

General Male History
1928 - 1975

The What

Why

and

Who...

.....of GENERAL SHALE PRODUCTS CORPORATION

by GLEN BRUCE

updated by ROY H. MEADE

First Printing May, 1964
Second Printing September, 1965
Third Printing January, 1976
Johnson City, Tennessee

THE MERGER

GENERAL SHALE PRODUCTS CORPORATION, a Delaware Corporation was formed and began operations September 1, 1928. The company was formed by merging the Kingsport Brick Corporation and the Johnson City Shale Brick Corporation on an equal basis, each being valued at \$500,000. The sales were made on a lease-purchase agreement of payments of \$35,000 a year; \$30,000 of the first year's payments represented interest at 6 per cent and \$5,000 payment on principal. Had payments been continued on this basis, it would have required 33 years and 10 months to complete the purchase. The authorized capital stock was 8,000 shares at \$25 par value. Each company subscribed for 4,000 shares and paid for these mostly with their inventories which amounted to \$69,217.65 at Johnson City and \$73,999.09 at Kingsport. Mr. J. Fred Johnson and Mr. J. C. Stone owned stock in the Kingsport Brick Corporation and subscribed for the same proportion of General Shale stock, namely \$12,500. This left Kingsport Brick Corporation with \$87,500 stock. This \$12,500 was the only money given me as treasurer to operate on; however, there was an agreement that each company would pay payrolls and other necessary expenses until General Shale could realize funds from its sales.

The first board of directors were:

J. Fred Johnson
John B. Dennis
Sam R. Sells
E. H. Hunter

The officers were:

J. Fred Johnson, Chairman
Sam R. Sells, President
E. H. Hunter, Vice President
J. C. Stone, Secretary
Glen Bruce, Treasurer

HOW THE TWO CAME TOGETHER

Kingsport Brick Corporation was built and began operations in the fall of 1910, which was about the time the railroad was opened to the Carolinas. I have been told it was the first red facing brick plant in the South. For many years the finest homes, churches, schools and colleges in the Carolinas, Atlanta, and into Florida used this product. It was a most profitable operation and for years paid a 20 percent dividend each year.

The writer came with the company in 1915 as a bookkeeper. A sewer pipe plant was being completed; however, after a short time this plant was converted to brick which was more profitable.

The mill building was like most plants of that day--boxed-up frame construction. It was propped up to keep it from blowing over and the equipment was old and out of date. In 1925 I convinced Mr. Johnson that something had to be done. A very modern building was erected and the most modern equipment was installed. This should have produced better quality and cheaper costs but failed to do so. Mr. Mahan, who had built the plant and operated it successfully until his death in 1924, was succeeded by the timekeeper who was wholly incapable of carrying on the job. In the meantime the sales department had crumbled.

May times Mr. Johnson told me he was going to let the sales manager and superintendent go and asked me who should replace them. I suggested C. W. Bernard as superintendent. He was doing an outstanding job as mill foreman. Mr. Johnson's reply was that he did not think he would make a superintendent. How wrong he was has been proved by the outstanding job Clyde Bernard did as superintendent and later as general superintendent.

Mr. Johnson had become rather soft-hearted and could not bring himself to fire the superintendent and sales manager. Looking back, it was perhaps for the best, as there most likely would not be a General Shale had he done so. Instead, he conceived the idea of merging with the Johnson City Shale Brick Corporation which had been in operation since 1920. Mr. Sam R. Sells, their president, was recognized as an outstanding operator and E. H. Hunter an excellent sales manager. After considerable negotiation this merger was completed as outlined in the beginning. Thus, Mr. Johnson passed on the reorganization to Mr. Sells. The idea was sound, as there would be one sales force, one general office, and the elimination of price cutting which was rather severe.

I am not familiar with the Johnson City company which was organized in 1920, although I have been told it was built because they could not get sufficient brick for the booming years after the war. At that time Kingsport was growing fast. The quality of the Johnson City product was inferior to that at Kingsport, but they had a better sales force.

The new company did well the first year or two until the depression came. This will be touched on later.

THE FIRST ACQUISITIONS

In December, 1929, we leased the Cherokee Brick Company at Knoxville for seven years at \$900 a month rent. However, I do not believe we operated it for the full period. We also acquired the Oliver Springs Brick Company, which was a small plant making both fire clay and red brick, at a price of \$35,000. W. S. Sells, time-keeper at the Johnson City plant, was transferred to this operation

as superintendent. We also acquired Richlands Brick Corporation and Bristol Brick Corporation owned by C. C. Hyatt. The Richlands plant was valued at \$150,000 and the Bristol plant at \$75,000. They were purchased on the same lease-purchase agreement as were Johnson City and Kingsport--to be paid for over 33 years and 10 months. The capital stock was increased to 20,000 shares. Mr. Hyatt subscribed and paid for 700 shares and was made a director of the company. We never attempted to operate the Bristol plant since it made an inferior product and the demand then could easily be supplied from Kingsport and Johnson City. A. H. Kelly, who was manager of the Bristol operation, was transferred back to Richlands where he had been formerly.

In May, 1930, we purchased the Jellico Brick and Coal Company for \$10,500 purely for its nuisance value. It was never operated.

