame. The area beneath the deck would be used for storage of shipping containers. This idea is presently considered impractical because:

I. Access to the material would be limited.
II. Fire regulations (OSHA 1910.176 (d)) requires installation of a water sprinkler system in the storage area.
III. Since the sprinkler head must be a minimum of 8" from the stored material (OSHA 1910.159 (e) (2)), the amount of storage area is severely diminished.
IV. The total cost of the steel decking with adequate fire prevention equipment would be extremely high.
V. The labor and time necessary to install the steel dock would be very great.

Considering the above factors, I recommend filling the shipping garage area with sand, and capping with reinforced cement. Two walls of cement blocks would have to be built to retain sand, one on the west end of the garage and one to provide an entry way from the south door.

Shipping Platform -
Material:

Cement Blocks 246 @ 30¢		=	$ 74.00
Mortar		=	10.00
Sand	1180 lbs	=	No Charge
Reinforcing Rods	10¢ a lb.	=	118.00
Cement	66 yards @ 4.00	=	352.00

* SEE APPENDIX I A AND B

LABOR:

Brick Laying	2 men - 40 man hours @ 12.00/hour	=	$480.00
Sand hauling, levelling, packing	30 man hours @ 12.00/hour	=	360.00
Cement pouring, finishing	5 men - 40 hours @ 12.00/hour	=	480.00

Installation of Doors and Lift Gates

Material:

Doors	2 @ $400.00	=	800.00
Electric Opening Devices	2 @ 325.00	=	650.00
Polly Seal Hoods	2 @ 300.00	=	600.00
Lift Gates	2 @ 400.00	=	800.00

LABOR:

Mechanical	2 men - 100 man hrs @ 12.00/ hour	=	1,200.00
Electrical	SEE ITEM I		

TOTAL COST $5,924.00

TOTAL TIME INVOLVED TO COMPLETION 100 HOURS

III. Transfer of fixtures to new work area -
Construction of"dollies" for non-permanent fixtures without wheels

Transfer of fixtures

Material NONE

LABOR: 2 men with tow motor - 16 hours
32 man hours @ 12.00/hour 384.00

Construction of "dollies" (may be charged to job)

Material

Wheels	4/fixture	$80.00/set
1" Angle Iron/ fixture		$20.00
TOTAL COST PER FIXTURE		$100.00

14 fixtures for a TOTAL COST $1,400.00

Labor - 8 man hours/ fixture @ 12.00/hour for 14 fixtures 1,344.00

TOTAL COST $3,128.00

TOTAL TIME INVOLVED TO COMPLETION 128 hours

IV. Relocation of North Bullard in West Cleaning Room -
Relocation of Bullard from East Cleaning room to West Cleaning Room

Material -
Electrical Connections SEE SECTION I

Labor 4 men with 2 towmotors
80 man hours @ 12.00/hour $960.00

TOTAL COST $960.00

TOTAL TIME INVOLVED TO COMPLETION 20 hours

V. Relocation of Final Inspection - Cut hole in South Wall - Relocation of Checkout.
Relocation of Final Inspection and Checkout

Material
Electrical Connections SEE SECTION I

Labor - Excluding (Electricians)
3 men with 2 towmotors - 4 hours
12 man hours @ 12.00/hour $144.00

Cutting hole in south wall and installation of Fire Door

Material - NONE
Labor - 2 men - 6 hours with air hammer
12 man hours @ 12.00/hour $144.00

TOTAL COST $288.00

TOTAL TIME INVOLVED TO COMPLETION 10 hours

VI. Relocation of Airframe

Materials:
Electrical - See Item I
Labor: 3 men using 2 towmotors -18 man hours @ 12.00/hour 216

TOTAL COST $216.00

TOTAL TIME INVOLVED TO COMPLETION 9 hours

VII. Cut drainage sump along north wall

Materials:		
Cement 30 yards @ 4^{00}/yard		$120.00
Short Steel Decking 2 X 4:		60.00
Labor:		
Cut groove and remove debris	2 men - 40 man hours @ 12.00/hour	480.00
Finish Surface	4 men - 48 man hours @ 12.00/hour	576.00
TOTAL COST		$1,236.00
TOTAL TIME INVOLVED TO COMPLETION		28 hours

VIII. Move grinding line

Materials:		
Pipe and Fittings		$150.00
I Beam to extend length of air hoist track		10.00
Electric - See Item I		
Roller Conveyor	NO CHARGE	
Labor:	3 men with towmotor/machine 12 hours/machine X 5 machines @ 12.00/man hour	720.00
Rework of dust schroud to make collection more effective	10 man hours/machine X 5 machines @ 12.00/man hour	600.00
TOTAL COST		$1,480.00
TOTAL TIME INVOLVED TO COMPLETION		60 hours

IX. Refurbish and Relocate Grinding Table

Materials:		
Top 5 tables @ $20.00/table		100.00
Electrical	SEE ITEM I	
Paint	1.5 gallons @ $7.00/gallon	11.00
Labor:	3 men with towmotor 14 man hours @ 12.00/hour	169
TOTAL COST		$279.00
TOTAL TIME INVOLVED TO COMPLETION		10 Hours

X. Relocate cutting booths along North wall in west cleaning room - Refurbish booths

Material:
Piping - See Item VIII
Electrical SEE ITEM I

Labor:
Refurbish 1 man - 6 hour/booth
Relocate 3 men - towmotor - 3 hours/booth
3 booths 15 man hours/booth
45 man hours X 12.00/hour $540.00

TOTAL COST $540.00

TOTAL TIME INVOLVED TO COMPLETION OF RELOCATION 27 hours

XI. Cut Doorways into South and East Walls - Install fire door on South Wall

Material:
Cement Block 25 @ 30¢/block 8.00

Labor:
Removal of block 2 men with air hammer 12 hours
Finishing and installation of door on south wall - 7 hours
31 man hours @ 12.00/hour 372.00

TOTAL COST $380.00

TOTAL TIME INVOLVED TO COMPLETION 20 hours

XII. Move cutting tables

Material:
Electrical SEE ITEM I
Surface SEE ITEM IX

Labor:
Resurface 2 hours/table
Move 3 men with 2 towmotors - 3 hours/table
22 man hours @ 12.00/hour $264.00

TOTAL COST $264.00

TOTAL TIME INVOLVED TO COMPLETION 10 hours

XIII. Removal of booths from East Cleaning room

Labor:
3 men with towmotor 2 hours/booth + 4 hours disconnect time
32 man hours @ $12.00/hour $384.00

TOTAL COST $384.00

TIME FOR COMPLETION 12 hours

XIV. Relocation of X-Ray Machines

Material:
Electrical - See Item I

Labor:
4 men with 2-3 towmotors 10 hours/machine
120 man hours @ 12.00/hour $1,440.00

TOTAL COST $1,440.00

TOTAL TIME INVOLVED TO COMPLETION 30 hours

XV. Installation of fire door on East Wall

Material:
Cement blocks @ $8.00

Labor:
2 men - 16 man hours @ 12.00/hour $192.00

TOTAL COST $200.00

TOTAL TIME INVOLVED TO COMPLETION 8 hours

XVI. Installation of cleaning booths on east wall
Relocation of pressure test tank

Material:
Piping and fittings $170.00
Electrical SEE ITEM I

Labor:
Booths - 3 men - 3 hours/booth
Tank - 2 men - 4 hours
62 man hours @ 12/hour $744.00

TOTAL COST $914.00

TOTAL TIME INVOLVED TO COMPLETION 22 hours

XVII. Relocation of weld room

Material:

Weld and cutting tables		$1,500.00
Electrical	SEE ITEM I	
Equipment for 2 new stations		8,000.00

Labor:
2 men 8 hours/station
112 man hours @ 12.00/hour 1,340.00

TOTAL COST $10,840.00

TOTAL TIME INVOLVED TO COMPLETION 48 hours

XVIII. Relocation of Zyglo Booths

Labor: 4 men 2 towmotors
24 man hours @ 12.00/hour 288.00

TOTAL COST $288.00

TOTAL TIME INVOLVED TO COMPLETION 6 hours

XIX. Installation of new sand blast room

Material:

Electrical	SEE ITEM I	
Ducting		$50.00

Labor:
3 men - 144 man hours @ 12.00/hour $1,720.00

TOTAL COST $1,770.00

TOTAL TIME INVOLVED TO COMPLETION 48 hours

XX. Relocation of Quality Control Department Materials

Material:

Cement Blocks	84 @ 30¢/block	$ 25.00
Ducting		20.00

Labor:
Door, etc. 2 men - 16 hours
Moving - 2 men with towmotor 15 hours
62 man hours at $12.00/hour $745.00

TOTAL COST $790.00

TOTAL TIME INVOLVED TO COMPLETION 31 hours

XXI. Installation of elevator and construction of doorway for bond area.

Material:		
Cement blocks	$8.00	
Electrical	SEE ITEM I	
Labor:		
Elevator - 2 men - 6 hours		
Doorway - 2 men - 16 hours		
44 man hours @ 12.00/hour		$528.00
TOTAL COST		$536.00
TOTAL TIME INVOLVED TO COMPLETION		22 hours

XXII. Painting of Aisleways and restricted areas

Material:		
Paint	3 gallons @ 6.00/gallon	18.00
Brushes	2 @ 1.00/brush	2.00
Labor:		
1 man	12 hours @ 12.00/hour	144.00
TOTAL COST		164.00
TOTAL TIME INVOLVED TO COMPLETION		12 hours

XXIII. Relocation of Chipping Booth

Labor:	3 men 8 hours	
	24 man hours @ 12.00/hour	$288.00
TOTAL COST		288.00
TOTAL TIME INVOLVED TO COMPLETION		8 hours

PROJECT TOTAL COST	$63,860.00
PROJECT TIME	1,069 hours
LABOR	2,718 manhours

Note: The labor rate of $12.00 an hour is based on an incrumental rate. It will be necessary to hire outside labor between three and five men to complete this job.

J.C. Sever
Manufacturing Engineer

JCS:bw

APPENDIX Ia

	NUMBER	TOTAL COST, $
1½" CONDUIT	200	91.80
#2 THW WIRE	700	275.80
1" CONDUIT	300	87.00
#6 THW WIRE	600	80.40
½" CONDUIT	1050	165.90
12 TW	575	155.25
#8 THW	200	18.00
3/4" CONDUIT	600	123.90
TRANSFORMER	1	474.00
100 A BREAKER PANEL	1	35.00
100 A FUSIBLE DISCONNECT	2	120.00
EXPLOSION PROOF FLUOR. FIXTURE	60	16,560.00
NON FUSIBLE DISCONNECTS 100 A	3	120.00
FUSIBLE DISCONNECTS 100 A	2	120.00
SEALOFFS 3/4, ½, 1	4 Dozen	152.68
TEES 3/4, ½, 1 EXPLOSION PROOF	80	391.70
LB 3/4, ½, 1	50	219.40
EXPLOSION PROOF START-STOP	1	28.15
EXPLOSION PROOF J. BOXES 4x4	2	7.66
FUSIBLE DISCONNECTS 30 AMP	3	81.00
4' WIRING TROUGH 8"	10	177.00
EXPLOSION PROOF 120 V OUTLETS	10	335.00
		19,851.46

PENNWALT
CORPORATION

PENNWALT BUILDING, THREE PARKWAY, PHILADELPHIA, PENNSYLVANIA 19102 • (215) 567-7000

August 15, 1973

Mr. Glenn F. Ihrig
President
Wellman Dynamics Corporation
P. O. Box 147
Creston, Iowa 50801

Mr. Peter H. Wellman
Roulston & Company, Inc.
Investment Plaza
Cleveland, Ohio 44114

Mr. James McWhirter
Senior Vice President
Pennwalt Corporation
Pennwalt Building
Three Parkway
Philadelphia, PA 19102

Gentlemen:

Pursuant to Section 15 of the Voting Trust Agreement dated as of June 30, 1969 (the "Voting Trust Agreement") by and between certain shareholders of Wellman Dynamics Corporation and Robert C. Wellman, C. F. Weaver, and Glenn F. Ihrig, as Trustees, you are hereby notified that James McWhirter is appointed by Pennwalt Corporation, being the current holder of all of the shares of common stock of Wellman Dynamics Corporation referred to in paragraph 15 of the Voting Trust Agreement as the "1969 Issue", to act as a Trustee under the Voting Trust Agreement to succeed Eugene C. Swift, who died suddenly and unexpectedly on July 28, 1973.

Very truly yours,

PENNWALT CORPORATION

By W. Cooper Willits
W. Cooper Willits,
Vice President and Treasurer

cc: Mr. Clive M. Nagy
Cleveland Trust Company

WELLMAN DYNAMICS CORPORATION
ACTION OF THE BOARD OF DIRECTORS
WITHOUT A MEETING

August 15, 1973

The undersigned Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 11 of Article III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law, do hereby adopt and consent to the following action of said Board of Directors:

James McWhirter is hereby elected to fill the vacancy on the Board of Directors created by the death of Eugene C. Swift. Mr. McWhirter shall fill the unexpired term of Mr. Swift and shall serve as Chairman of the Board of Directors.

Glenn F. Ihrig

GLENN F. IHRIG

WELLMAN DYNAMICS CORPORATION
ACTION OF THE BOARD OF DIRECTORS
WITHOUT A MEETING

August 15, 1973

The undersigned Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 11 of Article III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law, do hereby adopt and consent to the following action of said Board of Directors:

James McWhirter is hereby elected to fill the vacancy on the Board of Directors created by the death of Eugene C. Swift. Mr. McWhirter shall fill the unexpired term of Mr. Swift and shall serve as Chairman of the Board of Directors.

T. M. ENGLEHART

WELLMAN DYNAMICS CORPORATION
ACTION OF THE BOARD OF DIRECTORS
WITHOUT A MEETING

August 15, 1973

The undersigned Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 11 of Article III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law, do hereby adopt and consent to the following action of said Board of Directors:

James McWhirter is hereby elected to fill the vacancy on the Board of Directors created by the death of Eugene C. Swift. Mr. McWhirter shall fill the unexpired term of Mr. Swift and shall serve as Chairman of the Board of Directors.

James M. Williams

JAMES M. WILLIAMS

MINUTES OF SPECIAL MEETING OF

BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Creston, Iowa
April 9, 1974

Pursuant to the call of the president and notice duly given, a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the president, at Creston, on Tuesday, April 9, 1974, at 9:00 a.m.

The meeting was called to order by James McWhirter. At such time the following directors were present:

Theodore M. Englehart

Glenn F. Ihrig

James McWhirter

James M. Williams

Also present were James Howarth, Vice President-Operations, Herbert Burling, Vice President-Treasurer, and Edward E. Johnson, Secretary of the Corporation.

The minutes of the Special Meeting of the Board of Directors held on September 13, 1973, having been previously mailed to the Directors, were approved as mailed.

Report of the President. Mr. Ihrig reported that in March the company had net shipments of $671,000. He also reported that material, labor, manufacturing, and general

expenses appeared to be under control and in line with what had been expected. During the first three months of 1974 the company's earnings have been $5,000 higher than for all of 1973. The company's actual backlog at this time appears to be in the range of $8,000,000 to $9,000,000.

Mr. McWhirter inquired as to how long it took before a new order would appear in the company's backlog. Mr. Ihrig responded that a new order should appear in the company's backlog within four to five days after it is obtained.

Mr. Ihrig reported that the company has taken steps to protect itself against future price increases for the metals which it uses in its manufacturing process. For new orders the portion of the cost of a manufactured item which is attributable to metal costs will be determined at the time of shipment. The company has also made significant progress in re-negotiating outstanding orders so that it will be able to cover itself for increased metal prices.

Mr. McWhirter commented that he wanted to be sure that the company's first quarter results were not simply inventory profits. Mr. Burling responded that the company's profits had been determined based upon a cost-of-sales figure which was derived from the company's revised cost standards. Mr. Englehart commented that this procedure should actually result in a more conservative statement of the company's profits for the first quarter of 1974. Mr. McWhirter requested Mr. Burling to review this issue further and communicate with him about it.

Mr. McWhirter then asked Mr. Ihrig whether the company was having any procurement problems. Mr. Ihrig responded that at the moment the company was not having this type of problem. Mr. Ihrig further stated that the company has been helped with respect to this matter by the fact that its payable situation has improved and the fact that the company does not make a practice of moving from supplier to supplier unless there is a very serious problem which necessitates doing so.

Mr. Ihrig reported that the quantometer is paying for itself at a very rapid rate. Among the benefits that the company is deriving from this equipment is the reduction of rare earth losses. It also enables the melting personnel to effect a savings in the use of fluxes.

Mr. Ihrig reported that the company's Figure 9 plan is allowing the company to speed up production and is proving to be extremely helpful to the company's overall production efficiency. Mr. Ihrig reported that the reorganization work is being done with the company's own employees. Mr. McWhirter inquired about whether it would be advantageous to use outside contractors so that the work could be done more rapidly. Both Mr. Ihrig and Mr. Howarth responded that the company had had a bad experience with using such contractors when it first moved to Creston in that the company received bad service and was charged an excessive amount. In light of this experience, Mr. Ihrig and Mr. Howarth recommended that such contractors not be used.

Report of the Vice President-Operations. Mr. Howarth's operational report concentrated on the first quarter of 1974. During this quarter Mr. Howarth noted that there had been a general, plant-wide improvement in operations. Production was up 30% over the production for the fourth quarter for 1973 and shipments were up 15% over the same quarter. Also, during this quarter the company achieved a reduction in scrap and customer returns.

Mr. Howarth noted several examples of where the company's production of certain items is now faster than when the plant was located in Bay City.

Mr. Howarth noted that a closer relationship between production and shipments must be achieved in order to stablize the work-in-process inventory and re-emphasized that the quality of the company's production is the key to its success.

There was no significant change in the company's work force between the fourth quarter of 1973 and the first quarter of 1974. In the fourth quarter of 1973, the company averaged 273 hourly employees and 75 salaried employees. During the first quarter of 1974, the company averaged 283 hourly and 77 salaried employees.

During the first quarter the company suffered a temporary scrap problem because of the fact that the company ran out of KBF4. However, this was only a temporary matter which has been solved.

The training of personnel has improved recently due to improved screening by the personnel department which has resulted

in the selection of individuals who are more responsive to on-the-job training. Training of personnel has also been improved by the fact that the company's supervision is now more knowledgeable in the basic skill requirements of their respective departments.

Mr. McWhirter inquired as to how often supervisors' salaries were reviewed and whether the company had made any surveys of comparable industries to see how Wellman's supervisory salaries compared. Mr. Howarth responded that the company's supervisory salaries are reviewed on each supervisor's anniversary date. Mr. Howarth further responded that the company has made surveys of comparable industries, that the company is not too far off as far as its payment for straight time is concerned, but that its compensation of its supervisors for overtime does not keep pace with comparable industries.

Mr. Howarth then commented that he was pleased that the efficiencies in production which have been obtained have been obtained without some sort of bonus-incentive plan. This comment lead to a brief discussion by the members of the Board of bonus-incentive plans, and it was the consensus of the Board that it appeared that such plans created more problems than benefits to the company.

Mr. Howarth reported that the use of electrical furnaces for melting magnesium continues to be under investigation by Mr. Krings, departmental head of the company's metallurgical group. The present delay is a result of the problem that the

company is having developing a source of S.F.6 (sulfur hexafloride) and ascertaining the correct mix combination for this gas. It is necessary that this gas be used to replace powdered fluxes which are used when melting with gas-fired furnaces since such fluxes cannot be used on electrical furnaces due to excessive contamination of equipment and atmosphere. Mr. Howarth is hopeful that these problems will be worked out by the middle of May.

Mr. Englehart noted the dramatic dollar increase in production and shipments and inquired as to how much of this increase was attributable to higher pricing. Mr. Howarth responded that some of the increase was attributable to pricing increases. However, he noted that a very significant amount of this increase was real and was the result of improved manufacturing procedures. Mr. Howarth also noted that the product mix has been helpful in improving production. He further noted that there had not been a significant increase in the number of employees so that the increase in production and shipments cannot be attributed to any great extent to an increase in the number of employees. Mr. Howarth reported the following plant efficiency figures for January, February, and March:

Departmental Efficiency:

	JAN.	FEB.	MAR.
Heavy Lift	119	108	122
Fig. 6	102	103	95
Fig. 9	102	105	108
Squeezer	108	86	68
Core Assembly	104	111	107
Coremaking	93	101	102
Shell Core	136	209	154
Rotary File	102	99	103
[illegible]	[illegible]	[illegible]	104.6

Mr. Howarth then distributed to the Board a recapitulation of the company's production, shipment, scrap and returns statistics for each month of 1973 and the first three months of 1974. A copy of this statistical report is attached to the minutes.

Report of Vice President-Treasurer. Mr. Burling reported that the company's profits for the first quarter of 1974 were $309,007. During this period the company had net sales of $2,022,241.

The company's cost standards were revised as of January 1, 1974, to recognize recomputed allowances for material losses resulting from melting and processing, anticipated material price increases, and the 25¢ per hour labor increase which became effective as of March 20, 1974. In March the material standard was again increased to recognize further anticipated metal purchase cost increases.

Mr. Burling further reported that Mr. Lou Petro, Systems Analyst, and Frank Murano, Programmer and Supervisor of Data Processing, did a project to determine complete computerized individual job-cost data for cumulative production costs, which includes values for beginning and ending inventories. A review of the results for the first two months revealed that some inventory values for work-in-process were subject to question. Computor imput error overvalued material in process by $12,133 as of January 31,1974, and by $23,616 as of February 28, 1974. The standards at March 31 appear to be correct.

Mr. Williams then asked Mr. Burling whether the company is now able to tell at the end of its processing of an order how it did financially on the order. Mr. Burling responded that the company now has this capability.

Mr. Burling reported accounts receivable as of April 8, 1974, of $843,101 as compared to $848,400 as of December 31, 1973. Mr. Burling also reported accounts payable as of April 8, 1974, of $153,454 as compared to $525,870, as of December 31, 1973. Mr. Burling submitted to the Board for its review an aging report of the company's accounts receivable as of March 31, 1974.

The company is now obtaining cash discounts on its purchase invoices.

Mr. Burling then discussed the advantages and disadvantages of installing a System 3 computer to replace the company's present 360-20 computer. It was then Mr. Burling's recommendation that the company should modify and improve its present system before considering changing to a new computer. Mr. Williams agreed with this recommendation of Mr. Burling and suggested that if the company should later give further thought to obtaining a replacement for its current computer that somebody from Pennwalt's data processing department should be consulted. Mr. Englehart then inquired as to the nature of the modifications in the company's current computer systems that Mr. Burling thought were necessary. Mr. Burling stated that the company's computer system has been developed in segments and that there has been no overal effort to coordinate these

segments into a more meaningful whole. Mr. Englehart then stated that he was in complete concurrence with the idea of cleaning-up and improving the company's current computer system and eliminating whatever of its current programs are not necessary before giving any further thought to replacing the company's computer with a new one.

Mr. Burling further reported that as a result of the ultimate disposition of the Iowa Use Tax audit which had been conducted by the Iowa Department of Revenue, the company will receive extraordinary income in 1974 in the amount of $28,603.05.

The company's real estate and personal property taxes which will be payable in 1974 are $30,942.94. This compares with $30,351.85 which was paid in 1973 for the same taxes.

Fork-lift truck purchases. Mr. Ihrig reported that the company has now acquired three new fork-lift trucks and two used trucks. The cost of the new trucks is approximately $28,000 and the cost of the used trucks was approximately $7,500. These trucks have not yet been paid for and Mr. Ihrig recommended that the company pay for the lift-trucks rather than lease them. It was thereupon moved, seconded, and duly approved by the Board that the company purchase these trucks.

Lindberg Furnaces. One of the furnaces has been sold and it appears that there is a likelihood that one of the remaining five furnaces will be sold within the near future.

It was decided that the status quo be maintained with respect to this matter pending the outcome of the current negotiations to sell one of the furnaces.

OSHA. Jim Howarth reported that the company is apparently having no difficulty with OSHA and its only involvement with the OSHA administration at the moment is that of submitting the usual required reports.

Mr. Howarth reported that one of the principal goals of the plant reorganization which is now in process was the improvement of employee safety and compliance with OSHA standards. This reorganization has made possible the separation and centralization of highly combustible materials. The company has a continuing affirmative action program for complying with the OSHA standards and for generally upgrading the safety of its workers. The company has a safety engineer and conducts internal programs and seminars on employee safety.

Designation of John Skelly of Pennwalt as Assistant Treasurer of Wellman. Pursuant to the discussion that the Board of Directors has had in the past about having an employee of Pennwalt Corporation who is authorized to sign checks on the accounts of Wellman Dynamics Corporation, it was moved, seconded, and duly approved by the Board that John Skelly be elected and appointed Assistant Treasurer of Wellman Dynamics Corporation.

Resolution Authorizing John Skelly to Sign Checks on Bank Accounts at The First National Bank of Creston. The

following banking resolution was thereupon moved, seconded, and duly adopted:

RESOLVED that John Skelly as Assistant Treasurer of Wellman Dynamics Corporation is hereby authorized in the name and on behalf of this Corporation, to open or cause to be opened and to continue an account or accounts with The First National Bank of Creston, Creston, Iowa, and to execute and deliver to said Bank appropriate signature cards containing said Bank's usual customer agreement applicable to such account or accounts and that said John Skelly as Assistant Treasurer of this Corporation is hereby authorized, for and on behalf of this Corporation, to endorse or cause to be endorsed, to negotiate or cause to be negotiated, or to deposit or cause to be deposited in such account or accounts any money, checks, drafts, orders, notes or other instruments payable to or held by this Corporation;

FURTHER RESOLVED that the funds of this Corporation on deposit in said account or accounts shall be subject to be withdrawn at any time upon a check, draft, note or order of this Corporation drawn against the particular account or accounts and bearing the actual or facsimile signature of said John Skelly as Assistant Treasurer of this Corporation provided that such signature shall correspond to the specimen thereof certified to the Bank by the Secretary or an Assistant Secretary of this Corporation, and that no checks, drafts, notes or orders drawn against said Bank shall be valid unless bearing such signature;

FURTHER RESOLVED that it is intended by the Board of Directors of Wellman Dynamics Corporation that this resolution be supplemental to the banking resolution of the Board of Directors, dated October 20, 1971, that said resolution dated October 20, 1971, remain in full force and effect, and that the authorizations and powers given Glenn F. Ihrig, J. H. Burling, and James Howarth pursuant to said resolution dated October 20, 1971, remain in full force and effect; and

FURTHER RESOLVED that the Secretary or an Assistant Secretary of this Corporation is hereby authorized to certify to said Bank a copy of this resolution and of the actual and facsimile signature of the above named officer and said Bank is authorized to rely on said certificate of this resolution until notice to the contrary in writing is given to said Bank by the Secretary or an Assistant Secretary of this Corporation.

Potential Sale of Wellman Dynamics. Mr. McWhirter outlined to the Board the various parties who have expressed an interest in acquiring Wellman Dynamics Corporation. Mr. McWhirter reported that several parties were interested and that it was possible that an offer may be made by one of them within the near future which is acceptable to Pennwalt Corporation.

Dissolution of Voting Trust. Mr. McWhirter announced that the Voting Trust Agreement dated June 30, 1969, by and between certain shareholders of Wellman Dynamics Corporation and Robert C. Wellman, C. F. Weaver, and Glenn F. Ihrig, as Trustees, expired as of February 1, 1974. Mr. McWhirter outlined the anticipated procedure that will be followed in transferring the shares of Wellman Dynamics which are held under this Voting Trust Agreement back to the beneficial holders of these shares. It may take some time to complete this process and the Board decided that the annual meeting should not be set until this process has been completed. The Board further decided that in conjunction with the annual meeting, the shareholders should be informed of the status of any pending negotiations to acquire the company. Also, at the same time, the company's 1973 financials will be distributed to the company's shareholders.

Pension Plan for Company. There was a discussion of the need for the company to have an adequate pension plan. It was thereupon moved, seconded, and adopted that the pension plan, the key features of which are attached to these minutes,

be instituted by Wellman Dynamics before the end of 1974.

Restoration of Executive Salaries. There then followed a discussion of the restoration of the salaries for Mr. Ihrig, Mr. Howarth, and Mr. Burling. Mr. Englehart reported that he and Mr. Swift had had a lengthy private discussion at the time that salaries were reduced in September of 1972, and that it had been he and Mr. Swift's understanding that salaries were to be restored once the company returned to profitability. Mr. McWhirter stated that he would check into the matter further.

Charitable Giving. There was a considerable discussion of whether or not the company should increase its charitable giving. It was thereupon decided that Mr. Ihrig should review this matter in detail and make a recommendation to Mr. McWhirter.

Automatic Sprinkler System for Warehouse Area. Mr. Ihrig and Mr. Howarth reported that if the company does not have a sprinkler system in the company's two warehouses, the company's business interruption insurance is no good if a fire should originate in the warehouse area. Also, they reported that without such a sprinkler system the company is running a significant risk that it will have its fire insurance coverage canceled. Mr. Howarth also pointed out that it is very important that the materials which are located in these two warehouses receive maximum protection from fire.

Mr. Howarth further reported that the company has always resisted the placement of sprinklers in the company's magnesium

area because magnesium and water are not compatible and rather than preventing fire in this area the presence of water would actually increase the fire hazard. Thus, it is not contemplated that under any circumstances there be a sprinkling system in the magnesium processing area.

The company has so far received one bid for a sprinkler system in the amount of $22,000. Due to savings on fire insurance coverage the company should be able to recoup this cost within four and a quarter years.

It was thereupon moved, seconded, and duly adopted that the company's management team be authorized to obtain competitive bids for alternative sprinkler systems and upon reviewing such bids proceed to enter into a contract to acquire and have installed a sprinkler system in the company's two warehouses.

There being no further business to come before the meeting, it was thereupon adjourned.

EDWARD E. JOHNSON, Secretary

PRODUCTION/SHIP/SCRAP/RETURNS
1973

Month	Production	Shipments	No. of Work Days	Average Prod/Day	Average Ship/Day	% Ship of Production	Scrap	%	Customer Returns	%
January	$ 772,000	558,546	22	35,000	25,400	72.5	51,735	10.0	40,411	7.2
February	700,000	537,000	20	35,000	26,800	76.5	53,932	10.9	40,810	7.6
March	628,205	617,952	22	28.500	28,000	98.2	49,747	8.6	37,892	6.1
April	605,194	537,853	18	33,600	29,900	89.0	65,899	12.6	27,030	5.0
May	790,000	584,000	22	34,300	26,500	77.0	69,980	12.8	38,464	7.0
June	621,500	480,000	21	29,600	23,000	79.0	79,621	21.0	31,400	6.4
July	543,000	392,000	15	36,000	26,000	72.0	55,845	15.0	18,685	4.8
August	672,375	621,000	23	29,200	27,000	85.0	68,700	11.3	15,000	2.4
September	623,000	504,000	19	32,800	26,500	80.0	63,469	12.7	18,545	3.65
October	769,497	642,000	23	33,400	28,000	83.0	65,758	10.5	14,756	2.37
November	674,198	575,000	20	33,700	28,800	85.0	*86,216	15.3	14,147	2.4
December	642,149	598,850	18	35,500	33,200	93.0	62,000	10.7	22,037	3.6
Total YTD	$8,040,118	6,648,251	243				772,000		319,114	
Average per Month	670,000	554,000	20.2			82.5		12.6		4.8
Average per Day				33,081	27,360					

*Revised standards in effect for November which increased value of scrap approximately 10%.

PRODUCTION/SHIP/SCRAP/RETURNS
FIRST QUARTER - 1974

Month	Production	Shipments	No. of Work Days	Average Prod/Day	Average Ship/Day	% Ship of Production	Scrap	%	Customer Returns	%
January	$ 927,000	712,840	22	44,000	32,400	77%	65,000	9.2	12,664	1.6
February	898,000	665,000	20	44,900	33,250	75%	76,000	11.8	17,705	2.7
March	890,000	702,000	21	42,000	33,400	80%	73,000	10.8	22,000	3.1
Total YTD	$2,715,000	2,079,840	63				214,000		52,369	
Average per Month	905,000	693,000	21					10.6		2.5
Average per Day				43,100	33,000	77%				

ARK 00412

PROPOSED PROVISIONS OF WELLMAN DYNAMICS PENSION PLAN

1.	Formula:	85% of First $13,200 Per Year Earnings Plus 1.4% of Earnings in Excess of $13,200 Times Years of Service - Maximum 30 Years
2.	Earnings:	Salary Rate in Effect 5 Years Before Retirement Date
3.	Waiting Period:	Minimum Age 30 Minimum Service - 3 Years
4.	Early Retirement:	Age 55 15 Years of Service
5.	Disability Retirement:	None
6.	Vested Pension:	Vesting of Accrued Benefit After 15 Years of Service
7.	Comments:	Prior service with Wellman and McCannalloy will be counted. Vested benefit under Hills-McCanna Plan will be used as an offset against the present plan.

5/2/74

CHANGES IN PRESENT WELLMAN PENSION PLAN

1. New formula.

2. There will be no 10-year certain; however, an employee may elect a 10-year certain Contingent Annuitant and the pension benefit will be reduced by 10%.

3. The present cash surrender values will be available in lump sum upon termination of employment by death or retirement. The monthly retirement value of the lump sum will be offset against the pension benefit. No future benefits will accrue lump sum value, and all new participants will not be entitled to lump sum payments.

4. Any loss in Life Insurance benefits (excluding lump sum discussed in #3 above) will be insured under a Group Term Insurance Program.

5. All funds will be placed in either a Trust Fund or a "Deposit Administration" account with an insurance carrier.

5/2/74

MINUTES OF EXECUTIVE SESSION OF SPECIAL MEETING OF
BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Creston, Iowa
February 18, 1975

Pursuant to the call of the President and notice duly given, a special executive meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the President, at Creston, Iowa, on Tuesday, February 18, 1975, at 8:30 a.m.

The meeting was called to order by James McWhirter. At such time and place the following Directors were present:

Theodore M. Englehart

Glenn F. Ihrig

James McWhirter

James M. Williams

Also present were Edward E. Johnson, Secretary of the Corporation, and Peter H. Wellman.

Dissolution of Voting Trust. Mr. Johnson reported that the Voting Trust which had been created under an agreement dated June 30, 1969, had been dissolved and that the 452,828 shares of common stock of Wellman Dynamics Corporation which had been held thereunder had been transferred to the appropriate shareholders of Wellman. Mr. Johnson reported that the only shares that he was aware of which had not been distributed to the former holders of Voting Trust Certificates were those of John Wellman.

Setting of Time and Place of Annual Meeting. After a discussion of the time and place for the Annual Meeting of Wellman, it was thereupon moved and seconded and unanimously adopted as follows:

> The Bylaws of the Company are hereby amended so to include in Section 1 of Article II the following provision:

The Annual Meeting of Stockholders for the year 1975 shall be held on Tuesday, April 1, 1975, at 10:30 o'clock a.m. at the 10th Floor of the Pennwalt Building, Three Parkway, Philadelphia, Pennsylvania.

Appointment of Peter H. Wellman as Member of the Board of Directors. After discussion, it was duly moved, seconded, and unanimously adopted that Peter H. Wellman be appointed as the fifth member of the Board of Directors, which position has been vacant since the resignation of Chuck Howe.

Executive Compensation. After considerable discussion, it was moved, seconded, and unanimously adopted that Wellman's executive compensation plan for 1975 (effective as of January 1, 1975) consist of the following:

1. Mr. Ihrig will receive a guaranteed salary of $55,000; Mr. Howarth will receive a guaranteed salary of $35,000; Mr. Burling will receive a guaranteed salary of $25,500.

2. Mr. Ihrig will receive a maximum bonus of $8,250; Mr. Howarth will receive a maximum bonus of $5,250; Mr. Burling will receive a maximum bonus of $3,825.

3. In the event that the company does not have profits of $979,000, no bonuses will be paid to anybody; however, the bonuses will increase as the profits increase to $1,306,000; the distribution of bonuses within this range will be set forth in a letter of Mr. Williams which shall be sent to Messrs. Ihrig, Howarth and Burling.

Pension Plans. There was a preliminary discussion of pension plans for the company. However, the decision was made to defer further action on this topic until the next Board of Directors meeting.

Activity With Respect to Sale of Wellman. Messrs. McWhirter and Williams summarized for the Board the current negotiations that are taking place with respect to the sale of Wellman. Also, they summarized the negotiations which have taken place in the past with respect to the sale of Wellman.

There being no further business to come before the meeting, it was thereupon adjourned.

Edward E. Johnson, Secretary

MINUTES OF ANNUAL STOCKHOLDERS' MEETING

OF

WELLMAN DYNAMICS CORPORATION

Philadelphia, Pennsylvania
April 1, 1975 (Rec'd 1/76)

Pursuant to the By-Laws of the Corporation and the call of the Board of Directors, the Annual Meeting of the Stockholders of Wellman Dynamics Corporation was held at the Tenth Floor of the Pennwalt Building, Philadelphia, Pennsylvania, on Tuesday, April 1, 1975 at 10:00 o'clock A.M. There were present in person at the meeting:

Pennwalt Corporation, holding	761,541	shares
Glenn F. Ihrig, holding	5,430	"
J. Herbert Burling, holding	250	"
Kemp Stevens, Inc., holding	700	"
Peter H. Wellman, holding	8,014	"
Richard Allchin, holding	1,000	"
Richard Allchin, as custodian for Douglas Kellogg Allchin, under the Uniform Gifts to Minors Act, holding	750	"
Richard Allchin, as custodian for Nancy Joy Allchin under the Uniform Gifts to Minors Act, holding	750	"
Herbert W. Winteroth, holding	357	"

Proxies were received in favor of Peter H. Wellman, James McWhirter, and Glenn F. Ihrig from the following:

Barbara Wellman Parks	6,966	shares
Betty A. Jones	1,000	"
Helen A. Armstrong	1,000	"
Harriet T. Gimmel	1,000	"
Harriet T. Gimmel, as executrix under the will of Daniel T. Wellman	6,000	"

Benjamin Taplin	1,800	"
Mary J. Sikula	100	"
William J. Sikula	100	"
Marjory Kladney	200	"
Thomas Allchin	2,000	"
Mary R. Clough	50	"
Sheldon & Co.	4,760	"
Edna A. Edwards	1,000	"
Ann Marie Oster	100	"
Andrew D. Little	356	"
Martha A. Cerny	50	"
Andrew Stickle	1,596	"
Helen W. Stickle	7,026	"
David W. Stickle	200	"
Susan W. Stickle	1,596	"
Harry Allchin	100	"
Zilpha K. Allchin	100	"

The total number of shares represented at the meeting in person or by proxy were, therefore, 815,892 out of a total of 825,247 shares issued and outstanding. There were also present Theodore M. Englehart and James M. Williams, Directors; James Howarth, Vice-President - Operations; and Edward E. Johnson, Secretary for Wellman Dynamics Corporation.

James McWhirter was unanimously chosen Chairman of the meeting and presided. Edward E. Johnson was selected as Secretary of the meeting.

It was reported that on March 10, 1975, a written notice of the meeting had been mailed to all stockholders of the corporation of record on that date entitled under the By-Laws to vote at the meeting.

Upon motion unanimously adopted, the reading of the Minutes of the preceding Annual Meeting of the Stockholders, held on April 24, 1973, was waived.

Glenn F. Ihrig then gave a report on the company's past

business and prospects for the future. He indicated that the plant is undergoing changes so as to operate at maximum efficiency and so as to be able to maximize its competitive position. He indicated that Wellman's reputation for quality and reliability has been restored and that as a result thereof the Company is able to obtain orders from customers although in some instances the company may not offer the lowest price. Mr. Ihrig reported that he thought the budget of net sales of $9,800,000.00 was definitely obtainable. Mr. Ihrig then proceeded to outline to the shareholders the numerous types of opportunities there will be in the military aircraft field within the immediate and intermediate future.

Mr. Ihrig reported that the Company is experimenting with a chemical bonded sand system and if it works out, the company will consider adapting the whole plant to this system.

As of March 24, 1975, the company had a backlog of $5,573,000, all of which is scheduled for 1975. Wellman has reduced its debt to Pennwalt Corporation to $500,000. The company does not anticipate any cash flow problems in the coming months.

A complaint was filed with the Iowa Air Quality Commision with respect to the emission from the company's smoke stacks. However, upon further investigation, this matter was withdrawn by that Commission.

The company has adopted Pennwalt's corporate plan with respect to OSHA and has successfully undergone an OSHA hygiene inspection.

immediately thereafter, and the shareholders' meeting was thereupon adjourned.

EDWARD E. JOHNSON, Secretary

WELLMAN DYNAMICS CORPORATION

INFORMAL ACTION OF DIRECTORS

The undersigned, being all of the Directors of Wellman Dynamics Corporation (the "Company"), hereby consent to the adoption of the following resolution without a meeting, pursuant to Section 141(f) of The General Corporation Law of Delaware:

> RESOLVED, that the resignations of Glenn F. Ihrig, Theodore M. Englehart and Peter H. Wellman from the Board of Directors of the Company are hereby accepted and that in accordance with Article III, Section 8 of the By-laws of the Company, Edwin E. Tuttle is hereby elected to fill the vacancy created by the resignation of Glenn F. Ihrig to serve for Mr. Ihrig's unexpired term.

Dated: January 5, 1976

James McWhirter

James Williams

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
January 27, 1970

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held on the above date at the office of the Company, Bay City, Michigan, at 9:15 o'clock A. M.

The following Directors were present:

Richard Allchin
Robert D. Beatty, Jr.
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

Absent: Daniel T. Wellman (Emeritus)

Messrs. Robert G. Brown, Vice President - Operations, J. H. Burling, Vice President - Finance, J. D. Melgaard, Vice President - Sales, and George R. Frye of the Eaton Foundry Division, Vassar, Michigan, were also present by invitation.

The Chairman of the Board presided and the Secretary was secretary of the meeting. The minutes of the previous meeting of the Board held December 8, 1969, having been previously distributed to the members of the Board, were, on motion duly made and seconded, unanimously approved without reading.

The financial statements for the months of November and December, as previously distributed to the Board, together with the unaudited year-end adjustments, which were distributed at the meeting,

ARK 00500

were discussed at length. The President reported that the number of salaried employees had been reduced from a high of 117 in 1969 to the current 98 and that there were currently 283 hourly paid employees. The principal year-end adjustments representing eleven months of rent credit pursuant to the new lease provisions which began as of February 1, 1969, were based upon a report of some $212,000 of plant improvements made during the year 1969. The President stated that this report had been sent to the appropriate representatives of Dow and that he felt that no more than 10% of the items involved would be questioned by Dow. The views of the Directors were requested as to whether some $21,000 of accounts receivable should be taken into 1969 income. The President and Mr. Burling explained that the Company's position on these items had been agreed to by the customers and accordingly the Directors expressed their opinion that the same should be included in 1969 income. On the other hand, it was felt that customer accounts which were still the subject of negotiations should not be reported as income for 1969. The President reported continued improvement in the cash position of the Company since December 31, though receivables and payables were each reduced.

The President reported that on the basis of daily reports through January 23 a loss was anticipated for the month of January and he distributed the planned statement of income for the first quarter of 1970 which estimated a loss for each of the three months of the quarter due to a decrease in the volume of production. The President reported that during the month of February he anticipated

ARK 00501

visits from the heads of three different companies interested in the possibility of some form of combination with Wellman. These were each discussed, and the general feeling was expressed that there was at this time little likelihood of a feasible proposal resulting from these meetings. It was suggested, however, that if as a result of these meetings the President thought that any of them would be of further interest to the Board, he should consult with counsel as to any legal problems involved and the best method of proceeding further with the negotiations.

The Chairman reported a conversation which he and the President had had with Mr. Weaver who had suggested the possibility of a combination between Wellman and certain other companies in which Dow had an interest either as creditor, stockholder or supplier, and the Secretary was requested to make further inquiry of Mr. Weaver for the purpose of ascertaining more specifically how he felt such a combination might be helpful to Wellman.

The Chairman then distributed to the Directors and requested the Secretary to attach to the minutes of the meeting in accordance with the By-Laws, the reports of the Compensation Committee confirming, first, their action taken as reported to the preceding meeting with respect to the compensation for the officers and executives for 1969 and, secondly, with respect to their base compensation for 1970 and the new Wellman Dynamics Executive Incentive Compensation Plan. The latter was explained at some length and the Secretary was requested to attach the reports to the appropriate minutes and, in consultation with Arthur Andersen & Co., to draft in further detail

ARK 00502

the Incentive Compensation Plan as adopted by the Compensation Committee. The Chairman also recommended that an Employee Stock Option Plan be prepared for submission to the stockholders at the Annual Meeting.

The 1970 projected statement of income as previously distributed to the Directors was discussed with particular relation to the effect thereon of the anticipated reduced volume in the first quarter.

The Chairman then asked Mr. Beatty if he could not reconsider the letter of resignation which he had earlier submitted to the Chairman. Mr. Beatty explained that additional responsibilities which he had recently undertaken would prevent him from devoting enough time to the affairs of Wellman. Thereupon it was moved, seconded and voted that Mr. Beatty's resignation as Director be accepted with great regret. The Secretary was instructed to affix Mr. Beatty's resignation to the minutes of this meeting. Thereupon it was moved, seconded and unanimously voted that Mr. George R. Frye be elected Director in place of Mr. Beatty. Mr. Frye was welcomed to the Board. It was then moved, seconded and unanimously voted that Mr. Peter Wellman be named to the Compensation Committee in place of Mr. Beatty.

The balance of the meeting was given over to a report by Mr. Melgaard of the 1970 marketing plans and a discussion of the same. A report was distributed from Mr. Burling on plant capacity and assets in use. The need for price increases and the difficulties in obtaining the same were further discussed.

ARK 00503

The Chairman submitted for future consideration a summary outline of the policies and practices of his own corporation with respect to the authority reserved to its Board of Directors.

The meeting then adjourned, with the understanding that the next meeting would be at the time of the Annual Stockholders' Meeting in Bay City on April 28. In the meantime, the Executive Committee arranged to meet in Cleveland on the morning of February 24.

Secretary

ARK 00504

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
February 24, 1970

The Executive Committee met at the Hospitality Inn West, west of Cleveland, on Tuesday, February 24, 1970, at 8:30 o'clock A.M. Messrs. Allchin, Ihrig, Loeman and Maccracken, being all of the members of the Committee, were present.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting.

The financial statements for January, 1970, and the Company's cash position were discussed. The suggestion was made that a cash flow forecast should be made for the purpose of indicating how much cash could be providently invested at interest on a short-term basis.

Mr. Ihrig reported that Dow had allowed a total of $147,129.42 as appropriate expenses in lieu of rent and had disallowed some $64,000 of claimed expenses. The disallowances included some replacement of core room equipment which the Directors felt were properly allowable, and it was concluded that representatives of the Company would meet with representatives of Dow on this matter. Mr. Ihrig read a letter from Mr. Weaver expressing his desire that the Company consider methods of diversification. It was agreed that this was an appropriate suggestion. Representatives of The Buehler Corporation continue to express interest in some combination with the Company, but no meetings have been held with representatives of other companies.

ARK 00505

Mr. Ihrig reported a proposal by Wellman Company for an enlargement and change of the Wellman Magazine. The Committee felt that the cost of this proposal was more than the Company should undertake at this time.

There was a discussion of the proposed statement of authority reserved to the Board of Directors. The Committee approved the suggestion with one or two modifications, and the Secretary was requested to prepare the modified statement for submission to the entire Board.

The Secretary distributed the Executive Incentive Compensation Plan and the Employee Stock Option Plan which were being discussed by the Compensation Committee, but no action was taken.

The meeting adjourned, with the understanding that the next meeting would be at the same place and time on Tuesday, March 31.

Secretary

ARK 00506

cc: Brooks W. Maccracken

DOW CHEMICAL FINANCIAL CORP.

CABLE: DOWCHEMCO

P. O. BOX 1684
MIDLAND, MICHIGAN 48640 U. S. A.
PHONE 517 · 636-4980

April 22, 1970

Mr. Glenn F. Ihrig, President
Wellman Dynamics Corporation
801 Andre Street
Bay City, Michigan 48706

Dear Mr. Ihrig:

In compliance with the Voting Trust Agreement dated February 1, 1969, Dow Chemical Financial Corp. designated as the 1969 holder in Section 18 of said agreement is advising the Trustees of the Voting Trust that the target price requested under Section 18 (b) is $5.50 (Five Dollars and Fifty Cents) per share.

A copy of this letter is being forwarded to Peter H. Wellman.

Yours very truly,

C. F. Weaver
President

cc: Peter H. Wellman

wl

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Middleburg Heights, Ohio
March 31, 1970

The Executive Committee met at the Hospitality Inn, West, Middleburg Heights, Ohio, on Tuesday, March 31, 1970, at 8:30 o'clock A. M.

Messrs. Allchin, Ihrig, Loeman and Maccracken, being all of the members of the Committee, were present, together with Mr. J. Herbert Burling, Vice President - Finance of the Company.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting. The minutes of the preceding meeting of the Committee held February 24, 1970, were distributed and approved.

Mr. Allchin proposed and all agreed that the Directors of the Company should be asked at their next meeting to adopt an appropriate resolution with respect to the passing of Mr. Daniel T. Wellman, former Chairman of the Board of the Company.

The financial statements for February, 1970, together with the Company's cash position, status of operations, annual auditor's report and projected balance sheet through May, 1970, were discussed at length. The need for and possible methods of reducing the costs of operations, including selling and administrative expenses, were fully discussed and the management was directed to include in a special report to the Directors the actions taken and contemplated by the management to reduce these costs. Mr. Burling reported that

ARK 00511

the receipt of somewhere between $65,000 and $70,000 from the insurance on the life of Daniel T. Wellman would improve the cash position of the Company, but that the Company's customers, especially Buehler Corporation, were delaying the payment of bills to the Company. Mr. Ihrig distributed copies of requests for information which had been received from Buehler Corporation incident to that Company's expressed interest in acquiring or combining with this Company. The Committee agreed with Mr. Ihrig that until and unless these discussions developed further indication of a mutual interest in this matter, it would be premature to give the information requested. Mr. Ihrig reported on his discussions with representatives of Arwood Corporation and Hills-McCanna Corporation. It was agreed that there would be no harm in Mr. Ihrig's continuing these discussions to see whether there was any real mutual interest in some form of combination between Wellman and either of these companies, having in mind all legal requirements affecting any such discussions.

Mr. Ihrig submitted a form of License Agreement proposed by Merlin Gerin, a limited company of Grenoble, France. It was indicated that at first sight the royalty requested by that company seemed excessive. The members of the Committee agreed to review this proposal for consideration at a later meeting. Mr. Maccracken was requested to meet with Mr. Marvin Johnson, if possible, before the next meeting of the Directors.

Plans for the Annual Meeting of Stockholders to be held April 28, 1970, were discussed, and the Secretary submitted a form of notice

ARK 00512

for the meeting. This form was approved and the Secretary was directed to send it to all stockholders of record on April 3, 1970, and also to send copies of the notice to all holders of Voting Trust Certificates.

Mr. Allchin requested that the next Directors' meeting be held in Bay City on April 28, at 8:30 or 9:00 o'clock in the morning. The meeting thereupon adjourned.

Secretary

ARK 00513

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
April 28, 1970

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the Company, Bay City, Michigan, on Tuesday, April 28, 1970, at 9:00 o'clock A. M.

The following Directors were present:

Richard Allchin
George R. Frye
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

Messrs. R. G. Brown, Vice President - Operations, J. H. Burling, Vice President - Finance, and J. D. Melgaard, Vice President - Sales, were also present by invitation.

The Chairman of the Board presided and the Secretary was secretary of the meeting. The minutes of the meeting of the Board of Directors held January 27, 1970, and the minutes of the Executive Committee meetings held February 24, 1970, and March 31, 1970, as previously distributed to the Board of Directors, were, on motion duly made and seconded, unanimously approved without reading.

At the request of the President, Mr. Burling discussed the financial statements for March which had been distributed to the Board of Directors. He noted, in particular, the liability for rent and stated that arrangements had now been made for the current appli-

ARK 00527

cation of agreed items of maintenance expense against the monthly rental obligation. In this connection, the President and Mr. Burling reported that they had settled with Dow the amount of such expenses for 1969 which would be applied against rent, and stated that while Dow had disallowed some expenses to which the Company might well be entitled, yet it had allowed some expenses which they might well have questioned and, between the two, a fair settlement had been reached, on the basis of which the Company would be entitled to apply an unused balance of about $9,600 against the 1970 rent.

Mr. Burling also called attention to the increase in pension expense which had resulted and would continue to result from the increase of the pension provided for under the Plan from $1.25 to $3.75 a month for each year of service. He stated that on the recommendation of Arthur Andersen & Co., he had been in consultation with the actuaries and with the Trustee, Central National Bank, to see if the return on investments could not be improved and also to increase the interest assumptions of the actuaries in determining the actuarial costs of the Plan. It was suggested that he should continue these discussions until he was fully satisfied with the results.

The President reported that the cash position was continuing to improve and that the aging of the Company's accounts receivable was improved. It is understood that the accountants for Lockheed will be inspecting the Company's records relating to its termination claim of $252,000 on account of the Lockheed AAFSS helicopter program.

ARK 00528

The Secretary presented and moved the following resolution which was seconded and unanimously adopted:

> WHEREAS, the late Daniel T. Wellman was a Director of this Company for more than twenty-one years, was its President and Chief Executive Officer for ten years from January, 1953, was thereafter the Chairman and Chairman Emeritus of its Board of Directors, and as President led the expansion of this Company's business and operations and its move to Bay City;
>
> NOW, THEREFORE, BE IT REMEMBERED that in the death of Daniel T. Wellman this Company has lost a leader and the Directors, officers and employees of the Company have lost a friend; and the Secretary is hereby directed to inscribe this resolution in the minutes of this meeting as an expression of the abiding appreciation of the officers and Directors of the Company for his service, his leadership, and his friendship, and to send appropriate copies of this resolution to his three sons.

The President and the Secretary reported on their meetings with Mr. Sweeny, the President of Arwood Corporation, and its Secretary, Mr. Murphy, respecting Arwood's interest in the possibility of a joint venture between this Company and Rolle Foundry of Lansdale, Pennsylvania. No proposal of either party has resulted from these conversations, and there appeared to be a likelihood that Arwood might close this foundry for lack of business and profits, in which event the Rolle business might be procurable on favorable terms without an acquisition of assets or stock. Another like situation in the non-ferrous casting industry was reported. The Directors expressed their view that on the basis of Rolle's financial statement of December 31, 1969, there would be no benefit to this Company from a merger or consolidation of the two companies, but it

ARK 00529

was understood that the President would find out if Mr. Sweeny had any definite proposal in mind.

The President reported that he would be in Europe during the week of May 4 and would hold discussions with Merlin Gerin and Honsel-Werke respecting the former's thin wall casting process for aluminum and magnesium and the latter's low pressure casting holding furnaces and devices.

There was then a discussion of the statement of authority reserved to the Board of Directors as previously distributed to the Board, a copy of which is attached to the minutes of this meeting. Upon motion duly made, seconded and unanimously adopted, the statement was approved.

The report of the Compensation Committee respecting an Executive Incentive Compensation Plan was submitted and is attached to the minutes of this meeting. After a discussion, the resolution as recommended in that report was moved, seconded and unanimously adopted.

The Chairman then asked for comments on the proposed Wellman Dynamics Corporation 1970 Employee Stock Option Plan as distributed to the Board. General approval of the Plan was expressed, subject to the addition of a provision respecting the exercise of an option that the period of exercising an option shall not commence before one year from the time the option is granted, and the Secretary was instructed to affix to the minutes of this meeting a copy of the Wellman Dynamics Corporation 1970 Employee Stock Option Plan as submitted to the Board with such insertion. Thereupon the following resolution was moved, seconded and unanimously adopted:

ARK 00530

RESOLVED that this Board of Directors hereby adopts, subject to the approval of the stockholders of this Company, the Wellman Dynamics Corporation 1970 Employee Stock Option Plan for key salaried employees of the Company, and that the Secretary be instructed to attach a copy of the Plan as so adopted to the minutes of this meeting.

The President reported his receipt of a letter from Mr. C. F. Weaver, President of Dow Chemical Financial Corp., advising the Trustees of the Voting Trust that the target price under Section 18(b) of the Voting Trust is $5.50 per share. The Chairman stated that it would be in order to designate the Company employees who should be entitled to incentive shares under the provisions of Section 18 of the Voting Trust Agreement and that the Compensation Committee recommended that these incentive shares be distributed as follows:

President	25%	or	10,000 Shares
Vice President - Operations	12½%	or	5,000 Shares
Vice President - Sales	12½%	or	5,000 Shares
Vice President - Finance	7½%	or	3,000 Shares
Manager - Manufacturing	7½%	or	3,000 Shares
Manager - Engineering	7½%	or	3,000 Shares
Manager - Quality Assurance	7½%	or	3,000 Shares
Undesignated	20%	or	8,000 Shares

Thereupon, it was moved, seconded and unanimously:

RESOLVED that the recommendation of the Compensation Committee respecting the designation of Company designees and the allocation of incentive shares to them under the provisions of Section 18 of the Voting Trust Agreement of June 30, 1969, be adopted and that the Secretary be instructed to notify the Trustees of the Voting Trust Agreement accordingly.

Mr. Maccracken then reported upon his conversations with Mr. Marvin Johnson and Mr. Ihrig reported upon his correspondence with Mr. Cyrus Wellman, respecting the possibility of either of them joining the Board of Directors.

ARK 00531

The President directed the attention of the Board to the fact that he was the only person presently authorized to sign checks for the Company on its accounts with The Peoples National Bank and Trust Company. After a discussion, the following resolution was moved, seconded and unanimously adopted:

> RESOLVED that the funds of this Corporation on deposit in its several accounts with The Peoples National Bank and Trust Company, of Bay City, shall be subject to be withdrawn at any time upon a check, draft, note or order of this Corporation drawn against the particular account and bearing the actual or facsimile signature of either of the following:
>
> Glenn F. Ihrig - President and Treasurer
> Robert G. Brown - Vice President-Operations
>
> provided that such signatures shall correspond to the specimens thereof certified to the Bank by the Secretary or an Assistant Secretary of this Corporation, and that no checks, drafts, notes or orders drawn against said Bank shall be valid unless bearing such a signature;
>
> FURTHER RESOLVED that said Bank is hereby authorized and directed to honor and pay any checks, drafts, notes or orders so drawn, whether the same be payable to either of such persons named above or in his individual capacity or not and whether the same are deposited to the individual credit of either of them. The Secretary or an Assistant Secretary of this Corporation is hereby authorized to certify to said Bank a copy of this resolution and of the actual and facsimile signatures of the above named officers and said Bank is authorized to rely on said certificate of this resolution until notice to the contrary in writing is given to said Bank by the Secretary or an Assistant Secretary of this Corporation.

Mr. Burling submitted a man power report and a planned statement of income for the second quarter of the year, and there was a discussion on methods of reducing costs and reducing, in particular, the break-even point for the Company's operations. The officers ex-

ARK 00532

pressed the difficulties in effecting a further man power reduction and the Directors expressed the urgent need for so doing. The President assured the Board that the management would have prompt further discussions on the best means of effecting such a reduction.

The meeting then adjourned with the understanding that the next meeting of the full Board would be in Bay City on July 28, and the next Executive Committee meeting would be on May 26.

Secretary

ARK 00533

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
May 5, 1971

Pursuant to notice by the President, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the Company, Bay City, Michigan, on Wednesday, May 5, 1971, at 3:30 o'clock P. M.

The following Directors were present:

Richard Allchin
Theodore M. Englehart
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

Absent: George R. Frye
Baxter T. Fullerton
Marvin Johnson

Messrs. J. H. Burling, Vice President - Finance, and James Howarth, Manager of Operations, were also present by invitation.

The Chairman of the Board presided and the Secretary was secretary of the meeting. The minutes of the meeting of the Board of Directors held February 9, 1971, and the minutes of the Executive Committee meeting held March 2, 1971, as previously mailed to the Board of Directors, were, on motion duly made and seconded, unanimously approved without reading.

The financial statements for February and March and the Company's current cash position were considered and discussed. The

ARK 00548

President reported that a separately numbered account has been set up for the new jobs related to the Company's agreement with Rolle Manufacturing Company, Inc., most of which are in prototype and awaiting decision.

The President reported that the Buehler Corporation was asking its vendors and trade creditors to accept payment of its outstanding indebtedness to them as of March 31, 1971, by an initial payment of 10% and 18 monthly payments of 5% each, and to continue to furnish materials and supplies on the assurance that invoices for new materials and supplies will be paid within 30 days. Mr. Ihrig reported that, under such an arrangement, Buehler would recognize an outstanding indebtedness to Wellman of some $206,000 as of March 31, 1971, which, according to Wellman's books, would leave currently some $116,000 to be paid as new invoices on a 30-day basis.

Mr. Ihrig reported that net shipments in April had been about $300,000 with a projection loss of between $55,000 and $60,000. Mr. Burling submitted a new pro forma forecast on the basis of net sales of $3,600,000 for the year, which, on costs at the current basis, would show a net loss for the year in excess of $700,000. Mr. Howarth, as Manager of Operations, then presented a report and proposals for the reduction of costs by a reduction of job classifications, and a reduction of plant and maintenance operations to buildings 6, 7, 7A, 9 and 15. He and Mr. Ihrig stated that the costs of such a relocation of operations and detailed estimates of the poten-

ARK 00549

tial savings thereby had not yet been established. After a discussion the management was encouraged to proceed promptly with its study of the feasibility and savings to be achieved by the proposal. The alternative of constructing new facilities and of the use of outside consultants to review the comparative feasibility of new facilities versus reduction in size of the present plant were also discussed.

Messrs. Burling and Howarth then left the meeting, and Mr. Allchin presented the recommendations of the Compensation Committee for the distribution of the incentive shares provided for in the Voting Trust Agreement of June, 1969. After a discussion, it was moved, seconded and unanimously:

> RESOLVED that the incentive shares provided for in the Voting Trust Agreement of June 30, 1969, be distributed as follows:

President	-	14,000	shares
Vice President - Finance	-	6,000	"
Manager of Operations	-	8,000	"
Manager of Engineering	-	4,000	"
Manager of Quality Assurance	-	2,000	"
Manager of Personnel and Purchasing	-	2,000	"
Manager of Sales Development	-	4,000	"
Total		40,000	"

Mr. Wellman discussed his conversations with the Company's actuaries respecting the Company's pension plans and suggested some of the ways by which the costs of the salaried plan could be reduced. The amount of the pension being paid to Harry Allchin was discussed, and the Board concluded to make no change in it.

ARK 00550

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 00551

MINUTES OF SPECIAL MEETING OF STOCKHOLDERS
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
September 28, 1971

Pursuant to call by the Board of Directors and written notice given by the Secretary, a copy of which is appended to these minutes, a Special Meeting of the Stockholders of Wellman Dynamics Corporation was held at the office of Squire, Sanders & Dempsey, 1800 Union Commerce Building, Cleveland, Ohio, on Tuesday, September 28, 1971, at 10:00 o'clock A. M.

The meeting was called to order by the President and upon the voice vote of those present, he was unanimously chosen as Chairman of the meeting. Pursuant to the By-Laws, the Secretary of the Corporation was secretary of the meeting.

The Secretary reported that in accordance with the resolution of the Board of Directors, he had on September 17, 1971, mailed a notice of the meeting to all stockholders of record on that date. He reported the presence at the meeting in person or by proxy of the following:

Present in person:

Cyrus R. Wellman, holding 1,000 shares.

Glenn F. Ihrig and Peter H. Wellman, two of the Trustees, holding 452,828 shares under the Voting Trust Agreement of June 30, 1969.

Carl H. Schemmelman, holding Power of Attorney from C. F. Weaver, the third Trustee under the aforesaid Voting Trust Agreement.

ARK 00567

Present by proxy to Peter H. Wellman, C. F. Weaver and Glenn F. Ihrig, Trustees:

A. A. Welsh & Co.	60 shares
Mrs. Jane Richard	14 shares

The total shares represented at the meeting either in person or by proxy were, therefore, 453,902 shares out of a total of 456,896 shares issued and outstanding. An additional proxy from Harriet T. Wellman, holder of 1,000 shares, was received on the day of the meeting, but too late to be reported to the meeting.

Directors Englehart and Loeman and Assistant Secretary Howe were also present, as was Mr. Steven Schaeffer of Midland, Michigan.

The Secretary read to the meeting the resolution of the Board of Directors proposing and declaring it advisable that the Certificate of Incorporation of the Corporation be amended by amending Article Fourth thereof, and explained how this, if adopted by the shareholders, would increase the authorized number of shares and reduce the par value of the shares of the Company's Common Stock.

The President then told the meeting about the Company's opportunity and the proposed transaction with Hills-McCanna Company which had brought about the Directors' proposal. In particular, he told the stockholders about the difficulties which the Company and its industry have been facing because of the depressed condition of the aerospace industry and the reduced market for

ARK 00568

magnesium and aluminum castings, and expressed his belief that the transaction under discussion with Hills-McCanna Company would help to solve those difficulties for the Company. Stockholder Cyrus Wellman asked a number of questions, which the President answered. Thereupon, Mr. Peter Wellman moved and Mr. Schemmelman seconded the following resolution:

> RESOLVED that the Restated Certificate of Incorporation of this Corporation be amended by changing the Article thereof numbered "Fourth" so that, as amended, said Article shall be and read as follows:
>
> > "Fourth: The total number of shares of stock which the Corporation shall have the authority to issue is One Million Five Hundred and Fifty Thousand (1,550,000), of which One Million Five Hundred Thousand (1,500,000) shares, of the par value of $1.00 each, amounting in the aggregate to One Million Five Hundred Thousand Dollars ($1,500,000.00), shall be Common Stock and of which Fifty Thousand (50,000) shares, without par value, shall be Preferred Stock; and the par value of each share of Common Stock of the Corporation authorized and issued at the time of the amendment of this Article Fourth is reduced from $5.00 to $1.00."

Upon being put to voice vote, the resolution was unanimously adopted.

The President inquired if there were any further questions or proposals for any other action. There being none, the meeting was thereupon adjourned.

Secretary

ARK 00569

POWER OF ATTORNEY

I, C. F. Weaver, of Midland, Michigan, hereby appoint R. W. Barker and Carl H. Schimmelman of Midland, Michigan, my true and lawful attorneys in fact, acting jointly or severally, for me and in my name, place, and stead, and for my use and benefit:

To exercise, do, or perform any act, right, power, duty, or obligation whatsoever that I now have or may acquire the legal right, power, or capacity to exercise, do, or perform in connection with that certain Voting Trust Agreement dated February 1, 1969, by and between those holders or prospective holders of shares of the $5.00 par value common stock of Wellman Dynamics Corporation who have signed said Voting Trust Agreement (referred to therein as the "Agreeing Shareholders") and Robert C. Wellman, C. F. Weaver and Glenn F. Ihrig, as Trustees and their successors in trust (said named Trustees and their successors referred to therein as the "Trustees") and under which Voting Trust Agreement Peter H. Wellman has replaced Robert C. Wellman as Trustee and under which 452,828 shares of the $5.00 par value of common stock of Wellman Dynamics Corporation have been placed in trust with the power to vote and otherwise deal with such shares being vested in said Trustees in accordance with the terms of said Agreement.

