

PENN YAN EXPRESS, INC.

Annual Report 1975

Board of Directors

ROBERT L. HINSON
Chairman of the Board and President of the Company

ROBERT G. CONROY
President, Motor Carrier Financing, Inc.
Financial Consultant

PAUL M. DONOVAN
Secretary of the Company
Attorney

HAROLD E. FORSHEY
Vice President and Treasurer of the Company

J. CLIFFORD SIGNOR, JR.
Regional Manager of the Company

KENNETH VAUGHN
Director of Maintenance of the Company

Officers

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Chairman of the Board and President

HAROLD E. FORSHEY
Vice President and Treasurer

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Vice President—Marketing

JACK SCHINDLER
Vice President—National Sales

PAUL M. DONOVAN
Secretary

KENNETH VAUGHN
Assistant Secretary and Assistant Treasurer

EXECUTIVE OFFICE
100 West Lake Road, Penn Yan, New York

AUDITORS
Peat, Marwick, Mitchell & Co., Rochester, New York

TRANSFER AGENTS
Lincoln First Bank, Rochester, New York
City Bank, N.A., New York, New York

GENERAL COUNSEL
Paul M. Donovan, Elmira, New York

I.C.C. COUNSEL
Major, Sage and King, Alexandria, Virginia

Penn Yan Express Class A Stock is traded on the
Over-the-Counter market and the NASDAQ
symbol is PYANA.

To Our Stockholders

The year 1975 was an extremely challenging year for Penn Yan Express, due to inflation and the depressed economic climate of the country, which had a significant impact on our operations. Net income for the year was \$180,862, compared to \$482,311 in 1974. The 1975 operating revenues of \$10,483,054 increased approximately 3.0% from the 1974 revenues of \$10,180,111. Earnings per share for 1975 before dilution totaled \$.42 per share compared to \$1.15 in 1974. The average shares outstanding for the respective periods were 429,830 and 418,565. The acquisition of Albany-Binghamton Express, Inc., was consummated in May, 1976, however, the financial statements reflect the operations of the combined companies since May, 1975. Therefore, earnings per share of \$.40 after dilution reflects the Class C Convertible Preferred Stock issued for the purchase of this company and possible conversion to Class A stock.

During 1975, regular quarterly dividends were paid totaling \$.40 per share compared to \$.32 per share paid during 1974.

Net capital expenditures of \$1,016,205 were incurred for revenue equipment, property, and other miscellaneous equipment. During the year, we continued to maintain our equipment replacement program to provide for the future growth of the Company. In November, 1975, we entered into an agreement to purchase the Nestor Brother terminal at Vestal, New York, to meet the expansion in the Binghamton, New York, market area. This purchase was consummated in January, 1976. Also, we leased a terminal in Albany, New York to serve this important new market area.

As I indicated earlier, inflation and the depressed economy were significant factors on Penn Yan Express' earnings. During the first half of 1975, tonnage was severely depressed, and even with the take-over of the Albany-Binghamton Express' operations on May 12, 1975, we did not realize any material growth until August, 1975. From August until the end of our fiscal year, our tonnage growth was substantial and the growth in our tonnage is still continuing.

On July 1, 1975, an increase of \$.41 an hour was incurred under the Teamsters contract, which was partially offset by increased rates authorized by the regulatory agencies during July and August, 1975. In October, 1975, a 2% rate increase was approved to

compensate for non-labor increases such as fuel, utilities, supplies, etc.

In September, 1975, in anticipation of increased fuel costs, we purchased 1,000,000 gallons of diesel fuel, which protected our costs through April, 1976. Although this required a significant cash outlay, we have enjoyed the savings from this volume purchase.

To reduce costs, the Sayreville, New Jersey terminal was closed in May, 1975 and leased to another firm. This area is now serviced by our Carlstadt, New Jersey terminal at a more economical cost and without deterioration in service to the customers in the Central New Jersey market area.

In February, 1976, we entered into an agreement to acquire B & M Transport, Inc., and on April 5, 1976, combined the operations of the two companies under temporary authority approved by the Interstate Commerce Commission. B & M Transport produced approximately \$500,000 in operating revenues annually, and their reputation and service in the Central New York region will further enhance Penn Yan Express' exposure in this important area and allow the customers of both companies to receive direct line service to many more points than were available in the past.

We, at Penn Yan Express, wish to express our appreciation to our customers and employees, as their loyalty and dedication have made the company's success possible and continue to encourage us to look forward to future profitable years.

Respectfully yours,



Robert L. Hinson, President

Capital Improvements

During 1975, Penn Yan Express expended \$1,016,205 net in capital improvements. Revenue equipment expenditures amounted to \$419,446, covering the purchase of eleven used single-axle tractors and one tandem-axle tractor. Our trailer fleet was enlarged by the addition of fifteen new 45' trailers. An additional twenty 45' trailers were purchased to replace a like number of 40' trailers.