J. C. Stone resigned as secretary in May, 1934, and the writer was elected to succeed him.

About this time (our minutes do not show) we wanted to buy the Knoxville Brick Company but did not have sufficient funds to make the purchase. Mr. Johnson and Mr. Sells bought the property--I think for about \$12,500--with the understanding that as soon as General Shale was able to reimburse them for the purchase price plus 6 per cent interest, they would turn it over. About \$37,000 was spent for improvements on the property before we actually received title to it. In 1935 we reimbursed Mr. Johnson and Mr. Sells in the amount of \$25,893 and took title to the property.

FINANCIAL TROUBLES BEGIN

Sam R. Sells died on November 2, 1935. The following changes

were made in the officers:

Sam H. Sells, Director and Vice Chairman
E. H. Hunter, President
Glen Bruce, Vice President--Secretary-Treasurer

In 1934 (our records do not show the exact date) the bondholders of the Johnson City company started foreclosure proceedings. Mr. Sells, being president of both General Shale and the Johnson City company, did not want to get General Shale involved in the litigation and, inasmuch as we were in arrears in our payments, the contract with the Johnson City company was cancelled. It was the understanding, however, that if and when Mr. Sells acquired the property, it would be restored to its former status and be paid for the time intervening.

By December of 1935 it was recognized that the company could not continue the payments to Kingsport, Richlands, and Bristol. It was agreed to cancel those contracts and enter into a new agreement paying rental at the rate of 4 per cent, based on the value of the plants previously mentioned, plus all other carrying charges. This meant we were paying the Kingsport Brick Corporation \$20,000 a year rental, Richlands \$6,000, and Bristol \$3,000. At the same time, an issue of \$150,000 of preferred stock was authorized and issued to the Kingsport Brick Corporation and Mr. Sells' estate to cover their indebtedness.

In May, 1936, C. C. Hyatt resigned as a director. C. C. Hyatt, Jr., was elected in his place and the writer was elected a director. At that time the board consisted of the following members:

J. Fred Johnson Chairman
Sam H. Sells, Vice Chairman
E. H. Hunter
John B. Dennis
C. C. Hyatt, Jr.
Glen Bruce

Officers were:

E. H. Hunter, President
Glen Bruce, Vice President - Secretary-Treasurer
C. H. Brown, Assistant Secretary-Treasurer

About this time the Johnson City plant had been purchased by Mr. Sam H. Sells and came back into General Shale. During the depression the company had become heavily involved and needed money badly. Mr. Dennis thought he could sell some debentures in New York, and in May of 1937 \$200,000 was authorized and issued. These were for seven years and carried an interest rate of 5 per cent. Mr. Dennis was unable to place the debentures; in March of 1938 \$173,000 of gold notes were authorized and issued which Mr. Dennis thought he could sell, but he was unable to do so. Some dissention had arisen over the inability to dispose of the debentures and gold notes. Mr. Hunter and I conceived the idea of getting an RFC loan--not only to raise some money to operate on, but we felt that the restrictions they would impose should give us time to work things out.

We made application for the loan and were furnished with the blanks to complete the application. I think you will be interested in what transpired in this connection. I looked out the window and saw a man approaching the office with a large, heavy briefcase under his arm. He was the representative of the RFC who had called to leave the blanks. He told me to fill out as much of it as I could and he would come back by in two or three weeks. When he was ready to leave I said, "I notice you are walking and carrying a very heavy briefcase." He replied that the RFC did not allow taxi fare; the handles on his briefcase had broken, and he had tried all over Knoxville the day before to get it fixed. I told him I would be glad to run him back to the hotel and I thought I

could get his briefcase fixed. I took him to a friend at Slip-Not Belting Corporation who put on new handles and refused to charge him anything for it. I then took him on to the hotel and when he got out he said to me, "Nobody can fill out those blanks without help--you put in all the figures you can and I will be back in two weeks when we will complete them."

We tried to put up as collateral the debentures mentioned above, but although they were approved by the Nashville office, they were turned down by Washington--and properly so. After many trips to both Nashville and Washington, the Nashville office approving the applications and Washington turning them down, we finally secured approval of a loan for \$95,000. We were notified to meet their representative in Knoxville to appraise the property. Lo and behold, it was the same man I had helped in Kingsport!

After visiting the Knoxville and Oliver Springs plants, which were the only collateral we had, we came back to the hotel in Knoxville and he invited me up to his room. He stated he knew nothing about the value of a brick plant and that I would have to tell him what figures to put down. I will certainly have to say we did not have much collateral. At any rate, we secured the loan which had some very tight restrictions in it and helped tide us over. This was certainly a case of casting some crumbs on the water and having them returned in abundance.

I never heard any more from this man until the summer of 1963. He called me and wanted to get some brick for a bank in Middle Tennessee where he was executive vice president. They had used other brick which had given them a poor job, and they wanted to tear it down to use our

Knoxville brick. Needless to say, he received quick service although we were way behind with other customers.

In May, 1944, the preferred stock was increased from 1,500 shares to 12,500 shares, and the Johnson City, Kingsport, Richlands and Bristol plants were purchased with 6 per cent cumulative preferred stock.

J. Fred Johnson died in November, 1944, and Sam H. Sells was elected chairman to succeed him. H. R. Dennis was elected a member of the board.

In April, 1945, Sam H. Sells died. John B. Dennis was elected chairman and W. S. Sells was elected a director.

