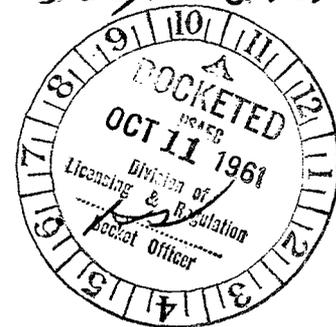


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THE MARTIN COMPANY

filed
Trans. uplts. 10-10-61

Notice of Special Meeting of Stockholders



TO THE STOCKHOLDERS:

Notice is hereby given that a Special Meeting of the stockholders of The Martin Company will be held on October 9, 1961 at 11:00 o'clock a.m., Eastern Daylight Saving Time, at the offices of the Company, Middle River, Baltimore County, Maryland, for the following purposes:

(1) To consider and take action upon the proposed Articles and Plan of Consolidation (the Plan) of The Martin Company with American-Marietta Company, an Illinois corporation, declared advisable by the Board of Directors, pursuant to which a new corporation to be designated Martin-Marietta Corporation will be formed under the laws of the State of Maryland. The new corporation when so formed will issue shares of its stock to stockholders of The Martin Company and American-Marietta Company in accordance with the Plan, and will succeed to all of the assets of The Martin Company and American-Marietta Company and assume all of their respective liabilities.

(2) To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on August 30, 1961, the record date fixed by the Board of Directors, will be entitled to vote at the Special Meeting.

By Order of the Board of Directors

W. L. LUCAS, *Secretary*

Middle River, Maryland

August 30, 1960

Approval by the holders of a majority of the total number of shares outstanding on August 30, 1961 is required to approve the proposed consolidation. Whether or not you plan to attend the Special Meeting of the stockholders, you are requested to sign and return at once the accompanying Proxy. If you do attend the meeting, you may vote there in person should you so desire.

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[Signature]

**PROXY STATEMENT
FOR SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD OCTOBER 9, 1961**

There is enclosed herewith a Notice of a Special Meeting of Stockholders of The Martin Company (herein called "Martin") to be held at the offices of the Company, Middle River, Baltimore County, Maryland, at 11 o'clock A.M. Eastern Daylight Saving Time October 9, 1961, and a proxy for the special meeting. The meeting has been called to take action on the proposed consolidation of Martin with American-Marietta Company (herein called "American-Marietta"), an Illinois corporation, into a new corporation to be designated Martin-Marietta Corporation (herein called the "Consolidated Company") which will be formed under the laws of the State of Maryland, the Consolidated Company to succeed to all of the assets of Martin and American-Marietta and assume all of their respective liabilities.

At the Special Meeting Articles and Plan of Consolidation will be submitted to the stockholders for adoption.

REASONS FOR CONSOLIDATION

During the past decade, Martin has experienced rapid growth in the fields of missiles, aerospace and allied electronics and nucleonics activities. The management of Martin is confident that it has the technological capability to remain in the forefront of these activities.

Martin management feels that it now has reached the size and financial position where, for the long term, it should broaden the base of its operations to include major participation in the industrial and commercial growth of the economy. Diversification now and new growth areas for the future are the primary factors which influenced the directors of both companies to approve the proposed consolidation.* American-Marietta's sales in the past decade have grown from \$66 million to \$368 million and its profits have increased from \$2.8 million to \$24 million. It is a leading factor in a number of basic growth industries, including paints, industrial finishes, household cleaning products, synthetic resins and adhesives, chemicals as more fully described below, cement, printing inks and a wide variety of building and construction materials. The proposed consolidation offers a unique opportunity to establish a broadly diversified company and there are additional benefits mentioned below that Martin's management believes will result from the consolidation.

Research and New Markets

Both Martin and American-Marietta maintain strong research programs in the development of new materials and products, but to date, Martin because of its lack of commercial outlets, has not been able to translate the application of its technical activities in the commercial market. Its management envisages new opportunities in research and product development that should result in the application of some of Martin's technical developments for civilian application. There can be no assurance, however, that the consolidation will enable Martin to find commercially profitable outlets for the application of its technical activities. Likewise, American-Marietta's improvements in materials and structural design may fill some of the complex needs of aerospace technology.

Depth of Management

It is believed there is strength and depth of management in both companies—each fully competent in its primary fields of activity and each able to complement the other in achieving the objectives of the Consolidated Company. Under the leadership of Mr. Grover M. Hermann, American-Marietta management has accomplished the growth set forth above.

In the organization and operating structure of the Consolidated Company, it is contemplated that Martin and American-Marietta will each maintain its identity with respect to the management, conduct of its business and customer relations. It is presently contemplated that all of the executive officers of each company will be retained in an executive or administrative capacity and that the various divisions of each of the companies will continue to be operated as separate divisions under the supervision of

* Announcement of these approvals on June 23, 1961 was the first public disclosure of the proposed consolidation.

the persons presently charged with primary responsibility for the conduct of the same. The existing employment agreements between Martin and Messrs. George M. Bunker and Clarence W. Miles (hereinafter on page 22 more fully described) will be assumed by the Consolidated Company which becomes responsible for the compliance with the terms and conditions thereof.

Stronger Corporate Structure

The financial structure of the Consolidated Company, with estimated annual sales based on present operations in excess of \$1 billion and total assets of over \$500 million, will provide a strong base for such future activities as may be desirable to permit the further growth of the company's business. In addition, the consolidation will generate a cash flow of sizeable proportion, a total of \$68 million for the two companies in 1960.

Benefits To Martin Stockholders

Under the terms of the consolidation, Martin stockholders would receive 1.3 shares of common stock of the Consolidated Company for each share presently held, and American-Marietta common stockholders would receive a share-for-share exchange. In arriving at such exchange ratios, consideration was given to the diversity of the businesses of the constituent companies, the earnings of each company for the current and preceding five (5) years, the market values of the shares of each company prevailing during the said period, the book value of each company's common stock and the prospective earnings for each company for 1961 and 1962. Such consideration resulted in the conclusion by the respective managements of the two companies that the aforementioned basis of exchange was an equitable one. (See pages 17-19 hereof with respect to Per Share Earnings, Book Value of Common Stocks and Price Range of Common Stocks). The American-Marietta Class B stock would be eliminated and its holders would receive 4½% Cumulative Preferred Stock (non-convertible) of the Consolidated Company. The book value of such stock at November 30, 1960 was \$13.09 per share or an aggregate book value of \$42,106,637. It was the best judgment of the respective managements of the two companies, having in mind the dividend limitation (See page 24) and the lack of a market for the Class B Common Shares, as well as the probability that the 4½% Cumulative Preferred Stock to be issued would have a market value less than the par value thereof, that a fair and equitable basis of exchange would be one whereby holders of Class B Common Shares would receive shares of 4½% Cumulative Preferred Stock (non-convertible) of the Consolidated Company representing approximately 90% of the book value of said Class B Common Shares or \$38,000,000. This basis of exchange represents approximately 12/100ths of a share of the new preferred stock for each Class B Common Share. American-Marietta will redeem its outstanding 5% Cumulative Preferred Shares prior to the consolidation.

The effect of the consolidation at the outset would be a reduction in Martin's anticipated per-share earnings for 1961 to about the level of last year's per-share earnings which reflected an increase of 70 per cent over the past five years. However, the consolidation would provide Martin stockholders with an immediate 30 per cent increase in cash dividends based on the recent historical dividend record of both of the constituent companies, increased book value and prospects of long-term stability through immediate diversification and possible future expansion into new growth areas. Payment of dividends by the Consolidated Company is, of course, subject to future business conditions, the Company's earnings and financial condition.

It is the considered opinion of Martin's directors and management that the consolidation is in the best interest of all stockholders.

SUMMARY OF THE PLAN

At meetings held on August 3, 1961, the Boards of Directors of Martin and American-Marietta approved and recommended an Agreement of Consolidation dated as of August 1, 1961 (the Agreement), pursuant to which Martin and American-Marietta (the constituent companies) will be consolidated into a new Maryland corporation to be known as Martin-Marietta Corporation. At the same meeting the Martin Board of Directors adopted a resolution approving proposed Articles and Plan of Consolidation of the constituent companies (the Articles), setting forth the terms of such consolidation and declaring that the proposed consolidation is advisable substantially upon the terms and conditions set forth in the Articles. Copies of the Agreement and the Articles are attached hereto and marked

as Appendix 1 and Exhibit A to Appendix 1, respectively. The American-Marietta Board has approved the Agreement and the Articles.

Briefly stated, the Agreement provides that the title to all of the assets of the constituent companies will devolve upon the Consolidated Company, and the Consolidated Company will assume all of the liabilities of the constituent companies. The Consolidated Company will issue new shares of its capital stock to the holders of the common stock of the constituent companies. The presently outstanding 5% Cumulative Preferred Shares of American-Marietta will be redeemed and retired prior to the consolidation.

Capital Stock Outstanding before and after the Consolidation

On July 31, 1961 Martin had outstanding 6,258,829 shares of Common Stock without par value, which will be converted (on a 1.3 for 1 basis) into 8,136,478 shares of Common Stock of the par value of \$1 per share of the Consolidated Company. Arrangements will be made for the matching and combination or the purchase and sale of fractional interests in respect of Martin certificates surrendered for exchange within 60 days after the consolidation becomes effective.

On July 31, 1961, American-Marietta had outstanding: (a) 200,599 5% Cumulative Preferred Shares, \$100 par value per share. These shares will be redeemed. (b) 3,191,189 Class B Common Shares, \$2 par value. It is anticipated that prior to the consummation of the consolidation but after the approval thereof by the stockholders of the constituent companies, 70,314 of these shares will be converted into an equal number of Common Shares and simultaneously therewith 70,314 of the outstanding Common Shares of American-Marietta will be surrendered to it as a capital contribution, with the result that there will be no net increase in the number of American-Marietta Common Shares outstanding. The remaining 3,120,875 Class B Common Shares will be converted into 380,000 shares of 4½% Cumulative Preferred Stock, \$100 par value of the Consolidated Company. (c) 13,199,875 Common Shares, \$2 par value, which will be converted into a like number of shares of Common Stock, \$1 par value of the Consolidated Company.

The preferred stock to be issued by the Consolidated Company will not be convertible into shares of Common Stock. The terms, conditions and provisions of the 4½% Cumulative Preferred Stock are fully set forth in Article IV, subdivision SIXTH, of the Articles hereto attached.

Warrants and Stock Options

Holders of Warrant Certificates issued by Martin pursuant to its Indenture dated as of November 1, 1958, to Fidelity-Baltimore National Bank, as Trustee, will be entitled to subscribe for shares of Common Stock of the Consolidated Company in accordance with the terms of the Indenture.

Each Warrant upon the consolidation becoming effective will entitle the holder to subscribe for 2.73 shares of Common Stock of the Consolidated Company for \$40 to and including November 1, 1963, and for \$45 thereafter and to and including November 1, 1968. Shares of Common Stock will be reserved by the Consolidated Company for issuance upon the exercise of such Warrants.

Holders of stock options granted by Martin, upon the consolidation becoming effective, will be entitled to purchase from the Company 1.3 shares of Common Stock of the Consolidated Company in the place and stead of each share of Common Stock without par value of Martin which such holder was entitled to purchase immediately prior to the consolidation, subject, however, to such minor adjustment as may be necessary to preserve the "restricted" status of the stock options under the United States Internal Revenue Code. Shares of Common Stock will be reserved by the Consolidated Company for issuance upon the exercise of such stock options.

Effective Date

The consolidation will become effective after approval by the stockholders of the constituent companies at the special meetings to be held on October 9, 1961, and upon compliance with the laws of the States of Maryland and Illinois in relation to the filing of the Articles with the public authorities in those states.

Termination and Abandonment of the Consolidation

The Agreement may be terminated and the consolidation abandoned by resolution of the Board of Directors of either of the constituent companies if certain conditions of that company's obligations set forth in the Agreement are not satisfied. The Agreement may be terminated and the consolidation abandoned by the two constituent companies (each acting by its Board of Directors) by mutual consent, at any time before the consolidation becomes effective. In the event of any termination of the Agreement and abandonment of the consolidation, neither of the constituent companies shall have any liability to the other for costs, expenses, loss of anticipated profits, or otherwise, in connection with the Agreement.

It is not contemplated that the Agreement will be terminated or abandoned for any reason other than the failure on the part of either of the constituent companies to comply with its covenants and obligations thereunder.

BUSINESS AND PROPERTIES OF AMERICAN-MARIETTA

American-Marietta is engaged directly and through subsidiaries in the production, manufacture and sale of construction materials and products, a wide variety of chemicals and chemical products sold to numerous industries, and other miscellaneous products, all as more fully described below. The approximate percentage contribution of these three groups to consolidated net sales for the fiscal year ended November 30, 1960 were as follows: construction materials—44%, chemicals and chemical products—41%, miscellaneous products—15%. The number of persons employed by American-Marietta as of June 30, 1961 was 16,247.

Construction Materials

Cement. Portland cement is widely used in many types of construction. It is sold in bulk to ready-mix concrete producers and to contractors for use in building highways, airports, bridges, dams, waterways, military installations and other structures. Portland cement and mortar cement, used in brick and stone construction, are also sold to independent distributors and dealers.

Cement is produced by the following divisions of American-Marietta: Dragon Cement, with plants in Northampton, Pennsylvania, and Thomaston, Maine; Standard Lime & Cement, with a plant at Martinsburg, West Virginia; Southern Cement, with two plants near Birmingham, Alabama; and Dewey Portland Cement, with plants in Dewey and Tulsa, Oklahoma, and Davenport, Iowa. American-Marietta believes that reserves of limestone and cement rock adjacent to its various plants are sufficient for many years of operations at current levels.

Concrete products. These include machine and precast concrete pipe for sewers, culverts, water mains, irrigation lines and other uses; pre-stressed concrete bridge sections; concrete cribbing; and other structural elements of precast concrete. American-Marietta and its subsidiaries operate a large number of concrete products plants in the United States and Canada. The cement for American-Marietta's concrete products is largely purchased from other suppliers and not from American-Marietta's own plants. The products are generally sold direct to contractors and to states, municipalities and other governmental units.

Aggregates. Aggregates, meaning crushed stone, sand and gravel, are used in building highways, in other types of heavy construction and in making concrete. American-Marietta's principal quarries and crushing plants for producing these products are in North Carolina and Iowa.

Other construction materials and products. These include common and face brick; hollow and drain tiles; aluminum and architectural products and electrical construction products of American-Marietta's subsidiary, Steel City Electric Company, such as electrical outlet and switch boxes, floor boxes, conduit and cable fittings, and pipe and conduit hangers. The Master Builders Company division produces "Pozzolith", an additive to promote dispersion in concrete, which American-Marietta classifies as a chemical product.

Chemicals and Chemical Products

Paint, finishes and coatings. These products include primers, surfacers and finishes for use on automobiles, trucks, buses, farm machinery, railroad cars, prefabricated houses, office equipment, furni-

ture and appliances; heavy duty maintenance paint for industrial use; and chemical coatings made by the Stoner-Mudge division for lining cans and other metal containers for foods and beverages. A large part of the products in this group are produced to customers' specifications and sold directly to manufacturers, not only in the United States and Canada but also to a limited extent in France, Holland and other foreign countries.

Chemical lime, refractories and silica sand. The Standard Lime & Cement and Southern Cement divisions produce chemical lime, which is sold to the chemical and paper industries and to municipalities and industries for water and waste treatment; fluxing lime, crushed stone and magnesite for the steel industry; and clinkered dolomite used in refractories. Other divisions produce silica sand used in the manufacture of glass and for other purposes. As in the case of cement, American-Marietta believes that its reserves of raw materials for these products are adequate for many years of operations.

Printing inks. Many types of printing inks are manufactured by the Sinclair and Valentine division for use in printing and packaging. This division has numerous plants in the United States, a number in Canada, and operations in Mexico, Germany, Switzerland and South America.

Adhesives, resins and chemicals. This group of products includes synthetic resins, glues and adhesives which are sold to the plywood, paper and hardboard industries for bonding purposes.

Dyestuffs. The Southern Dyestuff ("SODYECO") division manufactures ready-to-use sulphur and vat dyes and other coloring materials for the textile industry.

Miscellaneous Products

Other industrial products. American-Marietta and its subsidiaries also manufacture sealants for the aircraft, automotive, construction, electrical communications, foundry, and household appliance industries; metallurgical products such as metal powders, pigments, abrasives and alloys used in the aircraft, missile, and automotive and other industries; machinery and equipment used in heavy construction and metal fabrication; and industrial cleaning products.

Consumer Products. Latex, Alkyd and oil base paints for use by consumers are produced and sold under a variety of trade names, including "American-Marietta", "Arco", "Valdura", "Rev Satin", "Jelled Magic", "Sewall", "O.P.W." and "Berry Bros." Sales are principally to jobbers and retail outlets. The O-Cedar division manufactures mops, polishes, waxes and other household institutional cleaning products.

Federal Trade Commission Proceedings

American-Marietta's business in cement, concrete products and aggregates and in lime and limestone products herein described stems originally from its acquisitions of numerous companies engaged in these businesses, although the acquired properties have been substantially enlarged under American-Marietta's ownership. On January 27, 1961 the Federal Trade Commission issued a complaint under Section 7 of the Clayton Act charging that American-Marietta's acquisitions may lessen competition or tend to create a monopoly in the above lines of commerce in various sections of the country and constitute unfair methods of competition under Section 5 of the Federal Trade Commission Act. To date, no hearings have been held, and American-Marietta has advised Martin that it cannot predict the outcome of the proceedings at this time. If the charges in the complaint were sustained, the remedies available to the Commission might include divestiture of certain of the acquired businesses. Under the provisions of American-Marietta's long term notes, if such a divestiture involved sale of a substantial part of the company's assets, the company would have to offer to apply the proceeds to retirement of an equal amount of its long term debt.

Research

American-Marietta puts substantial emphasis on research. New products and product improvements are sought through a program related closely to customer activities and requirements. To implement this program research activity is decentralized in 25 laboratories run by the operating divisions and subsidiaries. The approximate dollar amount spent on reasearch during the 1960 fiscal year was \$4,150,000 not including dues paid trade associations, a substantial portion of which is spent on research in their respective industries.

Plants and Facilities

The plants of American-Marietta and its subsidiaries differ greatly in size and importance, depending upon the nature of the product manufactured. Its management considers them to be well maintained and in satisfactory condition. Most of the manufacturing facilities of American-Marietta are owned by it and, for the most part, are unencumbered. However 32 of the printing ink plants, 16 of the concrete products plants, 26 of the aggregates plants and 1 other plant are operated in leased premises. The locations of the principal plants and facilities are listed below.

CONSTRUCTION MATERIALS AND PRODUCTS

Cement

- Alabama—North Birmingham and Roberta
- Iowa—Davenport
- Maine—Thomaston
- Oklahoma—Dewey and Tulsa
- Pennsylvania—Northampton
- West Virginia—Martinsburg

Concrete Products

- | | | | | | | | |
|------------------|---|-----------------|---|----------------------|---|-----------------------|---|
| Alabama | 3 | Indiana | 2 | New Jersey | 3 | Tennessee | 5 |
| Alaska | 2 | Iowa | 2 | New Mexico | 2 | Texas | 3 |
| Arizona | 1 | Kentucky | 3 | New York | 9 | Vermont | 1 |
| California | 7 | Maryland | 2 | North Carolina | 3 | Washington | 2 |
| Colorado | 1 | Michigan | 3 | Ohio | 4 | West Virginia | 3 |
| Delaware | 1 | Minnesota | 2 | Oklahoma | 6 | Wisconsin | 3 |
| Florida | 5 | Missouri | 2 | Oregon | 1 | Ontario, Canada | 3 |
| Georgia | 1 | Nebraska | 2 | Pennsylvania | 5 | | |
| Illinois | 4 | Nevada | 2 | South Carolina | 1 | | |

Aggregates (crushed stone, sand and gravel)

- | | | | | | | | |
|---------------|----|---------------------|---|----------------------|----|--------------------|---|
| Georgia | 1 | Kansas | 5 | Missouri | 1 | Pennsylvania | 6 |
| Iowa | 15 | Maryland | 4 | North Carolina | 24 | Virginia | 3 |
| | | West Virginia | 1 | | | | |

Brick, Tile and Other Construction Material

- Kansas—Coffeyville, Iola and Weir
- Missouri—Harrisonville and Vale
- Oklahoma—Britton, Collinsville and Tulsa
- Canada—Streetsville, Ontario

Electrical Construction Products

- California—Los Angeles
- Pennsylvania—Pittsburgh

CHEMICALS AND CHEMICAL PRODUCTS

Paint, Finishes and Chemical Coatings

- California—Azusa
- Illinois—Kankakee
- Missouri—Kansas City (2)
- North Carolina—High Point
- Ohio—Cleveland (2) and Marietta
- Pennsylvania—Colebrookdale, Pittsburgh and Rochester
- Canada—Ottawa and Walkerville, Ontario

Chemical Lime and Silica Sand:

- | | | | | | | | |
|----------------|---|----------------|---|--------------------|---|---------------------|---|
| Alabama | 1 | Michigan | 2 | Pennsylvania | 1 | West Virginia | 2 |
| Illinois | 3 | Missouri | 1 | Tennessee | 1 | Wisconsin | 1 |
| Indiana | 1 | Ohio | 1 | Virginia | 1 | | |

Printing Inks

- | | | | | | | | |
|------------------------|---|---------------------|---|----------------------|---|--------------------|---|
| Alabama | 2 | Georgia | 2 | Minnesota | 1 | Oregon | 1 |
| Arizona | 1 | Illinois | 1 | Missouri | 2 | Pennsylvania | 3 |
| California | 3 | Louisiana | 2 | New Jersey | 1 | Tennessee | 2 |
| Colorado | 1 | Maryland | 1 | New York | 2 | Texas | 2 |
| Connecticut | 2 | Massachusetts | 2 | North Carolina | 1 | Virginia | 2 |
| Florida | 4 | Michigan | 1 | Ohio | 3 | Washington | 1 |
| Canada: | | | | | | | |
| Alberta | 2 | Manitoba | 1 | Ontario | 3 | Quebec | 1 |
| British Columbia | 1 | | | | | | |

Adhesives, Resins, Chemicals

- California—Richmond
- Ohio—Newark
- Oregon—Portland
- Washington—Seattle
- Canada—New Westminster, B.C.;
- Edmonton, Alberta

Dyestuffs

- North Carolina—Mt. Holly

MISCELLANEOUS PRODUCTS

Sealants

- California—El Segundo
- Illinois—Chicago Heights
- Michigan—Jackson
- Missouri—St. Louis

Metal Powders and Metallurgical Products

- California—Berkeley
- Illinois—Wheeling
- New Hampshire—Manchester
- New Jersey—Summit and Union

BUSINESS AND PROPERTIES OF MARTIN

General

Martin is now primarily engaged in the design, development and production of guided missiles, electronics equipment, communications equipment, aerospace vehicles, and nuclear products.