I grant to my said attorneys in fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary, and proper to be done in the exercise of any the rights and powers herein granted, to all intents and purposes as I might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that my said attorneys in fact, or their substitute or substitutes, shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

The rights, powers, and authority of said attorneys in fact to exercise any and all of the rights and powers

herein granted shall commence and be in full force and effect on September 23, 1971, and such rights, powers, and authority shall remain in full force and effect thereafter until October 31, 1971.

Dated September 23, 1971.

C. F. Weaver

STATE OF MICHIGAN)
) ss
County of Midland)

On this 23rd day of September, 1971, before me, Shirley J. Moore, the undersigned officer, personally appeared C. F. Weaver known to me to be the person whose name is subscribed to the within Power of Attorney and acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

SHIRLEY J. MOORE
Notary Public, Midland County, Michigan
My Commission Expires December 26, 1972

CLEVELAND OHIO SEP 17 '71

U.S. POSTAGE 08 :

P.B. METER 377966

Mr. Robert A. Thomas
c/o Solar Industries, Inc.
Solon Foundry Division —— Out of Business
6370 SOM Center Road
Solon, Ohio 44139

ARK 00572

WELLMAN DYNAMICS CORPORATION

PROXY

The undersigned appoints PETER H. WELLMAN, C. F. WEAVER and GLENN F. IHRIG, and each of them, attorneys and proxies, with power of substitution in each, to vote all shares of Common Stock of WELLMAN DYNAMICS CORPORATION which the undersigned may be entitled to vote at the Special Meeting of Stockholders to be held on September 28, 1971, or any adjournment thereof, upon the matter of adopting an Amendment of the Restated Certificate of Incorporation of the Corporation to reduce the par value of the presently authorized and issued Common Stock of the Corporation and to increase the number of shares of Common Stock which the Corporation is authorized to issue and on the transaction of such other business as may properly come before the meeting or any adjournment thereof.

A. A. WELSH & CO.

By: J. R. Finney, Agent

Shareholder's Name

Date: SEP 23 1971, 1971.

No. of Shares: 60

A. A. WELSH & CO.
BOX 6147
CLEVELAND, OHIO 44101

WELLMAN DYNAMICS CORPORATION

PROXY

The undersigned appoints PETER H. WELLMAN, C. F. WEAVER and GLENN F. IHRIG, and each of them, attorneys and proxies, with power of substitution in each, to vote all shares of Common Stock of WELLMAN DYNAMICS CORPORATION which the undersigned may be entitled to vote at the Special Meeting of Stockholders to be held on September 28, 1971, or any adjournment thereof, upon the matter of adopting an Amendment of the Restated Certificate of Incorporation of the Corporation to reduce the par value of the presently authorized and issued Common Stock of the Corporation and to increase the number of shares of Common Stock which the Corporation is authorized to issue and on the transaction of such other business as may properly come before the meeting or any adjournment thereof.

Mrs Jane E. Richard
Shareholder's Name

Date: 9-21-71, 1971.

No. of Shares: _____

WELLMAN DYNAMICS CORPORATION

PROXY

The undersigned appoints PETER H. WELLMAN, C. F. WEAVER and GLENN F. IHRIG, and each of them, attorneys and proxies, with power of substitution in each, to vote all shares of Common Stock of WELLMAN DYNAMICS CORPORATION which the undersigned may be entitled to vote at the Special Meeting of Stockholders to be held on September 28, 1971, or any adjournment thereof, upon the matter of adopting an Amendment of the Restated Certificate of Incorporation of the Corporation to reduce the par value of the presently authorized and issued Common Stock of the Corporation and to increase the number of shares of Common Stock which the Corporation is authorized to issue and on the transaction of such other business as may properly come before the meeting or any adjournment thereof.

Carrie T. Wellman
Shareholder's Name

Date: 9/21, 1971.

No. of Shares: 7000

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

September 17, 1971.

TO THE STOCKHOLDERS OF
WELLMAN DYNAMICS CORPORATION:

Notice is hereby given that a Special Meeting of the Stockholders of Wellman Dynamics Corporation will be held on Tuesday, September 28, 1971, at 10:00 o'clock A.M., at the office of Squire, Sanders & Dempsey, 1800 Union Commerce Building, Cleveland, Ohio, for the purpose of considering and voting upon an Amendment of the Restated Certificate of Incorporation of the Corporation as proposed and declared advisable by the Board of Directors.

The proposed Amendment would reduce the par value of each share of Common Stock of the Corporation presently authorized and issued from $5.00 to $1.00 and would increase the total number of shares of Common Stock which the Corporation shall have the authority to issue from 600,000 Common Shares, of the par value of $5.00 each, to 1,500,000 shares, of the par value of $1.00.

The reason for the proposed Amendment is to enable the Corporation to be in a position to issue sufficient Common Shares of the Corporation to acquire the assets of another foundry presently engaged in the making of aluminum and magnesium castings. The terms of such an acquisition are presently under discussion by the management of your Corporation and it is anticipated that these terms will be reduced to writing before the Stockholders' Meeting so that they may be explained at the meeting.

All Common stockholders of record on the date of this notice will be entitled to vote at the meeting. Presently 452,828 Common Shares out of a total of 456,896 Common Shares entitled to vote are held by Peter H. Wellman, C. F. Weaver and Glenn F. Ihrig, as Trustees under the Voting Trust Agreement of June 30, 1969, and may be voted by those Trustees who have previously expressed their approval of the proposed Amendment. A form of proxy is enclosed for your use in the event you cannot be present at this meeting.

BROOKS W. MACCRACKEN
SECRETARY

WELLMAN DYNAMICS CORPORATION

PROXY

The undersigned appoints PETER H. WELLMAN, C. F. WEAVER and GLENN F. IHRIG, and each of them, attorneys and proxies, with power of substitution in each, to vote all shares of Common Stock of WELLMAN DYNAMICS CORPORATION which the undersigned may be entitled to vote at the Special Meeting of Stockholders to be held on September 28, 1971, or any adjournment thereof, upon the matter of adopting an Amendment of the Restated Certificate of Incorporation of the Corporation to reduce the par value of the presently authorized and issued Common Stock of the Corporation and to increase the number of shares of Common Stock which the Corporation is authorized to issue and on the transaction of such other business as may properly come before the meeting or any adjournment thereof.

_____
Shareholder's Name

Date: _____, 1971.

No. of Shares: _____

Prepared 7/15/71

WELLMAN DYNAMICS CORPORATION

I.

Shareholders of Record of the Corporation

Number of Shares	Name	Address
50	Carnahan, Laurel K.	4334 Plumwood Drive North Olmsted, Ohio 44070
50	Clough, Mary R.	609 Harold Street Bay City, Michigan 48706
13	Cooper, Jack	6676 Columbia Road Olmsted Falls, Ohio 44438
110	Mericka, Lauretta E.	1101 Union Commerce Bldg. Cleveland, Ohio 44115
14	Richard, Jane	28040 Center Ridge Road Westlake, Ohio 44145
13	Thomas, Howard and Anna, As Joint Tenants	23493 Clifford Drive North Olmsted, Ohio 44170
120	Thomas, Robert A.	c/o Solar Industries, Inc. Solon Foundry Div. 6370 SOM Center Road Solon, Ohio 44139
20	Voelker, Irene J.	Address Unknown
1,000	Wellman, Cyrus R.	637 West 7th Street Erie, Pa. 16502
200	Wellman, Daniel T.	c/o Mrs. Harriet T. Wellman 2200 South Ocean Blvd. Delray Beach, Fla. 33444
1,718	Wellman, Fred S. Estate of	c/o Dixon Morgan 1800 Union Commerce Bldg. Cleveland, Ohio 44115
700	Wellman, Samuel T.	1444 East 49th Street Cleveland, Ohio 44103

Number of Shares	Name	Address
60	Welsh, A. A. & Co.	c/o The Cleveland Trust Co. Cleveland, Ohio 44101 (A. W. Marten, V. P.)
452,828	Robert C. Wellman, C. F. Weaver, and Glenn F. Ihrig Trustees or Peter H. Wellman, C. F. Weaver, and Glenn F. Ihrig Trustees	
456,896		

II.

Beneficial Owners of Shares Deposited in Voting Trust

Voting Trust Certificates	Name	Address
100	Allchin, Harry	3846 Rogers Street Fort Myers, Florida 33901
1,000	Allchin, Richard	Box 13S3 Chapel Ridge Road Timonium, Maryland 21093
750	Allchin, Richard	Custodian for Carol Louise Box 13S3 Chapel Ridge Road Timonium, Maryland 21093
750	Allchin, Richard	Custodian for Nancy Joy Box 13S3 Chapel Ridge Road Timonium, Maryland 21093

ARK 00579

Voting Trust Certificates	Name	Address
750	Allchin, Richard	Custodian for Douglas Kellogg Box 13S3 Chapel Ridge Road Timonium, Maryland 21093
1,000	Allchin, Thomas	296 East 214th Street Euclid, Ohio 44122
100	Allchin, Zilpha K.	3846 Rogers Street Fort Myers, Florida 33901
50	Allport, Robert D.	182 Bay Shore Drive Bay City, Michigan 48706
1,000	Armstrong, Helen V.	Chadwick Road, Route 2 Madison, Ohio 44057
100	Bergman, Charles H.	24318 S. Oxford Oval North Olmsted, Ohio 44070
50	Brown, Robert G.	971 Cecelia Court Essexville, Michigan 48732
1,860	Bruce, Margaret E.	Wilson Mills Road Gates Mills, Ohio 44040
50	Burling, Daniel R.	385 Third Street Fruitport, Michigan 49415
200	Burling, J. Herbert	706 Frost Drive Bay City, Michigan 48706
50	Burling, John H. & Margaret E.	706 Frost Drive Bay City, Michigan 48706
50	Cerny, Martha A.	5213 Clark Avenue Cleveland, Ohio 44102
200	Cole, Beulah I.	11839 Clifton Blvd. Cleveland, Ohio 44107
1,000	Edwards, Edna A.	1196 Timberland Marion, Ohio 43302
224	Faubel, Gene L.	86 Tobico Beach Bay City, Michigan 48706
562	Ihrig, Glenn F. & Virginia G.	1862 McKinley Avenue Bay City, Michigan 48706

ARK 00580

Voting Trust Certificates	Name	Address
3,150	Ihrig, Glenn F.	1862 McKinley Avenue Bay City, Michigan 48706
100	Ihrig, Ronald S.	2614 Abbott Road Bldg. H, Apt. #8 Midland, Michigan 48640
1,000	Jones, Betty A.	91 Ridgecrest Drive Painesville, Ohio 44077
50	Melgaard, Jerry D.	4727 Cedar Lane Bay City, Michigan 48706
2,960	National City Bank of Cleveland, Trust U/I dated October 28,1952	623 Euclid Avenue Cleveland, Ohio 44101 (R. H. Jeffreys, Trust Officer)
6,000	National City Bank of Cleveland,Trustee under Will of Eva B. Wellman	623 Euclid Avenue Cleveland, Ohio 44101 (R. H. Jeffreys, Trust Officer)
100	Oster, Ann Marie	20880 Trebec Avenue Euclid, Ohio 44119
1,200	Sheldon & Co.	c/o National City Bank of Cleveland 623 Euclid Avenue Cleveland, Ohio 44101 (Lloyd Loux, V. P.)
100	Sikula, Mary J.	3135 S. W. Riverview Drive Bay City, Michigan 48706
100	Sikula, William J.	3135 S. W. Riverview Drive Bay City, Michigan 48706
593	Smith, Donald S. & Elizabeth	1379 Henning Drive Lyndhurst, Ohio 44124
120	Smith, Donald S.	1379 Henning Drive Lyndhurst, Ohio 44124
700	Kemp Stevens, Inc.	124 LaSalle Road West Hartford, Conn. 06107
100	Stevens, A. Kemp	124 LaSalle Road West Hartford, Conn. 06107

ARK 00581

Voting Trust Certificates	Name	Address
200	Stickle, David V.	2305 Wuthering Road Timonium, Maryland 21093
1,500	Stickle, Helen W.	2305 Wuthering Road Timonium, Maryland 21093
1,200	Taplin, B. H.	2000 Union Commerce Bldg. Cleveland, Ohio 44115
1,200	Taplin, C. F. Estate of	2000 Union Commerce Bldg. Cleveland, Ohio 44115
163	Weimer, Josephine S.	310 Virginia Drive Essexville, Michigan 48732
1,000	Wellman, Daniel T.Jr.	661 N. E. Harbor Drive Boca Raton, Florida 33432
1,000	Wellman, Harriet T.	2200 South Ocean Blvd. Delray Beach, Fla. 33444
6,980	Wellman, Holley G.	c/o The Cleveland Trust Company Euclid & East 9th Street Cleveland, Ohio 44101 (Bernard L. Price, Assistant Trust Officer)
619	Wellman, John M.	2222 Q Street, N.W., Apt. #3 Washington, D. C. 20008
1,000	Wellman, Michael B.	2200 South Ocean Blvd. Delray Beach, Fla. 33444
2,115	Wellman, Peter H.	13333 Glen Hill Road Chesterland, Ohio 44026
6,966	Wellman, Robert C.	c/o Mrs. Robert C. Wellman 9043 Robinson Road Chardon, Ohio 44024
393,190	Dow Chemical Financial Corp.	P. O. Box 1684 Midland, Michigan 48640
9,576	Welsh, A. A. & Co.	c/o The Cleveland Trust Co. Cleveland, Ohio 44101 (A. W. Marten, V. P.)
452,828		

ARK 00582

AGREEMENT

THIS AGREEMENT is made and entered into as of September 30, 1971, by and between WELLMAN DYNAMICS CORPORATION, a Delaware corporation with its principal business offices at 801 Andre Street, Bay City, Michigan 48706 (hereinafter referred to as "Wellman"), and DOW CHEMICAL FINANCIAL CORP., a Delaware corporation with business offices at 2030 Dow Center, Midland, Michigan 48640 (hereinafter referred to as "DCFC").

Preliminary Recital

Wellman and Hills-McCanna Company, a Delaware corporation with its principal office at Carpentersville, Illinois (hereinafter referred to as "Hills") desire that Wellman shall acquire the properties, assets and business of the McCannalloy Division of Hills, located at Creston, Iowa (the "Division") in consideration of and exchange for the issuance to Hills of a number of shares of Common Stock (par value $1 per share) of Wellman and the assumption of certain of the liabilities and obligations of the Division by Wellman all as provided for in an agreement for sale of such assets dated as of September 28, 1971 between Hills and Wellman (the "Acquisition Agreement"). DCFC is a shareholder of Wellman presently owning 393,190 shares of the Common Stock of Wellman (par value $1 per share). DCFC wishes to take certain steps to aid the accomplishment of the proposed transaction.

Under an agreement dated as of February 1, 1969 by and between Wellman, DCFC, Glenn F. Ihrig, Richard Allchin, and R. C. Wellman (the latter three individuals collectively referred therein as "Signatory Shareholders"), certain financial transactions between The Dow Chemical Company (the parent of DCFC) hereinafter referred to as "Dow" and Wellman were restructured such that certain indebtedness owed by Wellman to Dow was converted into the stock ownership of DCFC referred to above and a promissory note (the "Note") executed by Wellman in favor of DCFC dated February 1, 1969 in the principal amount of Five Hundred Thousand Dollars ($500,000). Payment of said Note was secured by a Security Agreement covering Wellman's inventory, accounts receivable, machinery and equipment. DCFC and Wellman also executed a Lease Agreement effective as of the closing date under said February 1, 1969 agreement providing for the lease by DCFC to Wellman of the real property on which Wellman's foundry operations and business in Bay City, Michigan were then presently administered and conducted and an option to purchase the same. Furthermore, DCFC and the Signatory Shareholders agreed under said February 1, 1969 agreement to execute a Voting Trust Agreement providing for three trustees to vote the stock by majority rule, the sale of stock on certain terms and conditions, and the issuance of voting trust certificates in return for the stock deposited with the trustees. Said Voting Trust Agreement has been executed by DCFC and several Agreeing Shareholders. Under said February 1, 1969 agreement Wellman is obligated to pay all expenses associated with the administration of said voting trust.

ARK 00603

In order to assist Wellman and Hills in accomplishing the above described acquisition of assets, DCFC will enter into certain agreements which accomplish certain modifications, amendments, and terminations of agreements contemplated by said February 1, 1969 agreement between Wellman, DCFC and the Signatory Shareholders.

Article I - Termination of Lease

DCFC and Wellman hereby agree that the Lease Agreement referred to above (hereinafter called the "Lease") shall terminate effective at 5:00 P.M. on January 7, 1972. This agreement to terminate said Lease by DCFC is contingent upon Wellman agreeing, and Wellman does hereby agree, that all property belonging to Wellman and remaining on the premises shall become the property of DCFC or Dow, at DCFC's option, and that all unpaid rents under the Lease shall be applied as part of the consideration for the acquisition of said Wellman property left on the premises. DCFC, for itself and Dow, further agrees that all personal property of DCFC or Dow which Wellman desires to retain for its business operations and which can be removed without damaging the buildings or other premises may be removed by Wellman upon the vacation of the premises and shall thereupon become the property of Wellman. Property of DCFC or Dow removed by Wellman shall be part of the consideration for the Wellman property left on the premises. DCFC and Wellman shall execute all additional documents necessary to accomplish the termination of the Lease as of the date referred to above including

ARK 00604

the recordation of appropriate cancellation instruments in the public records of Bay County, Michigan. This agreement on the part of DCFC to terminate the Lease shall become effective immediately upon completion of the closing on the Closing Date of Wellman's acquisition of the Hills assets as set forth in the Acquisition Agreement.

Article II - Contribution of Promissory Note to Capital of Wellman

The February 1, 1969 Note referred to above, whose present principal balance is Three Hundred Sixteen Thousand Three Hundred Forty-One and 31/100 Dollars ($316,341.31), will be contributed to the capital surplus of Wellman immediately upon completion of the closing on the Closing Date of Wellman's acquisition of the Hills' assets as set forth in the Acquisition Agreement. In consideration for this contribution to capital, Wellman hereby agrees to execute the Investment Representation and Registration Agreement dated of even date herewith and providing, inter alia, that all shares of stock of Wellman, including those held or to be held by DCFC or whose beneficial ownership thereof is held by DCFC under the Voting Trust Agreement and those shares to be held by Hills, may be registered under the Securities Act of 1933 and other securities laws.

Article III - Cancellation of Security Agreement and Termination of Financing Statements

The Security Agreement dated February 1, 1969 between Wellman and DCFC will be cancelled by both parties thereto immediately upon completion of the closing on the Closing Date of Wellman's acquisition of the Hills assets as set forth in the Acquisition Agreement.

ARK 00605

Article IV - Additional Documents

Both Wellman and DCFC agree to execute any and all additional documents necessary to accomplish the performance of the obligations undertaken by the parties hereunder or more fully vest title to the various assets transferred hereby.

Article V - Successors in Interest

This agreement shall bind the successors and assigns of the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date first above written.

DOW CHEMICAL FINANCIAL CORP.

By Carl D. Schmidt
Vice President

WELLMAN DYNAMICS CORPORATION

By Glenn F. Ihrig

ARK 00606

STATE OF OHIO)
) ss
County of Cuyahoga)

The foregoing instrument was acknowledged before me this 1st day of October, 1971, by Carl H. Schimmelman, Vice President of Dow Chemical Financial Corp., a Delaware corporation, on behalf of the corporation.

Notary Public

STATE OF OHIO)
) ss
County of Cuyahoga)

The foregoing instrument was acknowledged before me this 1st day of October, 1971, by Glenn F. Ihrig, President of Wellman Dynamics Corporation, a Delaware corporation, on behalf of the corporation.

Notary Public

ARK 00607

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

CERTIFICATE OF RESOLUTIONS

I, BROOKS W. MACCRACKEN, Secretary of WELLMAN DYNAMICS CORPORATION, a Delaware corporation, do hereby certify that at a meeting of the Board of Directors of said Corporation duly held on September 28, 1971, at which all of the Directors were present and voting, the following resolutions were unanimously adopted and are still in full force and effect:

> RESOLVED that the By-Laws of this Corporation be, and they are hereby, amended, effective when the Agreement between this Corporation and Hills-McCanna Company for the issuance of shares of Common Stock of this Corporation authorized by other resolutions of this Board of Directors is executed, by changing the first sentence of Section 2 of ARTICLE III thereof to read:
>
> > "The number of Directors of the Corporation shall be five until changed by resolution of the stockholders at the Annual Meeting or any Special Meeting called for that purpose or until otherwise changed by amendment of these By-Laws."
>
> FURTHER RESOLVED that the resignations of Richard Allchin as Director and Chairman of the Board of Directors of this Corporation and of Walter C. Loeman, Brooks W. Maccracken and Peter H. Wellman as Directors of this Corporation as the same have been submitted to this Board of Directors, are hereby accepted and that the vacancies on this Board of Directors created by those resignations be filled until the next Annual Meeting of the Stockholders of this Corporation and

ARK 00624

until their successors are elected and qualified by the election to this Board of the following:

C. F. Weaver
Eugene C. Swift
C. A. Howe

IN WITNESS WHEREOF, I have subscribed my name and affixed the corporate seal of WELLMAN DYNAMICS CORPORATION as its Secretary, at Cleveland, Ohio, this 1/ day of October, 1971.

Secretary

ARK 00625

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

I, GLENN F. IHRIG, President of Wellman Dynamics Corporation, a party to the Agreement executed by it as of September 28, 1971, with Hills-McCanna Company for the sale of assets of the latter company's McCannalloy Division to Wellman Dynamics Corporation, do hereby certify that the representations and warranties of Wellman Dynamics Corporation contained in Article 2 of that Agreement are, to the best of my knowledge and belief, true and correct in all material respects as of this date, and I have made every effort in good faith to inform myself fully as to the truth and correctness of those representations and warranties and know of no fact which should cause me to question the truth and correctness of any of them.

IN WITNESS WHEREOF, I have subscribed my name to this certificate at Cleveland, Ohio, this 1st. day of October, 1971.

Glenn F. Ihrig
President

ASSUMPTION OF LIABILITIES

THIS AGREEMENT OF ASSUMPTION made this 1st day of October, 1971, by WELLMAN DYNAMICS CORPORATION, a Delaware corporation ("Wellman") to HILLS-McCANNA COMPANY, a Delaware corporation ("Hills").

WITNESSETH:

WHEREAS, pursuant to the Agreement for Sale of Assets dated September 28, 1971 between Wellman and Hills (the "Agreement"), Hills has conveyed, and agreed to convey, the properties, assets and business of the McCannalloy Division of Hills located at Creston, Iowa (the "Division"); and

WHEREAS, pursuant to the Agreement, Hills has agreed to transfer such properties, assets and business to Wellman in exchange for the issuance to Hills of the number of shares of Common Stock (par value $1 per share) of Wellman as provided in the Agreement and the assumption of certain of the liabilities and obligations of the Division as set forth in the Agreement and as provided herein.

NOW, THEREFORE in consideration of the foregoing premises and the transfer of the aforesaid properties, assets and business of the Division by Hills to Wellman, Wellman hereby assumes and agrees to pay, perform and discharge in due course the obligations, contracts and liabilities of Hills set forth on Exhibit 1, attached hereto, and incurred in connection with the business of the Division to the date hereof; provided, however, that Wellman shall not assume any liabilities of Hills respecting the following:

(1) Obligations of Hills to perform under the Agreement;

(2) Obligations or liabilities of Hills for expenses and fees incident to the preparation of the Agreement or the consummation of the transactions contemplated hereby, except to the extent set forth on Exhibit 1;

(3) Liabilities for any federal, state or local taxes, fees or charges which may be asserted in connection with the acquisition of the assets and business of the Division pursuant to the Agreement;

(4) Liabilities of Hills under actions, suits or proceedings now pending except that Wellman shall assume actions, suits or proceedings expressly set forth on Exhibit 1.

IN WITNESS WHEREOF, Wellman has caused this Assumption Agreement to be executed in its name and on its behalf by its officers duly authorized and its corporate seal to be hereunto affixed as of the day first above written.

Wellman Dynamics Corporation

By Glenn F. Ihrig
Glenn F. Ihrig, President

Attest: Brooks W. Maccracken
Brooks W. Maccracken, Secretary

EXHIBIT 1

A. Wellman shall assume:

1. The current liabilities of Hills relating to the business of the Division as shown on the Balance Sheet of the Division as of August 31, 1971, to the extent such current liabilities remain unpaid or unsettled as of the date hereof.

2. Current liabilities of Hills relating to the business of the Division incurred after August 31, 1971, in the ordinary course of business and recorded on the books of the Division as of the date hereof.

B. In addition, the following specific obligations, contracts and liabilities of Hills will be assumed by Wellman:

(1) LEASES:

1. Equitable Life Insurance Company of Iowa, dated September 1, 1967, which is assignable only to affiliates of lessee without lessor's consent, and which contains financial covenants in Article XX which may be breached now and as a result of the assignment, but which lease Pennwalt Corporation has agreed to guarantee to Wellman.

2. L. O. Boggs Company dated July 1, 1967.

3. Thermogas Company, Inc. dated August 27, 1969.

4. Thermogas, Inc. dated October 27, 1969.

5. Chicago Burlington and Quincy Railroad, dated October 15, 1964.

(2) ROYALTY AGREEMENTS:

1. Magnesium Elektron Limited, Lumn's Lane, Clifton Junction, near Manchester, England relating to patents No. 2,604,396 dated November 19, 1954, No. 2,750,288 dated November 29, 1956, No. 2,549,955 dated August 14, 1961 and No. 3,039,868 dated January 1, 1969 (to the extent not expired).

(3) RIGHTS OF SHAREHOLDERS OR FORMER OFFICERS OR EMPLOYEES:

Not applicable.

(4) AGREEMENTS, POLICIES, ETC.:

1. Agreement with Local 17, I.M.&A.U. dated September 20, 1971.

2. Agreement with Hatcher Excavating dated 1964, as amended.

3. Consignment of 12,551 lbs. of QE-22 metal from Magnesium Electron, Inc.

4. Commission agreement with William Nolan.

5. Life, Health, Accident and Sickness for the hourly employees with Traveller's Insurance Company.

(5) ARRANGEMENTS NOT CANCELLABLE BY HILLS-McCANNA ON NOTICE OF NOT MORE THAN 30 DAYS:

Not applicable.

(6) ARRANGEMENTS FOR PAYMENTS OF PENSIONS AND OTHER BENEFITS BY REASON OF FORMER EMPLOYMENT:

Not applicable.

(7) CONSTRUCTION ITEMS, ETC.:

1. None.

(8) OTHER PURCHASE ARRANGEMENTS:

1. Magnesium Elektron, Inc.

(a) Consignment inventories:

12,441 lbs. of QE-22 metal.

2. Thermogas, Inc., LP gas. agreement dated August 27, 1969.

(9) UNFILLED PURCHASE COMMITMENTS FOR QUANTITIES MATERIALLY IN EXCESS OF CURRENT REQUIREMENTS, OR AT PRICES IN EXCESS OF CURRENT MARKET:

1. None.

(10) AGREEMENTS, COMMITMENTS OR OBLIGATIONS TO REPURCHASE, REWORK REPLACE, OR ACCEPT RETURNS OF ITEMS PREVIOUSLY SOLD:

1. Terms and conditions of sale.

2. Rework orders per attached schedule.

(11) MORTGAGES, ETC.:

1. None.

(12) PENDING OR THREATENED ACTIONS OR SUITS:

1. Workmen's Compensation Claims.

2. $1,200 claim by Magnesium Elektron, Inc.

3. $46,922 claim by General Electric.

4. Any severance pay for salaried employees of Hills.

5. Legal fees incurred by Hills in connection with the Agreement.

6. Liability (approximately $6,450) of Hills to relocate fence.

7. Dispute by AVCO Corp., Lycoming division, over $22,600 account receivable.

D 51

196,478

Wellman Dynamics Corporation

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

SEE REVERSE FOR CERTAIN DEFINITIONS

This is to Certify that HILLS-McCANNA COMPANY is the holder of

One Hundred Ninety-Six Thousand Four Hundred Seventy-Eight

One Dollar ($1.00)

SHARES OF COMMON STOCK OF THE PAR VALUE OF ~~FIVE DOLLARS ($5.00)~~ EACH OF

Wellman Dynamics Corporation

fully paid and non-assessable and transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed.

This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, pursuant to which the Corporation was organized, to all of which and to all future amendments to said Certificate of Incorporation made as provided by law, by acceptance hereof the holder of this Certificate assents and agrees to be bound.

WITNESS the seal of the Corporation and the signatures of its duly authorized officers.

Dated October 1, 1971.

Secretary

President

ARK 00632

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	— as tenants in common	UNIF GIFT MIN ACT — .....Custodian..... (Cust) (Minor) under Uniform Gifts to Minors Act..... (State)
TEN ENT	— as tenants by the entireties	
JT TEN	— As joint tenants with right of survivorship and not as tenants in common	

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ HEREBY SELL, ASSIGN AND TRANSFER UNTO

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

_____

_____

_____ OF THE SHARES REPRESENTED BY THE WITHIN CERTIFICATE AND DO HEREBY IRREVOCABLY CONSTITUTE

AND APPOINT _____ ATTORNEY TO TRANSFER THE SAID SHARES ON THE BOOKS OF THE WITHIN NAMED CORPORATION, WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED _____ 19____

_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

ASSIGNMENTS OF PATENTS

KNOW ALL MEN BY THESE PRESENTS, that Hills-McCanna Company, a Delaware corporation ("Assignor"), for good and valuable consideration paid to it by Wellman Dynamics Corporation, a Delaware corporation ("Assignee"), the receipt of which is hereby acknowledged, does hereby assign and transfer to Assignee all of Assignor's rights, title and interest in and to the United States and foreign patents which are listed on the attached Schedule.

IN WITNESS WHEREOF, this Agreement Instrument has been executed this 1st day of October, 1971.

Attest: HILLS-McCANNA COMPANY

By _____
Chairman

PATENTS AND REGISTERED TRADEMARKS PERTAINING TO McCANNALLOY

U.S. Patents:

2,812,562 - issued 11-12-57 - Method of Casting Metallic Articles

2,895,191 - issued 7-21-59 - Method of Precision Coring in the Casting of Metallic Articles

Foreign Patents:

Country	Patent No.	Granted	Title	Expires
Canada	564,743	10-14-58	Method of Casting Metallic Articles	10-14-75
Great Britain	*778,005	4-23-57	" " "	1-10-75
France	*1,138,291	1-28-57	" " "	6-6-75
Italy	538,830	1-31-56	" " "	6-16-70
Sweden	*162,937	2-13-58	" " "	
Canada	575,383	5-5-59	" " "	5-5-76
Canada	564,767	10-14-58	Method of Precision Coring in the Casting of Metallic Articles	10-14-75
Great Britain	*782,553	6-28-57	" " "	10-18-71
France	*1,139,922	2-25-57	" " "	2-25-77
Germany	*1,132,295	6-28-62	" " "	6-28-80
Italy	561,108	6-8-57	" " "	11-3-70

*Tax payments dropped January, 1971

Country	Trademark	Reg. No.	Date
U.S.	HILLS-McCANNACORE	621,642	2-21-56
U.S.	HILLS-McCANNACORE	622,544	3-6-56
Japan	McCANNACORE	800,647	12-13-68 (Class 9)
Japan	McCANNACORE	788,955	8-6-68 (Class 12)
Germany	McCANNACORE	699,454	1-25-57
Great Britain	McCANNACORE	753,580	5-8-56
Italy	McCANNACORE	60,600	1-12-60
France	McCANNACORE	65,396	5-3-56
Canada	McCANNACORE	107,860	8-30-57
U.S.	McCANNALLOY	861,875	12-17-68

ASSIGNMENT OF TRADEMARKS

KNOW ALL MEN BY THESE PRESENTS, that Hills-McCanna Company, a Delaware corporation ("Assignor"), for good and valuable consideration paid to it by Wellman Dynamics Corporation, a Delaware corporation ("Assignee"), receipt of which is hereby acknowledged, does hereby assign and transfer to Assignee all of Assignor's rights, title and interest in and to the United States and foreign trademarks which are listed on the attached Schedule.

IN WITNESS WHEREOF, this Assignment Instrument has been executed this 1st day of October, 1971.

Attest:

HILLS-McCANNA COMPANY

By

PATENTS AND REGISTERED TRADEMARKS PERTAINING TO McCANNALLOY

U.S. Patents:

2,812,562 - issued 11-12-57 - Method of Casting Metallic Articles

2,895,191 - issued 7-21-59 - Method of Precision Coring in the Casting of Metallic Articles

Foreign Patents:

Country	Patent No.	Granted	Title	Expires
Canada	564,743	10-14-58	Method of Casting Metallic Articles	10-14-75
Great Britain	*778,005	4-23-57	" " "	1-10-75
France	*1,138,291	1-28-57	" " "	6-6-75
Italy	538,830	1-31-56	" " "	6-16-70
Sweden	*162,937	2-13-58	" " "	
Canada	575,383	5-5-59	" " "	5-5-76
Canada	564,767	10-14-58	Method of Precision Coring in the Casting of Metallic Articles	10-14-75
Great Britain	*782,553	6-28-57	" " "	10-18-71
France	*1,139,922	2-25-57	" " "	2-25-77
Germany	*1,132,295	6-28-62	" " "	6-28-80
Italy	561,108	6-8-57	" " "	11-3-70

*Tax payments dropped January, 1971

Country	Trademark	Reg. No.	Date
U.S.	HILLS-McCANNACORE	621,642	2-21-56
U.S.	HILLS-McCANNACORE	622,544	3-6-56
Japan	McCANNACORE	800,647	12-13-68 (Class 9)
Japan	McCANNACORE	788,955	8-6-68 (Class 12)
Germany	McCANNACORE	699,454	1-25-57
Great Britain	McCANNACORE	753,580	5-8-56
Italy	McCANNACORE	60,600	1-12-60
France	McCANNACORE	65,396	5-3-56
Canada	McCANNACORE	107,860	8-30-57
U.S.	McCANNALLOY	861,875	12-17-68

ASSIGNMENT OF LEASE

HILLS-McCANNA COMPANY, a Delaware corporation (the "Assignor"), for good and valuable consideration to it paid by WELLMAN DYNAMICS CORPORATION, a Delaware corporation (the "Assignee"), hereby assigns and transfers to its affiliate the Assignee, all the right, title and interest of Assignor in and to the lease dated September 1, 1967 between Equitable Life Insurance Company of Iowa, as successor lessor, and HILLS-McCANNA COMPANY, as successor lessee (the "Lease") relating to the lease of property located in Union County, Iowa, more fully described in the Lease, a Memorandum of said Lease having been recorded September 1, 1967 in Book 302, Page 413, in the Office of the Recorder of Union County, Iowa, and Assignee hereby agrees to perform all of Assignor's obligations under the Lease, all pursuant to and subject to the terms and conditions of the Agreement for Sale of Assets dated September 28, 1971 between HILLS-McCANNA COMPANY and WELLMAN DYNAMICS CORPORATION, and Assignee hereby expressly assumes and agrees to perform in full all of Assignor's obligations under the Lease, except that anything in the Lease or this assignment notwithstanding, Assignee does not assume the obligations of Assignor contained in Article XX of the Lease.

Furthermore, Assignor and Pennwalt Corporation, a Pennsylvania corporation, for good and valuable consideration, receipt of which is hereby acknowledged, hereby unconditionally guarantee to the lessor under the Lease the performance by Assignee of all terms, covenants and conditions to be performed by the lesee under

request by Assignee to extend the Lease under Article XVIII of the Lease or to exercise the lessee's purchase rights under Article XIX of the Lease, Assignor and Pennwalt Corporation will comply with said requests.

IN WITNESS WHEREOF, the undersigned have executed this Assignment as of the 1st day of October, 1971.

HILLS-McCANNA COMPANY

ATTEST:

_____ By _____ Chairman

WELLMAN DYNAMICS CORPORATION

ATTEST:

_____ By Glenn F. Thrio - President

PENNWALT CORPORATION

ATTEST:

_____ By Eugene C. Swift
Group Vice President

ASSIGNMENT OF LEASES

KNOW ALL MEN BY THESE PRESENTS, that Hills-McCanna Company, a Delaware corporation ("Assignor"), for good and valuable consideration paid to it by Wellman Dynamics Corporation, a Delaware corporation ("Assignee"), the receipt of which is hereby acknowledged, does hereby assign and transfer to Assignee all of Assignor's right, title and interest in and to the following described leases and lease agreements:

> Lease between L. O. Boggs Company, as Lessor, and Assignor, as Lessee, dated July 1, 1967, relating to premises located at 201 South Birch Street, Creston, Iowa;
>
> Lease between Thermogas, Inc., as Lessor, and Assignor, as Lessee, dated August 27, 1969, relating to premises located at Highway 34 East, Creston, Iowa;
>
> Lease of Personal Property between Thermogas, Inc., as Lessor, and Assignor, as Lessee, dated October 27, 1969, for personal property located at Highway 34 East, Creston, Iowa, as described in Exhibit "A" to said lease;
>
> Lease #196.202 between Chicago, Burlington and Quincy Railroad Company, as Lessor, and Assignor, as Lessee, dated October 15, 1964, relating to premises located at Creston, Iowa;

and Assignee hereby agrees to perform all of Assignor's obligations thereunder, pursuant to and subject to the terms and conditions of the Agreement for Sale of Assets dated September 28, 1971, between Hills-McCanna Company and Wellman Dynamics Corporation.

ASSIGNEE TO HAVE AND TO HOLD all rights and interest respecting such leases as above assigned for its own use without

limitation as fully and entirely as the same would have been held and enjoyed by Assignor had this Assignment and transfer not been made.

IN WITNESS WHEREOF, this Assignment instrument has been executed this 1st day of October, 1971.

Attest: HILLS-McCANNA COMPANY

By _____ By _____

Attest: WELLMAN DYNAMICS CORPORATION

By _____ By _____

B-1

ASSIGNMENT OF CONTRACTS

KNOW ALL MEN BY THESE PRESENTS, that Hills-McCanna Company, a Delaware corporation ("Assignor"), for good and valuable consideration paid to it by Wellman Dynamics Corporation, a Delaware corporation ("Assignee"), the receipt of which is hereby acknowledged, does hereby assign and transfer to Assignee all of Assignor's rights, obligations and liabilities in and to the following described contracts:

> Contract between Fred Hatcher Excavating and Assignor dated 1964, relating to the delivery of non-contaminated sand to the Creston, Iowa plant of Assignor from a railroad siding in or close to Creston, Iowa;
>
> Contract between Thermogas, Inc. and Assignor dated August 27, 1969, relating to the purchase of LP-gas by Assignor from Thermogas;

and Assignee hereby agrees to perform all of Assignor's obligations thereunder, all pursuant to and subject to the terms and conditions of the Agreement for Sale of Assets by Hills-McCanna Company and Wellman Dynamics Corporation dated September 28, 1971.

IN WITNESS WHEREOF, this Assignment Instrument has been executed this 1st day of October, 1971.

Attest: HILLS-McCANNA COMPANY

By Arthur E. Chairman

Attest: WELLMAN DYNAMICS CORPORATION

By Glenn F. Heis - President

ASSIGNMENT OF CONTRACT

Hills-McCanna Company, a Delaware corporation ("Assignor"), for good and valuable consideration paid to it by Wellman Dynamics Corporation, a Delaware corporation ("Assignee"), the receipt of which is hereby acknowledged, does hereby assign and transfer to Assignee all of Assignor's rights, obligations and liabilities in and to the following described contract:

> International Molders and Allied Workers Union Local No. 17 AFL-CIO-CLC and Assignor dated September 20, 1971.

and Assignee hereby agrees to perform all of Assignor's obligations thereunder, all pursuant to and subject to the terms and conditions of the Agreement for Sale of Assets between Hills-McCanna Company and Wellman Dynamics Corporation dated September 28, 1971.

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed this 1st day of October, 1971.

Attest: HILLS-McCANNA COMPANY

By Chairman

Attest: WELLMAN DYNAMICS CORPORATION

By President

CLOSING MEMORANDUM

HILLS-McCANNA COMPANY

Acquisition of Assets of McCannalloy Division (the "Division") of Hills-McCanna Company ("Hills") by Wellman Dynamics Corporation ("Wellman"), held at offices of Squire, Sanders & Dempsey, 1800 Union Commerce Building, Cleveland, Ohio 44115 at 9:00 A.M. (E.D.T.) October 1, 1971, pursuant to Agreement for Sale of Assets dated September 28, 1971.

A. Action Taken Prior to Closing

*1. Wellman Board of Directors approved transaction in principle on August 31, 1971.

*2. Board of Directors approved transaction and authorized execution of Agreement:

a) By Hills on September 29, 1971.

b) By Pennwalt on September 1, 1971.

*3. Stockholders of Wellman increased authorized number of common shares and reduced par value of common shares at meeting held on September 28, 1971.

*4. Wellman's Certificate of Amendment of Certificate of Incorporation and Certificate of Reduction of Capital filed with Delaware Secretary of State September 30, 1971.

*5. Wellman Board of Directors authorized execution of Agreement and amended by-laws to change the number of directors at meeting held on September 28, 1971.

6. Hills and Wellman executed and delivered Agreement for Sale of Assets as of September 28, 1971.

7. Dow Chemical Financial Corporation and Wellman executed Dow Agreement as of September 30, 1971.

8. Letters dated September 27 and 28, 1971 of Trustees under Voting Trust Agreement delivered to Hills on October 1, 1971.

*9. Wellman qualified to do business in Iowa.

B. Action Taken at Closing

1. Bill of Sale and General Assignment from Hills to Wellman dated October 1, 1971.

2. Assignments from Hills to Wellman:

a) Patents.

b) Trademarks.

c) Patent Licenses.

3. Assignments of Leases from Hills to Wellman:

a) Creston Lease which includes guarantee of Pennwalt Corporation (Exhibit C to Agreement).

b) Other Leases.

4. Assignment of Miscellaneous Contracts by Hills to Wellman, and Assumption by Wellman.

5. Assignment and Assumption of Creston Labor Contract.

6. Opinion of Dechert Price & Rhoads pursuant to §8.03 of Agreement.

7. Certified resolutions adopted by Pennwalt Board on September 1, 1971.

8. Certified resolutions adopted by Hills Board on September 29, 1971.

9. Certificate of Chairman of Hills pursuant to §8.05 of Agreement.

C. Documents Delivered by Wellman at Closing

1. Assumption Agreement of Wellman of certain liabilities of Hills (Exhibit B to Agreement).

2. Stock certificate representing 196,478 shares of the Common Stock of Wellman registered in the name of Hills.

3. Stock certificate representing 171,873 shares of the Common Stock of Wellman registered in the name of Philadelphia National Bank, as escrow agent.

4. Opinion of Squire, Sanders & Dempsey pursuant to §7.02 of Agreement.

5. Certified resolutions adopted by Board of Wellman on September 28, 1971:

a) Amendment of By-laws and Resignation and Election of directors.

b) Authority to execute Agreement.

6. Certificate of President of Wellman pursuant to §7.05 of Agreement.

D. Other Action Taken at Closing

1. Agreements dated September 30, 1971 respecting registration and disposition of Common Stock of Wellman:

a) By Hills and Wellman.

b) By Dow Chemical Financial Corp. and Wellman.

2. Offer letters by Mr. Ihrig relating to purchase of 50,000 shares of Wellman.

a) To Hills.

b) To DCFC.

3. Offer letters by Mr. Howarth relating to purchase of 10,000 shares of Wellman.

a) To Hills.

b) To DCFC.

E. Action to be Taken After Closing

1. Deliver Bill of Sale for Machinery dated January , 1971.
2. Release stock of Wellman from escrow.

* No Closing Document.

D-3[illegible]

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

October 2, 1971.

Mr. Eugene C. Swift
Group Vice President
Pennwalt Corporation
Pennwalt Building
No. 3 Parkway
Philadelphia, Pa. 19102

Dear Mr. Swift:

Glenn Ihrig has shown to me a copy of his letter to you dated October 1, 1971, with respect to his willingness to agree to purchase from Hills-McCanna 30,000 shares of Wellman stock now owned by Hills-McCanna.

As his fellow executive, I too wish to express my confidence in the future of Wellman Dynamics Corporation and to demonstrate that confidence by expressing in this letter my willingness to agree to purchase 5,000 of the 30,000 shares his letter refers to, at the same time and on the same terms as he will agree to purchase the remaining 25,000 of those shares.

Likewise I assure you that I will be making this purchase for investment only and I will agree, so long as I have voting and dividend rights, to any reasonable restrictions which you will think necessary or appropriate in the Agreement to protect Hills-McCanna in that regard, and I assume that the same restrictions will apply to me as to him.

Sincerely,

James Howarth

James Howarth

The foregoing is acceptable to Hills-McCanna, subject to a written Agreement to be approved by our counsel and yourself when the Wellman audit for 1971 has been received and if losses are shown as stated by Glenn F. Ihrig.

Eugene C. Swift
Group Vice President

MINUTES OF ANNUAL MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Creston, Iowa
April 25, 1972

Pursuant to the By-Laws of the Corporation, the Annual Meeting of the Board of Directors of Wellman Dynamics Corporation was held at The First National Bank in Creston, Creston, Iowa, at 10:15 o'clock A.M., immediately following the conclusion of the Annual Stockholders' Meeting.

The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

The President presided and the Secretary was secretary of the meeting. Messrs. Peter H. Wellman and C. F. Weaver, Trustees, J. Herbert Burling, Vice President - Finance, James Howarth, Vice President - Operations, and Brooks W. Maccracken, Secretary, were also present.

Upon motion duly made, seconded and unanimously adopted, all of the officers of the Company were re-elected, to wit:

Glenn F. Ihrig	-	President and Treasurer
J. Herbert Burling	-	Vice President - Finance and Assistant Secretary
James Howarth	-	Vice President-Operations
Brooks W. Maccracken	-	Secretary
Richard K. Howe	-	Assistant Secretary

ARK 00701

Theodore M. Englehart - Members of the Executive
and Eugene C. Swift Compensation Committee

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 00702

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
December 15, 1972

Pursuant to the call of the President and notice duly given a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the law firm of Bradshaw, Fowler, Proctor & Fairgrave at Des Moines, Iowa, on Friday, December 15, 1972, at 10:30 a.m.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following directors were present:

Theodore M. Englehart

Charles A. Howe

Glenn F. Ihrig

Eugene C. Swift

James M. Williams

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary Pro-tem of the corporation.

The minutes of the last meeting held on November 17, 1972, having been previously mailed to the directors, were approved as mailed.

Consideration of use of Private Mail Service. The Board discussed the problems that the company has been having with obtaining prompt service by the U. S. mail service. It was concluded that there may be private mail services that could be of benefit to the company and Mr. Ihrig volunteered to look into this matter further.

Lindberg Furnaces. Mr. Ihrig summarized the current status of this matter. Originally, the company ordered a total of twelve melting and molding furnaces from Lindberg. Of these twelve furnaces, eight were the stationary, electronic resistance type and four were special furnaces. The company has paid for and had installed two of the eight regular furnaces and two of the special furnaces. The company has been receiving invoices from Lindberg for storage and interest charges in connection with the remaining furnaces. These furnaces have been stored in Des Moines.

Mr. Ihrig discussed the company's ability to use the remaining two special furnaces, whose cost would be $15,214.00, and recommended that the company purchase the same. This matter was discussed and Mr. Ihrig's recommendation was unanimously accepted by the Board and he was authorized to complete the purchase of these two furnaces.

Mr. Ihrig reported that of the remaining six regular furnaces, the company has been able to work out arrangements whereby it appears that one of these furnaces can be sold to another

manufacturer. With respect to the remaining five furnaces, whose cost totals approximately $34,000, Mr. Ihrig was authorized by the Board to negotiate with Lindberg to take the furnaces back by paying Lindberg a restocking charge. Mr. Ihrig was further authorized that in the event such negotiations with Lindberg were not successful, to pursue further avenues to sell these furnaces to other manufacturers.

Workmen's Compensation Assessment by INA. Mr. Ihrig reported that the company had recently received a substantial additional assessment, approximating some $70,000, from INA, the company's workmen's compensation insurer. There was a considerable discussion of this matter and the Board decided that this matter should be reviewed further with the company's lawyers in Flint, Michigan before any payments are made.

Report of the President. Mr. Ihrig reported that during November the company established the first month of profitable operation since the company has moved to Creston. Mr. Ihrig further reported that the company will approach the calendar year, 1973, with more than $5,000,000 in orders on hand and sounded a note of cautious optimism for the coming year. Mr. Ihrig further reported that the December operation may be disrupted due to the fact that many of the original Wellman personnel are going to be returning to Bay City for the holidays.

Report of Vice President-Operations. Mr. Howarth reported the following production figures for the twenty operating days of November:

Production	$547,412	($27,370 per day)
Shipments	492,583	
1st Inspection Scrap	5,005	($250.00 per day)
Final Scrap	43,081	(9.1%)
Customer Returns	22,578	(4.6%)

During this period of time the company employed 221 hourly employees and 67 salaried employees. The above production figure of $547,412 included $42,000 of perm/mold production (Bell 305's). Actual sand foundry daily production was $25,200.

For the first eight production days of December Mr. Howarth reported the following figures:

Production	$256,568	($32,000 per day)
Shipments	116,636	
1st Inspection Scrap	3,918	($490.00 per day)
Final Scrap	18,000	(18%)
Customer Returns	17,000	(15%)

During the first eight production days of December the company employed 229 hourly employees and 67 salaried. Thirty percent of the first inspection scrap that was reported for the first eight days of December was attributable to start up on Part No. 1-060-101-02, Lycoming Inlet Housing.

Report of Vice President-Finance. Mr. Higgs presented the company's statement of income for November. In this statement the company's sales were recorded at $493,310 and profit at $12,633. Due to a clerical error which was not discovered until the financial statement had been prepared the company's actual profit for the month was approximately $7,000.

Mr. Higgs found the company's financial results for November encouraging in that the shipments were high and costs variances lower than normal. Also, the results appeared favorable in light of the fact that the company had had a two-day Thanksgiving Holiday and had had difficulty with inclement weather.

The company's cash flow became rather restricted during the latter part of November because of a decline in collections during that period. During the month the company's receivables increased by $42,000 and its payables by $11,000.

Mr. Higgs indicated that there will be certain year-end adjustments in December. Mr. Higgs projected gross shipments for that month of approximately $440,000.

1973 Budget Review. There then followed an in-depth discussion of the company's 1973 budget. The Board reviewed each of the major areas of the company's operations with Mr. Ihrig, Mr. Howarth, and Mr. Higgs. During this department-by-department review potential cost savings and contingent plans in the event of a decrease in anticipated sales were analyzed and discussed. Also, at such time, the impact of such reductions upon the company's overall and continued operation was discussed.

In the course of reviewing the budget, the inventory/shipments ratio for November, 1972 was compared on an annualized basis with the 1973 budget. Also, sales figures per employee were examined for the years 1967, 1968, 1969, and 1970.

Material, labor, scrap and burden, variances, both favorable and unfavorable, were reviewed for the years 1965, 1968, 1967, 1969, 1970, 1971, and 1972.

Shipments per person for November of 1972 were compared on an annualized basis with the 1973 budget. Also, general overhead expenses per sales dollar were analyzed.

Compensation Arrangement for Kemp Stephens. Mr. Ihrig reported that he had discussed with Mr. Stephens the possibility of the company entering into a fixed fee compensation agreement whereby the company would pay Mr. Stephens' sales corporation $3,000 per month rather than a commission based upon a percentage of sales. This matter was discussed and was concluded that negotiations should continue with Mr. Stephens and Mr. Ihrig was authorized to enter into such an agreement with Mr. Stephens' sales organization.

There being no further business to come before the meeting, it was thereupon adjourned.

_____
Secretary

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
January 24, 1973

Pursuant to the call of the President and notice duly given a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at the corporation's offices at Creston, Iowa, on Wednesday, January 24, 1973, at 9:00 a.m.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following directors were present:

Theodore M. Englehart

Charles A. Howe

Glenn F. Ihrig

Eugene C. Swift

James M. Williams

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary Pro-tem of the corporation.

The minutes of the last meeting held on December 15, 1972, having been previously mailed to the directors, were approved as mailed.

Copies of Minutes to Mr. Higgs and Mr. Howarth. At the suggestion of Mr. Higgs, the Board decided that henceforth, Mr.

Higgs and Mr. Howarth should receive copies of the minutes of the Board of Directors Meetings and the Secretary was so instructed.

Report of the President. Mr. Ihrig reported that in December the company booked $62,000 of aluminum sales and $246,000 of magnesium sales for a total of $308,000. Through January 19, 1973, the company booked $395,000 of aluminum sales and $75,000 of magnesium sales for a total of $470,000.

The sales backlog as of January 19, 1973, is approximately $4,500,000. Mr. Ihrig gave a breakdown of this sales backlog by shipping dates and sales territory.

Mr. Ihrig reported that customer relations are improving.

Although Mr. Ihrig allowed that unpredictable events could occur, he was cautiously optimistic on the company achieving its budget for the first quarter of 1973. Mr. Ihrig suggested that the accurateness of the company's standards will be of critical importance in whether or not the company's budgetary goals are achieved during this period.

Mr. Ihrig reported that a recent decrease in cash receipts has resulted in a restriction on the company's anticipated cash flow. As necessary result, the company's retirement of its payables is running behind earlier projections. However, Mr. Ihrig reported that corrective action has been taken and that it is anticipated that the company can return to its earlier payable retirement plan by March.

Although prefacing his remarks by the fact that no capital improvements are currently possible until the company's financial

condition improves, Mr. Ihrig reported on several potential capital improvements that could be made to improve the company's operating efficiencies. These improvements were:

(1) Sand Reclamation system. Mr. Ihrig estimated that the cost of such a system would be $70,000 to $80,000, and that the company should recover the cost of the same within two years due to savings in freight.

(2) Cold Set Cores and Molds. Mr. Ihrig reported on the various advantages that could be obtained through this method of coring and molding which minimizes the use of foundary molding equipment.

(3) Relocation of the Welding Department. Mr. Ihrig reported the cost of this improvement to be approximately $8,000 and estimated that this cost would be recovered within 90 days to 120 days.

Report of the Vice President-Operation. Mr. Howarth reported the following production figures for the 19 operating days of December:

Production	$570,100	($30,000 per day)
Shipments	440,688	
1st Inspection Scrap		($380 per day) 1.2%
Final Scrap	43,538	(10.7%)
Customer Returns	32,557	(7.4%)

During this period of time the company employed 229 hourly employees and 67 salaried employees.

For the first 13 regular production days of January, Mr. Howarth reported the following figures:

Production	$445,771	($34,300)
Shipments	231,508	
1st Inspection Scrap		($317 per day) 1%
Final Scrap	24,435	(11.8%)
Customer Returns	24,680	(10.6%)

Mr. Howarth explained that during this production period the company operated on two Saturdays, and therefore, there were actually fifteen production days during this period. Accordingly, the actual daily production rate was $29,700. The company employed 243 hourly employees and 69 salaried employees during this period.

Mr. Howarth reported that the daily dollar value of production was increased by 10% during the period between November and January while during this period there has been only a 6.9% increase in manpower. The process time generated by this production rate has increased by 26%. The data which is available shows that the company's production operations are operating at approximately 90% efficiency whereas the company's process operations are operating at approximately 70% efficiency. Mr. Howarth reported that an effort is being made to reduce the resulting gap through the use of overtime in the company's process operations.

Mr. Howarth outlined the following two alternatives for the company to employ in an effort to obtain a balanced operation:

1. Maintain present labor force in the company's process operations and reduce the daily production rate, together with a reduction in production manpower.

2. Maintain present production rate and manpower and increase process manpower by approximately 10 to 15 employees.

Mr. Howarth reported that the company is currently implementing the second of the above two alternatives.

Mr. Swift commented that although the production figures per day which the Board has been receiving is helpful, it would be more helpful if the Board received average daily shipment figures. Mr. Swift further commented that the production and shipment figures are going to have to be brought closer together. Also, Mr. Swift commented about the importance of knowing the criteria that is being used to measure production.

Mr. Howarth then discussed with the Board various facets of the problem that the company is having through having to "rework" a considerable amount of its production.

Report of the Vice President-Finance. Mr. Higgs reported that the company suffered a net loss for December of $278,893. However, this figure included a series of adjustments for the previous month and year amounting to $200,900 leaving a pre-tax loss for December operations of $77,990.

Mr. Higgs reported that a major reason for the low profitability for December was a low shipment volume. Sales volume was $370,000. Thus, the $77,990 loss resulted in a 21¢ loss on the net sales dollar.

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
February 15, 1973

Pursuant to the call of the President and notice duly given a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at O'Hare Airport, Chicago, Illinois, on Thursday, February 15, 1973, at 10:00 o'clock A.M.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following Directors were present:

Theodore M. Englehart

Glenn F. Ihrig

Eugene C. Swift

James M. Williams

Mr. Charles A. Howe was absent.

Also present were Mr. James Howarth, Vice President-Operations, Mr. P. C. Higgs, Vice President-Finance, and Edward E. Johnson, Secretary Pro-tem of the corporation.

The Minutes of the last meeting held on January 24, 1973, were reviewed, corrected and approved as corrected.

Report of the President. In January the company booked $658,000 of sales. Of such sales, $406,000 were for aluminum, and $252,000 were for magnesium. Through February 13, 1973, the company booked $141,000 worth of sales consisting of $40,000 of aluminum sales and $101,000 for magnesium.

As of February 12, 1973, the company had a backlog of approximately $4,800,000. A breakdown of the sales backlog, by sales territory, will be made available to the Directors on a quarterly basis.

Mr. Ihrig reported that the 1973 budget was undergoing continuing evaluation.

The company's cash flow position is continuing to improve as a result of the company's improved collection of accounts.

Mr. Ihrig reported that the company had participated in preliminary labor negotiations with respect to its soon-to-expire collective bargaining agreements and that the company's management team will be working on this matter with Ed McGinn.

Mr. Ihrig reported that the company is now lacking approximately twenty (20) parking stalls and will undoubtedly have to pave an area to fulfill this need.

Mr. Ihrig then discussed the problem that the company is having with obtaining accurate standards. Mr. Ihrig reported that tests have been made of certain standards that the company is now using and these tests have indicated that some, and perhaps a fairly large number, of its standards are inaccurate. Mr. Ihrig stated that inaccurate standards make production control and pricing more difficult.

Mr. Ihrig's preliminary remarks, with respect to the company's standards, caused a lengthy discussion of this matter by the Board. The Board concluded that the matter of the creditability of the company's standards was very important and that Mr. Higgs, together with whatever help that may be necessary from an industrial

engineer, should proceed to examine and revise the company's standards as rapidly as feasible.

Report of Vice President-Operations. Mr. Howarth reported the following production figures for the 22 operating days of January:

Production	$772,000	($35,000 per day)
Shipments	558,596	
1st Inspection Scrap		($370 per day) 1.06%
Final Scrap	51,735	(10.0%)
Customer Returns	40,411	(7.2%)

During this period the company employed 248 hourly employees and 69 salaried employees. During the month the company operated during two Saturdays so that there were actually 24 operating days and when these two extra days are considered the daily production sale was $32,100 per day.

For the first 8 regular production days of February, Mr. Howarth reported the following figures:

Production	$321,652	($40,200 per day)
Shipments	106,800	
1st Inspection Scrap		($247 per day) .6%
Final Scrap	20,533	(23%)
Customer Returns	19,535	(18%)

The company employed 240 hourly and 69 salaried employees during this period of February.

Mr. Howarth reported an increase in efficiency in every production area but the dry sand area.

Mr. Howarth reported on the results of the production of certain products where revised standards were being implemented.

Report of Vice President-Finance. Mr. Higgs reported that during January the company made gross shipments of $557,928 and had a pre-tax income of $10,817.

Shipments were 19.6% higher than anticipated and profits were 23.5% higher than anticipated. However, Mr. Higgs indicated that it had been anticipated that greater economies due to scale would have resulted in greater profits than were actually realized. Mr. Higgs stated that it may be that the company reaches a point of diminishing returns at about $500,000 of shipments per month.

Mr. Higgs outlined the variances from the budget which had occurred during the month. Mr. Higgs and Mr. Howarth will be submitting to Mr. Swift a breakdown of miscellaneous variances categorized as "other" in Mr. Higgs report.

The company's income for the month was increased by $9,700 due to the sale of a pattern. This income item had not been included in the budget.

Mr. Higgs reported that due to a restriction in cash flow, the company borrowed $35,000 during January and $100,000 on February 9, 1973. An all-out-effort is being made to accelerate collections. Continuing efforts are being made to reduce the collection period to 42 days. As reported by the President, these efforts appear to be successful.

In response to Mr. Higgs report, various members of the Board commented on the possible correlation between production and customer returns. It was the consensus of the Board that this matter should be watched by the company's management team and in the event there is such a correlation, the management team should endeavor to work out a proper balance between production and quality control.

Repayment of Borrowed Funds. Mr. Ihrig, Mr. Howarth, and Mr. Higgs are going to work out a cash flow analysis which will outline when the company can reasonably be expected to retire certain of the funds which the company has borrowed. It was the consensus of the Board that it is very important that the Company establish and maintain its credibility to those who have loaned money to the company.

Revocation of Employee Stock Option Plan. After discussion, it was concluded that the 1970 Employee Stock Option Plan for key salaried employees should be suspended. The following Resolution was thereupon duly moved, seconded, and approved:

> RESOLVED, that the company's 1970 Employee Stock Option Plan for key salaried employees of the company be discontinued and that such action be ratified and approved at the next annual meeting of the company's shareholders.

There being no further business to come before the meeting, it was thereupon adjourned.

Edward E. Johnson, Secretary Pto-tem

DOLLAR ESTIMATE

JOBS IN ORDER OF COMPLETION

I. Electrical work for installation of equipment per area

Material *			$19,851.00
Labor *	1000 hours @ 12.00/hr	=	12,000.00
Total Cost			$31,851.00
Time for Completion			500 hours

II. Extension of shipping dock working area to door opening - Installation and organization of shipping equipment - Installation of doors and hydraulic lift gates.

NOTE: It was previously hoped to deck over the present open area with a steel sheet on I beam frame. The area beneath the deck would be used for storage of shipping containers. This idea is presently considered impractical because:

I. Access to the material would be limited.
II. Fire regulations (OSHA 1910.176 (d)) requires installation of a water sprinkler system in the storage area.
III. Since the sprinkler head must be a minimum of 8" from the stored material (OSHA 1910.159 (e) (2)), the amount of storage area is severely diminished.
IV. The total cost of the steel decking with adequate fire prevention equipment would be extremely high.
V. The labor and time necessary to install the steel dock would be very great.

Considering the above factors, I recommend filling the shipping garage area with sand, and capping with reinforced cement. Two walls of cement blocks would have to be built to retain sand, one on the west end of the garage and one to provide an entry way from the south door.

Shipping Platform -
Material:

Cement Blocks 246 @ 30¢		=	$ 74.00
Mortar		=	10.00
Sand	1180 lbs	=	No Charge
Reinforcing Rods	10¢ a lb.	=	118.00
Cement	66 yards @ 4.00	=	352.00

* SEE APPENDIX I A AND B

LABOR:

Brick Laying	2 men - 40 man hours @ 12.00/hour	=	$480.00
Sand hauling, levelling, packing	30 man hours @ 12.00/hour	=	360.00
Cement pouring, finishing	5 men - 40 hours @ 12.00/hour	=	480.00

Installation of Doors and Lift Gates

Material:

Doors	2 @ $400.00	=	800.00
Electric Opening Devices	2 @ 325.00	=	650.00
Polly Seal Hoods	2 @ 300.00	=	600.00
Lift Gates	2 @ 400.00	=	800.00

LABOR:

Mechanical	2 men - 100 man hrs @ 12.00/ hour	=	1,200.00
Electrical	SEE ITEM I		

TOTAL COST $5,924.00

TOTAL TIME INVOLVED TO COMPLETION 100 HOURS

III. Transfer of fixtures to new work area -
Construction of"dollies" for non-permanent fixtures without wheels

Transfer of fixtures

Material NONE

LABOR: 2 men with tow motor - 16 hours
32 man hours @ 12.00/hour 384.00

Construction of "dollies" (may be charged to job)

Material

Wheels	4/fixture	$80.00/set
1" Angle Iron/ fixture		$20.00
TOTAL COST PER FIXTURE		$100.00

14 fixtures for a TOTAL COST $1,400.00

Labor - 8 man hours/ fixture @ 12.00/hour for 14 fixtures 1,344.00

TOTAL COST $3,128.00

TOTAL TIME INVOLVED TO COMPLETION 128 hours

May 31st, 1973

REASON FOR ACTION:

In our present operations a number of problems areas exist. The casting flow is inefficient. There is a large amount of prime work space used ineffectively. Also the weld department requires an increased working area but none is available in their present location. Compliance with the requirements of the Occupational Safety and Health Act of 1970 is not practically possible if the "status quo" is maintained.

BENEFITS:

I. Flow of castings will be linear rather than cyclical.

II. Supporting operations will be centrally located.

III. Work areas utilized to the fullest.

IV. Quality should improve due to open work areas allowing closer supervision and availability of final inspection to all departments.

V. Existance of the new Sand Blast Unit and Relocation of Chipping Booth will remove the congestion of the saw room area and increase our flexibility to improve product quality.

VI. A more open work space for both the welding and grinding departments will allow a full work crew to operate without interruptions from fellow workers.

It is expected that the benefits of one through four will improve the efficiency of the cleaning room by 10 to 15%. This area is the "bottle

neck" for present casting flow so improving this area will improve total shipping output by a similar amount of 20%.

Another increase in productivity of 5% will be seen in the saw room where congestion will be eliminated due to installation of sandblaster and relocation of chipping booth.

The Weld department should experience a 10 - 20% increase in productivity while the amount of welding per casting required should reduce due to the improved quality.

The installation of roller conveyer behind the grinders and added space between the grinding machines will increase production by 10%.

The operation will comply with OSHA Fire Codes requiring the area in which magnesium/aluminum dust is produced to be explosion proof. This is a Class II electrical area.

ADDENDUM TO BENEFITS:

I. The total expenditure can be considered divided 30% to improved efficiency and 70% to compliance with Safety Standards.

MINUTES OF ANNUAL MEETING

OF

BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Philadelphia, Pensylvania
April 1, 1975 (Rtcd. 1/76)

Pursuant to the By-Laws of the Corporation, the Annual Meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Tenth Floor of the Pennwalt Building, Philadelphia, Pennsylvania, on Tuesday, April 1, 1975, at 11:00 a.m., immediately following the conclusion of the Annual Stockholders' Meeting.

The meeting was called to order by Mr. James McWhirter. At such time the following Directors were present:

Theodore M. Englehart

Glenn F. Ihrig

James McWhirter (presiding)

Peter H. Wellman

James M. Williams

The following persons were also present:

Richard Allchin

Edward E. Johnson

James Howarth

Herbert Burling

Kemp Stevens

Herb Winteroth

Mr. Edward E. Johnson was designated to act as Secretary of the meeting.

The minutes of the Special Meeting of the Board of Directors held on February 17, 1975, and the Executive Session of the Special Meeting of the Board of Directors held on February 18, 1975, having been previously mailed to the Directors, were approved as mailed.

Upon motion duly made, seconded, and unanimously adopted, the following officers of the company were elected to serve at the pleasure of the Board:

James McWhirter	Chairman of the Board of Directors
Glenn F. Ihrig	President
James Howarth	Vice President - Operations
J. Herbert Burling	Vice President - Treasurer and Assistant Secretary
Edward E. Johnson	Secretary

There being no further business to come before the meeting, it was thereupon adjourned.