WE ENTER THE BLOCK BUSINESS

During the war we tried to get approval from Washington to build a block plant, inasmuch as Eastman had plenty of cinders which we could obtain. The thought at that time was to build it on the far end of the Kingsport plant. We were refused any priority to do so. It was most fortunate that we were turned down, as it would have been a bad mistake to have put it in that location. After the war I suggested we buy the houses and the land where the block plant is presently located. John B. Dennis of the Securities Company virtually gave us that land and the houses.

In 1945 we bought 19.63 acres of land and 19 houses for \$17,500 and formed a separate corporation to build a block plant. Later on this corporation was surrendered and it was built under the present name.

It was most fortunate that we went into the block business. Tennessee Eastman for several years gave us the cinders just to move them,

and with the cement plant adjoining us with only a switching charge, it was a most profitable venture. As a matter of fact, this operation provided a large part of the funds to build our first tunnel kiln. In 1962 we installed new automatic equipment which greatly reduced costs and made a superior product.

In December, 1945, C. C. Hyatt died and in November, 1946, Mrs. Helen Sells was elected to the board. John B. Dennis died in February, 1948, and W. B. Franke succeeded him on the board. H. R. Dennis was elected chairman in May of that year.

The Spectra-Glaze plant, which was the building now occupied by the lab, was built in September, 1948. After spending probably \$150,000, this operation was abandoned.

W. B. Franke was elected chairman in May of 1949; C. C. Hyatt, Jr. vice chairman; and W. S. Sells, vice president.

In May, 1950, the capital stock was changed to 219,640 shares of which 109,640 had a par value of \$10 and 110,000 shares had no par value. The \$10 par value shares were Class A stock and this was divided into ten series of 10,964 shares each, lettered from A to J inclusive. When Series A was redeemed, Series B became common stock and so on down the list. In May, 1951, the common stock was increased from 110,000 to 120,000 shares to take care of the stock options granted five officers.

TUNNEL KILN BUILDING BEGINS

In 1951 we secured a loan of \$300,000 from Jefferson Standard Life Insurance Company to build the first tunnel kiln at Knoxville. We bought the Key-James Brick Company in January, 1952, at a price of

\$102,000 and also increased our loan from \$300,000 to \$400,000. In June, 1952, we purchased the Elizabethton (block) and Marion plants at a price of \$653,000. Cash consideration was \$100,000; however, we did not have that kind of money. We paid \$50,000 cash and gave four notes of \$12,500 each of short duration. The balance was secured over 15 years but was paid ahead of time. In October, 1953, construction of the tunnel kiln at Johnson City plant was authorized and our loan with Jefferson Standard was increased to \$775,000.

George C. Sells was elected vice president in June, 1953, and a tunnel kiln was authorized to be built at Chattanooga.

E. H. Hunter passed away suddenly on October 2, 1954, and the writer was elected president. C. H. Brown was elected secretary and G. Fred Lorenzen treasurer. In August of that same year George C. Sells and Mrs. Charlotte Coe were elected directors. An option of the Coral Ridge plant was authorized at a price of \$175,000. This option was later exercised.

March, 1956 - C. H. Brown died; G. Fred Lorenzen was elected secretary; E. B. Tolliver, assistant secretary; and Roy H. Meade, assistant treasurer.

March, 1957 - W. B. Franke resigned and C. C. Hyatt, Jr., was elected chairman. Graham Brewer was elected a member of the board.

October, 1957 - A tunnel kiln at Louisville was authorized and our loan at Jefferson Standard was increased to \$1 million.

May, 1958 - Sam R. Sells, II, was elected to the board to succeed his mother, Mrs. Helen Sells.

March, 1959 - A tunnel kiln was authorized at Kingsport and

was completed that year. In May, Charles F. Coe was elected a director to succeed Mrs. Charlotte Coe.

March, 1960 - Mr. Brewer resigned from the board and F. E. Hanson was elected to succeed him.

THE COMPANY GOES PUBLIC

Authorized shares of the corporation were increased to one million in order that the stock could be split three for one, as Mr. Dennis had decided he wished to sell the interests of the Dennis family in General Shale. This stock was registered and sold to the public. In June, 1960, both Mr. Dennis and Mr. Hanson resigned; Charles W. Gore, W. E. Newell, and Thomas W. Goodloe were elected to the board.

January, 1961 - General Shale of Indiana was chartered and a yard opened in Indianapolis. In May, Glen Bruce was elected chairman and chief executive officer; C. C. Hyatt, Jr., vice chairman; and W. S. Sells, president.

February, 1962 - James M. Postell was elected vice president.

May, 1962 - we purchased the Southside Brick Works at a price of \$1,150,000 and increased our loan to \$1,700,000. Our record with Jefferson Standard was such that the loan was negotiated without any mortgage, although all previous loans required mortgages. We also built an additional tunnel kiln at Louisville.

January 1, 1963 - All of the subsidiaries except General Shale of Indiana were merged into the parent company in order to simplify record keeping, as well as for other reasons.

February, 1963 - Another corporation was formed--General Shale of Washington--in order to operate a yard in Alexandria, Virginia.

August 18, 1963 - W. S. Sells died. George C. Sells was elected president and an Executive Committee was formed consisting of Glen Bruce, C. C. Hyatt, Jr., Sam R. Sells, II, and George C. Sells.