Martin's military sales and sales to other customers for the past five calendar years and for the first six months of 1961 were as follows:

Year	Military			
	Missiles, Electronics and Nuclear	Aircraft	Other	Total
1956	\$126,171,000	\$231,869,000	\$ 922,000	\$358,962,000*
1957	245,796,000	177,054,000	1,075,000	423,925,000
1958	287,347,000	192,390,000	3,907,000	483,644,000
1959	410,125,000	111,083,000	2,499,000	523,707,000
1960	601,306,000	48,676,000	1,246,000	651,228,000
January } 1961...	398,739,000	8,611,000	843,000	408,193,000
June }				

* Before adjustment of \$2,387,891 as a result of renegotiation for the year 1956.

Martin's backlog of military and other orders at the end of each of the past five calendar years and at June 30, 1961 were as follows:

Year	Military			
	Missiles, Electronics and Nuclear	Aircraft	Other	Total
1956	\$ 521,866,000	\$289,148,000	\$ 379,000	\$ 811,393,000
1957	496,978,000	297,900,000	176,000	795,054,000
1958	597,934,000	232,071,000	1,514,000	831,519,000
1959	814,563,000	85,623,000	368,000	900,554,000
1960	1,004,081,000	22,283,000	414,000	1,026,778,000
June 30, 1961....	996,663,000	14,886,000	705,000	1,012,254,000

As the above tables indicate, missiles, associated equipment, electronic systems and nuclear products accounted for approximately 98% of Martin's total backlog of orders at June 30, 1961.

Martin's missile business includes a variety of products and weapons, those capable of massive destruction and usable as aerospace vehicles, and those capable of use in limited warfare. The missiles include those powered with jet engines, those powered with liquid fueled rockets and those powered with solid fueled rockets.

Mace

The Mace is an outgrowth of the Matador, one of the earliest missiles produced by Martin. The Mace is a highly mobile surface-to-surface tactical missile designed in two types (the Mace A and the Mace B) both of which have self-contained guidance systems. Associated with the Mace is a substantial volume of ground support equipment produced by Martin.

Bullpup

The Bullpup is a short-range, air-to-surface missile first developed and produced by Martin under contracts with the Navy. Versions of the missile are produced for use by the Air Force as well as the Navy, and it is now in operational use with the Navy, Marine Corps and Air Force. The function of the missile is to provide light attack aircraft with greater capability than was formerly available against tactical targets.

Lacrosse

The Lacrosse is a mobile and highly accurate surface-to-surface guided missile developed as a close support weapon for combat troops. The missile and its associated ground equipment have been

in production since 1957. The missile is propelled by a solid fuel rocket motor and is capable of delivering both nuclear and conventional warheads.

Titan

The Titan Intercontinental Ballistic Missile is a two-stage liquid fueled rocket powered missile designed to deliver a thermonuclear warhead to a predetermined point more than 6,000 miles from the launching site. Martin is responsible for the airframe, controls and associated ground support and launching equipment, as well as for the functioning of the system as a whole. Martin holds contracts with the Air Force for two types of the Titan missile. The first type, Titan I, is in production and is undergoing advanced flight tests. The Titan II will be larger than Titan I and will be able to carry a heavier payload over even greater distances than the Titan I. It is designed to utilize storable fuels which will make it possible to maintain the missile in a ready-firing condition for long periods of time at ordinary temperatures. It is also being designed for firing from underground sites.

Pershing

Pershing is the United States Army's selective range, surface-to-surface ballistic missile system having a "built-in" jam-proof guidance system. It consists of two stages employing solid propellants and is lighter, smaller, and more mobile than the Army's Redstone system which it is scheduled to replace. As systems contractor, Martin is responsible for research and development, reliability, testing and production of the missile and associated ground equipment.

Dyna-Soar

Dyna-Soar is an advanced boost-glide space vehicle. The Air Force has retained responsibility for the integration of the complete system. Martin has been selected to build the booster portion of the program and holds a contract for the Dyna-Soar launch rocket. The Titan II design will be modified to meet the requirements of the Dyna-Soar Program.

Electronics

Martin's capability in the field of electronics is founded on intensive research and development work begun during World War II and many years of experience in the design, testing, packaging, manufacture and field support of a wide diversity of electronic systems and components.

Martin's electronics activity is staffed by over three thousand five hundred engineers, supported by a full complement of technicians, apart from manufacturing and field service personnel. The engineers average five years of electronics experience with Martin. Electronic engineers in supervisory capacities average more than ten years of experience with Martin.

Major electronics programs have been conducted at Baltimore since 1946, at the Denver Division since its founding in 1956 and at the Orlando and Cocoa Divisions since 1957. A complete electronics staff and facility has been established in Baltimore.

One of Martin's major programs is the electronic system known as Missile Master, developed, produced and serviced under contract with the Army. The function of the system is the integration of anti-aircraft missile batteries for the air defense of the nation's principal industrial and population centers. Martin has completed delivery of the systems originally ordered, and now has an order for additional systems known as "BIRDIE", more compact but similar to the Missile Master.

Nuclear Activities

Martin's nuclear activities are centered at Baltimore where the Nuclear Division was formed in 1954 to provide emphasis on and control over those activities. Today the Division is organized in five product departments. During 1961 the Nuclear Powerplant Department is scheduled to complete two "packaged powerplants" under contract with the Atomic Energy Commission. The first of those, designated PM-1, will be installed at an Air Force radar station near Sundance, Wyoming. The other, known as PM-3A, will be shipped to McMurdo Sound, Antarctica. The advanced Reactor Systems Department is engaged under contract in research and development for a liquid fluidized bed reactor, the goal of which is to provide basically simpler operating techniques and significantly lower fuel costs than those involved in existing systems. The propulsion Systems Department is at work on several classified government projects, including its contribution to a study contract for the National Aeronautics and Space Agency in the RIFT (Reactor in Flight Test) program, under which plans are

being formulated for the flight testing of the first nuclear rocket engine. The Auxiliary Power Systems Department is producing a variety of direct conversion generators which require no moving parts. SNAP-3, the first such generator to use the decay heat of radioisotopes as a basic energy source, was delivered to the AEC early in 1959. As a result of the pioneer efforts in the development of SNAP-3, the Company has since developed similar generators that have been used in the first nuclear powered satellite (the Transit) and in the world's first radioisotope fueled weather station.

Research and Development

Martin's business depends greatly upon technological progress and great emphasis is placed upon research, engineering, development and testing. Therefore Martin has spent and expects to continue spending substantial sums of money in these areas. In addition to the programs described above, Martin has other research and development programs, some of which are in the very early research stage preparing Martin for future competitions for military products, while other programs have reached the stage of development, including the design and building of prototype military equipment. Among the outgrowths of these research and development efforts are two study contracts received within the past year: Project Apollo, designed to provide the capability for manned reconnaissance flights to the vicinity of the moon; and a contract for a study of SLOMAR, seeking the solution to the problems of providing freight, passenger, maintenance and rescue service for orbiting satellites and space stations.

As a part of its activities in the field of research, Martin's RIAS division is staffed with a selected group of scientists who create and conduct their own programs of research, including both theoretical and experimental studies.

Government Contracts

Substantially all of Martin's contracts with the Government are either the cost reimbursement type (cost-plus-a-fixed-fee) or the fixed priced incentive type.

The cost reimbursement type contract provides for reimbursement of costs (with certain exceptions) incurred in connection with the performance of the contract and a fixed fee specified in each contract. The fixed price incentive type contract provides for participation by Martin and the Government in either savings or excess costs with relation to an established target price.

Under fixed price incentive type contracts, Martin receives progress payments, generally in an amount equal to 70% of costs incurred. Martin's definitive cost reimbursement type contracts now provide for current reimbursement by the Government of 100% of costs incurred, and during the period of negotiation letter contracts provide for reimbursement of 70% of costs incurred.

The Renegotiation Act of 1951 as amended makes subject to renegotiation by the Government substantially all of Martin's profits through June 30, 1962, the present expiration date of the Act. Clearances under the Renegotiation Act have been received through the year 1952 with no refunds being required. Reference is made to Note A to Martin's earnings under "Summaries of Earnings" regarding required refunds and other information with respect to years subsequent to 1952 and for the year 1957.

Property

The Company's principal manufacturing plants are located near Baltimore, Maryland; Denver, Colorado and Orlando, Florida. Corporate offices, the Baltimore Division, and the Nuclear Division are located at Middle River, Maryland, approximately 12 miles east of the center of Baltimore. The facilities there provided comprise approximately 3,240,000 square feet owned by the Company and 157,000 square feet owned by the Government and operated by the Company under a Use Agreement. Property owned by the Government is made available to the Company without payment of rental unless the facilities are used for other than Government purposes. The land at Middle River owned by the Company aggregates approximately 1,000 acres and includes a modern military airport. In addition to the property at Middle River, the Company leases in the Baltimore area approximately 284,000 square feet of space for office and storage purpose. A new Corporate Administrative Headquarters is presently being constructed at Baltimore Friendship International Airport. The building will contain approximately 80,000 square feet.

The Company in 1955 acquired by purchase approximately 3,860 acres of land near Denver, Colorado, which has been improved by the construction of administration, engineering and manufacturing

buildings containing in the aggregate approximately 1,396,000 square feet. The Company leases approximately 2,500 acres of land adjacent to the Denver plant site and also for its activities in the Denver area, office and storage space containing approximately 540,000 square feet. Some 140,000 square feet of government-owned space is used by the Company in the Denver area.

The Company acquired in 1956 by purchase approximately 6,770 acres of land near Orlando, Florida for use of the Orlando Division in the production of guided missiles and electronics. A fully integrated plant containing approximately 760,000 square feet has been completed at this location. In addition to the property owned by the Company, the Orlando Division utilizes for office and storage purposes leased areas containing approximately 371,000 square feet.

Leased offices are maintained at Cocoa Beach, Florida for the Cocoa Division, and at Boston, Massachusetts; Chicago, Illinois; Cleveland and Dayton, Ohio; Los Angeles, California; New York City; Honolulu, Hawaii; Washington, D. C.; Hampton, Virginia; Huntsville, Alabama; Red Bank, New Jersey; Omaha, Nebraska; Rome, New York, and Wiesbaden, Germany, for representatives of the Company in those areas. The Company also leases facilities at Quehanna, Pennsylvania, for the use of its Nuclear Division.

During the five years ended December 31, 1960 the Company and its subsidiaries made gross property additions of \$76,492,905 and property retirements aggregating \$6,037,814.

Substantially all of the above buildings are of modern fireproof construction and have been maintained in good operating condition.

The Company knows of no material defects in title to any material portions of the properties owned by it nor of any material encumbrances thereon. No special examinations of title to properties have been made in connection with this offering.

CAPITALIZATION

The capitalization of the Constituent Companies (Martin as of June 30, 1961, American-Marietta as of May 31, 1961) and pro-forma of the Consolidated Company based on the combination of the foregoing is as follows:

	<u>Martin</u>	<u>(In Thousands)</u> <u>American-</u> <u>Marietta</u>	<u>Consolidated</u> <u>Company</u>
Long Term Debt (exclusive of amounts payable within one year)			
Unsecured notes held by financial institutions		\$ 67,930(1)	\$ 67,930
5½% Sinking Fund Debentures due November 1, 1968 held by the public	\$ 15,500(2)		15,500
Other		956	956
Preferred Stock			
5% Cumulative, \$100 par value, 200,599 shares outstanding		20,060(3)	
4½% Cumulative, \$100 par value, 380,000 shares outstanding			38,000(4)
Stockholders' Equity			
Common Stock, No Par value, 6,258,387 shares outstanding	3,129(5)		
Common Stock, \$2 par value, 13,200,796 shares outstanding		26,402(6)	
Class "B" Common Stock, \$2 par value, 3,191,189 shares outstanding		6,382(7)	
Common Stock, \$1 par value, 21,336,699 shares outstanding			21,337
Additional paid-in capital	40,367	88,926	105,869
Earnings reinvested	58,322(8)	94,474(9)	151,793
	<u>\$117,318</u>	<u>\$305,130</u>	<u>\$401,385</u>

NOTES:

(1) Consists of long term debt of American-Marietta, which will be assumed by the Consolidated Company. The interest rates, maturities and payments required in the next five years are shown in the Notes to American-Marietta's balance sheet in this Proxy Statement.

- (2) Consists of long term debt of Martin, which will be assumed by the Consolidated Company. The sinking fund requirements are shown in the Notes to Martin's balance sheet in this proxy statement.
- (3) To be redeemed prior to consolidation.
- (4) The terms of the 4½% Cumulative Preferred Stock provide for an annual sinking fund of \$1,150,000 and limit dividends and other payments in respect of the Common Stock to net income subsequent to November 30, 1961 plus \$45,000,000.
- (5) Each share to be exchanged for 1.3 shares of Common Stock, \$1 par value, of the Consolidated Company.
- (6) Each share to be exchanged for 1 share of Common Stock, \$1 par value, of the Consolidated Company
- (7) To be exchanged for 380,000 shares 4½% Cumulative Preferred Stock, \$100 par value.
- (8) Under the terms of the Debenture Agreement covering the 5½% Sinking Fund Debentures, \$13,707,517 of the earnings reinvested are not available for the payment of dividends.
- (9) Under the terms of notes payable to financial institutions, payments which may be made for the payment of dividends (other than on preferred shares) and for the acquisition of capital shares were limited to \$14,000,000.
- (10) The Consolidated Company, by operation of law, will assume the obligations of Martin in respect of the warrants and options described in the Notes to Martin's balance sheet herein. The number of shares of the Consolidated Company's Common Stock covered by the warrants will be 1.3 times the number of Martin's shares now covered. The number covered by the options will be approximately 1.3 times the number now covered, with such adjustment as may be necessary to preserve the "restricted" status for purposes of the Internal Revenue Code. All figures are based on shares outstanding June 30, 1961 as to Martin and May 31, 1961 as to American-Marietta, and would be changed by exercise of options, warrants and conversion rights after those dates.

PRO FORMA COMBINED SUMMARY BALANCE SHEET
(Giving effect to the proposed consolidation
of The Martin Company and American-Marietta Company)

The pro forma combined summary balance sheet, giving effect to the proposed consolidation of The Martin Company and American-Marietta Company on a "pooling of interests" basis, combines the balance sheet of Martin and the consolidated balance sheet of American-Marietta and consolidated subsidiaries as of the end of the first six months of each of their respective 1961 fiscal years. The pro forma balance sheet should be read in conjunction with the aforementioned separate balance sheets of Martin and American-Marietta and the related notes to the respective financial statements appearing elsewhere in this proxy statement.

(In Thousands)

	<u>The Martin Company June 30, 1961</u>	<u>American- Marietta Company and Consolidated Subsidiaries May 31, 1961</u>	<u>Pro Forma Adjustments Add (Deduct)</u>	<u>Pro Forma Combined</u>
ASSETS				
CURRENT ASSETS				
Cash and prime commercial paper	\$ 28,968	\$ 16,126		\$ 45,094
Receivables	116,667	56,408		173,075
Inventories	10,142	69,577		79,719
Prepaid expenses	1,278	3,805		5,083
TOTAL CURRENT ASSETS	\$157,055	\$145,916		\$302,971
INVESTMENTS AND OTHER ASSETS	4,659	26,348		31,007
PROPERTY, PLANT AND EQUIPMENT—net..	50,391	196,999		247,390
	<u>\$212,105</u>	<u>\$369,263</u>		<u>\$581,368</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Notes payable to banks		\$ 34,000		\$ 34,000
Accounts payable and accrued expenses	\$ 73,594	19,814		93,408
Taxes on income	13,550	8,189		21,739
Long-term debt—current portion	2,250	2,130		4,380
Preferred stock redemption			\$21,063(1)	21,063
TOTAL CURRENT LIABILITIES	\$ 89,394	\$ 64,133	\$21,063	\$174,590
RENEGOTIATION REFUND	5,393			5,393
LONG-TERM DEBT	15,500	68,886		84,386
STOCKHOLDERS' EQUITY				
Preferred shares:				
5% cumulative		\$ 20,060	\$(20,060) (1)	
4½% cumulative			38,000 (2)	\$ 38,000
Common shares	\$ 3,129	26,402	(8,194) (3)	21,337
Class B Common shares		6,382	(6,382) (2)	
Additional paid-in capital	40,367	88,926	(23,424) (4)	105,869
Earnings reinvested	58,322	94,474	(1,003) (1)	151,793
	<u>\$101,818</u>	<u>\$236,244</u>	<u>\$(21,063)</u>	<u>\$316,999</u>
	<u>\$212,105</u>	<u>\$369,263</u>		<u>\$581,368</u>

The pro forma adjustments give effect to the following:

1. Retirement of 5% Cumulative Preferred Shares at \$105 per share prior to the consolidation, either from cash on hand and/or proceeds of short term bank loans. The retirement premium of \$1,003,000 has been charged to earnings reinvested.

2. Conversion of all of the outstanding American-Marietta Class B Common Shares, \$2 par value, for 380,000 new 4½% Cumulative Preferred Stock, \$100 par value (aggregate par value \$38,000,000), of the Consolidated Company.
3. Conversion (on the basis of 1.3 shares for 1 share) of all of the 6,258,387 outstanding shares of Martin Common Stock, without par value (aggregate stated value \$3,129,193), for 8,135,903 common shares, \$1 par value of the Consolidated Company, and conversion (on a 1 for 1 basis) of all of the 13,200,796 outstanding American-Marietta Common Shares, \$2 par value (aggregate par value \$26,401,592), for 13,200,796 shares of Common Stock, \$1 par value of the Consolidated Company. The aggregate par value, \$21,336,699, of all of the 21,336,699 shares of Common Stock of the Consolidated Company to be outstanding will be \$8,194,086 less than the combined aggregate of the stated value of Martin Common Stock and the par value of American-Marietta Common Shares outstanding.
4. Reduction of additional paid-in capital by \$23,423,536, representing the amount by which the combined aggregate par value of the new 4½% Cumulative Preferred Stock and Common Stock of the Consolidated Company exceeds the combined aggregate par value of Martin Common Stock and American-Marietta Common and Class B Common Shares outstanding.

STATEMENTS OF EARNINGS

The Martin Company

The following statement of earnings of the Company for the five years ended December 31, 1960 has been reviewed by Touche, Ross, Bailey & Smart, independent certified public accountants, whose opinion appears elsewhere in this Proxy Statement; the information for the six-month periods ended June 30, 1960, and June 30, 1961, has not been audited. The statement of earnings should be read in conjunction with the financial statements and related notes included elsewhere in this Proxy Statement. The unaudited figures for the six months ended June 30, 1960 and June 30, 1961 include all known adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation of earnings for the respective periods.