Net capital improvements to real property totaled \$455,882. These improvements cover the construction of a sewer line at our Penn Yan facilities, additions to our Carlstadt terminal offices, and the completion of the alterations to the Penn Yan General Office. Also, we purchased additional real estate at the Penn Yan complex to provide for the addition of the sewer facilities and this property was subsequently leased.

Other miscellaneous equipment purchases totaled \$140,877, which principally covers the purchase of automobiles, service trucks, office equipment, and freight handling equipment for our terminals.

Revenue Equipment at December 27, 1975

	Approximate Age of Equipment			
	Total	1-3 years	3-6 years	6 years or older
Tractors	157	65	72	20
Line Haul Trailers 40 feet and longer	259	126	80	53
Trailers, 21 foot*	107	12	95	—
Pickup and Delivery Trucks	4	—	4	—
Total	527	203	251	73

*21 foot trailers are used in both intercity and city service

Scope of Operations

Penn Yan Express is a regional short haul common carrier transporting general commodities in interstate commerce over regular and irregular routes between various points in the State of New York, New Jersey, and Eastern Pennsylvania. The Company's operations are conducted under authority granted by the Interstate Commerce Commission (ICC). The Company also operates in intrastate commerce within the State of New York and its operations are under the authority of the New York State Department of Transportation. The Company serves approximately 9,000 accounts from a variety of industries and businesses in approximately 600 cities and towns. No one industry or group of commodities account for more than 4% of the Company's total revenue.

Approximately 68% of the Company's revenues are derived from the less than truckload (LTL) shipments, which are shipments weighing less than 10,000 pounds. The expense of handling LTL shipments is greater than for truckload shipments, however, LTL shipments command higher rates and are generally less vulnerable to competition from other modes of transportation. The Company competes with numerous other regulated motor carriers and since these carriers charge basically uniform rates and use basically the same type of equipment, the Company seeks to maintain its existing business and secure new customers by the service it provides.

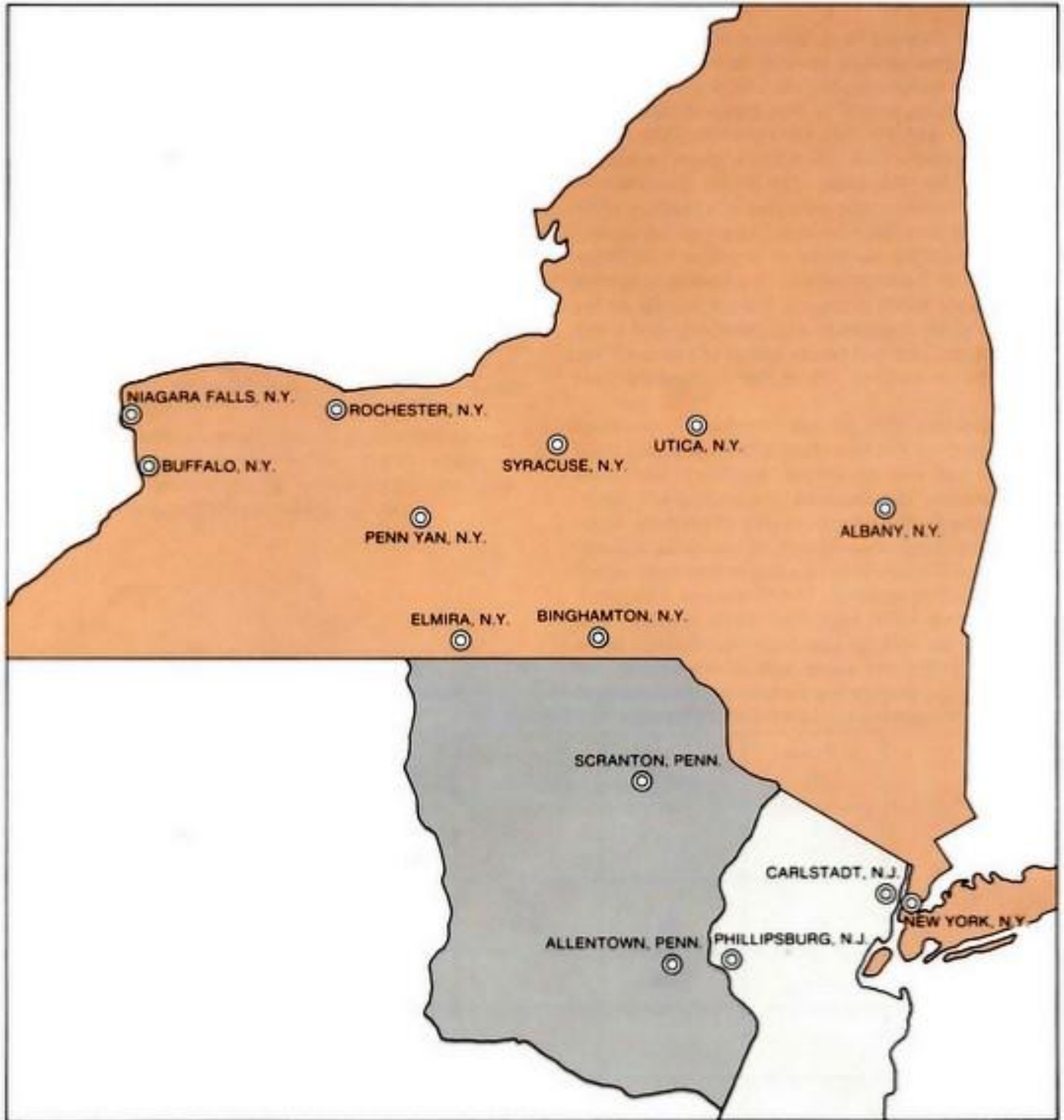
Range of Bid and Asked Quotations on Class A Stock