REFLECTIONS

General Shale has had a stormy career and I really don't know how we survived in the middle thirties. We were broke but people just didn't push us. In 1935, the owners of the business said they thought it had to fail but that Mr. Hunter and I working together might carry it through. To give you some idea of where we have come from, I give below some figures taken from the balance sheets:

December 31, 1937

Current Assets	\$246,291	Current Liabilities	\$214,011
Including Cash of	8,727	Long-Term Debt	26,000
Profit for Year	31,885		

December 31, 1942

Current Assets	\$397,561	Current Liabilities	\$ 87,513
Including Cash of	46,069	Long-Term Debt	94,878
Profit for Year	39,475		

December 31, 1952

Current Asset	\$1,591,757	Current Liabilities	\$819,502
Including Cash of	420,666	Long-Term Debt	837,700
Profit for Year	286,071		

December 31, 1963

Current Assets	\$5,757,802	Current Liabilities	\$2,322,860
Including Cash of	3,808,259	Long-Term Debt	1,586,666
Profit for Year	1,376,174		

It may be of interest to know that General Shale today is made

up of 14 former companies not including our two present subsidiaries:

Jellico Brick and Coal Company, Jellico, Tennessee
Oliver Springs Brick Company, Oliver Springs, Tennessee
Knoxville Brick Company, Knoxville, Tennessee
Key-James Brick Company, Chattanooga, Tennessee
Johnson City Shale Brick Corporation, Johnson City, Tennessee
Kingsport Brick Corporation, Kingsport, Tennessee
Elizabethton Cinder Block Company, Elizabethton, Tennessee
Bristol Brick Corporation, Bristol, Tennessee
Appalachian Shale Products Company, Marion, Virginia
Richlands Brick Corporation, Richlands, Virginia
Southside Brick Works, Richmond, Virginia
Daniels Brick Company, Richmond, Virginia
Richmond Clay Products Company, Richmond, Virginia
Coral Ridge Brick and Tile Company, Louisville, Kentucky

It has been a long, hard struggle, but certainly there is a lot of satisfaction in knowing that we stand today probably the second largest brick company in the United States and certainly one of the most successful. Our productive capacity has increased from the initial 55 million brick to 400 million brick and 10 million block (8-inch equivalent).

From the beginning the company was most fortunate to have men with business ability, integrity, and foresight--Messrs. Dennis, Johnson, Sells, Hunter, Hyatt, and Stone--and I am sure their reputations went a long way to help us weather the depression.

From 1928 until his death in 1954, I don't believe any two men could have worked closer together than Ed Hunter and myself. Although of entirely different natures, we became very adept at passing the ball to each other, depending on the circumstances. He deserves great credit for his insistence on building tunnel kilns which have put us where we are today.

Although I knew W. S. Sells through the years, we were not closely associated until after Mr. Hunter's death in October, 1954. The last few years of his life we became very close and our thinking about the company

was very much the same. He was doing an outstanding job--not only for us, but also as president of the national association--and was highly respected for his ability and integrity by the entire industry.

I hope the foregoing information will be of interest. I have felt for some time that I should write this--I am the only surviving original officer and know the details of what went on--and recently some of our people have asked me to do so.

May 22, 1964

Alvin Bruce

SUPPLEMENT TO MR. GLENN BRUCE'S HISTORY OF GENERAL SHALE DATE MAY 22, 1964

November 25, 1963, \$400,000 was approved for extending the tunnel kiln at No. 7, Knoxville and No. 10, Johnson City. These extensions increased production considerably.

November, 1963, General Shale entered into a joint venture with Acme Brick Company, Boren Clay Products Company, Bickerstaff Clay Products Company and Harrop Ceramic Service Company to build a single layer pilot plant at Kingsport. This plant, known as Rathole Research, was built and operated for several months and a full scale plant was later built at Knoxville by us.

February, 1964, \$800,000 was approved for installing the second tunnel kiln at Knoxville.

May 28, 1964--Jim Postell reported that the second tunnel kiln at Knoxville was 80 to 85 percent complete and stated the total cost would be in line with the amount appropriated.

In May, 1964 the By-Laws of the Corporation were amended to create the office of Controller and Roy Meade was elected as Controller.

Management was authorized to take an option on brick plants owned by Champion Brick Company of Baltimore, Maryland consisting of two tunnel kilns. The option was never exercised.

August, 1965--Management was authorized to exercise an option to purchase 2.4 acres of land on the Johnson City, Kingsport Highway for site of new office building. Cost of the land \$44,000.

November, 1965--\$683,000 was appropriated for the second tunnel kiln at Johnson City.

February, 1966--Architects Dick Beeson and Hugh Gaddis of Beeson and Beeson displayed preliminary floor plans for the proposed new office building.

Hunt Archer and W. E. Hawkins reported their observations of modern top-fired tunnel kilns utilizing coal seen on their trip to Europe.

George Sells mentioned the possibility of acquiring a tunnel kiln plant at Huntsville, Alabama which was later finalized.

An Employee Qualified Stock Option Plan was approved with Glen Bruce, C. C. Hyatt, Jr., Sam R. Sells, II, and W. E. Newell appointed to the committee for the administration of the Employee Qualified Stock Option Plan.

Admiral Charles F. Coe submitted his resignation as a member of the Board of Directors, which was accepted; his son, Charles H. Coe, was nominated and elected as a director of the corporation.

Medusa Cement wanted to purchase the company. Several feelers have been made since. No interest.

April 13, 1966, Mr. J. Walter Caprenter, III was nominated and elected as a director of the corporation.

