

PONDEROSA, INC.

ENTRANCE ROAD, JAMES M. COX DAYTON INTERNATIONAL AIRPORT
DAYTON, OHIO 45401

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JUNE 28, 1984



To The Holders of the Common Stock:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of PONDEROSA, INC., a Delaware corporation, will be held on the 28th day of June, 1984 at 9:00 AM in the 747 Room at the Dayton Airport Inn located immediately east of the Company's corporate office building on Entrance Road, James M. Cox Dayton International Airport, Dayton, Ohio, for the following purposes:

1. To elect three Directors for a term of three years.
2. To amend Paragraphs Fourth and Fifth of the Company's Restated Certificate of Incorporation in order to authorize 25,000,000 shares of preferred stock, with no par value.
3. To approve amendments to the Company's stock option plans to allow payment of the exercise price of non-incentive stock options granted under the Company's Qualified Stock Option Plan to be made in Common Stock of the Company, to increase the number of authorized shares of Common Stock subject to options which may be granted under the 1982 Stock Option Plan from 450,000 to 800,000 shares and to grant certain stock appreciation rights to all current holders of non-incentive stock options granted under either plan and to all holders of any stock options granted under the 1982 Plan after April 17, 1984.
4. To appoint Independent Accountants for the Company.
5. To transact such other business as may properly come before the meeting, or any adjournment thereof.

Stockholders of record as of the close of business on Wednesday, May 2, 1984, will be entitled to receive notice of, and to vote at, the meeting notwithstanding any subsequent transfer of stock.

Your attention is directed to the accompanying proxy and proxy statement.

By Order of the Board of Directors
John R. Mohr, Secretary
Dayton, Ohio
May 8, 1984

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE MEETING IN PERSON. EVEN IF YOU DO EXPECT TO BE PRESENT AT THE MEETING, PLEASE FILL IN, DATE, SIGN AND PROMPTLY RETURN THE PROXY IN THE ENCLOSED ENVELOPE. STOCKHOLDERS ARE URGED TO SEND THEIR PROXIES WITHOUT DELAY.

PONDEROSA, INC.
PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
June 28, 1984

All shares represented by valid proxies received pursuant to this solicitation, and not revoked, will be voted at the Annual Meeting. Where a specification is made on the ballot provided in the proxy, such shares will be voted in accordance with that specification. In the absence of any specification to the contrary, the shares will be voted in favor of the proposals set forth in the accompanying Notice of Meeting and for the nominees for Directors set forth below. A proxy may be revoked at any time before it is exercised by notice to the Company in writing or in open meeting.

The Board of Directors has fixed the close of business on May 2, 1984 as the record date for the determination of the Stockholders entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment thereof, notwithstanding any subsequent transfer of stock. The stock transfer books of the Company will not be closed. The list of all Stockholders entitled to vote at the Annual Meeting is kept by the Company's primary transfer agent, Bank One, Dayton, NA, Kettering Tower, Dayton, Ohio. This proxy statement and accompanying proxy shall be mailed to the Stockholders on or about May 8, 1984.

VOTING SECURITIES AND PRINCIPAL HOLDERS

The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock, \$0.10 par value ("Common Stock"). On May 2, 1984, the record date for the Annual Meeting, there were 8,091,861 shares of Common Stock outstanding (excluding 780,204 shares held in the Company's treasury), and holders thereof are entitled to one vote for each share held upon the record date. The presence of Stockholders, in person or by proxy, owning at least 4,045,931 shares of Common Stock shall constitute a quorum for the meeting.

No change in control of the Company has taken place since the last Annual Meeting of the Company on June 20, 1983.

Set forth in the table below as of May 2, 1984 is information with respect to Stockholders who beneficially owned more than 5% of the Company's Common Stock and information as to the Common Stock of the Company owned by all Officers and Directors as a group:

<u>Name and Address of Beneficial Owner</u>	<u>Title of Class</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
McKenzie, Walker Investment Management, Inc. 60 E. Sir Francis Drake Blvd. Larkspur, California 94939	Common Stock \$.10 par value	624,900(1)	7.7%
All Officers and Directors as a Group (36 in number)	Common Stock \$.10 par value	240,625(2)	2.9%

(1) All shares are held with sole investment power only.