EDWARD E. JOHNSON, Secretary

WELLMAN DYNAMICS CORPORATION
ACTION OF THE BOARD OF DIRECTORS
WITHOUT A MEETING

January 10, 1974

The undersigned Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 11 of Article III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law, do hereby adopt and consent to the following Resolution as the action of said Board of Directors:

> RESOLVED, that the Board hereby takes official notice of the execution of the Representation of a Foreign Interest Statement by James McWhirter under date of December 17, 1973, in which statement said James McWhirter certified that he will not disclose any classified information to any unauthorized individual or group of individuals, foreign or domestic.

T. M. Englehart

T. M. ENGLEHART

WELLMAN DYNAMICS CORPORATION
ACTION OF THE BOARD OF DIRECTORS
WITHOUT A MEETING

January 10, 1974

The undersigned Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 11 of Article III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law, do hereby adopt and consent to the following Resolution as the action of said Board of Directors:

> RESOLVED, that the Board hereby takes official notice of the execution of the Representation of a Foreign Interest Statement by James McWhirter under date of December 17, 1973, in which statement said James McWhirter certified that he will not disclose any classified information to any unauthorized individual or group of individuals, foreign or domestic.

James M. Williams
JAMES M. WILLIAMS

WELLMAN DYNAMICS CORPORATION
ACTION OF THE BOARD OF DIRECTORS
WITHOUT A MEETING

January 10, 1974

The undersigned Directors of Wellman Dynamics Corporation, acting without a meeting pursuant to Section 11 of Article III of the By-Laws of the Corporation and the permissive provisions of Section 141 of the Delaware Corporation Law, do hereby adopt and consent to the following Resolution as the action of said Board of Directors:

> RESOLVED, that the Board hereby takes official notice of the execution of the Representation of a Foreign Interest Statement by James McWhirter under date of December 17, 1973, in which statement said James McWhirter certified that he will not disclose any classified information to any unauthorized individual or group of individuals, foreign or domestic.

Glenn F. Ihric

GLENN F. IHRIG

PENNWALT
CORPORATION

PENNWALT BUILDING, THREE PARKWAY, PHILADELPHIA, PENNSYLVANIA 19102 • (215) 587-7000

August 15, 1973

Mr. Glenn F. Ihrig
President
Wellman Dynamics Corporation
P. O. Box 147
Creston, Iowa 50801

Mr. Peter H. Wellman
Roulston & Company, Inc.
Investment Plaza
Cleveland, Ohio 44114

Mr. James McWhirter
Senior Vice President
Pennwalt Corporation
Pennwalt Building
Three Parkway
Philadelphia, PA 19102

Gentlemen:

Pursuant to Section 15 of the Voting Trust Agreement dated as of June 30, 1969 (the "Voting Trust Agreement") by and between certain shareholders of Wellman Dynamics Corporation and Robert C. Wellman, C. F. Weaver, and Glenn F. Ihrig, as Trustees, you are hereby notified that James McWhirter is appointed by Pennwalt Corporation, being the current holder of all of the shares of common stock of Wellman Dynamics Corporation referred to in paragraph 15 of the Voting Trust Agreement as the "1969 Issue", to act as a Trustee under the Voting Trust Agreement to succeed Eugene C. Swift, who died suddenly and unexpectedly on July 28, 1973.

Very truly yours,

PENNWALT CORPORATION

By W. Cooper Willits
W. Cooper Willits,
Vice President and Treasurer

cc: Mr. Clive M. Nagy
Cleveland Trust Company

FORM 1025

PENNWALT

SUBJECT Wellman Dynamics Corporation

DATE February 21, 1975

TO Vera Byrne

FROM J. M. Williams

IN REPLY TO

COPIES TO

I am attaching an updated list of Officers and Directors of Wellman Dynamics Corporation.

Note that at a Director's Meeting on February 18, Mr. Peter Wellman was elected to the Board of Directors.

JMW

JMW:gm
Attachment

WELLMAN DYNAMICS CORPORATION

Officers and Directors

James McWhirter Chairman
James M. Williams Director
Pennwalt Corporation

Glenn Ihrig President and Director
James Howarth Vice President-Operations
Herbert Burling Vice President, Treasurer + Asst. Sec.

Wellman Dynamics Corporation
P. O. Box 147
Creston, Iowa 50801
(515) 782-8521

Theodore Englehart Director

Laboratory Equipment Corporation
P. O. Box 158
Mooresville, Indiana 46158
(317) 831-2990

Peter Wellman Director

Roulston & Company Inc.
Investment Plaza
Cleveland, Ohio 44114
(216) 696-3070

Edward E. Johnson Secretary

Bradshaw, Fowler, Proctor & Fairgrave
11th Floor, Des Moines Building
Des Moines, Iowa 50309
(515) 243-4191

November 20, 1975

Philip S. Kappes, Esquire
Dutton, Kappes & Overman
710 Guarantee Building
Indianapolis, Indiana 46204

Re: Wellman Dynamics Corporation

Dear Mr. Kappes:

Enclosed are two copies of a draft of an Agreement and Plan of Reorganization. This draft has just been completed and neither Ed Tuttle nor I have reviewed it in detail. Nevertheless, I believe it contains enough of the substance of the transaction as we see it to make it a useful document from which we can all work.

There are a few points covered in the draft which I ought to mention either because our thinking has changed since we all met or because the points were not discussed at our meeting.

First, the original suggestion that a dividend be declared now and paid after the closing has not been adopted. Particularly from the standpoint of the minority shareholders, it seems to produce a very much neater transaction to set a definite price per share at this time.

Among the representations and warranties to be given by "XYZ Corporation" and "New Wellman" is a representation pertaining to the capitalization of New Wellman. Although this provision does not now specify a particular level of capitalization, Pennwalt does expect that there will be at least $1,000,000 of new equity in New Wellman at the time of closing. My recollection is that you mentioned $1,000,000 as a minimum figure at our meeting.

As you know, we will be preparing a proxy statement describing the transaction to Wellman's shareholders. Included will be a description of Wellman's business as well as financial

statements. In view of the fact that we are asking XYZ and New Wellman to warrant that all applicable securities laws have been complied with in connection with the issuance of the stock of XYZ, it would be appropriate, I think, for the proxy statement or a similar disclosure document to be distributed to the members of the group which will be investing in XYZ and New Wellman. You will note that we are asking for an opinion of counsel of this point.

The Agreement and Plan of Reorganization provides that each party to the Agreement will bear the cost of any expenses which it may incur. An exception has been added which requires XYZ or New Wellman to pay the expenses which may be incurred by the other parties in the event that a closing cannot be held because of insufficient financing.

A rather lengthy provision relating to allocation of tax liability has been included. The purpose is to continue the arrangement currently followed by Wellman and Pennwalt through all periods for which Wellman will be included in Pennwalt's consolidated return. The undertakings contained in the tax provision which is paragraph 12 will survive the closing.

Finally, Pennwalt considers an essential part of this transaction to be the assumption by New Wellman of complete responsibility for all of Wellman's obligations and liabilities including any liability which might arise out of renegotiation by the federal government of any of Wellman's contracts. At this time, we are planing to define what we believe to be the extent of Wellman's liabilities in the letter referred to in paragraph 3(e). Reference is also made to the letter in paragraph 14. No doubt we will be making technical changes in this area as we proceed.

I will be happy to discuss the Agreement and Plan of Reorganization with you or to answer any questions you may have. If you cannot reach me, please call Candace S. Cummings at (215) 972-3519.

Sincerely,

Robert D. Williams

RDW:sc

cc: Edwin E. Tuttle

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
May 26, 1970

The Executive Committee, consisting of Messrs. Allchin, Ihrig, Loeman and Maccracken, met at the Sheraton-Hopkins Inn, Cleveland, Ohio, on Tuesday, May 26, 1970, at 8:30 o'clock A. M.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting.

Mr. Ihrig presented a man-power report as of May 18, 1970, and discussed with the Committee what salaried employees in the various classifications he and the management were considering terminating in order to bring the cost of operations in line with the present and anticipated level of sales and production. He reported, however, that one or two quotations were outstanding on important new business and said that if orders were obtained on those quotations it would, in his opinion, affect the number of salaried employees the Company could afford to terminate. Other members of the Committee questioned if this would be so and thought that the cuts should be made in any event and adjustments later made, if and when necessary. Mr. Ihrig further said that a number of the employees under consideration were eligible for early retirement under the Company's Salaried Employees' Retirement Plan, and requested the advice of the Committee about what benefits should be offered to those whom the Company requests to take such early retirement. After a lengthy discussion, the Committee authorized the

ARK 00979

management to continue to pay group medical insurance and Blue Cross to age 65 for all employees taking early retirement at the request of the Company and their eligible dependents, and thereafter to treat them the same as employees retired at normal retirement date; to continue one-half the face amount of such employees' life insurance in force to age 65 at the Company's expense, and thereafter to continue the amounts which they would be entitled to upon normal retirement. The management was also authorized to pay to each employee taking early retirement at the request of the Company a supplemental monthly payment in the amount of the difference between his actual early retirement benefit under the Plan and the amount his normal retirement benefit would be under the Plan were he to continue to age 65 at his present compensation, and to continue such supplemental monthly payment to the retired employee for his life, and should the employee die within ten years of early retirement, leaving a widow or dependent beneficiary, to pay the same amount to such widow or dependent beneficiary until the expiration of such ten year period.

The Committee noted the low amount of life insurance provided to employees, and the President was requested to investigate and report to the Board the cost of increasing group life insurance after normal retirement from the present maximum of $1,500.00 and minimum of $1,000.00 to a maximum of $5,000.00 and a minimum of $3,000.00.

Mr. Ihrig further advised the Committee of the pending increase in the cost of Blue Cross insurance and the hourly wage increases to which the Company was committed under its Union contract.

ARK 00980

Mr. Ihrig and Mr. Maccracken informed the Committee of their conversations with Mr. Sweeny of Arwood Company relating to the Rolle Foundry, and the Committee advised Mr. Ihrig to inform Mr. Sweeny that the Company was not presently interested in his proposition. Mr. Ihrig reported on his conversations in Europe with the Merlin Gerin representatives, with the Honsel-Werkes of Meschede, Germany, and A. W. Plume, Limited, of England. It was agreed that discussions with Merlin Gerin would be terminated as the proposition was too costly, but that the A. W. Plume situation will be given more study.

The financial statements for April were briefly reviewed and the Company's cash position reported on.

Mr. Robert McCarthy was invited into the meeting to report on information he had obtained about Electronic Specialties and other competitors on his recent western trip. Mr. Marvin Johnson was also invited into the meeting and after a discussion with him, Mr. Ihrig invited Mr. Johnson to visit the Company's offices and plant at a mutually agreeable date in June, after which it was hoped Mr. Johnson will indicate how he can give the Company the benefit of his experience and counsel.

There being no further business to come before the meeting, it was adjourned to July 7, 1970.

Secretary

ARK 00981

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Detroit, Michigan
July 6-7, 1970

The Executive Committee met pursuant to notice at the Metropolitan Airport Hotel in Detroit, Michigan, first informally on Monday, July 6th at 9:00 o'clock P.M., and then formally on Tuesday, July 7th, at 8:30 o'clock A.M.

Messrs Allchin,Ihrig and Maccracken were present. Mr. Loeman was unable to attend. Dr. David Merrell also attended the informal part of the meeting and Mr. Brown attended the formal meeting.

Informally, the Committee reviewed the Company's organization chart and the Man-Power Report of June 29, 1970. Mr. Ihrig presented his proposals and questions for reductions in the salaried staff and these were reviewed, and Dr. Merrell's opinions were requested on some of the people involved. The total salaried payroll of 93 on June 29th had been reduced on June 30 to 89 by a reduction of one in manufacturing, one in engineering and one in quality, and a clerk whose time was divided between quality and sales. Additional reductions in sales and finance and by the flattening out of the organization chart for operations were

discussed and approved, subject to action at the next meeting of the Board of Directors insofar as any elected officers might be affected. The manner of termination of some of the employees with long years of service was discussed and the President was advised to decide what would be proper in the circumstances.

At the morning meeting the financial statements for May were reviewed and discussed, and Mr. Brown presented his own comparison of the projected and actual costs of the May operations. It was agreed that methods have to be found for reducing these costs to a figure which will not result in a loss on the present amount of business. The President explained the increase in the cost of franchise taxes and of travel and entertainment. Mr. Brown stated that there was no serious problem in scrap other than germination. A June loss of $60,000 was projected and the cash flow position was reported still to be good, with Buehler Corp. the most serious problem in accounts receivable.

A renewal of the term policy on the life of the President was authorized in accordance with the letter from American Mutual Life Insurance Company submitted with the material for the previous meeting of the Executive Committee.

The President reported further communications from Merlin Gerin, and it was agreed that their proposals were still not acceptable and that there would be little to be gained at the

present time in the Company initiating further negotiations. The Company's revised statement of early retirement policy was discussed and approved. The Committee expressed the view that the amount payable by the Company to an early retiree ought not to be affected by his own decision to defer his benefits under the Dow Plan until normal retirement age.

The President reported no change in the Hills-McCanna situation. There was a discussion of possible additions to the Board of Directors. The Committee expressed the view that Mr. Marvin Johnson would be a valuable addition to the Board, but that any arrangements for employment as a consultant should be entirely between him and the President.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
July 28, 1970

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held on the above day at the office of the Company, Bay City, Michigan, at 9:00 o'clock A. M.

The following Directors were present:

Richard Allchin
George R. Frye
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

Mr. J. Herbert Burling, Vice President - Finance, was present by invitation at the beginning of the meeting.

The Chairman of the Board presided and the Secretary was secretary of the meeting.

The minutes of the meetings of the Executive Committee held May 26, 1970, and July 6-7, 1970, were distributed to the Board and they, together with the minutes of the meetings of the Board of Directors held April 28, 1970, as previously distributed to the Board, were, on motion duly made and seconded, unanimously approved.

The financial statements for June, 1970, together with the comparative statements of June, 1969, and June, 1970, were reviewed and discussed. The President explained that the proper burden absorption had not been taken into account in the daily estimates for

ARK 00985

June and that this accounted for the difference between the previous estimate and the actual loss for the month. The competitive price situation in the industry continues to be ruthless, and a Canadian foundry is quoting very low prices. The cash flow continues to be good, and Buehler Corporation continues to be the primary delinquent account receivable. It is now paying on a 90-day basis.

Mr. Burling submitted a projected statement of income, expenses and balance sheet for the third quarter and for the year end. This included the anticipated settlement of the Lockheed termination in September, 1970. Messrs. Ihrig and Burling stated that the principal problem in that settlement had been the allowable amount of General and Administrative Expense. With the consultation and advice of Arthur Andersen & Co., management had persuaded the Lockheed representative to agree to allow $184,500 on the Company's original claim of $261,000. The present backlog is about $2,400,000, of which $1,900,000 is scheduled for the next six months and the balance is unscheduled.

Mr. Ihrig requested authorization to establish an account at Valley National Bank, of Saginaw, and on motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED that Valley National Bank, of Saginaw, Michigan, is hereby designated as a depository for the funds of this Corporation and the President or Vice President of this Corporation is hereby authorized, in the name and on behalf of this Corporation, to open or cause to be opened and to continue an account or accounts with the Bay City branch of said Bank, and to execute and deliver to said Bank appropriate signature cards containing said Bank's usual customer agreement applicable to such account or accounts and the signatures of the officers herein named, and that each

ARK 00986

of the officers of this Corporation hereinafter named is hereby authorized, for and on behalf of this Corporation, to endorse or cause to be endorsed, to negotiate or cause to be negotiated, or to deposit or cause to be deposited in such account or accounts any money, checks, drafts, orders, notes or other instruments payable to or held by this Corporation;

FURTHER RESOLVED that the funds of this Corporation on deposit in said account or accounts shall be subject to be withdrawn at any time upon a check, draft, note or order of this Corporation drawn against the particular account or accounts and bearing the actual or facsimile signature of one of the following:

Glenn F. Ihrig - President and Treasurer
Richard Allchin - Chairman of the Board
J. H. Burling - Vice President-Finance

provided that such signatures shall correspond to the specimens thereof certified to the Bank by the Secretary or an Assistant Secretary of this Corporation, and that no checks, drafts, notes or orders drawn against said Bank shall be valid unless bearing such a signature; and

FURTHER RESOLVED that the Secretary or an Assistant Secretary of this Corporation is hereby authorized to certify to said Bank a copy of this resolution and of the actual and facsimile signatures of the above named officers and said Bank is authorized to rely on said certificate of this resolution until notice to the contrary in writing is given to said Bank by the Secretary or an Assistant Secretary of this Corporation.

After the foregoing matters, Mr. Burling left the meeting.

There was a discussion of the questions and answers previously submitted to the Board by the President respecting the authority reserved to the Board of Directors.

The President then submitted a proposed revised organization chart for the Company's management, and the same was discussed at length. The President estimated the reductions contemplated by this reorganization would total approximately $113,000 in annual salary and said that six executives (rather than four) would report directly

ARK 00987

to him. At the conclusion of the discussion, it was, on motion duly made, seconded and unanimously adopted:

> RESOLVED that the President be, and he hereby is, authorized and directed to put into effect the management reorganization submitted to this meeting and in particular he is authorized and directed to accept the resignations or otherwise effect the immediate termination of the services of the Vice President - Sales and the Vice President - Operations, and to pay to each of them as severance pay the equivalent of his accumulated unused vacation allowance and three months' salary.

The Directors then instructed the President to consult with each of the appropriate executives on further ways in which the costs of operations of the executive's department could be further reduced, it being the opinion of the Board that the Company's costs of overhead and administration must be reduced to a break-even point at the present rate of sales.

The following resolution was then moved, seconded and unanimously adopted:

> RESOLVED that the funds of this Corporation on deposit in its several accounts with The Peoples National Bank and Trust Company, of Bay City, shall be subject to be withdrawn at any time upon a check, draft, note or order of this Corporation drawn against the particular account and bearing the actual or facsimile signature of any of the following:
>
> Glenn F. Ihrig - President and Treasurer
> Richard Allchin - Chairman of the Board
> J. H. Burling - Vice President-Finance
>
> provided that such signatures shall correspond to the specimens thereof certified to the Bank by the Secretary or an Assistant Secretary of this Corporation, and that no checks, drafts, notes or orders drawn against said Bank shall be valid unless bearing such a signature;

ARK 00988

FURTHER RESOLVED that said Bank is hereby authorized and directed to honor and pay any checks, drafts, notes or orders so drawn, whether the same be payable to any of such persons named above or in his individual capacity or not and whether the same are deposited to the individual credit of any of them. The Secretary or an Assistant Secretary of this Corporation is hereby authorized to certify to said Bank a copy of this resolution and of the actual and facsimile signatures of the above named officers and said Bank is authorized to rely on said certificate of this resolution until notice to the contrary in writing is given to said Bank by the Secretary or an Assistant Secretary of this Corporation.

There was a further discussion of possible additional directors. The President reported that at present no plant improvements were being effected. He reported that some of the companies in the industry which had closed down were back in operation and that others remained apparently for sale. He also reported an offer from Buehler Corporation to buy the majority stock of the Company had been turned down by the stockholders.

The Chairman then directed attention to the importance of defining the objectives of the Company and what the Directors want for the stockholders. After some discussion, the Chairman suggested that all Directors give thought to this for further discussion at the next meeting.

The meeting thereupon adjourned with the understanding that the next meeting of the Executive Committee would be on August 25, and the next meeting of the Board of Directors would be on October 27.

Secretary

ARK 00989

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
August 24, 1970

The Executive Committee (Messrs. Allchin, Ihrig, Loeman and Maccracken) met at the Sheraton-Hopkins Inn, Cleveland, Ohio, on Monday, August 24, 1970, at 12:15 o'clock P. M.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting.

The financial statements for July were reviewed and Mr. Ihrig noted that when the effect of charging the salary termination pay against July expenses is realized, regular operating results for the month of July were better than forecast. He reported that the reorganization of the operations resulting from the cutback in salaried personnel had been achieved more smoothly than he had anticipated. Thus far he had noted no really adverse reaction among the customers, the sales force or the other employees in management of the plant. Mr. Allchin made a comparison of the salaries and payroll actually achieved after the reorganization with the forecast of six months previously. Mr. Loeman noted the continued reduction in scrap and Mr. Ihrig stated that the plant had not been closed on account of heat even though this summer was as hot as any. This he attributed to the employment situation in Bay City. He emphasized the efforts which are being made to reduce the inventory of supplies and metals. The

ARK 00990

latest Manpower Report was discussed, and he stated that Mr. Howarth was now operating the plant on a one-shift basis.

The Company has been submitting and is preparing bids on some complex aerospace castings (e.g. canopies and pump bodies) and on truck castings for which the Company has not previously made bids. The indications are that the price is too much out of line for the truck castings, but that the Company may receive second-source orders on some of the additional aerospace castings.

Mr. Ihrig reported additional inquiries from unnamed companies apparently interested in acquisitions or mergers. It was agreed that information should not be given if the name and identity of the principals are not disclosed.

There was a further discussion of possible additional Directors, including Mr. Baxter Fullerton of Warner & Swasey and Dr. Donald Hanewalt of the University of Michigan, formerly with the Dow Chemical Company.

At Mr. Allchin's request there was a discussion of the objectives of the Company and the viewpoint of the stockholders, the Directors and operating management. It was agreed that there would be a follow-up of this discussion at the next meeting. The President was urged to have the management begin the planning for 1971 as early as possible so that it might be discussed at meetings in November and December. Mr. Weaver's request for a breakdown of the Company's anticipated expenses to be applied against rent was discussed, with the views expressed that it would be advisable to have this completed in the very near future.

ARK 00991

The Company's past practices with respect to cars, club memberships and the like for the Company's officers and executives were then discussed, and Mr. Ihrig agreed to get together further information for a report on this subject.

There being no further business, the meeting was adjourned, with the understanding that the next meeting would be in Cleveland for breakfast on the morning of September 29.

Secretary

ARK 00992

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
OF
WELLMAN DYNAMICS CORPORATION

Shaker Heights, Ohio
September 28, 1970

The Executive Committee of Wellman Dynamics Corporation met at the Somerset Motor Inn, Shaker Heights, Ohio, on Monday, September 28, 1970, at 9:30 o'clock P.M.

All of the members of the Committee were present. Mr. Robert McCarthy joined the Committee for dinner preceding the meeting. Mr. Marvin Johnson was present by invitation both at the dinner and the meeting.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting.

Mr. Allchin called for questions or comments respecting the August statement and asked Mr. Ihrig to report on the present conditions. In response, Mr. Ihrig informed the Committee that only $129,000 had been received in orders during September, that the permanent mold business was virtually down to nothing, and that while there were a number of prospective orders to be received, the total business for the year would be below $5 million. In the light of these conditions, he said some 50 more persons would be laid off. The Committee noted progress in the control of expenses, particularly in the reduction of scrap, and there was a general discussion as

to other possible savings, particularly in a reduction of the personnel reporting to the Vice President - Finance. The continued good condition of the cash flow was noted. Mr. Ihrig made a report on the condition and prospects of Buehler Corporation.

Suggestions were again made on how the labor of preparing the Manpower Report could be reduced, and Mr. Johnson recommended that time and cost could be saved if the figures in the financial reports were hand-written and Xeroxed rather than taking the additional time to type them.

Mr. Ihrig reported that Arthur Andersen & Co. had suggested that tax money could be saved if the Company's income tax was included within the consolidated income tax returns of Dow. The Committee suggested that Mr. Burling discuss this possibility with Mr. Weaver and inquire whether Dow carried directors' and officers' liability insurance and whether the Company could be included in that.

Mr. Ihrig reported that the sales objectives of the Company should be, in his opinion, to obtain better spread within the aerospace industry, becoming more competitive and obtaining a larger share of the market and obtaining more "bread and butter" business from engineering firms such as Mack, Cummins and Allison.

The meeting concluded with a discussion with Mr. Johnson as to the possibilities of him serving on the Board of Directors. He indicated that he would be pleased to serve.

ARK 00994

Mr. Loeman indicated that he would be unavailable for a Directors' meeting on Tuesday, October 27, but would be available for a meeting at Noon on the 26th, preceding the dinner meeting. It was understood that Mr. Ihrig would arrange to change the Directors' meeting accordingly.

There being no further business to come before the meeting, the same was thereupon adjourned.

Secretary

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
October 26, 1970

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held on the above date at the office of the Company, Bay City, Michigan, at 2:00 o'clock P. M.

The following Directors were present:

Richard Allchin
George R. Frye
Glenn F. Ihrig
Brooks W. Maccracken
Peter H. Wellman

Absent: Walter C. Loeman

Mr. J. Herbert Burling, Vice President - Finance, and Mr. Marvin Johnson (who later in the meeting was elected a Director) were present by invitation and took part in the discussions at the meeting, but not in the voting.

The Chairman of the Board presided and the Secretary was secretary of the meeting.

The minutes of the meeting of the Board of Directors held July 28, 1970, were read by the Secretary and were, on motion duly made and seconded, unanimously approved. The minutes of the meetings of the Executive Committee held August 24 and September 28, 1970, were likewise read by the Secretary and copies thereof were distributed to the Directors for their information and comments.

ARK 00996

The financial statements for September, including comparative statements for the third quarter of the year and the nine months of the year 1969 and 1970 as previously distributed to the Directors, were explained by the Vice President - Finance and were discussed by the Directors. The Vice President noted that the reason why the profits for the month of September were less than forecast was the great reduction in the absorption of manufacturing expense. The Chairman noted that the percentage of gross profits for the nine months (14.2%) was much lower than it should be and that, in his opinion, the pricing structure was principally responsible for this, observing that normal gross profit for a job shop operation should be at least 25%. The President reported that the cash position of the Company as of the date of the meeting was improved, the cash on deposit being some $60,000 more than at the end of September and the payables being some $55,000 less, and the receivables some $130,000 less. Mr. Johnson noted that this cash position should not be thought of as an improvement in the cash flow since the losses in operations and income necessarily led to a poorer cash flow. The President reported that operations for October would be at a loss, and he and Mr. Burling agreed that shipments were being made out of inventory and would continue to be made out of inventory for the balance of the last quarter. Mr. Burling regretted that last minute changes had prevented the preparation of a last quarter forecast for distribution to the Directors. The President estimated that shipments during the quarter would be pro-

ARK 00997

gressively reduced and stated that the management was proposing to operate on a four-day week during November, shutting down completely during Thanksgiving week. The schedule for December will be reviewed later in the month of November. While the salaried personnel in management, sales and accounting will continue full time, the other salaried personnel in the plant will be given the option of applying days off as vacation or taking days off without pay unless their presence is required for a training program presently under consideration.

Mr. Ihrig and Mr. Burling reported a favorable outcome of the Company's termination claim against Lockheed and anticipated that payment would be received on that claim within two or three weeks. This settlement will improve the financial results for the year, but will not change the results of operations for 1970 since it represents a recovery of costs incurred in 1968 and 1969.

The President submitted an updated Manpower Report and Organization Chart to the Directors. The status of the Buehler Corporation accounts were reported in detail and discussed at length. The Directors expressed their increased concern and the President stated that he had an appointment with the President of Buehler for the purpose of arriving at a definite understanding for the payment of existing accounts receivable and future shipments and deliveries on present commitments.

The President reported that Mr. Sweeny of Arwood Corporation had informed him of that company's decision to discontinue the alu-

ARK 00998

minum and magnesium casting operations of its Rolle subsidiary and had proposed to use its best efforts to direct to Wellman Rolle's aluminum and magnesium casting customers and their patterns now in Rolle's possession, if Wellman would agree to pay Rolle a 5% commission on orders which Wellman might receive for castings on those patterns or modifications thereof. He submitted a form of agreement proposed by Mr. Sweeny. After a full discussion, it was, on motion duly made, seconded and unanimously adopted:

> RESOLVED that this Board of Directors approves in principle an agreement to pay Rolle Manufacturing Company, Inc., in consideration of that company's agreement to use its best efforts to direct to Wellman orders from its customers for aluminum and magnesium sand and permanent mold castings and to obtain its customers' consents to the delivery to this Company of their patterns now in Rolle's possession, a 5% commission on net sales received from those customers on the patterns delivered to this Company, or modifications thereof; and that the President be, and he is hereby, authorized to negotiate and execute an agreement on that principle and on such terms and conditions as he may deem appropriate;
>
> FURTHER RESOLVED that he and the other appropriate officers of this Company be, and they hereby are, authorized to do everything necessary or appropriate to carry out the terms and conditions of such agreement when executed.

The Chairman next proposed the consideration of the election of Directors for the three vacancies on the Board which the stockholders at their last meeting had authorized the Board of Directors to fill. After a discussion, the following were nominated and unanimously elected Directors of the Company to serve until the next annual meeting of the stockholders of the Company for the election of Directors:

ARK 00999

Marvin Johnson
Cleveland, Ohio

Theodore M. Englehart
Indianapolis, Indiana

Baxter T. Fullerton
Cleveland, Ohio

The President made a further report on the Company's efforts to enter the commercial market for aluminum and magnesium castings. He stated that quotations are being prepared for submission to Allison on four different parts of a bus transmission.

The President also reported that the Company had contributed $1,000.00 to the Bay City United Appeal for this year.

The Chairman then stated his understanding that management would prepare for submission to the next meeting a report on the building and equipment repairs to be credited on the Dow lease agreement. He also asked the Directors to consider for the next meeting a statement of the Company's present goals and objectives.

The meeting thereupon adjourned.

Secretary

ARK 01000

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
December 1, 1970

The Executive Committee (consisting of Messrs. Allchin, Ihrig, Loeman and Maccracken) met at the Hospitality Inn West, Cleveland, Ohio, on Tuesday, December 1, 1970, at 9:00 o'clock A. M.

Mr. J. Herbert Burling, Vice President - Finance, and Mr. Theodore M. Englehart, the newly elected Director, were present by invitation.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting.

The Committee reviewed the financial statements for October, 1970, a statement of cash flow and the planned statement of income for the fourth quarter of 1970, a corrected copy of the latter being distributed at the meeting by Mr. Burling. The Committee discussed particularly the percentages which the Company adds to manufacturing costs for non-departmental operating expenses, selling and administrative expenses, plant variables and profit in determining the appropriate selling price for an order and related this to the Company's estimated break-even point. The Committee and Mr. Englehart expressed the opinion that the pricing should be as nearly as possible on a basis that at the break-even point the gross profit before variances would be 50% of sales, though

ARK 01001

it was recognized that this ideal would be very difficult to obtain. Mr. Ihrig reported that the pricing structure throughout the industry was still very soft, for instance a Canadian competitor has underbid by 20% the prices at which Rolle has been doing some jobs for Pratt & Whitney. Mr. Loeman inquired what capital improvements could be made which would reduce the cost of operations to permit a lower break-even point. In response, Mr. Ihrig reported that Mr. Weaver had suggested that he figure what capital improvements would reduce the break-even point to $350,000 a month.

The manpower status was reviewed and the members of the Committee expressed their appreciation for the new form of presentation of this material. Mr. Ihrig distributed an analysis of the recent General Motors UAW Union Agreement, reminded the Committee that he was faced with a year-end review of the salaried payroll, and reported that a number of employees are being tempted to leave for General Motors. It was the consensus of the meeting that, in view of the Company's losses and the great uncertainty of the Company's future operations, the management is faced with the distasteful task of possibly reducing salaries in some cases and of eliminating some of the fringe items such as Christmas turkeys and the like. Mr. Ihrig assured the Committee that he would take all these factors into consideration.

Mr. Ihrig reported on his latest discussions with the President of the Buehler Corporation for the establishment of a program

ARK 01002

of payment of that corporation's obligations to the Company. Mr. Englehart expressed his desire not to participate in the discussion of that matter and did not do so. At the end of the discussion, Mr. Ihrig said he would consider the advisability of inviting Mr. Maccracken and Mr. Loeman to accompany him to Indianapolis.

Mr. Ihrig reported that Rolle was proceeding to shut down its planton schedule and that the first trailer load of patterns would leave Rolle for Bay City in the next week. Originally on the basis of Rolle's sales of about $2,000,000 a year, Mr. Ihrig had expected to achieve additional sales of $100,000 a month from the Rolle patterns, but he was running into pricing resistance and was reducing his estimates to $75,000 a month. He has reached an understanding with Arwood with respect to Rolle's participation in the cost of shipping the patterns and paying for any finishing of the castings which may be necessary. Also, he has an understanding with respect to repairs or refinishing which may be necessary on castings previously shipped to customers by Rolle. He also explained that while Rolle customers own the patterns they are not entitled, according to practice in the industry, to the gating know-how supplied by the customers of Rolle.

Mr. Ihrig reported that they were continuing to make costing studies of various commercial markets, including truck engine or transmission castings for Cummins, Allison and others. A problem here is to effectively plan to apply less costly finishing and inspecting techniques to the commercial castings than they currently

ARK 01003

apply to the castings for airplanes and aerospace. It was suggested that it might be necessary to separate the two operations by physical partition.

Mr. Ihrig reported that conversations with Mr. Weaver of Dow Financial on the application of certain maintenance items to the rental plan were proceeding satisfactorily and that Mr. Weaver seems pleased with the Company's progress in meeting its problems.

Mr. Allchin proposed that at its next meeting the Committee be prepared to discuss the Company's objectives and a current plan of operations so that recommendations can then be submitted to the Directors' meeting.

It was agreed that the next meeting of the Executive Committee would be at the Hospitality Inn on Tuesday, January 12, and the next meeting of the Board in Bay City on Tuesday, February 9, 1971.

Secretary

ARK 01004

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
January 12, 1971

The Executive Committee (consisting of Messrs. Allchin, Ihrig, Loeman and Maccracken) met at the Hospitality Inn West, Cleveland, Ohio, on Tuesday, January 12, 1971, at 9:00 o'clock A. M.

Mr. J. Herbert Burling, Vice President - Finance, and Mr. Theodore M. Englehart, Director, were present by invitation.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting. The minutes of the meeting of December 1, 1970, were distributed, and Mr. Ihrig, noting the reference therein to the Christmas turkeys, inquired whether the Directors thought that the expense of those turkeys which had been distributed should be paid for from the coffee and Coke fund instead of being charged to December expense. However, it was the consensus of those present that this should continue to be charged as a regular expense as in the past.

The November financial statements were discussed, along with the cash flow and the status of operations. Mr. Ihrig stated that Canadian competition at lower costs was continuing to take business from the Company and that he had some discussions with local representatives of the UAW-CIO union management who suggested he might inquire as to whether the state of unemployment in the

ARK 01005

Bay City area was such as to entitle the Company to relief under the Buy American Act. He and Mr. Burling noted that the November results were somewhat better than forecast because the plant had worked one more day than anticipated and outside jobbing was below the estimate. Since November 30 the Company has been working a five day week. December would show a slight loss, but the net loss for the year would be reduced by picking up certain over accruals such as on holiday pay, vacation pay, and pensions and the allowance of some $90,000 of repair and maintenance expense against the rental obligations. The pick-up of new business from Rolle was slower than anticipated before Christmas, but since Christmas the Company has been picking up two or three orders a day from that source. December total orders booked, including Rolle, were $326,261 on castings and $79,861 on patterns. Some of the Rolle business is being accepted on a marginal basis because it is an entirely new kind of business to the Company and management wants to find out more about it. Because of the Rolle business, ten direct and one indirect hourly employees have been called back. An improvement in the permanent mold orders was also noted. The Solon foundry is going out of business and the Company is trying to see if it can pick up some of the permanent mold business that company had from Xerox. The reduction in inventory at the end of December was noted and Mr. Ihrig reported that some $65,000 of finished product was all packaged for Buehler at the end of December, but not released. No satisfactory agreement for the payment of the

ARK 01006

Buehler account has yet been reached, the last report being that Sikorsky was not taking over any of the Buehler orders. Mr. Ihrig is presently insisting upon an interest bearing note calling for monthly installments on account of the past due obligations of Buehler and he will make current shipments only on an advance payment or C.O.D. basis. Mr. Englehart reported that he had now been made free to discuss the Buehler situation with the Directors since his inside information about the company was no longer current. He reported that his own present company is also a creditor of Buehler although Wellman is much the largest of Buehler's general creditors.

Mr. Allchin reported that the Compensation Committee had met with Mr. Ihrig the night before and had concluded, first, that the profit and loss results for 1970 did not warrant any consideration of supplemental compensation for that year; second, that it is making no recommendations to the Board with respect to current adjustments of officers' salaries since the Committee feels that the best which could be done for the officers under present conditions would be to leave the salaries at present levels; and, third, that the supplemental Compensation Plan should be continued in effect, with no accrual on account of the Plan at the present time.

The remainder of the meeting was devoted to a discussion of proper corporate objectives and was begun by Mr. Englehart's remarks on some conclusions to which he had come and which he had communicated to Mr. Ihrig after reviewing some of the Company facts and

ARK 01007

figures submitted to him. In substance, Mr. Englehart believes that the Company's basic objective should be to obtain a proper percentage return on its total assets, physical, financial, human and intangible, and observed that this would recognize Dow's dual role as an investor and landlord, and it also raises the question whether any of the Company's present building space can be more profitably devoted to better uses or whether the Company can vacate and rent to others some of the space it is now using. He further expressed his view that today's market is an appropriate time in which to consider making a major adjustment in the Company's devotion to the aerospace industry. While management has repeatedly observed that two of the Company's most effective competitors have much lower labor rates, Mr. Loeman pointed out that labor is only 11% of the Company's costs so that savings in some of the other ways suggested would do much to make the Company more competitive.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 01008

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
February 9, 1971

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held on Tuesday, February 9, 1971, at the office of the Company, Bay City, Michigan, at 9:00 o'clock A. M.

The following Directors were present:

Richard Allchin
Theodore M. Englehart
George R. Frye
Baxter T. Fullerton
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

Absent: Marvin Johnson

Mr. J. Herbert Burling, Vice President - Finance, was present by invitation. The meeting was preceded the evening before by a report from the Sales Department on the Company's sales prospects, customers and competition.

The Chairman of the Board presided and the Secretary was secretary of the meeting.

The minutes of the meeting of the Board of Directors held October 26, 1970, having been previously mailed to the Directors, together with minutes of the meetings of the Executive Committee held December 1, 1970, and January 12, 1971, were approved on motion duly made, seconded and unanimously adopted.

ARK 01009

Final financial statements for the month of December and the year 1970, subject to audit, were distributed to the meeting, explained by Mr. Burling and discussed at length, with particular reference to the scrap experience, non-departmental operating expenses and the relation between standard costs and variances. Mr. Burling does not anticipate that the audit will show any substantial difference in the final results, so that the anticipated loss for the year is approximately $150,000 as against a profit for the year 1969 of some $83,000. The working capital continues in excess of $1,500,000 and the cash position, including investments in short-term notes, continues to be satisfactory.

Revised projections were distributed for the first quarter of 1971 and for each of the other three quarters of 1971, together with a projected balance sheet as of March 31, 1971. Mr. Ihrig reported that the operations in January had been very disappointing, largely because of the great amount of production of samples for the Rolle business, and that, therefore, the projected gross sales for the quarter had been reduced to $825,000, but that the projected sales for the year (of $4,590,000) were based on the reports of the Sales Department as given on the preceding evening. In response to inquiry, Mr. Burling stated that the projected costs were based only on the standard cost of sales and conceded that for a complete understanding the Directors would need a projected cash flow as indicated for the first quarter by the projected balance sheet of March 31, and also an inventory projection.

ARK 01010

The Directors questioned how much reliance could be placed upon the projected gross sales for the last three quarters of the year in the light of the currently anticipated low sales for the first quarter. Mr. Ihrig and Mr. Burling were questioned about various economies which might be made to eliminate the projected loss for the year. At the conclusion of the discussion, management was requested to submit to the Directors a week in advance of the next Executive Committee meeting a revised projection based on annual sales of $3,600,000 and budgeting the best operating position management could make on the given facilities and market, but trying to dispense with every expense management could reduce or eliminate. Management was also urged to study what can be done to improve the effectiveness of the facilities for reduced production and to submit its recommendations to the Board.

The President distributed the current Manpower Report and the current Organization Chart for the Company, reported on the final settlement which had been made with the pattern makers and referred to the comparison of labor costs between Wellman and Hills-McCanna. The Directors expressed their continued appreciation for the information contained in these monthly Manpower Reports, the consensus of the Board being that the largest single factor in effecting economies would continue to be in manpower control.

The President reported on his continued conversations with the President of the Buehler Corporation and said that he had, with the permission of its President, discussed that company's position with

ARK 01011

its bankers and with its principal customer, Sikorsky. The two Presidents have reached an understanding that Buehler's existing orders will be rescheduled so that no more than $50,000 a month will be shipped through April and lesser amounts will be called for during the balance of 1971 and 1972, but that the price for deliveries after June 1, 1971, will be increased 5% to reflect labor and material increases, and an additional 5% for the orders scheduled after June 1, 1972. The existing indebtedness of approximately $320,000 will not be increased, but will be satisfied on a payment schedule of not less than $50,000 a month, plus interest at the rate of 1% a month, payments to be made during the third week of each month and interest to be computed covering all open invoices which are aged beyond 30 days from invoice date, with an interest invoice to be submitted each month payable within 10 days. The Directors expressed their appreciation of the progress being made in these discussions and their hope that other creditors of Buehler would not precipitate court proceedings in the meantime.

The President then reported that two more trailer loads of patterns and material were still to be received from Rolle and that the present plans called for the Rolle plant to be completely closed by the end of February. Negotiations with Rolle customers, particularly Pratt and Whitney and Sikorsky, are continuing, with the expectation that Wellman will be accorded orders on several hundred of the patterns transferred from Rolle. The Company is examining and pricing other Rolle work for various of its small customers.

ARK 01012

Mr. Ihrig also reported that he would submit to DCFC the expenses of a maintenance and repair program to offset for the coming year rent charges under the DCFC lease agreement, which he anticipated would then be investigated by DCFC's engineers and would then be hopefully approved by Mr. Weaver.

The President referred to correspondence and information which he had sent to the Directors respecting possible mergers or acquisitions with Valley Gray Iron Foundry Company of Saginaw and Aerospace America, Inc., of Bay City, and indicated that he was likewise investigating other companies with a view to diversification.

There was a general discussion of the corporate objectives, in the course of which Mr. Ihrig indicated that he hoped to be able to increase the Company's share in the aluminum permanent mold commercial business now controlled by a number of companies, including Alcoa which was reported to be getting out of the permanent mold business. Mr. Fullerton asked about the size of the market which the Company now has and the percentage of that market which has gone to the Company in the past and may be expected to come to the Company in the future. Mr. Loeman again emphasized the need for replanning the use of the Company's existing facilities.

Excerpts of a letter from Mr. Weaver were read, expressing his regret at being unable to attend the meeting and his appreciation for what the Company had done in the difficult year of 1970, and reminding the Directors of Dow's continued desire to divest itself of Wellman stock and also of matters still to be determined under the

ARK 01013

incentive aspects of the agreement with DCFC relating to incentive shares for key employees and to the target price for the DCFC stock holdings.

The Secretary reminded the Board that the Annual Meeting of Shareholders was scheduled for April 27 and advised the Board that it would be appropriate to set a record date for that meeting. On motion duly made, seconded and unanimously adopted, the record date for the meeting was fixed as the close of business April 2, 1971, and it was resolved that the meeting should be held in Bay City at 2:00 o'clock P. M.

Upon recommendation of the Chairman and the President, Mr. Englehart was added to the Executive Committee and it was announced that that Committee would meet at the Hospitality Inn West, Cleveland, Ohio, on Tuesday morning, March 2.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 01014

MINUTES OF MEETING OF EXECUTIVE COMMITTEE
O F
WELLMAN DYNAMICS CORPORATION

Cleveland, Ohio
March 2, 1971

The Executive Committee (consisting of Messrs. Allchin, Englehart, Ihrig, Loeman and Maccracken) met at the Hospitality Inn West, Cleveland, Ohio, on Tuesday, March 2, 1971, at 9:00 o'clock A. M.

Mr. J. Herbert Burling, Vice President - Finance, was present by invitation.

Mr. Allchin presided and Mr. Maccracken was secretary of the meeting.

Mr. Burling reported on the financial statements for January, 1971, as previously distributed to the members of the Committee and there was a full discussion on why there was a smaller amount of manufacturing expense absorbed in production than had been forecast in the monthly budget. There was also a discussion as to the relation of this figure to the amount of direct labor expensed and to the reasons for the increase in the amount expended for supplies over the budget. Mr. Ihrig also reported that there had been an increase in the gas rate charge and an increase in the use of gas because of the cold weather and the increase in the permold production.

Mr. Ihrig reported that the GMAC short-term notes which had come due had been reinvested in 90-day paper of the Peoples Bank at

ARK 01015

5%, Mr. Burling affirming that, on the basis of their cash flow projections, this money would not be needed until the middle of May.

Mr. Ihrig and Mr. Burling stated that when, in accordance with the request of the Directors at the last meeting, they had attempted to prepare a profit and loss statement on the basis of $3,600,000 of sales for the year, they had found it apparently necessary to reduce costs by some $500,000 and they have been unable to complete the work necessary to determine realistically how far this might be done. They have, therefore, not submitted the projection as called for by the Directors. The Committee indicated its understanding that management would continue its study and come up with at least a new projection for the next quarter. Mr. Ihrig did report on the measures he had taken to effect a greater control over expenses, and in particular that he had appointed Mr. Haworth as Chairman of the Board of Operations, consisting of the Manager of Sales Development, Manager of Engineering, Manager of Quality Control, in addition to himself as Manager of Manufacturing. Mr. Burling will, of course, use this Board in the preparation of new budgets to reflect every economy which the Board can find to make. There was a discussion of the pro forma balance sheets and projected statement of source and application of funds for 1971 previously distributed to the Committee. These statements were made on the basis of the unrevised profit and loss projections submitted to the Board of Directors and until those statements are revised to

ARK 01016

reflect projected reductions in net sales and expenses, they are, in Mr. Burling's judgment, as realistic as he can make.

Mr. Allchin distributed work sheets of a comparison he had made between the projected statements as previously submitted and the comparable figures for the last quarter of 1970 and the full year 1970 as a means of testing how far the projected statements represented necessary or feasible reductions in expenses and costs.

It was agreed that, in the absence of increased sales price, the only feasible way of reducing the cost of manpower was to reduce the number of employees. The members of the Committee expressed their feeling that the manpower status report as previously submitted did indicate that management was making a serious effort in this direction. Mr. Ihrig reported other means of consolidating staff operations which he had under consideration, particularly with respect to the purchasing operations.

Mr. Ihrig reported that Buehler Corporation had for two months been making payments in accordance with the understanding expressed in his letter of January 22 to the President of Buehler Corporation. Mr. Englehart advised Mr. Ihrig that in his judgment there would be continued need to stay on top of Buehler's planning to make sure that Buehler could and would continue to do so. There was a discussion again of the possibility of making sales of castings direct to Buehler's customers rather than to Buehler, and the opinion was expressed that if such an arrangement were satisfactory to Buehler's customers Buehler should have no reasons for its oppos-

ARK 01017

ing the arrangement. Management was, therefore, urged to review this possibility on new orders received.

There was a discussion of the current status of the Company's relations with DCFC. Mr. Ihrig has had no response to his submissions to Mr. Weaver dated February 24, either as to the requirements of building maintenance and new equipment or as to his request for a reduction in stipulated rent. The possibility was discussed of DCFC transferring to others either its interest in the Company stock or in the property leased to the Company.

Mr. Ihrig and Mr. Englehart reported on the possibility of acquiring the stock or assets of a concern known as KPA Nuclear, but they were unable to evaluate the situation and the general opinion was expressed that, in view of the Company's other pressing problems at this time, it would be unwise to spend the time necessary to investigate this matter further.

Mr. Burling and Mr. Ihrig reported their unhappiness with the management by the Central National Bank of the assets in the Company's Salaried Pension Plan, and Mr. Burling reported that he had had discussions with a pension representative of The Aetna Life Insurance Company making a proposal for funding the Plan through group insurance rather than by the present bank funding and the use of individual insurance annuities. The Committee suggested that management discuss this question with Mr. Wellman and report the matter further to the Committee or the Board of Directors when they were prepared to make a specific recommendation.

ARK 01018

Mr. Ihrig was asked to review the present provisions as to the distribution of incentive shares under the Dow arrangements and to report on this matter to the Compensation Committee.

There being no further business to come before the meeting, it was thereupon adjourned, with the understanding that it would not meet until after the Stockholders' Meeting unless some specific need should arise.

Secretary

ARK 01019

MINUTES OF ANNUAL MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
May 6, 1971

Pursuant to the By-Laws of the Corporation, the Annual Meeting of the Board of Directors of Wellman Dynamics Corporation was held at the office of the Company, Bay City, Michigan, at 3:30 o'clock P. M., following the conclusion of the Annual Stockholders' Meeting.

The following Directors were present:

Richard Allchin
Theodore M. Englehart (for the initial business of the meeting)
Glenn F. Ihrig
Brooks W. Maccracken
Peter H. Wellman

Absent: Walter C. Loeman

The Chairman of the Board presided and the Secretary was secretary of the meeting.

Upon motion duly made, seconded and unanimously adopted, all of the officers of the Company were re-elected, to wit:

Richard Allchin	-	Chairman of the Board
Glenn F. Ihrig	-	President and Treasurer
J. H. Burling	-	Vice President-Finance and Assistant Secretary
Brooks W. Maccracken	-	Secretary
Richard K. Howe	-	Assistant Secretary

On motion duly made, seconded and unanimously adopted, it was:

ARK 01023

RESOLVED to discontinue the Executive Committee and to name Messrs. Theodore M. Englehart, Walter C. Loeman and Peter H. Wellman as the members of the Compensation Committee, with Mr. Wellman to act as Chairman thereof.

On motion duly made, seconded and unanimously adopted, it was:

RESOLVED to hold meetings of the Board of Directors on a bimonthly basis rather than quarterly, with four of the meetings to be held in Cleveland and two in Bay City.

The President reported that because of the financial needs of the Company he had reduced his annual salary by $6,000 to $39,000 and at his request his salary at the new reduced rate was ratified and confirmed. It was then moved, seconded and unanimously:

RESOLVED, for the same reasons, to reduce the salary of the Chairman of the Board to $3,000 a year and the fees of the Directors to $200 a meeting, and to request the members of the Compensation Committee to serve on that Committee without additional compensation.

The meeting concluded with a discussion of the pressing need for a prompt study of the feasibility of a plant reduction and relocation as proposed by the Manager of Operations as against the alternatives of relocating the plant in new quarters to be constructed for the reduced business of the Company. The President was authorized to find and negotiate with a consultant for the making of the necessary study.

The President was authorized to enter into an agreement with

ARK 01024

the Buehler Corporation for the payment of its indebtedness to this Company on the best terms he could personally negotiate.

It was agreed that the next meeting of the Board be held in Cleveland on Tuesday, June 15, 1971.

Secretary

ARK 01025

MINUTES OF ANNUAL STOCKHOLDERS' MEETING
O F
WELLMAN DYNAMICS CORPORATION

Bay City, Michigan
April 27 and
May 6, 1971

Pursuant to the By-Laws of the Corporation and the call of the Board of Directors, the Annual Meeting of the Stockholders of Wellman Dynamics Corporation was initially held in the office of the Company in Bay City, Michigan, on Tuesday, April 27, 1971, at 2:00 o'clock P.M., but there not being a quorum of shares represented at the meeting, the President adjourned the meeting until Thursday, May 6, 1971, at the same hour. At that time and at the same place the President reconvened the meeting, and upon the voice vote of those present was unanimously chosen as Chairman of the meeting. Pursuant to the By-Laws, the Secretary of the Corporation was secretary of the meeting.

The Secretary reported that he had on April 16, 1971, mailed to all stockholders of the Corporation of record on that date, and on April 2, 1971, a written notice of the meeting, together with a further notice that the meeting would be adjourned before the transaction of business until May 6, 1971. A copy of each such notice and of the form of proxy enclosed with the notice is attached to the minutes of this meeting. He reported that all stockholders of record on April 2, 1971, were entitled to vote at the meeting. He further reported that the holders of 452,896 shares were present at

ARK 01026

the meeting in person and that proxies had been received from the holders of 2,932 additional shares, making a total of 455,828 shares present in person or by proxy out of a total of 456,896 shares issued and outstanding. A list of the stockholders present in person or by proxy is attached to the minutes of this meeting.

The Secretary then read the minutes of the preceding Annual Shareholders' Meeting held April 28, 1970, and the same were, on motion, approved as read.

The President then called upon Mr. J. H. Burling, Vice President - Finance, to present his Annual Report, a copy of which is attached to the minutes of this meeting. The President himself then presented his Annual Report, a copy of which is likewise attached to the minutes of this meeting.

The Chairman then stated that the next order of business would be to fix the number of the Directors for the ensuing year. Thereupon, on motion duly made, seconded and unanimously adopted, it was:

> RESOLVED that the number of Directors for this Corporation for the ensuing year be fixed at six.

He then called for nominations for the Board of Directors and the following persons were nominated:

Richard Allchin
Theodore M. Englehart
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

ARK 01027

Upon motion duly made, seconded and unanimously adopted, the nominations for Directors were closed and the Secretary was instructed to cast the unanimous ballot of all stockholders represented at the meeting for the above named nominees, who were thereupon declared the duly elected Directors of the Company for the ensuing year and until their successors are elected and qualified.

The President expressed his appreciation for the services of the three Directors whose terms were expired - namely, Messrs. George Frye, Baxter Fullerton and Marvin Johnson, and stated that he would, on behalf of the stockholders, further express his appreciation by individual letters to them.

The Secretary then inquired whether, in view of the fact that the number of the Directors of the Corporation was now six, any of the stockholders would desire to amend the provision of the By-Laws which states that a majority of the number of Directors is necessary for a quorum. There was a discussion, but no motion was made.

The meeting was thereupon adjourned.

Secretary

ARK 01028

REPORT OF THE SECRETARY

The following stockholders were present in person at the Stockholders' Meeting May 6, 1971:

Peter H. Wellman, C. F. Weaver and Glenn F. Ihrig, Trustees, holding	452,896 shares

In addition, proxies in favor of Peter H. Wellman, C. F. Weaver and Glenn F. Ihrig were received from the following stockholders:

Jane Richard, holding	14	shares
Estate of Daniel T. Wellman by Harriet T. Wellman, Executrix, holding	200	"
Estate of Fred S. Wellman by Dixon Morgan, Executor, holding	1,718	"
Cyrus R. Wellman, holding	1,000	"
Present in person or by proxy	455,828	

out of a total of 456,896 shares issued and outstanding and entitled to vote.

The Secretary further received, too late for reporting at the meeting, proxies in favor of the same persons from Mary Clough, holding 50 shares, and A. A. Welsh & Co. with respect to 60 shares.

ARK 01029

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Middleburg Heights, Ohio
June 15, 1971

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Hospitality Inn West, Middleburg Heights, Ohio, on Tuesday, June 15, 1971, at 9:00 o'clock A. M.

The following Directors were present:

Richard Allchin
Theodore M. Englehart
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

being all of the members of the Board.

The Chairman of the Board presided and the Secretary was secretary of the meeting. The minutes of the Directors' meetings held May 5 and May 6, 1971, were distributed, read and approved.

The financial statements for the month of April were discussed and the continued effect of the absence of any real production items was noted. However, Mr. Loeman observed that an improvement in controls was evident. The President indicated that the results for May were going to be about like those for April and estimated a loss for May of some $52,000. The projected balance sheet and source and application of funds for the remaining months of the calendar year, as previously mailed to the Directors by Mr. Burling,

ARK 01030

was discussed. Mr. Allchin inquired whether this did not indicate that the Company would have a cash problem in June, but Mr. Burling explained that June was upon us and he felt that the Company would not be in a negative cash position until September.

Mr. Ihrig reported difficulties with a slow-down by Pratt & Whitney on its releases for shipment. There was a discussion as to whether or not the Company would not be justified in an increased price to Pratt & Whitney on this account.

Mr. Ihrig and Mr. Englehart reported further changes in the personnel at Buehler Corporation, and Mr. Ihrig indicated that he was not prepared to make any agreement with Buehler Corporation until he had an opportunity to sit down personally with the present management of that corporation. Mr. Ihrig further reported that the financial officer at Buehler now stated that he could not agree to treat as new invoices on a 30-day basis about $30,000 of invoices which he had previously agreed to so treat.

The President then reported on the proposal of Foundry Design Company, Inc. to make a study for the consolidation or modernization of the Company's Bay City facilities. This proposal did not contain any proposal to make a study as to the use of alternate facilities and in that connection Mr. Ihrig reported that discussions with the President of Hills-McCanna had indicated an interest on the part of that company in selling to Wellman its foundry facilities and business. No proposal or terms have been discussed at all, but the Directors suggested that this would indicate the value of hav-

ARK 01031

ing Foundry Design Company look at the Hills-McCanna foundry in Iowa and make a comparative study of those facilities and the Bay City facilities. Mr. Ihrig was authorized to discuss this with Foundry Design Company and to make such arrangements as he should think proper with that company for the purpose of making such a study as promptly as possible.

Mr. Ihrig reported also on his conversations with the Department of Defense respecting the present condition of the industry and his plans with respect to the continuance on a reduced basis of the Company's advertising bulletin.

After a discussion it was agreed that the next meeting of the Board should be at the same time and place on Wednesday, September 1.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 01032

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Middleburg Heights, Ohio
August 31, 1971

Pursuant to notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Hospitality Inn West, Middleburg Heights, Ohio, on Tuesday, August 31, 1971, at 9:00 o'clock A. M.

The following Directors were present:

Richard Allchin
Theodore M. Englehart
Glenn F. Ihrig
Walter C. Loeman
Brooks W. Maccracken
Peter H. Wellman

being all of the members of the Board.

Mr. J. Herbert Burling, Vice President - Finance, was also present and, for a portion of the meeting, Mr. Richard K. Howe, Assistant Secretary, and Mr. C. F. Weaver were also present.

The Chairman of the Board presided and the Secretary was secretary of the meeting. The minutes of the Directors' meeting held June 15, 1971, having been previously mailed to the Directors, were approved as mailed.

The financial statements for the months of May, June and July were discussed and the President reported on the current cash position and the status of operations. He said that the current backlog was $2,348,000; that so far in August some $400,000 had

ARK 01033

been shipped and $450,000 produced and that some eight employees had been called back to work and a profit for the month was expected of about $35,000. He reported a number of sizable orders in process, subject, among other things, to questions created by the wage and price freeze. There was a discussion of the effect of this freeze on pricing policies and suggestions were made on how these could be handled.

The President also reported that Buehler Corporation has continued its payments in accordance with the program established earlier in the year and has now agreed to treat as current invoices on a 30-day basis the approximate $30,000 which, as last reported, Buehler wanted to treat as in the forbearance account, so that currently there is due from Buehler in the forbearance account only some $150,000.

The President then recommended that James Howarth be promoted from Manager of Operations to Vice President - Operations, the position previously held by Mr. Brown, and that his salary be fixed at $25,000 per year. This recommendation was unanimously adopted.

There was then a discussion as to the best method of providing automobiles for the needs of the Company's executives, and it was suggested that Mr. Burling review the costs of buying Company cars or getting them on a good financial lease as compared with the Company's present leasing arrangement for salesmen.

ARK 01034

The balance of the meeting was devoted to a discussion of the negotiations for the acquisition of the assets of the McCannalloy Division of Hills-McCanna Company in exchange for Common Stock of this Company. Messrs. Weaver and Richard Howe joined the meeting for this discussion, and the President distributed to the Directors a memorandum summarizing the discussions had with Messrs. C. A. Howe and Swift of Hills-McCanna and Pennwalt Corporation on August 25, 1971. The President had previously mailed to the Directors a memorandum from Mr. Weaver dated August 17, 1971, and information relating to the McCannalloy Division. All of these were discussed, together with the potential costs and savings in future operations, at the conclusion of which the following resolutions were moved, seconded and adopted by the affirmative votes of Messrs. Ihrig, Allchin, Englehart and Maccracken, Messrs. Wellman and Loeman having left the meeting before the formal resolutions were made:

> RESOLVED that the Chairman of the Board or the President and the Secretary or Assistant Secretary of this Corporation are hereby authorized to negotiate and to execute, subject to ratification and approval by this Board of Directors, a contract between this Corporation and either Pennwalt Corporation or Hills-McCanna Company for the acquisition of the inventories, accounts receivable, equipment and related property assets of Hills-McCanna's McCannalloy Division in Creston, Iowa, in exchange for shares of the Common Stock of this Corporation and the assumption of certain liabilities, on such terms and conditions as those officers shall deem appropriate and advisable, having in mind the need for contributions or concessions by and to Dow Chemical Financial Corp., the need for cash and a line of bank credit to meet the costs of future operations, and the probable re-

ARK 01035

quests from certain shareholders of the Company for a registration at Company expense of the stock of the Company in order to effect a secondary public offering.

and

RESOLVED that this Board of Directors proposes and declares it advisable that the Certificate of Incorporation of this Corporation be amended by amending Article Fourth thereof to read as follows:

> Fourth: The total number of shares of stock which the Corporation shall have the authority to issue is One Million Five Hundred and Fifty Thousand (1,550,000), of which One Million Five Hundred Thousand (1,500,000) shares, of the par value of $1.00 each, amounting in the aggregate to One Million Five Hundred Thousand Dollars ($1,500,000.00), shall be Common Stock and of which Fifty Thousand (50,000) shares, without par value, shall be Preferred Stock; and the par value of each share of Common Stock of the Corporation authorized and issued at the time of the amendment of this Article Fourth is reduced from $5.00 to $1.00.

FURTHER RESOLVED that a special meeting of the stockholders be called and held on September 28, 1971, at such hour and place as the President shall determine, for the purpose of voting upon such amendment and that notice of such meeting be given on September 17, 1971, to stockholders of record September 17, 1971, which shall be the record date for such meeting.

There being no further business to come before the meeting, it was adjourned with the understanding that the next meeting would be held on September 28, 1971.

Secretary

ARK 01036

Form **966**
(Rev. Nov. 1973)
Department of the Treasury
Internal Revenue Service

Corporate Dissolution or Liquidation

(Required under Section 6043(a) of the Internal Revenue Code)

Please type or print

1 Name of corporation: WELLMAN LIQUIDATING CORPORATION (formerly Wellman Dynamics Corporation)

Address (Number and street): P. O. Box 147

City or town, State and ZIP code: Creston, Iowa 50801

Employer identification number: 34-0610310

Check type of return: ☒ 1120 ☐ 1120DISC ☐ 1120L ☐ 1120M ☐ 1120S

1 Date incorporated: 1910

2 Place incorporated: Delaware

3 Type of liquidation: ☒ Complete ☐ Partial

4 Internal Revenue Service Center where last income tax return was filed and taxable year covered thereby
Service Center ► Phila., Pa. (with Pennwalt Corp. Consol. Return) Taxable year ► 1974

5 Date of adoption of resolution or plan of dissolution, or complete or partial liquidation: 12-31-75

6 Taxable year of final return 1-1-76 to 1-5-76
(Liquidation & Dissolution 1-5-76)
Will be included in the 1976 Consolidated Tax Return of Pennwalt Corp. & Affiliated Cos.

7 Total number of shares outstanding at time of adoption of plan or liquidation
Common: 825,247
Preferred:

8 Dates of any amendments to plan of dissolution: None

9 Section of the Code under which the corporation is to be dissolved or liquidated: Section 332

10 If this return is in respect of an amendment of or supplement to a resolution or plan previously adopted and return has previously been filed in respect of such resolution or plan, give the date such return was filed: Not Applicable

11. Liquidation Within One Calendar Month.—If the corporation is a domestic corporation, and the plan of liquidation provides for a distribution in complete cancellation or redemption of all the capital stock of the corporation and for the transfer of all the property of the corporation under the liquidation entirely within one calendar month pursuant to section 333, and any shareholder claims the benefit of such section, then the corporation must also submit:

(a) A description of the voting power of each class of stock;

(b) A list of all the shareholders owning stock at the time of the adoption of the plan of liquidation, together with the number of shares of each class of stock owned by each shareholder, the certificate numbers thereof, and the total number of votes to which entitled on the adoption of the plan of liquidation;

(c) A list of all corporate shareholders as of January 1, 1954, together with the number of shares of each class of stock owned by each such shareholder, the certificate numbers thereof, the total number of votes to which entitled on the adoption of the plan of liquidation, and a statement of all changes in ownership of stock by corporate shareholders between January 1, 1954, and the date of the adoption of the plan of liquidation, both dates inclusive; and

(d) A computation as described in section 1.6043-2(b) (following the format in Revenue Procedure 65-10, C.B. 1965-1,738 and Revenue Procedure 67-12, C.B. 1967, 589) of accumulated earnings and profits including all items of income and expense accrued up to the date on which the transfer of all property is completed.

Attach a certified copy of the resolution or plan, together with all amendments or supplements not previously filed.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

The Internal Revenue Service does not require a seal on this form, but if one is used, please place it here.

1-28-76 — Date

Vera M. Byrne — Signature of officer

Assistant Secretary — Title

Instructions

1. Who must file.—This form must be filed by every corporation that is to be dissolved or whose stock is to be liquidated in whole or in part.

Shareholders electing to be covered under section 333 of the Code must also file Form 964 within 30 days after the date of adoption of the plan of liquidation.

2. When to file.—This form must be filed within 30 days after the adoption of the resolution or plan for or in respect of the dissolution of a corporation or the liquidation in whole or in part of its capital stock. If after the filing of a Form 966 there is an amendment or supplement to the resolution or plan, an additional Form 966 based on the resolution or plan as amended or supplemented must be filed within 30 days after the adoption of such amendment or supplement. A return in respect of an amendment or supplement will be deemed sufficient if it gives the date the prior return was filed and contains a certified copy of such amendment or supplement and all other information required by this form which was not given in such prior return.

3. Where to file.—This form must be filed with the Internal Revenue Service Center with which the corporation is required to file its income tax return.

4. Signature.—The return must be signed either by the president, vice president, treasurer, assistant treasurer or chief accounting officer, or by any other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return which he is required to file on behalf of a corporation.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1974—O-557-723—68-0401110

ARK 01154

I, Vera M. Byrne, hereby certify that I am the Assistant Secretary of WELLMAN LIQUIDATING CORPORATION (formerly Wellman Dynamics Corporation), a corporation organized and existing under the laws of the State of Delaware; that the following is a true copy of resolutions adopted by the Board of Directors of said corporation at a meeting held on December 31, 1975, at which a quorum was present; and that such resolutions have not been revised, rescinded or modified and are now in full force and effect:

RESOLVED, That the stockholders of the Company hereby adopt the following plan of complete liquidation and dissolution of the Company:

1. Substantially all of the assets of the Company shall be sold as provided in the Agreement For Sale of Assets described in the Proxy Statement of the Company dated December 12, 1975;

2. Article First of the Restated Certificate of Incorporation of the Company be amended to read as follows:

   FIRST: The name of the corporation is WELLMAN LIQUIDATING CORPORATION.

3. As soon as practicable and in no event later than three years from the date of adoption of this resolution, the remaining net assets of the Company shall be distributed pro rata to its stockholders in complete liquidation and the Company shall be dissolved.

IN WITNESS WHEREOF, I have subscribed my name this twenty-sixth day of January, 1976.