May 26, 1966, the President, George C. Sells, stated that he had obtained an option to acquire the capital stock of Huntsville Brick and Tile at a price of \$325.75 per share. Authorization was given to enter into the necessary agreements. Purchase consummated June 1, 1966.

Roy H. Meade and L. E. Ross were elected to the office of Vice President of the Corporation.

September, 1966 a resolution was passed authorizing the officers of the Corporation to enter into a contract for the construction of a one-high kiln at Knoxville for an estimated cost of \$1,350,000.

The President reported that bids for the new office building had been opened with a low bid of \$420,000 and a high bid of \$484,000. This was considerably over the estimate and after discussion it was decided to

refer the matter back to the architect to see what could be done to bring the cost down.

November, 1966, the President reported that by making certain changes in the office building that the low bid was reduced to \$398,000. The contract was awarded to J. I. Cornett Construction Co. of Elizabethton, Tennessee.

Roy Meade reported on a trip to Evansville, Indiana where he had been successful in negotiating an option to purchase assets of Standard Brick & Tile Company consisting of plant, buildings, and approximately 34 acres of land for the sum of \$115,000.

After discussion it was resolved that the Executive Committee be authorized and directed to further investigate the matter of the purchase of Standard Brick and Tile Corporation of Evansville, Indiana and to close out the purchase of this, if advisable to do so. This purchase was consummated in March, 1967 for \$115,000. Plant was never operated, but has been a fine outlet.

February 27, 1967--Mr. Ed Newell reported that a million dollar line of short-term loan had been made available by the First National Bank of Sullivan County, Hamilton National Bank, and the First Peoples Bank of Johnson City at 6 percent interest.

February, 1967, the Corporation of B & B Transport, Inc. was formed as a wholly owned subsidiary of General Shale to purchase the equipment and ICC Permit of Roy Estes Trucking Company of Kingsport at a price of \$77,250.

May, 1967, an offer of acquisition by Georgia-Pacific through an exchange of stock was discussed in detail and it was decided unanimously that the offer should not be accepted.

\$95,000 additional was approved for adding a third floor to the new office building.

The Officers and Directors were authorized to execute the commitment from Jefferson Standard Life Insurance Company dated May 16, 1967 for a 15-year loan in the amount of \$2,000,000 at a rate of 6-1/4% interest, to be taken down no later than July, 1968. Standby interest of 1/2%.

Mr. Bruce announced his retirement as Chairman of the Board effective as of the date of this meeting and as an active employee as of May 31, 1967.

G. C. Hyatt, Jr. was elected Chairman of the Board and Sam R. Sells, II was elected Vice Chairman of the Board. The By-Laws of the Corporation were amended to make the President the Chief Executive Officer of the Corporation.

Offer from Fuqua Industries for a merger was declined.

August, 1967--The By-Laws were amended by adding Article VI for indemnification of directors and officers.

December, 1967--The President reported that the automated plant at Knoxville was now operating at 76% and that production would be further increased before shutting down for modification. The President reported that the kiln at the plant had created a great deal of interest both in this country and abroad and that while it was open for inspection there were over 500 visitors with people from 9 foreign countries.

The President reported on the possible acquisition of Victor Cushwa and Sons, an old established brick plant, at Williamsport, Maryland, and the President was directed to pursue this further.

Distribution yard opened in St. Louis and operated until July, 1972 at which time it was closed.

February, 1968--An automatic setting machine was installed at Johnson City, which was the first one installed by General Shale.

May, 1968--\$2,000,000 from Jefferson Standard for 15 years at 6-1/4%.

The President reported that a 6-month option had been obtained to purchase land 18-miles south of Indianapolis for the possible location of a new plant. The estimated cost of land, plant and office building was estimated to be \$2,594,000. The Executive Committee was authorized to approve the project if they consider it advisable after tests have been completed.

May, 1968--The authorized number of shares of common capital stock was increased from 1,000,000 to 3,000,000 and split 2-for-1.

August, 1968--The Chairman, President, and Vice President, Roy Meade, reported on trips made to survey the brick situation on the west coast. It was their recommendation that serious consideration be given to locating the next plant somewhere in the San Francisco-Sacramento area.

Offer was made to Mr. Joe Hughes of Shenandoah Brick and Tile Corporation of \$750,000 for plant, land and equipment. The offer was rejected.

The President reported on Knox Concrete Products Company of Knoxville, Tennessee and Hanley Structures of Elizabethton, Tennessee were for sale and both were rejected.

The President reported that problems were being encountered on the single-layer kiln at Knoxville and that the cost of kiln car repairs and experimental work would probably amount to \$125,000 and that the plant would probably show an operating loss for 1968 of \$200,000.

Mr. Glenn Bruce died July 14, 1968.

Roy H. Meade and Jim Postell were nominated and elected as directors of the Corporation.

November, 1968--Investigated purchase of Dolt & Dew, panel builders in Louisville. No deal.

L. E. (Red) Ross suffered a heart attack. H. H. Underwood was made acting Sales Manager.

The President reported that California Clay Products Company of Stockton, California had indicated an interest in selling their brick plant.

Huntsville Brick and Tile Company, Inc. was liquidated and merged into General Shale Products Corporation.

President reported a communication from GAF indicating interest in buying General Shale at 20 times earnings. Executive Committee rejected on basis that this would not constitute a favorable merger.