(2) This amount includes 161,878 shares covered by stock options which are currently exercisable. All other shares are held by such persons with sole voting and sole investment power.

ELECTION OF DIRECTORS

The Company's Restated Certificate of Incorporation provides for a classified Board of Directors divided into three classes of Directors, each class holding office for a three year term. Pursuant to the Consolidated By-Laws of the Company, the number of Directors has been fixed by the Board of Directors at seven. There are now three Directors whose term expires in 1984, two Directors whose term expires in 1985, and two Directors whose term expires in 1986. The Board of Directors proposes that the three nominees listed below be elected as Directors at the Annual Meeting in 1984. Each of the nominees is presently a member of the Board of Directors and was elected to his present term of office at the Annual Meeting of Stockholders in 1981, with the exception of Mr. Howard P. James who was appointed to the Board of Directors on December 9, 1983 to serve as a Director until the Annual Meeting.

The Board of Directors proposes that the three nominees listed below be elected as Directors at the Annual Meeting for a three year term expiring at the Annual Meeting in 1987. Unless a specification is made to withhold a vote for any candidate, the enclosed proxy will be voted for the election of the three nominees listed below for a term of three years and until their respective successors shall have been duly qualified. If any nominee shall cease to be a candidate for election for any reason, the proxy will be voted for a substitute nominee designated by the Board of Directors and for the remaining nominee(s) so listed. The Board of Directors currently has no reason to believe that any nominee will not remain a candidate for election as a Director or be unwilling to serve as a Director, if elected.

The names of, and certain information with respect to, the persons nominated for election as Directors and the persons whose terms of office as Directors shall continue beyond the Annual Meeting are set forth below. Except as otherwise indicated, no Director or nominee owns more than one percent of the Company's Common Stock.

Nominees for Term Expiring in 1987	Principal Occupation and Five-Year Employment History	Age	Year First Became a Director	Shares Which May Be Considered Beneficially Owned Directly or Indirectly (As of May 2, 1984)
	Chairman of the Board of Directors and President, Ponderosa, Inc (1)	42	1968	135,778(1)
Gerald S. Office, Jr.				
	Retired, Former Vice President —Materials Management, Eaton Corporation (Manufacturer of engineered products for capital goods, automotive, truck and consumer markets), Cleveland, Ohio	68	1975	1,200
W. H. (Bill) Williams				

Nominees for
Term Expiring
in 1987



Howard P. James

Chairman and Chief Executive Officer, The Sheraton Corporation (Hotels, inns and resorts worldwide), Boston, Massachusetts (2)

Age

60

Year First
Became a
Director

1983

Shares Which May
Be Considered
Beneficially Owned
Directly or Indirectly
(As of May 2, 1984)

0

Directors whose
Term Expires
in 1985



John F. Torley

Chairman of the Executive Committee, 1979 to present; formerly Chairman of the Board and Chief Executive Officer, 1967-1979, Amcast Industrial Corp. (Manufacturer of cast metal products), Dayton, Ohio (3)

72

1971

2,100



Richard G. Brierley

Consultant to business; Chairman of the Board of Directors, Sheldahl, Inc. (Manufacturer of flexible circuits), Northfield, Minnesota, 1980 to present; Former Chairman of the Board of Directors, The Stearns and Foster Company (Manufacturer of home furnishings and non-woven textiles), Cincinnati, Ohio (4)

68

1975

10,000

Directors whose
Term Expires
in 1986




John L. Schaefter

Chairman of the Board of Directors and President, The Specialty Papers Company (Manufacturer of flexible packaging materials), Dayton, Ohio (5)

49

1971

2,080

Directors whose Term Expires in 1986	Principal Occupation and Five-Year Employment History	Age	Year First Became a Director	Shares Which May Be Considered Beneficially Owned Directly or Indirectly (As of May 2, 1984)
	President and Chief Executive Officer, Robbins & Myers, Inc. (Fluids handling equipment, electric motors and controls and comfort conditioning products) Dayton, Ohio (6)	49	1975	150