Vera M. Byrne

RESOLUTION ADOPTED BY

THE STOCKHOLDERS OF

WELLMAN DYNAMICS CORPORATION ON

DECEMBER 31, 1975

RESOLVED, that the stockholders of the Company hereby adopt the following plan of complete liquidation and dissolution of the Company:

1. Substantially all of the assets of the Company shall be sold as provided in the Agreement For Sale of Assets described in the Proxy Statement of the Company dated December 12, 1975;

2. Article First of the Restated Certificate of Incorporation of the Company be amended to read as follows:

FIRST: The name of the corporation is WELLMAN LIQUIDATING CORPORATION.

3. As soon as practicable and in no event later than three years from the date of adoption of this resolution the remaining net assets of the Company shall be distributed pro rata to its stockholders in complete liquidation and the Company shall be dissolved.

January 5, 1976

TO HOLDERS OF COMMON STOCK OF WELLMAN LIQUIDATING CORPORATION
(FORMERLY WELLMAN DYNAMICS CORPORATION):

Today the assets of Wellman Dynamics Corporation ("Wellman") were sold to a wholly-owned subsidiary of Creston Corporation.

Pursuant to the resolutions adopted by the stockholders of Wellman on December 31, 1975, Wellman's name has now been changed to Wellman Liquidating Corporation and a Certificate of Dissolution has been filed by Wellman in Delaware. Wellman will now proceed to distribute its remaining assets to its stockholders, pro rata, at the rate of $4.51 per share. As noted in the proxy material for the stockholders' meeting, Pennwalt Corporation ("Pennwalt"), a subsidiary of which owns approximately 93% of the outstanding Common Stock of Wellman, has contributed an additional $.54 per share to the distribution to Wellman stockholders in recognition of certain tax benefits received by Pennwalt as a result of the fact that Wellman has been included in Pennwalt's consolidated federal income tax returns since September 1, 1972. Accordingly, each share of Wellman stock (other than Wellman stock owned by Pennwalt's subsidiary) may now be exchanged for $5.05. Enclosed is a Letter of Transmittal to be used in effecting the exchange of Wellman stock certificates for cash, which should be completed promptly and mailed to the Exchange Agent with your Wellman certificates in accordance with the instructions contained in the Letter of Transmittal.

No interest will be paid on the funds which the Exchange Agent is holding for distribution to you. Therefore, it is in your best interest to forward your certificates promptly.

If you have any question about or need assistance with regard to the mechanics of effecting the exchange (including the procedure to follow in the event your Wellman certificates have been lost), you may write or call (215-585-3400) Mr. Edward Mogee, the officer at Girard Trust Bank who will be in charge of this procedure.

Sincerely yours,

_____

Secretary of Wellman Liquidating
Corporation

LETTER OF TRANSMITTAL

(TO ACCOMPANY CERTIFICATES FOR SHARES OF COMMON STOCK OF WELLMAN LIQUIDATING CORPORATION, FORMERLY WELLMAN DYNAMICS CORPORATION)

Names(s) and Address of Registered Owner(s) as Shown on Stock Records of Wellman Liquidating Corporation:

Girard Trust Bank,
Exchange Agent
Corporate Trust Department
P.O. Box 8337
Philadelphia, PA 19101

Gentlemen:

In accordance with the notice of Wellman Liquidating Corporation ("Wellman") dated January 5, 1976 as to the liquidation and dissolution of Wellman, the certificate(s) listed below representing shares of the Common Stock of Wellman are herewith surrendered to you in exchange for $5.05 per share:

Name in which Certificates are Registered	Certificate Numbers	Number of Shares
(Attach Schedule if Needed)	Total Shares Surrendered	

Please issue a check for the sum to which I am entitled in my name and forward it by first class mail, addressed to me at the address shown above unless other instructions are indicated under "A" or "B" below.

Very truly yours,

Dated: , 1976 _____

_____
(Signature(s) of Owner(s) or Agent)

A. If check is to be mailed to address other than that indicated above, fill in this space

Only for delivery of check

Name: _____
type or print

Address: _____

_____
(city) (state) (zip code)

B. If check is to be issued in a name other than that indicated fill in this space. (See Instruction 3)

Name: _____
type or print

Address: _____

_____
(city) (state) (zip code)

ARK 01162

INSTRUCTIONS FOR SURRENDERING CERTIFICATES

1. GENERAL. This Letter of Transmittal, properly filled in, dated and signed on behalf of the owner(s) of the deposited certificate(s) should accompany certificate(s) for shares of the Common Stock of Wellman Liquidating Corporation, formerly Wellman Dynamics Corporation ("Wellman") surrendered to Girard Trust Bank, as Exchange Agent (the "Exchange Agent"), Corporate Trust Department, P. O. Box 8337, Philadelphia, PA 19101, in exchange for $5.05 per share. The method of delivery of the certificate(s) to the Exchange Agent is at the option and risk of the owner thereof. If mailed, the use of registered mail addressed to the Exchange Agent is suggested. For convenience, a return envelope addressed to the Exchange Agent is enclosed.

No interest will be paid to any holder of any certificate(s) representing shares of Common Stock of Wellman during such period as the Exchange Agent shall hold the funds to which any Wellman stockholder is entitled.

2. CHECK TO BE ISSUED IN SAME NAME. If the check to be issued in exchange for the stock certificate(s) of Wellman is to be issued in the name of the registered holder of the surrendered certificate(s), the surrendered certificate(s) need not be endorsed.

3. CHECK TO BE ISSUED IN DIFFERENT NAME(S). If the check to be issued in exchange for shares of Wellman stock is to be issued in a name other than that of the present registered holder of the surrendered certificate(s), the surrendered certificate(s) must be endorsed or accompanied by appropriate stock powers with signatures of all owners of record guaranteed by a commercial bank or trust company or by a firm which is a member of the New York Stock Exchange, Inc., the American Stock Exchange Clearing Corporation, or the Pacific Coast Stock Exchange.

In case any endorsement is executed by an agent, attorney, executor, administrator, trustee, guardian, or other fiduciary or a person acting in any other representative capacity, or by an officer of a corporation on behalf of the corporation, the full title of such person must be given and proper evidence of his appointment and authority to act in such capacity (including corporate resolutions and court orders where necessary) must be forwarded with the surrendered certificate(s).

Breakenridge

wellman dynamics corporation

June 21, 1974

Mr. J. Drake Watson
Pennwalt Corporation
Three Parkway
Philadelphia, PA 19102

Dear Mr. Watson:

Please note the attached correspondence on hazardous waste. You will note that on June 4 our Paul Breakenridge submitted some information to the Iowa Department of Environmental Quality. In turn, they replied on June 19, requesting more specific information.

It was our thought that you could counsel us on how much we should say or, better yet, maybe there is a specialist on your staff who could assist us in dealing with the problem.

I am not sure whether you have met our Paul Breakenridge but if you have any questions, please feel free to make direct contact with him. I would appreciate being kept advised of what transpires.

Yours very truly,

WELLMAN DYNAMICS CORPORATION

Glenn F. Ihrig
President

GFI:jsl

Enclosure

CC: Mr. Paul M. Breakenridge

P. O. BOX 147 U. S. ROUTE 34 CRESTON, IOWA 50801 TELEPHONE 515 782-8521

July 10, 1974

To: Mr. Howarth

CC: Mr. LaVallay
Mr. Breakenridge
Mr. Drake Watson, Pennwalt

From: Mr. Ihrig

Subject: Iowa DEQ

Please follow through and conduct the tests as recommended by Pennwalt.

They are recommending that we use an outside consultant. As another check, can Gordon Crawford conduct the same tests in our Lab?

Also, note Pennwalt wants to review the results prior to our contacting DEQ.

jsl

July 16, 1974

TO: Mr. Howarth

CC: Mr. Ihrig
Mr. LaValley

FROM: P. Breakenridge

SUBJECT: Waste Foundry Sand

As of July 12, the following action has been taken on our waste sand problem. Two samples of sand have been prepared for testing. One of the samples is being tested in our lab by Gordon Crawford.

The other sample has been sent to Corning Lab Inc., P. O. Box 625, 1004 Main Street, Cedar Falls, Iowa - Ph. 319-277-2401.

The specific test and procedure were discussed with Gordon and Sue Kelley of the Corning Lab. The test will be for fluoride (total), boron, sulfite, sulfate and silica. Ms. Kelley told us that approximately two weeks would be required from their receipt of the sample.

Lab reports will be sent to me and I will forward them to you and Drake Watson at Penwalt before they are sent to the Iowa Department of Environmental Quality.

Paul M. Breakenridge
Facilities & Safety Engineer

PMB:mm
Attach.

August 30, 1974

Mr. J. Drake Watson
PENNWALT CORPORATION
Three Parkway
Philadelphia, PA. 19102

Dear Mr. Watson:

Enclosed you will find the test results of our sand samples taken July, 1974.

I attempted to contact you by phone today, but found that you were on vacation. I am sending you the test results and I will contact you on September 2nd, 1974. This report has not been sent to the Iowa Environmental Quality Department and I will not do so until I talk to you.

The letter with the results outlines the procedures used. If you have any questions concerning the test method, please contact me or Mrs. Kelly direct, if you wish.

Very truly yours,

WELLMAN DYNAMICS CORPORATION

Paul M. Breakenridge
Facilities & Safety Engineer

PMB:mm
cc: Mr. J. Williams
Mr. G. Ihrig
Mr. J. Howarth
Mr. R. LaValley

FORM 1025 PENNWALT CORPORATION

SUBJECT Waste Foundry Sand - Iowa DEQ

DATE September 12, 1974

TO Mr. Paul M. Breakenridge, Wellman

FROM J. Drake Watson

IN REPLY TO

COPIES TO M44 M64 T8 J. M. Williams B17

Upon discussing with Dr. Medon the results attached to your letter of August 30, we feel that you should write to the Iowa DEQ per the attached draft.

If you have any questions about this draft letter or if you have any comments before mailing it, please let me know. We do not feel that you should voluntarily send a copy of the analyses from Corning Laboratories to Dr. Hanson but if he requests a copy, we have no objection to sending it to him.

JDW:g
Attachment

File Copy

wellman dynamics corporation

September 16, 1974

Dr. Michael L. Hanson
Hazardous Substance Section
Iowa Department of Environmental Quality
3920 Delaware Avenue
Des Moines, Iowa 50316

Dear Dr. Hanson:

In reply to your letter of June 19, we had a representative sample of our waste foundry sand analyzed by Corning Laboratories, Inc., Cedar Falls, Iowa.

One kilogram of the waste sand was leached with two liters of deionized water for a period of 1 hour. The mixture was gently agitated during the leaching period. After the leaching period, the supernatant was filtered through glass fiber filter paper under a vacuum.

The following methods of analysis, which were used, are taken from the Standard Methods for the Examination of Water and Wastewater, 13th Ed., 1971.

Sulfite	158
Sulfate	156C
Fluoride	121A, 121C, 208
Boron	170B, 170C
Silica	151C

P. O. BOX 147 U. S. ROUTE 34 CRESTON, IOWA 50801 TELEPHONE 515 782-8521

Dr. Michael L. Hanson September 16, 1974

The results of the analyses are as follows:

	gm/kg*
Sulfite (as SO_3)	.206
Sulfate (as SO_4)	.260
Sulfide (as S)	.486
Fluoride (as F)	.162
Boron (as B)	.502
Silica (as SiO_2)	.002

We trust this information will satisfy your requirements.

Very truly yours,

WELLMAN DYNAMICS CORPORATION

Paul M Breakenridge

Paul M. Breakenridge
Facilities & Safety Engineer

PMB:mn

cc: Mr. J. Drake Watson
Mr. J. McWhirter
Mr. J. Williams
Mr. G. Ihrig
Mr. J. Howarth
Mr. R. LaValley
Mr. S. Simmons

*grams leached/kg waste sand

FORM 1025 PENNWALT CORPORATION

File Ref: Environmental Control - Creston - Iowa - Wellman Dynamics - Air

SUBJECT Creston - Iowa, E-1376, Wellman Dynamics Corporation - Air Emissions

DATE April 1, 1975

TO Mr. J. E. Hopkins

FROM Sam Balamoun

IN REPLY TO Letters from Mr. J. Williams to W17 (2/27) and to H36 (3/3/75)

COPIES TO W17, T8, J. Williams, J. Howarth, R. LaValley, P. Breakenridge

In reference to a letter dated 2/27/75 from Mr. J. W. Williams (Director of Wellman Dynamics Corporation) to Mr. A. S. Woodard, Mr. Williams requested Central Engineering's assistance to determine the scope of the air emission problem at the Creston plant. I visited the plant during the period of 3/12 to 3/14. Purpose of that visit was to:

(I) Inspect and get acquainted with various phases of plant operations, in order to determine the scope of the air emission problem.

(II) To meet with Mr. D. Benson (Environmental Specialist) from the Iowa Department of Environmental Quality, Air Quality Management (Council Bluffs office) who was scheduled to visit the plant on 3/13 to conduct further stack testing (opacity readings) with respect to two emission areas at the Wellman plant. Furthermore to resolve with Mr. Benson the matter concerning the claimed violation of those emissions.

Activities and highlights of this visit are presented as follows:

I.A. Summary of Plant Operations:
When I arrived at the plant I met with Messrs:

J. Howarth	Vice President of Operations
R. LaValley	Manager of Manufacturing
S. Simmons	Manager of Industrial Relations
P. Breakenridge	Facilities and Safety Engineer

Summary of plant operations are presented below. This was based on an extensive field inspection of various plant operations with Mr. Breakenridge, and miscellaneous discussions with plant management.

The plant produces Aluminum and Magnesium alloy castings mostly for the aerospace industry.

General sequence of process operations can be represented by the attached schematic diagram Fig. (1) and briefly described as follows:

(1) Core making and drying:
This process involves preparation of two different types of sand mixes (Dry and Green sand mixes) for forming mold cores. Cores after being formed are transferred to the drying room. where they are dried using CO_2 gas in case of Dry sand or compacted using air hammers in case of Green sand. Approximate composition of Dry and Green sand mixes are mainly as follows:

Dry Sand	% Composition	Green Sand	% Comp.
Sand (Special Grade)	95	Sand(Special Grade)	80 - 85
Sodium silicate (Binder)	2.5	Sulfur (Inhibitor)	5
Sulfur (Inhibitor)	0.5	Potassium silica fluoride(Inhibitor)	1.5
Potassium silica fluoride (Inhibitor)	0.5	Oil (Bonding agent)	5
Potassium Borofluorate (Inhibitor)	0.5	Bentonite(Inhibitor)	3.5 - 5
Glycerin (Lubricant)	0.75	Catalyst	-
Urea	0.25	Potassium Borofluorate (occasionally)	-
		Others	-

(2) Core finishing:
This process involves core cleaning, coding ----- etc.

(3) Molding:
This process involves assembling the required sand molds including their final preparation prior to pouring molten metal to them.

(4) Aluminum and Magnesium Melting and Alloying:

(a) Aluminum Melting:
This process is carried out in six electrically heated furnaces during the day shift only. Amount of molten metal per furnace ranges between 600 to 1000 Lbs.

Furnaces are charged with pure Aluminum metal, some recycled scrap, together with some additives in various amounts to produce the desired characteristics of the final Aluminum alloy (AL. content 85 - 90%, typical sp.gr. 2.79). These additives include various combinations of the following elements: Copper (cu), Magnesium (Mg), Silica (Si), Titanium (Ti), Beryllium (Be). Temperature of the molten metal ranges between 1200 - 1400°F. No flux is added in this process. After the composition of the molten bath is adjusted to the desired composition, chlorination process begins at the later part of the cycle. In this process chlorine gas is introduced under pressure (approx. 50 p.s.i) through carbon lances to the bottom of the melt and permitted to

bubble up through the molten metal for approximately 5-10 minutes. Chlorination process is applied in this manner primarily for Degassing the molten Aluminum alloy (removing dissolved gases), Chlorination process can also be used for Demagging (Reducing the Magnesium content) in the molten alloy.

(b) Magnesium Melting:
This process is carried out in (20) "tilting" indirect gas fired crucible furnaces during the day shift only. The melting process is halted around 3:30 : 4:00 p.m. each working day. Each furnace is provided with devices for affixing the crucible to the furnace so that the crucible may be tilted when the metal is poured. The tilting mechanism is operated manually. Seven of these crucible furnaces each may contain up 2000 lbs. of molten metal, while the rest of the thirteen crucible furnaces each may contain an average of 750 lbs. and a max. of 900 lbs. of molten metal.

Crucibles are charged with pure Magensium metal, some recycled scrap, together with some additives in various amounts to produce the desired characteristics of the final Magnesium alloy (85-90% Mg., typical sp.gr. 1.83). These additives include various combinations of the following elements: Aluminum (AL), Zinc (Zn), Thorium (Th), Zirconium (Zr), Beryllium (Be), Rare Earth Metals. Various fluxes are added on top of the molten metal surface. These are called cover fluxes and they are used to protect the metal from being in contact with air and thereby prevent oxidation. Some of the fluxes used at the plant are Sulfur, Borax, Potassium Borofluorate and Manganese Chloride. After the composition of the molten bath is adjusted to the desired composition, chlorination process begins at the later part of the cycle. In this process chlorine gas is introduced under pressure (approx. 50 p.s.i.) through carbon lances to the bottom of the melt and permitted to bubble up through the molten metal for approximately 5-10 minutes. Chlorination process is applied in this manner primarily for Degassing the molten metal, it can also be used for Demagging (reducing the Magnesium content in the molten alloy).

(5) Pouring
In this process, the molten AL. or Mg. alloy is poured to the mold by tilting melting pots or crucibles using a manual tilting mechanism.

(6) Shake-out and Core Knock-out:
There are two shake-out areas and one (core) knock-out area for removing the relatively cooled castings from flasks and/or Dry, Green sand molds. Green sand from the Green sand molds is recycled and waste sand generated from cores knock-outs is transferred for disposal on plant site.

(7) Further processing of castings:
From this stage, castings passes through various unit operations to produce final products ready for shipment. Generally these finishing operations include blast cleaning, removal of risers, primary inspection, (welding), tube cleaning, grinding, hand tooling, final inspection (visual, X-ray, fluorescent dye penetrant), shot blasting, sand blasting, pickling, rinsing and finally heat treatment.

I.B. General Evaluation of air emissions from various process operations and existing air emission control equipment:

On 3/12/75 Mr. Breakenridge and I made a visual inspection of air emissions from stacks and roof vents existing at the plant. In general, I feel that the opacity of air emissions from most of these vents and stacks are quite satisfactory and can continue to be satisfactory under normal operating conditions.

Air emissions from vents and stacks marked (11) and (9) on the attached plot plan (venting from the Magnesium melt room and shake-out areas respectively) also appeared to be satisfactory at the time of inspection. However, I should emphasize here that the opacity of air emissions from those stacks are mainly dependent on the operating conditions prevailing. For this reason they will be discussed separately in the report.

Vents and stacks with satisfactory air emissions at the Wellman plant can be generally categorized as follows:

(1) Stacks from room unit heaters burning either natural gas or propane as a fuel (products of combustion emitted in this case are considered non-polluting).

(2) Stacks venting from process operations equipped with air emission control equipment. These can be summarized as follows:

Location	Equipment	Air Contaminants	Air Emission Control Eqpt.	Stack No.	Air emission after control equipment
(a) Pattern Shop	Sanders, disc sanders, surface planer, Band saw	Particulate matter (saw dust)	Dry cyclone	25	Satisfactory
(b) Cleaning room (Final)	Grinders	Particulate matter Mg. dust	Each grinder equipped with a hydro-filter	Air emission from each scrubber vent inside the cleaning room	Satisfactory
(c) Chill room	Tumble blast unit, wheel-abrator	Particulate matter(fine steel shots, sand)	Baghouse	12	Satisfactory
(d) Cleaning room for castings (surface treatment)	Sand blasting unit, wheel-abrator	Particulate matter (sand, fine steel shots)	Wet scrubber (counter-current flow)	6	Satisfactory
(e) Saw-room	Sand blasting unit (using steel shots)	Particulate matter (sand, fine steel shots)	(Roto-clone) scrubber	19	Satisfactory

(3) Roof vents and/or stacks venting from process operations not equipped with air emission control equipment. However, the nature of these operations or the rate of their air emissions are considered negligible and do not constitute an air emission problem under normal operating conditions. Important process operations under this category are discussed below:

(a). Aluminum Melting Area:
The following discussion provides some insight of what can be expected from the standpoint of air emissions during the Aluminum melting process.(Ref: Air Pollution Engineering Manual, Second Edition, Published by the U.S. Environmental Protection Agency, May 1973). The nature and amount of air contaminants emitted during the Aluminum melting process can vary from insignificant to serious.

Main types air contaminants that can be emitted during the process are chlorine gas, Hydrogen chloride vapors,

Aluminum chloride vapors, small amount of Magnesium chloride liquid droplets emitted only by mechanical entrainment, smoke from oil, grease, paint, dirt if low-grade scrap is used.

In a study of the extent of visible emissions discharged from degassing aluminum with chlorine gas, the major parameters were found to be metal temperature, chlorine flow rate, and the Magnesium content of the alloy. Other factors affecting the emissions to a lesser degree are: the depth at which chlorine is released and the thickness and composition of the dross on the metal surface. If other factors remain constant, the opacity of the emissions at any time is an inverse function of the percent Magnesium in the alloy. When the Magnesium content is reduced, either by combining with chlorine to form Magnesium chloride ($MgCl_2$) or by using an alloy containing less Magnesium, a greater fraction of the chlorine combines with the Aluminum to form Aluminum chloride ($AlCl_3$). The Magnesium chloride melts at about 1,312°F., so that it is a liquid or solid at normal temperatures for this operation (1200-1400°F.) and thus does not contribute significantly to the emissions. A very small amount may sometimes be released into the atmosphere as a result of mechanical entrainment. The Aluminum chloride on the other hand sublimes at about 352°F., so that it is vapor at the temperature of molten Aluminum. As the vapors cool in the atmosphere, submicrone fumres are formed which contribute to the overall opacity of air emissions from this operation.

Chlorine has much greater affinity for Magnesium than it has for Aluminum. This is shown by the fact that alloys containing more than about 0.5% Mg. (and 90 to 97% AL.) usually produce only a moderate quantity of fume in degassing with chlorine, while alloys with more than about 0.75% Mg. do not usually produce a significant quantity of fumes. In alloys with greater Magnesium contents not only, less Aluminum chloride is formed, but also a thick layer of dross (largely Magnesium chloride) is built up on the surface, which further supresses the emission of fumes. Aluminum chloride also reacts with Magnesium to form Magnesium Chloride and Aluminum. The dross increases the opportunities for this latter reaction.

During the inspection of this process at the Wellman plant, no visible fumes were observed and the air emissions from the roof vents located above this process area appeared satisfactory. It should be emphasized here that the chlorination process for degassing molten Aluminum is applied for only 5-10 minutes per molten bath per melting cycle.

(b) Pour-off area:
During the inspection of this process area, small fires with some smoke emissions were noticed inside the building, specially when molten Magnesium alloy was poured to the molds. This was due to the tendency of molten Magnesium to burn and form magnesium oxide fumes as the metal surface is exposed to air. Efforts were being made (and must continue) to put out these fires by covering the surface of burning metal with Green sand if they exist at the molds or by adding elemental sulfur to cover the surface of the molten metal within the pouring pot. In the latter case some sulfur dioxide fumes were generated and some odor was noticed.

Opacity of air emissions from roof vents located above this area appeared satisfactory.

I.C. Sources of possible excessive air emissions: (Magnesium melt room and shake-out areas)

There are two areas from which possible excessive air emissions may occur intermittently if no adequate precautions are taken. Based on a field study of process operations, at these areas, the main sources of air emissions were determined. This can be discussed as follows:

(1) Magnesium melt room:
Main type of air contaminant that can be released during this process is Magnesium oxide vapors, this is attributed to the tendency of molten Magnesium to burn and be oxidized when the molten metal surface is exposed to air at elevated temperatures. Among other air contaminants that may be emitted during the process in very small quantities are Hydrogen fluroide, Hydrogen chloride and chlorine in the gaseous state, Aluminum chloride, Magnesium chloride, Aluminum fluoride, Magnesium fluoride in the solid state. The intermittent smoke emitted from this process appeared greyish white with a slight blue color in it. Cover fluxes are added on top of the molten metal surface within each melting crucible to prevent oxidation of Magnesium and consequently minimize air emissions.

It can be stated that no significant visible air emissions was observed as long as the molten metal surface was covered with flux (excluding sulfur), and as long as the flux layer is not disturbed. However this condition does not prevail all the time and occasionally the flux cover is disturbed while carrying out other operational steps during the melting cycle such as:

(a) Sampling the molten metal bath to check alloy composition.

(b) Addition of various additives to achieve the desire alloy composition.

(c) Chlorination for degassing the molten metal bath.

(d) Skimming off the flux layer at the end of the melting cycle (after the desired alloy composition is achieved).

(e) Pouring the molten alloy from the melting crucibles to smaller pouring pots or laddles.

(f) Addition of sulfur to prevent oxidation of the metal surface after the flux layer is skimmed off at the end of the melting cycle or during the pouring step(e).

(g) Cleaning up the bottom of melting crucibles (removing slag) after the molten metal is poured off.

It should be emphasized the above mentioned steps are carried out as a part of the standard operating procedures during the melting cycle. However, air emissions released while carrying out these steps can be minimized or reduced by following the recommendations that will be stated later in this report.

(2) Shake-out areas:
The air contaminants that may be emitted from this area are: dust from sand breakdown, and smoke and organic vapors from the decomposition of the core binders (e.g. oil) by the hot metal.

Among the factors that influence emission rates and also the overall average opacity reading of the stack during a specified period of time are:

(a) Number of castings shaken-out at one time.

(b) Elapsed time between two consecutive shake-out cycles.

(c) Temperature of casting and sand at the shake-out.

(d) Duration of the shaking cycle.

(e) Size of casting shaken-out at one time.

(f) Ratio of metal to sand.

At the Wellman plant factors (a), (b), (c) & (d) mentioned above are relatively flexible and can be controlled, however factors (e) & (f) are fixed and they depend on production requirements and product specificatons.

During a discussion with Mr. Breakenridge, the information presented in Table (1) can be considered fairly representative of the shake-out operations.

Table (1)

Location	Stack No.	Size of Castings	Flask Dimension	Wt.of Casting (Metal) Lbs.	No.of Castings Shake-outs	Total	Day Shift	After-noon Shift	Per 8 hr.	Per hr.
Shake-out area	(9) (East)	Medium-Large	40"X40"X30" 48"X60"X48"	300-600 (Gross)	Max.	20	6	14	20	-
					Av.	15	5	10	15	
Shake-out area	(9) (West)	Small	20"X20"X30" 40"X40"X30"	20-250 (Gross)	Max.	50	25	25	50	20
					Av.	30	15	15	30	-

Air emissions from the east side stack at the shake-out area was observed on 3/12/75 during a shake-out cycle (approx. 4 minutes/cycle). The opacity of these emissions appeared to be satisfactory at that time.

Some recommendations that will generally help in maintaining satisfactory air emissions from the shake-out area will be outlined later on in this report.

II. Meeting with Mr. Benson and Stack Testing Results:

On 3/13/75 Mr. D. Benson (Environmental Specialist) from the Iowa Department of Environmental Quality arrived at the Wellman plant around 10:00 a.m., Mr. Breakenridge and I met with Mr. Benson. During the meeting,we reviewed the overall situation of air emissions at the Wellman plant and specifically discussed in detail emissions from the shake-out area and the Magnesium melt room. I explained to Mr. Benson the various factors affecting air emissions from these areas and I indicated to him that based on my personal visual evaluation of those emissions during the previous day, they appeared to be satisfactory and they can be maintained satisfactory under normal operating conditions. I also indicated to Mr. Benson that Pennwalt including Wellman Dynamics normally cooperate with the Regulatory Agencies to achieve compliance with the applicable local and State Codes and Regulations and will continue to do so. I also

pointed out to Mr. Benson the fact that the Wellman plant has installed air emission control equipment at various process operations as needed and these control equipment are operating efficiently.

Mr. Benson seemed to be cooperative and agreeable. He indicated that the main purpose of his visit is to take some opacity readings on air emissions from two areas, namely shake-out area and Magnesium melt room.

At 2:30 p.m. Mr. Benson started the visual stack testing by taking opacity readings for air emission from the east side stack at the shake-out area. Mr. Benson was accompanied by Mr. Breakenridge and myself during the test period. Test conditions and results are summarized as follows:

(a) Test location: Roof, distance 15-20 ft. from the stack.

(b) Duration: 30 minutes

(c) No.of shake-outs during test period: one

(d) Weight of metal casting during shake-out: 300 Lbs. (Medium casting)

(e) Time elapsed after pouring the molten metal into mold and before shake-out of casting: Approx. 45 mins.

(f) Estimated temp.of casting: 350-400°F.

Opacity readings of air emissions from the specified stack taken by Mr. Benson once every 15 seconds are presented in Table (2) below:

Table (2)

Elapsed Time (Minutes)	* Opacity Readings %			
	0 (seconds)	15 (seconds)	30 (seconds	45 (seconds)
0	0	0	15	20
1	45	55	35	15
2	15	10	15	35
3	20	15	10	5
4	0	0	0	0
5	0	0	0	0
6	0	0	0	0
7	0	0	0	0
8	0	0	0	0

Notes *(1) Opacity reading: is a visual measurement of particulate matter emission from a stack and is defined as:

The degree to which emissions reduce the transmission of light and obscure the view of an object in the back ground.

(2) Opacity readings of air emission from that stack during the 9th to the 30th minute of the test period were zero.

After the above mentioned test was completed, Mr. Benson toured the Magnesium melt room. At that time operators were cleaning the bottom of one crucible furnace by removing the slag to a (55 gal.) steel drum. During this process some smoke emissions were noticed. It was explained to Mr. Benson that this cleaning process is of short duration (5-10 minutes per cleaning cycle) and is carried out infrequently (only 4 furnaces are cleaned up on an individual basis per day). Mr. Benson seemed to be not too concerned about this. No opacity readings were taken on air emissions venting from the Magnesium melt room.

A final meeting was held with Mr. Benson to get his overall reaction of his plant visit and specifically to get his evaluation with regard to plant's compliance with the applicable local air emission standards in view of the opacity readings resulted from his stack testing.

Mr. Benson stated that the applicable local standards for visible air emissions from a stack calls for opacity readings below 40%. However, Mr. Benson added that the implicit interpretation of this rule indicates that the average opacity reading over an 8 minute period must be below 40%. For this reason Mr. Benson was requested by his department to take his opacity readings during his second visit to the plant (on 3/13/75) once every 15 seconds for a total period of 30 minutes.

Based on this premise and with regard to the results of the stack tests presented in Table (2) page (10), it was established that although there are two instantaneous opacity readings exceeding 40%, the average opacity reading over an 8 minute period was calculated to be 9.7% ($\simeq$ 10%). At that point Mr. Benson indicated that the visible air emissions from the tested stack is in compliance with the applicable local standards.

Mr. Benson also added that another part of the regulations that is applicable, is section 4.3 (2) (a) on pages 13 of the rules and regulations published by the Iowa Department of Environmental Quality (Air Quality Commission) in December, 1973. This section specifies the allowable rate of particulate matter emissions based on process weight rate as presented in Table (1) page 14 of the rules and regulations. Mr. Benson indicated that this part as it applies to the Wellman plant will be evaluated by their Engineering office and he added that usually if the visible air emission based on opacity readings is in compliance then the corresponding estimated rate of emission of particulate matter based on process weight rate will also be in compliance with the applicable standards.

Questioned Mr. Benson about the nature of opacity data presented in his previous reports issued on the subject matter after his first inspection visit to the plant on 9/19/74. He indicated that all the opacity readings taken at that time were instantaneous and not an average readings, consequently the decision that was made of the plant's violation with regard to excessive visible air emissions is now rescinded in view of the data resulted from his latest test.

IIB. Conclusions:

(1) Mr. Benson stated that based on his latest inspection visit to the plant including his recent stack testing, the plant was found to be in compliance with the applicable local rules and regulations.

(2) It was agreed with Mr. Benson that further stack sampling and testing by an outside laboratory is no longer necessary in view of the findings established under item (1) above.

(3) Mr. Benson agreed that if the air emissions from the plant are maintained as satisfactory as they appeared during his latest plant visit, there will be no problems in achieving continual compliance with the applicable local rules and regulations. Informed Mr. Benson that the plant will continue to cooperate in that matter.

(4) Reports are being prepared by Mr. Benson and the Engineering office of the Iowa Department of Environmental Quality on the conclusions resulted from Mr. Benson's latest plant visit. These reports will be issued to the plant with copies to Pennwalt's Central Engineering office as soon as they are completed.

(5) Mr. Benson indicated that he will be making periodic inspection visits to the plant in the future, he indicated that this will be possibly once a year or so.

III. RECOMMENDATIONS

Based on my visual observations during the plant visit and with reference to what has been said in this report I believe that the general picture of air emissions from the Wellman plant looks favorable. However, I should emphasize that there are two main potential areas from which possible excessive air emissions may occur intermittently.

For this reason I would like to present the following recommendations providing some precautionary measures regarding certain operational practices within the specified potential areas. These recommendations must be implemented by plant personnel as a part of the standard operating procedures in order to ensure continual compliance with the applicable local air emission standards.

(a) Magnesium melt room:

(1) Maintain the surface of the molten magnesium metal within the melting crucibles, covered with an adequate layer of "cover" flux to prevent the oxidation of molten Magnesium and hence minimize air emissions (mainly Magnesium oxides fumes) during the melting cycle.

(2) If the flux layer is to be disturbed during any intermediate step within the melting or alloying cycle (a) sampling, (b) addition of alloying additives, (c) skimming off the flux layer at the end of the melting cycle (before pouring) (d) pouring (e) cleaning melting crucibles, then the time at which the metal surface is exposed to air shall be minimized and as soon as the said steps are completed, the exposed molten metal surface shall be recovered with more flux in case of steps (a) & (b) or by adding a thin layer of elemental sulfur or preferrably any other satisfactory material (not emitting SO_2 fumes) in case of steps (c), (d) & (e).

(3) During the chlorination process for degassing the molten metal bath, the lances feeding chlorine gas shall be placed properly at the bottom of the melt and the feed of chlorine gas shall be discontinued immediately after the required time for degassing the molten bath is reached.

(4) When cleaning the bottom of the melting crucibles, it is recommended to minimize the duration of the cleaning cycle as practical as possible (5-10 minutes), and to increase the elapsed time between two consecutive cleaning cycles (e.g. one or two cycles/hr.).

A good example of implementing the above mentioned recommendations was noticed during my field inspection of this area specifically on 3/13/75. If this is continued to be the case, the opacity of air emissions from the Magnesium melt room can be maintained at a satisfactory level.

(b) Shake-out area:
Factors influencing emission rates and hence the opacity readings from stacks located at the shake-out area were outlined earlier in my report on page (8). Taking these factors into consideration, the following parameters are recommended to be taken as guidelines to ensure satisfactory level of air emissions.

Recommended guidelines for a shake-out cycle:

(1)	*Maximum total weight of metal within the casting or castings before shake-out	: <	300 Lbs.
(2)	Maximum No. of castings to be shaken-out in one cycle	:	varies (Total wt. of metal shall satisfy parameter No. (1))
(3)	Duration of one shake-out cycle	:	4-5 minutes
(4)	Minimum elapsed time between two consecutive shake-out cycles	:	10 minutes
(5)	Estimated metal temperature before castings shake-out	:	350-400°F.

*If the total weight of metal within one casting is larger than 300 lbs. and not exceeding 600 lbs., the above mentioned guidelines (3) & (4) shall still be applied. However, the casting must be allowed to cool-off to a recommended temperature in the range of 250-300°F. In general, the lower the temperature of the metal within the casting, the lesser the rate of air emissions.

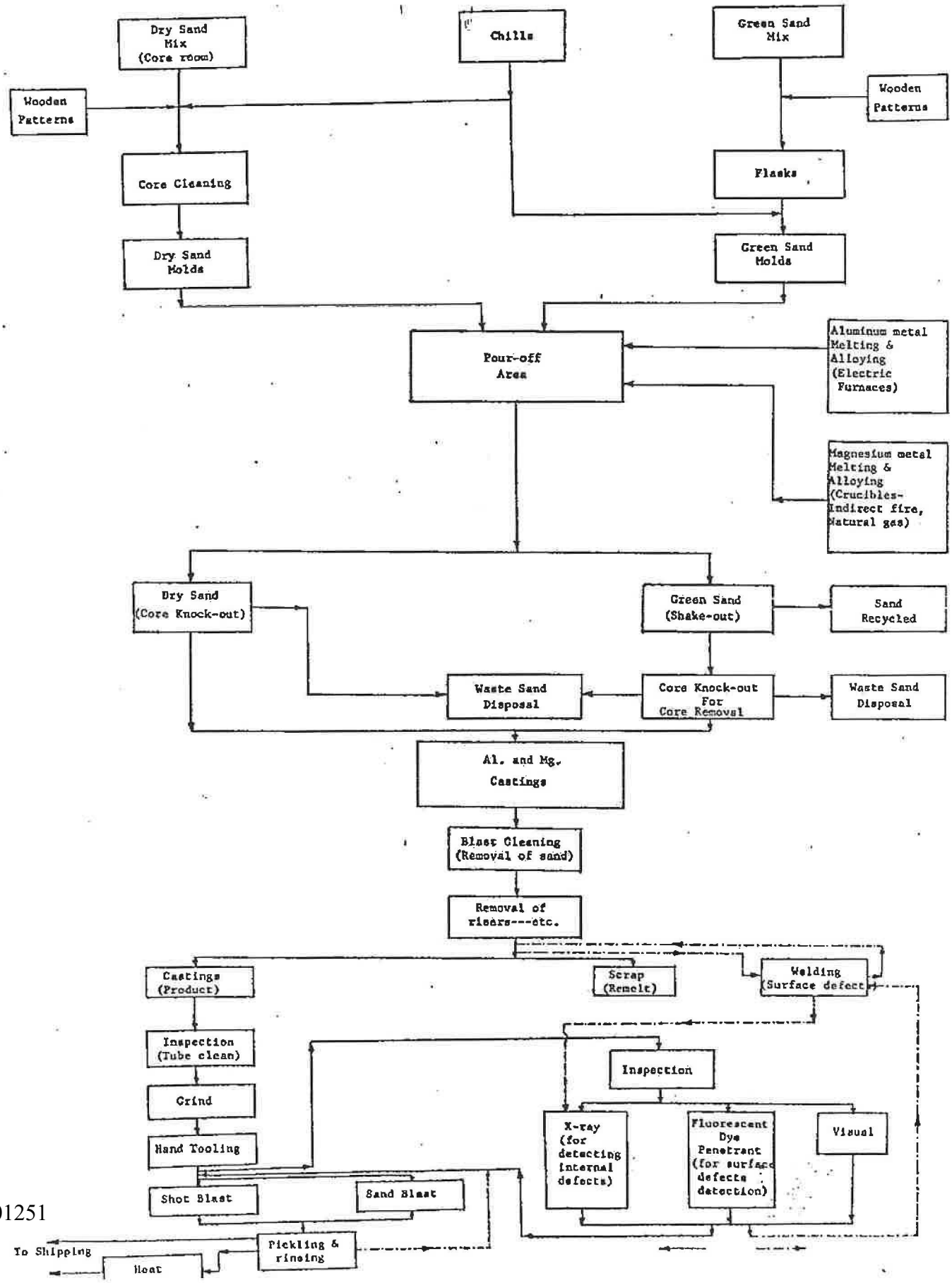
Finally I should mention that during my visit to the plant, I received full cooperation from plant management specially from Messrs. J.Howarth, R. LaValley and P. Breakenridge. This is sincerely appreciated.

S.B.B.

SBB/ajd

3/25/75

Wellman Dynamics, Creston, Iowa
Schematic Process Diagram (Aluminum and Magnesium Castings)



ARK 01251

FORM 1025

PENNWALT CORPORATION

9-10-74 cc. Mr. Irving
Mr. Howarth
Mr. LaValley

SUBJECT Waste Foundry Sand - Iowa Department of Environmental Quality

DATE September 4, 1974

TO Mr. J. W. Tracht, KoP

FROM J. Drake Watson

Ref.
IN ~~XXXX~~ TO My Memo of 7/2/74 to Mr. R. G. LaValley

COPIES TO M44 M64 J. M. Williams P. M. Breakenridge 7

In my memo of July 2 to Mr. LaValley, I indicated the tests which should be conducted on the waste foundry sand after consulting on the matter with Dr. Medon.

Attached are copies of the analyses of the waste foundry sand which were made by Corning Laboratories in Cedar Falls, Iowa.

I would appreciate you or Dr. Medon answering Paul Breakenridge directly or telephoning me regarding this matter so I can reply to him. As you know, the Iowa DEQ is concerned about potassium fluoborate.

JW

JDW:g
Attachment

iowa department of environmental quality
kenneth m. karch, p.e., executive director

regional office no 4
reply to:
Ia. Dept. of Environmental Quality
Suite 304, 532 First Ave.
Council Bluffs, Iowa 51501

RECEIVED
MAY 20 1975
Wellman Dynamics Corp.

May 19, 1975

Paul Breakenridge
Wellman Dynamics
Creston, Iowa 50801

Dear Sir:

Please excuse the delay in getting back to you. The report filed as a result of the March 13, 1975 inspection was disapproved by the Central Office of the Department of Environmental Quality.

There are two reasons for this disapproval. First, the opacity standard of 40% was misapplied. This standard is not to be averaged over an eight minute period as was stated during the inspection. One opacity reading equal to, or in excess of, 40% is a violation of Subsection 4.3(2)d. The eight minutes of opacity readings is required by Departmental policy but not for averaging purposes.

Secondly, no opacity readings were taken on the melting room stacks.

For these reasons, opacity readings will be taken on the mold shake-out stacks and on the melting room stacks. These readings will be tentatively scheduled for early June.

Yours truly,

Douglas Benson

DOUGLAS BENSON, ENVIRONMENTAL SPECIALIST
cc-DEQ, Des Moines, Ia.
cc-Samuel Balamoun, Penwalt Corporation

3920 Delaware Ave., P.O. Box 3326, Des Moines, Iowa 50316 • 515/265-8134

RECYCLED PAPER

June 5, 1975

TO: Mr. Howarth

CC: Mr. Ihrig
Mr. Balamoun
Mr. LaValley
Mr. Krings
Mr. Simmons

FROM: Mr. Breakenridge

SUBJECT: Visit by Iowa Department of Environmental Quality personnel - Mr. Benson and Mr. Parrish.

Mr. Benson and Mr. Parrish arrived our plant 10:00 A.M. June 4, 1975. I escorted them to the roof in the area of the magnesium melt room and the Fig. 6 and Fig. 9 shakeout stacks.

Observation of the stacks started at 10:04 A.M. This observation included both shakeout stacks and the six furnace room exhaust fans. During the period of observation 5 molds were shook out on Fig. 6 shakeout table. Three molds were shook out on Fig. 9. Several times during this test Mr. Benson and I went down into the foundry to check the size of mold being shook out.

At the conclusion of the test, both Mr. Benson and Mr. Parrish stated that the opacity of the smoke observed should be no problem. The most dense opacity reading recorded was 20% and the law states that the opacity must be less than 40%.

The six furnace room stacks were observed emitting smoke at only one time. The opacity was 5% or less at that time.

Enclosed are results of the tests on the east and west shakeouts. The east stack was checked for 34 minutes and the west stack was checked for 30 minutes. These reports will be sent to the Des Moines office of the Department of Environmental Quality. Their report will then be sent to Mr. Benson and he will advise Mr. Sam Balamoun and us as to the results.

Mr. Howarth June 5, 1975

I contacted Sam Balamoun by phone and informed him of the test results. He was quite pleased that the observations were below the last visit.

Paul M. Breakenridge

Paul M. Breakenridge
Facilities & Safety Engineer

PMB:mn
Encl.

Partly Cloudy

DEPARTMENT OF ENVIRONMENTAL QUALITY
AIR QUALITY MANAGEMENT DIVISION

Date 6/4/75

Observer J.B. Parrish

Location
Name Wellman Dynamics Corp
Address Creston

Observation Point SSE of stack on roof

Stack - Distance From 100' Height 12

Wind - Speed 25 Direction [illegible] West

Type of Installation Fuel Clay

Fuel Clay

Observation Start 11:43 Ended 12:11

Smoke Opacity Tabulation

128	Units	0%	0
5	Units	5%	25
5	Units	10%	50
1	Units	15%	15
1	Units	20%	20
	Units	25%	
	Units	30%	
	Units	35%	
	Units	40%	
	Units	45%	
	Units	50%	
	Units	55%	
	Units	60%	
	Units	65%	
	Units	70%	
	Units	75%	
	Units	80%	
	Units	85%	
	Units	90%	
	Units	95%	
	Units	100%	
140	TOTAL		110

Equiv. Units / Units = 0.71 % Opacity

West Stack

	0	15	30	45		0	15	30	45
0	5	0	0	0	30	0	0	0	0
1	0	0	0	0	31	0	0	0	0
2	0	0	0	0	32	0	0	0	0
3	0	0	0	0	33	0	0	0	0
4	0	0	0	0	34	0	0	0	0
5	0	0	0	0	35				
6	0	0	0	0	36				
7	0	0	0	0	37				
8	0	0	0	0	38				
9	0	0	0	0	39				
10	0	0	0	0	40				
11	5	10	0	0	41				
12	0	0	0	20	42				
13	0	0	0	0	43				
14	0	0	0	0	44				
15	0	0	0	0	45				
16	0	0	0	0	46				
17	0	0	0	0	47				
18	0	0	0	0	48				
19	0	0	0	0	49				
20	0	0	0	0	50				
21	0	0	0	0	51				
22	0	0	0	5	52				
23	5	0	0	0	53				
24	0	0	0	0	54				
25	0	0	0	0	55				
26	0	0	0	0	56				
27	0	0	10	15	57				
28	10	5	10	0	58				
29	0	0	0	0	59				

Remarks:

ARK 01256

DEPARTMENT OF ENVIRONMENTAL QUALITY
AIR QUALITY MANAGEMENT DIVISION

Date 4/4/75

Observer [illegible]

Location
Name Hubbard Dynamics Corp.
Address Conway, Arkansas
Fort Smith

Observation Point SSE of Stack on roof

Stack - Distance From 100' Height 12'

Wind - Speed 25 Direction NNW

Type of Installation Foundry

Fuel Gas

Observation Start 11:15 Ended 12:44

Smoke Opacity Tabulation

183	Units	0%	0
11	Units	5%	55
2	Units	10%	20
3	Units	15%	45
1	Units	20%	20
	Units	25%	
	Units	30%	
	Units	35%	
	Units	40%	
	Units	45%	
	Units	50%	
	Units	55%	
	Units	60%	
	Units	65%	
	Units	70%	
	Units	75%	
	Units	80%	
	Units	85%	
	Units	90%	
	Units	95%	
	Units	100%	
120	TOTAL		140

Equiv. Units / Points = 1.16 % Opacity

	0	15	30	45		0	15	30	45
0	0	0	5	0	30				
1	0	0	5	20	31				
2	15	5	0	0	32				
3	0	0	0	0	33				
4	0	0	0	0	34				
5	0	0	0	0	35				
6	0	0	0	0	36				
7	0	0	0	0	37				
8	0	0	0	0	38				
9	0	0	0	0	39				
10	0	0	0	0	40				
11	0	0	0	0	41				
12	0	0	0	0	42				
13	0	0	0	0	43				
14	0	0	0	10	44				
15	5	0	5	5	45				
16	5	5	0	0	46				
17	0	5	0	0	47				
18	0	0	0	0	48				
19	0	0	0	0	49				
20	0	0	0	0	50				
21	10	15	5	0	51				
22	0	0	0	0	52				
23	0	0	0	0	53				
24	0	0	0	0	54				
25	0	0	0	0	55				
26	0	0	0	0	56				
27	0	0	0	0	57				
28	0	0	15	0	58				
29	0	5	0	0	59				

Remarks:

ARK 01257

FORM 1025

PENNWALT. CORPORATION

File Ref: Environmental Control - Wellman Dynamics - Air

SUBJECT Creston, Iowa - Wellman Dynamics - Air Emissions

DATE August 18, 1975

TO Mr. P. M. Breakenridge

FROM Sam Balamoun

IN REPLY TO

COPIES TO W17, H36, T8, J. Williams, J. Howarth, R. LaValley

I received your letter dated 8/7/75 transmitting the field inspection report issued by the Iowa Department of Environmental Quality (Air Quality Management Division). I was pleased to learn from that report that the latest inspection visit by the Regional inspectors concluded that the air emissions from the Wellman Dynamics plant were in compliance with the applicable Local and State air emission standards.

I believe that this promising conclusion has resulted from the efforts contributed by you and your plant management in implementing the necessary steps recommended to bring various air emissions within the plant under control.

I trust that these great efforts will continue to maintain the compliance status.

S.B.B.

SBB/ajd

A Partnership Including
Professional Corporations
1850 K Street, N.W.
Washington, DC 20006-2296
202-887-8000
Facsimile 202-778-8087

Boston
Chicago
Los Angeles
Miami
Newport Beach
New York
Tallinn (Estonia)
Vilnius (Lithuania)
Washington, D.C.

Associated (Independent) Offices
London
Paris

McDERMOTT, WILL & EMERY
Including the practice formerly carried on by Lee, Toomey & Kent

October 17, 1996

PRIVATE/SUBMITTED IN CONFIDENCE
FOR SETTLEMENT PURPOSES ONLY

Richard W. Dana
Managing Arbiter
Judicial Arbiter Group, Inc.
Suite 400
1601 Blake Street
Denver, CO 80202

Re: Waste Management, Inc., et al., v. Aerospace America, et al., 94-CV-10192-BC

Dear Judge Dana:

In response to your letter of September 4, 1996, the following is the position statement of Elf Atochem North America, Inc. ("Elf Atochem") with respect to its involvement in the above-captioned case.[1/] As explained in more detail below, Elf Atochem, as a mere shareholder of a company alleged to have arranged for the disposal of waste at the Hartley & Hartley site cannot under any theory of law, be held liable in this litigation. Therefore, Elf Atochem requests that you

---

[1/] On October 8, 1996, the plaintiffs and defendants submitted position papers identifying common positions to each side. By letter of the same date, we advised you of our inability to join the Group A defendant's position paper because of our fundamental disagreement over the divisibility of thorium costs and our unresolved summary judgment motion. We also specified the aspects of the Group A position paper with which we can agree. Tomorrow you will receive Group A defendants' Reply to Plaintiffs' position paper. We have forwarded to you today a separate letter explaining why we cannot join in that Reply and specifying the points in the Reply with which we can agree. This letter supplements our October 8, 1996 letter and our separate letter of today.

(i) allocate a zero percentage to Elf Atochem in this settlement process, and (ii) recommend to Judge Cleland that the Court allow Elf Atochem to file a motion for summary judgment pursuant to the Order Setting Powers of the Special Master dated August 20, 1996.

SUMMARY

Plaintiffs Waste Management, Inc., et al. (collectively "Plaintiffs") originally sued Elf Atochem on the theory that Elf Atochem is liable under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and the Michigan Environmental Response Act ("MERA") as a successor to Wellman Dynamics Corporation ("Wellman I"), which allegedly arranged to dispose of hazardous substances at the Hartley & Hartley Landfill ("the Site"). On October 31, 1995, Elf Atochem filed a motion for summary judgment explaining that Elf Atochem cannot be viewed as a successor to Wellman I under any theory of successor liability. Elf Atochem's only relationship to Wellman Dynamics Corporation was that its predecessor, Pennwalt Corporation[2/] held stock in Wellman Dynamics for a few years during the 1970s. Neither the Plaintiffs nor the other defendants disputed the validity of Elf Atochem's position in their responses to the motion.

Perhaps realizing the invalidity of their successor liability claim, Plaintiffs changed the basis for their complaint against Pennwalt. In response to Pennwalt's motion, they alleged for the first time that Pennwalt was liable either indirectly, through piercing the corporate veil, or directly, for having arranged for the disposal of hazardous substances at the Site. These allegations are not supported by the facts in this case. Nevertheless, Plaintiffs pleaded with the Court for more time to conduct discovery on the issues of Pennwalt's alleged "arranger" liability. The court dismissed Pennwalt's summary judgment

---

[2/] The company now known as Elf Atochem was incorporated as The Pennsylvania Salt Manufacturing Company on September 25, 1850. On April 24, 1957, The Pennsylvania Salt Manufacturing Company changed its name to Pennsalt Chemicals Corporation. On March 31, 1969, Pennsalt Chemicals Corporation changed its name to Pennwalt Corporation ("Pennwalt"). On December 31, 1989, Atochem Inc. and M&T Chemicals Inc. merged into Pennwalt, and Pennwalt was renamed Atochem North America, Inc. Effective December 31, 1991, Atochem North America, Inc. changed its name to Elf Atochem North America, Inc. For the sake of simplicity, however, the name "Pennwalt" will be used in this letter to describe both Elf Atochem and Pennwalt.

motion without prejudice and granted Plaintiffs' request on January 22, 1996. Now, nine months later, Plaintiffs still have not initiated additional discovery on these issues.

Elf Atochem is entitled to dismissal of the Second Amended Complaint of Plaintiffs. Plaintiffs' "successor liability" claim against Elf Atochem is without merit because Pennwalt was only a shareholder in Wellman I. Pennwalt held various percentages of Wellman I's stock between September 30, 1971 and January 5, 1976. Under basic principles of corporate law, a shareholder is not -- and cannot be held liable as -- a successor of a corporation in the absence of any other relationship with the corporation.

Further, on January 5, 1976, the assets of Wellman I were sold to New Wellman Dynamics Corporation, which later changed its name to Wellman Dynamics Corporation ("Wellman II"). Wellman I was then properly dissolved under Delaware law. Accordingly, Wellman I is a "dead and buried" entity incapable of being sued. As a matter of law, because of this "dead and buried" status, Pennwalt (as a mere shareholder in Wellman I) cannot be held responsible for any alleged liabilities of Wellman I.

In addition, there is no material evidence to support piercing the corporate veil to hold Elf Atochem liable for the alleged disposal of hazardous substances by Wellman I. At all times when Pennwalt held Wellman I stock, Pennwalt and Wellman I were independent corporate entities which had separate operations and observed all necessary corporate formalities. The factors necessary to pierce the corporate veil are not present. Lastly, there is no evidence to suggest that Pennwalt directly participated in any way in the arrangement for the disposal of materials at the Site. Therefore, Elf Atochem requests that you (i) allocate a zero percentage to Elf Atochem in this settlement process, and (ii) recommend to Judge Cleland that the Court allow Elf Atochem to file its motion for summary judgment.

FACTUAL BACKGROUND

Wellman I's Operations in Bay City, Michigan

In 1966, a series of business transactions resulted in the formation of Wellman I. Wellman I operated a precision magnesium and aluminum foundry in Bay City, Michigan. In the fall of 1971, Wellman I ceased operations at the Bay City, Michigan foundry and moved them to Creston, Iowa.

Pennwalt's Ownership Interest In Wellman I

From July 1969 until October 1971, eighty-six percent (86%) of the outstanding shares of Wellman I was held by a subsidiary of Dow Chemical Company called Dow Chemical Financial Corporation (collectively, "Dow") through a common stock voting trust (the "Voting Trust"). On September 30, 1971, Pennwalt received 44.64 percent of Wellman I's outstanding stock. From that date through August 21, 1972, Dow and fifty to sixty minority shareholders controlled the remaining 55.36 percent (47.64 percent and 7.72 percent, respectively) of Wellman I's stock through the Voting Trust.

On August 21, 1972, months after Wellman I had left Bay City, Michigan and relocated its operations to Creston, Iowa, Pennwalt acquired Dow's equity interest in the Voting Trust, thereby increasing its equitable interest in Wellman I to 92.28 percent. On February 1, 1974, the Voting Trust was terminated, and Pennwalt directly acquired the shares of Wellman I previously held by the Voting Trust. The minority shareholders also directly acquired the 7.72 percent of Wellman I's shares previously held by the Voting Trust.

Pennwalt retained its position as majority shareholder of Wellman I until on or about January 5, 1976, when Wellman I sold its assets subject to certain liabilities to Wellman II, a wholly-owned subsidiary of Creston Corporation ("Creston"). (Exhibit ("Exh.") 1 at Elf 0019698). Wellman I then was dissolved in accordance with Delaware law.

Dissolution of Wellman I

In order to dissolve Wellman I as required by applicable Delaware Law, the board of directors of Wellman I undertook the following actions. First, by unanimous written consent, they adopted a resolution dated December 9, 1975 which authorized the dissolution of Wellman I after the closing of the transaction with Wellman II and the distribution to the Wellman I shareholders of all remaining assets. On December 10, 1975, they caused a notice of a special meeting to vote on this resolution to be mailed to the Wellman I shareholders. At a special meeting on December 31, 1975, the Wellman shareholders approved the resolution providing for the sale of Wellman I's assets to Wellman II and the dissolution of Wellman I. On January 5, 1976,

a certificate of dissolution of Wellman I and final franchise tax return were filed with the Secretary of State in Delaware.[3]

In addition, on January 5, 1976, the board of Wellman I appointed the Girard Trust Bank to act as the exchange agent in connection with the dissolution of Wellman I. The Girard Bank was given letters of instruction relating to the exchange of Wellman I stock for cash. As a result of several internal transactions in 1975 among Pennwalt and certain of its subsidiaries, a second tier subsidiary of Pennwalt called Delaware Chemicals Corporation received $3,434,549.91 from the Wellman I dissolution, properly completing Wellman I's dissolution in accordance with applicable law.

LEGAL DISCUSSION

Plaintiffs allege that Pennwalt is liable under sections 107 and 113 of CERCLA, 42 U.S.C. §§ 9607 and 9613, and sections 12 and 12c of MERA,[4] Mich. Comp. Laws Ann. §§ 299.612 and 299.612c for response costs incurred and to be incurred by Plaintiffs. Plaintiffs erroneously base their claims on the application of successor and arranger liability. Plaintiffs claim that Pennwalt is a successor to Wellman I. However, Pennwalt cannot be held liable under CERCLA based on any potentially applicable theory of successor liability because: (i) Pennwalt was merely a shareholder in Wellman I between September 30, 1971 and January 5, 1976; and (ii) Wellman I was properly dissolved in 1976 and is now a "dead and buried" entity incapable of being sued. Pennwalt also cannot be held as an arranger, indirectly, by piercing the corporate veil, because the facts do not demonstrate that Pennwalt participated in Wellman I's activities in such a way as to warrant disregarding the corporate form. Pennwalt cannot be found liable for directly arranging for the disposal of hazardous substances at the Site because there is no

---

[3] Prior to Wellman I's dissolution, its name was formally changed from Wellman Dynamics Corporation to Wellman Liquidating Corporation. For the sake of simplicity, however, the term "Wellman I" will also be used in this letter to describe Wellman Liquidating Corporation.

[4] MERA is generally viewed as a "mirror image" of CERCLA. See Kelley v. Kysor Indus. Corp., 826 F. Supp. 1089, 1094 (W.D. Mich. 1993) (noting legislative history). As has been done by many courts facing parallel liability claims under both statutes, this letter focuses on CERCLA case law to analyze Pennwalt's alleged liability with respect to both statutes.

evidence to suggest that Pennwalt had the capacity to control and actually exercised substantial or actual control over the alleged arrangement for disposal of hazardous substances by Wellman I at the Site. Therefore, dismissal of Plaintiff's complaint is appropriate.

I. PENNWALT IS NOT A SUCCESSOR TO WELLMAN I BECAUSE PENNWALT WAS MERELY A SHAREHOLDER IN WELLMAN I

Plaintiffs wrongly allege that Pennwalt is a successor to Wellman I. Pennwalt was solely a shareholder in Wellman I. As a matter of basic corporate law, a shareholder who sells its stock at the time of the dissolution of the corporation and retains no connection to the assets of that corporation is not, and cannot be held liable as, a successor responsible for liabilities of that corporation.

Plaintiffs have misapplied the law wherein courts have held that a successor corporation -- typically the surviving corporation that continues to operate an existing business after a merger or consolidation -- retains the CERCLA liability of its predecessor. E.g., Anspec Co., Inc. v. Johnson Controls, Inc., 922 F.2d 1240, 1245 (6th Cir. 1991) (successor corporations are within description of entities potentially liable under CERCLA); Smith Land & Improvement Co. v. Celotex Corp., 851 F.2d 86, 91-92 (3d Cir. 1988), cert. denied, 488 U.S. 1029 (1989) (finding Congress intended to impose successor liability on corporations that have merged or consolidated with corporations liable under CERCLA).[5]

Unlike the facts in this case, a surviving corporation that has engaged in a merger or consolidation generally acquires both the assets and liabilities of the predecessor company,[6]

---

[5] The Sixth Circuit has looked to state law to craft rules governing the CERCLA liability of a successor corporation. E.g., Anspec Co., Inc. v. Johnson Controls, Inc., 922 F.2d at 1244-45 (defining successor CERCLA liability pursuant to state law); see United States v. Vermont American Corp., 871 F. Supp. 318, 320 (W.D. Mich. 1994) (applying rule of successor liability under Michigan law in finding defendant not liable under CERCLA as a successor).

[6] Generally in a merger, one corporation absorbs another and the survivor retains its name and corporate identity with the added capital and powers of the merged corporation. In a

(continued...)

including potential CERCLA liability. The facts here clearly demonstrate that Pennwalt was not the surviving corporation of a merger or consolidation, and that Pennwalt completely divested itself of its investment interest in Wellman I.

As a general matter of corporate law, when a corporation acquires only the assets of another corporation, it does not acquire the seller's liabilities, and is thus not a "successor" for CERCLA purposes. There are exceptions to this general rule, which arise where: (1) the entity acquiring the assets expressly or impliedly agrees to assume liabilities; (2) there is a de facto merger or consolidation; (3) the successor is a "mere continuation" of the predecessor; or (4) the transaction is a fraudulent attempt to escape liability. E.g., United States v. Carolina Transformer Co., 978 F.2d at 838 (4th Cir. 1992) (enumerating the exceptions to the general rule that buyers do not inherit corporate liabilities where they acquire only the assets of a corporation); United States v. Vermont American Corp., 871 F. Supp. at 320; see Fletcher, Cyclopedia of the Law of Private Corporations, § 7122. These exceptions, however, do not apply to the facts in this case either. Pennwalt did not own the assets of Wellman I. Rather, Pennwalt bought and subsequently sold stock in Wellman I.

In sum, Pennwalt was a shareholder in Wellman I during part of the time that Wellman I existed. This investment interest cannot be stretched to impose successor liability on Pennwalt under even the most liberal of theories. Pennwalt never merged or consolidated with Wellman I nor acquired Wellman I's assets. Pennwalt had no continuing relationship with Wellman II, which acquired Wellman I's assets, or with Wellman II's parent, Creston. When Wellman II acquired Wellman I's assets subject to certain liabilities, the proceeds were distributed to Wellman I's shareholders, and Wellman I was properly dissolved. Pennwalt as a mere shareholder did not expressly or impliedly retain any liabilities of Wellman I. Plaintiffs have not alleged and nor can they prove that the sale of Wellman I assets and its subsequent dissolution was construed to circumvent liability.

---

[6] (...continued)
consolidation, a new corporation typically acquires two or more constituent corporations which cease to exist. A common characteristic of mergers and consolidations is that the shareholders of the predecessor corporation(s) acquire interests in the surviving corporation and the surviving corporation acquires the liabilities, as well as the assets, of the predecessor corporation(s). Fletcher, Cyclopedia of the Law of Private Corporations, § 7041 (rev'd ed. 1988).

None of the recognized exceptions to the general rule concerning successor liability apply here. Consequently, Pennwalt -- as a mere holder of an equity interest in Wellman I during part of part of the time period when Wellman I was in existence -- cannot be held liable as a successor. Plaintiffs and the other defendants did not dispute this conclusion in their response to Elf Atochem's summary judgment motion. Therefore, this claim must be dismissed.

II. PENNWALT MAY NOT BE SUED FOR THE LIABILITIES OF WELLMAN I BECAUSE WELLMAN I IS "DEAD AND BURIED"

Notwithstanding the utter failure of any claim against Pennwalt as a corporate successor to Wellman I and the Plaintiffs' and certain defendants' clear admission of such failure, Plaintiffs' claim against Pennwalt must also fail because Wellman I is a dead and buried entity incapable of being sued. Wellman I was properly dissolved pursuant to the laws of the state of Delaware, and its assets were distributed in full to its shareholders. This fully dissolved status of Wellman I bars recovery for Wellman I's alleged liabilities.

A. Applicable CERCLA Authority Demonstrates that a Properly Dissolved Corporation Cannot be Sued

Although the Sixth Circuit Court of Appeals has not ruled on whether a dissolved corporation is amenable to suit under CERCLA, the district courts within the Sixth Circuit that have ruled on this question have held that properly dissolved corporations which have distributed their assets in full ("dead and buried" corporations) cannot be sued under CERCLA. See United States v. Taylor, 1994 WL 512758 at *17-*18 (W.D. Mich. May 18, 1994) (holding dissolved corporation which has distributed assets not a person under CERCLA); BASF Corp. v. Cent. Transp., Inc., 830 F. Supp. 1011, 1013 (E.D. Mich. 1993) (agreeing that dissolved corporation which has distributed assets not a person under CERCLA). See also AM Properties Corp. v. GTE Prod. Corp., 844 F. Supp. 1007, 1014 (D.N.J. 1994) (holding dissolved corporation which has distributed assets not liable under CERCLA); United States v. Sharon Steel Corp., 681 F. Supp. 1492, 1498 (D. Utah 1987) (distinguishing between a "dead" corporation which has not yet distributed its assets and a "dead and buried" corporation which has distributed its assets and holding that the latter is not liable under CERCLA).

The district courts within the Sixth Circuit have followed the analysis first enunciated in United States v. Sharon

Steel Corp., 681 F. Supp. at 1492. The Sharon Steel Corp. court suggested that a corporation which has been dissolved and whose assets have been distributed is both "dead and buried" such that it no longer can be considered a "person" capable of being sued under CERCLA. Id.

In United States v. Distler, the court dismissed the United States' CERCLA claims against a shareholder of a corporation which had been dissolved for nine years, stating that it had discovered no authority which would permit the imposition of liability in such a case. 741 F. Supp. 643, 646 (W.D. Ky. 1990). Furthermore, there are no reported cases where a shareholder distributee of a "dead and buried" corporation has been held liable under CERCLA simply by virtue of its status as a former shareholder.

B. Wellman I was Properly Dissolved under Delaware Law

Section 275 of Title 8 of the Delaware Code (as in effect at the time of Wellman I's dissolution) sets forth the following procedures for dissolving a Delaware corporation:

> (a) If it should be deemed advisable in the judgment of the board of directors of any corporation that it should be dissolved, the board, after the adoption of a resolution to that effect by a majority of the whole board at any meeting called for that purpose, shall cause notice to be mailed to each stockholder entitled to vote thereon of the adoption of the resolution and of a meeting of stockholders to take action upon the resolution.
>
> (b) At the meeting a vote shall be taken for and against the proposed dissolution. If a majority of the outstanding stock of the corporation entitled to vote thereon shall vote for the proposed dissolution, a certificate stating that the dissolution has been authorized in accordance with this section and setting forth the names and residences of the directors and officers shall be executed, acknowledged and filed, and shall become effective, in accordance with Section 103 of this title. Upon such certificate becoming

> effective in accordance with Section 103 of this title, the corporation shall be dissolved.[7]

Under the Delaware "survival statute" in effect at the time of Wellman I's dissolution, however, a corporation was necessarily continued in existence for the purpose of winding up its affairs for three years after it was otherwise dissolved, or for such longer period that the Court of Chancery directed. 8 Del. Code Ann. § 278. Further, a creditor at any time could appoint a trustee or receiver to take charge of the corporation for the winding-up of the corporation's affairs. 8 Del. Code Ann. § 279. Finally, Section 281 of Title 8 of the Delaware Code provided for the distribution of remaining assets to creditors, and then, if assets were remaining, to the shareholders.

