

Consent order requiring, among other things the establishment of a "New Company" within six months of the effective date of this order and its spin off to shareholders or the public within two years. When it commences business, the New Company will own Fram Corporation's private label filter division, three of Bendix's and two of Fram's manufacturing divisions and a portion of Bendix's automotive sales divisions. Further, respondent is prohibited from making any acquisitions for a ten-year period, within the fields of automotive filters for aftermarket distribution, areospace filters, liquid separators, and automobile parts for aftermarket distribution.

*Complaint, initial decision and original order reported in 77 F.T.C. 731.

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Appearances

For the Commission: *Andrew G. Stone* and *Allee A. Ramadhan*.
For the respondents: *Abe Krash, Arnold & Porter, Wash., D.C.*

DECISION AND ORDER

The Federal Trade Commission having initiated a complaint charging that the Respondents named in the caption hereof have violated the provisions of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18; and

The Commission, by Order and Decision issued June 18, 1970, having found that the respondents named in the caption hereof have violated the provisions of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, said order having been vacated by the United States Court of Appeals for the Sixth Circuit, and the matter having been remanded for further hearings;* and

Respondents and complaint counsel, by joint application filed Apr. 17, 1974, having moved to have the matter removed from adjudication for the purpose of submitting an executed consent agreement; and

The Commission, by order issued May 9, 1974, having withdrawn this matter from adjudication pursuant to Section 2.34(d) of its rules; and

The executed agreement containing the following consent order; and admission by respondents of all the jurisdictional facts set forth in the complaint which the Commission issued; a statement that the Commission has relied in a material way upon certain representations by respondents as to net assets, income, and pretax profits of the lines of business to be spun off, certain unaudited pro forma financial statements, and certain statements with respect to the Net Parent Investment of the New Company; a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint or otherwise; and waivers and provisions as required by the Commission's rules; and

The Commission having considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter pursuant to Paragraph 2.34(b) of its rules, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

*Reported in 450 F.2d 534, 9 S. & D. 138.

1. Respondent the Bendix Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its executive offices located at Southfield, Mich.
2. Respondent Fram Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its executive offices located in Providence, R. I.
3. The Federal Trade Commission has jurisdiction of the proceeding and of the Respondents and this proceeding is in the public interest.

ORDER

I

For the purposes of this order, the following definitions shall apply:

1. *Respondent*: The Bendix Corporation, and those persons, partnerships, corporations or other legal entities acting on its behalf, including, but not limited to, its officers, directors, agents, representatives, employees, majority-owned subsidiaries, successors and assigns; *Provided, however*, That the term Respondent shall not be construed to include the New Company (as hereinafter referred to).
2. *Automobile Parts*: All parts used on and in connection with the operation of passenger cars and light trucks. (As used in this order the term "light trucks" means trucks having a gross vehicle weight of less than 10,000 pounds.)
3. *Bendix Ignition Parts*: Automobile parts consisting of rotors, condensers, points and distributor caps, as presently manufactured by Bendix; as well as all other parts as may from time to time be manufactured by Bendix which are substitutes therefor, or improvements thereof.
4. *Automobile Chemicals*: Automobile parts cleaners, hand cleaners, starting fluid and any other automobile chemical products sold by Bendix as of the effective date of this order except for brake fluid and brake lubricant.
5. *Effective Date of this Order*: The date of issuance of the Commission's Decision and Order with respect to this matter.
6. *Spin-Off Date*: The date within two (2) years after the effective date of this order when respondent divests itself of all right, title and interest in, and all capital stock of, the New Company as provided in this order.
7. *Net Parent Investment*: The net book value of the assets of the New Company less the book value of the liabilities of the New Company determined in a manner consistent with the footnotes to the New Company balance sheet and income statement (pro forma combined-unaudited) attached as Exhibit IV to this order.