During the period from January 1, 1956 through October 31, 1958 the Company had certain subsidiaries, the operations of which are included in the statement of earnings for the years ended December 31, 1956, 1957 and 1958. All of these subsidiaries were merged into the Company October 31, 1958.

The accompanying earnings statement for the year 1956 has been restated to give effect to the renegotiation refund described in Note A and the effect of such refund upon the federal taxes applicable to that year.

	(In thousands)					(Unaudited)	
	Year ended December 31,					Six months ended	
	1956	1957	1958	1959	1960	June 30, 1960	June 30, 1961
Sales and other income:							
Sales (including costs and fees under cost-plus-fixed-fee contracts) (A)	\$356,574	\$423,925	\$483,644 (B)	\$523,707	\$651,228	\$301,986	\$408,193
Other income	1,081	807	694	1,119	1,351	773	750
	<u>\$357,655</u>	<u>\$424,732</u>	<u>\$484,338</u>	<u>\$524,826</u>	<u>\$652,579</u>	<u>\$302,759</u>	<u>\$408,943</u>
Costs and expenses:							
Cost of sales, exclusive of depreciation and amortization	\$334,869	\$397,964	\$449,524	\$484,129	\$604,579	\$280,574	\$380,706
Depreciation and amortization	1,865	4,738	8,650	9,654	10,619	5,085	5,551
Interest	—	464	1,379	1,831	2,192	1,133	1,196
Other costs and expenses ...	269	636	859	1,475	535	319	312
	<u>\$337,003</u>	<u>\$403,802</u>	<u>\$460,412</u>	<u>\$497,089</u>	<u>\$617,925</u>	<u>\$287,111</u>	<u>\$387,765</u>
Earnings before federal taxes on income (A)	\$ 20,652	\$ 20,930	\$ 23,926	\$ 27,737	\$ 34,655	\$ 15,648	\$ 21,178
Provision for federal taxes on income (A)	10,958	11,050	12,200	14,400	17,800	8,000	11,390
Net earnings, before extraordinary profit (A)	\$ 9,694	\$ 9,880	\$ 11,726 (B)	\$ 13,337	\$ 16,855	\$ 7,648	\$ 9,788
Profit on sale of investment—net of taxes							3,750
Net earnings (A)	<u>\$ 9,694</u>	<u>\$ 9,880</u>	<u>\$ 11,726 (B)</u>	<u>\$ 13,337</u>	<u>\$ 16,855</u>	<u>\$ 7,648</u>	<u>\$ 13,538</u>

NOTES

(A) Under the Renegotiation Act of 1951, the Company has received clearance from The Renegotiation Board for 1952 and prior years and for the year 1957. The Renegotiation Board has made unilateral determinations that the Company's profits were excessive for the years 1953 to 1956. The effect of the Board's actions is summarized below:

	Excessive Profits Determined By Board	Requested Refund, Net of Federal And State Tax Credits	Liability In Accounts As Of Dec. 31, 1960 and June 30, 1961
1953	\$3,500,000	\$1,526,192	\$ (1)
1954	6,250,000	2,816,793	2,816,793
1955	3,500,000	1,430,279	1,430,279
1956	4,796,101	2,008,316	1,146,188 (2)
			<u>\$5,393,260</u>

(1) Year 1953 paid under protest—Company has a claim for Federal income tax refundable in the amount of \$1,636,567.

(2) Amount provided for 1956 is net of a claim which was before the Armed Services Board of Contract Appeals to recover certain contract costs previously disallowed. The claim has been denied and the requested refund should be correspondingly reduced by The Renegotiation Board.

The Company believes that no excessive profits were realized for the years 1953 to 1956 and has appealed to the Tax Court for a redetermination of the Board's findings for these years. The Renegotiation Act provides that on appeal, if the Tax Court shall find excessive profits were realized, it has the power to determine that the amount of such excessive profits is less than, equal to or greater than that determined by the Board.

The earnings statement for 1956 has been restated to reflect the Board's determination in the accounts, and the federal income taxes for 1956 have been reduced by \$1,241,703 to reflect the refundable federal taxes applicable to such renegotiation refund.

Sales and profits for 1958 and subsequent years are also subject to renegotiation. The Company has no basis for anticipating the final actions of The Renegotiation Board and intends to take such actions as may be required to sustain its position that no excessive profits have been realized for any year. Accordingly, no provisions have been made in the accounts for 1958 or subsequent years.

(B) The Company incurred production costs of approximately \$92,000,000 to December 31, 1958 (of which \$40,000,000 was incurred in the prior year) under a letter contract, originally contemplating a definitive fixed price contract. In subsequent negotiations the Company and the Government agreed that the definitive contract would be of a cost reimbursement type. Accordingly, pursuant to its regular accounting policy in accounting for contracts of this type, during 1958 sales were recorded in the amount of approximately \$98,000,000 on which the net income was approximately \$3,165,000 of which approximately \$1,375,000 relates to costs incurred in the prior year.

- (C) The caption Selling, General and Administrative Expenses has been omitted as being inapplicable since substantially all of the Company's costs and expenses are incurred in connection with production under sales contracts and accordingly have been consistently considered to be directly applicable to performance under such contracts and are, therefore, classified in the financial statements as work in process or cost of sales.
- (D) Cost of sales includes provisions for Maryland and Colorado State income taxes as follows: years ended December 31, 1956, \$718,500; 1957, \$605,883; 1958, \$717,970; 1959, \$523,649; 1960, \$744,906, and for the six months ended June 30, 1961, \$694,900.

American-Marietta Company and Consolidated Subsidiaries

The following statements of consolidated income of American-Marietta and consolidated subsidiaries for the five (5) years and six (6) months ended May 31, 1961 include the results of operations from dates of acquisitions of companies acquired, except as to companies merged during the years 1956 to 1960 which were treated for accounting purposes as "poolings of interests", the results of operations of which have been included for all periods. In annual reports of American-Marietta to its shareholders for the years 1956 through 1959, the results of operations of these companies have been included only from the beginning of the fiscal year in which the acquisition took place; and to this extent results of operations shown herein differ from those reported in such years.

The statements reflect certain retroactive adjustments relating to earnings of foreign (except Canadian) subsidiaries and to federal income taxes and interest thereon as described in Notes A and B of Notes to Financial Statements on page 41.

The statements have been examined for the five years ended November 30, 1960, by Ernst & Ernst and other independent accountants, whose reports with respect thereto are included elsewhere in this Proxy Statement. The statements for the periods of six months ended May 31, 1960, and May 31, 1961, respectively, are unaudited, but American-Marietta Company believes that they reflect all adjustments (consisting only of normal recurring accruals) necessary to present a fair statement of the results of operations for these periods. The statements should be read in conjunction with the related consolidated financial statements of American-Marietta Company and consolidated subsidiaries and notes thereto included elsewhere in this Proxy Statement.

(In Thousands)

	Year ended November 30					(Unaudited) Six months ended	
	1956	1957	1958	1959	1960	May 31, 1960	May 31, 1961
Net sales—Note 5	\$246,943	\$259,948	\$278,286	\$340,173	\$368,107	\$160,915	\$157,230
Other income	3,566	2,805	2,923	3,987	4,049	1,680	2,317
TOTAL INCOME	\$250,509	\$262,753	\$281,209	\$344,160	\$372,156	\$162,595	\$159,547
Costs and expenses—Notes F and I:							
Cost of products sold	\$157,004	\$169,414	\$180,454	\$222,086	\$241,167	\$105,791	\$104,823
Selling, advertising, administrative, and general expenses	37,148	38,975	41,119	47,771	56,430	27,215	27,426
Depreciation, depletion, and amortization	7,680	9,030	10,685	13,187	16,248	7,591	8,853
Interest	1,383	1,714	1,959	2,525	4,041	1,541	2,397
Other deductions	3,952	3,336	3,963	4,497	4,841	2,245	2,537
	<u>\$207,167</u>	<u>\$222,469</u>	<u>\$238,180</u>	<u>\$290,066</u>	<u>\$322,727</u>	<u>\$144,383</u>	<u>\$146,036</u>
INCOME BEFORE TAXES THEREON	\$ 43,342	\$ 40,284	\$ 43,029	\$ 54,094	\$ 49,429	\$ 18,212	\$ 13,511
Taxes on income—estimated:							
Federal—Note B	\$ 19,842	\$ 18,732	\$ 19,910	\$ 25,642	\$ 22,200	\$ 8,450	\$ 6,600
State and Canadian	1,474	1,657	1,820	2,110	2,800	800	600
	<u>\$ 21,316</u>	<u>\$ 20,389</u>	<u>\$ 21,730</u>	<u>\$ 27,752</u>	<u>\$ 25,000</u>	<u>\$ 9,250</u>	<u>\$ 7,200</u>
NET INCOME —Note 5 ...	\$ 22,026	\$ 19,895	\$ 21,299	\$ 26,342	\$ 24,429	\$ 8,962	\$ 6,311
Deduct dividends on 5% Cumulative Preferred Shares—Note 2	789	1,053	1,126	1,037	1,004	504	500
NET INCOME APPLICABLE TO COMMON AND CLASS B COMMON SHARES —Note 3	<u>\$ 21,237</u>	<u>\$ 18,842</u>	<u>\$ 20,173</u>	<u>\$ 25,305</u>	<u>\$ 23,425</u>	<u>\$ 8,458</u>	<u>\$ 5,811</u>

NOTES:

- (1) Alphabetical notes refer to notes to financial statements of American-Marietta Company and consolidated subsidiaries included elsewhere in this proxy statement.

- (2) Amounts deducted for dividends on Preferred Shares include an adjustment for Preferred Shares issued in connection with the acquisition of one company which for accounting purposes was treated as a "pooling of interests."
- (3) For information as to dividend restrictions on Class B Common Shares and the basis upon which Class B Common Shares may be converted into Common Shares, reference is made to Note D of notes to financial statements.
- (4) The annual dividend requirement on Preferred Shares outstanding at November 30, 1960, was \$994,860 and at May 31, 1961, \$1,002,995.
- (5) Net sales and net income for the six months ended May 31, 1961, are not necessarily indicative of the results of operations which may be expected for the entire year ending November 30, 1961.

The decline in net income for the six months ended May 31, 1961, as compared to the six months ended May 31, 1960, is attributable to the deferment of building and road construction activities due to unfavorable weather in the early part of the period and to a decline in the volume of business in certain products. This decline, however, has not continued into the current quarter, and sales and net income in the months of June and July 1961, have been greater than in the corresponding months of 1960.

PRO FORMA COMBINED SUMMARY OF EARNINGS

The following pro forma combined summary of earnings has been prepared by combining amounts shown in separate statements of earnings of Martin and of American-Marietta and consolidated subsidiaries (without regard for differing fiscal periods and before deduction of dividends on preferred shares of American-Marietta) after giving effect in all periods to a 5% interest charge (net of income taxes) which would have been incurred had amounts of debt existed equal to the aggregate par value of the American-Marietta 5% Cumulative Preferred Shares then outstanding. The pro forma combined summary of earnings should be read in conjunction with the separate statements of earnings of Martin and of American-Marietta and consolidated subsidiaries and notes thereto included elsewhere in this Proxy Statement.

	(In Thousands)						<u>First Six Months</u>	
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1960</u>	<u>1961</u>	
	Sales	\$603,517	\$683,873	\$761,930	\$863,880	\$1,019,335	\$462,901	\$565,423
Net earnings	31,341	29,270	32,485	39,181	40,802	16,368	19,609(1)	
Dividend requirements on proposed 4½% Cumulative Preferred Stock of Consolidated Company	1,710	1,710	1,710	1,710	1,710	855	855	
Net earnings applicable to common shares	29,631	27,560	30,775	37,471	39,092	15,513	18,754	

(1) Includes extraordinary profit of \$3,750,000 from sale of investment.

PER SHARE EARNINGS

The following tabulation, based on the Pro Forma Combined Summary of Earnings set forth above, compares, for the periods indicated, the net earnings per share of Common Stock of Martin and of Common and Class B Common Shares of American-Marietta and pro forma combined. The per share earnings for American-Marietta are based on the average shares outstanding during each period, after adjustment for stock splits of 5 for 4 in 1956, 3 for 2 in 1957 and 5 for 4 in 1959; shares issued in acquisition of companies treated for accounting purposes as "poolings of interests" have been considered outstanding from the beginning of the fiscal years of such companies in 1956. The per share earnings for Martin are based on the number of shares outstanding at the end of the respective periods (changes during the periods are not considered to be material), after adjustment for stock dividends of 5% in 1956 and 1959, and stock split of 2 for 1 in 1961. The per share earnings, pro forma, repre-

sent the earnings for each period which would have been allocable to each share of Martin and American-Marietta respectively had the consolidation become effective at the beginning of the fiscal year 1956.

	The Martin Company		American-Marietta Company	
	Before Consolidation	Pro Forma (Based on 1.3 for 1 Conversion)	Before Consolidation Applicable to Common and Class B Common	Pro Forma (Based on 1 for 1 Conversion of Common)
1956	\$1.59	\$2.09	\$1.54	\$1.61
1957	1.61	1.90	1.33	1.46
1958	1.91	2.03	1.34	1.56
1959	2.17	2.38	1.61	1.83
1960	2.71	2.43	1.46	1.87
First six months:				
1960	1.24	.98	.54	.75
1961	1.56(1)	.92(1)(2)	.36(2)	.71(1)(2)

- (1) Exclusive of extraordinary profit of \$3,750,000 from sale of investment equivalent to \$.60 per share of Martin before consolidation, and \$.23 per share of Martin and \$.18 per share of American-Marietta on the pro forma basis.
- (2) Per share earnings for the six months ended May 31, 1961, are not necessarily indicative of the results of operations which may be expected for the entire year ending November 30, 1961. The decline in per share earnings for the six months ended May 31, 1961, as compared to the six months ended May 31, 1960, is attributable to the deferment of building and road construction activities due to unfavorable weather conditions prevailing in the early part of the period and to a decline in the volume of business in certain products.

BOOK VALUE OF COMMON STOCKS

There is set forth below a comparison of book values per share of Common Stock of Martin at June 30, 1961 with Common Shares (including Class B) of American-Marietta as of May 31, 1961 and pro-forma for the Consolidated Company.

	Martin June 30, 1961	American- Marietta May 31, 1961	Consolidated Company (Pro-forma)
Common stock equity	\$101,817,926	\$216,184,171	\$278,999,097
Shares of Common Stock outstanding at end of period	6,258,387	16,391,985	21,336,699
Book value per share of Common stock	<u>\$16.27</u>	<u>\$13.19</u>	<u>\$13.08</u>
Book value per share of Martin common stock based on exchange ratio of 1.3 to 1			<u>\$17.00</u>

PRICE RANGE OF COMMON STOCKS

The Common Stock of Martin is listed on the New York, Philadelphia-Baltimore and Pacific Coast Stock Exchanges and it is anticipated that the Common Stock of the Consolidated Company will be similarly listed. The Common Shares of American-Marietta are traded in the Over-the-Counter Markets in New York and Chicago and other financial centers. The high and low sale prices of the Common Stock of Martin on the New York Stock Exchange by quarterly periods during the two years 1959 and 1960, and the six months ended June 30, 1961, and on June 30, 1961, are shown below. Market quotations on the Martin Common Stock are reported on the basis of the published closing sale prices on the New York Stock Exchange; whereas quotations on the American-Marietta Common Shares for the

same periods are reported on the basis of bid and asked prices as reported by the National Quotation Bureau, Incorporated of New York City, as follows:

Quarter ended	Martin (1)		American-Marietta (2)			
	Low	High	Bid		Asked	
			Low	High	Low	High
March 31, 1959	\$16.19	\$22.69	\$32.00	\$44.00	\$32.20	\$44.20
June 30, 1959	21.31	31.38	41.20	46.40	41.60	46.80
September 30, 1959	17.69	26.75	37.25	44.00	37.50	44.50
December 31, 1959	19.00	25.38	37.63	42.00	37.75	42.25
March 31, 1960	18.63	22.13	34.00	38.38	34.13	38.50
June 30, 1960	18.00	24.43	31.75	36.50	32.00	36.75
September 30, 1960	22.56	29.31	28.75	34.38	29.00	34.50
December 31, 1960	24.13	32.69	27.63	34.13	27.88	34.25
March 31, 1961	29.31	37.88	30.88	40.50	31.00	40.75
June 30, 1961	30.50	39.00	29.00	37.00	29.75	37.13
On August 15, 1961	35.63	36.50	30.13	30.38	30.50	31.00

(1) Adjusted to reflect the two-for-one split effected on February 10, 1961, for stockholders of record January 20, 1961.

(2) Adjusted to reflect five-for-four split in July, 1959.

The Class B Common Shares of American-Marietta are not listed on any exchange, and there has been no trading in such shares.

DIVIDENDS

The constituent companies since December 21, 1960 as to Martin and February 1, 1960 as to American-Marietta have paid quarterly cash dividends on their respective Common Stocks at the annual rate of \$1 per share. Subject to future business conditions and the financial condition of the Consolidated Company which may change from time to time, the managements contemplate the continuance of quarterly dividends on the Common Stock of the Consolidated Company at the same rate.

A summary of cash dividends paid per share, adjusted for stock dividends and splits, is presented below:

	The Martin Company	American-Marietta Company
1956	\$.73	\$.58
1957 .....	.76	.68
1958 .....	.76	.80
1959 .....	.76	.85
1960 .....	.85	1.00
First six months:		
1960 .....	.40	.50
1961 .....	.50	.50

MANAGEMENT

Directors

When the consolidation becomes effective, the Board of Directors of the Consolidated Company will consist of eighteen members, nine of whom are present Directors of Martin and nine of whom have been designated by the Board of Directors of American-Marietta.

The following information is presented in respect of the Martin Directors who will become Directors of the Consolidated Company* and will serve as such until the annual meeting in April, 1962:

<u>Name</u>	<u>Principal occupation for last five years</u>	<u>Martin Director Since</u>	<u>Shares of Martin Common Stock benefi- cially owned August 4, 1961</u>
George M. Bunker	Chairman of the Board and Chief Executive Officer of The Martin Company	1952	186,490
William B. Bergen	Executive Officer of The Martin Company	1958	23,418
William A. Burns	President and Director, Trailmobile, Inc. (Manufacturers truck-trailers)	1957	420
Clarence W. Miles	General Counsel of The Martin Company and Partner of Miles & Stockbridge (Attorneys)	1958	20,265
John E. Parker	Independent Business Consultant	1956	4,000
Everett H. Pixley	Vice President, Mellon National Bank and Trust Company (Banking)	1949	256
Alexander B. Royce	Partner of Chadbourne, Park, Whiteside & Wolff (Attorneys)	1953	508
Duncan M. Spencer	Chairman of the Board and Executive Officer, Fiduciary Trust Company of New York (Banking)	1952	1,000
John L. Sullivan	Partner of Sullivan, Shea & Kenney and of Sullivan & Wynot (Attorneys)	1952	20,004

*Mr. Frank F. Russell, a director of Martin for many years, was unable to accept a place on the Board of Directors of the Consolidated Company due to the fact that he is a director of another corporation whose business is competitive in certain respects with that of the Consolidated Company.

The following information is presented in respect of the American-Marietta Directors and officers who will become Directors of the new company and will serve as such until the annual meeting in April, 1962:

<u>Name</u>	<u>Principal occupation for last five years</u>	<u>American- Marietta Director Since</u>	<u>American-Marietta Shares beneficially owned July 20, 1961 (1)</u>	
			<u>Common</u>	<u>Class B</u>
Grover M. Hermann	Chairman of the Board of American-Marietta Company	1930	11,671	2,445,650
Robert E. Pflaumer	President of American-Marietta	1954	15,826	70,314
Harry N. Huntzicker	Executive Vice President of American-Marietta, previously Vice President of United States Gypsum Company	1961	600	
William J. Cabaniss	President of Southern Cement Company, now a division of American-Marietta	1956	30,000	
John F. Donoho	Financial Vice President of American-Marietta	—	1,365	
Leigh R. Gignilliat, Jr.	Vice President of American National Bank & Trust Company of Chicago	1953	1,272	
J. Clifford Knochel	Vice President of American-Marietta, previously Vice President of Devoe & Reynolds, Inc.	1959	1,701	
Ray L. Oughton	Director and Vice Chairman of the Board of American-Marietta until his voluntary resignation April 18, 1961, and since then Divisional President of the Madison Silo Division of American-Marietta.	1934	5,372	
W. Trent Ragland	President of Superior Stone Company, now a division of American-Marietta	1960	87,535	

- (1) Except as otherwise indicated, includes shares owned by trusts in which the person named has an interest, but does not include shares owned by members of the family of the person named in which such person has no interest.
- (2) Does not include Common Shares and Class B Common Shares owned by trusts for members of Mr. Hermann's family in which Mr. Hermann has no beneficial interest and by a charitable foundation which was created by him.
- (3) Before the consolidation becomes effective, Mr. Pflaumer expects to convert his Class B Common Shares into Common Shares. After the consolidation becomes effective, Mr. Pflaumer will have an option to purchase 19,125 shares of Common Stock of the Consolidated Company from certain other stockholders.