Under Delaware law in 1976 when Wellman I was dissolved, a contingent claimant had little chance of recovery on a claim against a dissolved corporation once the three year survival period had expired. See In re Citadel Industries, Inc., 423 A.2d 500 (Del. Ch. 1980) (holding a contingent claimant may not extend corporate life beyond the three year period to reduce a claim to judgment).

In the case of Wellman I, the Board of Directors properly adopted a resolution authorizing the dissolution of Wellman I after the sale of Wellman I's assets to Wellman II. The Board properly caused a notice of a special meeting to vote on this resolution to be mailed to the Wellman I shareholders. At the special meeting, a majority of the Wellman I shareholders approved the resolution providing for the sale of Wellman I's assets in accordance with the terms of the Asset Sale Agreement and the dissolution of Wellman I. On January 5, 1976, a certificate of dissolution of Wellman I and a final franchise tax return were filed with the Secretary of State in Delaware.

In addition, on January 5, 1976, Wellman I appointed the Girard Trust Bank to act as the exchange agent in connection with the dissolution of Wellman I. The Girard Bank was given letters of instruction relating to the exchange for cash with the Wellman I shareholders for their stock. Pennwalt's subsidiary received $3,434,549.91 for its interest in Wellman I.

---

[7] Section 103 of Title 8 of the Delaware Code set forth the formalities required for signing, acknowledging and filing official corporate documents with the Delaware Secretary of State.

Based on an application of Section 278 of Title 8 of the Delaware Code, Wellman I, although dissolved as of January 5, 1976, continued its winding-up phase until January 5, 1979. Therefore, Wellman I is a "dead and buried" corporation incapable of being sued under CERCLA. This "dead and buried" status prevents recourse against Pennwalt for alleged liabilities of Wellman I.

III. PENNWALT CANNOT BE HELD LIABLE EITHER DIRECTLY OR INDIRECTLY FOR ARRANGING FOR THE DISPOSAL OF HAZARDOUS SUBSTANCES AT THE SITE

A. The Facts Do Not Support Piercing the Corporate Veil

Plaintiffs alleged for the first time in their response to Elf Atochem's Motion for Summary Judgment that Pennwalt is indirectly liable under CERCLA, by piercing the corporate veil, for Wellman's alleged arrangement for disposal of hazardous substances at the Site.[8/] Exh. 2 at 2. Even if Wellman I can be found liable for arranging for the disposal of hazardous substances at the Site, the facts do not support piercing the corporate veil to also hold Pennwalt liable.

In the Sixth Circuit, state law governs whether to pierce the corporate veil to hold a parent corporation responsible under CERCLA for the liabilities of a subsidiary. Anspec Co. v. Johnson Controls, Inc., 922 F.2d 1240, 1248 (6th Cir. 1991). See also CPC Int'l, Inc. v. Aerojet-General Corp., 777 F. Supp. 549, 574 (W.D. Mich. 1991), rev'd sub nom United States v. Cordova Chemical Co. of Michigan, 59 F.3d 584 (6th Cir.), reh'g en banc granted and judgment vacated, 67 F.3d 586 (6th Cir. 1995). Specifically, the law of the state of

---

8/ Provided that the several other elements of a CERCLA claim are proven, a party may be held liable if it:

> ....by contract, agreement, or otherwise arranged for disposal or treatment, or arranged with a transporter for transport for disposal or treatment, of hazardous substances owned or possessed by such person, by any other party or entity, at any facility or incineration vessel owned or operated by another party or entity and containing such hazardous substances...

42 U.S.C. § 9607(a)(3).

incorporation governs.[9] Whether the applicable law is that of the state of incorporation of the parent corporation or the subsidiary is not settled. In the majority of cases where courts have applied this rule the parent and subsidiary were incorporated in the same state. However, one court has applied the law of the state in which the parent corporation was incorporated. Plaskon Electronic Materials, Inc. v. Allied-Signal, Inc., 904 F.Supp. 644, 656 (N.D. Ohio 1995) (stating that because the parent corporations in question were incorporated under Delaware law, Delaware law governed in determining whether to pierce the corporate veil). Pennwalt is incorporated in Pennsylvania. Wellman I was incorporated in Delaware. Therefore, the law of either of these states could apply.

Under Pennsylvania law, piercing the corporate veil is "...an extraordinary remedy preserved for cases involving exceptional circumstances." The Village at Camelback Property Owners Assn. Inc. v. Carr, 538 A.2d 528, 532 (Pa. Super. Ct. 1986), aff'd per curiam, 524 A. 2d 1 (Pa. 1990). A court will pierce the corporate veil only when equity requires that such be done either to prevent fraud, illegality or injustice or when recognition of the corporate entity would defeat public policy or shield someone from public liability for crime. Id. Factors to be considered in determining whether to pierce the corporate veil include whether corporate formalities have been observed and corporate records kept, whether officers and directors other than the dominant shareholder actually function, and whether the dominant shareholder has used the assets of the corporation as if they were its own. Id. Other factors include undercapitalization of the corporation and using the corporate form to perpetrate a fraud. Kaites v. Commonwealth of Pennsylvania, Department of Environmental Resources, 529 A.2d 1148, 1150 (Pa. Commw. 1987).

A plaintiff's task is equally difficult under Delaware law. See Sears, Roebuck and Co. v. Jardel Co., 421 F.2d 1048, 1053 (3d Cir. 1970) (comparing corporate veil piercing doctrine in Pennsylvania and Delaware and stating that "in both states the corporate entity is disregarded only in the rarest of cases"). In Delaware, the corporate veil will be pierced only "in the

---

[9] Plaintiffs have alleged that if state law applies to determine whether the corporate veil will be pierced, Michigan law applies. It is not clear, in light of the decisions in the Sixth Circuit that have applied the law of the state of incorporation, how the plaintiffs arrived at this conclusion. None of the corporations in question here was incorporated in Michigan.

interest of justice, when such matters as fraud, contravention of law or contract, public wrong, or equitable considerations among members of the corporation require it, are involved." Pauley Petroleum, Inc. v. Continental Oil Co., 239 A.2d 629, 633 (Del. 1968). Delaware courts have adopted the theory that the corporate veil may be pierced if a parent corporate is the "alter ego" of its subsidiary. Harco Nat'l Ins. Co. v. Green Farms, Inc., 1989 Del. Ch. LEXIS 114, at *11 (Del. Ch. 1989). Factors examined to determine whether a parent corporation is the alter ego of its subsidiary include: whether the corporation was adequately capitalized for the corporate undertaking; whether the corporation was solvent; whether dividends were paid, corporate records kept, officers and directors functioned properly, and other corporate formalities were observed; whether the dominant shareholder siphoned corporate funds; and whether, in general, the corporation simply functioned as a facade for the dominant shareholder. Id. (citations omitted).

Plaintiffs have argued that federal common law veil piercing rules may determine whether the veil should be pierced to hold Pennwalt liable for the alleged disposal of hazardous substances by Wellman I. Federal common law criteria for piercing the veil are as difficult to satisfy as Pennsylvania's and Delaware's. Specifically, courts have held that the corporate veil will be pierced only in cases involving fraud, which has not been alleged here, or where a parent company "totally dominates and controls its subsidiary" (the alter ego theory). E.g. Atlantic Richfield Co. v. Blosenski, 847 F. Supp. 1261 (E.D. Pa. 1994).

To determine whether such total dominance and control exists, courts have examined a number of factors, including: (1) the parent and the subsidiary have common stock ownership; (2) the parent and the subsidiary have common directors or officers; (3) the parent and the subsidiary have common business departments; (4) the parent and the subsidiary file consolidated financial statements and tax returns; (5) the parent finances the subsidiary; (6) the subsidiary operates with grossly inadequate capital; (8) the parent pays the salaries and other expenses of the subsidiary; (9) the subsidiary receives no business except that given to it by the parent; (10) the parent uses the subsidiary's property as its own; (11) the daily operations of the two corporations are not kept separate; and (12) the subsidiary does not observe the basic corporate formalities, such as keeping separate books and records and holding shareholder and board meetings. United States v. Jon-T Chemicals, Inc., 768 F.2d 686 (5th Cir. 1985), cert. denied, 475 U.S. 1014 (1986).

The criteria relevant to determining whether to pierce the corporate veil under Pennsylvania, Delaware and federal common law veil are very similar. As shown below, regardless of which of these rules applies, the facts in this case do not support piercing the corporate veil to hold Pennwalt responsible for liability associated with Wellman I's alleged disposal of hazardous substances at the Site.

On the contrary, the facts demonstrate that Pennwalt and Wellman I were independently operating corporate entities. Their operations were completely separate. Each corporation observed corporate formalities; they each held regular board meetings and kept separate corporate records. They also maintained separate financial accounts, and held their own property. Any involvement in Wellman I's affairs potentially attributable to Pennwalt reflected the interest of a prudent investor in monitoring its financial interest. It never rose to the level of domination or control required to justify piercing the corporate veil.

Plaintiffs have offered no credible evidence to support their view that the corporate veil should be pierced in this case. They allege that their position is supported by the following: (1) the fact that Pennwalt employees occupied some positions on Wellman I's board of directors;[10/] and (2) documentary evidence that Plaintiffs' allege confirms that Pennwalt had "dominant control" over Wellman I.

An analysis of case law and the cited factual information confirms, however, that the Plaintiffs have failed to demonstrate that piercing the corporate veil is warranted here. First, Plaintiffs state that the fact that "the chairman of the Board of Wellman Dynamics was an Elf Atochem Senior Vice President and another of its directors was an Elf Atochem employee" supports the conclusion that Pennwalt exercised "dominant control" over Wellman I. However, the mere presence of Pennwalt employees on Wellman I's board is not sufficient to disregard the corporate form.

[10/] From October 1, 1971 to September 12, 1972, one Pennwalt employee (Eugene Swift, a Pennwalt officer), was on the Wellman I board. From September 12, 1972 through December 1975 a Pennwalt officer was chairman of the Wellman I board (Eugene Swift from September 12, 1972 through July 1973 and James McWhirter from July 1973 through December 1975). During the same period, one other board position was occupied by a Pennwalt employee. Five Pennwalt employees were on board during the brief dissolution period of Wellman I.

Courts applying Pennsylvania, Delaware, and federal common law have consistently concluded that even an identity of officers and directors between a parent and its subsidiary alone does not warrant piercing the corporate veil. See Mabon, Nugent & Co. v. Texas American Energy Corp., 1990 De. Ch. LEXIS 46, at *14 (Del. Ch. 1990); Iron Worker's Savings and Loan Association v. IWS, Inc., 622 A.2d 367, 375 (Pa. Super. Ct. 1993) (concluding that although companies shared some directors and officers, the plaintiff had "not presented clear, direct, precise and believable evidence that the corporate veil should be pierced"); United States v. Jon-T Chemicals, Inc., 768 F.2d 686 (5th Cir. 1985) cert. denied, 475 U.S. 1014 (1986) (stating that "one-hundred percent [stock] ownership and identity of directors and officers are, even together, an insufficient basis for applying the alter ego theory to pierce the corporate veil").

Moreover, Plaintiffs have ignored the fact that Pennwalt employees did not comprise a majority of the Wellman I board during the period when Wellman I allegedly arranged for the disposal of hazardous substances at the Site. In other words, Pennwalt employees never had the votes to "control" or "dominate" the board during the Relevant Time Period.[11/] From September 30, 1971, when Pennwalt acquired stock in Wellman I, to September 12, 1972, one Pennwalt employee served on the five director board. From September 12, 1972 through May 8, 1973 (the last date that Wellman I allegedly disposed of substances at the Site), only two of five directors (including the chairman) were Pennwalt employees.

Plaintiffs' argument that piercing the corporate veil is warranted because Pennwalt completely dominated the policies of Wellman I through Pennwalt employees on the Wellman I board is equally unfounded. A close analysis of the documentary evidence cited by Plaintiffs demonstrates that Plaintiffs consistently have misconstrued the evidence and overstated their case.

Specifically, Plaintiffs argue that Pennwalt "pursued restrictive financial policies" at Wellman I and that this demonstrates that Pennwalt exercised dominant control, warranting piercing the corporate veil. Exh. 2 at 15. The documents that Plaintiffs point to as evidence supporting these allegations, however, do not reflect anything more than a shareholder's interest in ensuring the profitability of its investment. For

---

[11/] For purposes of this letter, the Relevant Time Period is September 30, 1971, when Pennwalt first acquired an interest in Wellman I until May 8, 1973, the last date that Wellman I allegedly disposed of substances at the Site.

example, Plaintiffs say that Pennwalt "pursued a restrictive financial policy at Wellman [I] by...questioning budgets". Id. As support for this statement, Plaintiffs state that Eugene Swift, Chairman of the Wellman I Board and a Pennwalt officer, "severely criticized Wellman Dynamics' own management budgets to the Board of Directors". Id. A review of the cited document does not clearly reveal to what Plaintiffs are referring. The document does say that in response to a report by Glenn Ihrig, Wellman I's president, suggesting that operating statements were inaccurate and that some sales expenses were unaccounted for, Swift stated that "if the Company's budgets aren't right it will be necessary to get them into line and gave a number of examples as to how this might be done." Exh. 3 at 2. These comments and suggestions are consistent with the objective of a Chairman of the Board to ensure that profitability is achieved. They do not demonstrate complete control or dominance by Pennwalt.

Plaintiffs also state that Mr. Swift "stated he would provide Mr. Williams of [Pennwalt] to prepare [Wellman I's] new financial statements for creditors". Exh. 2 at 4. A review of the cited document shows that Plaintiffs' interpretation is exaggerated. The document says that Mr. Swift "stated that Mr. Williams of Pennwalt would be able to be in Creston to assist in the preparation of a presentation of the Company's financial picture to the bank." Exh. 3 at 3. (Emphasis added) The document does not suggest, as Plaintiffs imply, that Mr. Williams would be solely responsible for preparing Wellman I's financial statements to creditors.

Plaintiffs also state that Mr. Swift "convinced the board of directors not to allow [Wellman I] management to commit any money for fixed assets until certain actions were taken" and suggest that this also is evidence of Pennwalt's dominance over Wellman I. Exh. 2 at 4, 16. A review of the cited document shows that during the January 25, 1972 board meeting, the board discussed financial difficulties that Wellman I was experiencing. Exh. 4 at 3-4. The board also discussed certain proposals for capital expenditures to be made at Wellman I's Creston plant. During this discussion, "Mr. Swift indicated that he did not feel it advisable to proceed with additional capital expenditures until various avenues of financing and obtaining a line of credit had been fully explored." Id. at 4. Apparently Mr. Englehart, who was not a Pennwalt employee, concurred with Mr. Swift and initiated a resolution, which the entire board approved, requiring Wellman I to present the board with a complete outline of a fixed asset proposal and financing program before commitments for additional fixed assets could be made. Id. In other words, Mr. Swift suggested to the board that Wellman I, a company with financial difficulties, should have a plan for

paying for any additional assets it acquired. Apparently, the entire board, most of whom were not Pennwalt employees agreed. These board discussions suggest that the whole Wellman I board was trying to ensure that Wellman I's financial concerns were addressed, not that Pennwalt was dominating Wellman I decisionmaking.

Plaintiffs also allege that Eugene Swift's participation in the Wellman I board's January 25, 1972 decision to set "low" salaries for Wellman I officers is evidence that Pennwalt pursued restrictive financial policies at Wellman I, thus "dominating" Wellman I. Exh. 2 at 15. However, Plaintiffs have offered no evidence to show that the salaries referred to ($50,000 for President, $30,000 for Vice President-Operations, and 23,500 for Vice President - Finance) were inconsistent with the salaries of other executives in similar positions in 1972. Moreover, all that the cited document says is that Eugene Swift and Theodore Englehart, another director who was not a Pennwalt employee, provided the report of the Executive Compensation Committee, which recommended these salaries and that the board, most (4/5) of whom were not Pennwalt employees, unanimously approved the salaries. Exh. 4 at 6-7. The document does not suggest that Pennwalt dominated the decision.

Plaintiffs also suggest that Pennwalt dominated Wellman I by "changing accounting procedures within Wellman Dynamics." Exh. 2 at 15. Specifically, Plaintiffs allege that on September 12, 1972, Eugene Swift "demanded changes in Wellman Dynamics' accounting and operations." Exh. 2 at 5, 15. A review of the cited document shows that during a board discussion about ways to improve Wellman I's profitability, Mr. Swift "reported that improved cost account analysis is imperative in order to plan intelligently Wellman's financial recovery ... [and that] scrap control will [also] be of vital importance." Exh. 5 at 4. The document also states that "Mr. Englehart concurred with Mr. Swift in the importance of cost accounting information." Id. In other words, apparently Mr. Swift contributed suggestions for improving Wellman I's profitability, with which other board members, who were not Pennwalt employees, agreed. This cannot be characterized as "domination" of Wellman I by Pennwalt.

In short, the financial activities which the Plaintiffs say is evidence of Pennwalt's "complete dominance" of Wellman I at most were limited efforts by Pennwalt employees to assist Wellman I in returning to profitability.[12/] The presence of

---

[12/] During the period 1971-72, Wellman I was having financial difficulties. See Exh. 8.

such activity is not sufficient to justify piercing the corporate veil. See United States v. Arrowhead Refining Co., 1993 U.S. Dist. LEXIS 21014, *29 (D. Minn. 1993) (concluding that management guidance offered with the objective of protecting the parent's investment and developing a profitable enterprise does not support piercing the corporate veil). In Arrowhead Refining, a regional manager of the parent corporation regularly provided advice to the subsidiary regarding operational changes to improve its profitability. The court held that these efforts did not raise a material issue of fact and granted summary judgment in favor of the parent. Id.

Plaintiffs' suggestion that a letter from Charles Howe, which stated "with Pennwalt having dominant control of the situation", supports piercing the corporate veil is also without merit. Exh. 6. When read in context, it is not clear to what "situation" Mr. Howe was referring or what he meant by "dominant control". Moreover, Mr. Howe's statement that the Wellman I "board is an operating board and in my opinion that is the way it should function well into the future" supports the notion that Wellman I was a viable entity, separate and distinct from Pennwalt -- not its alter ego. Exh. 6. In May 1973, when the letter was written, two of the five board positions were occupied by Pennwalt employees. Mr. Howe's statement that the board was "operating" suggests that all the members of the board actively participated in decision making, not that Pennwalt dominated. See Harco Nat'l Insurance Co., 1989 Del. Ch. LEXIS 114, at *10 and The Village at Camelback Property Owners Assn., 538 A.2d at 532 (stating that whether board members are functioning is a factor to be considered in determining whether to pierce the corporate veil).

In addition, Plaintiffs' allegation that Pennwalt "used Wellman Dynamics' property as its own" is not supported by the evidence. Exh. 2 at 16. Plaintiffs have provided no evidence in support of their statement. Moreover, Stanley Simmons, a high-level employee at Wellman I, II and III (Industrial Relations Director) for over twenty years, specifically testified that Pennwalt did not in any way use Wellman's property for Pennwalt's own business. Exh. 7. Plaintiffs also cite the fact that the Board voted to require that Eugene Swift sign for any loan that Wellman I obtained. However, there is nothing remarkable in requiring that the Chairman of the Board approve a loan.

Plaintiffs erroneously suggest that the fact that Pennwalt guaranteed loans to Wellman I and made loans to Wellman I support piercing the corporate veil. These types of activities are typical in a parent-subsidiary relationship. Moreover, the documentation discussing Pennwalt's guarantees of Wellman I's

debt and its loans to Wellman I support the view that Pennwalt and Wellman I observed their corporate separateness for the duration of the time that Pennwalt held stock in Wellman I. The documentation demonstrates that Wellman I reimbursed Pennwalt for its loans, until they were completely repaid by April 21, 1975. Exh. 8, Schedule C. The level of Wellman I bank debt guaranteed by Pennwalt also was reduced over time and eliminated by December 31, 1974. Id.

Plaintiffs also allege that the fact that a Pennwalt employee, John Skelly, was appointed as Assistant Treasurer of Wellman I in 1974 and provided with the authority to sign checks on behalf of Wellman I supports piercing the corporate veil. Exh. 2 at 16. There is no merit to this allegation. John Skelly was not authorized to sign Wellman I checks until 1974. His authority to sign checks after that time has no bearing on whether the corporate veil should be pierced based on Pennwalt's control over Wellman I during the alleged period of disposal, which ended in May 1973. Moreover, as noted previously, the fact that an employee of a parent corporation is an officer of a subsidiary is not unusual and does not warrant piercing the corporate veil.

Similarly, Plaintiffs' allegation that Pennwalt "directly interfered in Wellman Dynamics' operations with its 'Corrective Action' plan in late 1972" also does not support piercing the corporate veil. Reply Brief at 16. The documentation alluded to by Plaintiffs does not suggest that Pennwalt was solely responsible for the "corrective action" taken in 1972 or, to the extent that Pennwalt was involved, that such actions represented anything other than a genuine effort to return Wellman I to profitability. Exh. 8 at Elf 0019153-54, Exh. 9.

Finally, Plaintiffs' argument that the fact that all of the officers and directors of Wellman Liquidating Corporation in 1975 was "a final display of Pennwalt's control" over Wellman I is unfounded. First, as discussed in detail above, even a complete identity of officers and directors between a parent corporation and its subsidiary does not in and of itself demonstrate a level of control that warrants piercing the corporate veil. Moreover, the composition of Wellman Liquidating Corporation's board of directors in 1975 is not relevant to determining whether Pennwalt exercised such control and domination over Wellman I during the Relevant Time Period, which

ended in 1973.[13] In short, the facts in this case do not demonstrate that the corporate veil should be pierced to hold Pennwalt responsible for Wellman I's alleged arrangement for disposal of hazardous substances at the Site.

B. Pennwalt Cannot Be Held Directly Liable for Having Arranged for the Disposal of Hazardous Substances

As a matter of law, Pennwalt also cannot be held liable for having directly arranged for the disposal of hazardous substances from Wellman to the Site. No United States Court of Appeals has held a parent corporation directly liable for arranging for the disposal of hazardous substances as defined under section § 107(a)(3) of CERCLA. Furthermore, no courts in the Sixth Circuit have held a parent corporation liable as an "arranger" under CERCLA with respect to the waste of a subsidiary.

Nonetheless, Plaintiffs allege that Pennwalt may be held liable for having arranged for the disposal of hazardous substances under the rule established by the Eighth Circuit Court of Appeals in United States v. TIC Investment Corp. United States v. TIC Investment Corp., 68 F.3d 1082 (8th Cir. 1995), reh'g en banc denied, 1996 U.S. App. LEXIS 76 (8th Cir. 1996), petition for cert. filed, 64 U.S.L.W. 3727 (Apr. 2, 1996). That rule does not apply in the Sixth Circuit. However, even if it did, the facts in this case would prevent a finding of liability.

---

[13] Plaintiffs also included in their statement of facts that Pennwalt maintained comprehensive general liability insurance on Wellman Dynamics as a subsidiary and included Wellman Dynamics on its consolidated federal tax returns. Plaintiffs, however, failed to discuss how these statements support their arguments. In any case, they do not support piercing the corporate veil. See In re Acushnet River & New Bedford Harbor, 675 F. Supp. 22 (D. Mass. 1987) (refusing to pierce the corporate veil in a CERCLA case and granting the parent corporation's motion to dismiss where, among other things, the parent corporation purchased an insurance policy listing the subsidiary as an insured); see also, State of New York v. Panex Industries, Inc., 1996 U.S. Dist. LEXIS 9418 (W.D.N.Y. 1996) (refusing to pierce the corporate veil of a parent corporation in a CERCLA case where the parent, among other things, filed joint federal tax returns with the subsidiary).

In TIC Investment Corp., the Eighth Circuit Court of Appeals held that a parent corporation may be found directly liable for having arranged for the disposal of hazardous substances only if the parent corporation "had the authority to control and exercised actual or substantial control, directly or indirectly, over the arrangement for disposal, or the off-Site disposal, of the subsidiary's hazardous substances." Id. (emphasis added). To meet this standard, a plaintiff must demonstrate "some causal connection or nexus between the parent corporation's conduct and the subsidiary's arrangement for disposal, or the off-site disposal itself." Id. at 1092. There is no evidence in this case that Plaintiffs can satisfy these requirements.

On the contrary, as discussed above, Pennwalt employees did not have the authority to control decision-making at Wellman I. During the Relevant Time Period less than half of the members of Wellman I's Board were Pennwalt employees. Moreover, there is no evidence to suggest that Pennwalt participated in or controlled any of Wellman I's waste disposal decisions. On the contrary, the deposition testimony of Wellman I and Hartley & Hartley Landfill employees suggests that Pennwalt did not participate in any way in decisions relating to waste disposal at the Site.

For example, Stanley Simmons was Wellman I's Industrial Relations Director during the Relevant Time Period and was involved in Wellman I's decisions regarding the disposal of waste, including discussions with Hartley & Hartley. See Exh. 10 (stating that he and two or three other Wellman I employees were responsible for finding a location for disposing of Wellman I's thorium waste, the hazardous substance allegedly disposed of at the Site by Wellman I). See also Exh. 11. (discussing conversations with Hartley & Hartley). Simmons specifically testified that no one from Pennwalt was involved at Wellman's Bay City, Michigan (or Creston, Iowa) plant with waste disposal. Exh. 12. Moreover, the documentation suggests that decisions regarding the disposal of waste at Hartley & Hartley were being made before Pennwalt acquired any interest in Wellman I. See Exh. 13 (containing evidence that Wellman I personnel were actively considering the Site as a disposal option in 1970-1971, before Pennwalt acquired Wellman I stock). This further undermines Plaintiffs' position that Pennwalt participated in these decisions.

The testimony of Hartley & Hartley employees also confirms that Pennwalt was not involved in arrangements for waste disposal at the Site. For example, Tyrus Hartley was Vice President of Hartley & Hartley and the primary business contact

for businesses wishing to use the services of Hartley & Hartley during the Relevant Time Period. Exh. 14 at 1. Hartley stated during his deposition that he did not recall any dealings between Pennwalt or Pennwalt employees and anyone at Hartley & Hartley. Exh. 15. Charles Gillisse, a long time employee at Hartley & Hartley, who claims to have hauled waste from Wellman I to the Site, also stated that he never dealt with anyone from Pennwalt regarding the disposal of Wellman I's waste at the Site. Exh. 16.

Finally, Plaintiffs' suggest that a corporate stockholder may be held directly liable as a generator/arranger if it "exercised control over virtually every aspect of the subsidiary's operations and tightly controlled the budgetary aspects of the subsidiary so that the subsidiary had no choice but to use an existing inexpensive arrangement for disposal of its hazardous substances." Exh. 2 at 12. As demonstrated in Section IV.A above (discussing the lack of evidence supporting Plaintiff's argument to pierce the corporate veil), Plaintiffs have failed to offer any evidence to suggest that Pennwalt or its employees exercised such a level of control over Wellman I's activities. Plaintiffs can demonstrate no connection or nexus between Pennwalt's activities relating to Wellman I and the arrangement for disposal of Wellman I's waste at the Site. In short, the facts in this case do not support a finding that Pennwalt directly arranged for the disposal of hazardous substances at the Site; therefore, Plaintiffs' complaint should be dismissed.

CONCLUSION

Plaintiffs' claims are without merit because: (i) Pennwalt was merely a shareholder of Wellman I, not a successor; (ii) Wellman I was properly dissolved and is a "dead and buried" entity incapable of being sued; (iii) the facts do not support holding Pennwalt liable, either indirectly, through piercing the corporate veil, or directly, for having arranged for the disposal of hazardous substances at the Site. Accordingly, Pennwalt respectfully requests that (i) it be allocated a zero percentage

in this settlement process, and (ii) a recommendation be made to Judge Cleland requesting the Court to allow Elf Atochem to submit a motion for summary judgment.

Respectfully submitted,

McDERMOTT, WILL & EMERY

By: Karen E. Traeger

Peter John Sacripanti
Karen E. Traeger
1850 K Street, N.W.
Washington, D.C. 20006-2246
(202) 778-8277

COUNSEL FOR DEFENDANT
ELF ATOCHEM NORTH AMERICA, INC.
(FORMERLY PENNWALT CORPORATION)

INDEX OF EXHIBITS

Exhibit 1 December 9, 1975 Agreement for Sale of Assets executed by Creston Corporation, New Wellman Dynamics Corporation, Wellman Dynamics Corporation and Pennwalt Corporation.

Exhibit 2 Plaintiff's Response to Elf Atochem North American Inc.'s Motion for Summary Judgment.

Exhibit 3 March 28, 1972 Minutes of Regular Meeting of Board of Directors of Wellman Dynamics Corporation.

Exhibit 4 January 25, 1972 Minutes of Regular Meeting of Board of Director's of Wellman Dynamics Corporation.

Exhibit 5 September 12, 1972 Minutes of Special Meeting of Board of Directors of Wellman Dynamics Corporation.

Exhibit 6 Letter from Charles A. Howe to E.C. Swift, Chairman, Board of Directors, Wellman Dynamics Corporation (May 2, 1973).

Exhibit 7 Deposition Transcript of Stanley J. Simmons 196 (May 21, 1996).

Exhibit 8 May 2, 1975 Memorandum to William P. Drake from J.M. Williams.

Exhibit 9 Letter from Glenn F. Ihrig to the Board of Directors, Wellman Dynamics Corporation (1973).

Exhibit 10 Deposition Transcript of Stanley Simmons at 98.

Exhibit 11 Deposition Transcript of Stanley Simmons at 125.

Exhibit 12 Deposition Transcript of Stanley Simmons at 196, 199.

Exhibit 13 Deposition Transcript of Stanley Simmons, Exhibits 21, 24.

Exhibit 14 May 30, 1996 Declaration of Tyrus Hartley.

Exhibit 15 Deposition Transcript of Tyrus Hartley 1029-30 (March 22, 1996).

Exhibit 16 Deposition Transcript of Charles Gillisse 85-86 (July 23, 1996).

Exhibit 1

AGREEMENT FOR SALE OF ASSETS

This Agreement For Sale of Assets ("Agreement") is dated December 9, 1975 and is executed by Creston Corporation ("Creston"), Creston's wholly-owned subsidiary New Wellman Dynamics Corporation ("New Wellman"), Wellman Dynamics Corporation ("Wellman"), and Pennwalt Corporation ("Pennwalt"). (Each of these is a Delaware corporation except Pennwalt which is a Pennsylvania corporation.)

Recitals

A. Pennwalt's second-tier, wholly-owned subsidiary, Delaware Chemicals Corporation, owns 92.28% (761,541 shares) of the outstanding common stock of Wellman, the balance of which is owned of record by approximately 53 other persons.

B. It is the purpose of this Agreement to provide for the sale of substantially all of the assets of Wellman to New Wellman upon the terms and conditions below stated, to be followed by the change of Wellman's name to Wellman Liquidating Corporation and its dissolution and the distribution of its remaining assets to its stockholders in cancellation of all of its outstanding stock.

1. SALE OF ASSETS FOR CASH. At the Closing provided for in paragraph 2 below, Wellman will sell to New Wellman all of Wellman's properties, tangible and intangible, wherever located, except only as expressly provided herein, and in exchange therefor New Wellman will (a) deliver to Wellman cash in the amount of $3,721,864 reduced, however, by the amount of any cash retained by Wellman, and (b) assume the contracts, liabilities and obligations of Wellman to the extent provided in paragraph 5 hereof.

2. CLOSING. The Closing under this Agreement (the "Closing") will take place at 11:00 a.m. E.S.T., on December 31, 1975 or January 2, 1976, at the option of Pennwalt, or at such other time not later than March 1, 1976, as may be agreed upon by the parties.

3. STOCKHOLDER APPROVAL. The favorable vote of the holders of a majority of the outstanding common stock of Wellman is required as a condition of consummation of the sale contemplated hereby, and the entire agreement set forth herein

is contingent upon such vote having been obtained at a meeting of the Wellman stockholders to be held not later than December 31, 1975, at which meeting stockholder approval will likewise be sought for the dissolution of Wellman in accordance with Section 275 of the Delaware Corporation Law and the change of its name to Wellman Liquidating Corporation. Pennwalt will cause Delaware Chemicals Corporation to vote the shares of Wellman stock owned by it in favor of the foregoing proposals upon satisfaction of the conditions precedent to Pennwalt's and Wellman's obligations specified in paragraph 12 hereof.

4. TRANSFER OF WELLMAN'S ASSETS TO NEW WELLMAN. At the Closing Wellman will sell, assign, transfer and convey to New Wellman all of Wellman's properties, assets, business, and contracts, agreements and rights of every kind and description, real and personal, tangible and intangible, wherever situated and whether or not reflected on its September 30, 1975 balance sheet hereafter mentioned.

5. ASSUMPTION OF WELLMAN'S LIABILITIES; INSURANCE. At the Closing, New Wellman will assume and agree to perform and pay when due, which undertaking Creston will guarantee, all taxes, including income taxes to the extent provided in paragraph 13 hereof, debts, commitments, contracts, obligations and liabilities of Wellman of every kind and character whether fixed or contingent and whether or not reflected or reserved against on Wellman's balance sheet as at September 30, 1975 hereafter mentioned, except

(a) any obligations or liabilities of Wellman, or costs and expenses in connection therewith, to the extent that such obligations or liabilities, and costs and expenses, are satisfied or paid by an insurer or insurers under a policy or policies of insurance issued to Wellman;

(b) any obligations or liabilities of Wellman to its stockholders as such;

(c) any obligations or liabilities of Wellman arising or incurred after the Closing, except any which accrued, or are alleged to have arisen out of acts or omissions by Wellman, prior to the Closing;

(d) any tax imposed upon Wellman by reason of the sale of its assets and business pursuant to this Agreement, or upon any stockholder of Wellman by reason of his surrender

FLF 0019682

ARK 01290

of stock of Wellman in connection with Wellman's liquidation and dissolution as contemplated by this Agreement;

(e) any debts, liabilities or obligations of Wellman as to which New Wellman in good faith is contesting the amount or validity provided that New Wellman pays all costs of contesting the same and all amounts determined to be payable with respect thereto; or

(f) any debt, liability or obligation of Wellman which is barred by the applicable statute of limitations or which by reason of the passage of time following the dissolution of Wellman cannot under applicable law be asserted against Wellman, its directors, stockholders, or any of them, provided that New Wellman pays all costs of contesting the same and all amounts determined to be payable with respect thereto.

At the Closing, New Wellman will deliver to Pennwalt and Wellman satisfactory evidence that aircraft products liability insurance, of the type and in the amounts presently maintained by Pennwalt and Wellman with respect to the latter's products will be continued in force by New Wellman at its expense after the Closing. After the Closing Pennwalt and Wellman will be named as additional insureds in all such policies without cost to them, which will be continued in effect so long as Pennwalt or Wellman may have any exposure to claims arising out of or relating to the sale or use before or after the Closing of any Wellman product.

6. REPRESENTATIONS AND WARRANTIES OF WELLMAN AND PENNWALT. Wellman and Pennwalt jointly and severally represent and warrant to Creston and New Wellman as follows:

(a) Organization and Good Standing. Wellman is and at the time of Closing will be a corporation duly organized, validly existing and in good standing under the laws of Delaware, and is and at the time of Closing will be duly qualified and in good standing as a foreign corporation in those jurisdictions where the character of the properties owned or leased by Wellman or the nature of its business makes such qualification necessary; and the copies of the certificate of incorporation of Wellman and all amendments thereto and its by-laws as amended which have been delivered to Creston are correct as at the date of this Agreement, and will be correct as at the time of Closing.

FLE 0019683

ARK 01291

(b) Capitalization. Wellman's authorized capital stock consists of 1,500,000 shares of Common Stock, par value $1 per share ("Wellman Stock"), of which 825,247 shares are issued and presently outstanding, and 50,000 shares of Preferred Stock, without par value, none of which has been issued. All the outstanding shares of Wellman Stock have been validly issued and are fully paid and non-assessable, and there are no outstanding options, warrants, agreements, calls, commitments or demands of any character relating to the authorized but unissued capital stock of Wellman.

(c) Subsidiaries. Wellman does not directly or indirectly control any other corporation or business organization, except for one wholly-owned subsidiary which is inactive.

(d) Financial Statements. The following financial statements of Wellman have been delivered to Creston:

(i) Statements of income and retained earnings for the years ended December 31, 1970 through 1974 together with the auditor's report of Arthur Andersen & Co.;

(ii) Balance sheets as at December 31, 1970 through 1974 together with the auditor's report of Arthur Andersen & Co.;

(iii) Statements of changes in financial position for the fiscal years ended December 31, 1970 through 1974 together with the auditor's report of Arthur Andersen & Co.; and

(iv) Statements of income and retained earnings for the nine months ended September 30, 1975 and a balance sheet as at September 30, 1975, certified by the Controller of Pennwalt and subject to year-end adjustments.

All of the financial statements referred to in this paragraph 6(d) are correct and complete; fairly present the financial condition, assets and liabilities of Wellman as at their respective dates and the results of operations for such periods; and have been prepared in accordance with generally accepted accounting principles consistently applied since the beginning of the period indicated except to the extent that

ARK 01292

changes may be referred to in the notes to such financial statements.

(e) Absence of Undisclosed Liabilities. As at September 30, 1975, Wellman had no liability or obligation of any nature, whether due or to become due, absolute, contingent or otherwise, including without any implied limitation any liabilities for federal, state and local taxes and any interest or penalties relating thereto, for or relating to any period prior to September 30, 1975, except to the extent reflected or reserved against in its September 30, 1975 balance sheet or incurred in the ordinary course of business thereafter or as disclosed by or pursuant to this Agreement. Neither Pennwalt nor Wellman knows, nor has, nor at the Closing will have, any reasonable ground to know of any basis for the assertion against Wellman as at September 30, 1975 of any liability of any nature or in any amount not fully reflected or reserved against in its September 30, 1975 balance sheet with the exceptions referred to above, including, without implied limitation, any liability as at September 30, 1975, or the date of Closing which may arise out of any excessive profit determination by the United States Renegotiation Board.

(f) No Changes Prior to Closing. Except as agreed by Creston, between September 30, 1975 and the Closing there will not have been:

(i) Any changes in the financial or other condition, assets, liabilities or business of Wellman, except changes in the ordinary course of business, none of which individually or in the aggregate has been or will be materially adverse to Wellman;

(ii) Any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the business, prospects or any property of Wellman;

(iii) Any declaration, setting aside or payment of a dividend or other distribution in respect of any of the capital stock of Wellman or any direct or indirect redemption, purchase or other acquisitions of any such stock;

ARK 01293

(iv) Any increase in the compensation payable or to become payable by Wellman to any of its officers, employees or agents other than increases under collective bargaining agreements and other wage or salary adjustments which are minor in overall effect and generally in line with similar adjustments made in the past; or

(v) Any strike, lockout, labor trouble or any event or condition of any character materially adversely affecting the business or prospects of Wellman.

(g) Federal Tax Matters. Wellman has duly filed all federal income tax returns required to be filed by it and has joined in the filing of Pennwalt's consolidated federal income tax returns for all taxable years in which it was required to do so; all taxes shown by such returns to be due have been paid.

(h) Real Estate. Wellman has delivered to Creston and New Wellman correct summary descriptions of all real properties owned or leased by Wellman, including all title insurance policies on such properties; all structures on such properties and the equipment therein are in good operating condition; and the construction, use and operation of all such properties conform in all material respects to all applicable building, zoning and other laws, ordinances, regulations, permits, licenses and certificates.

(i) Material Leases, Contracts and Commitments. Wellman does not have any presently existing material lease, contract or commitment of any kind including without implied limitation mortgages, employment agreements, collective bargaining agreements, distribution agreements, patent license agreements, contracts for future purchase or delivery of goods or retention of service, bonus, pension or retirement plans, accrued vacation pay and insurance and welfare agreements (except as described in a schedule delivered by Wellman to Creston and New Wellman dated the date of this Agreement). All parties (including Wellman) to all leases, contracts and other commitments to which Wellman is a party have complied with the material provisions of such leases, contracts or other commitments; no such party is in default under any of the terms thereof; no event has occurred which, but for the passage of time or the giving of notice, or both, would constitute a default; and Wellman has or at the Closing will have the power (subject to the consent of the other party

ARK 01294

thereto in the case of purchase orders or other contracts requiring consent to assignment) to transfer to New Wellman at Closing all of its rights and benefits, subject to its obligations, under all of such leases, contracts and commitments.

(j) Patents, Trademarks and Licenses. Wellman has delivered to Creston and New Wellman a correct list and summary description of all patents, patent applications, trademarks, tradenames, copyrights and licenses presently owned, held or used by Wellman, all of which are valid and in good standing and to the best of the knowledge of Wellman none of which infringes (nor has any claim been made that any of them infringes) the patents, trademarks or copyrights of others.

(k) Compensation Arrangements and Bank Accounts. Wellman has delivered to Creston a correct list showing:

(i) The names of all persons whose aggregate compensation from Wellman for the present fiscal year will exceed $20,000 and the aggregate compensation to be paid to each such person;

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

(iii) All policies of insurance with respect to Wellman and its properties.

(l) Title to Properties. Wellman has good and marketable title to all its properties and assets including those reflected in its September 30, 1975 balance sheet (except as since disposed of in the ordinary course of business), subject to no mortgage, pledge, lien, restriction, claim, encumbrance or security interest, except as disclosed in such balance sheet and the notes to financial statements related thereto and except for minor imperfections of title and encumbrances which, individually and in the aggregate, are not substantial in amount and do not materially detract from the value of or impair the use of the affected properties or materially impair any operations of Wellman.

(m) Accounts Receivable. All of the accounts receivable of Wellman have been incurred in the ordinary

ARK 01295

course of business and are fully collectible except to the extent that a reserve for doubtful accounts is reflected in the balance sheet of Wellman at September 30, 1975.

(n) Litigation. There is no order, notice, claim, litigation, proceeding or investigation pending, or to the knowledge of Pennwalt or Wellman threatened against, or affecting, Wellman or any of its assets, property or businesses, whether or not fully covered by insurance except for minor workmen's compensation claims and one proceeding brought under the Federal Equal Opportunity Employment Act and the Iowa Civil Rights Act.

(o) Disclosure. No representation or warranty by Pennwalt or Wellman in this Agreement and no statement in any certificate or other instrument furnished or to be furnished to Creston or New Wellman pursuant hereto or in connection with the transactions contemplated hereby, contains or at the time of Closing will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make it not misleading or necessary to provide New Wellman or Creston with proper information as to Wellman and its affairs.

7. REPRESENTATIONS AND WARRANTIES OF CRESTON AND NEW WELLMAN. Creston and New Wellman jointly and severally represent and warrant to Pennwalt and Wellman as follows:

(a) Organization and Good Standing of Creston. Creston is and will be at the time of Closing a corporation duly organized, validly existing and in good standing under the laws of Delaware.

(b) Organization and Good Standing of New Wellman. New Wellman is and at the time of Closing will be a corporation duly organized, validly existing and in good standing under the laws of Delaware, and at the time of Closing will be duly qualified and in good standing as a foreign corporation in those states in which such qualification will be required after the Closing under this Agreement in carrying on the business presently conducted by Wellman.

(c) Capitalization of New Wellman. At the time of Closing, New Wellman's authorized capital stock will consist of 1,000 shares of common stock, without par value, 800 of which will be issued and outstanding and owned of

ARK 01296

record and beneficially by Creston, which will have paid not less than $1,000,000 upon issuance thereof.

(d) Disclosure. No representation or warranty by Creston or New Wellman in this Agreement and no statements in any certificate or other instrument furnished or to be furnished to Pennwalt or Wellman pursuant hereto or in connection with the transactions contemplated hereby, contains or at the time of Closing will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make it not misleading or necessary to provide Pennwalt and Wellman with proper information as to Creston and New Wellman and their affairs.

(e) Compliance with Securities Laws. In connection with the issue, offer and sale of the capital stock of Creston, and the consummation of the transactions contemplated by this Agreement, Creston has fully complied and will comply with all applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations thereunder and the securities laws, rules and regulations of each state in which an offer or sale of the capital stock of Creston has been or prior to Closing will be made.

8. COST, EXPENSES AND TAXES. Except as provided below, each party hereto will pay all costs and expenses incurred in connection with the performance of the undertakings on its part contained in this Agreement, provided that if the Closing is not consummated because of the inability of Creston and New Wellman to obtain, notwithstanding their best efforts to do so, the financing required to carry out their obligations hereunder Creston and New Wellman will on demand reimburse Wellman and Pennwalt for all of such costs and expenses which they may reasonably have incurred up to a maximum of $20,000, which shall in such event be the extent of Creston's and New Wellman's liability under this Agreement.

9. ACCESS, INFORMATION AND DOCUMENTS. Pending the Closing, Wellman and Pennwalt will give to Creston and New Wellman and their counsel, accountants, stockholders and other representatives full access during normal business hours to all of the properties, books, contracts, commitments and records of Wellman and will furnish to Creston and New Wellman all such documents and copies of documents (certified as true copies if requested) and all information with respect to the affairs of Wellman as Creston or New Wellman or any of their stockholders may reasonably request.

ARK 01297

10. CONDUCT OF BUSINESS PENDING CLOSING.

(a) Undertakings of Wellman and Pennwalt. Pending the Closing, the business of Wellman will be conducted only in the ordinary course, and Wellman and Pennwalt will use their best efforts to preserve the business organization of Wellman intact, to keep available to Creston and to New Wellman the services of the present officers and employees of Wellman and to preserve for the benefit of Creston and New Wellman the good will of the suppliers and customers of Wellman and others having business relations with Wellman.

(b) Restrictions on Wellman. Pending the Closing, Wellman will not without Creston's consent:

(i) Amend its certificate of incorporation or by-laws;

(ii) Authorize or issue any capital stock or issue any rights or options to acquire shares of its authorized but unissued capital stock;

(iii) Declare any dividend or make any other distribution or payment in respect of its capital stock of any class or make any payment to redeem, purchase or otherwise acquire any of its capital stock of any class;

(iv) Enter into any contract or commitment, or cancel or otherwise terminate any contract or commitment the performance of which may extend beyond the time of Closing, except any made, cancelled or terminated in the ordinary course of business and with respect to any contract entered into, the terms of which are consistent with its past practice and reasonable in light of current conditions;

(v) Change the compensation payments or banking and safe deposit arrangements referred to in paragraph 6(k) hereof;

(vi) Purchase any item of real or personal property for more than $5,000 or sell, transfer, lease or otherwise dispose of any of its assets, other than in the ordinary course of its business.

ARK 01298

11. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF CRESTON AND NEW WELLMAN. The obligations of Creston and New Wellman under this Agreement are subject to the fulfillment prior to or at Closing of the following conditions:

(a) Warranties of Wellman and Pennwalt. The representations and warranties of Wellman and Pennwalt contained in paragraph 6 hereof will be true in all material respects at the time of Closing and Creston and New Wellman will have received certificates to that effect signed by authorized officers of Wellman and Pennwalt.

(b) Performance and Compliance. Wellman and Pennwalt will have performed all agreements and complied with all provisions of this Agreement requiring performance or compliance prior to or at Closing.

(c) Opinion of Counsel for Wellman. Wellman will have delivered to Creston and New Wellman an opinion of its counsel, Dechert Price & Rhoads, dated the Closing date, satisfactory in form and substance to Creston and New Wellman and its counsel, to the effect that:

(i) Wellman is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) This Agreement has been duly authorized, executed and delivered by Wellman and constitutes the valid and binding obligation of Wellman enforceable in accordance with its terms, except as limited by bankruptcy, insolvency and similar laws affecting creditors' rights, and the consummation of the transactions contemplated by this Agreement will not violate any unwaived provision of any material contract or agreement binding upon Wellman known to such counsel; and

(iii) Such counsel knows of no litigation, proceeding or investigation pending or threatened against any party hereto which could affect its right to consummate the transactions contemplated hereby.

ARK 01299

12. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF PENNWALT AND WELLMAN. The obligations of Pennwalt and Wellman under this Agreement are subject to the fulfillment prior to or at Closing of the following conditions:

(a) Warranties of Creston and New Wellman. The representations and warranties of Creston and New Wellman contained in paragraph 7 hereof will be true in all material respects at the time of Closing and Wellman will have received certificates to that effect signed by an authorized officer of Creston and New Wellman.

(b) Performance and Compliance. Creston and New Wellman will have performed all agreements and complied with all provisions of this Agreement requiring compliance or performance prior to or at Closing.

(c) Director and Stockholder Approval. The transactions contemplated by this Agreement will have been approved by the affirmative vote of the holders of not less than a majority of the outstanding shares of Wellman Stock.

(d) Opinion of Counsel for Creston and New Wellman. Wellman and Pennwalt will have received an opinion from Dutton, Kappes & Overman dated the Closing date, satisfactory in form and substance to Wellman and Pennwalt and their counsel, to the effect that:

(i) Creston is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) New Wellman is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(iii) New Wellman's authorized capital stock consists solely of 1,000 shares of common stock, without par value, of which 800 shares are issued and presently outstanding; all such outstanding shares have been validly issued and are fully paid and non-assessable, and are owned of record and to the best of such counsel's knowledge beneficially by Creston, free and clear of any lien, security interest, restriction, encumbrance or claim;

(iv) In connection with the issue, offer and sale of the capital stock of Creston and the

Exhibit 14 Exhibit 15 Exhibit 16 Exhibit 17 Exhibit 18 Exhibit 19 Exhibit 20

consummation of the transactions contemplated by this Agreement, Creston has fully complied with all applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations thereunder and the securities laws, rules and regulations of each state in which an offer or sale of the capital stock of Creston has been made;

(v) This Agreement has been duly authorized, executed and delivered by Creston and New Wellman and constitutes the valid and binding obligation of Creston and New Wellman enforceable in accordance with its terms, except as limited by bankruptcy, insolvency and similar laws affecting creditors' rights, and the consummation of the transactions contemplated by this Agreement will not violate any unwaived provision of any material contract or agreement binding upon Creston or New Wellman known to such counsel; and

(vi) Such counsel knows of no litigation, proceedings or investigation pending or threatened against any party hereto which could affect its right to consummate the transactions contemplated hereby.

In giving their opinion Messrs. Dutton, Kappes & Overman may to the extent therein stated rely on an opinion of Messrs. Bradshaw, Fowler, Proctor & Fairgrave.

(e) Purchase of Wellman Foundry. New Wellman will have purchased the foundry presently operated by Wellman in Creston, Iowa, and the lease under which Wellman now holds possession thereof will have been extinguished.

13. FEDERAL AND STATE INCOME TAXES OF WELLMAN.

(a) Assumption of Wellman's Federal Tax Liability by New Wellman. Without limiting the generality of paragraph 5 hereof, New Wellman will at Closing assume liability for all federal income taxes in respect of Wellman's activities during any taxable year ending prior to or on Closing or during any portion of a taxable year beginning before and ending with the Closing except that New Wellman will not assume any liability nor claim any benefit in respect of taxes attributable to the sale of Wellman's assets hereunder. For this purpose even if

ARK 01301

Wellman was or is included in Pennwalt's consolidated federal income tax return, Wellman's federal income tax liability will be computed as though Wellman had filed a separate federal income tax return on the basis of facts to be used in filing the consolidated tax returns and without regard to adjustments, if any, made following audit by Internal Revenue Service subject to the following modifications:

(i) The surtax exemption provided by section 11(d) of the Internal Revenue Code of 1954, as amended ("Code"), will not be allowed;

(ii) The normal tax imposed by Code section 11(a) will be 22%;

(iii) Any investment tax credit arising during any year in which Wellman is included in Pennwalt's consolidated federal income tax return in excess of the amount creditable against the tax liability attributable to Wellman's separate taxable income will be applied against the consolidated tax liability of the Pennwalt group and will not result in or add to any investment tax credit carryover or carryback;

(iv) No investment tax credit will be allowed for in 1975 except for carryovers of investment tax credit from taxable periods ending prior to September 1, 1972;

(v) Any net operating loss suffered during any taxable year ending prior to January 1, 1976 in which Wellman is included in Pennwalt's consolidated federal income tax return will not result in or add to any net operating loss carryover or carryback and will be applied to reduce the consolidated taxable income of the Pennwalt group;

(vi) Wellman's net operating loss carryover deduction in 1975 will be $464,588; and

(vii) Any net operating loss suffered attributable to Wellman's activities other than the sale of its assets pursuant to this Agreement beginning on January 1, 1976 and ending on the Closing date will be treated as a net operating loss carryback to 1975.

ARK 01302

(b) Payment Attributable to Federal Taxes. New Wellman will pay to Pennwalt, to the extent Wellman has not paid to Pennwalt prior to Closing, upon demand the amount of any federal tax liability computed under subparagraph (a) hereof. Pennwalt or Wellman will pay to New Wellman the amount of any tax reduction resulting from carryback of a net operating loss pursuant to subparagraph (a)(vii) within 30 days after Pennwalt files its 1976 consolidated federal income tax return.

(c) State Tax Liability. New Wellman will at Closing assume liability for all state income taxes in respect of Wellman's activities during any taxable year ending prior to or on Closing or during any portion of a taxable year beginning before and ending with the Closing except that New Wellman will not assume any liability or claim any benefit in respect of taxes attributable to the sale of its assets hereunder. This liability will be calculated and paid to Pennwalt or Wellman in the same manner as the federal tax liability.

14. WAIVERS. Prior to or on the date of Closing, Creston and New Wellman will have the right to waive any default in the performance of any term of this Agreement by Wellman or Pennwalt of any of their obligations hereunder, and to waive any or all of the conditions precedent to Creston's and New Wellman's obligations hereunder. Prior to or on the date of Closing, Wellman and Pennwalt will have the right to waive any default in the performance of any term of this Agreement by Creston or New Wellman of any of their respective obligations hereunder and to waive any or all of the conditions precedent to the obligations of Wellman and Pennwalt hereunder. Creston and New Wellman waive compliance by Wellman with any applicable bulk sales laws or similar legislation.

15. NATURE AND SURVIVAL OF REPRESENTATIONS. All statements contained in any certificate or other instrument delivered by Pennwalt or Wellman pursuant to this Agreement or in connection with the transactions contemplated hereby will be deemed representations and warranties by Pennwalt and Wellman hereunder, and all statements contained in paragraph 5 and 13 hereof and in any certificate or other instrument delivered by or on behalf of Creston or New Wellman pursuant to this Agreement will be deemed representations and

ELF 0019695

ARK 01303

warranties by Creston and New Wellman. All of the representations, warranties, agreements and obligations made or undertaken herein or in connection with the transactions contemplated hereunder will be extinguished upon completion of the Closing and will not create the basis for a claim by any party hereto except for the undertakings of New Wellman, guaranteed by Creston, in paragraph 5 and 13 hereof and in any of the instruments of assumption of Wellman's liabilities delivered pursuant to paragraph 5 hereof, and the undertaking of Pennwalt in paragraph 13 hereof, and except that

(a) The representations and warranties of Pennwalt and Wellman contained in paragraphs 6(d) and (e) will survive until the second anniversary of the Closing hereunder, on which date they will be extinguished and of no further effect and will not create the basis for a claim by any party hereto except as to any claim made theretofore in writing by Creston or New Wellman to Pennwalt that a breach of one or more thereof has occurred, specifying the nature thereof, and except for the representation and warranty contained in paragraph 6(e) with respect to Renegotiation Board determinations which will survive the Closing without limitation in time; and

(b) The representations and warranties of Creston and New Wellman contained in paragraphs 7(b) and (c) will continue until the second anniversary of the Closing hereunder, on which date they will be extinguished and of no further effect and will not create the basis for a claim by any party hereto except as stated in the last sentence of this paragraph 15(b) and except as to any claim made theretofore in writing by Pennwalt to New Wellman or Creston that a breach of one or more thereof has occurred, specifying the nature thereof. Notwithstanding the foregoing, the undertakings specified in paragraph 7(e) will survive the Closing without limitation in time.

16. INDEMNIFICATION. To the extent provided in paragraph 15 hereof, each party will indemnify and hold harmless the other party or parties against any damage or deficiency resulting from any misrepresentation, breach of warranty or nonfulfillment of any obligation or agreement on the part of the indemnifying party contained in this Agreement or in any document delivered pursuant to the provisions hereof, and any actions, judgments, costs and expenses incident to the foregoing, provided that

FLE 0019696

ARK 01304

(a) no claim shall be made hereunder against any party hereto more than two years after the date of Closing hereunder except any claim of Pennwalt arising under paragraphs 5, 7(e) or 13 hereof or any claim of New Wellman arising under paragraph 13 hereof or under paragraph 6(e) with respect to Renegotiation Board determinations;

(b) Pennwalt and Wellman shall not be liable for any such damage or deficiency except to the extent that the aggregate amount of all such damages and deficiencies, including related costs but after deduction of any related tax or other benefit, exceeds the sum of $100,000, but in no event shall Pennwalt and Wellman be liable hereunder for an amount in excess of an aggregate of $2,000,000;

(c) no claim shall be made hereunder by Creston or New Wellman against any stockholder of Wellman in his capacity as such.

17. GOVERNING LAW; PARTIES IN INTEREST. This Agreement will be governed by Delaware law and will bind and inure to the benefit of the successors and assigns of the parties hereto but may not be assigned by any party hereto without the consent of all other parties and may not be construed to confer any benefit or right on any person other than the parties hereto.

18. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto relating to the transactions contemplated hereby and no statements, undertakings or understandings which are not contained in this Agreement will be deemed to be material to such transactions or to have been relied upon by any party.

19. NOTICES. All notices, consents and other communications hereunder will be in writing and will be deemed to have been duly given if delivered or mailed, first-class, postage pre-paid:

(a) If to Wellman or Pennwalt, to

Edwin E. Tuttle
Executive Vice President
Pennwalt Corporation
Pennwalt Building
Three Parkway
Philadelphia, PA 19102

ARK 01305

(b) If to Creston or to New Wellman, to

Philip S. Kappes, Esq.
Dutton, Kappes & Overman
710 Guarantee Building
Indianapolis, Indiana 46204

with copy to:

Glenn F. Ihrig, President
Wellman Dynamics Corporation
P. O. Box 147
Creston, Iowa 50801

or to such other person at such other address as any of the parties hereto may hereafter designate by written notice to the other parties.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have duly executed this Agreement as of the date first above written

WELLMAN DYNAMICS CORPORATION

By Glenn F. Ihrig

PENNWALT CORPORATION

By
Chairman & President

CRESTON CORPORATION

By Philip S. Kappes
Secretary

NEW WELLMAN DYNAMICS CORPORATION

By

Exhibit 14 Exhibit 15 Exhibit 16 Exhibit 17 Exhibit 18 Exhibit 19 Exhibit 20

Exhibit 2

RECEIVED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION

WASTE MANAGEMENT, INC., et al.,	)	
	)	
Plaintiffs,	)	
	)	CIVIL ACTION NO.
vs.	)	94-CV-10192-BC
	)	
AEROSPACE AMERICA, INC., et al.	)	
	)	
Defendants.	)	

AFFIDAVIT OF STEPHEN J. OWENS IN SUPPORT OF PLAINTIFFS' RESPONSE TO ELF ATOCHEM NORTH AMERICA'S MOTION FOR SUMMARY JUDGMENT

Stephen J. Owens, being duly sworn, states:

1. I participated in preparing the Plaintiff's Response to Elf Atochem North America Corporation's ("Elf Atochem") Motion for Summary Judgment ("Elf's Motion").

2. Elf Atochem is a named defendant in this action and plaintiffs have alleged in the complaint that Elf Atochem is liable for the acts of Wellman Dynamics Corporation ("Wellman Dynamics") which sent radioactive thorium waste to the Hartley & Hartley Site.

3. According to the Fifth Amended Case Management Order ("CMO"), formal discovery did not commence until November 1, 1995 at which time the first wave of written discovery commenced. The first wave of written discovery from the Plaintiffs to the Defendants consisted of a set of interrogatories and requests for production of documents which addressed issues "common" to all Defendants. Plantiffs will not be able to ask Elf Atochem specific questions until the second wave of written discovery. Plaintiffs anticipate

deposing individuals with knowledge of Elf Atochem's relationship with Wellman Dynamics and Elf Atochem's involvement in Wellman Dynamics' disposal activities after both waves of written discovery are concluded.

4. Because formal discovery has only recently commenced, Plaintiffs are unable to support portions of their opposition to Elf's Motion with anything more than extremely limited evidence because such relevant information is outside of the Plaintiffs' control and believed to be exclusively within the control of Elf Atochem.

5. The factual issues of which discovery is required to oppose Elf's Motion include:

a. Whether Elf Atochem exercised dominant control over Wellman Dynamics (i.e. Wellman Dynamics was a mere instrumentality of Elf Atochem) prior to January 1976;

b. Whether Elf Atochem and Wellman Dynamics had common business departments; Elf Atochem and Wellman Dynamics filed consolidated financial statements and tax returns; Elf Atochem financed Wellman Dynamics; Wellman Dynamics operated with inadequate capital; Elf Atochem paid the salaries and other expenses of Wellman Dynamics; Elf Atochem used Wellman Dynamics' property as its own; and the daily operations of the two corporations were not kept separate; and

c. Whether Elf Atochem had the authority to control and exercised actual or substantial control, directly or indirectly, over the arrangement for

disposal, or the off-site disposal, of Wellman Dynamics' hazardous substances.

Further, affiant sayeth not.

Stephen J. Owens, Esq.

Subscribed and sworn to before me this 6th day of December __, 1995.

My Commission Expires:

DONNA D. PONICK
NOTARY PUBLIC
STATE OF MISSOURI
COMMISSIONED IN JACKSON COUNTY
MY COMMISSION EXPIRES 11-20-97

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION

WASTE MANAGEMENT, INC., et al.,	)	
	)	
Plaintiffs,	)	
	)	CIVIL ACTION NO.
vs.	)	94-CV-10192-BC
	)	
AEROSPACE AMERICA, INC., et al.	)	
	)	
Defendants.	)	

PLAINTIFFS' RESPONSE TO ELF ATOCHEM NORTH AMERICA INC.'S
MOTION FOR SUMMARY JUDGMENT

ISSUES PRESENTED

1. Whether Defendant Elf Atochem North America Inc. ("Elf Atochem") is directly liable under the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601-75 ("CERCLA") and the Michigan Environmental Response Act, Mich. Stat. Ann. § 13.32 ("MERA") for arranging for the disposal of hazardous substances at the Hartley & Hartley Site.

2. Whether Defendant Elf Atochem is indirectly liable through corporate veil piercing for the acts of its subsidiary Wellman Dynamics Corporation ("Wellman Dynamics") for Wellman Dynamics' arrangement for the disposal of hazardous substances at the Hartley & Hartley Site.

3. Whether Defendant Elf Atochem is entitled to summary judgment where:

(a) Discovery has been stayed in this case until November 1, 1995 under the case management order;

(b) There are insufficient facts available to plaintiffs to address the factors of Elf Atochem's direct generator/arranger liability and liability for corporate veil piercing: and

(c) The facts presented by Elf Atochem in its Motion for Summary Judgment and the documents presented in Elf Atochem's Rule 26(a) production favor finding Elf Atochem directly liable as a generator/arranger and liable through corporate veil piercing

for the actions of its subsidiary Wellman Dynamics in generating and arranging for the disposal of hazardous substances at the Hartley & Hartley landfill.

TABLE OF CONTENTS

ISSUES PRESENTED ii

I. INTRODUCTION 1

II. STANDARD FOR SUMMARY JUDGMENT 1

III. ELF ATOCHEM'S MOTION SHOULD BE DENIED 2

IV. PLAINTIFF'S PARTIAL STATEMENT OF FACTS 3

V. DIRECT GENERATOR/ARRANGER LIABILITY OF ELF ATOCHEM 7

VI. VEIL PIERCING BETWEEN WELLMAN DYNAMICS AND ELF ATOCHEM 12

VII. THE DEAD AND BURIED DOCTRINE IS INAPPLICABLE TO THE LIABILITY OF ELF ATOCHEM 16

VIII. FACTS NECESSARY TO ADDRESS STANDARDS AND FACTORS FOR DIRECT LIABILITY AND INDIRECT VEIL-PIERCING LIABILITY MUST BE DEVELOPED THROUGH DISCOVERY 19

IX. CONCLUSION 19

I. INTRODUCTION

Elf Atochem has moved for summary judgment on the basis that it is not a successor in interest to the Wellman Dynamics Corporation which operated in Bay City, Michigan and which sent thorium-contaminated radioactive sand and sludge to the Hartley & Hartley Site (the "Site"). Elf Atochem's Motion should be denied because it has failed to sustain its burden of showing that there is no genuine issue of material fact. Alternatively, Elf Atochem's Motion should be denied pursuant to Federal Rule of Civil Procedure 56(f) because plaintiffs currently lack access to essential facts necessary to oppose this Motion and cannot obtain access to such facts until undertaking formal discovery in the second wave of written discovery and follow up depositions under the Court's Fifth Amended Case Management and Scheduling Order ("CMO").

II. STANDARD FOR SUMMARY JUDGMENT

The Supreme Court has set out a clear standard for summary judgment:

> Under Rule 56(c), summary judgment is proper "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law."

Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986) (quoting Fed. R. Civ. P. 56(c)). Additionally, Rule 56(f) requires "summary judgment be refused where the nonmoving party has not had the opportunity to discover information that is essential to his opposition." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 n.5 (1986); *Celotex*, 477 U.S. at 322 (summary judgment may only be granted "after adequate time for discovery"). In this brief, plaintiffs demonstrate that there are genuine issues of material fact, why they cannot oppose some of the purported facts in Elf Atochem's Motion, and how postponement of a ruling on

that Motion will enable plaintiffs by discovery to rebut the purported issues of fact raised in Elf Atochem's Motion. *See Emmons v. McLaughlin*, 874 F.2d 351, 356-57 (6th Cir. 1989).

III. ELF ATOCHEM'S MOTION SHOULD BE DENIED

Elf Atochem[1] contends that it is not liable under CERCLA for the acts of Wellman Dynamics in Bay City, Michigan which sent thorium-contaminated radioactive sludge and sand to the Site. Elf Atochem further contends that the facts it has submitted are sufficient to grant it summary judgment and that the law is such that plaintiffs could not possibly find any facts which could defeat defendant's argument. However, under the facts set out in Elf Atochem's Motion, Elf Atochem was, at one time, Wellman Dynamics' significant minority shareholder (and along with defendant Dow Chemical Company owned over ninety percent of Wellman Dynamics' stock). Later, Elf Atochem alone owned 92.24% of Wellman Dynamics' stock. There are therefore at least two ways Elf Atochem can be liable for the disposal activities of Wellman Dynamics: direct liability as a generator/arranger under CERCLA and corporate veiling piercing between Elf Atochem and its subsidiary

In this brief, plaintiffs show that summary judgment must be refused because Elf Atochem has failed to sustain its burden under Rule 56(c) of showing that no genuine issue of material fact exists. Alternatively, plaintiffs show that summary judgment should be denied under Rule 56(f) because (1) federal common law sets out standards which need to be addressed when determining Elf Atochem's direct liability as a generator/arranger for

[1] Elf Atochem admits that it is the successor in interest to Pennwalt Corporation. Adopting Elf Atochem's convention, the name "Elf Atochem" will be used to refer to Elf Atochem North America, Inc. and Pennwalt Corporation collectively.

arranging for the disposal of hazardous substances at the Site, (2) either the law of the state of Michigan or federal common law sets out factors which need to be addressed when determining whether to pierce the corporate veil between Elf Atochem and its subsidiary Wellman Dynamics, (3) the facts presented in Elf Atochem's Motion and its Rule 26(a) production actually *favor* finding direct generator/arranger and veil-piercing liability, and (4) discovery is needed to address direct generator/arranger liability and veil piercing standards and factors.