President reported on negotiations for purchase of Alton Brick Company of St. Louis. Deal fell through.

March 19, 1969--The President reported that Plant 19 now moving along well with most of the problems apparently solved.

Jim Postell said that the new plant at Mooresville was on schedule and should start operation the first week in May.

Price Waterhouse was employed as auditors for the Corporation beginning with 1969.

Management was given authority to exercise option for the purchase of equipment and inventory of California Clay Products in Stockton, California and to lease real estate for 2 years as provided in the option.

May, 1969 acquired capital stock of McMinnville Concrete Products Company and Cumberland Mountain Sand Company, Smithville Concrete Company and Sparta Concrete Company. This acquisition was for 50,000 shares of common stock.

December, 1969--the President reported on the activities of the company and others in the industry in the promotion of manufacturing of core housing designed for facing with brick. After thoroughly investigating the modular housing field, it was dropped.

The President again reported on Plant 19 and stated that there was a need to make further alterations and an estimated cost would be \$126,500. He also said it would be desirable to extend the cooling zone and the cost of doing both would be approximately \$244,000. This expenditure was approved subject to the decision of the Executive Committee.

Also, reported on contacts with Muddox Company of Sacramento, and U. S. Ceramic Tile Company, brick plant in Alliance, Ohio, and block plants in Dalton, Georgia, and Athens, Tennessee. (No serious discussion.)

May, 1969--Discussion with National Gypsum Company about exchange of stock. Were tentatively offered 1-1/4 shares for each share of General Shale; due to insufficient interest negotiations were dropped.

March, 1970--The President reported on the California operation and problems that have been encountered in trying to develop the market. He further stated that we should be making plans to pull up stakes during late summer.

ARTICLE XIII of the By-Laws of the Corporation was adopted which provides for carrying on the business of the Corporation during a major disaster or catastrophe.

May, 1970--The President reported that the operation in California had resulted in a loss of \$600,000 before taxes, that the inventory had been sold and requested authority to dispose of the plant equipment. After discussion, a resolution was passed authorizing the officers to dispose of the assets of the Corporation located in California and withdrawal in an orderly manner. The venture was very disappointing.

Brown Neal asked to be relieved of the responsibility of the McMinnville Group of operations and H. D. Jeter was transferred to take over these operations. H. D. Jeter was elected President and George Sells elected Chairman of McMinnville Companies 12/7/70.

4.148 acres of land at Richmond, Virginia was sold to Alleghany Warehouse for \$20,000 per acre.

Due to the low profit margin the Washington Distribution Yard was closed out.

September, 1970--General Shale Products of Indiana, Incorporated was liquidated and merged into General Shale Products Corporation.

September 4, 1970 Quality Concrete Corporation of Morristown, Tennessee filed a \$500,000 triple damage law suit against General Shale alleging unfair competition. This suit was settled with prejudice in our favor October, 1972. Legal expenses and all probably cost us \$100,000 and we were innocent.

Jim Postell resigned as Vice President and Director and accepted a job with Richtex Corporation of Columbia, S. C.

December, 1970--W. B. Whitson and Robert F. Doss were nominated and elected as directors of the Corporation as of 12/7/70.

Hugh Underwood and W. E. Hawkins were nominated and elected to the office of Vice President on December 7, 1970.

General Shale Products of Washington, Inc. was dissolved and merged into General Shale Products Corporation.

February, 1971--Option was taken to purchase Cartwright Block Company of Shelbyville, Tennessee, but this purchase was not consummated.

March, 1971--All of the stock of B & B Transport, Inc. was sold to James Everett Stubblefield of Chattanooga, Tennessee.

May, 1971--41 acres of land at our Richmond, Virginia plant was sold to Alleghany Warehouse Company for \$906,000.

A new block machine was authorized at Kingsport at a cost of \$150,000.

Kingsport, Johnson City and Knoxville Plants went on strike on June 16, 1971 and lasted until September 8, 1971. Earnings reduced by 30 cents per share.

July, 1971--Brown Neal died.

August, 1971--Through W. B. Whitson, a contact was made with Breeko Industries, Inc. of Nashville to discuss possible purchase. This was pursued and later dropped due to their labor contract.

The brick plant of Hydraulic Press Brick Company at Streator, Illinois was investigated for a possible acquisition and turned down.

November, 1971--possible acquisitions of Marion Brick Company, Marion, Ohio and Maples Block Company at Cohutta, Georgia and Kanawha Block Company at Charleston, West Virginia were discussed.

November, 1971--Locher Brick Company of Glasgow, Virginia, was on the verge of bankruptcy and the First National Exchange Bank of Roanoke, Virginia held a note for \$265,000 secured by Deeds of Trust and Security Agreements covering the Locher property. We purchased the note for \$140,000 which was used to purchase the assets of Locher Brick Company in early February, 1972 at a bankruptcy sale in Lexington, Virginia.

December, 1971--Purchased Piper Aztec airplane.

February, 1972--Option was taken to purchase the assets of Maples Block Company of Cohutta, Georgia, which was consummated in the Spring of 1972. Purchase price \$285,000 for plant, land, and equipment.

A new block machine was approved for installation at Elizabethton.

Had feeler to purchase 54% of Merry Companies stock. Discussed and dropped.

July, 1972--The Board of Directors authorized spending \$2,400,000 for an additional tunnel kiln at Marion, Virginia.