		1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.	
		Bid	Asked	Bid	Asked	Bid	Asked	Bid	Asked
1974	Low	3½	4¼	4¼	5	3¼	4	3¼	4
	High	4½	5¼	4¼	5½	4¼	5½	3½	4
1975	Low	3¼	4¼	4¼	5	3	3¾	3¼	4
	High	4¼	5¼	4¼	5½	4¼	5¼	3¾	4½

Dividends Paid—Class A Stock

		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1974		\$0.05 Reg. \$0.05 Extra	\$0.05	\$0.07	\$0.10
1975		\$0.10	\$0.10	\$0.10	\$0.10

TERMINALS



Five-Year Summary

	1975	1974	1973	1972	1971
Financial Data					
Operating revenues	\$10,483,054	10,180,111	9,369,651	8,150,748	7,636,003
Operating income	534,889	954,144	1,011,307	852,323	737,572
Interest expense	294,912	257,284	175,152	163,475	177,274
Other income net	1,885	58,451	15,012	5,467	16,507
Earnings before income taxes	241,862	755,311	851,167	694,315	576,805
Income taxes	61,000	273,000	375,000	279,500	218,000
Net earnings	\$ 180,862	482,311	476,167	414,815	358,805
Earnings per common share assuming no dilution	\$.42	1.15	1.16	1.08	1.02
Earnings per common share full dilution	\$.40				
Average shares outstanding assuming no dilution	429,830	418,565	410,304	383,223	352,003
Average shares outstanding full dilution	448,534				
Operating Data					
Tons of freight	221,512	240,713	278,720	243,505	231,317
Numbers of shipments	246,226	227,803	216,782	205,110	201,041
Average length of haul	236.1	259.4	264.8	239.4	251.8
Intercity miles	4,497,201	4,701,562	4,890,210	4,267,597	3,879,807

Management's Discussion and Analysis of the Financial Summary

1975 versus 1974

Operating revenues increased approximately 3% over 1974 revenues, whereas tonnage decreased approximately 7.9%. The increase in operating revenues was attributable to an increase in rates of approximately 8% and the increase in LTL revenues from 63% of the total revenues to 68%. The average length of haul decreased approximately 8.9%, primarily due to the increase in New York intra-state traffic and the decrease in long-haul revenues to and from the depressed New Jersey market area.

Operating expenses increased approximately 7.8%, principally due to the inflationary increases that affected all areas of costs. Interest expense increased approximately 14.6% due to additional borrowing of \$820,000, even though there was a reduction in the prime rate during 1975.

Changes in other income net was due to the \$51,656 condemnation award from the State of New

York, reported in 1974. Income taxes decreased significantly due to the decrease in earnings.

1974 versus 1973

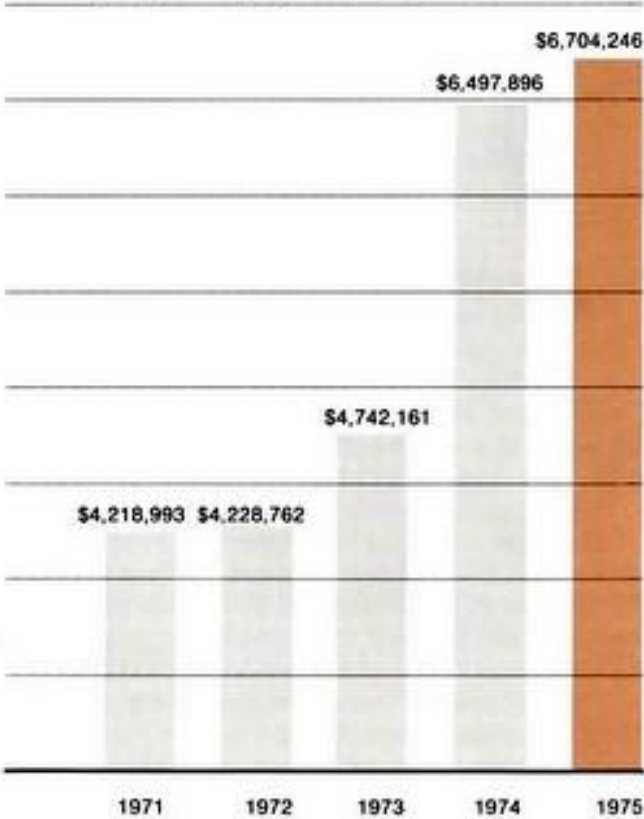
Operating revenues in 1974 increased 8.6% over 1973 revenues, whereas tonnage decreased approximately 7.5%. The increase in operating revenues was brought about by an increase of approximately 10.8% in rates and the change in the mix of traffic to a greater emphasis on LTL tonnage.