IV. PLAINTIFF'S PARTIAL STATEMENT OF FACTS

Because insufficient facts are available to Plaintiffs to respond to Elf Atochem's Statement of Facts, Plaintiffs will not attempt to do so except that Plaintiffs will set forth its own Partial Statement of Facts based on what information is available from the Exhibits to Elf Atochem's Motion for Summary Judgment and from Elf Atochem's Rule 26(a) production.

1. On September 30, 1971, Elf Atochem acquired 44.64% of the stock of Wellman Dynamics Corporation (Wellman I). Exhibits 5 & 11 to Elf Atochem North America, Inc.'s Motion for Summary Judgment (hereinafter "Elf's Exhibit __").

2. During the period between September 30, 1971 and August 21, 1972, Hartley & Hartley, Inc. hauled wastes from the Wellman Dynamics facility in Bay City, Michigan to its landfill at 2370 S. Two Mile Road in Kawkawlin, Michigan (the "Site"). Hartley & Hartley, Inc. billed this disposal to Wellman Dynamics in Creston, Iowa. Exhibit A to Plaintiffs' Response to Elf Atochem North America, Inc.'s Motion for Summary Judgment (hereinafter "Plaintiffs' Exhibit __").

3. On January 25, 1972, Elf Atochem Vice-President Eugene Swift was a director of Wellman Dynamics. As a director, he personally pursued a restrictive financial policy at Wellman Dynamics in which (1) he convinced the Board of Directors not to allow Wellman Dynamics management to commit any money for fixed assets until certain actions were taken and (2) he participated in setting low executive salaries for the president and vice-presidents of Wellman Dynamics. Plaintiffs' Exhibit C.

4. Elf Atochem took over lease negotiations on Wellman Dynamics' manufacturing facilities on February 22, 1972. Plaintiffs' Exhibit D.

5. Eugene Swift of Elf Atochem continued to pursue Elf Atochem's restrictive financial policy at Wellman Dynamics. On March 28, 1972, Mr. Swift severely criticized Wellman Dynamics' own management budgets to the Board of Directors and stated that he would provide Mr. Williams of Elf Atochem to prepare Wellman Dynamics' new financial statements for creditors. Plaintiff's Exhibit V.

6. Wellman Dynamics did not request termination of its Atomic Energy Commission license for handling radioactive thorium at the Bay City, Michigan facility until April 14, 1972. Plaintiff's Exhibit U.

7. On August 21, 1972, Elf Atochem acquired Dow Chemical's stock in Wellman Dynamics, bringing its ownership to 92.28% of the stock of Wellman Dynamics. Elf's Exhibits 5 & 8. Elf Atochem retained ownership of 92.28% of the stock of Wellman Dynamics until January 5, 1976. Elf's Exhibit 13.

8. During the period between August 21, 1972 and January 5, 1976, Hartley & Hartley, Inc. continued to haul wastes from the Wellman Dynamics facility in Bay City,

Michigan to the Site. Hartley & Hartley, Inc. billed this disposal to Wellman Dynamics in Creston, Iowa. Plaintiffs' Exhibit B.

9. Upon purchasing Dow Chemical's stock in Wellman Dynamics, Elf Atochem agreed to guarantee $750,000 of the indebtedness of Wellman Dynamics. Plaintiffs' Exhibits E & F. Later, Elf Atochem directly loaned up to $1.3 million to Wellman Dynamics. Elf's Exhibit 5 Schedule C.

10. On September 12, 1972, Eugene Swift, vice-president of Elf Atochem, was elected Chairman of the Board of Wellman Dynamics and Elf Atochem employee James M. Williams was added as a director. Mr. Swift had made an extensive review of all aspects Wellman Dynamics' operation and demanded changes in Wellman Dynamics' accounting and operations. Plaintiffs' Exhibit F..

11. On October 25, 1972, Wellman Dynamics' financing authorization structure was changed so that Wellman Dynamics president Glenn Ihrig could not borrow money without the signature of Mr. Swift of Elf Atochem. Plaintiffs' Exhibit H.

12. Elf Atochem participated actively in developing a "Corrective Action" plan for Wellman Dynamics immediately after acquiring a majority of Wellman Dynamics' stock. This plan included a significant reduction in Wellman Dynamics' work force, rescheduling product shipments, renogiations with customers and changes in sales policies, shutdown of product lines, changes in quality control policies, production changes, and "tight controls were placed on expenses outside of the production area and tight internal controls were placed on all cash disbursements." Elf's Exhibit 5 at pp. 4-5; Plaintiffs' Exhibit I.

13. Elf Atochem maintained Comprehensive General Liability Insurance on

Wellman Dynamics as a subsidiary. Plaintiffs' Exhibit J.

14. Wellman Dynamics held its Annual Stockholders' Meeting in April 1973 at Elf Atochem's facilities in Philadelphia. Plaintiffs' Exhibit K. An attorney for Elf Atochem, James M. Ellis attended and was the Secretary of the meeting and Mr. Swift of Elf Atochem presided over the meeting. Plaintiffs' Exhibit L.

15. Wellman Dynamics director Charles A. Howe resigned from his position on the Board of Directors of Wellman Dynamics on May 2, 1973 citing Pennwalt's (Elf Atochem's) domination of Wellman Dynamics. In a letter to Mr. Swift of Elf Atochem, Mr Howe stated, "Under these circumstances and *particularly with Pennwalt having dominant control of the situation*, I don't see that I would serve any useful purpose on your Board." Plaintiffs' Exhibit M (emphasis added).

16. In corporate resolutions, Elf Atochem referred to Wellman Dynamics as a "wholly-owned subsidiar[y] of Pennwalt Corporation" and guaranteed the payment of all of its debts from creditors such as banks and suppliers. Plaintiffs' Exhibit N. Elf Atochem also included Wellman Dynamics on its consolidated federal income tax returns. Elf's Exhibit 21.

17. After the death of Mr. Swift, James McWhirter, Senior Vice President of Elf Atochem, was named Chairman of the Board of Wellman Dynamics Corporation on September 13, 1973. After his election, Mr. McWhirter demanded that an Elf Atochem employee be allowed to sign checks on Wellman Dynamics' bank accounts. The Board granted McWhirter's demand. John Skelly of Elf Atochem was later appointed as Assistant Treasurer of Wellman Dynamics and granted the authority to sign Wellman Dynamics'

checks. Under another Board resolution, Wellman Dynamics' President Glenn Ihrig could only borrow money with the signature of Mr. McWhirter. Plaintiffs' Exhibits G, O & P .

18. James McWhirter, signing as Senior Vice President of Elf Atochem, acknowledged spending several days at Wellman Dynamics in Creston, Iowa to resolve a significant labor dispute. Plaintiffs' Exhibit Q.

19. All of the officers and directors of Wellman Dynamics Corporation, at the time that it changed its name to Wellman Liquidating Corporation and sold its assets to the New Wellman Dynamics Corporation, were Elf Atochem officers and employees. Plaintiffs' Exhibit R. These included officers and directors Edwin E. Tuttle, James McWhirter, and James Williams and directors James M. Skelly and Vera M. Byrne. *Id.* Plaintiffs' Exhibits S & T.

V. DIRECT GENERATOR/ARRANGER LIABILITY OF ELF ATOCHEM

The Amended Complaint alleges that Elf Atochem is directly liable as a generator/arranger under CERCLA and MERA for arranging to have hazardous substances, including radioactive thorium, disposed of at the Site. Sixth Circuit law is currently unsettled regarding the direct liability of parent corporations under CERCLA without the necessity of piercing the corporate veil. The two-to-one *United States v. Cordova Chemical Co. of Michigan*, 59 F.3d 584 (6th Cir. 1995) ("*Cordova Chemical*") opinion had been the first decision of the Sixth Circuit on whether a parent corporation can be directly liable under CERCLA for the disposal activities of its subsidiary. On October 19, 1995, a majority of the judges of the Sixth Circuit voted to rehear *Cordova Chemical* en banc and thereby vacated the previous opinion and judgment of the Court and restored the case on the docket

sheet as a pending appeal. *United States v. Cordova Chemical Co.*, --- F.3d ---, 1995 WL 617175 (6th Cir. October 19, 1995). With that opinion vacated, it has no precedential value for this Court and the direct liability of parent corporations under CERCLA and MERA is still an issue of first impression within the Sixth Circuit.

However, the Sixth Circuit has assigned direct liability to an individual shareholder for the disposal activities of his corporation in *Donahey v. Bogle*, 987 F.2d 1250 (6th Cir. 1993), *vacated*, 114 S. Ct. 2668 (1994) (Supreme Court vacated award of attorneys fees in *Donahey* after holding that attorneys fees were not recoverable under CERCLA in *Keytronic Corp. v. United States*, 114 S. Ct. 1960 (1994). *Donahey* and recent appellate decisions from the majority of other federal appeal circuits provide the standards likely to be adopted by the Sixth Circuit on rehearing of *Cordova Chemical* for evaluating the direct liability of a corporate shareholder (parent corporation) for the disposal activities of its subsidiary.

In *Donahey v. Bogle*, 987 F.2d 1250 (6th Cir. 1993), the Sixth Circuit held that an individual shareholder of a company that disposed of hazardous substances can be directly liable under CERCLA. In *Donahey*, the St. Clair Rubber Company sent solvent-containing hazardous wastes to a rented site to be disposed of by landfilling and open pit burning. *Id.* at 1252. The Sixth Circuit found that the sole shareholder of the St. Clair Rubber Company, Mr. Seabourne Livingstone, was liable as a responsible party under CERCLA for the contaminated site because the "evidence clearly established that Livingstone had the authority to prevent the contamination of the property by his corporation; thus as a matter of law, Livingstone was a responsible party." *Id.* at 1252. Thus, the Sixth Circuit

held Mr. Livingstone directly liable for his company's disposal activities. In principle, the reasoning which can make an individual shareholder of a corporation directly liable under CERCLA for disposal of hazardous substances applies with equal force to make a parent corporation liable for its subsidiary's disposal practices. *See United States v. TIC Investment Corp.*, — F.3d ---, 1995 WL 604127 at *7, *9 (applying exactly the same reasoning and standard for liability for individual shareholders and parent corporations).

The most recent statement by an appellate court on direct generator/arranger liability of a corporate shareholder (parent corporation) is found in *United States v. TIC Investment Corp.*, — F.3d ---, 1995 WL 604127 (8th Cir. October 16, 1995) and represents the majority view among the circuits. That court held that a parent corporation is directly liable as a generator/arranger under CERCLA "if the parent had the authority to control and exercised actual or substantial control, directly or indirectly, over the arrangement for disposal, or the off-site disposal, of the subsidiary's hazardous substances . . . ." *Id.* at *8-9 This is consistent with the views of the vast majority of courts of appeal that parent corporations may be directly liable for the disposal activities of their subsidiaries without piercing the corporate veil. *See Lansford-Coaldale Joint Water Auth. v. Tonolli Corp.*, 4 F.3d 1209, 1221-22 & n. 13 (3d Cir. 1993) (corporations may be directly liable as operators under CERCLA when they are not mere investors in other corporations, but instead have actively and substantially participated in the affiliated corporation's management); *Jacksonville Elec. Auth. v. Bernuth Corp.*, 996 F.2d 1107, 1110 (11th Cir. 1993) (parent corporation is directly liable as an operator under CERCLA when it exercises actual and pervasive control over the subsidiary); *Nurad, Inc. v. William E. Hooper & Sons Co.*, 966

F.2d 837, 842 (4th Cir.), *cert. denied*, 113 S. Ct. 377 (1992) (authority to control disposal of hazardous substances is sufficient to establish direct liability of parent corporation); *United States v. Kayser-Roth Corp.*, 910 F.2d 24, 26-27 (1st Cir. 1990) (parent corporation is directly liable under CERCLA as an operator when it is actively involved in the activities of the subsidiary), *cert. denied*, 498 U.S. 1084 (1991). *Contra Joslyn Mfg. v. T.L. James & Co.*, 893 F.2d 80, 83 (5th Cir. 1990) (expresses sole minority view that a parent corporation can only incur liability under CERCLA for the disposal activities of its subsidiary when the requirements to pierce the corporate veil are met).

The majority standard for direct liability of corporate shareholders for generator/arrangers under CERCLA is consistent with the Sixth Circuit's position on direct liability of individual shareholders set out in *Donahey*. These courts employed "fact-intensive" standards in determining if the shareholder, whether individual or corporate, was liable for the acts of the disposing corporation. *TIC Investment*, — F.3d —, 1995 WL 604127 at *9. The Sixth Circuit in *Donahey* addressed whether the shareholder had the authority to prevent the disposal of hazardous substances, *Donahey*, 987 F.2d at 1252, while other circuits have addressed whether the shareholder had the authority to control the disposal of hazardous substances and exercised that control in some fashion (including exercising indirect control through placing restrictive financial policies on the subsidiary that allowed it no alternative means of disposal for hazardous substances). *See e.g.*, *TIC Investment*, — F.3d —, 1995 WL 604127 at *7-*9.

Elf Atochem contends that it cannot be liable for the disposal activities of Wellman Dynamics by making the irrelevant argument that Wellman Dynamics' Bay City

facility was shut down shortly after Elf Atochem acquired 44.64% of Wellman Dynamics' stock on September 30, 1971. Regardless of the timing of the shutdown, wastes from Wellman Dynamics' Bay City facility continued to be disposed at the Site during the period that Elf Atochem owned both its minority share and its 92.28% share in Wellman Dynamic:

Elf Atochem cannot be excused from liability for its subsidiary's disposal activities merely because at one time it owned a minority of the shares of Wellman Dynamics' stock. In *United States v. McGraw-Edison Co.*, 718 F. Supp. 154 (W.D.N.Y. 1989), a corporation that owned 49% of the common stock of a subsidiary that had released hazardous substances into the environment and had contaminated drinking water wells moved for summary judgment on its liability. The district court rejected the defendant parent corporation's argument that as a matter of law it could not be held liable under CERCLA because it was "a mere minority shareholder in [the subsidiary] at the time of the alleged disposal of contaminants . . .." *Id.* at 157. Even though the defendant parent corporation only owned 49% of the stock of the subsidiary, the district court found that there were "several issues of material fact as to the actual extent of [the parent's] involvement in the management and operations of [the subsidiary] at the time of the alleged disposal of hazardous material" and this was "sufficient to preclude the entry of summary judgment in the [parent corporation's] favor" until the plaintiff could conduct further discovery on the parent corporation's involvement in the subsidiary. *Id.* at 157-58. Elf Atochem has presented no evidence in its Motion for Summary Judgment concerning its own authority to control the policies and management of Wellman Dynamics, exercise of its control over the policies and management of Wellman Dynamics, knowledge of and involvement in Wellman

Dynamics' disposal practices, and ability to prevent Wellman Dynamics' disposal of hazardous substances between September 30, 1971 and August 21, 1972 (the period of 44.64% stock ownership). Therefore, summary judgment should be denied, or in the alternative, additional time should be allowed for discovery.

Furthermore, Elf Atochem's minority shareholder argument fails because between August 21, 1972 and January 5, 1976, when Elf Atochem owned 92.24% of the stock of Wellman Dynamics, Wellman Dynamics was continuing to arrange to have its wastes from its Bay City facility disposed at the Site.

Moreover, documents in Elf Atochem's Rule 26(a) production demonstrate that Elf Atochem had "dominant control" of Wellman Dynamics and pursued restrictive financial policies within its subsidiary. Plaintiffs' Statements of Fact 5, 10, 11, 12, 15 & 17. In *TIC Investment*, the Eighth Circuit found a stockholder and chairman of a disposing subsidiary directly liable as a generator/arranger under CERCLA when he exercised control over virtually every aspect of the subsidiary's operations and tightly controlled the budgetary aspects of the subsidiary so that the subsidiary had no choice but to use an existing inexpensive arrangement for disposal of its hazardous substances. --- F3d ---, 1995 WL 604127 at *6. Therefore, there are genuine issues of material fact regarding Elf Atochem's direct liability as a generator/arranger under CERCLA and summary judgment is inappropriate or in the alternative, should be denied until further discovery can be conducted.

VI. VEIL PIERCING BETWEEN WELLMAN DYNAMICS AND ELF ATOCHEM

Under the facts alleged by Elf Atochem, Elf Atochem can be indirectly liable for the disposal activities of Wellman Dynamics under a corporate veil piercing theory of

liability. Under CERCLA, Courts have looked at a number of factors in determining whether to pierce the corporate veil between a parent corporation and its subsidiary that engaged in disposal activities. Michigan state law may determine the factors used to determine whether to pierce the corporate veil. *See CPC Intern., Inc. v. Aerojet-General Corp.*, 777 F. Supp. 549, 578-79 (W.D. Mich. 1991), *rev'd sub nom, United States v. Cordova Chemical Co. of Michigan*, 59 F.3d 584 (6th Cir. 1995), *reh'g en banc granted and judgment vacated*, — F.3d —, 1995 WL 617175 (6th Cir. October 19, 1995); *Anspec Co., Inc. v. Johnson Controls, Inc.*, 922 F.2d 1240, 1248 (6th Cir. 1991) (Kennedy, J. concurring). However, courts have also held that federal common law determines the factors to consider under CERCLA in piercing the corporate veil. *See e.g., United States v. Kayser-Roth Corp.*, 724 F.Supp. 15, 23 (D.R.I. 1989), *aff'd on other grounds*, 910 F.2d 24, (1st Cir. 1990), *cert. denied*, 498 U.S. 1084 (1991); *In re Acushnet River*, 675 F. Supp. 22, 30-31 (D. Mass. 1987).

If Michigan state law applies, the corporate veil between Wellman Dynamics and Elf Atochem may be pierced when:

> (a) a corporation and shareholders have a complete identity of interest;
> (b) the corporation is a mere instrumentality of the shareholders;
> (c) the corporation is a device to avoid a legal obligation; or
> (d) the corporation is used to defeat public convenience, justify a wrong, protect fraud or defend a crime.

Bodenhamer Bldg. Corp. v. Architectural Research Corp., 873 F.2d 109, 112 (6th Cir. 1989) (emphasis added). It is clear that the corporate veil may be pierced in Michigan in the absence of allegations of fraud so long as the subsidiary is a mere instrumentality and justice requires that the veil be pierced. *Wells v. Firestone Tire and Rubber Co.*, 421 Mich. 641,

364 N.W.2d 670 (1984); *Herman v. Mobile Homes Corp.*, 317 Mich. 233, 26 N.W.2d 757 (1947); *Potter v. Michigan Bell Telephone Co.*, 246 Mich. 198, 224 N.W. 438 (1929). "Factors to consider include undercapitalization, maintenance of separate books and finances use of the corporation to support fraud or illegality, honoring corporate formalities, and whether the corporation is merely a sham." *United States v. Taylor*, 1993 WL 760996 (W.D. Mich. Dec. 9, 1993).

If federal common law applies to piercing the veil between Wellman Dynamics and Elf Atochem, courts have generally employed twelve factors:

> (1) the parent and the subsidiary have common stock ownership; (2) the parent and the subsidiary have common directors or officers; (3) the parent and the subsidiary have common business departments; (4) the parent and subsidiary file consolidated financial statements and tax returns; (5) the parent finances the subsidiary; (6) the parent caused the incorporation of the subsidiary; (7) the subsidiary operates with grossly inadequate capital; (8) the parent pays the salaries and other expenses of the subsidiary; (9) the subsidiary receives no business except that given to it by the parent; (10) the parent uses the subsidiary's property as its own; (11) the daily operations of the two corporations are not kept separate; and (12) the subsidiary does not observe the basic corporate formalities, such as keeping separate books and records and holding shareholder and board meetings.

Jacksonville Elec. Auth. v. Eppinger & Russell Co., 776 F. Supp. 1542 (M.D. Fla. 1991), *aff'd sub nom, Jacksonville Elec. Auth. v. Bernuth Corp.*, 996 F.2d 1107, 1110 (11th Cir. 1993); *see Joslyn Corp. v. T.L. James & Co., Inc.*, 696 F. Supp. 222 (W.D. La. 1988), *aff'd*, 893 F.2d 80 (5th Cir. 1990); *United States v. Jon-T Chemicals, Inc.*, 768 F.2d 686 (5th Cir. 1985), *cert. denied*, 475 U.S. 1014 (1986).

In practice, the factors evaluated in determining CERCLA liability via veil piercing under federal law and under state law "are essentially the same" and may be used interchangeably. *United States v. Jon-T Chemicals, Inc.*, 768 F.2d at 690 n.6. "Not one of

these factors is either necessary or sufficient to disregard corporate separateness. The equitable decision to pierce the veil is dependent on the facts peculiar to each case." *In re Acushnet*, 675 F. Supp. at 33. Determining whether the veil-piercing factors are met is a "highly fact specific inquiry" into "the totality of facts" surrounding the relationship between the parent and the subsidiary. *CPC Intern., Inc.*, 777 F. Supp. at 574; *United States v. Jon-T Chemicals, Inc.*, 768 F.2d at 692. The documents provided by Elf Atochem in its Motion for Summary Judgment and its Rule 26(a) production are insufficient to address all of the factors required to determine whether the corporate veil should be pierced. To the extent that documents provided by Elf Atochem address the veil piercing factors, they have been referenced in the Partial Statement of Facts.

The documents in Elf Atochem's Rule 26(a) production support piercing the corporation veil of Wellman Dynamics to assign liability to Elf Atochem because Wellman Dynamics was a mere instrumentality of Elf Atochem, or in the words of resigning Wellman Dynamics' director Charles A. Howe, Elf Atochem had "dominant control" over Wellman Dynamics. Statement of Fact 15. Several examples of factors showing "dominant control" appear in Elf Atochem's Rule 26(a) production. The Chairman of the Board of Wellman Dynamics was an Elf Atochem Senior Vice President and another of its directors was an Elf Atochem employee. Statements of Fact 10 & 17. Through its positions on the Board of Directors, Elf Atochem pursued a restrictive financial policy at Wellman Dynamics by (1) questioning budgets, Statements of Fact 3 & 5, (2) setting low salaries for Wellman Dynamics officers, Statement of Fact 3, (3) changing accounting procedures within Wellman Dynamics, Statement of Fact 10, and (4) only allowing Wellman Dynamics to borrow money

with the signature of an Elf Atochem employee. Statements of Fact 11 & 17.

Elf Atochem financed Wellman Dynamics and used Wellman Dynamics' property as its own. Elf Atochem not only guaranteed loans to Wellman Dynamics but also made direct loans to its subsidiary. Statement of Fact 9. Elf Atochem demanded and received Wellman Dynamics' authorization for an Elf Atochem employee to be able to write checks off of Wellman Dynamics' own accounts. Statement of Fact 17. Moreover, Elf Atochem directly interfered in Wellman Dynamics' operations with its "Corrective Action" plan in late 1972. Statement of Fact 12. As a final display of Elf Atochem's "dominant control" over Wellman Dynamics, when Wellman Dynamics' name was changed to Wellman Liquidating Corporation and its assets were sold to the New Wellman Dynamics Corporation, every single one of Wellman Dynamics' officers and directors was an Elf Atochem employee. Statement of Fact 19. These examples of Elf Atochem's "dominant control" strongly suggest the appropriateness of veil piercing and show the existence of genuine issues of material fact. In the alternative, additional written discovery and depositions of Elf Atochem and/or Wellman Dynamics personnel are required to evaluate the totality of facts necessary for determination of this issue.

VII. THE DEAD AND BURIED DOCTRINE IS INAPPLICABLE TO THE LIABILITY OF ELF ATOCHEM

Elf Atochem argues that Wellman Dynamics is a dead and buried entity, incapable of being sued. Further, Elf Atochem asserts that as a mere shareholder in the dissolved corporation, it cannot be held responsible for the liabilities of Wellman Dynamics.

Defendant's argument mischaracterizes Plaintiffs' basis for asserting a claim against Elf Atochem. Plaintiffs are not seeking to impose liability upon the dissolved

Likewise, in *Barton Solvents, Inc. v. Southwest Petro-Chem, Inc.*, 836 F. Supp. 757, 762 (D. Kan. 1993), a shareholder of a dissolved corporation argued that she had no liability under CERCLA because the corporation that had conducted the disposal activities was dead and buried. The court denied the shareholder's motion to dismiss because the claims against her were based on her own control over the disposal activities and "shareholders can be personally liable for arrangement activities over which they had control." *Id.* (citing *Donahey v. Bogle*, 987 F.2d 1250, 1254 (6th Cir. 1993)).

The cases cited by Defendant do not address the issue at hand. Defendant relies on decisions in which the plaintiff asserted a claim against the dissolved corporation, not its parent corporation or former shareholders. *United States v. Taylor*, 1993 WL 760996 (W.D. Mich. Dec. 9, 1993) (plaintiff sued Ontario Limited, a dissolved corporation); *United States v. Sharon Steel Corp.*, 681 F. Supp. 1492 (D. Utah 1987) (the undistributed assets of a dissolved corporation were not shielded from CERCLA liability); *BASF Corp. v. Central Transport, Inc.*, 830 F. Supp. 1011, 1013 (E.D. Mich. 1993), (the plaintiff brought suit against Hughes Chemical Corporation which had dissolved ten years prior to plaintiff filing its CERCLA action); *AM Properties Corp. v. GTE Products Corp.*, 844 F. Supp. 1007, 1013 (D.N.J. 1994) (plaintiff sued Cirfico, a company which dissolved eight years before the CERCLA action was commenced); *United States v. Distler*, 741 F. Supp. 643, 647 (W.D. Ky. 1990) (court granted motion to dismiss of dead and buried corporation). Therefore, the assertion that Wellman Dynamics is a dead and buried corporation is no bar to Elf Atochem's liability.

VIII. FACTS NECESSARY TO ADDRESS STANDARDS AND FACTORS FOR DIRECT LIABILITY AND INDIRECT VEIL-PIERCING LIABILITY MUST BE DEVELOPED THROUGH DISCOVERY

Under the Fifth Amended Case Management Order, all discovery was stayed until November 1, 1995. After that time, plaintiffs were allowed to serve, as a first wave, a Request for Production of Documents and a set of Interrogatories limited to issues "common" to all defendants. Following these discovery requests and their responses, only then will plaintiffs be allowed to serve, as a second wave, a limited number of Requests for Production of Documents and Interrogatories to individual defendants. At that time, plaintiffs will be able to serve specific discovery requests to Elf Atochem and request information about its relationship with Wellman Dynamics. Following the receipt of responses to that written discovery, plaintiffs anticipate selected depositions of Wellman Dynamics and/or Elf Atochem personnel regarding the relationship of Wellman Dynamics with Elf Atochem. Until such discovery can be completed, plaintiffs must rely solely on the documents attached to Elf Atochem's Motion for Summary Judgment and its Rule 26(a) production. These are insufficient to address all of the factual issues necessary to determine Elf Atochem's direct liability as a generator/arranger and its indirect liability through veil piercing.

IX. CONCLUSION

Elf Atochem is liable under CERCLA for the acts of Wellman Dynamics in Bay City, Michigan which sent thorium-contaminated radioactive sludge and sand to the Site. The facts that Elf Atochem has submitted with its Motion for Summary Judgment are insufficient to establish the lack of a genuine issue of material fact and therefore, the Motion

ARK 01332

should be denied. Under the facts set out in Elf Atochem's Motion, Elf Atochem was, at one time, Wellman Dynamics' significant minority shareholder and later owned 92.24% of Wellman Dynamics' stock. Elf Atochem can be found directly liable for the disposal activities of Wellman Dynamics as a generator/arranger under CERCLA and can be found indirectly liable through corporate veiling piercing between Elf Atochem and its subsidiary Wellman Dynamics. In the alternative, summary judgment should be refused under Rule 56(f) because the facts presented in Elf Atochem's Motion actually *favor* finding direct generator/arranger liability and veil-piercing liability, and discovery is needed to address many of the direct generator/arranger liability and veil piercing standards and factors.

Plaintiffs therefore respectfully request this Court to deny Elf Atochem's Motion for Summary Judgment.

Submitted by:

STINSON, MAG & FIZZELL, P.C.

By

Robert L. Driscoll
Stephen J. Owens
Russell A. Berland
1201 Walnut, Suite 2600
P.O. Box 419251
Kansas City, Missouri 64141-6251
(816) 842-8600 Telephone
(816) 691-3495 Facsimile

Exhibit 3

RECYCLED

V

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS
O F
WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
March 28, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Regency-Hyatt House, O'Hare Airport, Chicago, Illinois, on Tuesday, March 28, 1972, at 9:00 o'clock A.M. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Glenn F. Ihrig
Eugene C. Swift

Absent: Charles A. Howe

J. Herbert Burling, Vice President - Finance, James Howarth, Vice President - Operations, and Brooks W. Maccracken, Secretary, were also present. For a time in the latter part of the meeting, Mr. Leland E. Schmitt, Vice President - Group and Pension Sales, American United Life Insurance Company, of Indianapolis, Indiana, and Mr. Timothy Durbin of Arthur Andersen & Co., Detroit, were also present.

Mr. Ihrig presided and Mr. Maccracken was secretary of the meeting. The minutes of the Directors' meeting held February 22, 1972, having been previously mailed to the Directors, were approved as mailed.

The January and February operating statements were discussed at length. Mr. Ihrig explained the mistakes which had resulted in the previous report of a profit for January and attributed the loss in each month primarily to the excessive amount of scrap in the production which, in turn, is due to the inefficiency of new and inexperienced workers. Mr. Ihrig expects that the sales dollar amount of scrap

ARK 01336

occurring in the first quarter of the year will be in excess of $350,000 though scrap is shown on the accounts of the Company at cost rather than sales value. Mr. Howarth referred to his manufacturing profile submitted to the February meeting as showing his expectation on how the scrap will be reduced from 20% in the first quarter to 8% in the fourth quarter of the year as the new workers become better trained and more experienced.

Among other aspects of the operating statements discussed was the amount of sales expenses, which Mr. Ihrig explained was due to extra time having to be spent with customers because of problems flowing from the combining of operations at Creston. In response to an inquiry as to why the sales commissions should have increased when the amount of sales did not, Mr. Ihrig said he would investigate and report. Mr. Burling suggested that the commissions shown for the two months included a special commission on a foreign account. Mr. Swift observed that if the Company's budgets aren't right it will be necessary to get them into line and gave a number of examples as to how this might be done. He further expressed his desire that management have the budgeting tools and live with them, both budgetwise and cash flowwise.

Mr. Ihrig reported that sales in the aircraft industry were starting to pick up and that this was being reflected in the receipt of orders by the Company. He expects that the Company can be producing at the rate of $600,000 a month by June. Some of the Directors doubted whether the Company would be able to finance production at this rate and Mr. Englehart suggested that the increase in sales could be used to be more selective in the orders being accepted, to which Mr. Ihrig responded that they were trying to be selective and had turned down three jobs in the last week. Mr. Englehart further proposed that the Company's backlog be tailored to the optimum capacity of the plant.

FILE 0021757

ARK 01337

In response to an inquiry from Mr. Swift as to what results could be expected for the second quarter of the year, Mr. Ihrig declined to give a profit forecast, but mentioned factors which would limit the Company's production capacity and its profitability, emphasizing the present lack of heat treating capacity. He stated that they might be able to have some of their heat treating done by a competitor in Texas, but did not like to do this for any length of time.

In answer to an inquiry about the Company's inventory, Mr. Ihrig stated that metal inventory was running high, but he hopes it will be reduced. He said the Company was getting caught up with its payables and that they hope to have the force at Bay City reduced by the end of March to one person plus guards. He reported that Dow is anxious to settle the rent for the plant and that he expects this will be resolved also by this week.

There was then a discussion of the facilities profile as sent to the Directors with the agenda for the meeting, together with Mr. Ihrig's letter reports of March 15 and March 16. In response to the Directors' expression of the need to determine the order of priorities on these items, Mr. Ihrig reviewed them item by item, reporting those which were already in process, those which were absolute musts and those which could be delayed. It was conceded that all of the items would ultimately be necessary, but those which Mr. Ihrig identified as in process or immediately necessary totalled about $380,000. Mr. Swift stated that Mr. Williams of Pennwalt would be able to be in Creston to assist in the preparation of a presentation of the Company's financial picture to the bank and he emphasized the need to show how the Company's facility needs could be financed out of earnings, but he stated that when financial figures are submitted to a third party in support of financial requests they are kept and correlated against results.

ELF 0021758

ARK 01338

Mr. Schmitt of The American United Life Insurance Company was then invited into the meeting and presented a pension plan proposal for the benefit of all of the Company's salaried employees, including those at Creston who were previously employed by Pennwalt. He proposed that these benefits be funded by a deposit administration group annuity contract rather than by a bank trust and individual insurance policies as at present. Utilizing present values which he understood to be about $160,000, Mr. Schmitt estimated that the Company's first year contributions under his proposal could be at any figure between zero and $81,000, that the future current costs of the plan would average about $35,000 a year, and that the total cost would depend upon the number of years over which the past service costs were amortized, rising to $48,000 if amortized over 20 years and $46,000 if amortized over 30 years. Mr. Schmitt distributed copies of his proposal to the Directors and answered questions, but no decisions were made.

The meeting recessed for lunch and reconvened after lunch with Mr. Durbin of Arthur Andersen & Co. and all others present except Mr. Swift and Mr. Schmitt. The method of computing the Company's inventory of work in process as of December 31 was discussed, including the pros and cons of using the method previously used by Wellman, the method previously used by Hills, or the method proposed to be followed by the Company as of April 1. The consensus was that it would be best to show it as nearly as possible on the method which the Company proposed to employ in the future; otherwise on the method which Wellman had previously employed.

The time and place for the Annual Meeting of the Stockholders was discussed and it was moved, seconded and unanimously resolved that the By-Laws of the Company be amended so as to include in Section 1 of Article II the following

FLE 0021759

ARK 01339

provision:

> The Annual Meeting of Stockholders for the year 1972 shall be held on Tuesday, April 25, 1972, at 9:00 o'clock A. M. at the offices of the Company in Creston, Iowa.

There being no further business to come before the meeting, it was thereupon adjourned.

Secretary

ARK 01340

Exhibit 4

C

MINUTES OF REGULAR MEETING

OF

BOARD OF DIRECTORS

OF

WELLMAN DYNAMICS CORPORATION

Chicago, Illinois
January 25, 1972

Pursuant to determination at the preceding meeting and notice duly given, a regular meeting of the Board of Directors of Wellman Dynamics Corporation was held at the Regency Hyatt House, Chicago, Illinois, on Tuesday, January 25, 1972, at 9:00 a.m. The following Directors were present:

Thomas E. Brown
Theodore M. Englehart
Charles A. Howe
Glenn F. Ihrig
Eugene C. Swift

being all of the members of the Board.

James Howarth, Vice President - Operations, J. Herbert Burling, Vice President - Finance, and Richard K. Howe, Assistant Secretary, were also present, together with David B. Quigley, Vice President, Hills-McCanna Company.

Mr. Ihrig presided and Mr. Richard Howe was Secretary of the meeting. The minutes of the Directors' meeting held November 23, 1971, having been previously mailed to the Directors, were approved as mailed.

The combined operating statements for the Creston plant and the Bay City plant for the month of November were distributed and discussed, together with the cash flow and other forecasts for December and the first quarter of 1972. It was observed that the Bay City plant phased out all manufacturing prior to Thanksgiving and that the November statements

would be the last separating the two operations. It was pointed out that the Reserve for Contingencies relating to removals and freight charges will be higher than originally estimated, the number of trailers required will be approximately 150 rather than 80 as originally estimated primarily due to the volume of customers' patterns. The November loss was attributed primarily to low shipments. Although the December figures were unavailable, Mr. Ihrig indicated that the loss for December would total approximately $75,000, bringing the aggregate loss for the fourth quarter to approximately $150,000. It was observed that the cash flow situation was not developing according to schedule and this was attributed to two reasons: (a) poor shipments relative to production resulting in a high inventory (presently shipping less than one-half of what is being poured), and (b) receivables are not turning as rapidly as planned. Mr. Ihrig reported that cleaning and shipping procedures were being revised and that subcontracting was planned to do some of the cleaning work. In addition, letters have been written to customers and the receivables situation is expected to improve. Mr. Howarth reported that the shipping situation may not clear up until late in the first quarter of 1972. Mr. Swift indicated that management should be realistic about first quarter shipments since the first quarter cash flow is dependent on meeting the first quarter shipment forecasts. Mr. Ihrig pointed out that in view of the substantial backlog of overdue orders and simply to keep the company's customers happy the projected $1.4 million of first quarter shipments was an essential goal.

Mr. Ihrig reported that it had been necessary to borrow $100,000 from The First National Bank of Creston in the form of a 6-1/2% demand note to ease temporarily the cash squeeze.

December production, which was down due to holiday closings, totalled $383,000 and January production is expected to equal approximately $480,000.

Sales backlog as of January 14, 1972, totalled $4,385,000.

Mr. Ihrig reported on the status of the removal of assets from the Bay City facility and indicated that due to a shortage of space in Creston pending completion of the warehouse and other expansion projects it would be necessary to leave some equipment, principally customers patterns and one heat-treat furnace, in Bay City for several more months. Mr. Ihrig indicated he was negotiating with The Dow Chemical Company with respect to use of one or two buildings in the Bay City facility for such storage.

Mr. Ihrig reported on the status of various leases, agreements, insurance policies and pending claims relating to the business of the Company. He also reported on the status of various remodeling and construction projects underway at Creston. Construction of the pattern storage warehouse has met with delays due to the weather, and completion is now expected in late February or early March. This delay has resulted in storage and utilization of space problems at the Creston plant.

Hourly employees at Creston presently total 162 individuals and present plans are to add approximately 24 more. Salaried employment is presently at 80 persons, and it is not anticipated that increases will be required in spite of the forecasted increase in sales.

Messrs. Ihrig and Howarth presented certain proposals for additional capital expenditures at Creston including a plant addition for heat-treat facilities, a plant addition for sales office space, receiving dock, railroad siding to plant, relocation of engineering offices and quality control offices and installation of a sand reclamation system. In terms of priorities, Mr. Ihrig indicated that the heat-treat facilities and the construction of sales space and relocation of engineering and quality control were the most important

of the proposals. With respect to heat-treat facilities, Mr. Ihrig reported that Foundry Design had proposed a plant addition to accommodate the large furnaces moved from Bay City. Cost of construction of the addition together with installation costs is anticipated at approximately $90,000. The new construction associated with the sales office which would require an addition to the front of the Creston plant together with the relocation of engineering and quality control could be expected to cost approximately $30,000. Mr. Swift indicated that he did not feel it advisable to proceed with additional capital expenditure commitments until various avenues of financing and obtaining a line of credit had been fully explored. Mr. Englehart concurred and proposed the following resolution which, on motion duly made and seconded, was unanimously adopted:

> RESOLVED, that no commitment be made by management for additional fixed asset expenditures, specifically the proposed heat-treat facilities and new sales office area, until such time as the Board has been presented with a complete outline of a fixed asset budget proposal and financing program.

A discussion was held relating to the need for exploration of financial sources to obtain additional cash for working capital requirements until the shipment situation is clarified and for the proposed capital expenditures. A number of possible approaches to obtain such financing were discussed including approaching the lessor of the Creston plant and banks in Creston, Des Moines and Chicago. Mr. Brown indicated that he would recommend to Dow Chemical Financial Corp. that it assist Wellman in exploring these and other avenues of obtaining financing. Mr. Swift indicated that he would be willing to provide some financial planning assistance through Pennwalt Corporation. On motion duly made and seconded, the following resolutions were unanimously adopted to enable the officers of the Company to explore financing alternatives

and to approve the existing loan taken down from The First National Bank in Creston:

RESOLVED, that the action of the President of the Corporation in borrowing the sum of $100,000 from The First National Bank in Creston on a demand note basis with interest at 6-1/2% per annum, which borrowing was done in anticipation of the next following Resolution, be, and is hereby, ratified, approved and confirmed.

and

RESOLVED, that the officers of the Corporation be, and they are hereby, authorized to borrow from The First National Bank in Creston, on notes of the Corporation, an aggregate amount of $100,000 at any one time outstanding; that such borrowing be evidenced by notes maturing in less than one year, bearing such rate or rates of interest and containing such terms, conditions and other provisions as such lending bank may require and as to which the Corporation's officers executing such notes may assent, the execution of each such note by the Corporation's officers to be conclusive evidence of their assent thereto and the approval thereof of this Board of Directors; and

FURTHER RESOLVED, that any of the following officers of the Corporation, namely:

Glenn F. Ihrig	President and Treasurer
James Howarth	Vice President - Operations
J. Herbert Burling	Vice President - Finance

be, and they are authorized, for and on behalf of the Corporation, to make, execute and deliver the notes or any renewals thereof authorized by the foregoing resolution; and

FURTHER RESOLVED, that a certified copy of these resolutions be delivered to The First National Bank in Creston, and that such bank be, and is hereby, authorized to rely thereon.

and

RESOLVED, that the officers of the corporation be, and are hereby, authorized to explore and discuss with banks and other institutional lenders the possibility of securing a line of credit, on a short or long-term basis, or a combination thereof, of up to $500,000; and that such officers are directed to report to this Board of Directors from time to time as to the status of such exploration and discussions.

The need for a new salaried employees pension plan at Creston was discussed and it was agreed that a presentation of a new plan would be made at the February meeting of the Board.

Mr. Ihrig indicated that the Fairfield Aluminum Company located in Fairfield, Iowa, a small commercial aluminum casting manufacturer, had proposed an arrangement whereby Wellman would handle Fairfield's sales as a sales representative in marketing areas where Fairfield had not as yet expanded. It was indicated that such representation might help Wellman spread its sales costs and develop additional contacts in the industry. The Board discussed the proposal and agreed that if an arrangement could be worked out whereby Wellman obtained a decent commission rate and its activities would not hamper Wellman's sales effort, Mr. Ihrig was authorized to proceed. Concern was expressed by the Directors that management not divert its effort from its main job of promoting and developing Wellman's business.

In view of the fact that the Company is no longer doing business in the State of Ohio it was, upon motion duly made and seconded, unanimously:

> RESOLVED, that the officers of the corporation be, and are hereby, authorized and directed to instruct the corporation's statutory agent and to file all required certificates and take any and all other action necessary to surrender all applicable licenses and withdraw and remove the corporation from qualification to do business in the State of Ohio.

Messrs. Ihrig, Howarth, Burling and Quigley then left the meeting and the Board in executive session met to consider officers' compensation. Messrs. Swift and Englehart gave the report of the Executive Compensation Committee and recommended the following salaries:

Glenn F. Ihrig, President and Treasurer	$50,000
James Howarth, Vice President - Operations	$30,000
J. Herbert Burling, Vice President - Finance	$23,500

Upon motion duly made and seconded, the Board unanimously approved the recommendation of the Executive Compensation Committee as to officers' salaries to be effective February 1, 1972, subject to confirmation by Squire, Sanders & Dempsey, counsel for the Corporation, that such salaries are in compliance with the Phase II Presidential Wage Controls. The Board then discussed the need for an incentive bonus plan for the company. Mr. Swift agreed to prepare such a plan in consultation with Mr. Englehart and present it at the February meeting of the Board.

Mr. Ihrig then returned to the meeting and the Board reported to him its determination on officers' salaries.

There being no further business to come before the meeting, it was there upon adjourned with the understanding that the next meeting of the Board of Directors would be held on February 22, 1972, in Chicago.

Assistant Secretary

Exhibit 5

F

MINUTES OF SPECIAL MEETING

OF BOARD OF DIRECTORS OF WELLMAN DYNAMICS CORPORATION

Des Moines, Iowa
September 12, 1972

Pursuant to the determination at the preceding meeting and notice duly given, a special meeting of the Board of Directors of Wellman Dynamics Corporation was held at Johnny and Kay's Hyatt House Hotel, Des Moines, Iowa, on Tuesday, September 12, 1972, at 10:00 a.m.

The meeting was called to order by Mr. Eugene C. Swift. At such time the following directors were present:

Theodore M. Englehart
Glen F. Ihrig
Charles A. Howe
Eugene C. Swift

Mr. Thomas E. Brown was absent.

Also present were J. Herbert Burling, Vice President-Finance, James M. Williams, proposed new member of the Board of Directors, Brooks W. Maccracken, resigning Secretary of the corporation, and Edward E. Johnson, proposed Secretary Pro-tem of the corporation.

Mr. Johnson was designated to serve as Secretary for the meeting.

The first order of business was the nomination and election of Mr. Swift as Chairman of the Board of Directors. Mr. Swift's nomination was duly moved, seconded and unanimously approved.

The minutes of the previous Board of Directors meeting on August 17, 1972, having been previously distributed to and reviewed by all members of the Board of Directors, were approved as distributed.

Mr. Thomas E. Brown's previously tendered resignation from the Board of Directors was accepted.

Mr. Ihrig moved that Mr. James W. Williams be nominated and elected to the Board of Directors. This motion was seconded by Mr. Howe and unanimously approved. Immediately upon such approval, Mr. Williams assumed his position and participated in the remaining business before the Board.

Mr. Brooks W. Maccracken tendered his resignation as secretary orally and in writing. Mr. Maccracken also orally tendered the resignation as assistant secretary of his associate, Richard K. Howe. The resignations of Mr. Maccracken and Mr. Howe were accepted. It was determined that Mr. Burling would continue to act as assistant secretary of the corporation and that Mr. Johnson would act as secretary pro-tem.

There was a unanimous expression of appreciation for the good and faithful services that have been extended by Mr. Maccracken and his law firm during their term of service to the corporation.

The President's report followed. Mr. Ihrig pointed out that losses for the corporation during July are normal and expected due to the fact that the company is on vacation during this time and accumulated maintenance work is done during this month which is immediately written off. After an adjustment to inventory, Mr. Ihrig reported that there was a $75,000 loss in July on net sales of $320,000.

Mr. Ihrig reported that August financial information for the company is not yet complete, but indicated that earlier estimates for the month will undoubtedly prove to be overly-optimistic.

Mr. Ihrig reviewed earlier projections that the third quarter would be a break-even quarter and that the fourth quarter would be a profitable quarter. However, Mr. Ihrig stated that due to the fact that the assumptions upon which these projections had been based now appeared to be incorrect, no break-even for the third quarter appears possible.

Mr. Ihrig indicated that the following steps have been taken ~~to~~ improve the company's financial position:

(1) Eliminating overtime expenses. The company has eliminated overtime as of September 1, 1972.

(2) Cutting back on the number of items manufactured at the same time. Since September 1, 1972, the company has reduced the number of items manufactured during the same week to approximately 18.

Also, there has been a layoff of certain hourly employees as of August 31, 1972.

Based on the information available for the first four days of the first full week in September, the foregoing changes appear to be improving the company's opportunities to become profitable.

Mr. Ihrig predicted that the reduction of items manufactured by the corporation would reduce its scrap costs, an essential element of the company's financial recovery. Mr. Ihrig believes it is realistic to reduce scrap expenses to 12%.

Mr. Ihrig has talked to the company's key customers and many of the company's customers are aware of the company's current financial problems. Customers are being informed of potential delays in delivery.

Mr. Ihrig is hopeful that by the end of the fourth quarter the company will start to operate at least on a break-even basis.

It was reported that the company is now in the midst of negotiations with the union that represents the company's hourly employees. The union has been apprised of the company's financial situation and it appears that the company may be able to obtain a complete six-month moratorium on any contract changes.

Formal demand on the corporation's unsecured notes in the amount of $750,000 was made in July. However, it was reported that Pennwalt Corporation has agreed to guarantee these notes. Furthermore, due to Pennwalt's guarantee, an additional $500,000 line of credit has now been made available to the corporation. Due to the Pennwalt guarantees the company is able to qualify for the Chicago prime rate. Interest is to be paid quarterly on the outstanding indebtedness. To date, the corporation has not used the full extent of this borrowing power.

Mr. Swift, who has been in the process of making an extensive review of the Wellman operation, then reported that improved cost account analysis is imperative in order to plan intelligently Wellman's financial recovery. Mr. Swift also reported that scrap control will be of vital importance to Wellman's recovery. Mr. Englehart concurred with Mr. Swift in the importance of cost accounting information.

Mr. Williams indicated the greater importance of knowing the

volume of items shipped each week than knowing the volume of items produced each week. There appears to be approximately a 30-45 day delay between completion of production and the shipping of a produced item. In the future shipping information is to be reviewed and kept current on a weekly basis.

Mr. Ihrig outlined various priority improvements for the Creston plant. A lengthy discussion of each proposed improvement then followed during which the cost, necessity and cost savings of each proposed improvement was discussed. Upon the conclusion of this discussion, Mr. Howe moved that Mr. Swift be authorized, without further approval from the Board, to expend the following sums for the following improvements:

(1)	Completion of Steel Warehouse	$38,600 (which sum is to be increased to include the cost of a pad for the warehouse if the pad is not already charged on the company's books)
(2)	Motorized Crane	$2,500
(3)	Completing Plant Security and Boundary Fence	$9,500
(4)	Installation of Automatic Door Closers	$10,000
(5)	Installation of Monorail Hoist from Bay City Plant in Knock-out Area to Handle Large Molds	$3,000
	TOTAL	$63,600 (plus warehouse pad, if not already booked)

Mr. Howe's motion was seconded by Mr. Englehart and unanimously approved by the Board.

Upon the passage of this motion, Mr. Swift commented that the foregoing improvements should be the last improvements made until the

the company is operating on a break-even basis, with the exception of any improvements that might have a very rapid payback. This comment received the unanimous concurrence of the Board.

Mr. Swift indicated that he is currently in the process of preparing a report for distribution to the shareholders for purposes of bringing them up to date with the status of the company.

Mr. Swift suggested that in the interim until the next Board of Directors Meeting, he keep the other directors informed of subsequent developments in the company's operations through letters.

This comment met with the approval of the Board.

Mr. Swift reported that the Creston bank has requested monthly financial statements from Wellman Corporation. However, it was the opinion of the Board that quarterly financial reports should be sufficient for the bank's purposes.

The Board then adjourned to executive session for the purposes of discussing officers' salaries. Mr. Ihrig, Mr. Burling, and Mr. Maccracken excused themselves and left the meeting room. There followed an extensive discussion by the remaining Board members of what type of reductions in officers' salaries would be fair to the individuals involved and appropriate in light of the company's current financial condition. After considerable discussion, it was moved, seconded, and unanimously approved by the Board that the Officers' salaries be established as follows:

Mr. Ihrig -	$40,000
Mr. Howarth -	$27,500
Mr. Burling -	$20,000

Exhibit 6

RECYCLED

M

PENNWALT CORPORATION
E. C. SWIFT

CHARLES A. HOWE
400 MAPLE AVENUE
CARPENTERSVILLE, ILLINOIS 60110

Rec'd MAY 7 1973

May 2, 1973

Mr. E. C. Swift, Chairman
Board of Directors
Wellman Dynamics Corporation
Creston, Iowa

Dear Gene,

Thanks for your letter of April 30th. I was pleased to hear that everything went routinely at the Annual Meeting. I share the pleasure of Peter Wellman and Dick Alchin over progress finally recorded and profitabilty reported. I truly hope that both will continue and that you will encounter a minimum of "surprises" in the future.

I quite agree that your board is an operating board and in my opinion that is the way it should function well into the future. Having Jimmy Howarth and Peter Higgs attend meetings and report on their activities is an excellent procedure. Under these circumstances and particularly with Pennwalt having dominant control of the situation, I don't see that I would serve any useful purpose on your Board. For these reasons I wish to tender my resignation as a member of The Board of Directors, effective at your convenience.

I, too, will miss seeing you from time to time, asin the past. Perhaps our paths will cross in some other areas.

With best regards,

Charles

P.S. Though questionable, it is possible the interest of Eaton Manufacturing in permold and sand cast aluminum may work out. I passed on to Glenn the interest of Arne Thompson - (Dagmar's brother) - General Manager of their Connersville, Ind. plant, in such castings in very substantial monthly quantities.

C

Exhibit 7

1 A No.
2 Q Lease negotiations?
3 A I don't know.
4 Q Any other changes in operations?
5 A I would say no.
6 Q Did Pennwalt in any way directly use Wellman's
7 property for Pennwalt's own business?
8 A No.
9 Q Was anyone from Pennwalt involved at Wellman Bay
10 City with waste disposal?
11 A No.
12 Q Environmental compliance matters?
13 A No.
14 Q Environmental policy making?
15 A No.
16 Q Occupational health and safety compliance matters?
17 A No.
18 Q Occupational health and safety policy making?
19 A No.
20 Q Financing?
21 A I don't know.
22 Q Loans?
23 A I don't know.
24 Q Payment of salaries?
25 A I don't know.

Exhibit 8

FORM 1025 PENNWALT CORPORATION

SUBJECT Wellman Dynamics

DATE May 2, 1975

TO Mr. William P. Drake

FROM J. M. Williams

IN REPLY TO

COPIES TO

In accordance with your request, I am attaching the story on the background and history of our getting into the Creston foundry through the merger with Wellman, subsequent operating and cash crisis, Pennwalt's decision and subsequent results of that decision.

JMW

JMW:gm
Attachments

ELF 0019149

WELLMAN DYNAMICS CORPORATION

Background and History

McCannalloy was a division of Hills McCanna operating a precision magnesium and aluminum foundry which moved from Chicago to Creston, Iowa in 1965. McCannalloy was acquired by Wallace & Tiernan in 1967 as part of the Hills McCanna acquisition, and subsequently acquired by Pennwalt in the 1969 Wallace & Tiernan acquisition.

Wellman Dynamics originated in Cleveland but moved to Bay City and conducted a business similar to that of McCannalloy. Wellman was heavily in debt to Dow Chemical and, in January, 1969 under a Wellman recapitalization, Dow took ownership of 86% of Wellman stock in consideration for which then existing debt of about $2 million was cancelled.

Starting about 1969, the aircraft and aerospace industries, on which both McCannalloy and Wellman relied heavily, started a very serious retrenchment program and, in subsequent years, business of both McCannalloy and Wellman dropped off sharply with a resulting decline in earnings so that both operations showed losses in 1970 and 1971.

During this period, a number of competing foundries were closed, one of which (Rolle) was absorbed by Wellman and another of which (Howard, owned by Sundstrand) sold some of its production equipment to McCannalloy.

Schedule "A" attached shows the sales and earnings before taxes for McCannalloy and Wellman and on a combined basis for the years 1965 through 1970 and the first 9 months of 1971.

Merger of McCannalloy and Wellman in 1971

During 1971, Pennwalt searched for a buyer for McCannalloy and, in the late Summer of 1971, arranged a merger of McCannalloy and Wellman hoping that there would be adequate business for the merged company to put it on a profitable basis.

This merger was completed as of September 30, 1971. Under the merger, Pennwalt acquired 44.64% of Wellman stock, Dow acquired 47.64%, and a minority group comprised of 50-60 individuals acquired 7.72%.

As part of the merger, Wellman's plant at Bay City, Michigan was closed and the Wellman operation moved to the McCannalloy plant at Creston, Iowa.

Provision was made in Wellman's 1971 income statement for an extraordinary charge of $575,000 to cover the costs of closing the Bay City plant and moving the operation to Creston. This move was started in late Fall 1971 and was not fully completed until mid-1972.

In the Fall of 1971 and the first quarter of 1972, the aircraft and aerospace industries came suddenly to life and a deluge of new orders came in to the merged Wellman operation. A backlog of unfilled orders which had been nominal at the time of the merger rose to about $2,500,000 at the end of 1971 and to about $5 million at the end of the first quarter of 1972.

In view of the previous drought of business, Wellman accepted orders and promised delivery dates which were beyond its productive capacity and took a lot of business at unrealistically low prices.

To meet the influx of orders, Wellman early in 1972 hired some 100 additional people. The confusion of moving the Bay City operation to Creston, inexperienced new help, very heavy turnover of labor, inadequate supervisory force, and inefficient production practice, led to a very low level of production, excessive scrap, poor quality of product, and consequent heavy customer rejections and returns.

Furthermore, inadequate cost information was available, standards were old and inaccurate, and very substantial labor and materials variances were incurred.

All of these factors contributed to a low level of shipments and very substantial earnings losses through the first 8 months of 1972, as indicated in the sales and earnings shown on Schedule "A" for the 3 months ended December 31, 1971 and the 8 months ended August 31, 1972.

Financial Crisis

Because of the substantial losses incurred by Wellman and the necessity for paying the costs of moving from Bay City to Creston, Wellman reached a crisis cash situation in August, 1972.

ARK 01366

At that time, Wellman had borrowed $750,000 from the First National Bank in Creston and a St. Joseph, Missouri bank. These banks called this loan in August, 1972 and demanded that they either be paid or the parent companies, Pennwalt and Dow, guarantee the obligation.

Options and Decision

Although Dow had indicated to Pennwalt that it would be willing to participate in a guarantee of the bank loan, Dow changed its mind and advised Pennwalt toward the end of August, 1972 that Dow would not guarantee any of Wellman's obligations and would not advance any funds to continue Wellman in business.

At this point, Pennwalt had the option of following Dow's lead and let Wellman go into bankruptcy. Our legal counsel expressed the opinion that Wellman was sufficiently insulated from the parents that Wellman's creditors would have no recourse to the parents in the event of a Wellman bankruptcy.

Pennwalt exposure, if it had permitted a bankruptcy of Wellman, would have been approximately $2,500,000, comprising $900,000 of current investment in Wellman plus about $1,600,000 to buy out the lease liability on the Creston foundry. This lease obligation (which was guaranteed by W&T and subsequently by Pennwalt) called for rental of $169,000 per year through 1987 with a Wellman extension option for 9 years at a rental of $1 per year. As an alternative of buying out the lease, it could have been continued in which case Pennwalt's obligation would have been on the order of $400,000 per year for rental, depreciation, insurance, maintenance, and protection of the property.

After a detailed and intensive review of the prospects for Wellman continuing as a viable business, an affirmative conclusion was reached by Pennwalt and Pennwalt acquired Dow's stock interest in Wellman for $100. This brought Pennwalt's ownership to 92.28% leaving the small minority interest of 7.72%.

Pennwalt guaranteed the existing bank loan of $750,000 and arranged for an extension of the limit to $1,250,000.

The basic reasons for Pennwalt's decision were:

1) Wellman's existing backlog was $5 million and a thorough investigation of that backlog indicated that it could be liquidated at least on a break-even basis.

2) Analysis of the shop operation indicated that through prompt corrective action the potential existed for a profitable operation on a continuing basis.

3) The existing tax loss carry forward of approximately $2,500,000 would, in time, become available to Pennwalt.

4) While, as noted above, Pennwalt had no legal obligation to rescue Wellman, it felt that it did have some moral responsibility in that the banks had made the loan to Wellman knowing of Pennwalt's and Dow's stock ownership and the knowledge that the closing of the foundry, by far the largest enterprise in Creston and Union County, Iowa, would have had a very serious unfavorable effect upon the community.

Corrective Action Taken

In September, 1972 the following steps were immediately taken to bring Wellman to a profitable basis:

1) The work force was reduced by about 80 people to about 275.

2) A sales plan was put into effect which would be practical under the then productive capacity to plan sales at a level sufficient to produce a break-even operation within 3 months.

3) Shipments were immediately rescheduled to a realistic basis and customers were advised of the new shipping dates as a means of restoring customer confidence in Wellman's delivery promises.

4) Concentrated efforts were made to renegotiate selling prices on orders in the backlog in order to at least put them on a break-even basis. Wellman's customers were very understanding and cooperative in this respect.

5) Internal action was immediately taken to produce realistic costs for the major Wellman products and to insure communication between the sales and production departments so that future orders taken would be priced adequately to produce a 10% profit.

6) The unprofitable permanent mold line was shut down and all possible efforts were made to eliminate from the backlog any drastically unprofitable items. Here again, our customers were sympathetic.

7) The sales force was instructed to be discriminating in its bidding and its pricing on fixed price contracts and choosey in accepting orders only for products with which we had experience and could reasonably expect to produce profitably.

8) Action was taken to upgrade the quality control operation and improve the shipment of acceptable products and reduce customer returns. In this connection, inspection procedures were tightened up drastically so that faulty castings could be identified at the first production station and scrapped at that time instead of going through the subsequent processing operations and later being found defective.

9) Production flow through the plant was planned through a plant rearrangement program which was carried out over the next 6-9 months.

10) Production supervision was upgraded and training programs instituted.

11) Tight controls were placed on expenses outside of the production area and tight internal controls were instituted on all cash disbursements.

Results Subsequent to September 1, 1972

Schedule "A" shows the sales and earnings for the 4 months ended December 21, 1972, the full years 1973 and 1974 and the first quarter of 1975, showing the total Wellman earnings and that part representing Pennwalt's share of such earnings.

Since September 1, 1972, and through March 31, 1975, Wellman's earnings applicable to Pennwalt's interests amounted to $2,590,000.

Cash receipts and disbursements during this period are summarized on attached Schedule "B".

Pennwalt's debt exposure during this period is summarized on Schedule "C".

When Pennwalt made its decision in August, 1972, it was anticipated that in addition to guaranteeing the then existing $750,000 bank loan, Pennwalt would have to advance or guarantee up to another $750,000.

Actually, the high point of Pennwalt's debt exposure reached $1,559,000 during the period August 1973 through April 1974 after which the debt was steadily reduced and was completely extinguished on April 21, 1975.

Schedule "C" also shows Wellman's stockholders' equity in total and Pennwalt's share.

It will be noted that from Pennwalt's share of $576,000 on August 31, 1972, Wellman's stockholders' equity applicable to Pennwalt has increased to $3,159,000 at March 31, 1975.

Finally, Pennwalt has the satisfaction, in moral and social consideration, that the banks which were so exposed in August, 1972 to substantial losses on their loans to Wellman have been paid off in full and that Wellman from September 1, 1972 through March 31, 1975 has contributed to Creston and the surrounding community over $7 million in payrolls.

Schedule A

WELLMAN DYNAMICS CORPORATION AND PREDECESSOR COMPANIES
(000)

Separate Companies	SALES			EARNINGS BEFORE TAXES			
	McCann-alloy	Wellman	Combined	McCann-alloy	Wellman	Combined	Pennwalt Share of Earnings
1965	3110	5793	8903	(570)	251	(319)	
1966	5096	9997	15093	733	835	1568	
1967	4614	9119	13733	558	(175)	383	
1968	5135	8360	13495	270	255	525	
1969	5201	7834	13035	72	340	412	
1970	3319	5581	8900	(584)	(151)	(735)	
9 Months 9/30/71	1693	2700	4393	(467)	(A) (548)	(1015)	
Combined Company From 10/1/71							
3 Months 12/31/71			1452			(151)	(62)
1972							
8 Months 8/31/72			2610			(1221)	(505)
4 Months 9/1-12/31/72			1632			(340)	(62)
Year 1972			4242			(1561)	(567)
1973			6287			304	264
1974			8539			1698	1634
1st Quarter 1975			2716			791	754

(A) Does not include (575) extraordinary charge to provide for expenses related to move from Bay City to Creston.

Schedule B

WELLMAN DYNAMICS CORPORATION

CASH RECEIPTS AND DISBURSEMENTS

Cash Provided (Applied) (000)	1st Quarter 1975	Year 1974	Year 1973	4 Months 12/31/72	8 Months 8/31/72
Earnings Before Taxes	791	1698	304	(340)	(1221)
Depreciation	55	131	245	96	146
Changes In:					
Receivables	(8)	(450)	(105)	(68)	152
Inventory	94	(637)	(528)	77	107
Payables	(322)	(65)	(48)	(69)	333
Accruals	43	10	33	23	(249)
Prepayments	(9)	(6)	(7)	43	(15)
Capital (Expenditures)	(67)	(139)	(160)	6	(309)
Debt Incurred (Repaid)	(500)	(559)	315	200	1044
Total Cash Provided (Applied)	77	(17)	49	(32)	(12)
Cash On Hand End Of Period	115	38	55	6	38
Debt End of Period	500	1000	1559	1244	1044

Schedule C

WELLMAN DYNAMICS CORPORATION
PENNWALT-WELLMAN DYNAMICS DEBT EXPOSURE

	Direct Loans Pennwalt To Wellman	Wellman Bank Debt Guaranteed By Pennwalt	Total Debt Exposure
8/15/72		750,000	750,000
8/31/72	29,000	1,015,000	1,044,000
12/31/74	29,000	1,215,000	1,244,000
1/31/73	29,000	1,250,000	1,279,000
2/28/73	129,000	1,250,000	1,379,000
3/31/73	204,000	1,250,000	1,454,000
4/30/73	129,000	1,250,000	1,379,000
8/31/73	309,000	1,250,000	1,559,000
9/30/73 through 4/30/74	1,309,000	250,000	1,559,000
5/31/74 through 6/30/74	1,180,000	250,000	1,430,000
7/31/74 through 8/31/74	1,100,000	250,000	1,350,000
9/30/74	1,000,000	250,000	1,250,000
10/31/74	1,000,000	100,000	1,100,000
11/30/74	1,100,000	50,000	1,150,000
12/31/74 through 2/28/75	1,000,000	0	1,000,000
3/31/75	500,000	0	500,000
4/21/75	0	0	0

Stockholders Equity	Total	Pennwalt Share
December 31, 1971	2,512,000	1,121,000
August 31, 1972	1,291,000	576,000
September 1, 1972	1,291,000	1,191,000
December 31, 1972	951,000	878,000
December 31, 1973	1,255,000	1,158,000
December 31, 1974	2,953,000	2,725,000
March 31, 1975	3,423,000	3,159,000

Exhibit 9

WELLMAN DYNAMICS CORPORATION

President - Annual Report - 1973

To: The Board of Directors
Wellman Dynamics Corporation

Annual Stockholders Meeting: April 24, 1973 - Philadelphia, Penna.

Details of our 1972 operations are covered by reports of our financial and operating executives.

Highlights of 1972 were as follows, i. e., the bad news:

1. Bookings of new orders came on more rapidly than our production control could properly schedule due to the lack of proper standards.

2. Time and cost to upgrade equipment and facilities caused delays in shipping schedules.

3. Personnel turnover and the quality of the production worker caused an extensive turnover, much higher than one would normally anticipate. This resulted in extensive training costs, low production, and high scrap.

These major items dissipated our working capital and put us in a negative cash position.

Now the good news:

1. In August, Dow elected to abandon its interest in Wellman. Pennwalt acquired their interest and guaranteed our bank debt. We all developed an operating plan that in due time should put the Company in a positive cash flow position.

2. Personnel started to stabilize in the 4th quarter. Turnover was reduced and this has reflected improved productivity and improved quality.

3. Standards were upgraded, which is now reflecting the values of our work in process inventory and stabilizing our labor costs.

4. Last, but not least, our major customers were responding to our appeals for pricing adjustments, delivery stretchouts, etc., as we wanted to re-establish our creditability of Wellman service and quality.

With a realistic plan for foundry production being implemented in September, we could see positive results by the end of 1972. This has been proven as we are off to a healthy start as demonstrated by the results of our first quarter of 1973 which showed sales of $1,706,000; earnings, pre-tax, of $140,800.