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8. *Intra-New Company Eliminations*: Elimination of the sales between those divisions, subsidiaries and product lines to be transferred to the New Company pursuant to Part II(B) hereof.

II

It is ordered, That:

(A) Within six (6) months from the effective date of this order, respondent shall have existing or cause to be formed a separate corporation (herein "New Company") with at least sufficient shares of authorized capital stock to comply with the provisions of this order.

(B) Within six (6) months from the effective date of this order, respondent shall transfer to New Company:

(1) All of the assets, properties, businesses, goodwill, rights, privileges and interests of whatever nature, real, personal, tangible and intangible, (subject to liabilities) comprising the following existing divisions and/or subsidiaries of the Bendix Corporation (hereinafter "Bendix") and Fram Corporation (hereinafter "Fram"):

(a) Bendix Motor Components Division, whose principal plant and offices are located at 18th Street at Oakwood, Elmira, New York; *Provided, That*, Bendix shall not transfer the facilities and personnel of said division which are directly involved in or related to the manufacture or sale of bicycle brakes; said assets not to be transferred are listed in Exhibit I to this order, which is attached and made a part hereof. The portion of said division to be transferred had, on an unaudited pro forma basis, fiscal 1973 sales (before Intra-New Company Eliminations) of \$19,531,000, pretax profits of \$1,898,000 and, as of September 30, 1973, net assets of \$8,175,000;

(b) Bendix's Filter Division, whose principal plant and offices are located at 434 West 12 Mile Road, Madison Heights, Michigan, and which, on an unaudited pro forma basis, had fiscal 1973 sales (before Intra-New Company Eliminations) of \$5,346,000, pretax net profits of \$320,000, and, as of September 30, 1973, net assets of \$3,100,000;

(c) Bendix's Fuel Devices Division, whose principal plant and offices are located at 696 Hart Avenue, Detroit, Michigan, and which, on an unaudited pro forma basis, had fiscal 1973 sales (before Intra-New Company Elimina-

tions) of \$9,351,000, pretax net profits of \$1,117,000, and, as of September 30, 1973, net assets of \$4,264,000;

(d) Fram's Campbell Filter Company, whose principal plant and offices are located at Fram Road, Dexter, Missouri, and which, on an unaudited pro forma basis, had fiscal 1973 sales (before Intra-New Company Eliminations) of \$8,227,000, pretax net profits of \$1,755,000, and, as of September 30, 1973, net assets of \$3,472,000;

(e) Fram's Industrial Filter Division, whose principal plant and offices are located at 2929 East Apache, Tulsa, Oklahoma, and which, on an unaudited pro forma basis, had fiscal 1973 sales (before Intra-New Company Eliminations) of \$8,056,000, pretax net profits of \$335,000, and, as of September 30, 1973, net assets of \$3,074,000;

(f) Fram's General Products Division, whose principal plant and offices are located at U.S. #1 By Pass South, Henderson, North Carolina, and which, on an unaudited pro forma basis, had fiscal 1973 sales (before Intra-New Company Eliminations) of \$15,099,000, pretax net profits of \$260,000, and, as of September 30, 1973, net assets of \$11,420,000.

A list of the general product lines to be transferred pursuant to this Subparagraph (1) is attached to and made a part of the order as Exhibit II.

(2) All of the assets and businesses (subject to liabilities) of Bendix's Automotive Aftermarket Operations Division (hereinafter "AAO"), which, on an unaudited pro forma basis, had fiscal 1973 sales (before Intra-New Company Eliminations) of \$15,942,000, pretax net profits of \$1,650,000, and, as of September 30, 1973, net assets of \$5,838,000, consisting generally of all AAO's equipment, furniture and fixtures which relate to the product lines of AAO being divested as set forth in Exhibit III hereof, including a leasehold of a suitable warehouse facility, with adequate office space, of not less than 50,000 square feet; all AAO's books, catalogs, promotional materials, supplier and customer lists, records, accounts, data processing programs, inventories, machinery, and, subject to the provisions of Subparagraph (C) of Part II of this order, all rights to names, trade names, trademarks, service names and service marks owned by respondent (including all rights to P&D marks and names limited to the United States), pertaining to said AAO product lines; all AAO contracts (i) with third persons to manufacture,