Fred G. Wall

- (1) Mr. Office is a Director of Bank One, Dayton, NA, formerly Winters National Bank and Trust Co., Dayton, Ohio, a subsidiary of Banc One Corporation, Columbus, Ohio. Bank One participates to the extent of \$8 million in the Company's \$60 million Revolving Credit Agreement with a group of banks which was approved on April 17, 1984. The agreement contains terms and conditions competitive with and no less favorable than those available from the banking industry generally at the time of execution of the agreement. Mr. Office is also a Director of ChemLawn Corporation, Columbus, Ohio. Mr. Office's beneficial ownership of the Company's shares, which includes 95,047 shares subject to stock options currently exercisable, constitutes 1.7% of the issued and outstanding shares of the Company.
- (2) Mr. James is a Director of The Sheraton Corporation, The Shawmut Corporation and The Shawmut Bank of Boston.
- (3) Mr. Torley, a registered Professional Engineer, is a Director of Standard Register Company, Amcast Industrial Corp., Monarch Machine Tool Company, Morris Bean & Company, and Van Dyne-Crotty, Inc.
- (4) Mr. Brierley is a Director of Sheldahl, Inc. and Transohio Financial Corp.
- (5) Mr. Schaefer is a Director of The Specialty Papers Company, Shopsmith, Inc. and Gem Savings, Inc.
- (6) Mr. Wall is a Director of Huffy Corporation, Bank One, Dayton, NA, and Robbins & Myers, Inc.

The Company does not have a standing nominating committee of the Board of Directors. Nominations for Directors are considered by the full Board. Messrs. Schaefer, Brierley and Wall comprise the Audit Committee of the Board of Directors. The Audit Committee regularly meets with the Company's independent outside accountants, internal auditors and financial management executives of the Company. The Audit Committee reviews the scope and results of audits, as well as recommendations made by the Company's aforementioned auditors, accountants and executives with respect to internal and external accounting controls. During the last fiscal year, the Audit Committee met three times.

Messrs. Torley, Brierley, and Williams comprise the Executive Compensation Committee of the Board of Directors. The Executive Compensation Committee reviews the compensation philosophy and policy of the Company and administers the Company's stock option plans. The Committee determines the compensation of the Chief Executive Officer and determines compensation and benefit levels for all elected officers so that the Company can retain and recruit highly qualified employees. During the last fiscal year, the Executive Compensation Committee met two times.

During the fiscal year ended February 23, 1984, the Board of Directors met six times, including a four-day planning meeting at fiscal year-end with participation by the principal officers of the

Company. Each incumbent director attended no fewer than 75% of the aggregate number of meetings of the Board of Directors and meetings of the committees thereof during the time such person was a Director and/or member of any such committee.

EXECUTIVE COMPENSATION

The following table sets forth the remuneration paid during the fiscal year ended February 23, 1984 to the five most highly compensated Executive Officers of the Company whose total remuneration exceeded \$60,000, naming each such person; and all Executive Officers and Directors as a group (35 in number):

CASH COMPENSATION TABLE

(A) Name of Individual or Number in Group	(B) Capacities in Which Served	(C) Cash Compensation
Gerald S. Office, Jr.	Chairman of the Board of Directors and President	\$ 425,000
C. Stephen Lewis	Executive Vice President	\$ 175,000
Donald R. Jackson	Executive Vice President and Chief Financial Officer	\$ 120,000
John W. Cleveland	Executive Vice President	\$ 112,000
Michael K. Pulliam	President, ESI Meats, Inc.	\$ 107,115
All Officers and Directors as a Group (35 in Number)		\$2,824,337