Sincerely,

Glenn F. Thrig

WELLMAN DYNAMICS CORPORATION

President - Annual Report - 1973

To: The Board of Directors
Wellman Dynamics Corporation

Annual Stockholders Meeting: April 24, 1973 - Philadelphia, Penna.

Details of our 1972 operations are covered by reports of our financial and operating executives.

Highlights of 1972 were as follows, i.e., the bad news:

1. Bookings of new orders came on more rapidly than our production control could properly schedule due to the lack of proper standards.

2. Time and cost to upgrade equipment and facilities caused delays in shipping schedules.

3. Personnel turnover and the quality of the production worker caused an extensive turnover, much higher than one would normally anticipate. This resulted in extensive training costs, low production, and high scrap.

These major items dissipated our working capital and put us in a negative cash position.

Now the good news:

1. In August, Dow elected to abandon its interest in Wellman. Pennwalt acquired their interest and guaranteed our bank debt. We all developed an operating plan that in due time should put the Company in a positive cash flow position.

2. Personnel started to stabilize in the 4th quarter. Turnover was reduced and this has reflected improved productivity and improved quality.

3. Standards were upgraded, which is now reflecting the values of our work in process inventory and stabilizing our labor costs.

4. Last, but not least, our major customers were responding to our appeals for pricing adjustments, delivery stretchouts, etc., as we wanted to re-establish our creditability of Wellman service and quality.

With a realistic plan for foundry production being implemented in September, we could see positive results by the end of 1972. This has been proven as we are off to a healthy start as demonstrated by the results of our first quarter of 1973 which showed sales of $1,706,000; earnings, pre-tax, of $140,000.

Sincerely,

Glenn F. Thrin

RECYCLED

Exhibit 10

1 A I don't think they were.

2 Q At least you didn't have any conversations with them

3 on that subject?

4 A No, I didn't.

5 Q Do you know if anybody from Dow Chemical asked what

6 you were doing with the thorium waste once their site was no

7 longer accessible?

8 A They didn't ask me.

9 Q With regard to any aspect of the thorium handling,

10 after Wellman was cut off from the Dow site, did you have any

11 contact with Dow people at all?

12 A No.

13 Q Were you the person that Wellman primarily charged

14 with the responsibility of finding something else to do with

15 the thorium waste?

16 A Not necessarily, no.

17 Q Who else was involved in that?

18 A Well, it would have been Requadt, Howarth, possibly

19 LaValley, myself.

20 Q Do you know if any of those people consulted any non

21 Wellman employees other than Powell and Whipple?

22 A I don't know.

23 Q Do you know if you did?

24 A I don't believe I did either.

25 Q To the best of your knowledge, then, the only non

Exhibit 11

RECYCLED

1 Q Why did Wellman decide not to pursue one of these
2 four options?
3 A In our discussion with Hartley & Hartley, where we
4 had the one meeting, we felt that they could dispose of it
5 properly by what they said, that they could handle it and bury
6 it properly on their site.
7 Q Did they represent to you that they were licensed to
8 receive it?
9 A I don't believe they did. They either were applying
10 for a license, or it seems to me they said they were close to
11 getting one.
12 Q Did you give them any specific instructions as to
13 how burial was to be accomplished?
14 A Yes, I think we did.
15 Q Whatever Hartley & Hartley did with whatever waste
16 they took, did Wellman ever supervise the burial to be sure it
17 was done properly?
18 A I don't know. I didn't personally. Someone from
19 the Melting Department could have.
20 Q Do you have any independent recollection of that
21 happening?
22 A No. No, I don't.
23 (Thereupon, Simmons Deposition Exhibit No. 21 was
24 marked for identification.)
25 Q Mr. Simmons, I'd like to show you what we have

Exhibit 12

RECYCLED

1 A No.
2 Q Lease negotiations?
3 A I don't know.
4 Q Any other changes in operations?
5 A I would say no.
6 Q Did Pennwalt in any way directly use Wellman's
7 property for Pennwalt's own business?
8 A No.
9 Q Was anyone from Pennwalt involved at Wellman Bay
10 City with waste disposal?
11 A No.
12 Q Environmental compliance matters?
13 A No.
14 Q Environmental policy making?
15 A No.
16 Q Occupational health and safety compliance matters?
17 A No.
18 Q Occupational health and safety policy making?
19 A No.
20 Q Financing?
21 A I don't know.
22 Q Loans?
23 A I don't know.
24 Q Payment of salaries?
25 A I don't know.

1 Q Renegotiations with customers?
2 A I don't know.
3 Q Reduction in work force?
4 A No.
5 Q Shutdown of product lines?
6 A No.
7 Q Rescheduling product shipments?
8 A No.
9 Q Sales policies?
10 A No.
11 Q Quality control policies?
12 A No.
13 Q Production changes?
14 A No.
15 Q Lease negotiations?
16 A I don't know.
17 Q Changes in operational policies?
18 A No.
19 Q Did anyone from Pennwalt use Wellman's property for
20 Pennwalt's own business?
21 A No.
22 Q Was anyone from Pennwalt in any way involved at
23 Wellman Creston with waste disposal?
24 A No.
25 Q Environmental compliance matters?

Exhibit 13

RECYCLED

BCC: Mr. Ihrig
Mr. Howarth

August 13, 1970

Mr. D. VanFarowe
State of Michigan
Department of Public Health
3500 North Logan
Lansing, Michigan 48914

Dear Mr. VanFarowe:

We request permission from the State of Michigan to bury our thorium sludge containing less than 0.5% thorium in accordance with A.E.C. regulations.

We have a contract with Hartley & Hartley, Bay City, Michigan, to provide the labor and land for burial. Wellman would retain possession of the material until burial and would supervise the actual burial.

Our A.E.C. License No. is SUB-136. Please advise as soon as possible.

Very truly yours,

WELLMAN DYNAMICS CORPORATION

S. J. Simmons

S. J. Simmons
Industrial Relations Director

SJS:jcl

CC: Hartley & Hartley

DEPOSITION EXHIBIT
Simmons 24.
da 5/21/96

000055-1

EXHIBIT 8

wellman dynamics corporation · 801 andre street · bay city michigan 48706 · phone (517) 684-0900

February 22, 1971

Division of Occupational Health

FEB 23 1971

Michigan Dept. of Public Health

Mr. James Camburn
Health Physicist
State of Michigan
Department of Public Health
3500 N. Logan
Lansing, Michigan 48914

Dear Mr. Camburn:

We have completed the following items noted in your letter of January 19, 1971:

Unit # 1: Item 1 - Completed

Unit # 2: Completed

Unit # 3: Item 1 - Completed

Unit # 4: No correction requested.

Unit # 5: Item 1 - Completed

Unit # 6: Item 1 - Completed

Unit # 7: Item 1 - Completed
Item 2 - Completed

Thorium Usage:

The AEC does not require that the labor and land used for burial of Thorium sludge be provided by Wellman as long as Wellman retains possession of the material until burial and supervise the actual burial. Your letter to us dated 9-2-70 states it is satisfactory to dispose of sludge by burial. In view of this, must the disposal site be approved by the State of Michigan. If so, would you contact Hartley & Hartley to approve their site.

DEPOSITION EXHIBIT
Simmons 24.
ala 5/21/96

0000110

Film Badge:-

We will follow your recommendations.

Please advise when you plan a revisit.

Very truly yours,

WELLMAN DYNAMICS CORPORATION

S. J. Simmons

S. J. Simmons
Industrial Relations Director

SJS:sts

0000111

Exhibit 14

RECYCLED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION

WASTE MANAGEMENT, INC., et al.,	)	
	)	
Plaintiffs,	)	
	)	
	)	CIVIL ACTION NO.
vs.	)	94-CV-10192-BC
	)	
	)	
AEROSPACE AMERICA, INC., et al.	)	
	)	
Defendants.	)	

DECLARATION OF TYRUS HARTLEY

Pursuant to 28 U.S.C. § 1746, Tyrus Hartley declares under penalty of perjury as follows:

1. I worked at or was associated with the Hartley & Hartley facility (the "Facility") in Kawkawlin, Michigan from 1963 until 1977.

2. From 1963 to 1965, I was an equipment operator at the Facility, driving trucks to pick up waste and operating heavy equipment within the Facility itself.

3. Around 1964 and 1965, I held the dual roles of both driving a truck to pick up waste and calling on purchasing agents of businesses that Hartley & Hartley serviced.

4. After graduating from Northwood College in 1967, I became the primary business contact for businesses wishing to use the services of Hartley & Hartley. I continued in this role and became more involved in the management of the Facility, attaining the title of Vice President of Hartley & Hartley.

5. From approximately 1973 until mid-1974, I maintained the position of Vice President of Hartley & Hartley while taking on the roles of Director of Liquid and Solid Waste

Development in SCA Services' Michigan Region and Director of Corporate Development for Chemtrol Division of SCA Services, Inc. In these positions, I continued to have responsibility for Hartley & Hartley with an emphasis on obtaining new business for Hartley & Hartley and obtaining capital from SCA for business development at Hartley & Hartley.

6. From mid-1974 through the spring of 1975, my contact with Hartley & Hartley was limited because I was working for SCA Services in Florida.

7. In mid-1975, I returned to resume management and sales responsibilities as Executive Officer at the Facility and maintained that position until December 1977.

8. Except for the time period during which I was in Florida, I have personal knowledge of the wastes coming to the Facility and the companies sending those wastes since I began work in 1963.

9. Before installation of the incinerator, the initial business of Hartley & Hartley at the Site consisted primarily of crisis response (responding to chemical spills and the like) and tank cleaning. In crisis response we were on 24 hour call and containment of the crisis was our primary goal. We would mobilize all the men and material we could, as fast as we could, to initially contain and then clean up the particular situation. The economics of our service were dealt with after the fact and always were charged for on a time and materials basis. Wastes from spills and tank cleaning were at that time disposed at the Facility by open dump or open pit burning.

10. Shortly after beginning, Hartley & Hartley added industrial solid waste and commercial solid waste hauling and disposal. This waste, like the waste from liquid chemical spills and tank cleaning wastes, was burned.

11. Around approximately 1965, Hartley & Hartley received its first landfill permit. Thereafter, solid wastes were compacted and covered daily. Open dump burning then ceased, but open pit burning continued in areas other than the landfill. Similarly, barreled wastes were burned and crushed in other areas of the Facility.

12. Other than in crisis situations, and before we had the incinerator, the general method by which Hartley & Hartley would obtain business was than an operational representative (often an engineer) of the potential customer would call our facility and speak with either my father or with me. As a matter of course we would ask the caller about the waste, its composition, its physical characteristics and its volume. New customers would often ask and be advised about our operational permits and pricing structure. I do not recall any of these conversations ever including discussion of indemnities or hold harmless issues, other than in the context of Hartley & Hartley having liability insurance coverage.

13. This telephone call generally was followed up by a visit to the customer's premises, obtaining a sample of the waste an then by a short letter in which we would set out the terms of the agreement. Those terms related to the price per gallon to dispose of the wastes and an hourly rate for preparing the wastes for removal and transport. They did not related in any way to indemnities or hold harmless provisions.

14. Next, one of two things would happen. Either we would do the work and a purchase order would come to us afterward or a purchase order would arrive and we would then do the work.

15. After the work was completed, I would review the purchase orders to make sure that the stated price was correct and that nothing unusual happened. My review did not address any other language in or issues regarding the purchase order.

16. After the incinerator was operational, customers calling the facility would be referred to me, Don Brady or Jim Hattler (from 1976 on). In addition to discussing the matters referenced in paragraph 12 above with customers whose wastes were no known to us, we would ask about the characteristics of the waste including its viscosity, ash content, its BTU value and flash point and determine how we could obtain a representative sample of the waste stream. This often involved visiting the customer's facility. Similarly, customers often visited our operations at the Facility. I do not recall any of these customer contacts and conversations ever including discussion of indemnities or hold harmless issues, again, other than in the context of Hartley & Hartley's liability coverage.

17. During this general time frame, Hartley & Hartley was permitted by the State of Michigan as a landfill owner/operator, a liquid industrial waste hauler, an incinerator operator and, through the Michigan Public Service Commission, as a common carrier of wastes. Additionally, Hartley & Hartley possessed a use license to the Chem Fix waste solidification process. All of these permits were available for customer review and, particularly with new customers were routinely reviewed.

18. I do not recall ever discussing indemnities in any way with any of Hartley & Hartley's customers. However, if anyone wished a certificate of insurance, I would give it to them. The certificate of insurance related to coverage during transportation.

19. I understood at the time that Hartley & Hartley was in business that the term "hold harmless" applied to the transportation of the waste materials to the Facility or operations on a customer's property. It meant that if a Hartley & Hartley truck ran off the road and injured someone while carrying someone's waste or if Hartley & Hartley personnel were in an accident on the customer's property, the accident would be covered by our insurance company and not that of the customer. The term "hold harmless" was always used in the context of insurance coverage.

20. During the time that I was associated with Hartley & Hartley, I never believed, nor did I intend, nor did any of my customers communicate to me, that any indemnity or "hold harmless" would apply to liability relating to disposals or for environmental cleanup of the Facility itself. Additionally, I did not believe, nor did I intend, nor did anyone discuss with me during that time period, the possibility that governmental laws might change to require an environmental cleanup of the Facility.

21. There was never an intention by me, nor an understanding between me and a customer, that Hartley & Hatley would indemnify or hold harmless a customer for liabilities arising from disposal of their wastes, environmental cleanup of the Facility, or laws that were not even in existence at the time.

I declare under penalty of perjury that the foregoing is true and correct. Executed on this 30 day of May, 1996.

Tyrus Hartley

ARK 01394

Exhibit 15

RECYCLED

Page 1029

Page 1 Alf Ato Chemical was formerly known has the Pennwalt Corporation: my questions relate to the time period 1971 to 1976.

THE WITNESS: Okay.

EXAMINATION
BY MS. TRAEGER:

Q: Did anyone at Hartley & Hartley ever deal with the following Pennwalt employees regarding disposal of waste, particularly Wellman Dynamics' waste at the Hartley & Hartley site: Eugene Swift?

A: I don't recall that name, no.

Q: James Ellis?

A: I don't recall that name being associated with Pennwalt: I believe I know somebody else with a similar name to that.

Q: James Williams?

A: No.

Q: Edwin Tuttle?

A: No.

Q: James McWhirter?

A: No.

Q: J.M. Skelly?

A: No.

Q: W. Cooper Willits?

A: No.

Page 1030

Page Q: William Drake?

A: No.

Q: Nicholas Walker?

A: No.

Q: Robert Dunlap?

A: No.

Q: Drake Watson?

A: No.

Q: Seymour Preston?

A: No.

Q: George Reath?

A: No.

Q: Vera Byrne?

A: No.

Q: Anyone else from the Pennwalt Corporation?

A: I don't recall having any dealings with ennwalt that I remember.

Q: So, you don't think that there are any ocuments that exist which reflect dealings between ennwalt and Hartley & Hartley?

A: Again, I do not believe there – I'm not vare of any dealings with Pennwalt, period, with artley & Hartley.

MS. TRAEGER: Thank you.

MR. OWENS: Take a break?

Page 1031

[1] (Off the record at 8:55 a.m.)

[2] (On the record at 9:10 a.m.)

[3] MR. WOOLSTRUM: Good morning, Mr.

[4] Hartley. My name is Jeff Woolstrum: I'm here

[5] representing Total Petroleum, formerly known as

[6] Leonard Refineries, Inc.

[7] EXAMINATION

[8] BY MR. WOOLSTRUM:

[9] Q: I understand that, from your past deposition

[10] answers, that Total Petroleum arranged for Hartley &

[11] Hartley to dispose of waste; can you tell me which

[12] Total Petroleum facilities you serviced.

[13] A: Total Petroleum is comprised today of a

[14] number of companies including, I believe, something to

[15] do with Western Crude, or Bay Pipeline, or a number of

[16] pipelines; so, there were, over the course of years, a

[17] number of now-existing entities under Total Petroleum.

[18] Q: You say over the course of the years: I'm

[19] interested from 1971 forward.

[20] A: And I'm not certain of all the transactions

[21] that have taken place: but, principally, to answer

[22] your question, Alma Refinery, but there were other

[23] pipe lines and other things we did also –

[24] Q: Can you –

[25] A: – I believe may now be under Total

Page 1032

[1] Petroleum.

[2] Q: Can you think of any other besides the Alma

[3] Refinery?

[4] A: Isn't there a Total Pipeline?

[5] Q: Any others?

[6] A: That may involve the Buckeye station: but,

[7] again, I believe it's all under Total Pipeline:

[8] again, I'm not certain as to all what Total comprises

[9] today or what it was in '71.

[10] Q: Did you, from 1971 forward, did you service

[11] any other refineries owned by anyone?

[12] A: Yes, Bay Refinery in Bay City.

[13] Q: Any others?

[14] A: I don't recall there being any magnitude of

[15] work; maybe a little bit at Crystal Refinery, and

[16] maybe a little out of that refinery in Muskegon, but

[17] again, very small.

[18] Q: The Buckeye station that you mentioned,

[19] where is that located?

[20] A: Northwest of Hartley & Hartley, near

[21] Bentley; I'm not exactly sure: I only refer to it as

[22] the Buckeye station: it was part of Bay Pipeline; I'm

[23] not sure, again, how all these pipelines have

[24] transacted over the years.

[25] Q: From the Alma facility, what types of waste

Exhibit 16

RECYCLED

Page 85

[1] because when I first started, there was only four or
[2] five guys when we worked in the oil fields; then as he
[3] started to get into this waste disposal and things
[4] like that, he kept adding that and they twenty-five,
[5] thirty guys, they had quite a few when I left.
[6] Q: In all the time that you worked there, do
[7] you remember Hartley & Hartley ever turning down any
[8] waste, refusing to take any waste from a customer?
[9] A: Not that I know of: anytime somebody wanted
[10] something done, he'd try it.
[11] Q: So, as far as you recall, you never got any
[12] instruction from Wayne or Ty that certain types of
[13] waste were to be refused?
[14] A: Not that I know of, no.
[15] MR. VARICK: I don't have anything
[16] further. Thank you very much.
[17] MS. TRAEGER: Good morning, Mr.
[18] Gillisse. My name is Karen Traeger; I represent Alf
[19] Ato North American, Inc. formerly known as the
[20] Pennwalt Corporation. My questions cover the period
[21] 1971 and 1976.
[22] EXAMINATION
[23] BY MS. TRAEGER:
[24] Q: Did you ever deal with anyone from Pennwalt
[25] regarding the disposal of waste, particularly Wellman

Page 86

[1] Dynamics' waste at the Hartley & Hartley site?
[2] A: That's the only one I know of, just
[3] Wellman's.
[4] Q: Did you deal with anyone from Pennwalt?
[5] A: Not that I know of.
[6] MS. TRAEGER: Thank you.
[7] MR. WOOLSTRUM: Sir, my name is Jeff
[8] Woolstrum, I represent Total Petroleum in this matter,
[9] formerly known as Leonard.
[10] EXAMINATION
[11] BY MR. WOOLSTRUM:
[12] Q: With respect to the acid waste that you just
[13] described a few minutes ago, you said there were three
[14] places that sent that waste to Hartley & Hartley: one
[15] was the Cracking Unit across from Bay Refinery, the
[16] other one was the Bay Refinery, and the third one was
[17] Leonard.
[18] A: Yes.
[19] Q: What Leonard facility was that?
[20] A: It's in where they load their trucks to haul
[21] gasoline out because we'd have to go across the scales
[22] and everything: I notice when we went in there, we
[23] had to weigh in when we come in, and weigh out when we
[24] went out, and apparently that's where they loaded
[25] gasoline tankers; it's before you got into Alma.

Page

[1] Q: That was at the refinery?
[2] A: Right there at the refinery on the right
[3] side of the road, going west.
[4] Q: What was the volume of acid waste you took
[5] from Leonard?
[6] A: I would have no idea on that because I
[7] helped on some and – like that Floyd Bedell I just
[8] told you about, something happened and they spilled
[9] one drum and he come home with new clothes: they ma
[10] him go in the showers for a half hour and took all his
[11] clothes and threw them away and gave him new clothes
[12] Q: That was at the Leonard Refinery: would you
[13] say the volume from Leonard was less than the volume
[14] you took from the Cracking Unit at Bay Refinery?
[15] A: I couldn't answer that, I wouldn't know, and
[16] not at Bay Refinery.
[17] Q: What kind of truck did you take to Leonard?
[18] A: They took dump trucks, had a couple dump
[19] trucks, I think it was around twelve drums apiece,
[20] maybe they got fourteen if they put the tailgate down,
[21] had chains so they could put some on the tailgate.
[22] Q: And how often would the trucks go to the
[23] Leonard Refinery?
[24] A: I couldn't answer that for sure either
[25] because – I couldn't make a guess on that.

Page

[1] Q: Was Hartley & Hartley accepting this type of
[2] acid waste after the incinerator was installed?
[3] A: Yes.
[4] Q: Were they accepting it from Leonard after
[5] the incinerator?
[6] A: I believe, I couldn't say for sure.
[7] Q: When Mr. Cromer was asking you questions
[8] this morning, he asked you what was the largest
[9] customer; I believe we were talking about the early
[10] sixties, and you said it was Dow Corning, and you
[11] listed off a few facilities that were apparently
[12] related to Dow Corning: you said Dow, Bay City, Bay
[13] Refinery and Leonard Refinery.
[14] A: Not Leonard, no; Bay Refinery and the
[15] Cracking Unit: Cracking Unit, but not Leonard.
[16] Q: Was Leonard refinery a customer at the time
[17] that Dow Corning was the largest customer at the time
[18] you were referring to when you answered that question?
[19] A: I can't answer that for sure now, I don't
[20] know on that.
[21] Q: Do you remember taking any other types of
[22] waste from Leonard Refinery, other than the acid
[23] waste?
[24] A: I was in there with a tanker and backed up
[25] to kind of a dike and we loaded something out of a

ARTICLES OF MERGER

OF

ORLANDO CORPORATION,
a Delaware corporation

AND

HILLS-McCANNA COMPANY,
a Delaware corporation

AND

R.H. MILLER COMPANY,
a New Jersey corporation

AND

CHEMGATE REALTY CORPORATION,
a New York corporation

INTO

PENNWALT CORPORATION,
a Pennsylvania corporation

TO: Department of State
Commonwealth of Pennsylvania

Pursuant to Article IX of the Pennsylvania Business Corporation Law, Act of May 5, 1933, P.L. 364, as amended PENNWALT CORPORATION, a Pennsylvania corporation ("PENNWALT") and ORLANDO CORPORATION, a Delaware corporation, HILLS-McCANNA COMPANY, a Delaware corporation, R.H. MILLER COMPANY, a New Jersey corporation and CHEMGATE REALTY CORPORATION, a New York corporation, which latter four corporations are sometimes hereinafter referred to as the "Merging Corporations", do hereby execute these Articles of Merger:

1. The Surviving Corporation shall be PENNWALT, which owns all of the outstanding capital stock of each of the Merging

Corporations; its registered office is located at Three Parkway, Philadelphia, Pennsylvania.

2. Separate Plans of Merger (the "Plans") with respect to each of the Merging Corporations have been adopted as described in Section 4 hereof. None of the Merging Corporations is qualified as a foreign business corporation in the Commonwealth of Pennsylvania.

3. The Plans shall be effective at the close of business on December 31, 1971.

4. (a) The Plans were adopted by resolution of the Board of Directors of PENNWALT at a meeting of such Board duly called and held on November 3, 1971. Approval of the shareholders of PENNWALT is not required, because of the adoption of the Plans pursuant to Section 902.1 of the Pennsylvania Business Corporation Law.

(b) Each of the respective Plans was adopted and approved by the respective Merging Corporations in accordance with the laws of the jurisdiction in which it was formed.

5. The Plans are attached hereto as Exhibits A, B, C and D and are incorporated herein and made a part hereof by reference.

IN WITNESS WHEREOF, the respective parties to the Plans have caused these Articles of Merger to be executed under the seal of each corporation and signed by two duly authorized officers of each corporation this 15th day of December, 1971.

PENNWALT CORPORATION

[CORPORATE SEAL]

By Edwin E. Tuttle
Edwin E. Tuttle, Vice President

Attest: J. Gordon Logue
J. Gordon Logue
Secretary

ORLANDO CORPORATION

[CORPORATE SEAL]

By E.G. Tarry
E.G. Tarry, President

Attest: J. Gordon Logue
J. Gordon Logue
Secretary

HILLS-McCANNA COMPANY

[CORPORATE SEAL]

Attest: J. Gordon Logue
J. Gordon Logue
Secretary

By Edwin E. Tuttle
Edwin E. Tuttle, Vice President

R.H. MILLER COMPANY

[CORPORATE SEAL]

Attest: Nicholas M. Walker
Nicholas M. Walker
Assistant Secretary

By F.A. Lucard
F.A. Lucard, Vice President

CHEMGATE REALTY CORPORATION

[CORPORATE SEAL]

Attest: John F. Towle
John F. Towle
Secretary

By Edwin E. Tuttle
Edwin E. Tuttle, Vice President

PLAN OF MERGER

1. Pennwalt Corporation ("Pennwalt"), a Pennsylvania corporation, owns all of the outstanding stock of Orlando Corporation ("Orlando"), a Delaware corporation.

2. As of December 31, 1971, Orlando shall be merged into Pennwalt (the "Merger") in accordance with Article IX of the Pennsylvania Business Corporation Law and Sections 252 and 253 of the Delaware Corporation Law.

3. Pennwalt shall be the surviving corporation to the Merger, and no change shall be effected by the Merger in the articles of incorporation, bylaws, board of directors or officers of Pennwalt.

4. As a result of the Merger, all of the assets of Orlando shall be transferred and distributed to Pennwalt, and Pennwalt shall assume all of the liabilities of Orlando. Each share of the outstanding capital stock of Pennwalt then outstanding shall continue to be outstanding; all shares of capital stock of Orlando shall be cancelled and no shares or other securities or obligations or cash of Pennwalt shall be issued therefor.

5. This Plan is designed to secure for Pennwalt the benefits of Section 332 of the Internal Revenue Code of 1954 and shall be effective at the close of business on December 31, 1971, after adoption by the directors of Pennwalt and by the directors and sole shareholder of Orlando.

EXHIBIT A

PLAN OF MERGER

1. Pennwalt Corporation ("Pennwalt"), a Pennsylvania corporation, owns all of the outstanding stock of Hills-McCanna Company ("HMC"), a Delaware corporation.

2. As of December 31, 1971, HMC shall be merged into Pennwalt (the "Merger") in accordance with Article IX of the Pennsylvania Business Corporation Law and Sections 252 and 253 of the Delaware Corporation Law.

3. Pennwalt shall be the surviving corporation to the Merger, and no change shall be effected by the Merger in the articles of incorporation, bylaws, board of directors or officers of Pennwalt.

4. As a result of the Merger, all of the assets of HMC shall be transferred and distributed to Pennwalt, and Pennwalt shall assume all of the liabilities of HMC. Each share of the outstanding capital stock of Pennwalt then outstanding shall continue to be outstanding; all shares of capital stock of HMC shall be cancelled and no shares or other securities or obligations or cash of Pennwalt shall be issued therefor.

5. This Plan is designed to secure for Pennwalt the benefits of Section 332 of the Internal Revenue Code of 1954 and shall be effective at the close of business on December 31, 1971, after adoption by the directors of Pennwalt and by the directors and sole shareholder of HMC.

EXHIBIT B

PLAN OF MERGER

1. Pennwalt Corporation ("Pennwalt"), a Pennsylvania corporation, owns all of the outstanding stock of R. H. Miller Company ("Miller"), a New Jersey corporation.

2. As of December 31, 1971, Miller shall be merged into Pennwalt (the "Merger") in accordance with Article IX of the Pennsylvania Business Corporation Law and Chapter 10 of the New Jersey Business Corporation Act.

3. Pennwalt shall be the surviving corporation to the Merger, and no change shall be effected by the Merger in the articles of incorporation, bylaws, board of directors or officers of Pennwalt.

4. As a result of the Merger, all of the assets of Miller shall be transferred and distributed to Pennwalt, and Pennwalt shall assume all of the liabilities of Miller. Each share of the outstanding capital stock of Pennwalt then outstanding shall continue to be outstanding; all shares of capital stock of Miller shall be cancelled and no shares or other securities or obligations or cash of Pennwalt shall be issued therefor.

5. This Plan is designed to secure for Pennwalt the benefits of Section 332 of the Internal Revenue Code of 1954 and shall be effective at the close of business on December 31, 1971, after adoption by the directors of Pennwalt and by the directors and sole shareholder of Miller.

EXHIBIT C

PLAN OF MERGER

1. Pennwalt Corporation ("Pennwalt"), a Pennsylvania corporation, owns 40,620 shares of the Common Stock, with $10 par value of Chemgate Realty Corporation ("Chemgate"), a New York corporation, which shares comprise all of the outstanding capital stock of Chemgate.

2. As of December 31, 1971, Chemgate shall be merged into Pennwalt (the "Merger") in accordance with Article IX of the Pennsylvania Business Corporation Law and Article 9 of the New York Business Corporation Law.

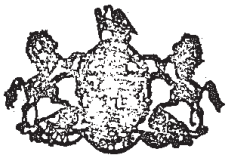
3. Pennwalt shall be the surviving corporation to the Merger, and no change shall be effected by the Merger in the articles of incorporation, bylaws, board of directors or officers of Pennwalt.

4. As a result of the Merger, all of the assets of Chemgate shall be transferred and distributed to Pennwalt, and Pennwalt shall assume all of the liabilities of Chemgate. Each share of the outstanding capital stock of Pennwalt then outstanding shall continue to be outstanding; all shares of capital stock of Chemgate shall be cancelled and no shares or other securities or obligations or cash of Pennwalt shall be issued therefor.

5. This Plan is designed to secure for Pennwalt the benefits of Section 332 of the Internal Revenue Code of 1954 and shall be effective at the close of business on December 31, 1971, after adoption by the directors of Pennwalt and by the directors and sole shareholder of Chemgate.

EXHIBIT D

Commonwealth of Pennsylvania



Department of State

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

WHEREAS, Under the provisions of Article IX of the Business Corporation Law (Act of May 5, 1933, P. L. 364), as amended, the Department of State is authorized and required to issue a

CERTIFICATE OF MERGER

evidencing the merger of any one or more domestic corporations, and any one or more foreign corporations into one of such domestic corporations under the provisions of that law:

AND WHEREAS, The stipulations and conditions of that law relating to the merger of such corporations have been fully complied with by ORLANDO CORPORATION, HILLS-McCANNA COMPANY, both Delaware corporations, R.H. MILLER COMPANY, a New Jersey corporation, CHEMGATE REALTY CORPORATION, a New York corporation, and PENNWALT CORPORATION, a Pennsylvania corporation.

IT IS, THEREFORE, CERTIFIED, That from the Articles of Merger filed with the Department of State, it appears that ORLANDO CORPORATION, HILLS-McCANNA COMPANY, both the Delaware corporations, R.H. MILLER COMPANY, the New Jersey corporation, and CHEMGATE REALTY CORPORATION, the New York corporation, have been merged into PENNWALT CORPORATION, being the Pennsylvania corporation.

THEREFORE, KNOW YE, That subject to the Constitution of this Commonwealth, and under authority of the Business Corporation Law, I DO BY THESE PRESENTS, which I have caused to be sealed with the Great Seal of the Commonwealth, hereby declare that the Pennsylvania corporation shall be the surviving corporation under the name, style and title of

PENNWALT CORPORATION

and shall continue to be invested with all the franchises and be subject to all the duties of a domestic business corporation under the Business Corporation Law.

GIVEN under my Hand and the Great Seal of the Commonwealth, at the City of Harrisburg, this 27th day of December in the year of our Lord one thousand nine hundred and seventy-one and of the Commonwealth the one hundred and ninety-sixth.

C. DeLores Tucker

Secretary of the Commonwealth

jmw

DSCB-60

Commonwealth of Pennsylvania

April 19, 1972

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

IN RE: "PENNWALT CORPORATION"

I, C. DE LORES TUCKER, Secretary of the Commonwealth of the Commonwealth of Pennsylvania do hereby certify that the foregoing and annexed is a true and correct photocopy of Articles of Merger which appear of record in this Department.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of the Secretary's Office to be affixed, the day and year above written.

C. DeLores Tucker

Secretary of the Commonwealth

Commonwealth of Pennsylvania

Department of State

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

WHEREAS, Under the provisions of Article IX of the Business Corporation Law (Act of May 5, 1933, P. L. 364), as amended, the Department of State is authorized and required to issue a

CERTIFICATE OF MERGER

evidencing the merger of any one or more domestic corporations, and any one or more foreign corporations into one of such domestic corporations under the provisions of that law:

AND WHEREAS, The stipulations and conditions of that law relating to the merger of such corporations have been fully complied with by ORLANDO CORPORATION, HILLS-McCANNA COMPANY, both Delaware corporations, R.H. MILLER COMPANY, a New Jersey corporation, CHEMGATE REALTY CORPORATION, a New York corporation, and PENNWALT CORPORATION, a Pennsylvania corporation.

IT IS, THEREFORE, CERTIFIED, That from the Articles of Merger filed with the Department of State, it appears that ORLANDO CORPORATION, HILLS-McCANNA COMPANY, both the Delaware corporations, R.H. MILLER COMPANY, the New Jersey corporation, and CHEMGATE REALTY CORPORATION, the New York corporation, have been merged into PENNWALT CORPORATION, being the Pennsylvania corporation.

THEREFORE, KNOW YE, That subject to the Constitution of this Commonwealth, and under authority of the Business Corporation Law, I DO BY THESE PRESENTS, which I have caused to be sealed with the Great Seal of the Commonwealth, hereby declare that the Pennsylvania corporation shall be the surviving corporation under the name, style and title of

PENNWALT CORPORATION

and shall continue to be invested with all the franchises and be subject to all the duties of a domestic business corporation under the Business Corporation Law.

GIVEN under my Hand and the Great Seal of the Commonwealth, at the City of Harrisburg, this 27th day of December in the year of our Lord one thousand nine hundred and seventy-one and of the Commonwealth the one hundred and ninety-sixth.

REEL 0221 FRAME 635

TRADE-MARK

C. DeLores Tucker

Secretary of the Commonwealth

jmw

12/27/71

REC T109 PAGE 18

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

ORLANDO CORPORATION

AND

HILLS-McCANNA COMPANY

INTO

PENNWALT CORPORATION

PENNWALT CORPORATION ("PENNWALT"), a Pennsylvania corporation, hereby certifies that:

1. PENNWALT was originally incorporated on September 12, 1850, was rechartered on June 23, 1879 and is currently existing under the Pennsylvania Business Corporation Law, the provisions of which permit the merger of a subsidiary corporation of another state into a parent corporation organized and existing under Pennsylvania law.

2. PENNWALT owns all of the outstanding capital stock of (a) ORLANDO CORPORATION ("ORLANDO"), a Delaware corporation incorporated on March 10, 1955 under the Delaware General Corporation Law and (b) HILLS-McCANNA COMPANY ("HMC"), a Delaware corporation incorporated on October 30, 1967 under the Delaware General Corporation Law. ORLANDO and HMC are hereinafter sometimes referred to collectively as the "subsidiary corporations."

3. PENNWALT, by resolutions of its Board of Directors duly adopted at a meeting held on November 3, 1971, copies of which are attached hereto as Exhibit A and are hereby incorporated herein by reference, has determined to merge the subsidiary corporations into PENNWALT (the "Merger") as of the close of business on December 31, 1971.

4. PENNWALT will survive the Merger and may be served with process in Delaware in any proceeding for enforcement of any obligation of either of the subsidiary corporations as well as for enforcement of any obligation of PENNWALT arising from the Merger, including any suit or other proceeding to enforce

the right of any stockholder as determined in appraisal proceedings pursuant to the provisions of §262 of Title 8 of the Delaware Code of 1953, and PENNWALT hereby irrevocably appoints the Delaware Secretary of State as its agent to accept service of process in any such suit or other proceeding. The address to which a copy of such process shall be mailed by the Delaware Secretary of State is PENNWALT CORPORATION, Pennwalt Building, Three Parkway, Philadelphia, Pennsylvania 19102, Attention: Legal Department, until PENNWALT shall have hereafter designated in writing to the Delaware Secretary of State a different address for such purpose. Service of such process may be made by personally delivering to and leaving with the Delaware Secretary of State duplicate copies of such process, one of which copies the Delaware Secretary of State shall forthwith send by registered mail to PENNWALT at the above address.

5. The Merger will become effective as of the close of business on December 31, 1971.

IN WITNESS WHEREOF, PENNWALT has caused this Certificate to be signed by its Vice President-Finance and attested by its Secretary on December 15, 1971.

PENNWALT CORPORATION

By Edwin E. Tuttle
Edwin E. Tuttle
Vice President-Finance

Attest:

J. Gordon Logue
J. Gordon Logue
Secretary

ARK 01410

EXHIBIT A

RESOLUTIONS ADOPTED AT THE MEETING OF THE BOARD OF DIRECTORS OF PENNWALT CORPORATION HELD ON NOVEMBER 3, 1971 RELATING TO THE LIQUIDATION BY MERGER INTO PENNWALT CORPORATION OF FOUR WHOLLY-OWNED SUBSIDIARIES AS OF DECEMBER 31, 1971

RESOLVED, that the Board of Directors of the Company hereby approves the mergers of Orlando Corporation, a Delaware corporation, Hills-McCanna Company, a Delaware corporation, R. H. Miller Company, a New Jersey corporation and Chemgate Realty Corporation, a New York corporation, all of which are wholly-owned subsidiaries of this Company, into and with the Company, upon substantially the terms and conditions set forth in the respective Plans of Merger presented to the Board of Directors at this Meeting as Exhibits A, B, C and D; and further

RESOLVED, that the Secretary of the Company is hereby directed to attach a copy of each such Plan of Merger so designated to the minutes of this Meeting; and further

RESOLVED, that the proper officers of the Company are hereby authorized to file with the appropriate state authorities, upon the adoption and approval of the respective Plans of Merger by the directors of each of the respective subsidiaries and by the Company as the sole shareholder of each such subsidiary, the necessary documents to effectuate such mergers and to execute and deliver such additional papers and documents as they may deem necessary or desirable in order to effect the transactions contemplated by each such Plan of Merger; and further

RESOLVED, that the proper officers of the Company are hereby authorized and directed to take all additional action necessary or desirable in connection with each such Plan of Merger and the transactions contemplated by each such Plan.

jg

REC T109 PAGE 21

State of Delaware

Office of Secretary of State

I, Walton H. Simpson, *Secretary of State of the State of Delaware,*

do hereby certify *that the above and foregoing is a true and correct copy of*

Certificate of Ownership of the "PENNWALT CORPORATION", a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, merging "HILLS-McCANNA COMPANY" and "ORLANDO CORPORATION", corporations organized and existing under the laws of the State of Delaware, pursuant to Section 253 of the General Corporation Law of the State of Delaware, as received and filed in this office the twenty-seventh day of December, A.D. 1971, at 10 o'clock A.M.

And I do hereby further certify that the aforesaid Corporation shall be governed by the laws of the Commonwealth of Pennsylvania.

In Testimony Whereof, *I have hereunto set my hand and official seal at Dover this* twenty-seventh *day of* December *in the year of our Lord one thousand nine hundred and* seventy-one.

Walton H Simpson

Secretary of State

R H Caldwell

Ass't Secretary of State

FORM 121

REC'D FOR RECORD Dec 27 1971 LEO J. DUGAN, Jr. Recorder

ARK 01412

PAGED / INDEXED

Certified Copy

CERTIFICATE OF OWNERSHIP

OF

ORLANDO CORPORATION (DEL.)

HILLS-McCANNA COMPANY (DEL.)

MERGING INTO

PENNWALT CORPORATION (PA.)

RECEIVED FOR RECORD

DEC 27 1971

LEO J. DUGAN, Jr., Recorder

FILED

DEC 27 1971 10 A M

STATE OF DELAWARE,
NEW CASTLE COUNTY, } SS.

Recorded in the Recorder's Office at Wilmington
SECRETARY OF STATE
~~Wilmington~~, In INCORPORATION Record T Vol. 109
Page 18 &c., the 27th day of Dec
A. D., 19 71

Witness my hand and official seal.

Leo J. Dugan Jr.

Recorder

By Alvin L Boardley
Deputy

Tab 9

[Conformed Copy]

AGREEMENT AND PLAN OF REORGANIZATION

between

WALLACE & TIERNAN INC.

and

HILLS-McCANNA COMPANY

AGREEMENT AND PLAN OF REORGANIZATION dated September 14, 1967 between WALLACE & TIERNAN INC., a Delaware corporation (hereinafter called "WT"), and HILLS-McCANNA COMPANY, an Illinois corporation (hereinafter called "HMC").

PLAN OF REORGANIZATION

The respective Boards of Directors of WT and HMC believe it to be in the best interests of both corporations that a wholly-owned subsidiary of WT acquire the assets and business of HMC pursuant to a reorganization which will qualify as a non-taxable transaction under the provisions of the Internal Revenue Code of the United States, to wit:

The acquisition by a wholly-owned subsidiary of WT (hereinafter called the "Subsidiary") of substantially all the property, assets, goodwill and business as a going concern of HMC and the assumption by the Subsidiary of HMC's liabilities in exchange for 428,300 shares of WT voting common stock, par value 50 cents per share (hereinafter called the "Stock"), the distribution of the Stock to the stockholders of HMC according to their respective holdings of HMC common stock, and the dissolution of HMC, all upon and subject to the terms and conditions of this Agreement.

In the course of the reorganization, the stockholders of HMC will in effect exchange their common stock of HMC as presently constituted for common voting shares of WT as presently constituted, on the basis of 428,300 shares of WT voting common stock for 130,721 common shares of HMC; provided, however, that the distribution of such WT shares shall be subject to the deposit of 42,830 thereof in the Escrow provided for in Section 6.06 hereof for the indemnification of WT against undisclosed liabilities, and that no fractional shares of WT will be issued. The common voting shares of WT received by HMC representing fractional interests to which HMC stockholders will be entitled will be sold on behalf and for the account of the HMC stockholders entitled to such fractional interests, who will receive the proceeds thereof plus the whole WT common voting shares to which they are entitled.

AGREEMENT

In order to consummate the Plan of Reorganization hereinabove set forth and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE 1

Representations, Warranties and Agreements of WT

WT represents, warrants and agrees that:

1.01. WT is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with an authorized capital stock consisting of 5,000,000 shares of common stock, par value 50 cents per share, of which approximately 4,233,500 shares are validly issued and outstanding on the date of this Agreement and are fully paid and non-assessable.

1.02. WT has the corporate power to carry on its business as now conducted. On the Closing Date the Subsidiary will be duly organized, validly existing and in good standing under the laws of its state of incorporation and will be duly licensed to do business in the States of Illinois and Iowa; it will have the corporate power to acquire and operate the business now owned and operated by HMC and to assume the liabilities and obligations of HMC; and all of its outstanding capital stock will be owned by WT.

1.03. WT has delivered to HMC its consolidated balance sheet as at December 31, 1966, and the related consolidated statements of income, capital surplus and retained earnings for the year ended on that date, certified by Lybrand, Ross Bros. & Montgomery, certified public accountants. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and present fairly the consolidated financial position of WT and its consolidated subsidiaries as at said date and the results of their operations for said period. Since December 31, 1966, there has been no material adverse change in the assets or financial condition of WT and its subsidiaries on a consolidated basis from that set forth in said balance sheet.

1.04. The consummation of the transactions provided for in this Agreement will not result in the breach of any term or provision of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement to which WT or any of its subsidiaries is a party or by which it is bound.

1.05. The execution and consummation of this Agreement have been duly authorized by the Board of Directors of WT, and no further action by WT is necessary for such execution to be final and binding on WT.

1.06. Unless and until the Closing provided for herein has been consummated, WT and its representatives will hold in strict confidence all data and information with respect to HMC and its subsidiaries, and they will not use such data or information to the advantage of WT or disclose the same to others, except as such data or information is published or is otherwise a matter of public record.

ARTICLE 2

Representations, Warranties and Agreements of HMC

HMC represents, warrants and agrees that:

2.01. HMC is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois with an authorized capital stock consisting of 250,000 shares of common stock, par value $16 per share, of which 130,721 shares are validly issued and outstanding and are fully paid and non-assessable. HMC is not a party to any contract or obligation whereby it has granted to anyone an absolute or contingent right to purchase, obtain or acquire any right in any capital stock of HMC. HMC is authorized to do business and is in good standing as a foreign corporation under the laws of the State of Iowa, which to the best of its knowledge is the only state in which the conduct of its business or its ownership of property requires such authorization.

2.02(a). HMC does not own directly or indirectly any substantial interest in any association or corporation except as follows:

Name of Corporation	Country or State of Incorporation	Shares		Owned by	
		Authorized	Issued	HMC	Others
Hills-McCanna Plastics Inc.	Illinois	1,000,000	10,000	10,000	—
Ramcon Corporation	Illinois	300	300	300	—
Trans-Val, Inc.	Delaware	Class H: 25,000	10,000	10,000	—
		Class S: 25,000	10,000	—	10,000
Trans-Val Products Limited	Canada	Class H: 25,000	500	500	—
		Class S: 25,000	500	—	500
Hills-McCanna Company (Canada) Limited	Canada	50,000	100	100	—
Hills-McCanna, Limited	U. K.	100	100	100	—

ARK 01455

The above listed associations and corporations are hereinafter referred to as subsidiaries of HMC. All shares shown as owned by others are owned by Saunders Valve Company, Ltd., a corporation organized under the laws of the United Kingdom. Three shares of Hills-McCanna Company (Canada) Limited and one share of Hills-McCanna Limited are held by nominees for the benefit of HMC. Neither HMC nor any of its subsidiaries is a party to any contract or obligation whereby it has granted to anyone an absolute or contingent right to purchase, obtain or acquire any right in the capital stock of any subsidiary, except that Saunders Valve Company, Ltd. has those rights specified in its agreements with HMC dated October 11, 1963, copies of which have been delivered by HMC to WT.

2.02(b). Each of the subsidiaries of HMC is duly organized, validly existing and in good standing as a corporation under the laws of the jurisdiction of its incorporation. To the best of the knowledge of HMC, neither the conduct of its business nor the ownership of property by any subsidiary requires it to be authorized to do business in any other jurisdiction.

2.03. HMC has delivered to WT consolidated balance sheets of HMC and its subsidiaries as at December 31, 1962, 1963, 1964, 1965 and 1966 (the "HMC Consolidated Balance Sheets") and the related consolidated statements of income and surplus for the years then ended, certified by Arthur Andersen & Co., certified public accountants. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and present fairly the consolidated financial position of HMC and its subsidiaries as at said dates and the results of their operations for said periods.

2.04. HMC and its subsidiaries have good title, free and clear of all liens, mortgages and encumbrances, equities or claims, to all the properties and assets reflected in the December 31, 1966 HMC Consolidated Balance Sheet or purported to have been acquired by any of them since December 31, 1966, except (a) as set forth in the December 31, 1966 HMC Consolidated Balance Sheet, (b) as set forth in Schedule A, heretofore delivered to WT, (c) for minor imperfections and encumbrances, if any, which singly or in the aggregate are not substantial in amount and which do not materially detract from the value of the property subject thereto or materially impair the use thereof, and (d) such properties and assets as have been disposed of in the ordinary course of business since December 31, 1966.

2.05. Except as and to the extent reflected or reserved against in the December 31, 1966 HMC Consolidated Balance Sheet, neither HMC nor any of its subsidiaries has any liabilities of any nature, whether accrued, absolute, contingent or otherwise and whether due or to become due, including, without limitation, tax liabilities due or to become due and whether incurred in respect of or measured by income for any period ended on or prior to December 31, 1966 or arising out of transactions entered into or any state of facts existing prior thereto or thereafter except such as have been incurred since December 31, 1966 in the ordinary course of business, except that HMC has entered into certain leases and agreements and contracted certain indebtedness for the construction and equipment of plant and office space at Carpentersville, Illinois and Creston, Iowa, as detailed in documents referred to in Schedule C.

2.06. Since December 31, 1966, there has not been (a) any change in the financial condition, assets, liabilities or business of HMC or any of its subsidiaries, other than changes in the ordinary course of business, none of which has been materially adverse, or (b) any labor trouble or dispute or any actual or, to the knowledge of HMC, any threatened or proposed event or condition of any character whatsoever materially and adversely affecting, or which, insofar as HMC knows or has reasonable grounds to know, would materially and adversely affect, the business, properties or condition, financial or other, of HMC or any of its subsidiaries.

2.07. The federal income tax returns of HMC have been audited by the Internal Revenue Service for all years to and including the fiscal year ended December 31, 1962, and no waiver has been executed by HMC with respect to the fiscal year ended December 31, 1963. Deficiencies, if any, assessed with respect to such years have been paid or reserved for and such payments or reserves are properly reflected in the financial statements referred to in section 2.03 above. To the best of the knowledge of HMC, HMC and each of its subsidiaries have filed all federal, state and local tax returns which are required to be filed and none are in default in the payment of any taxes shown to be payable on said returns or on any assessment received by any of them.

ARK 01456

2.08. All real property owned or leased by HMC and its subsidiaries is correctly described in Schedule B, heretofore delivered to WT. HMC occupies real property at Creston, Iowa, pursuant to a lease-purchase agreement with Creston Development Company, which property is subject to a mortgage or mortgages under which Equitable Life Insurance Company of Iowa is the mortgagee and said Creston Development Company is the mortgagor. There has been no default by Creston Development Company under said mortgages nor has there been any event which upon notice would constitute a default under the mortgages. There has been no default, or event which upon notice would constitute a default, by HMC with respect to any material lease. All buildings and equipment of HMC and its subsidiaries are in good operating condition and repair. None of the land, buildings, structures and appurtenances of HMC or its subsidiaries or the operation or maintenance thereof as now operated and maintained contravenes any zoning ordinance or other administrative regulation or violates any restrictive covenant or other provision of law, the enforcement of which ordinance, regulation, covenant or law would in any material respect interfere with or prevent the continued use of such properties for the purposes for which they are now being used or would materially affect the value thereof for such purposes.

2.09. There is no agreement or commitment affecting HMC or any of its subsidiaries (a) not made in the ordinary course of business, or (b) which is of a material nature and not terminable by them at any time after the Closing Date on not more than thirty days' notice without liability, except the leases referred to in section 2.08 hereof and except those agreements described in Schedule C, heretofore delivered to WT. All of the agreements described in Schedule C are in full force and effect, and HMC does not know or have reasonable grounds to know of any default thereunder or any event which upon notice would constitute a default thereunder. No director or officer of HMC has, directly or indirectly, any interest, other than as such director or officer or as a shareholder of HMC, in any transaction to which HMC or any of its subsidiaries is a party or in any property of HMC or any of its subsidiaries.

2.10. HMC has heretofore delivered to WT Schedule D, being a list and summary description of all patents, copyrights, trademarks and trade names, and applications therefor, presently owned or held by or licensed to, HMC or any of its subsidiaries. No third party has been granted any right thereto or interest therein except as set forth in Schedule D. HMC does not know or have reasonable grounds to know of any infringement by any product, mark, process or operation of HMC or its subsidiaries involving any valid patent, copyright, trademark or trade name of any third party, nor is there any pending litigation against HMC or its subsidiaries involving any patent, copyright, trademark or trade name. There is no pending litigation by HMC or its subsidiaries involving any patents, copyrights, trademarks or trade names against any third party.

2.11. Neither HMC nor any of its subsidiaries has any pension, profit-sharing, retirement, bonus, group insurance or other employee welfare plan, except as set forth in Schedule E heretofore delivered to WT.

2.12. Neither HMC nor its subsidiaries has received any notice from the Government of the United States or any of its instrumentalities that it is unacceptable as a supplier of goods or services to the Defense Department or to any other governmental instrumentality.

2.13. Except as set forth in Schedule F heretofore delivered to WT, there is no suit or action or legal, administrative, arbitration or other proceeding or any governmental investigation pending or to the knowledge of HMC threatened against, or affecting, HMC or any of its subsidiaries or any of the property, assets or business of any of them and HMC knows of no basis for any such suit, action, proceeding or investigation. None of the property of HMC or its subsidiaries is subject to any *in rem* proceeding, nor to the knowledge of HMC is any such proceeding threatened. There is no outstanding judgment, order, writ, injunction or decree of any court, governmental agency or arbitration tribunal against or materially affecting HMC or any of its subsidiaries or any of their property or business. HMC and its subsidiaries are in substantial compliance with all applicable laws, regulations and administrative orders of each country, state, municipality or subdivision of any thereof to which they, their business or their properties or any part thereof may be subject.

ARK 01457

2.14. Since December 31, 1966, neither HMC nor any of its subsidiaries has (a) issued or sold or agreed or become obligated in any manner to issue or sell any shares of its capital stock of any class or any bonds, debentures, notes, warrants, options or other corporate securities of any kind, except that HMC has issued 3,544 shares of Common Stock and has issued notes evidencing indebtedness as detailed in Schedule C; (b) declared or paid any dividend (except for regular quarterly dividends of 25 cents per share by HMC) or made any other distribution on, or purchased or redeemed or otherwise acquired, any shares of its capital stock of any class or agreed or become obligated in any manner to take any such action; or (c) granted or agreed to grant any increase in compensation or paid or agreed to pay any bonus to any key employee or key agent or to any officer or director except as HMC has either advised WT by letter dated August 1, 1967 or has subsequently secured the written consent of WT.

2.15. The consummation of the transactions provided for in this Agreement will not result in the breach of any term or provision of, or constitute a default, with or without notice, under the Certificate of Incorporation or By-Laws of HMC or any of its subsidiaries, or any indenture, mortgage, deed of trust or other agreement to which HMC or any of its subsidiaries is a party or by which it is bound, except the agreements described on Schedule G heretofore delivered to WT, as to which HMC will take the action required of it in section 3.02(b) of this Agreement, nor will such consummation result in the creation of any lien, encumbrance or other charge on any assets of HMC or any of its subsidiaries.

2.16. The execution and consummation of this Agreement have been duly authorized by the Board of Directors of HMC, and the only further action by HMC necessary for such execution of this Agreement to be final and binding on HMC is the action by its stockholders provided in section 3.02(c).

ARTICLE 3

Further Agreements of HMC

HMC further covenants and agrees as follows:

3.01. From and after the date of this Agreement and until the Closing Date, HMC will give to WT and its duly authorized representatives (including its counsel and accountants) full access during normal business hours to all of the properties, books, contracts, documents and records of HMC and its subsidiaries and will furnish to WT all information with respect to the affairs of HMC and its subsidiaries as WT may from time to time reasonably request. If the closing provided for herein is not consummated as contemplated herein, WT will return to HMC all such data and information.

3.02. Prior to the Closing Date, HMC will:

(a) furnish to WT for examination abstracts of title or title opinions in the possession of HMC and copies of such leases as WT may request in respect of all real property owned or leased by HMC;

(b) in the case of assets, contracts and rights, if any, which cannot be transferred effectively without the consent of third parties, to endeavor to obtain such consent promptly and, if any be unobtainable, to do such other things as WT may reasonably request to provide WT with the benefits thereof, all at the expense of and for the benefit of WT or the Subsidiary; and

(c) cause a meeting of its stockholders to be held on or before October 16, 1967 for the purpose of considering and taking action upon:

(1) this Agreement and Plan of Reorganization;

(2) the change of its name (to be effective on or immediately after the Closing Date) to any form not including the words "Hills" or "McCanna" or any variation thereof (hereinafter called the "New Name"); and

(3) the orderly and convenient dissolution of HMC;

and will solicit proxies from its stockholders for such meeting and recommend that they vote in favor of the foregoing.

ARK 01458

3.03. Until the Closing Date, except to the extent approved by WT in writing:

(a) The businesses of HMC and its subsidiaries shall be conducted only in the ordinary and usual course, and HMC and its subsidiaries each will carry on its business in substantially the same manner as heretofore.

(b) Neither HMC nor any of its subsidiaries will make any contract or commitment otherwise than in the ordinary course of business or make any contract or commitment for capital expenditures in excess of $20,000 in any particular case or $100,000 in the aggregate; provided, however, that the provisions of this subparagraph (b) shall not apply to any contracts or commitments reasonably necessary or convenient in the judgment of HMC expeditiously to carry out the construction and equipment of the aluminum foundry facility of HMC now in the course of construction at Creston, Iowa, and the office and plant expansion at Carpentersville, Illinois, as to both of which projects HMC has heretofore delivered to WT all pertinent information.

(c) HMC and its subsidiaries each will keep in effect and undiminished the insurance now in effect upon its properties, assets and business.

3.04. HMC and its subsidiaries will each use its best efforts until the Closing Date to preserve its business organization intact, to keep available to WT and the Subsidiary its present officers and employees and to preserve for WT and the Subsidiary its relationships with its suppliers and customers and others having business relations with it.

ARTICLE 4

Closing

4.01. Subject to the terms and conditions of this Agreement, HMC agrees on the Closing Date to sell, assign, transfer, convey and deliver to the Subsidiary, free and clear of all mortgages, security interests, liens, charges and encumbrances, except public utility easements, liens for taxes and assessments not yet due or being contested in good faith and liens permitted pursuant to this Agreement, and WT agrees to cause the Subsidiary to acquire, all of the property, assets and business as a going concern of HMC, including, without limitation, its franchises (except its franchise to be a corporation), contracts, patents, trademarks, trade names and goodwill, any stock or other securities owned by HMC, including all of the outstanding shares of the subsidiaries described in section 2.02(a) of this Agreement, and the right to use the corporate name "Hills-McCanna" or a similar name, but excluding certain cash as provided in section 4.06, and the minute books, stock books and other corporate records having exclusively to do with the corporate organization of HMC; provided, however, that HMC within a reasonable time after its dissolution shall deliver to the Subsidiary, as custodian, the minute books, stock books and other corporate records of HMC.

4.02. The Closing of this Agreement shall take place on October 31, 1967 at 10:00 A.M. at the office of WT, 91 South Harrison Street, East Orange, New Jersey; provided, however, that the date of closing may be postponed by either party to any day not later than December 31, 1967 by written notice to the other if the Internal Revenue Ruling referred to in Articles 6 and 7 below has not been obtained. The date of closing is referred to in this Agreement as the "Closing Date".

4.03. At the Closing, and as a condition to WT's obligations hereunder, HMC shall:

(a) Deliver to the Subsidiary such deeds, bills of sale, assignments, endorsements and other instruments of conveyance and transfer, in form reasonably satisfactory to WT's counsel, as shall be required to vest in the Subsidiary good and marketable title to all the property, assets and business intended to be transferred pursuant hereto;

(b) Take all such steps as may be necessary to put the Subsidiary in actual possession and operating control of the assets and business of HMC;

ARK 01459

(c) Deliver to WT the written opinion dated as of the Closing Date of Messrs. Dixon, Todhunter, Knouff & Holmes, counsel for HMC, addressed to WT and the Subsidiary, to the effect that:

(i) HMC and each of its domestic subsidiaries has been duly organized and is validly existing and in good standing under the laws of their respective jurisdictions of incorporation;

(ii) HMC's authorized stock consists of 250,000 common shares, par value $16 per share, the number of shares of common stock outstanding at the time of the Closing is as stated in such opinion, the number of shares of common stock held in the treasury is none, and all such outstanding shares are fully paid and non-assessable;

(iii) HMC and its subsidiaries have good and marketable title, free and clear of any imperfections of title, liens, charges, or encumbrances, to the real property described on Schedule B hereto, except as permitted by section 2.04;

(iv) Except as stated in section 2.04, they do not know of any liens, charges or encumbrances upon any tangible or intangible property of HMC or its subsidiaries;

(v) Except for the litigation, if any, set forth in Schedule F, such counsel does not know of any suit or action or other proceeding or any governmental investigation pending or threatened against or relating to HMC or its subsidiaries or properties or business or any legal impediment to the operation by the Subsidiary of HMC's properties and business;

(vi) All necessary corporate action has been taken for the making and performance of this Agreement on the part of HMC;

(vii) This Agreement is the valid, legal and binding agreement of HMC and the consummation of the transactions provided for herein does not contravene any provision of its Certificate of Incorporation or By-Laws or any indenture, deed of trust or other agreement (except as consented to or waived) known to counsel to which HMC or any of its subsidiaries is a party or by which it is bound;

(viii) The instruments of assignment, transfer and conveyance to the Subsidiary are the valid acts and deeds of HMC enforceable in accordance with their terms and are adequate to convey to the Subsidiary all of HMC's properties as specified in sections 4.01 and 4.03 hereof;

(ix) Upon consummation of the transactions contemplated hereby, no stockholder of HMC, as such, will be entitled to receive anything from HMC in respect of his stock of HMC except as provided in this Agreement and except as provided under Section 73 of the Illinois Business Corporation Act; and

(x) The "affiliates" of HMC, as such term is defined in Rule 133 of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Act of 1933, at the time of the meeting of stockholders of HMC referred to in section 3.02(c) of this Agreement are as stated in such opinion; and

(xi) As to such other matters incident to the transactions contemplated hereby as WT may reasonably request;

provided, however, that with respect to clause (iii) of this paragraph HMC may at its option deliver the opinion of Thomas E. Mullin, special counsel for HMC, and as to matters relating to Section 2.10 the opinion of Richard R. Trexler, patent counsel for HMC.

(d) Deliver to WT a certificate signed by a duly authorized officer of HMC, in such form as WT may reasonably request, to the effect that (i) subject to the limitations and exceptions permitted under this Agreement, all representations and warranties of HMC set forth in this Agreement are in all material respects true and correct on and as of the Closing Date as if made on and as of such date, and (ii) HMC has in all material respects complied with, observed and performed all of the terms and conditions herein set forth to be complied with, observed and performed by it.

ARK 01460

4.04. In consideration of the transfer and delivery of the property, assets and business of HMC to the Subsidiary as herein provided:

(a) WT will issue and deliver to HMC on the Closing Date one certificate for 385,470 shares and one certificate for 42,830 shares of authorized WT common stock, registered in the then name of HMC. Such shares of WT common stock shall be fully listed or approved for listing upon official notice of issuance on the New York Stock Exchange.

WT shall not issue any fractional shares or scrip evidencing any fractional shares of WT common stock in connection with its performance hereunder or upon dissolution of HMC and delivery of WT common stock to HMC's stockholders as contemplated hereby.

In the event that at any time after the execution of this Agreement and prior to the Closing Date the common stock of WT shall be reclassified, or proportionately increased or decreased, including the payment of any stock dividend, or in case of merger or consolidation of WT with another company, then the securities to be delivered to HMC under this Agreement shall be automatically increased or decreased or changed as to class or otherwise appropriately adjusted as the case may be, so that HMC will receive on the Closing Date securities equivalent to those which HMC would have received had it been a stockholder of WT of record on the date of execution of this Agreement.

(b) WT shall cause the Subsidiary to assume and agree to pay and perform, and the Subsidiary at the Closing will in writing assume and agree to pay and perform, all of the debts, liabilities, contracts, commitments, engagements and other obligations, absolute or contingent, of HMC existing as of the Closing Date except:

(i) the liabilities of HMC to its stockholders, as such, including, without limitation, any obligation to dissenting stockholders arising under Section 73 of the Illinois Business Corporation Act;

(ii) any obligation or liability of HMC or any stockholders of HMC for federal or state income or other taxes (except sales or transfer taxes or fees) payable in respect of the transfer of HMC's property, assets and business to the Subsidiary or the liquidation or dissolution of HMC provided for in this Agreement, or the receipt of WT common stock by HMC pursuant to this Agreement, and any obligations or liability incurred in connection with the distribution by HMC of WT common stock to HMC's stockholders;

(iii) HMC's liabilities for expenses incurred by HMC for the transactions contemplated hereby; and

(iv) any of the debts, liabilities or obligations of HMC, or costs and expenses in connection therewith, to the extent that such debts, liabilities or obligations shall be satisfied or paid on behalf of HMC by an insurer or insurers against such debt, liability or obligation under a policy issued to HMC.

The assumption by the Subsidiary of such debts, liabilities and obligations of HMC shall not require the Subsidiary to pay such debts, liabilities and obligations so long as the Subsidiary in good faith shall contest or cause to be contested the amount or validity thereof.

(c) WT will, at the Closing, agree in writing to indemnify and hold HMC and its stockholders harmless against any and all of the liabilities to be assumed by the Subsidiary pursuant to subparagraph (b) of this section 4.04. In addition, WT will, at the Closing, directly assume or guarantee payment or performance of any indebtedness or obligation of HMC with respect to which any creditor or obligee shall demand such direct assumption or guaranty.

4.05. At the Closing, and as a condition to HMC's obligations hereunder, WT shall deliver to HMC:

(a) The written opinion dated as of the Closing Date of Messrs. Shea Gallop Climenko & Gould, counsel for WT, addressed to HMC, to the effect that:

ARK 01461

(i) WT is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware, and the Subsidiary is a corporation duly organized and validly existing and in good standing under the laws of the state of its incorporation and duly authorized to do business in the States of Illinois and Iowa, and all of the issued and outstanding common stock of the Subsidiary is owned by WT;

(ii) all necessary corporate action has been taken for the making and performance of this Agreement on the part of WT and the Subsidiary;

(iii) this Agreement is the valid, legal and binding agreement of WT;

(iv) the instrument evidencing the assumption by the Subsidiary and its agreement to pay and perform the debts, liabilities, contracts, commitments, engagements and other obligations of HMC is the valid obligation of the Subsidiary;

(v) WT's authorized stock consists of 5,000,000 shares of common stock, par value 50 cents per share, that the number of shares issued and outstanding and the number held in treasury are as stated in the opinion, and that when issued and delivered to HMC pursuant to the terms of this Agreement, the stock of WT so issued and delivered will be validly authorized and issued and will be fully paid and non-assessable, and shall have been duly approved for listing upon official notice of issuance on the New York Stock Exchange;

(vi) no registration of the WT stock under the Securities Act of 1933 is required in connection with the issuance thereof and the distribution thereof to the stockholders of HMC as contemplated by this Agreement; and

(vii) the assumption and guarantee of payment and performance by WT, which WT is or may be obligated to deliver pursuant to this Agreement, are within the corporate powers of WT, duly authorized, not in violation of any loan agreements to which WT is a party and of which such counsel have knowledge, and are legally valid and binding on WT; and

(viii) as to such other matters incident to the transactions contemplated hereby as HMC may reasonably request.

(b) A certificate signed by a duly authorized officer of WT to the effect that (i) subject to the limitations and exceptions permitted under this Agreement, all representations and warranties of WT set forth in this Agreement are in all material respects true and correct on and as of the Closing Date as if made on and as of such date, (ii) WT has in all material respects complied with, observed and performed all of the terms and conditions herein set forth to be complied with, observed and performed by it and (iii) as of the Closing Date there is no commitment or agreement then outstanding between WT and any third party which if carried out would result in a material change in the effective control of WT or any of its subsidiaries.