Holders of Class B Common Shares of American-Marietta as of July 20, 1961

<u>Beneficial owner</u>	<u>Number of Shares</u>
American National Bank and Trust Company, et al. Trustees for benefit of Shirley Hermann	311,275
American National Bank and Trust Company, et al. Trustees for benefit of Robert Hermann	340,061
Grover M. Hermann	2,445,650
Grover M. Hermann Foundation	11,720
Robert Hermann	12,169
Robert Pflaumer	70,314
Total	<u>3,191,189</u>

Election of Officers of Consolidated Company

It is presently intended that the directors named above will meet promptly after the consolidation becomes effective and will elect the following executive officers:

George M. Bunker, President and Chief Executive Officer
 Grover M. Hermann, Chairman of the Board
 William B. Bergen, Vice-President
 Robert E. Pflaumer, Vice-President
 John F. Donoho, Financial Vice-President and Treasurer
 William L. Lucas, Secretary

At the same time it is intended that Clarence W. Miles will be designated as General Counsel of the Consolidated Company.

Remuneration of Directors and Officers

The following table shows certain information with respect to remuneration paid by Martin to its officers and Directors during the year 1960:

<u>Name of individual or identity of group and capacity in which remuneration was received</u>	<u>Aggregate remuneration</u>	<u>Premium paid by Martin under Employees' Pension Fund Plan (1)</u>
George M. Bunker, Chairman of the Board	\$150,000(2)	\$16,009
William B. Bergen, President and Director	100,000	9,209
Clarence W. Miles, General Counsel and Director	80,000(3)	None
George T. Willey, Vice President	57,000	9,872
All officers and directors as a group (including above) ..	848,001(4)	68,901

- (1) The annual benefit estimated to be payable under the Employees' Pension Plan upon retirement at normal retirement age for George M. Bunker and William B. Bergen is \$25,000 and for George T. Willey is \$13,377. Clarence W. Miles is not eligible under the Plan.
- (2) As of April 1, 1959, the Company entered into a five-year contract with George M. Bunker. Under the terms of the contract Mr. Bunker will devote substantially his entire business time as chief executive and general manager of the Company at an annual salary of \$120,000 subject to such increases and additional payments as may be determined by the Board of Directors. If he should be permanently disabled or die during the term of the contract the compensation provided thereby shall be continued for a period of six months.
- (3) On October 1, 1960 the Company entered into an employment agreement with Clarence W. Miles by which Mr. Miles agreed to serve as General Counsel for a term of 10 years at an annual salary of not less than \$80,000. Either party has the right to terminate the agreement after the expiration of 5 years in which event it is agreed that Mr. Miles shall serve in a consulting capacity at an annual salary of \$30,000. In the event that Mr. Miles shall be permanently disabled the Company may terminate the agreement and thereupon the Company shall be obligated to pay the compensation as General Counsel to Mr. Miles for a period of 6 months or in the event of his death during the 6 months period to his widow or his estate.
- (4) Does not include \$40,900 paid for legal services to Sullivan, Shea & Kenney, of which firm John L. Sullivan, a Director, is a partner; or \$32,142 paid for legal services to Miles & Stockbridge, of which firm Clarence W. Miles is a partner.

The following table shows certain information with respect to remuneration paid by American-Marietta to certain of its officers and Directors who will become Directors of the Consolidated Company, during the fiscal year ended November 30, 1960:

<u>Name</u>	<u>Title</u>	<u>Salaries and Fees</u>	<u>Bonuses</u>	<u>Pension, Profit Sharing and Retirement Benefits</u>	
				<u>Accrued for Year 1960</u>	<u>Estimated Annual Benefits</u>
Grover M. Hermann	Chairman of Board of Directors	\$ 98,333	\$ —	—	\$ 6,000(1)(2)
Robert E. Pflaumer	President and Director	80,000	40,000	\$ 3,917	22,064(1)
William J. Cabaniss	Divisional General Manager and Director	36,000	—	1,718	5,220(1)
John F. Donoho	Financial Vice President	40,000	10,000	—	—
J. Clifford Knochel	Vice President and Director	45,000	5,000	2,168	7,008(1)
All Directors and Officers	Directors and Officers	1,108,503	333,210		

- (1) Including benefits from contributions by participants under Company's Salaried Employees' Retirement Plan.
- (2) Maximum vested benefits under Company's Salaried Employees' Retirement Plan.

Stock Options of Martin

During the period from January 1, 1960 to August 4, 1961, (i) Mr. Bunker exercised options to purchase 42,000 shares (representing all of his then remaining unexercised options) at \$15.89 per share, the closing market value on the date of exercise being \$36.63; (ii) Mr. Bergen exercised options to purchase 9,260 shares at \$12.15 per share, the market value on the date of exercise being \$26.88; (iii) Mr. Miles exercised options to purchase 12,600 shares at \$15.89 per share and 7,665 shares (representing all of his then remaining unexercised options), at \$19.52 per share, the market value per share on the dates of exercise ranging from \$27.88 to \$36.63; and (iv) Mr. Willey exercised options to purchase 2,100 shares at \$15.89 per share, the market value on the date of exercise being \$32.31 per share.

During the same period all officers and directors of Martin as a group, including those previously set forth in detail, exercised options as follows:

<u>Quarter or Period Ended</u>	<u>Shares</u>	<u>Option Price</u>	<u>Market Price on Date Purchased</u>
Sept. 30, 1960	19,032	\$12.15—15.89	\$26.88—28.13
Dec. 31, 1960	21,000	15.89—19.52	25.94—31.44
Mar. 31 1961	2,100	15.89	32.31
June 30, 1961	14,700	15.89	37.50—38.00
Aug. 4, 1961	45,465	15.89—19.52	36.63
	<u>102,297</u>		

During the same period options expiring April 30, 1968 to purchase 6,000 shares at \$19.38 per share and 16,000 shares at \$23.13 per share were granted to all officers and directors as a group, the price per share being the market price on the date options were granted.

During February 1961 Mr. Willey sold 1,000 shares of Martin Common Stock, the net proceeds of which sale amounted to \$34,555.42. This sale was within less than 6 months of the date when he exercised an option to purchase 1,050 shares (2,100 shares after giving effect to the 2 for 1 stock split effected on February 10, 1961 for stockholders of record January 20, 1961) and under the provisions of Section 16(b) of the Securities Exchange Act of 1934 any profit realized from such sale inures to and is recoverable by the Company. Based on the provisions of Rule X 16B-6 of the Securities and Exchange Commission the profit on the sale amounted to \$10,119.82. Appropriate steps are being taken by the Company to recover the short term profit.

The number of shares issued and the price per share have been adjusted for stock dividends subsequent to the issuance of the respective stock options.

Subsequent to June 30, 1961, Martin has granted options or agreed to grant options to 2 employees other than officers and directors, to purchase in the aggregate 10,000 shares of its Common Stock at the closing market price on the date of the grant. After the effective date of the consolidation no further options will be granted under the Stock Option Plans of Martin. No shares of Common Stock will be reserved by the Consolidated Company for issuance upon options in lieu of the 19,000 shares of Common Stock of Martin which were still reserved for the granting of options when its plans terminate on the effective date of the consolidation.

All of the foregoing transactions reflect the 2-for-1 stock split effected on February 10, 1961, for stockholders of record January 20, 1961.

DESCRIPTION OF COMMON STOCK OF MARTIN

The only class of capital stock of Martin authorized and outstanding is the Common Stock without par value which has exclusive voting rights. The holders of Common Stock are entitled to receive such dividends as are declared by the Board of Directors out of any funds of Martin legally available therefor and are entitled to share pro rata in the distributable assets of Martin in the event of any liquidation, dissolution or winding up of Martin. Martin may not declare any dividend or make any distribution on its shares of stock for value, or permit a Subsidiary to purchase, redeem or otherwise acquire or retire for value any shares of stock of Martin, if upon giving effect thereto the aggregate amount expended for such purposes subsequent to December 31, 1957, shall exceed the sum of (a) the accumulated consolidated earnings (or deficit) of Martin and its Subsidiaries earned subsequent

to December 31, 1957 (without taking into consideration any net refunds made by Martin under the Renegotiation Act of 1951, for periods prior to 1958), (b) the aggregate net consideration realized from the sale after December 31, 1957, of stock of Martin, (c) the aggregate net consideration realized from the sale after December 31, 1957, of any indebtedness of Martin which has been converted into shares of stock of Martin subsequent to December 31, 1957, and (d) the sum of \$5,000,000. Each holder of Common Stock is entitled to one vote for each share of stock outstanding in his name. Without assent or other action of the stockholders, the Board of Directors may from time to time receive subscriptions for or sell any or all of the then unissued shares of Common Stock, whether the same be any of the originally authorized shares or any increase thereof, and shall be under no obligation to offer the same to existing stockholders. In the opinion of Counsel for Martin, the presently outstanding shares of Common Stock are, and the shares to be issued on exercise of the Warrants to purchase shares of Common Stock issued November 1, 1958, will upon compliance with the terms of the Warrants be fully paid and nonassessable.

DESCRIPTION OF COMMON SHARES AND CLASS B COMMON SHARES OF AMERICAN-MARIETTA

Certain provisions applicable to the Common Shares and the Class B Common Shares of American-Marietta are hereafter summarized. Such summary does not contain all of the terms and provisions applicable to said shares and no summary and no effect is given as to the provisions applicable to the 5% Cumulative Preferred Shares because those shares will be redeemed prior to the special meeting of stockholders of American-Marietta.

Dividends

Dividends may be paid on Common Shares and Class B Common Shares out of any funds legally available for such purpose when and as declared by the Board of Directors, except that no dividends may be declared or paid on Class B Common Shares in any year unless an equal amount plus \$2 is paid for that year on the Common Shares, and except that any dividend or distribution on the Common Shares in Common Shares or on the Class B Common Shares in Class B Common Shares may be made only so long as there is no greater proportionate increase in the number of Class B Common Shares outstanding than in the Common Shares outstanding as a result of such dividend or distribution.

The terms of the Unsecured Notes referred to under the caption "Capitalization" of American-Marietta payable to insurance companies set forth certain minimum requirements as to consolidated working capital and restrict the payment of cash dividends and purchases or other retirements of Capital Shares. In this connection, reference is made to Note "C" to Financial Statements.

Voting Rights

The holder of each outstanding share regardless of class is entitled to one vote for each share held on each matter submitted to a vote at a meeting of shareholders and may cumulate votes for the election of directors.

Liquidation Rights

In the event of any dissolution, liquidation or winding up, the remaining assets of the Company shall be distributed to the holders of the Common Shares of both classes, without preference between the holders of the Common Shares and Class B Common Shares. Neither a merger nor consolidation of the Company with or into any other corporation, nor a reorganization, nor a purchase or redemption of all or a part of the outstanding shares of any class, nor the sale of the property and business of the Company substantially as an entirety, shall be considered a liquidation or winding up of the Company.

Preemptive Rights

No holder of any shares of any class of the Company has any right, as such holder, to purchase or otherwise acquire any shares of any class of the Company, now or hereafter authorized, of any se-

curities convertible into any such shares, or warrants or other instruments to subscribe for or otherwise acquire any such share, whether the same be unissued or issued and thereafter acquired by the Company.

Conversion Rights

Under the Articles of Incorporation of the Company, the Class B Common Shares are convertible, subject to the restrictions of such conversion set forth in the Articles of Incorporation, into Common Shares on a share for share basis. The conversion rights of certain of these shares are further restricted by an Agreement dated November 1, 1958, between Grover M. Hermann, Shirley Hermann and Robert Hermann. At this date 340,523 Class B Common Shares are eligible for conversion and the remaining shares are subject to the conversion restrictions of the Agreement and may not be converted until they become eligible for conversion thereunder as follows: 62,500 shares on each January 1 and July 1 to and including July 1, 1969. The conversion restrictions terminate completely on January 1, 1970. The agreement provides that the shares eligible for conversion thereunder shall be proportionately increased in the event of stock dividends, stock splits or other increases in the outstanding Class B Common Shares; that the restrictions of the Agreement shall continue in effect with respect to the shares subject thereto irrespective of any transfers of shares by the original parties; and that the Agreement shall be irrevocable except that it may be amended or terminated with the consent of the holders of not less than $\frac{2}{3}$ of the outstanding Class B Common Shares, as a class, and of the holders of not less than $\frac{2}{3}$ of the outstanding Common Shares, as a class.

The Agreement further provides that if, as a result of certain mergers or consolidations or acquisitions of assets, the persons who were the shareholders of the Company immediately prior to any such transaction shall not be or become the holders of shares representing at least 60% of the voting power of all shares, and at least 50% of each class of shares (other than Preferred Shares, as defined) of the Company, or of the acquiring or surviving corporation, outstanding immediately after, or issuable as a part of, such transaction, the conversion restrictions imposed by the Agreement may be modified or terminated by the holder or holders of not less than 60% of the then outstanding Class B Common Shares subject to the Agreement.

DESCRIPTION OF STOCK OF CONSOLIDATED COMPANY

Dividends

After cumulative dividends have been paid at the rate of 4½% on the Preferred Stock, dividends may be paid on the Common Stock, when and as declared by the Board of Directors and subject to the limitations provided in the terms of the Preferred Stock and the 5½% Sinking Fund Debentures and in A-M's long term notes. See footnotes to Capitalization of Consolidated Company and to Financial Statements of the Constituent Companies in this Proxy Statement.

Voting Rights

The holders of Common Stock will be entitled to one vote per share, but will not have cumulative voting rights. The holders of Preferred Stock will have no voting rights except as specifically provided by law and except that in the event of default in payment of dividends on the Preferred Stock in an amount equal to four quarterly dividends or in the event of a default in the Sinking Fund provided for the Preferred Stock, the Preferred Stock will have the right to elect one-third of the board of directors.

Liquidation Rights

After payment to the Preferred Stock of \$100 per share plus accrued dividends plus \$5 per share if the liquidation is voluntary, the Common Stock will be entitled to all remaining assets of the Company properly distributable to stockholders upon any liquidation of the Consolidated Company.

Miscellaneous

The Preferred Stock is subject to redemption as a whole, but not in part, at any time after October 1, 1964, at \$105 per share plus accrued dividends. The Preferred Stock is entitled to a sinking fund as set forth under "Capitalization of the Consolidated Company". The Company may not change its stock provisions in certain respects adverse to the Preferred Stock or issue or sell any additional Preferred Stock or stock ranking prior thereto or on a parity therewith without the consent of the holders of two-thirds of the Preferred Stock. There are no preemptive rights.

Reference is made to the stock terms of the Consolidated Company set forth in full in the Articles included in Appendix A.

TAX CONSEQUENCES

In the opinion of counsel for the constituent companies the consolidation will not result in taxable gain to either of the constituent companies and stockholders of the constituent companies will not realize any taxable gain or deductible loss as a result of the conversion of their stock into stock of the Consolidated Company. Gain or loss will be recognized to stockholders who may dissent and receive in cash the value of their stock in appraisal proceedings, and gain, if any, will be recognized to stockholders of Martin with respect to the proceeds of sale of any fractional share interest, but not in excess of the amount received upon such sale.

RIGHTS OF DISSENTING STOCKHOLDERS

Stockholders of Martin who object to the consolidation have such rights as objecting stockholders in respect of the proposed consolidation as are provided by Section 73 of Article 23 of the Annotated Code of Maryland (1957 Edition). Under this Section, objecting stockholders shall be entitled to demand and receive payment of the amount equal to the fair value of their stock. If such stockholders (1) shall prior to, or at, the special meeting of stockholders, file with Martin objection in writing to the proposed consolidation; (2) shall not vote in favor of the consolidation; (3) shall within twenty days after the Articles of Consolidation and Plan have been accepted for record by the Department of Assessments and Taxation of Maryland, make upon the Consolidated Company written demand for payment for his stock, stating the number and class of shares for which payment is demanded. Any stockholder, who fails to comply with the requirements of this Section within the time specified, shall be bound by the terms of the consolidation, merger or transfer. Merely voting against, or a direction in a proxy to vote against, the adoption of the Articles of Consolidation and Plan will not comply with the conditions required of objecting stockholders by Section 73 of Article 23 of the Annotated Code of Maryland (1957 Edition).

The Consolidated Company must deliver or mail to each objecting stockholder written notice of the date of acceptance for record of the Articles of Consolidation and Plan by the Department of Assessments and Taxation of Maryland, and may also deliver or mail to each such stockholder a written offer to pay for his stock at a price deemed to be the fair value thereof.

Within fifty days after the acceptance of the Articles of Consolidation and Plan for record by the Department of Assessments and Taxation of Maryland, either the Consolidated Company or any objecting stockholder who has not received payment for his stock may petition a court of equity in the City of Baltimore to determine the fair value of such stock. If such court finds that any objecting stockholder is entitled to have the value of the stock determined, it shall appoint three disinterested appraisers to determine the fair value of such stock. Such value shall be determined as of the close of business on the day of the stockholder's vote on the Articles of Consolidation and Plan to which objection was made, excluding any appreciation or depreciation, directly or indirectly, consequent upon such action or the proposal thereof. The appraisers are required to file a written report of their findings as to the fair value of the stock of the objecting stockholder, and the statute provides for appropriate action to be taken by the court in relation to such report of the appraisers.

The costs of valuation proceedings, which will include the costs of making the appraisal, are determined by the Court and will be assessed against the Consolidated Company; provided, that all or any part of the costs may be apportioned and assessed as the Court deems equitable against any or

all of the objecting stockholders parties to the proceedings, if, taking into consideration the price which the Consolidated Company offered for such stock, the financial statements and other information furnished, and such other circumstances as the Court deems relevant, the Court finds that the action of the stockholders, in failing to accept the offer was arbitrary and vexatious or not in good faith.

OTHER MATTERS

Vote needed to approve Proposed Consolidation

The affirmative vote of a majority of the outstanding shares is required to authorize the proposed consolidation.

Voting Rights

As of the close of business on July 31, 1961, Martin had outstanding 6,257,739 full shares of Common Stock and Scrip Certificates for 10,901 tenths of a share. Shareholders are entitled to one vote for each full share registered in their names. There are no classes of stock of Martin other than Common Stock. Shareholders of record at the close of business on August 30, 1961, the record date fixed by the Board of Directors, will be entitled to vote at the meeting.

Miscellaneous

The Management knows of no business constituting a proper subject for action by the stockholders which will be presented for consideration at the meeting other than that shown above.

The proxies are solicited by the Management of Martin and the cost of such solicitation has been or will be paid by Martin. In addition to solicitation by mail, arrangements may be made with brokerage houses and other custodians, nominees, and fiduciaries to send proxy material to their principals, and Martin may reimburse them for their expense in so doing. Martin has retained Georgeson and Company of New York City to aid in the solicitation of proxies at a cost estimated to be about \$3,000. To the extent necessary in order to assure sufficient representation, officers and regular employees of Martin may request the return of proxies personally, by telephone or telegram. The extent to which this will be necessary depends entirely upon how promptly proxies are received, and stockholders are urged to send in their proxies without delay.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its exercise. The shares of Martin's outstanding Common Stock represented by each proxy received before the Special Meeting and not revoked will be voted in favor of the proposed Consolidation Agreement and Plan set forth in the accompanying Notice of Special Meeting of Stockholders and in this statement, unless the proxies are instructed in the proxy to do otherwise.

W. L. LUCAS, *Secretary*

August 30, 1961

IMPORTANT

TO INSURE REPRESENTATION AT THE SPECIAL MEETING, STOCKHOLDERS ARE REQUESTED TO SIGN AND MAIL PROMPTLY THE ACCOMPANYING PROXY FOR WHICH A RETURN ENVELOPE IS PROVIDED. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. IF YOU DO ATTEND THE MEETING, YOU MAY VOTE THERE IN PERSON SHOULD YOU SO DESIRE.

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OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors,
The Martin Company,
Baltimore, Maryland

We have examined the balance sheet of The Martin Company as of December 31, 1960, and the related statements of earnings, additional paid-in capital and earnings reinvested for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; although we were unable to obtain satisfactory confirmation of accounts receivable from the Government, we satisfied ourselves as to these accounts by other means.