Operating expenses increased approximately 10.3%, principally due to inflationary increases that affected all areas of cost. Interest expense increased 46.9%, due to the change in prime rate on the Revolving Credit line and additional borrowing required for construction and alterations to our real property.

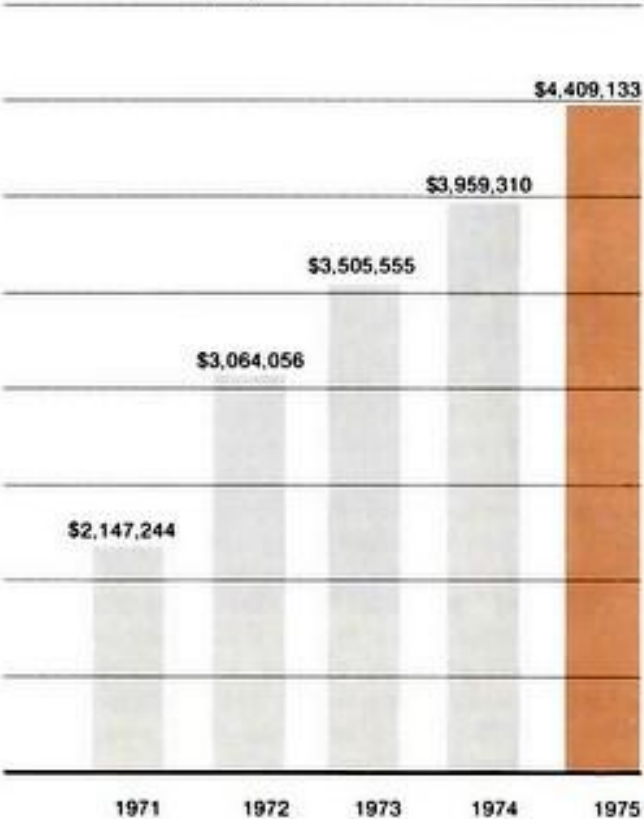
Other income net increased, principally due to the \$51,656 condemnation award from the State of New York. Income taxes decreased significantly, due to an additional \$53,000 in investment tax credit received in 1974 over 1973.