September, 1972--Installed a brick machine at Sparta, Tennessee, for making Rus-tique concrete brik. We were able to utilize curing rooms already at the location so there was a low capital outlay (up to this time, this has been an unsuccessful venture).

October, 1972--Quality lawsuit settled in our favor.

General Shale Products Corporation of Missouri was dissolved and merged into General Shale Products Corporation.

November, 1972--L. E. Ross resigned as an officer and employee.

Installed IBM System 3 computer.

December, 1972--Problems were beginning to develop on fuel and engineers were sent to Europe to study coal-fired kilns.

Holly Springs Brick and Tile of Holly Springs, Mississippi, and Southern Brick Company of Byhalia, Mississippi, indicated an interest in selling their plants. These were investigated but no deal was made due to tax consequences of owners.

Through negotiations to purchase Bluff City Block Company of Memphis, Tennessee George Sells learned of 2 lightweight aggregate plants in West Memphis and England, Arkansas. Option was obtained on these plants, and the plants were acquired March, 1973 at a price of \$1,750,000.

(Cash transaction)

March, 1973--The President reported that automatic setting machines were operating successfully at Johnson City, Knoxville and Mooresville and recommended a similar installation for Chattanooga. Authorization was granted for an expenditure of \$288,000 for the hacking machine and replacement of brick machine and cutter.

Knoxville employees went out on strike March 1, 1973 which was settled June 6, 1973. We estimate that the strike cost 13 cents per share.

May, 1973--John E. Stone elected Vice President.

George Sells reported that the fuel situation was getting worse and that in his view coal-firing was the ultimate answer and requested funds to experiment with converting tunnel kilns to coal firing. \$540,000 was approved for such conversions.

The matter of getting into the coal mining business was discussed and after discussion, management was directed to make an in depth study of engaging in such activities. (Study made and rejected.)

September, 1973--The matter of expanding lightweight aggregate production at West Memphis was discussed and it was contemplated that such an expansion would be financed by tax exempt Industrial Revenue Bonds.

The President reported on the 10-day curtailment of gas at Mooresville, and that 15-day curtailments were expected in September and October. He reported that 45,000 gallons of propane had been purchased in Canada. He, again, insisted that all existing plants should be converted to coal as soon as practical.

The President reported that the lightweight aggregate plant at Greenbrier, Tennessee, was for sale but there was no interest manifested in this.

The President reported a communication from Gifford-Hill Company of Dallas, Texas, indicating a desire to acquire General Shale. No interest.

The matter of dividend policy was discussed and it was voted to increase the quarterly cash dividend to 20 cents per share and eliminate the extra cash dividend which had been paid for the past several years.

Sparta Concrete Company and Smithville Concrete Company were merged into McMinnville Concrete Products, Inc. effective January 1, 1974.

December 3, 1973--Directors meeting was held in West Memphis, Arkansas so that the directors could see the lightweight aggregate plant in operation.

The President reported on the fuel situation and stated that tunnel kilns can be converted to the use of coal up to 50-percent of consumption. He further reported that stokers had been installed on 10 of the periodic kilns at Kingsport Plant 1 and the remaining ones were in the process of being equipped.

He reported on the supply of raw material for the two Richmond Plants and stated that due to high fuel and production costs, one of the plants would be closed when inventory began to accumulate. (Plant 16 was closed and has never operated since and has subsequently been abandoned and the property sold.)

He also, reported that the one-high concept at Plant 19 was being abandoned due to the high cost of kiln repairs and unavailability of refractories.

The President reported an overrun of about \$360,000 on the new kiln at Marion. The additional amount was approved.

A report was given on the Industrial Revenue Bonds at Edmondson, Arkansas, which had been defeated. In the final analysis the City of West Memphis, Arkansas, issued the bonds after two elections were held. The bond issue was rejected in the first election at West Memphis, also, but the city officials wanted to try it again, which was successful.

Fred Lorenzen announced his retirement as Secretary/Treasurer as of December 31, 1973. Robert E. Knight was nominated for the office of Treasurer and T. N. Myers nominated for the office of Secretary. They both were elected to take office January 1, 1974.

March 1, 1974--At this time the money crunch was catching up with us and a 5 million dollar Revolving Credit Agreement was worked out with

banks which was later rejected by our long-term lender, Jefferson Standard Life Insurance Company. As a result of this rejection, we went to Massachusetts Mutual Life Insurance Company and borrowed 4 million dollars for 15 years at 10 percent interest. Thanks to Ed Newell who worked up a 3-million dollar Revolving Credit Agreement with several banks. We were extremely disappointed with Jefferson Standard Life Insurance Company's attitude because they had always told us we were the best account to whom they had ever loaned money. It was a bitter pill.

The President reported on the progress of the Arkansas Lightweight Aggregate plants and stated that he had been disappointed in the management of these plants and had relieved Jerry Mahan of production responsibilities on February 23, 1974. H. D. Jeter was put in charge on an interim basis.

May 24, 1974--W. E. Hawkins was asked to report on the fuel situation. He stated that we did not lose any production this past winter due to fuel shortages and that with the addition of oil storage tanks at most places we were able to secure oil during gas curtailments. He reported that we had successfully fired the Johnson City tunnel kiln using 85 percent coal.

August, 1974--The President reported that the Sparta Rustique operation had not been successful due to high production costs and lack of acceptance in the market. He reported that this plant would be kept on a standby basis to meet the demand during future brick shortages.