remanufacture or supply said product lines or components thereof to AAO, and (ii) with third persons to purchase any such product lines from AAO, to the extent that such contracts cover said product lines; *Provided, however*, That Bendix shall not be required to divest any of its assets or businesses which relate to its brake, brake parts, brake fluid, brake lubricant, power steering, power hydraulics, or universal joint product lines.

(C) The assets to be transferred pursuant to Subparagraph (1) of Part II (B) above shall include, without limitation, all books, catalogs, promotional materials, supplier and customer lists, records, accounts, data processing programs, inventories, tools, dies, jigs, machinery, equipment, manufacturing facilities, research and development capabilities, real and personal property, contract rights (including, but not limited to, all supply and sales contracts and all employment contracts), all rights to names, trade names, trademarks, service names and service marks owned by respondent (including all rights to P&D marks and names limited to the United States), relating to, or associated with, the businesses to be transferred pursuant to Part II (B)(1)(a) through (f); *Provided*, That, respondent shall not be required to transfer or otherwise divest the names, trade names, trademarks, service names and service marks (i) which consist of or which include "Bendix" or "Fram," or (ii) "Stromberg" in Asia, Australia and South Africa.

(D) Respondent shall make available to the New Company adequate administrative, sales and service personnel to carry on the businesses to be transferred to New Company.

(E) Respondent shall grant a non-exclusive royalty-free license to the New Company on reasonable terms and conditions to use the name "Bendix" in the United States for a period of five (5) years from the effective date of this order in connection with the sale of (i) automotive starter drives of the general type manufactured by Bendix's Motor Components Division and (ii) Automobile Chemicals.

(F) Respondent shall, concurrently with the above-described transfers, grant to the New Company the right to purchase, on reasonable terms and conditions no less favorable than those offered to any other customers for replacement use (but subject always to the requirements of law), for a period of five (5) years from the effective date of this order, and for any part of said five year period, all or any part of the New Company's requirements of

Bendix Ignition Parts, as the New Company, at its option shall desire.

(G) Unaudited pro forma financial statements of the New Company shall be and are attached and made a part of this order as Exhibit IV.

III

It is further ordered, That:

(A) As of the date of transfer to New Company of the assets and businesses to be transferred pursuant to Part II of this order, the New Company will have a Net Parent Investment of not less than forty-two (42) million dollars (including good will not to exceed \$3.2 million).

(B) Pending the transfer of the assets and businesses to the New Company pursuant to Part II of this order, respondent shall use its best efforts to conduct such businesses in the ordinary course, and shall not make any change in the businesses to be divested or in the New Company (apart from making changes in the ordinary course of said businesses) which would impair the capacity of the New Company to continue the businesses transferred to the New Company pursuant to this order.

(C) Pending the spin-off date, respondent shall use its best efforts to assist the New Company in commencing business, and in promoting its products and independent corporate identity. Prior to the spin-off date, respondent will notify all customers of the businesses transferred to the New Company that the New Company is a successor to Bendix and/or Fram with respect to the divested product lines, and that its products are those previously sold or furnished by Bendix or Fram.

(D) Pending the spin-off date, the New Company, in order to insure an orderly transfer, may use all Bendix and Fram trademarks, trade names, service names and service marks previously used in connection with any lines of business transferred to it, and may inform others that it is associated with, and is a subsidiary of, Bendix and Fram.

(E) Respondent shall not, without the consent of the New Company, employ for three (3) years after the spin-off date, any personnel (i) whose duties relate exclusively to the assets or businesses to be transferred to the New Company pursuant to Part II of this order, or (ii) as shall be transferred to the New Company under Part II(D). Respondent will use its best efforts to encourage such persons to become employed by the New Company.