4.06. HMC shall:

(a) reserve and retain in a special liquidation account in a bank acceptable to WT cash in an aggregate amount not exceeding $125,000 for use by HMC in paying (i) any real estate transfer tax in respect of the transfer of HMC's property to the Subsidiary, (ii) the unpaid balance, if any remains after the Closing Date, of fees and other expenses incurred by HMC for the preparation, execution and performance of this Agreement and the transactions contemplated hereby, including the liquidation and dissolution of HMC, and (iii) expenses incurred by HMC in the preparation and filing of necessary tax returns of HMC. HMC shall have sole discretion as to the reasonableness of all such costs and the payment thereof, but shall render to WT a full written accounting for all such payments. Any balance remaining in said account after the completion of liquidation and dissolution of HMC and payment of the aforesaid expenses shall be turned over to the Subsidiary; provided, however, that all in excess of $25,000 shall be so turned over not later than one year after the Closing Date,

ARK 01462

(b) set aside funds to provide for payment of claims of stockholders, if any, made pursuant to Section 73 of the Illinois Business Corporation Act in an amount to be agreed upon between WT and HMC at the Closing, which funds shall be loaned to the Subsidiary on the Closing Date, to be repaid to HMC on demand, without interest. From the funds set aside by HMC pursuant to this subparagraph (b), HMC will, as promptly as practicable after the Closing Date, pay the amounts required to be paid as a result of settlement or litigation in respect of common stock of HMC as to which cash shall have been demanded; provided, however, that no offer or payment shall be made without written notice given to WT at least five days prior thereto and no settlement for more than $100 per share shall be made by HMC without the prior written consent of WT. When all such obligations have been satisfied, HMC shall pay and deliver the remainder of such funds to the Subsidiary. Whenever any such claims of stockholders are paid, HMC shall deliver to WT the number of shares of common stock of WT to which the stockholders who made such claims would have been entitled if they had not made the claims.

4.07. From time to time after the Closing Date, at WT's request and without further consideration, and notwithstanding the pending dissolution of HMC, HMC will execute and deliver such other instruments of conveyance and transfer prepared by WT and take such other action as WT reasonably may require more effectively to convey, transfer to, and vest in, the Subsidiary, and to put the Subsidiary in possession of, any property to be sold, conveyed, transferred and delivered hereunder to it and, in the case of contracts to be transferred to and assumed by the Subsidiary and rights, if any, which cannot be transferred effectively without the consent of third parties, to endeavor to obtain said consents promptly, and if any be unobtainable, to use its best efforts to assure to the Subsidiary the benefits thereof in some other manner. In the event that HMC shall be unable to assign to the Subsidiary on the Closing Date any contract for the sale of HMC's products, the Subsidiary shall manufacture, ship and bill such products as HMC's agent and HMC shall turn over to the Subsidiary the proceeds from such sale.

ARTICLE 5

Liquidation of HMC

HMC shall not after the Closing Date engage in any business except as herein provided. HMC's activities after the Closing Date shall be limited to those incidental to enforcement of its rights under this Agreement, its dissolution, making payments to or settlements with dissenting stockholders, winding up and liquidation and the distribution to its stockholders of shares of WT common stock in exchange for the surrender and cancellation of all shares of HMC common stock, all of which shall be accomplished as expeditiously as possible, but in no event prior to the final distribution provided for in the Escrow Indenture referred to in section 6.06 hereof. Any shares of WT common stock not distributed within five years after the Closing Date by reason of the failure of any stockholder of HMC to submit his shares for exchange, or to give proper instructions to the transfer agent of HMC shall, to the extent permitted under Illinois law, be returned to WT. HMC agrees after the Closing Date timely to file appropriate final federal, state and municipal tax returns of all kinds for all periods prior to the Closing Date. HMC shall take such action immediately after the Closing under this Agreement as may be necessary or proper to effect the change of name of HMC to the New Name and to indicate at the Closing the consent of HMC, to the extent such consent may be required, to the use by the Subsidiary of the name "Hills-McCanna" or any variation thereof.

ARTICLE 6

Conditions to WT's Obligations

All of the obligations of WT under this Agreement are subject to the fulfillment prior to or on the Closing Date of the following conditions:

6.01. Except as affected by transactions contemplated by this Agreement, all representations and warranties of HMC which are contained in this Agreement or in any written statement which shall be

ARK 01463

delivered to WT pursuant to this Agreement shall be true as of the date of this Agreement and shall also be true in all material respects on and as of the Closing Date as if made on and as of such date.

6.02. HMC shall have performed and complied with all agreements and conditions required by this Agreement to be performed and complied with by it prior to or on the Closing Date.

6.03. The number of shares held by stockholders of HMC who, after the meeting referred to in section 3.02(c), have made valid written objection to the sale and transfer of the assets and business of HMC contemplated hereby and valid demand for the payment of the fair market value of their shares, all in accordance with Section 73 of the Illinois Business Corporation Act, shall not exceed 6,536 shares, and the holders of at least 66⅔ per cent of the outstanding common stock of HMC shall have voted in favor of the sale and transfer and the dissolution of HMC as contemplated by this Agreement and the amendment of the Certificate of Incorporation of HMC to change the name of HMC to the New Name.

6.04. An agreement shall have been executed and delivered to WT by each "affiliate" of HMC as such term is defined in Rule 133 of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Act of 1933, which agreement in form and substance shall conform to Exhibit 1 attached hereto.

6.05. WT or HMC shall have received a ruling or rulings from the Internal Revenue Service to the effect that (a) the transactions contemplated by this Agreement will not result in the recognition of gain or loss to WT, the Subsidiary or HMC, and (b) the basis of HMC's assets when acquired by the Subsidiary shall be the same as their basis in the hands of HMC.

6.06. HMC and the Escrowee named therein shall have executed and delivered to WT an Escrow Indenture in form and substance conforming to Exhibit 2 attached hereto, and HMC shall have deposited or caused to be deposited thereunder with said Escrowee all items required of it thereunder.

6.07. The First National Bank of Chicago, Creston Development Company and Equitable Life Insurance Company of Iowa shall have consented to the sale of the assets of HMC as contemplated hereby, and such consents shall contain no provisions which are not reasonably satisfactory to WT.

ARTICLE 7

Conditions to HMC's Obligations

All of the obligations of HMC under this Agreement are subject to the fulfillment, prior to or on the Closing Date, of the following conditions:

7.01. Except as affected by transactions contemplated by this Agreement, all representations and warranties of WT which are contained in this Agreement shall be true as of the date of this Agreement and shall also be true in all material respects on and as of the Closing Date as if made on and as of such date.

7.02. WT shall have performed and complied with all agreements and conditions required by this Agreement to be performed and complied with by it prior to or on the Closing Date.

7.03. The number of shares held by shareholders of HMC who, after the meeting referred to in section 3.02(c), have made valid written objection to the sale and transfer of the assets and business of HMC contemplated hereby and valid demand for the payment of the fair value of their shares, all in accordance with Section 73 of the Illinois Business Corporation Act shall not exceed 6,536 shares, and the holders of at least 66⅔ per cent of the outstanding common stock of HMC shall have voted in favor of the sale and transfer and the dissolution of HMC as contemplated by this Agreement and the amendment of the Certificate of Incorporation of HMC to change the name of HMC to the New Name.

7.04. HMC shall have received a ruling or rulings from the Internal Revenue Service to the effect that (a) the acquisition of the assets and business of HMC by the Subsidiary will constitute a reorganization within the meaning of Section 368(a)(1)(C) of the Internal Revenue Code, as amended, to which

ARK 01464

HMC, the Subsidiary and WT are parties; (b) no gain or loss will be recognized by HMC upon the transfer of its assets pursuant to the Plan of Reorganization; (c) no ordinary income or gain or loss will be recognized by the stockholders of HMC on the exchange of their shares of HMC common stock solely for shares of WT common stock pursuant to the terms of the reorganization; (d) the basis of WT common stock received in exchange for HMC common stock will be the same as the basis of the stock surrendered; and (e) no ordinary income and no capital gain or loss will be recognized to HMC stockholders upon the liquidation and complete dissolution of HMC.

7.05. An agreement shall have been executed and delivered by WT to each "affiliate" of HMC as such term is defined in Rule 133 of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Act of 1933, which agreement in form and substance shall conform to Exhibit 1 attached hereto.

7.06. WT and the Escrowee named therein shall have executed and delivered to HMC an Escrow Indenture in form and substance conforming to Exhibit 2 attached hereto.

ARTICLE 8

Termination

8.01. Either party, by written notice to the other at any time on or prior to the Closing Date, may terminate this Agreement if default shall be made by the other party in the due and timely performance of any of its covenants and agreements herein contained, or in the event any of the conditions to be fulfilled by such other party hereunder prior to the Closing Date shall not have been fulfilled by the Closing Date, or in the further event that any of the representations and warranties made by such other party herein are not true as of the Closing Date, unless such default, condition, warranty or representation shall have been waived in writing. The covenants of Section 1.06 shall survive any such termination.

8.02. If at any time prior to the Closing Date any substantial part of the physical assets (considered, in each case, as a whole) of HMC and its subsidiaries or WT and its subsidiaries is damaged or destroyed by any casualty, insured or uninsured, or if during such period HMC or any of its subsidiaries or WT or any of its subsidiaries becomes exposed to a liability or a possible liability which is uninsured (either because of the type of liability or the monetary limits of insurance), and which if it were reduced to judgment would materially and adversely affect the business or financial condition of HMC and its subsidiaries or WT and its subsidiaries, WT or HMC, as the case may be, may terminate this Agreement by giving written notice to the other, whereupon all obligations of the parties hereunder shall cease, excepting those set forth in Section 1.06.

8.03. WT or HMC may terminate its obligations under this Agreement prior to the Closing Date, if, because of litigation or threatened litigation, the consummation of the transactions hereunder would, in the judgment of its Board of Directors, made in good faith and based upon the advice of its counsel, involve expense or lapse of time which would be materially and substantially disadvantageous to its interests, whereupon all obligations of the parties hereunder shall cease.

ARTICLE 9

Miscellaneous

9.01. The representations and warranties made by WT and HMC, respectively, in this Agreement shall not survive the Closing hereunder except to the extent provided in the Escrow Indenture referred to in Section 6.06, and also excepting those set forth in Section 1.06. No representation or warranty by HMC or WT contained in this Agreement and no statement contained in any certificate, list, exhibit or other instrument specified in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein not misleading.

ARK 01465

9.02. HMC represents and warrants to WT, and WT represents and warrants to HMC, that all negotiations relative to this Agreement have been carried on by it directly with the other without the intervention of any person on its behalf, except Bear, Stearns & Co. whose fee will be paid by WT which is solely liable therefor in accordance with a separate agreement between it and Bear, Stearns & Co. and each agrees that it will indemnify the other and hold the other harmless against and in respect of any claim for brokerage or other commission relative to this Agreement or to the transactions contemplated hereby which is alleged to be payable by the indemnifier.

9.03. Any assignment of this Agreement by either HMC or WT without the written consent of the other shall be void and of no force or effect, except an assignment by WT to the Subsidiary.

9.04. Any notice or other communication under this Agreement to WT or HMC shall be in writing and shall be deemed given if delivered in person or sent by registered or certified mail, postage prepaid, addressed in the case of WT, to:

CHARLES H. RYBOLT, *President*
WALLACE & TIERNAN INC.
91 South Harrison Street
East Orange, New Jersey 07018

or, in the case of HMC, to:

CHARLES A. HOWE, *President*
HILLS-MCCANNA COMPANY
400 Maple Avenue
Carpentersville, Illinois 60110

or to such other address as WT or HMC may designate by written notice to the other.

IN WITNESS WHEREOF, the parties have executed this Agreement.

WALLACE & TIERNAN INC.

By ROBT. T. BROWNING
Chairman of the Board

HILLS-MCCANNA COMPANY

By C. A. HOWE
President

ARK 01466

EXHIBIT 1

STOCK REGISTRATION AGREEMENT

AGREEMENT dated , 1967, between WALLACE & TIERNAN INC., a Delaware corporation ("WT"), and and , as Trustees under an indenture of trust between them and , dated (hereinafter collectively called the "Stockholders").

WHEREAS, WT is a party to an Agreement and Plan of Reorganization between it and Hills-McCanna Company ("HMC") dated September 14, 1967 (the "Plan"); and

WHEREAS, the Stockholders are stockholders of HMC and will upon consummation of the Plan and the liquidation of HMC receive shares of WT common stock (the "Stock"); and

WHEREAS, the Stockholders might be considered to be "affiliates" of HMC as such term is defined in Rule 133 under the Securities Act of 1933;

NOW, THEREFORE, it is agreed:

1. The Stockholders will acquire the Stock for investment and not with a view to resale or distribution except a resale or distribution made in accordance with the provisions of paragraphs (d) and (e) of Rule 133 under the Securities Act of 1933. The Stockholders will not, under any circumstances, within one year after the Closing Date under the Plan, sell more than 25% of the Stock acquired by them. For a period of two years beginning with the Closing Date, the Stockholders will not sell or otherwise dispose of any of the Stock acquired by them unless the shares to be sold are registered under the Securities Act of 1933 or they shall have furnished to WT an opinion of counsel reasonably satisfactory to WT that no such registration is required in connection with the sale or other disposition.

2. If at any time more than one year and less than three years after the Closing Date under the Plan, the holder or holders of at least 50,000 shares of common stock of WT received by them upon the liquidation of HMC so request, WT will, at its own expense, prepare and file a registration statement under the Securities Act of 1933 or any similar Federal statute then in force and will use its best efforts to cause such registration statement to become effective, the registration statement to include such number of shares of WT stock received by stockholders of HMC upon the liquidation of HMC as may be designated in such request. WT shall not be required to file more than one registration statement pursuant to this paragraph. If such registration statement is filed, WT will on similar request file one amendment thereto if in the opinion of its counsel such action is necessary to comply with Section 10(a)(3) of the Securities Act of 1933 to a time not later than three years after the Closing Date.

3. If and whenever WT files a registration statement under the Securities Act of 1933 more than one year and less than three years after the Closing Date under the Plan (other than a registration statement relating solely to an offering of securities to employees), it will notify the Stockholders at least thirty days before the filing thereof of its intention to do so and if the Stockholders so request within ten days after the receipt by them of such notice WT will include all or such part of the Stock as the Stockholders may designate among the securities to be registered thereunder, without expense to the Stockholders.

4. The obligation of WT to register Stock pursuant to this agreement shall be subject to the receipt by WT of an agreement from each holder thereof whose stock is to be included, in form and substance satisfactory to WT, indemnifying WT against liability arising out of or based upon any untrue statement or alleged untrue statement of a material fact in the registration statement, or the omission or alleged omission to state in the registration statement any material fact required to be stated therein or necessary in order to make the statements therein not misleading, if such statement or omission was made

ARK 01467

by WT in reliance upon and in conformity with information furnished for use in such registration statement by or on behalf of such holder.

WT hereby agrees to indemnify the Stockholders against liability arising out of or based upon any untrue statement or alleged untrue statement of a material fact in a registration statement filed by WT pursuant hereto, or the omission or alleged omission to state in such registration statement any material fact required to be stated therein or necessary in order to make the statements therein not misleading, other than any such statement or omission included in such registration statement by WT in reliance upon and in conformity with information furnished for use therein by or on behalf of holders of the common stock of WT covered thereby.

IN WITNESS WHEREOF, the undersigned have executed this agreement.

WALLACE & TIERNAN INC.

By .....

.....

.....

.....

As Trustees as aforesaid

ARK 01468

3

PLAN AND AGREEMENT OF MERGER

This Plan and Agreement of Merger (the "Agreement") is dated as of January 2, 1969, and is executed by Pennsalt Chemicals Corporation ("Pennsalt"), a Pennsylvania corporation, and Wallace & Tiernan Inc. ("Wallace & Tiernan"), a Delaware corporation (such two corporations are herein sometimes called collectively the "Constituent Corporations"), to evidence the undertakings on their parts set forth below.

1. The parties to this Agreement and the merger contemplated hereby (the "Merger") are Pennsalt and Wallace & Tiernan. Pennsalt shall be the Surviving Corporation in the Merger, and is herein sometimes so called, and its name shall after the Merger be PENNWALT CORPORATION.

2. The authorized capital stock of Pennsalt consists of 10,962,811 shares divided into two classes consisting of 962,811 shares of Voting Preference Stock with a par value of $1 per share ("Preference Stock") and 10,000,000 shares of Common Stock with a par value of $3 per share ("Pennsalt Common Stock"), of which there were outstanding at the date of this Agreement 403,453 shares of a series of Preference Stock denominated the "$2.50 Cumulative Convertible Preference Stock" (the "First Series Preference Stock"), and 4,854,975 shares of Common Stock, all of which have been duly authorized and issued and are fully paid and nonassessable. An additional 605,180 shares of Pennsalt Common Stock were reserved at such date for issuance upon conversion of the First Series Preference Stock, 106,424 shares were reserved for issuance upon exercise of outstanding qualified and restricted stock options theretofore granted to employees of Pennsalt, and 111,543 shares were reserved for issuance pursuant to Pennsalt's Employee Stock Purchase Plan. Except for the shares of Pennsalt Common Stock referred to in the immediately preceding sentence, there exists no other option, warrant, pre-emptive right or commitment relating to Pennsalt's stock.

3. The authorized capital stock of Wallace & Tiernan consists of 8,500,000 shares divided into two classes consisting of 1,000,000 shares of Preferred Stock with a par value of $50 per share and 7,500,000 shares of Common Stock with a par value of $0.50 per share ("Wallace & Tiernan Common"). There were outstanding at the date of this Agreement 4,687,687 shares of Wallace & Tiernan Common and no shares of Preferred Stock. All outstanding shares of Wallace & Tiernan Common have been duly authorized and issued and are fully paid and nonassessable. An additional 130,006 shares of Wallace & Tiernan Common were reserved for issuance at such date upon exercise of outstanding qualified and restricted stock options theretofore granted to employees of Wallace & Tiernan, and 49,500 shares were reserved for issuance pursuant to the terms of an agreement between Wallace & Tiernan and the shareholders of Food Industries Corporation dated August 19, 1968. Except for the shares of Wallace & Tiernan Common referred to in the immediately preceding sentence, there exists no other option, warrant, pre-emptive right or commitment relating to Wallace & Tiernan's stock.

4. The Pennsalt Common Stock, the First Series Preference Stock and the Wallace & Tiernan Common are each entitled to vote as a class on the Merger.

5. Pennsalt has delivered to Wallace & Tiernan (a) consolidated balance sheets of Pennsalt and its consolidated subsidiaries for the calendar years 1965, 1966 and 1967 and related statements of capital surplus, consolidated earnings and retained earnings for such years, certified by its independent certified public accountants, and (b) an unaudited consolidated balance sheet of Pennsalt and its consolidated subsidiaries as at September 30, 1968, and a consolidated statement of income for the nine months' period then ended, together with the opinion of the chief accounting officer of Pennsalt relating thereto. Pennsalt represents and warrants that:

(i) all such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied during those periods and fairly present the financial position of Pennsalt and its consolidated subsidiaries on the dates indicated and the results of their operations for the periods then ended;

(ii) since September 30, 1968, there has not been any material adverse change in its business or financial condition or properties; and

(iii) the statements made in paragraph 2 hereof are true and correct.

ARK 01469

6. Wallace & Tiernan has delivered to Pennsalt (a) consolidated balance sheets of Wallace & Tiernan and its consolidated subsidiaries for the calendar years 1965, 1966 and 1967 and related statements of capital surplus, consolidated earnings and retained earnings for such years, certified by its independent certified public accountants, and (b) an unaudited consolidated balance sheet of Wallace & Tiernan and its consolidated subsidiaries as at September 30, 1968, and a consolidated statement of income for the nine months' period then ended, together with the opinion of the chief accounting officer of Wallace & Tiernan relating thereto. Wallace & Tiernan represents and warrants that:

(i) all such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied during those periods and fairly present the financial position of Wallace & Tiernan and its consolidated subsidiaries on the dates indicated and the results of their operations for the periods then ended;

(ii) since September 30, 1968 there has not been any material adverse change in its business or financial condition or properties; and

(iii) the statements made in paragraph 3 hereof are true and correct.

7. On the Effective Date determined as provided in paragraph 20 hereof, Wallace & Tiernan shall be merged with and into Pennsalt, which shall be the Surviving Corporation under the laws of the Commonwealth of Pennsylvania, the directors of which shall be those named in paragraph 21 hereof; the separate existence of Wallace & Tiernan shall cease; and the Merger shall be effected and accomplished in accordance with the applicable provisions of the Business Corporation Law of Pennsylvania and the General Corporation Law of Delaware.

8. The Articles of Incorporation of Pennsalt shall on the Effective Date be amended and restated in their entirety to read as set forth in Exhibit I hereto.

9. Each outstanding share of the Pennsalt Common Stock and First Series Preference Stock shall after the Effective Date be, respectively, one outstanding share of Common Stock and one outstanding share of First Series Preference Stock of the Surviving Corporation.

10. The manner and basis of converting the shares of Wallace & Tiernan Common into shares of stock of the Surviving Corporation shall be as follows:

(a) Upon the Effective Date each share of Wallace & Tiernan Common then outstanding (except any shares of such stock then held in the treasury of Wallace & Tiernan, which shall cease to exist) shall be converted into and become, without any action on the part of the holder thereof, one-half of one share of Common Stock of the Surviving Corporation and one-half of one share of the series of Voting Preference Stock of the Surviving Corporation denominated in the restated Articles of Incorporation of Pennsalt attached hereto as Exhibit I as the "Second Series Cumulative Convertible Preference Stock" (the "Second Series Preference Stock").

(b) After the Effective Date the former holders of Wallace & Tiernan Common, on the surrender of certificates representing shares of such stock to the Surviving Corporation or its agent, shall be entitled to receive in exchange certificates representing the number of whole shares of Common Stock and Second Series Preference Stock of the Surviving Corporation into which the shares of Wallace & Tiernan Common theretofore represented by the surrendered certificates shall have been converted. Until so surrendered, each outstanding certificate which, prior to the Effective Date, represented Wallace & Tiernan Common shall be deemed for all corporate purposes to evidence ownership of such number of shares of stock of the Surviving Corporation into which the shares of Wallace & Tiernan Common which, prior to the Effective Date, were represented thereby have been so converted; provided, however, that no dividends declared with respect to such stock of the Surviving Corporation shall be paid to the holder of any unsurrendered certificate which, prior to the Effective Date, represented shares of Wallace & Tiernan Common until such holder shall surrender such certificate, at which time the holder shall be paid the amount of dividends, without interest, which theretofore became payable with respect to the shares of stock of the Surviving Corporation into which the shares of Wallace & Tiernan Common evidenced by such certificate have been converted.

ARK 01470

(c) The stock transfer books of Wallace & Tiernan shall be closed on the Effective Date, and holders of Wallace & Tiernan Common of record as of that date shall be the shareholders entitled to the exchange of their certificates for certificates representing Common Stock and Second Series Preference Stock of the Surviving Corporation. In the event any transfer of ownership of shares of Wallace & Tiernan Common has occurred, or occurs after the Effective Date, which is not registered in the stock transfer books of Wallace & Tiernan, certificates representing shares of Common Stock and Second Series Preference Stock of the Surviving Corporation shall be issued to such transferee upon presentation to the Surviving Corporation or its agent of the certificates representing such shares of Wallace & Tiernan Common duly endorsed or assigned and accompanied by such documents as may be required to evidence such transfer and by the amount of any stock transfer or other taxes due in respect thereof.

(d) Fractional shares of stock of the Surviving Corporation will not be issued, but in lieu thereof the agent referred to in paragraph 10(b) will be instructed that it shall, acting as the agent of each shareholder of Wallace & Tiernan who would otherwise be entitled to fractional shares of stock of the Surviving Corporation and in accordance with instructions received from any such shareholder at any time within 60 days after the Effective Date, either (i) sell such shareholder's fractional interests for his account and remit the net proceeds to him or (ii) purchase for his account the fractional interests to be combined with his fractional interests so as to make full shares of the Common Stock and Second Series Preference Stock of the Surviving Corporation and deliver the certificates against payment for the fractional interests purchased. Promptly after the expiration of the 60 day period following the Effective Date, such agent will sell for the respective accounts of the holders of such remaining fractional interests as may then exist, as indicated by the certificates theretofore representing Wallace & Tiernan Common which have not been surrendered for exchange, that number of whole shares of Common Stock and of Second Series Preference Stock of the Surviving Corporation which is equivalent to the aggregate of such respective remaining fractional interests. Such agent will thenceforth and until six years after the Effective Date pay to each such former holder of Wallace & Tiernan Common, upon surrender of his certificate or certificates, his pro rata share of the proceeds of such sale without interest. The proceeds, if any, of such sale remaining after the expiration of such six year period shall be paid over to and shall become the property of the Surviving Corporation, free and clear of all claims or interests of any person previously entitled thereto.

11. Each outstanding option to purchase Wallace & Tiernan Common shall on the Effective Date be assumed by the Surviving Corporation with the effect that immediately after the Effective Date, such option shall relate to (i) a number of whole shares of Common Stock of the Surviving Corporation equal to the number of shares of Wallace & Tiernan Common subject to such option multiplied by .5, any resulting fractional shares being disregarded, and (ii) a number of whole shares of Second Series Preference Stock of the Surviving Corporation equal to the number of shares of Wallace & Tiernan Common subject to such option multiplied by .5, any resulting fractional shares being disregarded, and the exercise price for each unit consisting of one share of Common Stock and one share of Second Series Preference Stock of the Surviving Corporation under such option shall be the exercise price per share of Wallace & Tiernan Common payable in accordance with the terms and provisions of such option divided by .5. After the Effective Date the foregoing number of shares of Common Stock and Second Series Preference Stock of the Surviving Corporation and the exercise prices therefor shall be subject to further adjustment in accordance with the terms and provisions of such options.

12. Wallace & Tiernan if requested by the Surviving Corporation or by its successors or assigns will execute and deliver such deeds and other instruments and take or cause to be taken such other or further action as the Surviving Corporation may deem necessary or desirable in order to vest or perfect in, or confirm of record or otherwise to, the Surviving Corporation title to and possession of all of its property, rights, privileges, powers or franchises, and otherwise to carry out the purposes of this Agreement.

13. The Surviving Corporation shall pay all the expenses of carrying this Agreement into effect and of accomplishing the Merger, but if this Agreement is terminated and abandoned each of the Constituent Corporations shall pay all expenses incurred by it in connection therewith.

ARK 01471

14. After the date hereof and prior to the Effective Date, neither of the Constituent Corporations shall:

(a) without the prior approval of the Board of Directors of each of the Constituent Corporations, issue or sell, or issue options or rights to subscribe to, any shares of its capital stock (including any reclassification thereof) or any security convertible into its capital stock, except for the issuance of shares presently reserved for issuance as stated in paragraphs 2 and 3 hereof;

(b) change, by charter amendment or otherwise, the rights of its outstanding capital stock;

(c) without the prior approval of the Board of Directors of each of the Constituent Corporations, declare or pay any dividend on, or make any distribution in respect of, any shares of its capital stock, except for regular quarterly dividends payable at the same rates and approximately the same times as such dividends were paid by each of the Constituent Corporations in 1968; or

(d) without the consent of the other, enter into any material transaction or incur any material commitment except in the ordinary course of business.

15. The obligation of each of the Constituent Corporations to effect the Merger shall be subject to the following conditions:

(a) The representations and warranties of the other Constituent Corporation herein contained shall be substantially accurate in all material respects, and the other Constituent Corporation shall have performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by it prior to the Effective Date;

(b) The carrying out of the terms of this Agreement shall not conflict with or result in a breach of, or constitute a default under, any agreement or instrument to which the other Constituent Corporation is a party except to the extent that the same shall have been cured by waiver, consent or otherwise;

(c) The Internal Revenue Service shall have issued rulings satisfactory to each of the Constituent Corporations substantially to the effect that:

(i) the merger of Wallace & Tiernan into the Surviving Corporation will constitute a reorganization within the meaning of Section 368(a)(1)A of the Internal Revenue Code of 1954;

(ii) except to the extent recognized in the sale of fractional interests by Wallace & Tiernan shareholders, no gain or loss will be recognized to either of the Constituent Corporations or their respective shareholders as a consequence of the Merger; and

(iii) the shares of the Second Series Preference Stock to be distributed to the Wallace & Tiernan shareholders will not constitute "Section 306 stock" to such shareholders or, if they do, such shares will not, because of the provisions of Section 306(b)(4) of the Internal Revenue Code of 1954, be subject to the application of Section 306(a) of the Code; and

(d) This Agreement shall have been duly adopted by the shareholders of both Constituent Corporations in accordance with the laws of their respective states of incorporation.

16. The obligation of Pennsalt to effect the Merger shall be subject to the following further conditions:

(a) Wallace & Tiernan shall have delivered to Pennsalt a certificate dated the Effective Date signed by two of its officers to the effect that the representations and warranties of Wallace & Tiernan herein contained are true as of such date with the same effect as though made on such date except in so far as the number of outstanding shares of Wallace & Tiernan Common may have been increased by reason of the exercise of option rights, or pursuant to the acquisition agreement referred to in paragraph 3 hereof; and that Wallace & Tiernan has performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by it prior to the Effective Date.

(b) All transactions contemplated hereby and the form and substance of all legal proceedings and of all papers used or delivered hereunder shall be acceptable to Messrs. Dechert, Price & Rhoads, counsel for Pennsalt, to the extent requested by Pennsalt.

(c) Pennsalt shall have received a favorable opinion dated the Effective Date from Messrs. Shea Gallop Climenko & Gould, counsel for Wallace & Tiernan, in form and substance satisfactory to Pennsalt and its counsel, to the effect that the corporate existence, good standing and authorized and issued stock

ARK 01472

of Wallace & Tiernan are as stated in the certificate delivered pursuant to paragraph 16(a) hereof; that, except as may be specified by said counsel (such exceptions to be acceptable to Pennsalt), they do not know of any material litigation, proceeding or governmental investigation or labor dispute pending or threatened against or relating to Wallace & Tiernan or any of its subsidiaries or its or their property or business; that all corporate and other proceedings required to be taken by or on the part of Wallace & Tiernan to authorize and to carry out this Agreement and to effect the Merger have been duly and properly taken; and that this Agreement is the valid obligation of Wallace & Tiernan, legally binding upon it in accordance with its terms. Such opinion shall also cover such other matters incident to the transactions herein contemplated as Pennsalt and its counsel shall reasonably request.

(d) Pennsalt shall have received from each person or group of persons reasonably deemed by Pennsalt to be "affiliates" of Wallace & Tiernan within the meaning of Rule 133 under the Securities Act of 1933, as amended, a written statement in form and substance satisfactory to Pennsalt and its counsel to the effect that each such person or group of persons is receiving the shares of stock of the Surviving Corporation for his, her or its own account and not for or with a view to resale or other transfer thereof, except as any such sale or transfer may be permitted by Rule 133.

(e) Pennsalt shall have received from each person or group of persons of the class referred to in paragraph 16(d) his, her or its written agreement to the effect that during the period of two years, commencing on the Effective Date, he, she, or it will not sell or otherwise dispose of more than 25% in the first year or more than 50% in the first two years of each class of the stock of the Surviving Corporation received by him, her or it in the Merger.

17. The obligation of Wallace & Tiernan to effect the Merger shall be subject to the following further conditions:

(a) Pennsalt shall have delivered to Wallace & Tiernan a certificate dated the Effective Date signed by two of its officers to the effect that the representations and warranties of Pennsalt herein contained are true as of such date with the same effect as though made on such date except in so far as the number of outstanding shares of Pennsalt Common Stock may have been increased by reason of the exercise of the options or conversion rights referred to in paragraph 2 hereof; and that Pennsalt has performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by it prior to the Effective Date.

(b) All transactions contemplated hereby and the form and substance of all legal proceedings and of all papers used or delivered hereunder shall be acceptable to Messrs. Shea Gallop Climenko & Gould, counsel for Wallace & Tiernan, to the extent requested by Wallace & Tiernan.

(c) Wallace & Tiernan shall have received a favorable opinion dated the Effective Date from Messrs. Dechert, Price & Rhoads, counsel for Pennsalt, in form and substance satisfactory to Wallace & Tiernan and its counsel, to the effect that the corporate existence, good standing and authorized and issued stock of Pennsalt are as stated in the certificate delivered pursuant to paragraph 17(a) hereof; that, assuming the due delivery and filing of all documents necessary to effect the Merger, the shares of Common Stock and of Second Series Preference Stock of the Surviving Corporation which are to be issued pursuant to the terms of this Agreement will be validly authorized and issued and will be at the time fully paid and nonassessable, and the shares of Common Stock of the Surviving Corporation issuable upon conversion of the Second Series Preference Stock will be validly authorized and will be fully paid and nonassessable when so issued upon such conversion; that, except as may be specified by said counsel (such exceptions to be acceptable to Wallace & Tiernan), they do not know of any material litigation, proceeding or governmental investigation or labor dispute pending or threatened against or relating to Pennsalt or any of its subsidiaries or its or their property or business; that all corporate and other proceedings required to be taken by or on the part of Pennsalt to authorize and to carry out this Agreement and to effect the Merger have been duly and properly taken; and that this Agreement is the valid obligation of Pennsalt, legally binding upon it in accordance with its terms. Such opinion shall also cover such other matters incident to the transactions herein contemplated as Wallace & Tiernan and its counsel shall reasonably request.

ARK 01473

(d) All shares of the Second Series Preference Stock and of Common Stock of the Surviving Corporation issuable pursuant to this Agreement, and all shares of the Common Stock into which the Second Series Preference Stock is convertible, shall have been duly listed on the New York Stock Exchange, subject to official notice of issuance, on the Effective Date.

18. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and abandoned:

(a) by the Board of Directors of either of the Constituent Corporations at any time prior to its adoption by the shareholders of each of the Constituent Corporations;

(b) by mutual consent of the Boards of Directors of the Constituent Corporations at any time prior to the Effective Date;

(c) by the Board of Directors of either of the Constituent Corporations if, prior to the Effective Date, any of the conditions to its obligation set forth in paragraphs 15, 16 or 17 of this Agreement, as appropriate, shall not have been met, or if in its judgment the Merger becomes inadvisable or impracticable by reason of new legislation, Federal or State, or the institution or threat of litigation or proceedings against either or both of the Constituent Corporations challenging the legality of the Merger; or

(d) by the Board of Directors of either of the Constituent Corporations if the Merger has not been effected before July 1, 1969.

19. Each Constituent Corporation may at any time waive any of the terms or conditions of this Agreement by action taken by its Board of Directors; provided that such action shall be taken only if, in the judgment of the Board of Directors taking the action, such waiver will not have any material adverse effect on the benefits intended under this Agreement for the shareholders of its corporation.

20. This Agreement shall be submitted to the shareholders of the Constituent Corporations as provided by the laws of their respective states of incorporation, and following adoption thereof by the shareholders of each of the Constituent Corporations, in accordance with the requirements of such laws, there shall be filed such documents, executed in such manner, as may be necessary to effect the Merger. The Merger shall become effective as of the close of business on the date of such filing, and such date and time is herein referred to as the "Effective Date" of the Merger.

21. On the Effective Date of the Merger the following shall constitute the Board of Directors of the Surviving Corporation, who shall hold office until the next annual meeting of the shareholders and until their successors are elected and have qualified:

Name	Address
Gerald W. Blakeley, Jr.	10 Otis Place, Boston, Mass. 02108
James F. Bodine	1200 Old Gulph Rd., Rosemont, Pa. 19010
Robert T. Browning	173 Tennyson Drive, Short Hills, N. J. 07078
John A. Cantrell	669 Clovelly Lane, Devon, Pa. 19333
Henry M. Chance II	Warren Avenue, Malvern, Pa. 19355
C. Malcolm Davis	Old Farm Road, R.D. #1, Basking Ridge, N. J. 07120
Jess H. Davis	Hoxie House, Castle Point, Hoboken, N. J. 07030
William P. Drake	2111 Buttonwood Rd., Berwyn, Pa. 19312
Charles B. Grace	Goshen Road, West Chester, Pa. 19380
W. Alfred LaLande, Jr.	542 E. Gravers Lane, Wyndmoor, Pa. 19118
H. F. O'Brien	62 Stewart Road, Short Hills, N. J. 07078
Dr. Jonathan E. Rhoads	131 W. Walnut Lane, Phila., Pa. 19144
Charles H. Rybolt	34 Rock Spring Road, West Orange, N. J. 07052
J. Tyson [illegible]	1[illegible] Beech Road, Rose[illegible], Pa. 190[illegible]

If on the Effective Date any vacancy exists on the Board of Directors it will be filled in the manner provided in the bylaws of the Surviving Corporation.

ARK 01474

22. The Surviving Corporation, at the request of any former shareholders of Wallace & Tiernan referred to in paragraph 16(d), given in writing at or before the Effective Date, will at their expense file promptly after the Effective Date a registration statement under the Securities Act of 1933 with respect to such number of shares of Common Stock and of Second Series Preference Stock of the Surviving Corporation as such shareholders indicate they propose to distribute to the public, and the shares of Common Stock of the Surviving Corporation into which such shares of Second Series Preference Stock are convertible, and will use its best efforts to cause such registration statement to become effective as soon as possible after its filing.

23. The Surviving Corporation agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of W&T or any obligation of the Surviving Corporation arising from the Merger, and does hereby irrevocably appoint the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding by mailing a copy of such process to the Surviving Corporation at Three Penn Center, Philadelphia, Pennsylvania 19102.

24. This Agreement may be executed in any number of counterparts, each of which shall be an original.

In Witness Whereof, each of the Constituent Corporations has caused this Plan and Agreement of Merger to be signed by its officers thereunto duly authorized and its corporate seal to be hereunto affixed as of the day and year first above written.

(XXXXXXXXXXX)

PENNSALT CHEMICALS CORPORATION

Attest: J Gordon Logue
Secretary

Pennsalt Chemicals Corporation

By William P. Drake
William P. Drake, President

WALLACE & TIERNAN INC.
(CORPORATE SEAL)
1928
DELAWARE

Attest: Jos. C. Connell
Secretary

Wallace & Tiernan Inc.

By Charles H Rybolt
Charles H. Rybolt, President

ARK 01475

EXHIBIT I

to

Plan and Agreement of Merger dated as of January 2, 1969

by and between

Pennsalt Chemicals Corporation and

Wallace & Tiernan Inc.

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF PENNWALT CORPORATION

Pennsalt Chemicals Corporation, pursuant to the provisions of Section 902A(3) of the Pennsylvania Business Corporation Law, Act of May 5, 1933, P.L. 364, as amended, and incident to the merger of Wallace & Tiernan Inc., a Delaware corporation, into Pennsalt Chemicals Corporation as the surviving corporation, hereby amends and restates its Articles of Incorporation in their entirety so that the same shall read in full as follows:

FIRST. The name of the Company is PENNWALT CORPORATION.

SECOND. The location of its registered office is Three Penn Center, Philadelphia, Pennsylvania.

THIRD. The purpose or purposes of the Company are to produce, manufacture, buy, sell and deal in chemical substances and compounds, and to explore for and exploit properties containing such substances or other minerals; and in addition to produce, manufacture, buy, sell, own, lease and deal in all kinds of property and to engage in all kinds of commercial and industrial enterprises.

FOURTH. The Company was originally chartered in 1850 and rechartered in 1879; its existence shall continue to be 999 years from the date it was so rechartered.

FIFTH. The aggregate number of shares of capital stock which the Company has authority to issue is 20,000,000 shares, divided into two classes consisting of 5,000,000 shares of Voting Preference Stock of the par value of $1 each (hereafter called "Preference Stock") and 15,000,000 shares of Common Stock of the par value of $1 each (hereafter called "Common Stock").

PART A

The following is a description of each class of shares of the capital stock of the Company, a statement of the preferences, qualifications, limitations, restrictions and the special or relative rights granted to or imposed upon them, and a statement of the authority of the board of directors to fix by resolution the voting rights, designations, preferences, qualifications, privileges, limitations, options, conversion rights, and other special rights of any series of the Preference Stock.

PREFERENCE STOCK

1. Issue in Series. Preference Stock may be issued from time to time in one or more series, each to have the terms stated herein and in the resolution of the board of directors providing for their issue. All shares of any one series of Preference Stock shall be identical, and all series of Preference Stock shall rank equally and be identical except as permitted hereunder.

ARK 01476

2. *Creation of Series.* The board of directors of the Company shall have authority by resolution to divide the Preference Stock into one or more series, in addition to the two such series the special terms of which are set forth in Part B below as part of these restated Articles of Incorporation, and to determine with respect to each such series the special rights thereof and limitations thereon to the full extent permitted by law, including, without limitation, the voting rights, if any, the distinctive serial designation, the rate of dividend, the times of payment of dividends and the dates from which dividends shall cumulate, the price at and terms and conditions on which shares may be redeemed, the amounts payable upon shares in event of voluntary or involuntary liquidation, dissolution, or winding up of the Company, sinking fund provisions for the redemption or purchase of shares, and the terms and conditions on which shares may be converted in the event the shares of any series are issued with the privilege of conversion.

3. *Dividends.*

(a) Holders of Preference Stock shall be entitled to receive, when and as declared by the board of directors, dividends at the rate fixed for shares of such series, and no more. Such dividends shall be cumulative from the date fixed for shares of each series, but accruals of dividends will not bear interest.

(b) If dividends for any dividend period are not paid in full, holders of all shares of Preference Stock shall participate ratably in any dividends paid for such period, in proportion to the full amounts of dividends for such period to which they are entitled.

4. *Preference on Liquidation.* In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of each series of Preference Stock shall be entitled to receive the amount fixed for such series plus an amount equal to all dividends accumulated thereon to the date of final distribution whether or not earned or declared. If the assets of the Company are not sufficient to pay such amounts in full, holders of all shares of Preference Stock shall participate ratably in the distribution of assets in proportion to the full amounts to which they are entitled. Neither the merger nor consolidation of the Company into or with any other corporation, nor a sale, transfer or lease of all or part of its assets, shall be deemed a liquidation, dissolution or winding up of the Company within the meaning of this paragraph.

5. *Redemption.*

(a) Except as otherwise hereafter provided, the Company at the option of the board of directors may redeem all or part of the shares of any series of Preference Stock on the terms and conditions fixed for such series. Notice of the redemption date shall be mailed to the holders of record of the shares to be redeemed at their addresses shown on the books of the Company at least 30 days in advance of the date designated for redemption. In case of the redemption of less than all outstanding shares of any series of Preference Stock, the shares to be redeemed shall be selected by lot or in such other manner as the board of directors determines.

(b) If on or before the specified redemption date, the Company deposits the necessary funds with a bank or trust company in Philadelphia, Pennsylvania, or in New York, New York, in trust to be applied to the redemption of the shares to be redeemed, then from and after the date of such deposit such shares shall no longer be deemed outstanding and all rights of the holders thereof shall cease except the right (i) to receive the redemption price without interest, and (ii) to exercise on or before the specified redemption date any privileges of conversion or exchange to which the holders are then entitled. Any amounts not claimed by the holders of shares so called for redemption within six years after the specified redemption date shall be paid to the Company by the depository, which shall thereby be relieved of all responsibility in respect thereof and such holder shall thereafter look only to the Company for the payment of the redemption price. Any interest accrued on funds so deposited shall be paid to the Company.

(c) If the Company is in default with respect to any dividend payable on or any sinking or purchase fund requirement relating to shares of Preference Stock, the Company without the affirmative vote or consent of the holders of at least two-thirds of the Preference Stock then outstanding, regardless of series, shall not redeem or purchase less than all of the Preference Stock.

ARK 01477

6. *Certain Action by the Company.*

(a) Without the affirmative vote or consent of the holders of at least two-thirds of the Preference Stock then outstanding, the Company will not (i) create another class of stock ranking prior to the Preference Stock as to dividends or upon liquidation, or increase the authorized number of shares of any such other class, or (ii) change the preferences, qualifications, limitations, restrictions or special or relative rights of the Preference Stock in any manner adverse to the holders thereof, provided that if any such change would affect any particular series materially and adversely as contrasted with the effect upon any other series, no such change may be made without, in addition, the vote or consent of the holders of at least two-thirds of the particular series so affected, and further provided that if any such change would not be in any manner adverse to the holders of any series of Preference Stock, the vote or consent of the holders of such series will not be required by this paragraph 6(a) and the shares of such series will be deemed to be not then outstanding for purposes of this paragraph 6(a).

(b) Without the affirmative vote or consent of the holders of at least a majority of the Preference Stock then outstanding, the Company will not (i) take any action specified in paragraph 6(a) which would affect any particular series materially and adversely as contrasted with the effect on any other series of Preference Stock, (ii) increase or decrease the par value or increase the authorized number of shares of Preference Stock, or (iii) create any class of stock ranking on a parity with the Preference Stock as to dividends or upon liquidation, or increase the authorized number of shares of any such class.

7. *Special Voting Rights of Preference Stock.*

(a) In addition to any other voting rights enjoyed by holders of Preference Stock, whenever dividends payable on any series of such stock are in default in an aggregate amount equivalent to six full quarterly dividends per share, the number of directors of the Company shall be increased by two and the holders of Preference Stock shall have the right, voting separately as a class without regard to series, to elect two directors of the Company to fill the vacancies thereby created. Such right may be exercised initially at a special meeting of such holders or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, and shall continue until all dividends accumulated on the Preference Stock have been paid in full, whereupon such right shall terminate subject to revesting in the event of any subsequent like default in dividend payments.

(b) The Secretary of the Company shall call a meeting of the holders of Preference Stock to be held within 60 days after they become entitled to elect two members of the board of directors as above provided. The directors elected at such meeting shall continue in office until the next annual meeting of the shareholders and until their successors are elected and qualified, except that the term of office of such directors or their successors shall terminate automatically at such time as all dividends accumulated on the Preference Stock have been paid in full.

(c) Any vacancy among the directors elected by the holders of Preference Stock shall be filled by the remaining such director, if any, otherwise by vote of holders of Preference Stock at a meeting called as provided above.

COMMON STOCK

8. *Dividends.* Holders of Common Stock shall be entitled to receive such dividends as may be declared by the board of directors, except that the Company will not declare, pay or set apart for payment any dividend on shares of Common Stock (other than dividends payable in Common Stock), or directly or indirectly make any distribution on, redeem, purchase or otherwise acquire any such shares, if at the time of such action the Company is in default with respect to any dividend payable on or any sinking or purchase fund requirement relating to shares of Preference Stock.

9. *Distribution of Assets.* In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Common Stock shall be entitled to receive pro rata all of the remaining assets of the Company available for distribution to its shareholders after all amounts to which the holders of Preference Stock are entitled have been paid or set aside in cash for payment.

10. *Voting Rights.* Shares of Common Stock shall have general power to vote in the election of directors and for all other purposes, on the basis of one vote per share.

ARK 01478

PART B

The following is a statement of the voting rights, designations, preferences, qualifications, privileges, limitations, options, conversion rights and other special rights of the first two series of Preference Stock.

Subpart 1: First Series of Preference Stock

1. *Designation of Series.* The series shall be designated the $2.50 Cumulative Convertible Preference Stock (hereafter called the "First Series").

2. *Number of Shares.* The number of shares of the First Series shall be 440,642, less the number of such shares which shall have been converted into shares of Common Stock prior to the date these restated Articles of Incorporation become effective, which number from time to time may be increased or decreased (but not below the number of shares of the series then outstanding) by resolution of the board of directors of the Company.

3. *Dividends.* The dividend rate of shares of the First Series shall be $2.50 per share per annum in cash, and no more, which shall be payable quarterly on the first day of February, May, August and November of each year. Dividends shall cumulate from July 1, 1966.

4. *Redemption.* Shares of the First Series shall be redeemable in whole or in part at any time or times after July 1, 1971, but not earlier. The redemption price shall be $85 per share in the first year when redeemable and shall decrease 50 cents on the first day of July of each succeeding year until it reaches $75 per share which shall thereafter remain the redemption price, plus in each case an amount equal to all dividends accumulated on such shares to the date fixed for redemption whether or not earned or declared.

5. *Liquidation.* The amount payable upon shares of the First Series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company shall be $75 per share, plus an amount equal to all dividends accumulated thereon to the date of final distribution whether or not earned or declared, and no more.

6. *Conversion Rights.* Any holder of shares of the First Series may convert any or all of such shares into fully paid and nonassessable shares of Common Stock of the Company (hereafter called "Common Stock") on the terms, at the times, and in the manner hereinafter set forth.

(a) Shares of the First Series may be converted at any time into shares of Common Stock at the rate of one and one-half shares of Common Stock for each share of the First Series, such rate to be subject to adjustment as hereinafter provided, except that as to any shares of such series which are called for redemption pursuant to paragraph 4 hereof the right of conversion shall terminate at the close of business on the fifth day prior to the date fixed for redemption. Upon conversion no adjustment shall be made for dividends either on the shares being converted or on the Common Stock issued thereupon.

(b) Any holder of shares of the First Series who elects to convert them shall surrender the certificate therefor at the principal office of any Transfer Agent for such shares, with the form of written notice endorsed on such certificate of his election to convert them completed. If necessary under the circumstances such certificate shall be endorsed for transfer or accompanied by executed instruments of transfer, together with such other transfer papers as the Transfer Agent may reasonably require. The Company or such Transfer Agent may require, as a condition to the exercise of the conversion privilege, the payment of any transfer tax or other governmental charge (but not any tax payable upon the issue of stock deliverable upon such conversion) that may be imposed upon any transfer incidental or prior to the conversion, or the submission of proper proof that the same has been paid. The conversion privilege shall be deemed to have been exercised, and the shares of Common Stock issuable upon such conversion shall be deemed to have been issued, upon the date the Transfer Agent receives for conversion the certificate representing such shares with the requirements for conversion satisfied, except that as to any shares of such series which are surrendered for conversion on a date which is less than five business days preceding the date fixed for the determination of holders of Common Stock entitled to receive rights to subscribe for or to purchase shares of Common Stock or other securities of the Company convertible into Common Stock, the conversion privilege shall be deemed to have been exercised on the business day next succeeding the date fixed for such determination. Each person entitled to receive the Common Stock issuable upon such conversion shall from the same date be treated as the record holder of such Common Stock, and the person who surrenders such shares for conversion shall on that date cease to be treated as the record holder of the shares surrendered.

ARK 01479

(c) The Company shall not issue in connection with the conversion of shares of the First Series certificates for a fraction of one share of Common Stock, but in lieu thereof shall pay to any person who would otherwise be entitled thereto an amount of cash equal to such fraction multiplied by the Market Price of the Common Stock on the last business day of the week preceding the week in which the conversion privilege was deemed to have been exercised. As used herein, "Market Price" means the closing sales price of the Common Stock (or if there were no sales the closing bid price) on the principal stock exchange on which the Common Stock is then listed, or if it is not so listed the closing bid price on the New York over-the-counter market.

(d) As soon as practicable after the effective date of conversion of any shares of the First Series, the Company shall deliver to the person or persons entitled thereto, at the principal office of the Transfer Agent at which such stock was surrendered for conversion, certificates representing the shares of Common Stock and any cash to which such person or persons shall be entitled on such conversion.

(e) The conversion rate set forth in subparagraph (a) of this paragraph 6 shall be subject to adjustment as follows:

(i) if the Company subdivides the outstanding shares of its Common Stock into a greater number of shares or combines them into a smaller number of shares, the conversion rate in effect immediately prior to such subdivision or combination shall be proportionately increased or decreased effective at the opening of business on the day following the day upon which such subdivision or combination becomes effective;

(ii) if the Company fixes a record date for the purpose of determining the holders of shares of Common Stock entitled to receive any dividend in Common Stock, the conversion rate in effect immediately prior to such record date shall be proportionately increased effective at the opening of business on the day following such record date, provided that if for any reason the plan to pay such dividend in Common Stock is legally abandoned before payment, then any adjustment made in the conversion rate by reason of the passage of such record date shall be cancelled as of the date the plan is abandoned; and

(iii) the issuance to holders of Common Stock of the Company of rights to subscribe to Common Stock at a price lower than 90% of the Market Price (defined above) thereof as of the close of business on the last business day of the week preceding such issuance of rights shall be deemed to constitute payment of a dividend in Common Stock of that number of shares which is determined by dividing the Market Price per share as of such time into the difference between (A) the total Market Price as of such time of the number of shares purchasable upon exercise of such rights and (B) the total offering price of such shares.

(f) In case of

(i) any reclassification or change of the Common Stock of the Company other than a change in its par value, or a change from par value to no par value, or a case provided for in subparagraph (e) of this paragraph 6, or

(ii) a merger or consolidation in which the Company is not the continuing corporation,

provision shall be made so that holders of the First Series shall thereafter have the right to convert each share thereof into the kind and amount of shares of stock or other securities or property receivable upon such reclassification, change, merger or consolidation by a holder of the number and kind of shares of capital stock of the Company into which such shares of the First Series were convertible immediately prior thereto. In any such case the board of directors shall determine the manner in which the adjustments provided for in subparagraph (e) of this paragraph 6 shall thereafter be made.

(g) Whenever the conversion rate is required to be adjusted:

(i) the Company shall file a certificate setting forth such adjusted conversion rate and the facts upon which the adjustment is based with the Transfer Agents for shares of the First Series and the Transfer Agents for the Common Stock and thereafter [illegible] the adjusted conversion rate shall be as set forth in such certificate; and

(ii) the Company shall mail notice of such adjusted conversion rate to each holder of shares of the First Series.

ARK 01480

(h) So long as any shares of the First Series remain outstanding, and the holders have the right to convert them, the Company shall reserve from the authorized and unissued shares of its Common Stock a sufficient number of shares to provide for such conversion.

7. *Voting Rights.* Except as provided below, holders of shares of the First Series shall have the general power to vote in the election of directors and for all other purposes, on the basis of one vote per share. Holders of shares of the First Series shall not have the general power to vote (i) on any matters on which they are entitled to vote as a series or as part of the class of Preference Stock, regardless of series, or (ii) in the election of directors during any period when they are entitled to vote as part of the class of Preference Stock, regardless of series, to elect two directors as provided in Paragraph 7 of Part A.

Subpart 2: Second Series of Preference Stock

1. *Designation of Series.* The series shall be designated the Second Series Cumulative Convertible Preference Stock (hereafter called the "Second Series").

2. *Number of Shares.* The number of shares of the Second Series shall be 2,433,597, which number from time to time may be increased or decreased (but not below the number of shares of the series then outstanding) by resolution of the board of directors of the Company.

3. *Dividends.* The dividend rate of shares of the Second Series shall be as follows:

(a) until June 30, 1971, the dividend rate shall be $1.25 per share per annum in cash, and no more, and

(b) beginning July 1, 1971, the dividend rate shall be $1.60 per share per annum in cash, and no more;

and dividends shall be payable quarterly on the first day of February, May, August and November of each year. Dividends shall cumulate on each share of the Second Series as follows:

(i) from the date of issue, if issued prior to the date on which dividends on the Second Series first became payable;

(ii) from the last preceding payment date, if issued after a payment date for the Second Series and on or before the next succeeding record date; and

(iii) from the next succeeding payment date, if issued after the record date for a dividend on the Second Series and on or before the payment date of such dividend.

Notwithstanding the foregoing, if any share of the Second Series is issued at a time when there is a default in the payment of dividends on outstanding shares of the Second Series, then such share shall be entitled to cumulative dividends from the date to which cumulative dividends have been paid or declared and set aside for payment on each outstanding share of the Second Series.

4. *Redemption.* Shares of the Second Series shall be redeemable in whole or in part at any time or times after the fifth anniversary of the date of their issue, but not earlier. The redemption price shall be $43 per share in the first year when redeemable and shall decrease 25 cents on each succeeding anniversary of the date of issue until it reaches $38 per share which shall thereafter remain the redemption price, plus in each case an amount equal to all dividends accumulated on such shares to the date fixed for redemption whether or not earned or declared.

5. *Liquidation.* The amount payable upon shares of the Second Series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company shall be $38 per share, plus an amount equal to all dividends accumulated thereon to the date of final distribution whether or not earned or declared, and no more.

6. *Conversion Rights.* Any holder of shares of the Second Series may convert any or all of such shares into fully paid and nonassessable shares of Common Stock of the Company (hereafter called "Common Stock") on the terms, at the times, and in the manner hereinafter set forth.

(a) Shares of the Second Series may be converted at any time into shares of Common Stock at the rate of .58 shares of Common Stock for each share of the Second Series, such rate to be subject to adjust-

ARK 01481

ment as hereinafter provided, except that as to any shares of such series which are called for redemption pursuant to paragraph 4 hereof the right of conversion shall terminate at the close of business on the fifth day prior to the date fixed for redemption, unless default shall be made in the payment of the redemption price. Upon conversion no adjustment shall be made for dividends either on the shares being converted or on the Common Stock issued thereupon.

(b) Any holder of shares of the Second Series who elects to convert them shall surrender the certificate therefor at the principal office of any Transfer Agent for such shares, with the form of written notice endorsed on such certificate of his election to convert them completed. If necessary under the circumstances such certificate shall be endorsed for transfer or accompanied by executed instruments of transfer, together with such other transfer papers as the Transfer Agent may reasonably require. The Company or such Transfer Agent may require, as a condition to the exercise of the conversion privilege, the payment of any transfer tax or other governmental charge (but not any tax payable upon the issue of stock deliverable upon such conversion) that may be imposed upon any transfer incidental or prior to the conversion, or the submission of proper proof that the same has been paid. The conversion privilege shall be deemed to have been exercised, and the shares of Common Stock issuable upon such conversion shall be deemed to have been issued, upon the date the Transfer Agent receives for conversion the certificate representing such shares with the requirements for conversion satisfied, except that as to any shares of such series which are surrendered for conversion on a date which is less than five business days preceding the date fixed for the determination of holders of Common Stock entitled to receive rights to subscribe for or to purchase shares of Common Stock or other securities of the Company convertible into Common Stock, the conversion privilege shall be deemed to have been exercised on the business day next succeeding the date fixed for such determination. Each person entitled to receive the Common Stock issuable upon such conversion shall from the same date be treated as the record holder of such Common Stock, and the person who surrenders such shares for conversion shall on that date cease to be treated as the record holder of the shares surrendered.

(c) The Company shall not issue in connection with the conversion of shares of the Second Series certificates for a fraction of one share of Common Stock, but in lieu thereof shall pay to any person who would otherwise be entitled thereto an amount of cash equal to such fraction multiplied by the Market Price of the Common Stock on the last business day of the week preceding the week in which the conversion privilege was deemed to have been exercised. As used herein, "Market Price" means the closing sales price regular way of the Common Stock (or if there were no sales the closing bid price) on the principal stock exchange on which the Common Stock is then listed, or if it is not so listed the closing bid price regular way on the New York over-the-counter market.

(d) As soon as practicable after the effective date of conversion of any shares of the Second Series, the Company shall deliver to the person or persons entitled thereto, at the principal office of the Transfer Agent at which such stock was surrendered for conversion, certificates representing the shares of Common Stock and any cash to which such person or persons shall be entitled on such conversion.

(e) The conversion rate set forth in subparagraph (a) of this paragraph 6 shall be subject to adjustment as follows:

(i) if the Company subdivides the outstanding shares of its Common Stock into a greater number of shares or combines them into a smaller number of shares, the conversion rate in effect immediately prior to such subdivision or combination shall be proportionately increased or decreased effective at the opening of business on the day following the day upon which such subdivision or combination becomes effective;

(ii) if the Company fixes a record date for the purpose of determining the holders of shares of Common Stock entitled to receive any dividend in Common Stock, the conversion rate in effect immediately prior to such record date shall be proportionately increased effective at the opening of business on the day following such record date, provided that if for any reason the plan to pay such dividend in Common Stock is legally abandoned before payment, then any adjustment made in the conversion rate by reason of the passage of such record date shall be cancelled as of the date the plan is abandoned; and

(iii) the issuance to holders of Common Stock of the Company of rights to subscribe to Common Stock at a price lower than 90% of the Market Price (defined above) thereof as of the close of business on the last business day of the week preceding such issuance of rights shall be deemed to constitute payment of a dividend in Common Stock of that number of shares which is determined by dividing the Market Price per share as of such time into the difference between (A) the total Market Price as of such time of the number of shares purchasable upon exercise of such rights and (B) the total offering price of such shares.

(f) In case of

(i) any reclassification or change of the Common Stock of the Company other than a change in its par value, or a change from par value to no par value, or a case provided for in subparagraph (e) of this paragraph 6, or

(ii) a merger or consolidation in which the Company is not the continuing corporation,

provision shall be made so that holders of the Second Series shall thereafter have the right to convert each share thereof into the kind and amount of shares of stock or other securities or property receivable upon such reclassification, change, merger or consolidation by a holder of the number and kind of shares of capital stock of the Company into which such shares of the Second Series were convertible immediately prior thereto. In any such case the board of directors shall determine the manner in which the adjustments provided for in subparagraph (e) of this paragraph 6 shall thereafter be made.

(g) Whenever the conversion rate is required to be adjusted:

(i) the Company shall file a certificate setting forth such adjusted conversion rate and the facts upon which the adjustment is based with the Transfer Agents for shares of the Second Series and the Transfer Agents for the Common Stock and thereafter (until further adjusted) the adjusted conversion rate shall be as set forth in such certificate; and

(ii) the Company shall mail notice of such adjusted conversion rate to each holder of shares of the Second Series.

(h) So long as any shares of the Second Series remain outstanding, and the holders have the right to convert them, the Company shall reserve from the authorized and unissued shares of its Common Stock a sufficient number of shares to provide for such conversion.

7. *Voting Rights.* Except as provided below, holders of shares of the Second Series shall have the general power to vote in the election of directors and for all other purposes, on the basis of .58 of a vote per share. Holders of shares of the Second Series shall not have the general power to vote on any matters on which they are entitled to vote as a series or as a part of the class of Preference Stock, regardless of series, except such holders shall still be entitled to vote generally in the election of directors when they are also entitled to vote as part of the class of Preference Stock.

ARK 01483

PENNSALT CHEMICALS CORPORATION

Secretary's Certificate

I, J. Gordon Logue, Secretary of PENNSALT CHEMICALS CORPORATION, a Pennsylvania corporation (the "Company"), DO HEREBY CERTIFY, in accordance with Section 251(c) of General Corporation Law of the State of Delaware, that the foregoing Plan and Agreement of Merger, to which this certificate is attached, was duly submitted to the shareholders of the Company at a meeting of the shareholders of the Company on February 27, 1969 duly called and convened for the purpose of considering and voting upon the adoption of the foregoing Plan and Agreement of Merger, and shareholders of the Company, voting in person or by proxy, who owned more than a majority of the outstanding Common Stock and more than a majority of the outstanding $2.50 Cumulative Convertible Preference Stock, voted for the adoption of said Plan and Agreement of Merger, all in accordance with the Business Corporation Law of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of PENNSALT CHEMICALS CORPORATION this 14 day of March, 1969.

XXXXXX
XXXXXX

PENNSALT CHEMICALS CORPORATION

J. Gordon Logue
J. Gordon Logue, *Secretary*

WALLACE & TIERNAN INC.

Secretary's Certificate

I, Joseph C. Cornwall, Secretary of WALLACE & TIERNAN INC., a Delaware corporation (the "Company"), DO HEREBY CERTIFY, in accordance with Section 251(c) of the General Corporation Law of the State of Delaware, that the foregoing Plan and Agreement of Merger, to which this certificate is attached, was duly submitted to the stockholders of the Company at a meeting of the stockholders of the Company on February 27, 1969 duly called and convened for the purpose of considering and voting upon the adoption of the foregoing Plan and Agreement of Merger, and stockholders of the Company, voting in person or by proxy, who owned more than two-thirds of the outstanding Common Stock of the Company, voted for the adoption of said Plan and Agreement of Merger, all in accordance with the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of WALLACE & TIERNAN INC., this 14th day of March, 1969.

XXXXXX

WALLACE & TIERNAN INC.
CORPORATE SEAL
1928
DELAWARE

Joseph C. Cornwall
Joseph C. Cornwall, *Secretary*

ARK 01484

The foregoing Plan and Agreement of Merger having been duly adopted by the stockholders of each of the corporations which are parties hereto, and the fact of the adoption thereof having been duly certified thereon by the secretary of each of said corporations, all in accordance with law, said Plan and Agreement of Merger is hereby signed by the president of each of said corporations, with the respective corporate seals affixed hereto and attested by the secretary of each of said corporations, this 14th day of March, 1969.

XXXXXX PENNSALT CHEMICALS CORPORATION PENNSALT CHEMICALS CORPORATION

Attest: J. Gordon Logue
J. Gordon Logue, *Secretary*

By William P. Drake
William P. Drake, *President*

XXXXXX WALLACE & TIERNAN INC. CORPORATE SEAL 1928 DELAWARE WALLACE & TIERNAN INC.

Attest: Joseph C. Cornwall
Joseph C. Cornwall, *Secretary*

By Charles H. Rybolt
Charles H. Rybolt, *President*

ARK 01485

STATE OF Penna.
COUNTY OF Phila. } ss

BE IT REMEMBERED that on this 14th day of March, 1969, personally came before me, Mary J. Kelly, a Notary Public in and for the State and County aforesaid, William P. Drake, the President of PENNSALT CHEMICALS CORPORATION, a Pennsylvania corporation and one of the corporations described in the foregoing Plan and Agreement of Merger, known to me personally to be such, and said William P. Drake, as such President, duly signed said Plan and Agreement of Merger, as adopted by the shareholders of said corporation, before me and acknowledged that said Plan and Agreement of Merger, as so adopted, was the act and deed of said corporation and that the facts stated therein are true; and that the seal affixed to said Plan and Agreement of Merger, as so adopted, and attested by the secretary of said corporation, is the corporate seal of said corporation.

GIVEN under my hand and seal of office the day and year aforesaid.

Mary J. Kelly
Notary Public

MARY J. KELLY
NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA

My commission expires:

MARY J. KELLY, Notary Public
PHILA., PHILA. COUNTY PA.
My Commssion Expires Feb. 13, 1971

STATE OF New Jersey
COUNTY OF Essex } ss

BE IT REMEMBERED that on this 14th day of March, 1969, personally came before me, Grace V. Grant, a Notary Public in and for the State and County aforesaid, Charles H. Rybolt, the President of WALLACE & TIERNAN INC., a Delaware corporation and one of the corporations described in the foregoing Plan and Agreement of Merger, known to me personally to be such, and said Charles H. Rybolt, as such President, duly signed said Plan and Agreement of Merger, as adopted by the stockholders of said Corporation, before me and acknowledged that said Plan and Agreement of Merger, as so adopted, was the act and deed of said corporation and that the facts stated therein are true; and that the seal affixed to said Plan and Agreement of Merger, as so adopted, and attested by the secretary of said corporation, is the corporate seal of said corporation.

GIVEN under my hand and seal of office the day and year aforesaid.

GRACE V. GRANT
NOTARY PUBLIC
NEW JERSEY

Grace V. Grant
Notary Public

My commission expires:

GRACE V. GRANT
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 12, 1972

ARK 01486

State of Delaware

Office of Secretary of State.

I, Eugene Bunting, *Secretary of State of the State of Delaware,*

do hereby certify *that the above and foregoing is a true and correct copy of* Certificate of Agreement of Merger of the "WALLACE & TIERNAN INC." a corporation organized and existing under the laws of the State of Delaware, merging with and into the "PENNSALT CHEMICALS CORPORATION", a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, under the name of "PENNWALT CORPORATION", as received and filed in this office the thirty-first day of March, A.D. 1969, at 10 o'clock A.M.;

And I do hereby further certify that the aforesaid Corporation shall be governed by the laws of the Commonwelath of Pennsylvania.

In Testimony Whereof, *I have hereunto set my hand and official seal at Dover this* thirty-first *day of* March *in the year of our Lord one thousand nine hundred and* sixty-nine.

Eugene Bunting

Secretary of State

R N Caldwell

Ass't Secretary of State

FORM 121

ARK 01487