Financial Highlights

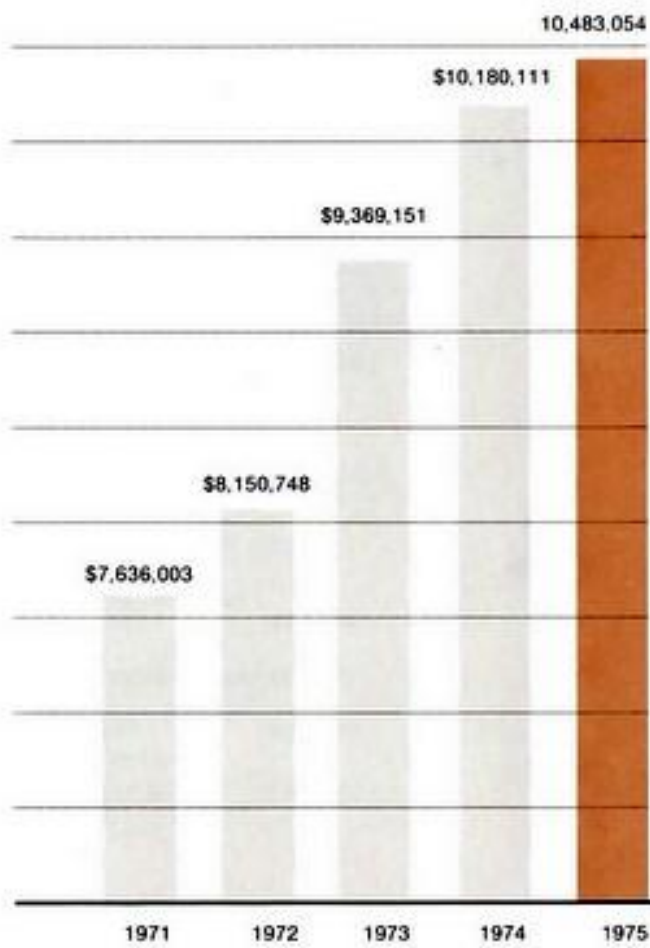
Net Property and Equipment



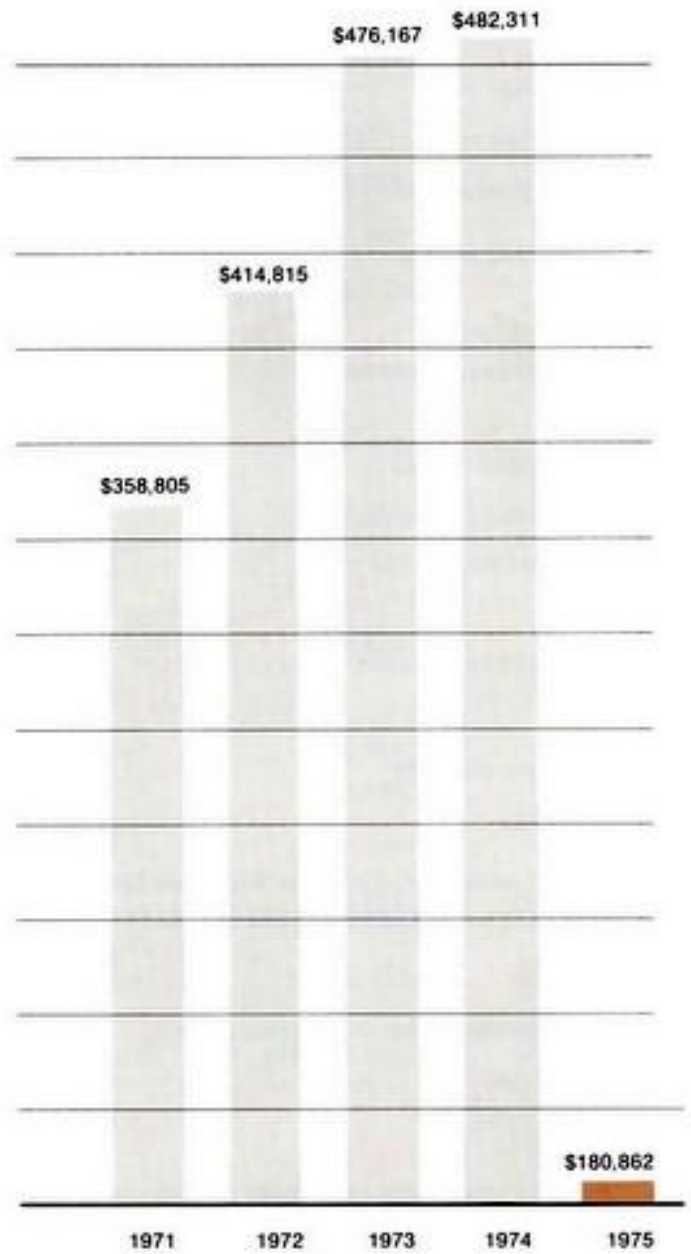
Stockholders' Equity



Operating Revenues



Net Earnings



Consolidated Balance Sheets

Penn Yan Express, Inc. and Subsidiaries
December 27, 1975 and December 28, 1974

ASSETS	1975	1974
Current assets:		
Cash	\$ 422,065	433,227
Accounts receivable, less allowance for doubtful accounts (1975 - \$24,613; 1974 - \$21,656)		
Freight revenue	678,472	532,519
Employee stock purchases	15,860	60,970
Other	114,022	166,021
Operating supplies, the lower of cost (first-in, first-out) or market	460,644	272,859
Prepaid expenses:		
Tires in service	295,276	278,418
Taxes, licenses, insurance and other	209,914	185,697
Total current assets	<u>2,196,253</u>	<u>1,929,711</u>
Tangible property, at cost:		
Land	697,055	639,687
Terminals and offices	2,661,899	2,284,536
Revenue equipment	4,930,750	4,566,767
Other operating equipment	1,724,555	1,602,717
	<u>10,014,259</u>	<u>9,093,707</u>
Less accumulated depreciation	3,310,013	2,595,811
Net tangible property	<u>6,704,246</u>	<u>6,497,896</u>
Intangible assets, at cost, less accumulated amortization of \$7,092 in 1975 and \$245 in 1974		
	955,425	536,415
Cash surrender value of life insurance	183,586	168,039
	<u>\$ 10,039,510</u>	<u>9,132,061</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	1975	1974
Current liabilities:		
Accounts payable	\$ 528,997	915,671
Dividends payable	28,011	26,565
Accrued expenses:		
Wages and vacation pay	253,365	211,326
Taxes other than income taxes	63,532	60,995
Interest	23,958	31,077
Profit sharing	28,000	60,000
Income taxes:		
Current	48,993	59,531
Deferred	122,000	109,000
Estimated liability for loss and damage claims	32,666	43,176
Current maturities of long-term debt	134,118	148,664
Total current liabilities	1,263,640	1,666,005
Long-term debt, less current portion	3,782,737	2,947,746
Deferred income taxes	584,000	559,000
Stockholders' equity:		
Preferred stock	370,000	—
Common stock:		
Class A	278,596	264,000
Class B	151,750	164,596
Additional paid-in capital	531,968	523,638
Retained earnings	3,076,819	3,007,076
Total stockholders' equity	4,409,133	3,959,310
	\$10,039,510	9,132,061