(F) In the period beginning on the date the New Company is organized pursuant to Part II(A) hereof until five years after the spin-off date, respondent shall not loan any sum of money or other thing of value to, or extend or advance credit to, or indemnify or guarantee the obligations of, the New Company, other than with respect to products or services sold on credit by respondent to the New Company in the ordinary course of business.

(G) (1) Immediately after the New Company is organized, respondent shall vote the stock of the New Company for the election of an interim board of directors to serve until the election of an initial board of directors;

(2) On or prior to the spin-off date, respondent shall cause the election of an initial board of directors of the New Company whose initial terms shall not exceed one (1) year;

(3) Respondent shall not vote any of the stock of the New Company except (a) as provided in Subparagraph 1 of Part III(G), (b) with respect to organizational matters, and (c) with respect to matters preparatory to spin-off;

(4) No member of the initial board of directors of the New Company shall at the time of his election or during the period of his service be an officer, director, or employee of respondent; and

(5) Subsequent to the election of an initial board of directors of the New Company, no employee, officer, or director of respondent shall concurrently be an employee, officer or director of the New Company.

IV

It is further ordered, That:

(A) Within two (2) years of the effective date of this order, respondent shall divest itself of all right, title and interest in the New Company (1) by transferring the capital stock of the New Company to persons who are at the time owners of Bendix common stock or Bendix common and preferred stock, or (2) by means of a public offering of the stock of the New Company which is registered pursuant to the Securities Act of 1933, or (3) by any combination of (1) and (2) above; subject always to the provisions of Paragraph (B) of this Part.

(B) In no case shall respondent knowingly sell, divest, or otherwise transfer, directly or indirectly, any stock of the New Company to any person (other than an underwriter or selling dealer) who is at the time of the transfer the beneficial owner of more than two (2)

percent of the outstanding common stock of Bendix; *Provided, however,* That in the event of a transfer of New Company stock under Part IV(A)(1) or (3) hereof, nothing in this order shall prohibit any of the shareholders of Bendix who are the beneficial owners of more than two (2) percent of the outstanding common stock of Bendix from exercising any rights they may have as such shareholders to obtain their pro-rata shares of any shares of stock of the New Company; and *Further, provided, however,* That in the event of a public offering of New Company stock under Part IV(A)(2) or (3) hereof, respondent shall exercise its best efforts to achieve a wide distribution of said stock.

V

It is further ordered, That respondent shall:

(A) Not later than sixty (60) days after completion of the transfers described in Part II hereof, furnish to the Commission an independently certified balance sheet of the New Company.

(B) Cause the New Company to furnish to the Commission, within one hundred twenty (120) days following the close of its first fiscal year, an independently certified income statement and balance sheet with respect to its first fiscal year's operations.

(C) Submit concurrently to the Commission copies of all registration statements or amendments thereto filed with the Securities and Exchange Commission with respect to any distribution of stock pursuant to Part IV(A).

VI

It is further ordered, That, for a period of two (2) years from the spin-off date, respondent shall not engage in the United States in:

(A) The manufacture or sale of the product lines presently manufactured or sold by respondent as set forth in Exhibit II (other than sales of such products purchased from others and incorporated as component parts in other products sold by respondent or sold by respondent as spare parts for such other products).

(B) The manufacture or sale of automobile chemicals or of Bendix ignition parts except as provided in Part II (F) above; *Provided, however,* That to the extent that the New Company shall not during said two-year period purchase from respondent Bendix ignition parts in quantities equal to the then current production capacity for such parts of respondent, respondent may to this extent (i) manufacture and sell said ignition parts to new vehicle manufacturers for purposes of installation by them on new vehicles or for resale by

them through their service operations as replacement parts under said manufacturers' brand or trade names; (ii) manufacture and sell said ignition parts to other manufacturers of ignition parts for resale by said manufacturers under a brand or trade name other than respondent's; and (iii) manufacture and sell said ignition parts as part of an automotive tune-up kit which includes spark plugs; *Provided*, That respondent will make available, on reasonable terms and conditions, spark plugs to the New Company under the New Company's own trade name subject to respondent's then available production capacity.

