HOWARD PLAGGEMARS

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ON ACTIVITIES BEFORE BECOMING PRESIDENT:

Milton Stevens dropped the company. Then the Chamberlin Group came in from New York, being backed basically by the banks and Prudential. They began to liquidate inventories and assets. They also made the "reverse" sale of Thatcher Furnace Co. in New Jersey -- Russ Cook was the President of that company. Thatcher Furnace dealers didn't want to deal HFC products. They didn't want to associate with the name. It began to pull both companies under.

"It was at this point when Russell Cook was having problems in Holland that the banks in turn had gotten a hold of the Chamberlin Group. Cook was still in command. Hafer was out here and I began to do financial consulting for the company." (Summer 1963)

HP was made controller in June 1964:

"The boom was very fast after I became controller in June. I was also elected to the Board of Directors. From June 1 to July 1, I progressed to director, executive vice president, treasurer and controller."

During summer 1964, the banks in NY wanted to talk to HP. he recommended that they throw Cook out and get rid of Thatcher Furnace Co. They agreed after a day and a half of meetings. Instead of becoming the new president (since he was so young and, as such, a suspective commodity), Plaggemars recommended that he become executive vice president, and that they strip Cook of presidential powers. They agreed and worked it out (forced, really) with Cook. "He was the titular president and I was the executive vice president, but actually running the company."

Within two months Cook became general manager of Thatcher Furnace Co. "I arranged the sale of Thatcher Furnace Co. with Russ going over as general manager for eight months or a year."

In October 1964, HP became President of HFC.

ON REASONING FOR BUYING THATCHER:

The NY (Chamberlin) group was liquidating assets from the branch system into a retailing system. At the same time, Thatcher had a retailing system. Thatcher was in the boiler business and was on the East Coast.

"The idea I think was that they could combine the two products and maintain Holland warm air furnaces under the Thatcher name and take Thatcher boiler furnaces and produce and take them to Holland dealers, so they would have a complete line of production."

"The company misjudged. Thatcher was having a difficult time getting sold. Anybody who looked at the books realized it had an inventory. . . . And it had an alcoholic as president (Cook)."

"It was an absolutely impossible situation. If both companies were solid companies, it might look like it would be a fit on paper. It was just a completely ridiculous financial fit."

ON NEW YORK STOCK EXCHANGE DELISTMENT:

"In order to be listed on the New York Stock Exchange, you have to have certain criteria: asset size, shareholder size and earnings size. Holland had losses for five years running and couldn't meet the criteria."

It cost between $474,000 and $600,000 to be listed on the NYSE. HP asked when they were delisted if HFC could get that money back, but was turned down (he was trying to get money in any way!).

"The Holland Furnace Company on Wall Street had such a bad name. I was trying to get a name change on the overall head of the company -- maybe something like Holland Industries or West Shore Industries."

ON MILTON STEVENS:

"When Milton Stevens pulled out, he basically saw that the inventories were outdated. . . . At the same time, you got to remember that Milton Stevens was a crook also. He was pledging assets for the stock. The assets were put up as a guarantee that the money would be transferrable."

"He got nominal control of the stock."

"Stevens got in and he saw he didn't have his $7.5 million (in HFC assets), so his plan fell through."

(As far as I -- Doug -- can understand, Milton Stevens was a corporate raider. His plan was to use some of his over-valued assets to purchase a majority of Holland stock, with the idea that he would liquidate some of the $7.5 million HFC had in assets to pay for that stock since his assets weren't worth the stock. But, when he discovered that Holland's inventory was outdated and not worth $7.5 million, he got out.)

After Stevens left, the banks got all the money. They sent Chamberlin in (they got 30,000 shares) and they began to liquidate down. Then they picked up the Cook-Thatcher deal which was a bad deal.

ON THE $100,000 FINE AND CHEFF SUIT:

"It was something we knew was coming down on it. Stevens knew too. We didn't know the extent of the liability."

HP went to the FTC to talk them out of it. Through connections with John Bowles (Norma Landwehr's husband) and __ Dart, he talked to an FTC deputy. "We had a nice chat. They accepted the fact that I was trying to change the company around and I was a clean fellow." But the FTC wanted the fine to stick because it felt two of its agents had been killed by Mafia people working for or in the HFC.

HP appealed the fine. "What we stated in the trial was this: subsequent to the trial was 5 different changes in management and this [the illegal stuff] had all occurred 10 to 25 years before. By punishing the company, you're punishing the existing management and shareholders, not the management and shareholders of 10 to 25 years ago." But it was to no avail.