Consolidated Statements of Earnings

Penn Yan Express, Inc., and Subsidiaries
Years ended December 27, 1975 and December 28, 1974

	1975	1974
Operating revenues	\$ 10,483,054	10,180,111
Operating expenses:		
Salaries and wages	5,073,696	4,768,637
Fringes	1,380,860	1,261,352
Operating supplies,	1,029,908	987,244
General supplies and expenses	508,591	466,210
Operating taxes and licenses	497,721	480,974
Insurance	117,898	111,723
Communications and utilities	247,573	203,403
Depreciation	809,855	694,808
Rents	205,935	168,732
Gain on disposal of operating equipment	(7,795)	(11,444)
Miscellaneous expenses	83,923	94,328
	<u>9,948,165</u>	<u>9,225,967</u>
Operating income	534,889	954,144
Nonoperating (expense) income:		
Interest expense, principally on long-term debt	(293,027)	(253,561)
Gain on sale of nonoperating property	—	3,072
Condemnation settlement	—	51,656
	<u>—</u>	<u>51,656</u>
Earnings before income taxes	241,862	755,311
Income taxes	61,000	273,000
	<u>61,000</u>	<u>273,000</u>
Net earnings	\$ 180,862	482,311
Per common share:		
Earnings per common share		
— assuming no dilution	<u>\$.42</u>	<u>1.15</u>
Earnings per common share		
— assuming full dilution	<u>\$.40</u>	<u>1.15</u>

See accompanying notes to consolidated financial statements.

**Consolidated Statements
of Stockholders' Equity**

Penn Yan Express, Inc., and Subsidiaries
Years ended December 27, 1975 and December 28, 1974

	Common Stock Class A	Common Stock Class B	Preferred Stock	Additional paid-in capital	Retained earnings
Balance at December 29, 1973	\$ 202,000	213,970	—	476,863	2,612,722
Net earnings - 1974	—	—	—	—	482,311
Exercise of stock options	—	2,626	—	14,333	—
Sale of Class A stock to employees ..	10,000	—	—	32,442	—
Conversion of Class B stock to Class A	52,000	(52,000)	—	—	—
Dividends declared (\$.32 per share - Class A; \$.0032 per share - Class B)	—	—	—	—	(87,957)
Balance at December 28, 1974	264,000	164,596	—	523,638	3,007,076
Net earnings - 1975	—	—	—	—	180,862
Exercise of stock options	—	1,750	—	8,330	—
Issuance of preferred stock	—	—	370,000	—	—
Conversion of Class B stock to Class A	14,596	(14,596)	—	—	—
Dividends declared (\$.40 per share - Class A; \$.0040 per share - Class B)	—	—	—	—	(111,119)
Balance at December 27, 1975	<u>\$278,596</u>	<u>151,750</u>	<u>370,000</u>	<u>531,968</u>	<u>3,076,819</u>

See accompanying notes to consolidated financial statements.

**Consolidated Statements
of Changes in Financial Position**

Penn Yan Express, Inc., and Subsidiaries
Years ended December 27, 1975 and December 28, 1974

	1975	1974
Sources of working capital:		
Net earnings	\$ 180,862	482,311
Items which do not use working capital:		
Depreciation of tangible property and amortization of intangible assets	816,702	695,053
Provision for noncurrent deferred income taxes	25,000	90,150
Additional compensation expense resulting from the issuance of stock under stock option plan	8,330	14,333
Working capital provided by operations	1,030,894	1,281,847
Preferred stock issued in acquisition of Albany Binghamton	370,000	—
Net proceeds from sale of stock to employees and under stock option plan	1,750	45,068
Proceeds from sales and other disposals of tangible property (net of gains of \$7,795 in 1975 and \$14,516 in 1974)	160,162	241,953
Proceeds from long-term borrowing	976,586	1,029,785
Total working capital provided	2,539,392	2,598,653
Uses of working capital:		
Additions to tangible property	1,176,367	2,692,496
Additions to intangible assets	425,857	25,755
Current maturities and repayment of long-term debt	141,595	124,560
Increase in cash surrender value of life insurance	15,547	15,539
Dividends declared	111,119	87,957
Working capital used	1,870,485	2,946,307
Increase (decrease) in working capital	\$ 668,907	(347,654)
Increase (decrease) in working capital components:		
Current assets:		
Cash	(11,162)	(11,896)
Receivables	48,844	(13,485)
Operating supplies	187,785	40,524
Prepaid expenses	41,075	60,962
	266,542	76,105
Current Liabilities:		
Accounts payable and accrued liabilities	(391,727)	410,233
Dividends payable	1,446	6,151
Income taxes	2,462	(34,364)
Current maturities of long-term debt	(14,546)	41,739
	(402,365)	423,759
Increase (decrease) in working capital	\$ 668,907	(347,654)

See accompanying notes to consolidated financial statements.

1. Summary of Accounting Policies

A. Fiscal year — The Company's fiscal year ends on the last Saturday in December and consists of 13 four-week periods for a total of 52 weeks. Once every five or six years, an extra week will be included in order to keep the fiscal year in near alignment with the calendar year.