VII

It is further ordered, That for ten (10) years from the effective date of this order, respondent shall not acquire, directly or indirectly, without the prior approval of the Commission, the share capital or assets (other than products acquired for use or resale in the ordinary course of respondent's business or other than the acquisition by respondent of the share capital or assets of any corporation not organized in the United States of which respondent owns more than 50 percent of the issued and outstanding share capital as of the effective date of this order) of any corporation engaged in the manufacture or sale in the United States of:

(A) Automotive filters; *Provided*, That nothing in this Subparagraph (A) shall prohibit respondent from acquiring the share capital or assets of any corporation engaged at the time in the manufacture or sale of automotive filters solely to any vehicle manufacturers for purposes of installation by them on any vehicles or for resale by them through their service operations as replacement parts;

(B) Aerospace filters;

(C) Liquid separators; or

(D) Automobile parts (other than automotive filters which are covered separately by Subparagraph (A) of this Part VII); *Provided*, That, nothing in this Subparagraph (D) shall prohibit respondent from acquiring the share capital or assets of:

(1) Any corporation engaged at the time in the manufacture or sale of such automobile parts solely to any vehicle manufacturers for purposes of installation by them on any vehicles or for resale by them through their service operations as replacement parts, or to any other manufacturer of such automobile parts for resale by such manufacturer under a brand or trade name other than Respondent's; or

(2) Any corporation engaged at the time in the manufacture

or sale of such automobile parts whose sales of such automobile parts during the calendar year preceding acquisition (exclusive of sales to any vehicle manufacturers for purposes of installation by them on any vehicles or for resale by them through their service operations as replacement parts) did not exceed twenty (20) percent of said corporation's total sales and were not in excess of One Million Dollars (\$1,000,000).

The provisions of this Part VII of this order shall apply to any arrangements pursuant to which respondent acquires the market share of any concern, corporate or non-corporate, which is engaged in the manufacture of automotive filters, aerospace filters, liquid separators, or automobile parts other than automotive filters (a) through such concern discontinuing the marketing, distribution and/or sale of any said products under its own trade name or labels and thereafter distributing such products under respondent's trade names or labels, or (b) by reason of such concern's discontinuing the manufacture of any of said products or the sale of any of said products to certain customers, and thereafter transferring to respondent customer lists or in any other way making available to respondent access to customers or customer accounts for any of said products.

No acquisition made by respondent pursuant to the provisions contained in this Part VII shall be deemed immune or exempt from the provisions of the antitrust laws by reason of anything contained in this order.

VIII

It is further ordered, That respondent shall, within six (6) months after the effective date of this order, and every six (6) months thereafter, until respondent has fully complied with Parts II through VI of this order, submit in writing to the Commission a report setting forth in detail the manner and form in which respondent intends to comply, is complying, and has complied with Parts II through VI of this order. All compliance reports shall include such other information and documentation as may hereafter reasonably be required to show compliance with this order.

With respect to Part VII of this order, respondent shall, on the first anniversary date of the effective date of this order and on each anniversary date thereafter to and including the tenth anniversary date, submit a report, in writing, setting forth in detail the manner and form in which respondent intends to comply, is complying and has complied with Part VII of this order, a list of all acquisitions or mergers made by respon-

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dent in the categories described in Part VII, the date of such acquisition or merger, the products involved, and such additional information relating thereto as may from time to time reasonably be required.