In our opinion, subject to such adjustments (which neither we nor the Company are able to evaluate) as may be required as a result of renegotiation as described in Note A, the accompanying balance sheet and statements of earnings (set forth in the Proxy Statement under the heading "Statement of Earnings"), additional paid-in capital and earnings reinvested present fairly the financial position of The Martin Company at December 31, 1960, and the results of its operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

TOUCHE, ROSS, BAILEY & SMART

Baltimore, Maryland
July 24, 1961
As of February 20, 1961

THE MARTIN COMPANY
COMPARATIVE BALANCE SHEETS

ASSETS

	<u>(Unaudited)</u> <u>June 30,</u> <u>1961</u>	<u>December 31,</u> <u>1960</u>
CURRENT ASSETS:		
Cash	\$ 24,056,497	\$ 16,934,296
Prime commercial paper, at cost and accrued interest	4,911,250	
Accounts receivable, including amounts due from the United States Government of \$73,339,710 at June 30, 1961 and \$98,251,167 at December 31, 1960	75,573,529	99,845,948
Unbilled costs under cost-type contracts	41,093,999	57,885,827
Materials, labor and other costs incurred on contracts in progress (including advances to subcontractors) less estimated costs applied to deliveries—not in excess of realizable value (Note B), less progress payments of \$5,836,127 at June 30, 1961 and \$6,894,815 at December 31, 1960	10,142,217	8,312,863
Prepaid expenses	1,277,687	906,900
TOTAL CURRENT ASSETS	\$157,055,179	\$183,885,834
FEDERAL INCOME TAX REFUNDABLE ON		
RENEGOTIATION PAYMENT FOR 1953 (Note A)	1,636,567	1,636,567
INVESTMENTS—at cost:		
General Precision Equipment Corporation		10,103,002
EPSCO, Incorporated	2,050,000	
Nuclear Corporation of America	972,563	850,776
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land, including \$533,884 not used in operations	3,583,473	3,584,103
Buildings, including \$501,899 at June 30, 1961 and \$632,941 at December 31, 1960 not used in operations	52,740,530	48,753,961
Machinery and equipment	39,828,289	38,358,380
	\$ 96,152,292	\$ 90,696,444
Less accumulated depreciation and amortization	45,761,096	40,564,908
	\$ 50,391,196	\$ 50,131,536
	\$212,105,505	\$246,607,715

See notes to financial statements.

THE MARTIN COMPANY
COMPARATIVE BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>(Unaudited)</u> <u>June 30,</u> <u>1961</u>	<u>December 31,</u> <u>1960</u>
CURRENT LIABILITIES:		
Notes payable to banks	\$ —	\$ 33,000,000
Accounts payable, including amounts repayable under target incentive contracts	42,158,721	65,615,964
Salaries, wages and withheld taxes	26,682,932	19,897,639
Federal taxes on income	13,550,105	11,375,437
Other taxes and miscellaneous	4,752,561	2,980,219
5½% Sinking Fund Debentures—current portion	2,250,000	2,250,000
TOTAL CURRENT LIABILITIES	\$ 89,394,319	\$135,119,259
RENEGOTIATION REFUND, net of taxes (Note A)	5,393,260	5,393,260
5½% Sinking Fund Debentures, due November 1, 1968, less current portion (Note C)	15,500,000	15,500,000
STOCKHOLDERS' EQUITY:		
Capital stock:		
Authorized 12,000,000 shares of common stock without par value at June 30, 1961, and 6,000,000 shares of \$1 par value Capital Stock at December 31, 1960 (Notes D, F)		
Outstanding:		
6,258,387 shares at June 30, 1961	3,129,193	
3,105,217 shares at December 31, 1960		3,105,217
Additional paid-in capital	40,366,775	39,583,769
Earnings reinvested (Note C)	58,321,958	47,906,210
	\$101,817,926	\$ 90,595,196
	\$212,105,505	\$246,607,715

See notes to financial statements.

THE MARTIN COMPANY
STATEMENTS OF ADDITIONAL PAID-IN CAPITAL AND EARNINGS REINVESTED

	Year ended December 31,					(Unaudited) Six months ended	
	1956	1957	1958	1959	1960	June 30, 1960	June 30, 1961
	ADDITIONAL PAID-IN CAPITAL:						
Balance, beginning of period	\$26,631,655	\$32,381,899	\$32,541,595	\$32,575,377	\$38,702,716	\$38,702,716	\$39,583,769
Excess of proceeds over par value of capital stock issued:							
On exercise of stock warrants	14,056			62			195,960
On exercise of stock options	484,740	159,696	33,782	125,041	884,718	65,740	587,046
Excess of amount assigned to stock dividends over par value of stock-transferred from earnings reinvested ..	5,251,448			6,002,236			
Amount assigned to scrip certificates cancelled-transferred to earnings reinvested					(3,665)		
Balance, end of period	<u>\$32,381,899</u>	<u>\$32,541,595</u>	<u>\$32,575,377</u>	<u>\$38,702,716</u>	<u>\$39,583,769</u>	<u>\$38,768,456</u>	<u>\$40,366,775</u>
EARNINGS REINVESTED:							
Balance, beginning of period (Note A)	\$21,573,647	\$21,533,461	\$26,739,106	\$33,788,269	\$36,294,070	\$36,294,070	\$47,906,210
Add:							
Net earnings for the period	9,693,468	9,879,638	11,725,555	13,336,981	16,854,540	7,647,710	13,538,418
Cancellation of scrip certificates for 166.6 shares ..					3,832		
Deduct dividends paid:							
Cash (per share—1956/59, \$1.60; 1960, \$1.70; 1961, \$.50)	4,344,010	4,673,993	4,676,392	4,682,548	5,246,232	2,460,058	3,122,670
Stock (5% in 1956, 138,196 shares; 5% in 1959, 146,396 shares)	5,389,644			6,148,632			
Balance, end of period	<u>\$21,533,461</u>	<u>\$26,739,106</u>	<u>\$33,788,269</u>	<u>\$36,294,070</u>	<u>\$47,906,210</u>	<u>\$41,481,722</u>	<u>\$58,321,958</u>

See notes to financial statements

THE MARTIN COMPANY
NOTES TO FINANCIAL STATEMENTS

(A) Renegotiation:

See Note (A) to Statement of Earnings included elsewhere in this Proxy Statement.

(B) Inventories:

Title to inventories in the amount of approximately \$7,600,000 at June 30, 1961 and \$8,100,000 at December 31, 1960 had passed to the United States Government as consideration for progress payments. Material, labor and other costs incurred on contracts in progress less estimated costs applied to deliveries, not in excess of realizable value, used in determining cost of sales for each of the six years ended December 31, 1960 were, respectively, \$82,524,902; \$55,610,080; \$39,168,843; \$43,060,212; \$36,374,520; \$15,207,678 and for the six months ended June 30, 1961, \$15,978,344.

(C) Debentures:

Sinking fund provisions of the Debentures require annual redemptions of \$2,250,000. Among other restrictions under the Debenture Agreement, \$14,514,499 of the earnings reinvested at December 31, 1960 and \$13,707,517 of the earnings reinvested at June 30, 1961 were not available for the payment of dividends.

(D) Shares of capital stock were reserved for issuance as follows:

	<u>12/31/60</u>	<u>6/30/61</u>
(a) At a price of \$7.47 per share at December 31, 1960 and \$3.74 at June 30, 1961 upon presentation of capital stock purchase warrants expiring April 10, 1962, issued in connection with the sale of Ten-Year 4% Convertible Subordinated Notes	6	12
(b) Upon exercise at \$40.00 per unit (consisting of 1.05 shares at December 31, 1960 and 2.10 shares at June 30, 1961) to and including November 1, 1963, and at \$45.00 per unit thereafter to and including November 1, 1968, of warrants issued in connection with the Company's 5½% Sinking Fund Debentures	210,000	409,435
(c) Under a restricted stock option plan for officers and other key employees	<u>134,792</u>	<u>232,199</u>
Total	<u>344,798</u>	<u>641,646</u>

(E) Stock Options

In 1952 and 1958 stock option plans for officers and key employees were approved by the stockholders providing for the granting of options to purchase 200,000 and 140,000 shares respectively of the Company's capital stock. The plans provided that the number of shares and the issue price were subject to adjustments as might be necessary to protect the optionee against dilution. Accordingly, because of stock dividends declared and a 2 for 1 stock split subsequent to granting of options, the total number of shares subject to option under the 1952 plan was increased to 225,930 and under the 1958 plan to 265,680, and the effect of such adjustments is reflected in the information presented below. The option price under both plans is the closing price of the Company's stock on the New York Stock Exchange on the day when the particular option is granted; options may not expire more than ten years from the date of grant, nor may they be exercised in less than one year from the date of grant under the 1952 plan nor two years under the 1958 plan.

The number of shares with respect to which options under the plans were granted through June 30, 1961 and the years that such options became or will become exercisable, are as follows:

<u>Date of Grant</u>	<u>Date Exercisable</u>	<u>Number of Shares</u>	<u>Option Price</u>		<u>Market Quotations at Date Exercisable</u>	
			<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>	<u>Total</u>
1952	1954-1957	95,877	\$ 8.04- 9.75	\$ 828,750	\$18.63-43.50	\$3,412,868
1952	1953	75,675	9.66-10.63	799,531	13.75	1,034,687
1953	1954	18,300	11.03-13.38	215,469	24.88-28.63	418,281
1955	1956	18,048	12.15-28.13	360,000	34.00	456,960
1957	1958	16,030	18.69-39.25	387,113	32.13-33.25	318,419
1958	1960	154,980	15.89-33.10	2,838,375	44.25-56.88	3,973,331
1959	1961	14,700	18.39-46.91	317,500		
1960	1962	64,000	19.00-56.63	1,400,625		
1961	1963	10,000	32.62-38.00	357,750		
		<u>467,610</u>		<u>\$7,505,113</u>		

Since inception of the plans through June 30, 1961, options under the plans were exercised as follows:

Year Exercised	Number of Shares	Option Price		Market Quotations at the various dates Options were Exercised	
		Per Share	Total	Per Share	Total
1953	1,350	\$10.63	\$ 14,344	\$14.63-15.88	\$ 19,869
1954	89,650	\$ 9.75-13.38	951,281	19.38-33.00	2,389,868
1955	16,500	8.86-12.16	152,688	28.13-38.38	486,613
1956	62,948	8.44-11.58	547,688	40.88-43.13	2,578,197
1957	18,742	8.04-25.51	178,438	42.38-46.63	831,457
1958	2,094	11.03-25.51	35,875	31.75-33.25	69,157
1959	4,116	25.51-39.25	129,156	42.75-59.75	219,766
1960	29,985	24.30-39.05	914,700	38.75-63.88	1,681,382
1961	34,026	12.12-31.79	605,738	31.63-65.25	1,342,702
	<u>259,411</u>		<u>\$3,529,908</u>		<u>\$9,619,011</u>

At June 30, 1961, options not yet exercised under the plans were as follows:

Date of Grant	Date Exercisable	Number of Shares	Option Price		Market Quotations at Date of Grant	
			Per Share	Total	Per Share	Total
1955	1956	4,524	\$12.12	\$ 54,844	\$12.12	\$ 54,844
1957	1958	10,815	\$18.69-19.52	205,024	\$18.69-19.52	205,024
1958	1960	108,360	15.89-16.55	1,722,837	15.89-16.55	1,722,837
1959	1961	10,500	19.82-23.45	234,125	19.82-23.45	234,125
1960	1962	64,000	19.00-28.31	1,400,625	19.00-28.31	1,400,625
1961	1963	10,000	32.63-38.00	357,750	32.63-38.00	357,750
		<u>208,199</u>		<u>\$3,975,205</u>		<u>\$3,975,205</u>

Capital stock issued upon exercise of options was recorded at amounts received; no charges have been reflected in income with respect to stock options. Options cancelled have been reflected by reducing the number of shares originally covered by options.

(F) On January 9, 1961 the Certificate of Incorporation was amended to change the previously authorized 6,000,000 shares of capital stock of the Company to 12,000,000 shares of common stock without par value. A 2 for 1 stock split was effected on February 10, 1961 for stockholders of record on January 20, 1961.

(G) Pensions:

A pension plan was established for employees as of July 1, 1943, providing for pension payments and death benefits through an annuity contract with a legal reserve insurance company. Effective May 1, 1951, additional pension plans were established for hourly employees providing maximum benefits, as now amended, of \$67.50 per month, reduced by any retirement benefits accrued under the earlier plan. Maximum benefits under the latter plans are payable after 30 years of credited service with the Company and retirement at or after age 65. Disability benefits are likewise provided. Unfunded past service costs under the latter plans estimated to be \$5,179,000 at December 31, 1960 and \$8,030,000 at June 30, 1961 are being funded over a period not to exceed 30 years. The earlier pension plan has been amended so as to cover salaried employees only, providing at or after age 65 for monthly benefit payments based upon compensation and length of service. The plans are non-contributory. The aggregate cost of these plans for 1960 was \$5,209,984 and it is estimated the aggregate cost of these plans for 1961 will be approximately \$5,900,000. The Company has the right to discontinue these plans at any time, except that it has agreed not to change or terminate the Pension Plans for hourly paid employees prior to December 31, 1963.

(H) Property, plant and equipment:

The cost of facilities which are owned by the Company, other than those covered by certificates of necessity, is depreciated over estimated useful lives on a straight-line basis for assets acquired prior to January 1, 1954 and on a sum of the years-digits basis for assets acquired after that date, as permitted by the Internal Revenue Code.

These rates may be summarized as follows:

Class of assets	Rate of depreciation
Building and building equipment	2% to 10%
Other land improvements	4% to 11¾%
Machinery and equipment	5% to 25%
Office equipment	6¾% to 10%
Automobiles, trucks and tractors	25%
Airplanes and boats	20% to 25%

Amortization is computed in accordance with the provisions of the Internal Revenue Code on assets covered by certificates of necessity.

Maintenance and repairs are charged to income as incurred and expenditures for major renewals and betterments are capitalized.

At the disposal or retirement of properties, the difference between the depreciated value of assets and the amount realized is charged against, or credited to, revenue.

Effective with December 31, 1953, fully depreciated property, plant and equipment was eliminated from the accounts.

(I) Supplementary profit and loss information:

	Year Ended December 31,					(Unaudited) 6 Months Ended June 30,
	1956	1957	1958	1959	1960	1961
Maintenance and repairs	<u>\$4,727,777</u>	<u>\$5,284,499</u>	<u>\$5,713,805</u>	<u>\$6,156,011</u>	<u>\$ 5,794,036</u>	<u>\$3,432,504</u>
Depreciation and amortization of prop- erty, plant and equipment	<u>\$1,864,672</u>	<u>\$4,738,304</u>	<u>\$8,650,197</u>	<u>\$9,654,192</u>	<u>\$10,618,657</u>	<u>\$5,550,985</u>
Taxes, other than income and excess profits taxes:						
Real estate and personal property, etc.	<u>\$ 852,002</u>	<u>\$1,512,807</u>	<u>\$2,308,548</u>	<u>\$2,497,422</u>	<u>\$ 2,929,573</u>	<u>\$1,131,572</u>
Federal and state social security ..	<u>2,740,454</u>	<u>3,788,603</u>	<u>4,056,717</u>	<u>5,886,716</u>	<u>7,287,253</u>	<u>6,919,148</u>
	<u>\$3,592,456</u>	<u>\$5,301,410</u>	<u>\$6,365,265</u>	<u>\$8,384,138</u>	<u>\$10,216,826</u>	<u>\$8,050,720</u>
Rents	<u>\$1,123,739</u>	<u>\$1,897,492</u>	<u>\$2,039,383</u>	<u>\$2,529,297</u>	<u>\$ 3,518,589</u>	<u>\$2,567,475</u>
Royalties	<u>729,990</u>	<u>94,750</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$1,853,729</u>	<u>\$1,992,242</u>	<u>\$2,039,383</u>	<u>\$2,529,297</u>	<u>\$ 3,518,589</u>	<u>\$2,567,475</u>

The major portion of the above charges has been charged to cost of sales. Amounts charged to other accounts were not material. There were no management or service contract fees.

ACCOUNTANTS' REPORT

Board of Directors
American-Marietta Company
Chicago, Illinois

We have examined the consolidated balance sheet of American-Marietta Company and consolidated subsidiaries as of November 30, 1960, and the related statements of consolidated income, additional capital and accumulated earnings for the period of five years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The accounts of one company and its subsidiary for the years ended December 31, 1956, 1957, and 1958, and the accounts of another company and its subsidiaries for the years ended December 31, 1956, 1957, 1958, and 1959, were examined by other independent accountants, and the financial statements of these companies have been incorporated in the aforementioned consolidated financial statements in reliance on the reports, included elsewhere in this proxy statement, of such accountants.

In our opinion, based upon our examinations and the reports of the other accountants referred to above, the accompanying balance sheet and statements of income, additional capital and accumulated earnings present fairly the consolidated financial position of American-Marietta Company and consolidated subsidiaries at November 30, 1960, and the consolidated results of their operations for the period of five years then ended (including on a combined basis the operations of the merged companies referred to in Note A to the financial statements) in conformity with generally accepted accounting principles applied on a consistent basis.

ERNST & ERNST

Chicago, Illinois
July 24, 1961
(As of January 16, 1961)

ACCOUNTANTS' REPORT

Board of Directors
American-Marietta Company
Chicago, Illinois

We have examined the statements of consolidated earnings and retained earnings of Dewey Portland Cement Company and subsidiaries for the four years ended December 31, 1959. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have not examined financial statements of the Company and subsidiaries for any period subsequent to December 31, 1959.

In our opinion, such financial statements (not shown separately herein) present fairly the results of operations of Dewey Portland Cement Company and subsidiaries for the four years ended December 31, 1959, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
July 24, 1961
(As of January 25, 1960)

ACCOUNTANTS' REPORT

Board of Directors
American-Marietta Company
Chicago, Illinois

We have examined the financial statements of Superior Stone Company and subsidiary for the three years ended December 31, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements of income and accumulated earnings of Superior Stone Company and subsidiary (not shown separately herein) present fairly the results of operations of Superior Stone Company and subsidiary for the three years ended December 31, 1958, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

W. M. RUSS & CO.

Raleigh, North Carolina
July 24, 1961
(As of February 19, 1959)

AMERICAN-MARIETTA COMPANY AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>(Unaudited)</u> <u>May 31, 1961</u>	<u>November 30</u> <u>1960</u>
CURRENT ASSETS		
Cash	\$ 16,126,154	\$ 26,452,714
Trade receivables, less allowances of \$800,000	56,407,937	52,760,689
Inventories—Note E	69,577,416	60,808,475
Prepaid expenses	3,804,582	2,334,683
Total Current Assets	\$145,916,089	\$142,356,561
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to foreign (except Canadian) subsidiaries—Note A	\$ 3,188,688	\$ 2,911,643
Intangibles arising upon acquisition of companies, less amortization	14,351,267	13,482,415
Sundry investments and accounts	8,808,414	8,989,576
	<u>\$ 26,348,369</u>	<u>\$ 25,383,634</u>
PROPERTY, PLANT, AND EQUIPMENT—principally on the basis of cost		
Land, limestone reserves, and other deposits	\$ 22,179,538	\$ 21,047,562
Buildings and improvements	68,795,687	65,298,907
Machinery and equipment	193,896,296	185,414,330
Construction in progress (estimated additional cost to complete at May 31, 1961—\$7,500,000)	31,061,100	23,700,775
	<u>\$315,932,621</u>	<u>\$295,461,574</u>
Less allowances for depreciation, depletion, and amortization	118,933,936	109,711,346
	<u>\$196,998,685</u>	<u>\$185,750,228</u>
	<u>\$369,263,143</u>	<u>\$353,490,423</u>

See notes to financial statements.

AMERICAN-MARIETTA COMPANY AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREOWNERS' INVESTMENT

	<u>(Unaudited)</u>		<u>November 30,</u>	
	<u>May 31, 1961</u>		<u>1960</u>	
CURRENT LIABILITIES				
Notes payable to banks	\$ 34,000,000		\$	-0-
Accounts payable	11,592,812		11,819,356	
Accrued compensation and other expenses	8,221,686		11,452,878	
Federal, state, and Canadian taxes on income—estimated—Note B ...	8,188,639		25,589,471	
Long-term debt payable within one year	2,130,359		2,160,897	
Total Current Liabilities	\$ 64,133,496		\$ 51,022,602	
 LONG-TERM DEBT—Note C	 68,885,576		 69,844,789	
 SHAREOWNERS' INVESTMENT—Notes C and D				
Capital Shares:				
	<u>Shares Outstanding</u>			
	<u>May 31,</u>	<u>November 30,</u>		
	<u>1961</u>	<u>1960</u>		
Preferred, 5% cumulative, par value \$100 a share—authorized 495,408 shares— Note J	200,599	198,972	\$ 20,059,900	\$ 19,897,200
Common, par value \$2 a share—author- ized 25,000,000 shares	13,200,796	13,030,265	26,401,592	26,060,530
Class B Common, par value \$2 a share— authorized 4,200,000 shares	3,191,189	3,215,720	6,382,378	6,431,440
			<u>\$ 52,843,870</u>	<u>\$ 52,389,170</u>
Capital in addition to par value of shares			88,926,235	85,021,379
Accumulated earnings used in the business			94,473,966	95,212,483
			<u>\$236,244,071</u>	<u>\$232,623,032</u>
			<u><u>\$369,263,143</u></u>	<u><u>\$353,490,423</u></u>

See notes to financial statements.