Mr. Office has entered into an employment agreement with the Company dated July 1, 1980, as amended June, 1982 and most recently amended and clarified by agreement dated October 13, 1983, pursuant to which he shall continue as the chief executive officer of the Company until July 1, 2001 at a salary in such amount as may be mutually agreed upon by Mr. Office and the Company from time to time, provided that his salary may not be reduced without his consent below the rate then paid to him in the Company's immediately preceding fiscal year (\$425,000 for the fiscal year ended February 23, 1984). Upon his retirement on July 1, 2001, Mr. Office or his beneficiaries are entitled to receive an annual pension (or a lesser actuarial equivalent if he elects) equal to 75% of his average total reportable income ("Ponderosa Compensation") for the highest compensated five years of the last ten years preceding his retirement. Mr. Office will receive such annual pension for life or for a period of years equal to the number of years he was employed by the Company at his retirement (presently fourteen years). In the event Mr. Office takes an early retirement, but no sooner than January 1, 1990, he shall be entitled to receive a pension equal to 50% of his Ponderosa Compensation for the highest compensated five years of the last ten years preceding retirement which will be increased by 5% per year for each year or part of year of early retirement after 1990 until he receives his full pension. The agreement also provides disability and death benefits generally based upon the retirement formula but reduced, subject to certain limitations, if death or disability occurs prior to July 1, 2001.

The employment agreement also contains provisions which may require the Company immediately to fund an escrow. Funding is required if a "change in control" (as defined in the agreement) of the Company is threatened. In such event the Company must pay into escrow a then actuarially determined amount sufficient to fund Mr. Office's salary to normal retirement, based on his then current

compensation, as well as his retirement, disability and death benefits under the agreement. If after a change in control of the Company is threatened, Mr. Office terminates employment with the Company involuntarily after such date but before a change in control occurs, he or his beneficiaries shall be entitled to benefit payments from the escrow. Otherwise his right to payment from the escrow will arise if employment terminates for any reason after a change in control of the Company occurs, or other conditions exist which trigger payment of the escrow.

In addition, under the employment agreement, Mr. Office is subject to non-competition restrictions for a period of ten years following termination of employment or following his last disability or retirement benefit payment under the agreement. However, the non-competition restrictions shall not apply if Mr. Office leaves the Company's employ involuntarily after a change in control (as defined in the agreement) of the Company is threatened or if his employment with the Company is terminated voluntarily or involuntarily after a change in control occurs.

Mr. Lewis, Mr. Jackson, Mr. Cleveland, Mr. Pulliam and two other executive officers of the Company have entered into agreements which may require the Company to fund an escrow account. Funding is required if a "change in control" (as defined in such agreements) of the Company is threatened. In such event the Company is required immediately to pay into escrow an amount equal to the sum of their then current annual rate of salary plus the bonus, if any, awarded or to be awarded to them for the most recent fiscal year. If after a change in control of the Company is threatened, their employment terminates involuntarily for any reason other than disability, retirement on or after the date they reach normal retirement age, or death, they shall be entitled to benefit payments from the escrow; otherwise, their right to payment from the escrow will arise if their employment is terminated for any reason after a change in control of the Company occurs.

DIRECTORS FEES

The Company has a standard arrangement with its Directors for payment of a base annual amount of \$25,000 per year in thirteen equal instalments to coincide with its accounting cycle. All Directors also receive an additional \$500 each quarter to cover expenses and \$1,000 for each committee meeting attended. Messrs. Schaefer and Torley receive an additional \$2,500 annually for serving as Chairman of the Audit and Executive Compensation Committees, respectively. The base annual amount was increased effective February, 1984 to \$27,500 per year. Mr. Office does not receive any extra compensation for serving as Chairman of the Board of Directors. Directors who so wish may elect to defer payment of Directors' fees.

The Company has entered into consulting agreements with five of its non-employee Directors that provide for continuation of consulting services to the Company after they no longer serve on the Board of Directors otherwise than for termination for cause, if they have served at least seven full years as a Director. The agreements provide for payment of an amount equivalent to the amount of base Director fees for the last year of service as a Director, presently, \$27,500 per year, if they have served ten full years as a Director. A pro rata reduced amount is payable in the event the Director has served seven full years, with prior service credit, but less than ten years. In no event is the ongoing compensation greater than 100% of the Director's fees paid during the last year of service. Payments commence upon retirement from active service on the Board and the later of (a) the Director reaching 60 years of age, or (b) retirement from active participation on the Board of Directors after age 60. The payments once commenced, continue for the natural life of the Director. Each Director agrees to continue to provide counsel and advice to the Company after active participation on the Board at all reasonable times without further payment of fees other than expenses and must not engage in employment or other activities which compete with the Company.