B. Principles of consolidation — The accompanying financial statements include the accounts of Penn Yan Express, Inc. and three wholly-owned subsidiaries after elimination of all intercompany accounts and transactions.

C. Specialized industry accounting principles — The consolidated financial statements have been prepared in conformity with generally accepted accounting principles which differ from accounting regulations of the Interstate Commerce Commission with respect to classification of current maturities of long-term debt, and the recording of certain operating rights acquired.

D. Tires in service — Tires in service are accounted for by expensing them over their useful lives.

E. Tangible property and depreciation — Tangible property is carried at cost. Major additions and betterments are charged to property accounts while maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. When property is retired or otherwise disposed of, the difference between cost less accumulated depreciation and proceeds of sale or trade-in allowances is charged or credited to earnings.

The provision for depreciation is based principally on the straight-line method. The estimated useful lives used in computing depreciation are:

Terminals and offices	20-40 years
Revenue equipment	6-8 years
Other operating equipment	3-10 years

F. Intangible assets — The intangible assets consist principally of operating rights purchased. Intangibles originating prior to November 1, 1970 are not being amortized because in the opinion of management there has been no decrease in their value. Intangibles arising after October 31, 1970 (\$451,611) are being amortized by the straight-line method over forty years.

G. Income taxes — Provisions for income taxes

are based on the tax effects of transactions which are included in the determination of pre-tax accounting income, and appropriate provision is made for deferred income taxes.

Deferred income taxes result principally from the use of accelerated depreciation methods for tax purposes and primarily straight-line methods for financial statement purposes, adjusting the basis of revenue equipment acquired for gains and losses on trade-ins for tax purposes and charging or crediting income for financial statement purposes and deducting tire costs at the time tires are placed in service for tax purposes and recognizing tires as an asset and expensing them over their useful lives for financial statement purposes.

The investment tax credit is treated by the Company as a reduction of Federal income taxes in the period in which the credit arises.

H. Estimated liability for loss and damage claims — The Company maintains a \$5,000 deductible policy for cargo loss and damage claims and charges operations for estimated amounts not covered by insurance.

I. Earnings per common share is calculated by dividing earnings by the average number of common shares outstanding during the year. Earnings per common share — assuming full dilution are computed by assuming the conversion of Preferred Stock on the date of issuance.

2. Acquisition

Early in 1975, the Company entered into an agreement to acquire the operating rights of Albany Binghamton Express, Inc. in exchange for 3,700 shares of Class C preferred stock (see note 7) and assumption of \$30,000 liabilities of Albany Binghamton. Temporary operating authority was granted the Company by the I.C.C. on May 12, 1975 and final approvals were granted early in 1976. Final consummation of the transaction is anticipated prior to May 31, 1976.

The acquisition of the operating rights has been reflected in the accompanying financial statements as of May 12, 1975, the date temporary operating authority was granted by the I.C.C. and include \$395,650 assigned to operating rights and \$4,351 to fixed assets. Additionally, \$30,207 legal expenses associated with the purchase have been charged to the intangible asset.

**Notes to Consolidated
Financial Statements (Continued)**

Penn Yan Express, Inc., and Subsidiaries

3. Employee Stock Purchases

During 1973 the Company purchased 10,000 shares of its Class A stock which was resold to its employees at the acquisition cost to the Company. In 1974, an additional 10,000 Class A shares were issued by the Company and sold to employees at the market price on the date the employee offered to purchase the shares. The shares are registered in the name of the employee but held in escrow by the Company until fully paid. At December 27, 1975, 7,050 shares were held in escrow. 16,250 shares were held in escrow at December 28, 1974.

4. Profit Sharing and Pension Plan

The Company has a noncontributory Profit Sharing Plan for all eligible nonunion employees which has been in effect since 1964. The Plan is qualified under the Internal Revenue Code of 1954. The Plan provides for contributions by the Company in such amounts as the Board of Directors may annually determine, within the limits of the Plan as defined to be a minimum of 3% of net operating

profit before tax of the parent company and a maximum of 15% of the total compensation of participants in the Plan. The Company's contributions to the Plan were \$28,000 in 1975 and \$60,000 in 1974. Contributions vest with participants at the rate of 20% after two years to 100% after 10 years. Forfeited contributions are distributed among remaining participants.

The Company is required under union contracts to make payments into a pension fund which is not administered or controlled by the Company.