AMERICAN-MARIETTA COMPANY AND CONSOLIDATED SUBSIDIARIES

**STATEMENTS OF CONSOLIDATED ADDITIONAL CAPITAL
AND ACCUMULATED EARNINGS**

	Year Ended November 30					(Unaudited) Six Months Ended May 31, 1961
	1956	1957	1958	1959	1960	
CAPITAL IN ADDITION TO PAR VALUE OF SHARES						
Balance at beginning of period.	\$14,256,119	\$17,287,198	\$27,591,045	\$50,536,833	\$ 67,847,968	\$ 85,021,379
Amounts, in excess of par value, recorded in respect of:						
Common Shares issued in connection with acquisition of companies and invest- ment, less merger costs in 1960	5,069,789	10,143,430	22,925,644	23,022,666	17,148,657	5,104,233
Common Shares issued for cash	161,150	6,740,139	-0-	-0-	-0-	-0-
Credits arising upon repurchase of Preferred Shares	-0-	-0-	20,144	21,344	24,754	623
	<u>\$19,487,058</u>	<u>\$34,170,767</u>	<u>\$50,536,833</u>	<u>\$73,580,843</u>	<u>\$ 85,021,379</u>	<u>\$ 90,126,235</u>
Deduct:						
Cost in excess of par value of reacquired Common Shares	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,200,000
Amounts transferred to capi- tal share accounts in con- nection with stock splits (1956—5 for 4; 1957—3 for 2; 1959—5 for 4) of Com- mon and Class B Common Shares	2,199,860	6,579,722	-0-	5,732,875	-0-	-0-
	<u>\$ 2,199,860</u>	<u>\$ 6,579,722</u>	<u>\$ -0-</u>	<u>\$ 5,732,875</u>	<u>\$ -0-</u>	<u>\$ 1,200,000</u>
BALANCE AT END OF PERIOD	<u>\$17,287,198</u>	<u>\$27,591,045</u>	<u>\$50,536,833</u>	<u>\$67,847,968</u>	<u>\$ 85,021,379</u>	<u>\$ 88,926,235</u>
ACCUMULATED EARNINGS USED IN THE BUSINESS						
Balance at beginning of period	\$42,632,238	\$58,033,664	\$59,978,915	\$70,139,572	\$ 84,708,389	\$ 95,212,483
Net income for the period	22,025,608	19,895,310	21,299,249	26,341,575	24,429,357	6,310,854
	<u>\$64,657,846</u>	<u>\$77,928,974</u>	<u>\$81,278,164</u>	<u>\$96,481,147</u>	<u>\$109,137,746</u>	<u>\$101,523,337</u>
Deduct:						
Cash dividends:						
On shares of American- Marietta Company:						
Preferred	\$ 763,009	\$ 1,033,454	\$ 1,125,959	\$ 1,036,426	\$ 1,004,854	\$ 500,223
Common	4,171,493	5,790,241	7,791,302	9,184,223	12,563,632	6,549,148
On shares of merged com- panies prior to acquisi- tion	1,689,680	1,481,046	2,221,331	1,552,109	356,777	-0-
Cost of preferred shares re- acquired by subsidiary, less equity in net assets applic- able to such shares	-0-	5,185,593	-0-	-0-	-0-	-0-
Amount transferred to capital share accounts of merged company in connection with recapitalization	-0-	4,459,725	-0-	-0-	-0-	-0-
	<u>\$ 6,624,182</u>	<u>\$17,950,059</u>	<u>\$11,138,592</u>	<u>\$11,772,758</u>	<u>\$ 13,925,263</u>	<u>\$ 7,049,371</u>
BALANCE AT END OF PERIOD	<u>\$58,033,664</u>	<u>\$59,978,915</u>	<u>\$70,139,572</u>	<u>\$84,708,389</u>	<u>\$ 95,212,483</u>	<u>\$ 94,473,966</u>

See notes to financial statements.

AMERICAN-MARIETTA COMPANY AND CONSOLIDATED SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Note A—Principles of Consolidation:

In accordance with the policy consistently followed, the consolidated financial statements include on a consolidated basis the accounts of the domestic and Canadian subsidiaries of American-Marietta Company.

Results of operations of companies acquired during the five years and six months covered by the statements of income have been included therein from dates of acquisition, except as to companies merged during the years 1956 to 1960 which were treated for accounting purposes as "poolings of interests," the results of operations of which have been included for all periods and the accumulated earnings accounts of which have been combined with the statements of accumulated earnings of the consolidated companies from the beginning of the periods.

The Company's equity in the underlying net assets of the consolidated subsidiaries as shown by their books exceeded the carrying amount (cost) of the Company's investments therein by \$6,676,522 at November 30, 1960, and \$7,458,153 at May 31, 1961. The disposition of this difference in the consolidated financial statements was as follows:

	May 31 1961	November 30 1960
Undistributed earnings of the consolidated subsidiaries since acquisition, included in "accumulated earnings used in the business"	\$10,360,993	\$9,626,640
Cost of investments in excess of amounts ascribed to net tangible assets acquired, included in "intangibles arising upon acquisition of companies"	2,902,840	2,950,118
	\$ 7,458,153	\$6,676,522

The investments in and advances to foreign (except Canadian) subsidiaries are stated at cost (November 30, 1960—\$1,486,649; May 31, 1961—\$1,356,938) plus the Company's equity (November 30, 1960—\$1,424,994; May 31, 1961—\$1,831,750) in accumulated earnings of the subsidiaries. The statements of consolidated income and accumulated earnings have been adjusted to reflect in applicable prior fiscal years the Company's equity in the earnings of the foreign subsidiaries.

Note B—Federal Income Tax:

Federal income tax returns as originally filed by the Company and subsidiaries for the fiscal years 1957 to 1959 reflected percentage depletion allowances for cement and limestone products computed generally in accordance with the principle established in the Dragon Cement Company case.

In 1960, the United States Supreme Court rendered a decision which adversely affected the Company's position with respect to the use of the liberalized percentage depletion method established in prior lower court decisions. Also, in 1960, amendments to the Internal Revenue Code were enacted, requiring a new method for taxable years beginning after December 31, 1960, and permitting taxpayers to elect to recompute percentage depletion deductions for all unsettled prior years by this method. The Company made the election and provision has been made in the accompanying financial statements for the resultant additional tax and interest thereon applicable to prior years.

Note C—Long-Term Debt:

Long-term debt consisted of the following obligations:

Notes payable to insurance companies and banks:

Interest Rate	Maturity	Amount	
		May 31 1961	November 30 1960
4¾%	August 1, 1978	\$25,000,000	\$25,000,000
5¼%	June 1, 1980	15,000,000	15,000,000
5½%	December 1, 1980	10,000,000	10,000,000
5½%	December 1, 1978	9,260,000	9,630,000
4¾%	April 15, 1964	4,500,000	4,500,000
4¾%	December 20, 1971	1,610,000	1,720,000
5¼%	June 1, 1973	1,480,000	1,605,000
4¾%	June 1, 1967	1,080,000	1,320,000
Other indebtedness		955,576	1,069,789
	TOTAL	\$68,885,576	\$69,844,789

Payments required in the year ending November 30, 1961 (after May 31, 1961) and in the next five fiscal years with respect to long-term debt are as follows: 1961, \$1,160,635; 1962, \$2,251,792; 1963, \$2,926,691; 1964, \$7,402,888; 1965, \$2,888,952; 1966, \$2,822,600.

The terms of the notes payable to insurance companies and banks set forth certain minimum requirements as to consolidated working capital and place restrictions on the payments of cash dividends (other than on Preferred Shares) and purchases or retirements of capital shares. Under the consolidated working capital requirements, the most restrictive of the debt provisions, payments which may be made in respect of cash dividends on Common Shares and for the acquisition of capital shares were limited to approximately \$23,000,000 at November 30, 1960 and \$14,000,000 at May 31, 1961.

Note D—Capital Shares:

No dividends may be declared or paid on any Class B Common Share in any year unless an equal amount plus \$2 a share is paid for that year on the Common Shares. Dividends in excess of \$2 a share may be paid on the Common Shares regardless of whether any are paid on Class B Common Shares.

Under the Articles of Incorporation, Class B Common Shares are convertible into Common Shares on a share-for-share basis, with certain limitations. However, holders of substantially all of the Class B Common Shares have entered into an agreement deferring their conversion rights so that 278,023 shares were eligible for conversion as of May 31, 1961, with not to exceed 62,500 additional shares becoming eligible for conversion during each six months cumulatively from July 1, 1961, to January 1, 1970, at which latter date the restrictions terminate.

Holders of Preferred Stock are entitled in liquidation to, and the stock is callable at, \$105 a share plus dividends. Provisions of the Articles of Incorporation relating to a sinking fund for the redemption of Preferred Shares require a noncumulative annual payment equal to 3% of consolidated net income for the preceding fiscal year in excess of dividends on such shares, or, if less, 2% of the largest aggregate par value of Preferred Shares outstanding at any time prior to the close of the preceding fiscal year. A sinking fund payment of approximately \$430,000 is required to be made prior to November 30, 1961. At November 30, 1960, 16,248 Preferred Shares, and at May 31, 1961, 14,621 Preferred Shares were held in the treasury by the Company, which shares may be used, in lieu of cash, to meet sinking fund requirements.

Note E—Inventories:

The amounts of inventories used in the determination of cost of products sold for the period covered by the statements of income were as follows:

December 1, 1955	\$28,745,252
November 30, 1956	38,854,133
November 30, 1957	43,358,883
November 30, 1958	46,954,141
November 30, 1959	59,439,051
November 30, 1960	60,808,475
May 31, 1960	68,857,311
May 31, 1961	69,577,416

The inventories at these dates were priced on the basis of the lower of cost (principally first-in, first-out method) or market (replacement cost or estimated net realizable amount, whichever was appropriate).

At November 30, 1960, the inventories consisted of \$37,338,021 finished and in-process products and \$23,470,454 raw materials and supplies. It was not practicable to segregate amounts for inventories as between finished and in-process products and raw materials and supplies at May 31, 1961.

Note F—Policies Regarding Depreciation, Depletion, Amortization, Maintenance, and Repairs:

The Company and consolidated subsidiaries have provided for depreciation (generally straight-line method) on a basis calculated to amortize the cost of the various classes of depreciable assets over their estimated useful lives.

The estimated useful lives of the principal classifications of depreciable properties follow:

Buildings and improvements:	
Principally	20 to 40 years
Other	5 to 50 years
Machinery and equipment:	
Principally	7 to 20 years
Other	3 to 33½ years
Furniture and fixtures	
	5 to 20 years
Automobiles and trucks	
	3 to 5 years

Depletion of limestone and other deposits was computed on a unit rate of production basis applied to the cost of individual properties. Amounts so determined were less than percentage depletion allowances claimed for income tax purposes.

Maintenance and repairs, and expenditures for renewals and betterments not calculated to extend the useful lives or materially increase the productivity of the properties affected, were charged to costs and expenses as incurred. Other renewals and betterments were capitalized. Generally, at the time of sale or abandonment of equipment or building units, the applicable amounts of costs and accumulated depreciation were eliminated from the accounts and the net carrying amounts less proceeds of disposal were charged or credited to income.

Amounts of intangibles arising upon acquisition of companies, representing cost of investments in excess of amounts ascribed to net tangible assets acquired, are being amortized on a straight-line basis over forty years as to approximately 60% of the total and over twenty years as to the remainder.

Note G—Retirement Plans:

The Company and certain subsidiaries have contributory and noncontributory retirement plans, terminable at the option of the companies, for salaried employees. Other retirement plans have been established on behalf of hourly-paid employees.

The estimated annual cost of the plans, based upon present participation, is approximately \$2,500,000. Unfunded past service costs were estimated to be approximately \$8,000,000 at May 31, 1961.

Note H—Federal Trade Commission Proceedings:

Reference should be made to the paragraph captioned "Federal Trade Commission Proceedings," included in the section "Business and Properties of American-Marietta" elsewhere in this Proxy Statement, for information concerning a Federal Trade Commission complaint pending against the Company.

Note I—Supplementary Income Statement Information:

	(In Thousands)		
	Charged to Cost of Product Sold	Charged to Other Expenses	Total
Year ended November 30, 1956:			
Maintenance and repairs	\$ 8,997	\$ 106	\$ 9,103
Depreciation, depletion, and amortization	7,029	651	7,680
Taxes (other than income taxes):			
Payroll	1,024	324	1,348
Other, principally real estate and personal property	990	669	1,659
Rents	616	571	1,187
Royalties	199	258	457
Year ended November 30, 1957:			
Maintenance and repairs	\$10,108	\$ 93	\$10,201
Depreciation, depletion, and amortization	8,226	804	9,030
Taxes (other than income taxes):			
Payroll	1,254	254	1,508
Other, principally real estate and personal property	1,355	508	1,863
Rents	661	569	1,230
Royalties	109	235	344
Year ended November 30, 1958:			
Maintenance and repairs	\$ 9,750	\$ 136	\$ 9,886
Depreciation, depletion, and amortization	9,565	1,120	10,685
Taxes (other than income taxes):			
Payroll	1,295	328	1,623
Other, principally real estate and personal property	1,488	571	2,059
Rents	791	620	1,411
Royalties	82	254	336
Year ended November 30, 1959:			
Maintenance and repairs	\$12,630	\$ 271	\$12,901
Depreciation, depletion, and amortization	11,908	1,279	13,187
Taxes (other than income taxes):			
Payroll	1,950	457	2,407
Other, principally real estate and personal property	1,803	661	2,464
Rents	1,132	744	1,876
Royalties	179	271	450

Note I—Supplementary Income Statement Information (cont'd):

	(In Thousands)		
	<u>Charged to Cost of Product Sold</u>	<u>Charged to Other Expenses</u>	<u>Total</u>
Year ended November 30, 1960:			
Maintenance and repairs	\$13,509	\$ 383	\$13,892
Depreciation, depletion, and amortization	14,719	1,529	16,248
Taxes (other than income taxes):			
Payroll	2,432	829	3,261
Other, principally real estate and personal property	2,118	940	3,058
Rents	1,789	1,034	2,823
Royalties	540	284	824
Six months ended May 31, 1961 (unaudited):			
Maintenance and repairs	\$ 6,831	\$ 159	\$ 6,990
Depreciation, depletion, and amortization	7,934	919	8,853
Taxes (other than income taxes):			
Payroll	1,441	451	1,892
Other, principally real estate and personal property	1,173	300	1,473
Rents	829	710	1,539
Royalties	211	110	321

Note J—Retirement of 5% Cumulative Preferred Shares:

On August 3, 1961, the Board of Directors authorized the officers and the Executive Committee to take such action as may be necessary or desirable in order to redeem the outstanding 5% Cumulative Preferred Shares of the Company prior to October 9, 1961. The redemption price of the Preferred Shares is \$105 per share. The long-term debt restrictions referred to in Note C have been waived with respect to such redemption.

AGREEMENT OF CONSOLIDATION

AGREEMENT dated as of August 1, 1961, between AMERICAN-MARIETTA COMPANY ("A-M"), an Illinois corporation, and THE MARTIN COMPANY ("Martin"), a Maryland corporation, such corporations being hereinafter called the "Constituent Companies."

1. Consolidation

Upon the terms and subject to the conditions hereinafter stated, A-M and Martin will be consolidated into a new Maryland corporation to be known as Martin-Marietta Corporation and hereinafter called the "Consolidated Company." Proposed Articles and Plan of Consolidation complying with the requirements of the Maryland Corporation Law and the Illinois Business Corporation Act are attached as Exhibit A to this Agreement and are hereinafter referred to as the "Articles."

2. Retirement and Conversion of Stock

Before the consolidation, A-M will retire its 5% Cumulative Preferred Shares. In the consolidation the then stock of the Constituent Companies will be converted into stock of the Consolidated Company provided for in the Articles as follows:

<u>Each Share of Each Class of Stock of the Constituent Companies Shown Below</u>	<u>Shall be</u>	<u>The Number of Shares of Stock of the Consolidated Company Shown Below</u>
A-M Stock:		
All Class B Common Shares, \$2 par value, outstanding at the effective date	Converted into	380,000 shares of 4½% Cumulative Preferred Stock, \$100 par value
Each Common Share, \$2 par value	Converted into	1 share of Common Stock, \$1 par value
Martin Stock:		
Each Share of Common Stock without par value	Converted into	1.3 shares of the aforesaid Common Stock
Each Warrant to purchase a Current Stock Unit now consisting of 2.10 shares of the aforesaid Common Stock	Shall entitle the holder to purchase	a Current Stock Unit consisting of 2.73 shares of the aforesaid Common Stock

3. Procedure:

This Agreement has been approved by the boards of directors of the Constituent Companies. The A-M Board, by vote of a majority of its members, has approved the Articles as a plan of consolidation under the Illinois Business Corporation Act and has directed that the plan be submitted to a vote at a special meeting of shareholders to be held October 9, 1961. The Martin Board has adopted a resolution declaring that the proposed consolidation is advisable upon the terms and conditions set forth in the Articles as required by the Maryland Corporation Law and has directed that the Articles be submitted for action thereon at a special meeting of the Martin stockholders also to be held October 9, 1961.

If the Articles receive the favorable vote of the holders of two-thirds of the outstanding A-M Common Shares and Class B Common Shares voting together and as separate classes at the A-M meeting and the holders of a majority of the outstanding shares of Martin stock at the Martin meeting, then, on the closing date established under paragraph 4 hereof, articles of consolidation embodying the Articles in substantially the form attached hereto will be delivered to the Secretary of State of Illinois as provided by Illinois law and the Articles in substantially the form attached hereto will be filed with the Department of Assessments and Taxation of Maryland as provided by Maryland law. The consolida-

tion will be effective upon the issuance of a certificate of consolidation by the Secretary of State of Illinois and the acceptance of the Articles for record by the Department of Assessments and Taxation of Maryland, and shall thereupon be deemed to have been in effect as of the first day of the month in which it becomes effective.

The effectuation of the consolidation will not cause any interruption of the business of either Constituent Company. Officers and employees of each Constituent Company on the day on which the consolidation becomes effective will thereupon become employees of corresponding divisions of the Consolidated Company.

4. Closing Date and Closing

The closing date has been initially established as October 10, 1961, but may be postponed up to one week by either Constituent Company if it is unable to satisfy the conditions of the other Company's obligation on that date and may also be postponed in one or more postponements to a date not later than December 31, 1961, by mutual agreements of the boards of directors of both Companies. On the closing date a closing will be held at Baltimore National Bank, Baltimore, Md., at 10:00 A. M., local time, at which the Constituent Companies will exchange opinions of counsel and other documents required to satisfy the conditions of their obligations. Arrangements will be made for the concurrent filing of the Articles in Illinois and Maryland immediately following closing.