IX

It is further ordered, That Respondent shall notify the Commission at least thirty (30) days prior to any proposed change in its corporate structure such as dissolution, assignment or sale resulting in the emergence of a successor corporation, or any other change in the corporation, which may affect obligations arising out of this order.

EXHIBIT I

The assets of Bendix's Motor Components Division directly involved in or related to the manufacture or sale of bicycle brakes and not to be transferred are:

General Office Equipment

1	Friden Calculator
10	Desks
3	L. H. Secretarial Desks
10	Desk Chairs
3	Secretarial Chairs
3	Typewriters
8	Office Tables
16	4-Drawer Files
1	Remington Rand Kardex
6	Two-Drawer Files
13	Side Chairs
2	Arm Chairs
1	Drafting Table/Stool
2	Bookcases
2	Texas Instrument Desk Calculators

Other Equipment

1	1-5/8"—RB-6 Acme Gridley Screw Machine
1	1-5/8"—RB-8 Acme Gridley Screw Machine
2	Desks in Laboratory
3	Chairs in Laboratory
1	Wheel Spoker Fixture and Stand
1	Truing Fixture and Stand
4	Filing Cabinets (4 Drawer)—Prints and Records and Pacts
1	Work Bench (12 ft. × 28 in.)
2	Large Vises
1	Tool Chest (4- 1/2 ft. High)
1	Toledo Scale and Stand
1	Endurance Machine No. 1 (Coaster Brake)
1	Dynamometer Machine with Bench and Wattmeter Dynamometer Controls

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- 1 Parts Cabinet (7 ft. High $\times$ 5 1/2 ft. Wide $\times$ 20 in. Deep)
- 1 Parts Cabinet (7 ft. High $\times$ 3 ft. Wide $\times$ 18 in. Deep)
- 1 Grinding Wheel
- 1 Air for Dynamometer—Spoke Machine—and Inflating Tires
- 1 Endurance Machine No. 2 (Three Speed and Coaster Brake)
- 1 Rack for Tires—Rims, etc. (9 ft. Long $\times$ 7 ft. High $\times$ 2 ft. Deep)
- 1 Storage Shelves (9 ft. Long $\times$ 7 ft. High $\times$ 18 in. Deep)
- 1 Storage Shelves (7 ft. 8 in. Long $\times$ 7 ft. High $\times$ 22 in. Deep) 220 Volt Outlets
- 3 Bicycle Repair Stands
- 12 Bicycles and 8 Out on Test
- 2 Tool Pegboards (on Wall)
- 1 Drafting Table
- Miscellaneous Gages, Fixtures, etc.

EXHIBIT II

The product lines of Bendix's Motor Components Division, Bendix's Filter Division, Bendix's Fuel Devices Division, Fram's Campbell Filter Company, Fram's Industrial Filter Division and Fram's General Products Division to be transferred to New Company are:

- New or remanufactured starter drives for gasoline, diesel and turbine applications
- Electric fuel pumps
- Electric clutches
- Carburetors (L. P. gas and petroleum)
- Flame arrestors
- Zenith filters
- Aircraft filters
- Aviation fuel handling filter water separators and fuel condition monitors
- Automotive filters bearing the private labels of the customers of Campbell Filter Company and of the customers of Fram for such filters as of, or in the year preceding, the date of transfer to the New Company of the assets and businesses pursuant to Part II of this Order.
- Breathers and hydraulic fluid filters
- Filters for liquid separation and particulate matter removal
- Waste treatment systems
- Oil-water separator systems
- Paint spray filters
- Building heating system filters
- Building ventilating system filters
- Building air handling and air conditioning system filters
- Furnace air filters
- Building electronic air cleaners
- Grease filters
- Paint arrestor pads
- Dust sampling cassettes (coal mine applications)
- L. P. gas systems
- Carburetor repair kits and repair parts

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EXHIBIT III

The product lines of Bendix's Automotive After-market Operations Division to be transferred to New Company are:

New and remanufactured starter drives
 Automobile ignition parts (consisting of rotors, condensers, points, distributor caps, generator parts, alternator parts, starter parts, magneto parts, switches and parts therefor, coils, regulators and parts therefor, cables, and wiring and attaching parts therefor)
 Electrical fuel pumps
 L. P. gas systems
 Carburetor repair kits and repair parts
 Stromberg Carburetors
 Zenith carburetors and filters
 Automobile Chemicals (as defined in paragraph 4 of Part I of the Order)

EXHIBIT IV

NEW COMPANYBALANCE SHEET (PRO FORMA COMBINED)

SEPTEMBER 30, 1973
 (Unaudited)

<i>ASSETS</i>	(In millions)
CURRENT ASSETS:	
Cash	\$.8
Receivables	14.5
Inventories	19.0
TOTAL CURRENT ASSETS	34.3
LAND, BUILDINGS, EQUIPMENT—Net	12.7
GOODWILL	3.2
MISCELLANEOUS ASSETS	.5
TOTAL	<u>\$50.7</u>
 LIABILITIES AND INVESTMENT	
CURRENT LIABILITIES:	
Accounts Payable	5.3
Payroll and Pension Accruals	3.0
Federal Income Taxes	.4
State Income & Other Taxes	.7
Other Accrued Liabilities	.7
TOTAL CURRENT LIABILITIES	\$10.1
NET PARENT INVESTMENT	40.6
TOTAL	<u>\$50.7</u>

The accompanying footnotes constitute an integral part of this statement.

NEW COMPANYINCOME STATEMENT (PRO FORMA COMBINED)FOR THE YEAR ENDED SEPTEMBER 30, 1973

(Unaudited)

(In millions)

Net sales	\$75.1
Cost of sales	<u>51.5</u>
GROSS PROFIT	23.6
Selling expense	7.8
Service expense	1.8
Administrative expense	<u>4.4</u>
TOTAL COMMERCIAL EXPENSE	14.0
Engineering expense	1.9
Other deductions	<u>.4</u>
PROFIT FROM OPERATIONS	7.3
Income taxes (at 48%)	<u>3.5</u>
NET INCOME	<u>\$ 3.8</u>

The accompanying footnotes constitute an integral part of this statement.

NEW COMPANYFOOTNOTES TO BALANCE SHEET
AND INCOME STATEMENT(PRO FORMA COMBINED)

(Unaudited)

The amounts shown represent asset and liability balances as of September 30, 1973 and operating results for the year then ended of the divisions, subsidiaries, and product lines to be transferred to the New Company pursuant to the Order on the basis described below.

The amounts shown were calculated by (1) taking asset and liability balances and operating results from the appropriate divisional or subsidiary accounting records where such records reflected the identical operation which is to be transferred to the New Company, and (2) allocating assets, liabilities and operating results taken from the appropriate divisional or subsidiary accounting records where such records reflected more than the operation to be transferred to the New Company; provided, however, that no amounts have been allocated with respect to the operations to be transferred for any headquarters administrative or interest expenses. In addition to the allocations mentioned above, cash and Federal income taxes were imputed to the operations to be transferred to the New Company. Cash was imputed at 1% of sales and taxes were imputed at the assumed tax rate of 48%.

No amount has been included for any contingent liabilities of the New Company which may be incident to the operations to be transferred to the New Company. No parent company indebtedness has been allocated to the operations to be transferred to the New Company since no such indebtedness will be transferred to the New Company.

Order Modifying Order to Cease and Desist

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It is my opinion that the accompanying New Company Balance Sheet and Income Statement (pro forma combined) (unaudited) fairly and reasonably represent the assets and liabilities as of September 30, 1973, and the operating results for the year then ended of the divisions, subsidiaries, and the product lines to be transferred to the New Company on the basis described in the footnotes thereto.

/s/

F. J. Svec

Vice President and Controller

April 5, 1974

IN THE MATTER OF