5. Income Taxes

Income tax expense amounted to \$61,000 for 1975 (an effective rate of 25.2%) and \$273,000 for 1974 (an effective rate of 36.1%). The actual tax expense for both 1975 and 1974 differs from the "expected" tax expense for those years (computed by applying the U.S. Federal Corporate tax rate of 48% to earnings before income taxes) as follows:

	1975	1974
Computed "expected" tax	\$116,000	363,000
Surtax exemption	(14,000)	(7,000)
Investment tax credit	(43,000)	(92,000)
State income tax (net of Federal income tax benefit)	13,000	20,000
Miscellaneous	(11,000)	(11,000)
Actual tax expense	<u>\$ 61,000</u>	<u>273,000</u>

Components of income tax expense are as follows:

	1975		1974	
	Federal	State	Federal	State
Current tax expense	\$ (3,000)	26,000	149,350	37,500
Deferred tax expense resulting from:				
Depreciation	27,000	(2,000)	59,150	2,800
Condemnation gain	—	—	16,600	3,000
Tire costs	8,000	1,000	7,050	550
Other timing differences	4,000	—	1,850	(4,850)
	<u>\$ 36,000</u>	<u>25,000</u>	<u>234,000</u>	<u>39,000</u>

6. Long-Term Debt

Long-term debt consisted of the following:	1975	1974
Mortgage loans secured by certain tangible property, 6% - 10½% payable through 1995	\$ 1,480,785	1,400,760
Bank loan under revolving credit agreement (A)	2,325,000	1,550,000
Other obligations at varying interest rates to 4% payable through 1979	111,070	145,650
	<u>3,916,855</u>	<u>3,096,410</u>
Less current portion	134,118	148,664
	<u>\$3,782,737</u>	<u>2,947,746</u>

A. The bank revolving credit agreement provides for interest at the commercial prime rate plus ½% (7 ¾% at December 28, 1975) and allows the Company and subsidiaries to borrow up to \$3,000,000 unless otherwise limited by the borrowing base, defined in the agreement to be 90% of the net book value of assigned equipment.

The Company has granted a security interest in its equipment to secure payment and performance of the bank loan. This security interest will not attach, however, until written notice is given by the bank.

So long as the Company maintains the required borrowing base and is not in default of other provisions of the agreement, payments on the principal of the revolving credit loan are not due. Accordingly, no portion of this loan is classified as a current liability. At the election of either the Company or the bank, monthly principal payments will become due in varying amounts over a 60 month period beginning thirteen months after the election. At December 27, 1975, neither the bank or the Company had elected to terminate the agreement.

Dividends are restricted to 50% of the cumulative net income earned after December 31, 1971. Under terms of this loan agreement, at December 27, 1975, \$502,497 was free from restrictions on the payment of cash dividends.

7. Common and Preferred Stock

The Company's capital stock is as follows:

Preferred stock:

Class C stock; \$100 par value per share; authorized 3,700 shares; 7% cumulative dividend per

share; convertible into Class A stock at a rate of 8 Class A shares for 1 Class C preferred share at the holder's option; callable by issuer at \$105 per share after 1981 reducing to \$100 per share after 1986. From date of issue until March 1, 1982, the company will repurchase the stock for \$100 per share at the holder's option. All 3,700 shares relating to the acquisition have been accounted for as having been issued at December 27, 1975 as discussed in note 2.

Common stock:

Class A stock; \$1 par value per share; 2,000,000 shares authorized; 278,596 shares issued and outstanding December 27, 1975 and 264,000 shares issued and outstanding December 28, 1974. 181,350 shares reserved at December 27, 1975 for conversion of Class B common and Class C preferred stock.

Class B stock; \$1 par value per share; authorized 481,404 shares at December 27, 1975 and 496,000 shares at December 28, 1974; issued and outstanding, 151,750 in 1975 and 164,596 in 1974.

Class A stock and Class B stock have identical rights and privileges except as to cash dividends, which are payable on Class B stock at a rate of 1% of cash dividends payable on Class A stock.

Class B stock may be converted, at the option of the holder, into Class A stock on a share for share basis. The number of shares which may be so converted in any calendar year may not exceed 52,000 shares plus the number of shares which might have been but were not converted during any preceding year or years. The right of conversion during any year prior to 1978 is conditioned on a dividend of not less than \$.05 per quarter having been paid on Class

TERMINALS

ALBANY, NEW YORK Terminal Road, Colonie	(518) 869-9553
ALLENTOWN, PENNSYLVANIA	(215) 258-2983
BINGHAMTON, NEW YORK 612 Vestal Parkway W. Vestal, New York	(607) 748-7441
BUFFALO, NEW YORK 176 Vulcan Street	(716) 877-5111
CARLSTADT, NEW JERSEY 50 Kero Road	(201) 933-5770
ELMIRA, NEW YORK 1510 Grand Central Avenue	(607) 733-6501
NEW YORK, NEW YORK	(212) 244-5767
NIAGARA FALLS, NEW YORK	(716) 285-4726
PENN YAN, NEW YORK 98 West Lake Road	(315) 536-3321
PHILLIPSBURG, NEW JERSEY Alpha Industrial Center, R.D.1	(201) 454-8800
ROCHESTER, NEW YORK 16 Deep Rock Road	(716) 436-7724
SCRANTON, PENNSYLVANIA 749 North Keyser	(717) 346-7804
SYRACUSE, NEW YORK 126 Bear Street	(315) 474-7849
UTICA, NEW YORK Welles Avenue	(315) 735-6179