5. Proxy Material, Representations and Warranties

Each of the Constituent Companies has supplied to the other for inclusion in the other's proxy statement the information, including financial statements, called for by the rules of the Securities and Exchange Commission applicable to Martin. Each of the Constituent Companies represents and warrants that the proxy information supplied by it is an accurate description of its business and property and does not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein not misleading; that the financial statements included therein were prepared in conformity with generally accepted accounting principles applied on a consistent basis and present fairly the results of operations and financial position of the Company in question for the periods and at the dates shown; and that the Company has no material liabilities, contingent or otherwise, not disclosed in the proxy information and financial statements supplied by it. In addition, each Constituent Company represents and warrants that

(a) the Company and (in the case of A-M) each of its active subsidiaries is a corporation validly organized and existing in good standing under the laws of the jurisdiction of its incorporation and duly qualified to do business in all states or countries where it owns or leases real property of material importance to its business, maintains a substantial inventory or conducts manufacturing operations;

(b) the Company or (in the case of A-M) one of its subsidiaries has good and marketable title to all assets reflected in the balance sheet included in the proxy information submitted by it except assets disposed of since the balance sheet date in the ordinary course of business and holds such assets free of liens, encumbrances and adverse claims other than (i) those shown on the balance sheet; (ii) such encumbrances as result from taxes not yet due; (iii) easements, rights of way and other minor encumbrances which in the aggregate do not impair the use of the assets in the business; (iv) the Company and (in the case of A-M) each of its active subsidiaries has properly prepared and filed all required tax returns and paid the amounts shown due thereon (except, in the case of Martin, certain state taxes the applicability of which has not been finally determined), the provisions for federal income taxes in the financial statements submitted in its proxy material are adequate to cover such taxes (whether or not disputed), and its federal income tax returns have been examined by the Internal Revenue Service through 1955 in the case of A-M and 1957 in the case of Martin and no deficiency resulting from such examinations has been proposed which has not been paid or settled;

(c) since the date of the balance sheet of the Company included in its proxy material there has been no material adverse change in the business, properties or financial condition of the Company (including, in the case of A-M, the Company and its subsidiaries, considered as a whole), and no material change in its assets or liabilities other than in the ordinary course of business, and

since that date the Company has not (A) issued, sold or purchased any shares of its capital stock or any options, warrants or rights to purchase any such shares (except, in the case of Martin, shares issued upon exercise of options and warrants outstanding on the balance sheet date and options granted under its restricted stock option plans subsequent to such date as shown in its proxy material) or (B) paid or declared any dividend or made any distribution to its stockholders except as set forth in the schedule of dividends in subparagraph (d) below, and neither the Company nor (in the case of A-M) any of its subsidiaries has (C) incurred or agreed to incur any long-term indebtedness for borrowed money, or (D) mortgaged or pledged any of its assets or contracted to do so, or (E) sold or disposed of any material assets or contracted to do so other than in the ordinary course of business, or (F) incurred any material liability or commitment or entered into any material transaction except in the ordinary course of business or in relation to this Agreement, or (G) made any substantial change in the manner of conducting its business; and

(d) between the date hereof and the date when the consolidation actually becomes effective, neither of the Constituent Companies will take any action of the kinds specified in clauses (A) through (G) of subparagraph (c) above without the concurrence of the other, except that (i) A-M may retire its 5% Cumulative Preferred Shares and issue additional Common Shares upon conversion of Class B Common Shares provided that an equal number of Common Shares are surrendered as a capital contribution so that there is no net increase in the number of A-M Common Shares outstanding, (ii) Martin may issue options for a number not to exceed 5,000 shares of its Common Stock under its 1958 Stock Option Plan, and (iii) the dividends listed below may be paid:

A-M dividends:

- (a) Regular \$1.25 per Preferred Share on or about August 1, 1961
- (b) Regular \$.25 per Common Share on or about August 1, 1961
- (c) Special \$.17 per Common Share on or about October 1, 1961 to cover extra two months between A-M's regular dividend date of August 1 and the Consolidated Company's proposed first dividend date of approximately December 31, 1961

Martin dividends:

- (a) Regular \$.25 per share at end of September 1961.

6. Examinations by Constituent Companies

Before the closing date each Constituent Company may examine the properties and records of the other Constituent Company and (in case of A-M) its subsidiaries (except as such examination may be restricted for security reasons) to determine the accuracy of the other Company's representations and warranties, and each Constituent Company will cause its officers and employees to cooperate in such examination and disclose pertinent and unrestricted information. If for any reason the consolidation does not become effective, information obtained through such examination shall be retained in confidence.

7. Conditions of Constituent Companies' Obligations

The obligation of each Constituent Company to execute and deliver the Articles and make the consolidation effective is subject to the approval of stockholders of both Constituent Companies specified in paragraph 3 and to the satisfaction in all material respects of the following conditions at or before closing; provided, however, that the board of directors of either Company, in its discretion, may waive the failure of the other Company to fulfill any of the conditions set forth below:

(a) The Company's examination shall not have disclosed any inaccuracy in the other Company's representations and warranties set forth in paragraph 5, such representations and warranties shall be correct on and as of the closing date, and the Company shall have received a certificate of the President or a Vice President of the other Company to that effect;

(b) The other Company shall not have defaulted in any obligation hereunder required to be performed by it before closing;

(c) The Company shall have received an opinion of counsel for the other Company (Ballard, Spahr, Andrews & Ingersoll, Philadelphia, Pa. being counsel for A-M, and Miles & Stockbridge, Baltimore, Md. being counsel for Martin) to the effect that:

(i) the Company represented by such counsel and (in the case of A-M) each of its domestic and Canadian subsidiaries holding material property or contributing materially to income (if any) is a duly organized corporation existing in good standing under the laws of its jurisdiction of incorporation with corporate power to own its properties and conduct its business as now conducted and is qualified to transact business and in good standing in jurisdictions where it owns or leases real property of material importance to its business, maintains a substantial inventory or conducts manufacturing operations, and the stock of each such subsidiary owned by its parent is validly issued, fully paid and non-assessable. [In giving such opinion with respect to A-M subsidiaries, Ballard, Spahr, Andrews & Ingersoll may rely on opinions of counsel for such subsidiaries.]

(ii) such counsel does not know or have reason to believe that there is any pending or threatened litigation, proceeding or investigation not disclosed in the proxy information supplied by the Company represented by such counsel which might result in a material adverse change in the business, properties or financial condition of such Company (including, in the case of A-M, the Company and its subsidiaries, considered as a whole), or which questions the validity of this Agreement or the consolidation to be effected hereunder.

(iii) the Company represented by such counsel has full power and authority to become party to the consolidation to be effected hereunder; such consolidation will not be a breach of, or result in a default or any accelerated liability under, such Company's charter or any indenture, loan agreement, pension trust, government contract, or other instrument by which such Company is bound on the closing date; all corporate and other proceedings required to be taken by such Company to authorize this Agreement and the consolidation have been validly taken; and no filing with or consent of any governmental or other authority is required in connection with the consolidation other than the listing of the Consolidated Company's stock and warrants on the appropriate stock exchanges and registration thereof under the Securities Exchange Act of 1934, and such listing and registration will become effective on notice of the effectiveness of the consolidation; and

(iv) the vote of stockholders of the Company represented by such counsel provided for in paragraph 3 operates to authorize the consolidation as far as such Company is concerned and binds all such Company's stockholders except for the statutory right of dissenters to receive the appraised value of their shares.

In giving the foregoing opinion Ballard, Spahr, Andrews & Ingersoll may rely as to Illinois law on the opinion of Illinois counsel satisfactory to them and to Miles & Stockbridge;

(d) At the closing date there shall be no litigation pending or threatened in which an injunction is or may be sought against the consolidation;

(e) The Company shall have received satisfactory assurances that no person deemed to be in control of either of the Constituent Companies within the meaning of the Securities Act of 1933, as amended and the Rules thereunder will make distribution to the public of securities of the Consolidated Company received by him in the consolidation without registration thereof under said Act, except as permitted by paragraph (d) of Rule 133 under said Act.

(f) All proceedings and documents in connection with this Agreement and the consolidation shall have been approved by counsel for the Company in question.

8. Management of Consolidated Company

The directors of the Consolidated Company shall be as set forth in the Articles hereto attached. It is the present intention of the parties that George M. Bunker will be elected President and chief executive officer of the Consolidated Company and that Grover M. Hermann will be elected Chairman of the Board.

9. Termination

This Agreement shall terminate automatically if closing is not held on or before December 31, 1961. Either of the Constituent Companies, by resolution of its board of directors, may terminate this Agree-

ment if the conditions required to be fulfilled by the other Company as specified in paragraph 7 are not satisfied on the closing day. The two Constituent Companies, each acting by its board of directors, may also terminate this Agreement and abandon the consolidation by mutual consent at any time before the consolidation becomes effective. In the event of any termination under this paragraph, neither of the Constituent Companies will have any liability to the other in connection with this Agreement for costs expenses, loss of anticipated profits or otherwise.

10. Issuance of Stock Certificates of the Consolidated Company

After the consolidation becomes effective, holders of certificates for shares of stock of the Constituent Companies will be entitled to receive in exchange therefor certificates for the shares of stock of the Consolidated Company into which their shares of the Constituent Companies have been converted, except that holders of certificates for shares of Martin Common Stock will not be entitled to receive certificates for fractional shares of the Consolidated Company's Common Stock. Arrangements will be made for the matching and combination or the purchase and sale of fractional interests in respect of Martin certificates surrendered for exchange within 60 days after the consolidation becomes effective.

11. Miscellaneous

(a) Each Constituent Company represents that it has not dealt with any broker in connection with this Agreement or the consolidation contemplated hereunder and that, insofar as is known to its management, no broker or other person is entitled to or claiming any commission or finder's fee in connection therewith.

(b) Neither Constituent Company may assign its rights hereunder and nothing herein contained shall confer any rights on any person not a party hereto.

(c) Notices in connection with this Agreement will be sufficiently delivered if delivered or mailed to A-M at 101 East Ontario Street, Chicago 11, Illinois, with a copy to John F. Donoho, Vice President, at 80 Pine Street, New York 5, New York; and to Martin at Friendship International Airport, Maryland, Attention: W. L. Lucas, Secretary, with a copy to Clarence Miles, Esq., Miles & Stockbridge, 10 Light Street, Baltimore 2, Maryland.

(d) This Agreement supersedes all previous negotiations and contains the entire understanding between the parties. It may be modified only in writing signed by the party against which the modification is asserted.

IN WITNESS WHEREOF the Constituent Companies have caused this Agreement to be signed in their names by the Chairmen of their respective Boards of Directors, each thereunto duly authorized, and their corporate seals to be affixed hereto and duly attested.

AMERICAN-MARIETTA COMPANY

GROVER M. HERMANN

By
Chairman of the Board

[Corporate Seal]

Attest:

PAUL P. WEBER

.....
Secretary

THE MARTIN COMPANY

GEORGE M. BUNKER

By
Chairman of the Board

[Corporate Seal]

Attest:

W. L. LUCAS

.....
Secretary

ARTICLES AND PLAN OF CONSOLIDATION
CONSOLIDATING
THE MARTIN COMPANY AND AMERICAN-MARIETTA COMPANY
TO FORM
MARTIN-MARIETTA CORPORATION

Articles and Plan of Consolidation, entered into thisday of, 19...., between The Martin Company, a Maryland corporation, and American-Marietta Company, an Illinois corporation.

ARTICLE I

The corporations which are parties to these Articles and Plan of Consolidation are The Martin Company (hereinafter called "Martin"), a corporation, having capital stock, organized and existing under the laws of the State of Maryland, and American-Marietta Company (hereinafter called "A-M"), a corporation, having capital stock, organized and existing under the laws of the State of Illinois. Martin and A-M have agreed, pursuant to requisite authority, to consolidate and thereby form a new corporation. The terms and conditions of the consolidation and the mode of carrying the same into effect shall be as herein set forth.

ARTICLE II

The name of the new corporation, resulting from the said consolidation, shall be "Martin-Marietta Corporation" (hereinafter called "Corporation"), and shall be formed under the laws of the State of Maryland.

ARTICLE III

Martin was incorporated on December 5, 1928, under the general statutes of the State of Maryland authorizing the formation of corporations. A-M was incorporated on September 12, 1930, under the general statutes of the State of Illinois, authorizing the formation of business corporations. A-M is qualified to do business in the State of Maryland, having so qualified on November 28, 1955.

ARTICLE IV

The charter of the Corporation shall be as stated in this ARTICLE IV :

FIRST: Name. The name of the corporation (which is hereinafter called "Corporation") is Martin-Marietta Corporation.

SECOND: Period of Duration. The period of duration of the Corporation is perpetual.

THIRD: Purposes, Objects and Powers. The purposes for which the Corporation is formed and the business or objects to be carried on and promoted by it are as follows :

Clause (1). To engage in and carry on the business of creating, developing, manufacturing, testing, transporting and making ready for use all kinds of missiles, electronics, electronic devices and substances, spacecraft, defense equipment and systems, and nuclear reactors and devices, and modifying, repairing, altering, licensing, buying, selling and dealing in all such articles and other property of every kind and character used in connection therewith.

Clause (2). To engage in and carry on the business of manufacturing, repairing altering, using, licensing, buying, selling and dealing in and with vehicles of all kinds, engines, motors, machinery, in-

struments, parts, equipment, appliances, devices, articles and materials of all kinds for use on or in connection therewith and the manufacture thereof.

Clause (3). To manufacture, buy, sell and deal in and with limestone, lime, concrete, concrete admixtures, cement, magnesite, brick, tile, refractories, asphalt, mortar, and products thereof; pipes, tubes, conduits and fittings, building materials and products thereof; chemicals; paints, pigments, coatings, finishes, resins and adhesives; shot, grit and metal powders; agricultural, road building, pipe laying, pulverizing, dust collecting and other machinery and equipment; mops, polishes, cleaners and waxes; and any and all other similar or related products.

Clause (4). To engage in and carry on the business of importing, exporting, manufacturing, producing, buying, selling and otherwise dealing in and with, goods, wares, and merchandise of every class and description.

Clause (5). To engage in and carry on any other business which may conveniently be conducted in conjunction with any of the business of the Corporation.

Clause (6). To buy, quarry, mine, grow, manufacture, process, own, invest in, sell, mortgage, pledge, lease, assign, transfer or otherwise deal in or with goods, wares, merchandise, supplies, materials, trees, crops, minerals, parts, machinery, equipment, products and other personal property of every kind, class and description.

Clause (7). To purchase, lease, hire or otherwise acquire, hold, own, develop, improve and dispose of, and to aid and subscribe toward the acquisition, development or improvement of real and personal property and rights and privileges therein, suitable or convenient for any of the business of the Corporation.

Clause (8). To purchase, lease, hire or otherwise acquire, hold, own, construct, erect, improve, manage and operate, and to aid and subscribe toward the acquisition, construction or improvement of, plants, mills, factories, works, buildings, machinery, equipment and facilities and any other property or appliances which may appertain to or be useful in the conduct of any of the business of the Corporation.

Clause (9). To acquire all or any part of the good will, rights, property and business of any person, firm, association or corporation heretofore or hereafter engaged in any business similar to any business which the Corporation has the power to conduct, and to hold, utilize, enjoy and in any manner dispose of, the whole or any part of the rights, property and business so acquired, and to assume in connection therewith any liabilities of any such person, firm, association or corporation.

Clause (10). To apply for, obtain, purchase, or otherwise acquire, any patents, copyrights, licenses, trade marks, trade names, rights, processes, formulas, and the like, which may seem capable of being used for any of the purposes of the Corporation; and to use, exercise, develop, grant licenses in respect of, sell and otherwise turn to account, the same.

Clause (11). To acquire by purchase, subscription or otherwise, and to hold, sell, assign, transfer, exchange, lease, mortgage, pledge, or otherwise dispose of, any shares of stock of, or voting trust certificates for any shares of stock of, or any bonds or other securities or evidences of indebtedness issued or created by, any other corporation or association, organized under the laws of the State of Maryland or of any other state, territory, district, colony or dependency of the United States of America, or of any foreign country; and while the owner or holder of any such shares of stock, voting trust certificates, bonds, or other obligations, to possess and exercise in respect thereof any and all the rights, powers, and privileges of individual holders, including the right to vote on any shares of stock so held or owned; and upon a distribution of the assets or a division of the profits of the Corporation, to distribute any such shares of stock, voting trust certificates, bonds or other obligations, or the proceeds thereof, among the stockholders of the Corporation.

Clause (12). To issue shares of its stock of any class, in the manner permitted by law, to raise money for any of the purposes of the Corporation, or in payment for property purchased, or for any other lawful consideration.

Clause (13). To borrow or raise money for any of the purposes of the Corporation and to issue bonds, debentures, notes or other obligations of any nature, and in any manner permitted by law, for money so borrowed or in payment for property purchased, or for any other lawful consideration, and to secure the payment thereof and of the interest thereon, by mortgage upon, or pledge or conveyance or assignment in trust of, the whole or any part of the property of the Corporation, real or personal,

including contract rights, whether at the time owned or thereafter acquired, and to sell, pledge, discount or otherwise dispose of such bonds, notes or other obligations of the Corporation for its corporate purposes.

Clause (14). To aid in any manner any corporation or association, any bonds, or other securities or evidences of indebtedness of which, or shares of stock in which, are held by or for the Corporation, or in which, or in the welfare of which, the Corporation shall have any interest, and to do any acts or things designed to protect, preserve, improve, or enhance the value of, any such bonds or other securities or evidences of indebtedness, or such shares of stock, or any property of the Corporation.

Clause (15). To guarantee the payment of dividends upon any shares of stock of, or the performance of any contract by, any other corporation or association and to endorse or otherwise guarantee the payment of the principal and interest, or either, of any bonds, debentures, notes, securities, or other evidences of indebtedness created or issued by any other corporation or association.

Clause (16). To carry out all or any part of the foregoing objects as principal, factor, agent, contractor, or otherwise, either alone or through or in conjunction with any person, firm, association or corporation, and in any part of the world, and, in carrying on its business and for the purpose of attaining or furthering any of its objects and purposes, to make and perform any contracts and to do any acts and things, and to exercise any powers suitable, convenient or proper for the accomplishment of any of the purposes herein enumerated or incidental to the powers herein specified, or which at any time may appear conducive to or expedient for the accomplishment of any of such purposes.

Clause (17). To carry out all or any part of the aforesaid purposes, and to conduct its business in all or any of its branches in any or all states, territories, districts, colonies and dependencies of the United States of America and in foreign countries; and to maintain offices and agencies in any or all states, territories, districts, colonies and dependencies of the United States of America and in foreign countries.

It is the intention that the objects and purposes specified in the foregoing clauses of this subdivision THIRD shall not, unless otherwise specified herein, be in any wise limited or restricted by reference to, or inference from, the terms of any other clause of this or any other article in this charter, but that the objects and purposes specified in each of the clauses of this subdivision THIRD shall be regarded as independent objects and purposes. It is also the intention that said clauses be construed both as purposes and powers; and generally, that the Corporation shall be authorized to exercise and enjoy all other powers, rights, privileges granted to, or conferred upon, corporations of this character, by the laws of the State of Maryland, and the enumeration of certain powers as herein specified is not intended as exclusive of, or as a waiver of, any of the powers, rights or privileges granted or conferred by the laws of said state now or hereinafter in force.

FOURTH: Principal Office and Resident Agent. The post office address of the place in which the principal office of the Corporation in the State of Maryland is located is 10 Light Street, Baltimore, Maryland. The Resident Agent of the Corporation is Clarence W. Miles, whose post office address is 10 Light Street, Baltimore, Maryland; said Resident Agent is a citizen of the State of Maryland and actually resides therein.*

FIFTH: Directors. The number of Directors of the Corporation shall be eighteen (18), which number may be increased or decreased pursuant to the By-Laws of the Corporation but which never shall be less than five (5); and the names of the directors who shall act until their successors are duly chosen and qualified are: **

William B. Bergen	Leigh R. Gignilliat, Jr.	Clarence W. Miles	Alexander B. Royce
George M. Bunker	Grover M. Hermann	John E. Parker	Duncan M. Spencer
William A. Burns	H. N. Huntzicker	Robert E. Pflaumer	John L. Sullivan
William J. Cabaniss	J. Clifford Knochel	Everett H. Pixley	
John F. Donoho	Ray L. Oughton	W. Trent Ragland, Jr.	

* Differs from form of Articles and Plan of Consolidation attached to executed Agreement of Consolidation in that addresses in FOURTH have been changed.

** Differs from form of Articles and Plan of Consolidation attached to executed Agreement of Consolidation, in that one substitution has been made in the persons listed in FIFTH.

SIXTH: Authorized Shares of Stock. The total number of shares of stock of all classes which the Corporation has authority to issue is 40,380,000 shares, divided into 380,000 shares of 4½% Cumulative Preferred Stock of the par value of \$100 per share and 40,000,000 shares of Common Stock of the par value of \$1 per share. The aggregate par value of all shares having par value of all classes is \$78,000,000.

A description of each class with the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and qualifications of each class is as follows:

4½% Cumulative Preferred Stock

1. Dividends.

The holders of 4½% Cumulative Preferred Stock (hereinafter called "Preferred Stock") shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of 4½% of the par value thereof per year, and no more. Such dividends shall be cumulative from the first day of the month in which the Corporation comes into existence and shall be payable quarterly on the first days of January, April, July and October in each year. The Corporation shall not declare or pay any dividend or make any distribution on the Common Stock or on any other class of stock, ranking as to dividends or assets subordinate to the Preferred Stock, other than dividends and distributions (herein called "unrestricted stock dividends and distributions") paid or made solely in Common Stock or another class of stock of the Corporation ranking as to dividends and assets subordinate to the Preferred Stock, and neither the Corporation nor any subsidiary of the Corporation shall make any payment or apply any of its assets to purchase or redeem any Common Stock or any other class of stock of the Corporation ranking as to dividends or assets on a parity with or subordinate to the Preferred Stock, unless at the time dividends for all past quarterly dividend periods and the then current quarterly dividend period on all outstanding shares of Preferred Stock have been paid, or declared and set aside for payment, in full and unless, after giving effect to such action, the sum of

(a) the aggregate amounts declared and paid or payable as dividends or distribution (other than unrestricted stock dividends and distributions) on all shares of stock of all classes of the Corporation subsequent to the date on which it came into existence; plus

(b) the excess of the aggregate amounts applied to, or set apart for, the purchase or redemption of shares of Common Stock or any other class of stock of the Corporation ranking as to dividends or assets subordinate to the Preferred Stock subsequent to the date on which the Corporation came into existence over the net cash proceeds or fair value (as determined by the Corporation's board of directors) of property received by the Corporation subsequent to that date as consideration for the issuance or delivery of Common Stock or any other class of stock of the Corporation ranking as to dividends and assets subordinate to the Preferred Stock

will not exceed the consolidated net income (determined in accordance with generally accepted accounting principles) of the Corporation and its subsidiaries (if any) subsequent to November 30, 1961 plus \$45,000,000.