"It had been a contingent liability since way before Cheff and the others had resigned."

After HP left in April 1966, the Co. -- then named Athlone -- sued PT Cheff for $100,000. The suit was settled out of court. HP felt that he couldn't sue Cheff. "For me to go around and sue Cheff would have been committing harikari. If I had sued him before, I would have been cutting off practically all sales to the dealers. He would have said 'Hey, let the company go under.' Once we got the company financially sound, we sued."

ON PRESIDENT:

"After Thatcher was sold -- they had moved a lot of equipment to their New Jersey plant -- I sold part of the equipment at an auction there, and part at an auction here. Then I shipped some equipment back (to Holland, with the help of Henry Weyenberg), and opened the foundry one day a week. I brought back enough equipment for the production of five lines. This was in the winter of '64-65."

"I was dealing with banks and liquidating, but the main thing I was doing was looking for companies I could merge with or buy up. But most companies would hear the name and be scared. It was very difficult talking with any reputable company."

HP had Chapter 11 proceedings written up on the first day of his presidency and had them in his desk drawer.

The November 1965 Meeting: HP wanted to set out a solid financial plan for HFC. after talking with a Grand Rapids accountant (later G.R. Ford appointee) Bill Siedman (sp?), he arranged a meeting with all six banks and Prudential. (The banks had half the loans and Prudential the other half.) First National Bank of Chicago was the lead bank of the six. Their senior vice president was Robert __ (whom HP called a SOB under his breath), with whom HP couldn't get along. Ted Simmons was head of Prudential.

At the meeting, HP set out "an elaborate financial plan." The Chamberlin Group from NY and the First National Bank of Chicago also brought in financial plans. After a one-hour meeting, HP's plan was accepted. Also, at that meeting George Bergland (sp?) became the new senior vice president at FNB of Chicago over Robert __. This happened in November 1965. "I'll never forget that meeting."

With the support of Prudential and the banks, HFC got in with a NY investment firm, Hardy and Co., which came up with a deal for L.M. Rabinowitz and Co., "a fastener manufacturer, mostly for women's brassieres." It had "good sales, good solid earnings, and was a good clean company."

HP was looking for a way out. He was getting married to a German woman in July 1965 and her family wanted him to come to Germany and manage her father's business. He had had "a couple of good offers" for the company before this. A tire company had offered \$5.5 million in an escrow account and 50 percent of the shares it bought, if HP would stay on, but he wanted out.

He was "looking for a company to buy cheap and maximize the amount of utility of tax loss."

Rabinowitz was earning about \$280,000 after taxes (a rate of 50 percent) and at the same time "Old man Rabinowitz" had set up a foundation which was getting paid up-front about \$150,000. (net profits = \$250,000; foundation = \$150,000; patent rights = \$150,000; total = \$550,000) HFC could get the company for \$2 million (10 x profits minus \$500,000). HFC had a tax loss carry forward greater than \$9 million.

"The banks were willing to take the risk. We now had a solid economic management, plus were bringing in two astute New York businessmen (Lyons and Miller)."

"I agreed to continue on for a period of time. I would stay as long as I felt it needed."

"The deal came together so beautifully. The stock went from .75 to $16.00 a share in less than six months."

Changing the name: Miller, Lyons and HP ran the company, which was to change its name. Miller, HP, Doyle and Hardy met in Doyle's office. An Irishman, Doyle had a map of Ireland on the wall. They threw a dart at it and hit ATHLONE -- the company's new name. HP resigned soon after in April 1966.

OTHER:

HP said he tried to get PT Cheff to take his tax loss on HFC stock and give it to Hope College. He was trying to get stock out of Ted's hands.

ON THE DEMISE OF HFC UNDER CHEFF:

There were two basic reasons for its downfall.

1. Management -- "Product innovation." "They never kept their products up to date." It helped in making them rely on forced selling. Only when HP became president did HFC introduce modern air conditioning to the company. Henry Weyenberg had been pressing for product changes, but was hampered by Cheff. The Miracle Iron Furnace (cast iron heat exchanger) was Weyenberg's innovation. Iron was better at retaining heat. "The Miracle Iron will always be the Cadillac of furnaces."

2. Financial -- "They weren't controlling sales, bank contracts and their own finance company. It was a breakdown of financial controls." HFC had bad sales contracts and had set up their own sales-finance company. "As the company deteriorated, they failed to write adequate reserves on the paper side of it (financial contracts). And they also failed to keep their inventory on a current (yearly) basis. And this problem is enhanced by bad management which had come through sales." (?)