He reported that the Knoxville Plant 19 had been converted to a low-profile, multi-layer kiln.

October, 1974--The President reported that the Kingsport plants had received a 39-day gas curtailment and that curtailments were expected at other plants. Authorization was given to enter into the 3-million

dollar Revolving Credit Agreement, and to execute all agreements necessary in connection with the 4-million dollar loan from Mass. Mutual. (\$1,500,000 to be received November 13, 1974, \$2,500,000 to be received in March, 1975.)

Hugh Young was transferred to England, Arkansas to manage the aggregate plants and made President of Arkansas Lightweight Aggregate Corporation in December, 1974.

W. E. Hawkins reported on the various experiments that we had made on fuel, such as wood bark, waste oil, waste wood, rice hulls and cotton waste. All angles are being explored to find a substitute fuel.

Hawkins reported that equipment was available for converting tunnel kilns to coal firing and a kiln could be converted in 30-60 days. To convert all of our tunnel kilns to coal firing would require an outlay of about 2 million dollars.

Authorization was given for the officers to sell one acre of land in Richmond to DuPont Company for \$50,000 an acre.

February, 1975--The 2-1/2 million dollars Industrial Revenue Bonds issued by the City of West Memphis were sold at an effective interest rate of 8.7 percent.

The President reported again on the status of the Richmond plants and stated that due to high property taxes, labor problems and a limited supply of raw materials he was dubious of the long-term profitable operation of these plants. After discussion, a resolution was passed authorizing management to abandon and/or dispose of the Richmond assets to the best advantage.

Mr. Hawkins presented plans for converting all tunnel kilns as conditions dictate.

May, 1975--George Sells again commented on the supply of fuel for brick making stating, in his opinion, that this was the worst problem

facing the industry. He discussed the unpredictability of the price of oil and also the availability. He pointed out that the highest price we paid for coal was \$47.50 per ton as compared to \$32.50 now. In 1969 the Richlands plant was paying \$5.50 per ton. He reported that feasibility studies were being made on converting or installing coal fired boilers in our block plants. Fuel for curing has become an important item.

The President reported that due to various reasons, including life styles and type of architecture, that he was concerned about the future of the brick industry. Concrete blocks of various types are becoming more acceptable in commercial and residential markets. He stated that he felt that the concrete products business had a brighter future than the clay brick business.

He reported that \$1,226,000 had been received for 24-acres of land at Richmond.

He also reported on the problems we have had at Knoxville with our clay pit and stated that an option had been taken on land in Anderson County to supply shale for our brick plant at Knoxville.

The matter of idle land was discussed and each director was given a list of idle land and its approximate values to be discussed at future meetings.

September, 1975--Each director was given a brochure entitled "Coal Firing Contingency Plan" showing an estimated cost of \$1,953,000 for converting all tunnel kilns to coal firing. The directors then toured the Johnson City Plant to view the coal firing system.

George Sells reported that we were now shipping aggregate to St. Louis, Missouri, and Evansville, Indiana, by barge. And, also reported that expansion at West Memphis was moving along well. He also reported that the Knoxville Plant 19 was still down, as well as the Richmond-Plant

No. 17. He, also, reported on a problem we are having at our sand operation at Cumberland Mountain due to sand spilling down on some other property owners.

COMMENTS:

This update has been made from reviewing the minutes of the directors meetings and also reviewing annual and interim reports. Several things stand out that I feel need comments.

First, it is uncanny how George Sells saw the fuel shortage developing so early in the game. The records show that we began investigating coal firing in 1966 and have never ceased experimenting. As the gas and oil shortage develop and the price of same make it uneconomical for burning brick with these fuels, we will be far ahead of our competitors.

Second, during 1974 which was a bad year for the brick industry, our concrete products held up remarkably well, especially the block plants at Kingsport and Elizabethton, sand and ready-mix. Certainly the diversification in the masonry products field has stood us in good stead during this recession.

Third, 1975 has also been a mediocre year for the brick business but our business has not been that bad. It can only be attributed to the fact that we must have a better product, give better service or treat our customers better. I like to think that all of these are contributing factors, and that during the shortages of 1972 and 1973 we were fair to our customers and tried to be honest with them and give them their fair share, and now we are being repaid--"cast bread on the water".

Fourth, while I was involved in all of the various discussions on acquisitions, I couldn't believe that there had been as many until I

began to review the minutes. While most of these have been rejected for one reason or other, all were explored and some very good acquisitions were made, especially McMinnville, Huntsville, Evansville, Richmond, and Glasgow. Arkalite and Cohutta are still unproven.

There were numerous other contacts made--Shalite, Hulsey, Kenlite, Hill Brick Company, Washington Brick Company and numerous block plants that were not recorded in the minutes.

Fifth, the most disappointing ventures to date have been California and Knoxville Plant 19. Maybe a profitable use can be found for Plant 19, yet.

To the list of former companies, excluding our subsidiaries, listed by Mr. Bruce should be added:

Maples Block Company - Cohutta, Georgia

Standard Brick & Tile Co. - Evansville, Indiana

Locher Brick Company - Glasgow, Virginia

Huntsville Brick & Tile Company - Huntsville, Alabama

California Clay Products Co. - Stockton, California

Smithville Concrete Company - Smithville, Tennessee

Sparta Concrete Co. - Sparta, Tennessee.


Roy H. Meade

November, 1975