2. Liquidation.

In the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Preferred Stock shall be entitled to receive in cash from the assets of the Corporation (whether capital or surplus), prior to any payment to the holders of Common Stock or of any other class of stock of the Corporation ranking as to assets subordinate to the Preferred Stock, the sum of \$100 for each share thereof, plus an amount equal to accrued and unpaid dividends thereon computed to the date at which payment thereof is made available (whether or not earned or declared), plus, if the liquidation, dissolution or winding up is voluntary, a premium of \$5 per share. A consolidation or merger to which the Corporation shall be a party shall not be deemed a liquidation of the Corporation within the meaning of this paragraph.

3. *Redemption and Purchase.*

The Corporation may, at its option, redeem all, but not less than all, the shares of Preferred Stock outstanding at any time after October 1, 1964, at a price equal to \$105 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date fixed for redemption (whether or not earned or declared). Notice of such redemption shall be given to the holders of record of the Preferred Stock by mailing such notice at least 30 and not more than 60 days before the redemption date to such holders at their addresses appearing on the books of the Corporation. The Corporation, upon mailing such notice or irrevocably authorizing the bank or trust company hereinafter mentioned to mail the same, may deposit an amount equal to the redemption price with a bank or trust company in Chicago, Illinois having a combined capital and surplus reported in its last published report in excess of \$5,000,000 to be held in trust for payment to the holders of Preferred Stock at any time after such deposit. Upon such deposit, or if no deposit is made, then from and after the date fixed for redemption (unless the Corporation shall default in paying the redemption price), the Preferred Stock shall cease to be outstanding and the holders thereof shall cease to be stockholders with respect thereto. All shares of Preferred Stock redeemed or purchased by the Corporation, whether through the sinking fund hereinafter provided for or otherwise, shall be cancelled and shall not be reissued.

4. *Voting Rights.*

The holders of shares of the Preferred Stock shall have no right to vote and shall not be entitled to notice of any meeting of stockholders of the Corporation or to participate in such meeting, except as required by law or as herein otherwise expressly provided. If at any time the Corporation shall have failed (a) to pay, or declare and set apart for payment, dividends on the Preferred Stock and such default (whether or not in respect of consecutive dividends) shall be in an aggregate amount equal to four quarterly dividends on all outstanding shares of Preferred Stock, or (b) to set aside or apply, when required, the sinking fund hereinafter provided for, then in any such event, the number of directors of the Corporation shall forthwith be automatically increased by the smallest number that will be not less than one-third of the total number of directors after giving effect to such increase. The holders of Preferred Stock shall have the right, voting as a class, to elect such additional directors at a special meeting of the holders of Preferred Stock, which shall be called by the Secretary of the Corporation upon demand of the holders of 10% or more of the outstanding shares thereof, and at each subsequent annual meeting of stockholders of the Corporation until such time as dividends payable for all past quarterly dividend periods and the then current quarterly dividend period on all outstanding shares of Preferred Stock shall have been paid, or declared and set apart for payment, in full, and the Corporation shall have set aside an amount equal to all arrearages in the sinking fund and applied the same to the redemption of Preferred Stock as provided in paragraph 7, at which time the terms of the additional directors elected by the holders of Preferred Stock shall terminate, the number of directors shall be correspondingly reduced, and the voting rights of the holders of Preferred Stock shall cease, subject to retesting in the event of each additional default in payment of dividends in an amount equal to four quarterly dividends or in setting aside or applying the sinking fund as aforesaid.

5. *Action by the Corporation Requiring Approval of Preferred Stock.*

The Corporation shall not, without the affirmative vote or written consent of the holders of at least two-thirds of the then outstanding shares of Preferred Stock:

(1) By charter amendment or in a merger or consolidation or in any other manner: (a) increase the number of authorized or outstanding shares of Preferred Stock, or (b) decrease the par value of shares of Preferred Stock, or (c) effect an exchange or reclassification of any outstanding shares of Preferred Stock, or a cancellation of any of such shares except upon purchase or redemption thereof, or (d) change the designations, preferences, qualifications, limitations, restrictions or special or relative rights of the Preferred Stock, or (e) change the outstanding shares of Preferred Stock into the same or a different number of shares of any other class of stock, or (f) create any shares of stock of any other class, or any obligations, exchangeable for or convertible into shares of Preferred Stock, or (g) create or authorize or permit to

be outstanding any kind of stock, or any obligations or other securities exchangeable for or convertible into any kind of stock, having rights or preferences prior or superior to, or on a parity with, the Preferred Stock, or increase the rights or preferences of any class of stock having rights or preferences prior or superior to, or on a parity with, the Preferred Stock, or (h) cancel or otherwise affect dividends on the Preferred Stock which have accrued but have not been paid, or

(2) Issue or sell any shares of Preferred Stock (including shares acquired through the sinking fund) or of any class of stock ranking as to dividends or assets prior to or on a parity with the Preferred Stock or in any other manner increase the number of outstanding shares of Preferred Stock or of any class of stock ranking as to dividends or assets prior thereto or on a parity therewith.

6. *Merger or Consolidation.*

In the event of any merger or consolidation of the Corporation any holder of Preferred Stock shall be entitled to receive payment in cash of the amount to which he would then be entitled upon a voluntary liquidation of the Corporation unless by the terms of the merger or consolidation he is entitled to shares or securities (which may be his shares of Preferred Stock) of the corporation resulting from the merger or consolidation which have a relative position and priority and rights and preferences as to other classes of capital stock of such corporation at least equal to those of the Preferred Stock immediately before the merger or consolidation.

7. *Sinking Fund.*

So long as any shares of Preferred Stock are outstanding, the Corporation shall, not later than October 1 in 1962 and in each year thereafter, set aside as a sinking fund for retirement of the Preferred Stock the amount of \$1,150,000; provided, however, that the Corporation may credit against such amount the par value of any shares of Preferred Stock theretofore acquired by it otherwise than through the sinking fund and not previously used as the basis for such a credit, and provided further that the Corporation may omit provision for the sinking fund in any year with written consent of the holders of all shares of Preferred Stock then outstanding. The Corporation shall not declare or pay any dividend or make any distributions on the Common Stock or any other class of stock ranking as to dividends or assets subordinate to the Preferred Stock other than unrestricted stock dividends and distributions, and neither the Corporation nor any subsidiary of the Corporation shall make any payment or apply any of its assets to purchase or redeem any Preferred Stock (other than through the sinking fund) or any Common Stock or any other class of stock of the Corporation ranking as to dividends or assets on parity with or subordinate to the Preferred Stock, at a time when the Corporation is in default in respect of the sinking fund herein provided for.

The Corporation shall apply the sinking fund within 45 days after the setting aside thereof to the redemption of Preferred Stock at a sinking fund redemption price equal to the par value thereof plus an amount equal to accrued and unpaid dividends computed to the date fixed for redemption (whether or not earned or declared). The shares of Preferred Stock to be redeemed through the sinking fund shall be selected by lot or other equitable method; provided, however, that the holder of any share so selected shall have the right, by written notice given to the Corporation prior to the redemption date, to substitute for redemption any other share of Preferred Stock held of record by him on the redemption date; and further provided that the Corporation may, with the written consent of the holders of all shares of Preferred Stock then outstanding, redeem through the sinking fund shares of Preferred Stock which prior to the redemption date are surrendered to it for such redemption without regard to the method or equity of the selection thereof. The procedure for giving notice of redemption and the effect of depositing the redemption price shall be the same in the case of sinking fund redemptions under this paragraph as in the case of an optional redemption under paragraph 3.

Common Stock

Each outstanding share of Common Stock shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders. In all elections for directors every holder of Common Stock

shall have the right to vote, in person or by proxy, the shares owned of record by him, for as many persons as there are directors to be elected and for whose election he has a right to vote, but he shall have no right to cumulative voting.

SEVENTH: Provisions Defining, Limiting and Regulating Powers. The following provisions are hereby adopted for the purpose of defining, limiting and regulating the powers of the Corporation and the Directors and Stockholders, subject, however, to the provisions, conditions and restrictions set forth in subdivision SIXTH hereof:

Clause (1). The Board of Directors of the Corporation is hereby empowered to authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, and securities convertible into shares of its stock of any class, whether now or hereafter authorized, for such considerations as said Board of Directors may deem advisable, subject to such limitations and restrictions, if any, as may be set forth in the by-laws of the Corporation.

Clause (2). No holders of shares of stock of the Corporation of any class shall have any preemptive or other right to subscribe for or purchase any part of any new or additional issue of stock of any class or of securities convertible into stock of any class, whether now or hereafter authorized or whether issued for money, for a consideration other than money or by way of dividend.

Clause (3). The Board of Directors shall have the power, from time to time, to determine whether any, and if any, what part, of the surplus of the Corporation shall be declared in dividends and paid to the stockholders; and to direct and determine the use and disposition of any of such surplus. The Board of Directors may in its discretion use and apply any of such surplus in purchasing or acquiring any of the shares of the stock of the Corporation, or any of its bonds or other evidences of indebtedness, to such extent and in such manner and upon such lawful terms as the Board of Directors shall deem expedient.

Clause (4). The Corporation reserves the right to make from time to time any amendments of its charter which may now or hereafter be authorized by law, including but not restricted to, any amendments changing the terms of any class of its stock by classification, reclassification or otherwise.

Clause (5). Notwithstanding any provision of law requiring any action to be taken or authorized by the affirmative vote of the holders of a designated proportion of the shares of stock of the Corporation, or to be otherwise taken or authorized by vote of the stockholders, such action shall be effective and valid, except as otherwise required by provisions of this charter relating to the Preferred Stock, if taken or authorized by the affirmative vote, at a meeting, of the holders of a majority of the total number of shares outstanding and entitled to vote thereon.

EIGHTH: By-Laws. The Board of Directors shall have the power, at any regular or special meeting thereof, to make and adopt by-laws, or to amend, alter or repeal any by-laws of the Corporation. The by-laws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with law or the provisions of this charter.

NINTH: Inspection of Records by Stockholders. The Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the books, records, accounts, and documents of the Corporation, or any of them, shall be open to the inspection of stockholders, except as otherwise provided by law or by the by-laws; and, except as so provided no stockholders shall have any right to inspect any book, record, account or document of the Corporation unless authorized so to do by resolution of the Board of Directors.

TENTH: Compensation of Members of Board of Directors and Committees thereof. The Board of Directors in its discretion may allow, in and by the by-laws of the Corporation or by resolution, the payment of expenses, if any, to members for attendance at each regular or special meeting of the Board of Directors or of any committee thereof, and the payment of reasonable compensation to such members for their services as members of the Board of Directors, or any committee thereof, and shall fix the basis and conditions upon which such expenses and compensation shall be paid. Any member of the Board of Directors or of a committee thereof, also may serve the Corporation in any other capacity and receive compensation therefor in any form.

ELEVENTH: Indemnification of Officers and Directors. Each director and each officer of the Corporation, and his heirs, executors and administrators shall be indemnified by the Corporation against all costs and expenses reasonably incurred by him for advice or assistance concerning, or in connection with the defense of, any civil, criminal, administrative, or other claim, action, suit or proceeding in which he may become involved, or with which he may be threatened, by reason of his being, or having been, a director or officer of the Corporation or by reason of his serving or having served any corporation, trust, committee, firm or other organization as director, officer, employee, trustee, member or otherwise at the request of the Corporation, whether or not he continues to be a director or officer at the time of incurring such costs or expenses, except costs and expenses incurred in relation to matters as to which such director or officer shall have been derelict in the performance of his duty as such director or officer.

For the purposes of this subdivision ELEVENTH, a director or officer shall conclusively be deemed not to have been derelict in the performance of his duty as such director or officer

(a) in a matter which shall have been the subject of a claim, suit, action or proceeding to which he was a party disposed of by adjudication on the merits, unless he shall have been finally adjudged in such claim, action, suit or proceeding to have been derelict in the performance of his duty as such director or officer, or

(b) in a matter not falling within (a) next preceding if either all disinterested members of the Board of Directors or a committee of disinterested stockholders of the Corporation (excluding therefrom any director or officer) selected as hereinafter provided, shall determine that he is not derelict.

The selection of the committee of stockholders provided above may be made by unanimous action of the disinterested directors or, if there be no disinterested director or directors, by the chief executive officer of the Corporation, provided that not less than three (3) stockholders shall be selected in any case. A director or stockholder shall be deemed disinterested in a matter if he has no interest therein other than as a director or stockholder of the Corporation, as the case may be. The foregoing shall not constitute exclusive tests as to dereliction and no determination as to dereliction shall be questioned on the ground that it is made otherwise than as provided above. The Corporation may pay the fees and expenses of the stockholders or directors, as the case may be, incurred in connection with making a determination as above provided.

The foregoing indemnification shall include reimbursement of all costs and expenses reasonably incurred in settling any such claim, action, suit or proceeding or in satisfaction of any related judgment, fine or penalty, when the so doing appears to be for the best interests of the Corporation, and shall be in addition to any rights to which any director or officer may otherwise be entitled as a matter of law or otherwise.

TWELFTH: Informal Action by Board of Directors or Committees thereof. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

ARTICLE V

A. The total number of shares of all classes which Martin has authority to issue is 12,000,000 shares of Common Stock without par value.

B. The total number of shares of all classes which A-M has authority to issue is 29,200,000 divided into two classes as follows:

25,000,000 Common Shares of the par value of \$2 per share; and

4,200,000 Class B Common Shares of the par value of \$2 per share.

The aggregate par value of all such shares is \$58,400,000.

ARTICLE VI

Upon the effective date of the consolidation, the authorized Capital Stock of the Corporation shall be 40,380,000 shares divided into 380,000 shares of 4½% Cumulative Preferred Stock of the par value of \$100 per share and 40,000,000 shares of Common Stock of the par value of \$1 per share. As a result of the consolidation, the Common Stock of Martin and the Common Shares of A-M issued and outstanding on the effective date of the consolidation will be converted into like stock of the Corporation; the Class B Common Shares of A-M issued and outstanding on the effective date of the consolidation will be converted into 380,000 shares of 4½% Cumulative Preferred Stock of the par value of \$100 per share; and the holders of the warrants of Martin issued and outstanding on the effective date of the consolidation will be entitled to purchase shares of Common Stock of the Corporation of the par value of \$1 per share for each warrant so held, all as hereinafter more specifically set forth:

A. As to the stock and warrants of Martin:

1. Each share of Common Stock, without par value, shall be converted into 1.3 shares of Common Stock of the Corporation, of the par value of \$1 per share; provided, however, that holders of certificates of Martin's Common Stock will not be entitled to receive certificates for fractional shares of the Common Stock of the Corporation.

2. Each warrant to purchase a Current Stock Unit, now consisting of 2.10 shares of the said Common Stock of Martin, without par value, shall entitle the holder thereof to purchase a Current Stock Unit consisting of 2.73 shares of Common Stock of the Corporation, of the par value of \$1 per share.

B. As to the stock of A-M:

1. The Class B Common Shares outstanding on the effective date of the consolidation shall be converted into 380,000 shares of 4½% Cumulative Preferred Stock of the Corporation of the par value of \$100 per share.

2. Each Common Share shall be converted into one share of Common Stock of the Corporation, of the par value of \$1 per share.

Except as hereinabove set forth no other consideration shall be paid, transferred or issued by the Corporation for shares of Common Stock and warrants of Martin or for shares of A-M.

ARTICLE VII

The principal office of Martin in the State of Maryland is located in Baltimore County. The principal office of A-M in the State of Maryland is located in Baltimore City, (not located in any county). Martin owns property, the title to which could be affected by the recording of an instrument among the land records in the following counties of the State of Maryland: Baltimore County and Anne Arundel County. A-M owns property, the title to which could be affected by the recording of an instrument among the land records, in the following counties of the State of Maryland: Allegany County, Howard County and Washington County, and in Baltimore City (not located in any county).

ARTICLE VIII

The Articles and Plan of Consolidation were duly advised by the Board of Directors and approved by the stockholders of Martin in the manner and by the vote required by the laws of the State of Maryland and by the charter of Martin.

ARTICLE IX

The Articles and Plan of Consolidation were duly advised, authorized and approved in the manner

and by the vote required by the charter of A-M and by the laws of the State of Illinois, under which A-M was organized.

ARTICLE X

Upon the effective date of the consolidation :

A. The separate existences of Martin and A-M shall cease.

B. All the property, rights, privileges, powers and franchises of Martin and of A-M, of whatever nature and description, of a public as well as of a private nature, shall be transferred to, vest in and devolve upon the Corporation without further act or deed; and all property, rights, privileges, powers and franchises, and all and every other interest of Martin and of A-M shall be thereafter as effectually the property of the Corporation as they were of Martin and of A-M.

ARTICLE XI

On and after the effective date of the consolidation :

A. All debts, obligations, liabilities and duties of Martin and of A-M shall thenceforth attach to the 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; and any claim existing or action or proceeding pending by or against either Martin or A-M may be prosecuted to judgment or decree as if the consolidation had not taken place, or the Corporation, upon the motion of the Corporation or of any party, may be substituted as a party in place of Martin or A-M, as the case may be, and any such judgment or decree against Martin or A-M shall constitute a lien upon the property of the Corporation;

B. The title to any real estate shall not revert or be in any way impaired by reason of the consolidation, but all rights of creditors and all liens upon any property of Martin or A-M shall be preserved unimpaired. Notwithstanding the provisions of Article X hereof, confirmatory deeds, assignments or other like instruments, when deemed desirable to evidence such transfer, vesting or devolution of any property, right, privilege or franchise, may at any time, or from time to time, be made and delivered in the name of Martin or A-M, as the case may be, by the last acting officers thereof, or by the corresponding officers of the Corporation.

ARTICLE XII

Anything herein contained to the contrary notwithstanding, the proposed consolidation herein set forth may be abandoned at any time prior to the effective date of consolidation, (i) by either Martin or A-M, by resolution of its Board of Directors, if the conditions of that Company's obligations, as set forth in the Agreement of Consolidation between the two companies dated as of August 1, 1961, are not satisfied, or (ii) by Martin and A-M, each acting by its Board of Directors, by mutual consent, for any reason; and the proposed consolidation shall be deemed abandoned if the closing provided for in said Agreement of Consolidation is not held on or before December 31, 1961.

ARTICLE XIII

The consolidation referred to herein shall become effective upon the issuance of a certificate of consolidation by the Secretary of State of the State of Illinois and the acceptance of the Articles and Plan of Consolidation for record by the Department of Assessments and Taxation of the State of Maryland.

The corporations party to these Articles and Plan of Consolidation have agreed that, notwithstanding the effective date as hereinabove established, the consolidation, if and when effective under the laws of the States of Maryland and Illinois, shall be effective for accounting purposes only as of the opening of business on October 1, 1961. Appropriate property, financial, accounting, statistical and other corporate records of Martin, A-M and the Corporation shall be adjusted or made, as the case may be, to reflect such effects of the consolidation as of October 1, 1961.

IN WITNESS WHEREOF, Martin and A-M, the parties to the consolidation, have caused these Articles and Plan of Consolidation to be signed in their respective corporate names and on their behalf by their respective President or Vice-President and their respective corporate seals to be hereunto affixed and attested by their respective Secretaries or Assistant-Secretaries, the day and year first above written.

ATTEST:

THE MARTIN COMPANY

.....
Secretary

By
President

AMERICAN-MARIETTA COMPANY

.....
Secretary

By
President

STATE OF MARYLAND, COUNTY OF _____, TO WIT:

On this _____ day of _____, 1961, before me, the undersigned, a Notary Public of the State and County aforesaid, personally appeared _____ who made oath in due form of law that he is the _____ President of The Martin Company and acknowledged that he executed the foregoing Article and Plan of Consolidation by due authority of said Corporation; at the same time also appeared _____ who made oath in due form of law that he was the Secretary of the meeting duly held by the stockholders of The Martin Company at which the consolidation set forth in the foregoing Articles and Plan of Consolidation was approved, and that the matters and facts set forth in said Articles and Plan of Consolidation with respect to said authorization and approval are true.

.....
Notary Public

STATE OF _____, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 1961, before me the undersigned, a Notary Public of the State and County aforesaid, personally appeared _____ who made oath in due form of law that he is the President of American-Marietta Company and acknowledged that he executed the foregoing Articles and Plan of Consolidation by due authority of said Corporation; also personally appeared _____ who made oath in due form of law that he is the Secretary of American-Marietta Company and that the matters and facts set forth in said Articles and Plan of Consolidation with respect to authorization and approval are true.

.....
Notary Public