STOCK OPTIONS

The following tabulation shows as to certain Executive Officers and as to all Executive Officers as a group (i) the amount of options granted under the Company's stock option plans (Qualified Stock Option Plan and 1982 Stock Option Plan, as amended) during the period from February 23, 1979 to February 23, 1984, (ii) the average per share exercise price thereof, (iii) the net value of shares (market value less exercise price) realized upon the exercise of options during such period, (iv) the number of shares sold during such period by such persons, (excluding such persons who have not purchased securities through the exercise of options during such period), (v) the amount of shares subject to all unexercised options held as of February 23, 1984, and (vi) the potential (unrealized) value of such outstanding options as of February 23, 1984 (market value less exercise price).

	<u>Gerald S. Office, Jr.</u>	<u>C. S. Lewis</u>	<u>Donald R. Jackson</u>	<u>John W. Cleveland</u>	<u>Michael K. Pulliam</u>	<u>All Executive Officers as a Group</u>
Granted—2/23/79 to 2/23/84						
Number of Shares	52,500	16,000	11,500	6,500	6,950	170,402
Average per Share Option Price	\$ 14.07	\$ 12.56	\$ 12.16	\$ 12.25	\$ 11.41	\$ 14.20
Exercised—2/23/79 to 2/23/84						
Net Value Realized in Shares (market value less exercise price)	—	\$ 82,341	—	\$ 11,625	\$ 5,550	\$ 270,107
Number of Shares sold—2/23/79 to 2/23/84	—	—	—	—	—	1,425
Unexercised on 2/23/84						
Number of Shares	90,000	17,902	11,500	8,000	6,500	192,859
Potential (un- realized) Value (market value less exercise price)	\$585,938	\$114,083	\$ 81,562	\$ 32,250	\$ 49,187	\$1,019,545

The tabulation reflects the restatement of shares and option price per share for the 3-for-2 split declared in December, 1982. No option which qualifies as an incentive stock option ("ISO") under Section 422A of the Internal Revenue Code of 1954, as amended may be exercised until all ISO's held having a prior granting date have been exercised. Consequently, persons reporting potential value may not be able to realize this value in whole or in part.

Employees of the Company, as a group, were granted options covering 287,177 shares, not taking into consideration lapses or terminations, during the period from February 23, 1979 to February 23, 1984.

On February 23, 1984, the closing price of the Company's Common Stock on The New York Stock Exchange was \$19.25 per share.

PENSION PLANS

Under the Company's Pension Plans, which were effective March 1, 1977, annual benefits are payable upon retirement to employees of the Company and its subsidiaries, including officers. Eligibility requirements include that an employee shall have attained the age of 25 years but shall be less than 60 years of age at the time of hire, shall have completed one year of service and shall not be a member of a collective bargaining unit. The estimated amount of the Company's contribution to its Pension Plans, which were effective March 1, 1977, for or on behalf of the persons named above and all Executive Officers as a group, cannot readily be separately or individually calculated by the regular actuaries for the Pension Plans. At age 65 with 30 years of service, the employee shall receive a benefit of 70% of the first \$600 of average monthly compensation plus 40% of average monthly compensation in excess of \$600 minus 100% of the participant's primary social security benefit. Average monthly compensation is defined as the average of the participant's monthly compensation as determined for those five consecutive plan years of the last ten plan years immediately preceding his retirement which yield the largest sum. A participant with less than thirty years of service shall have his benefits reduced proportionately. Early retirement with reduced benefits is available at age 55 with at least ten years of service. Mr. Office has fourteen years of credited service, Mr. Lewis has nine years of credited service, Mr. Jackson has three years of credited service, and Mr. Cleveland and Mr. Pulliam each have five years of credited service under the Pension Plans.

The following tabulation shows estimated annual retirement benefits payable to employees under the Pension Plans:

Annual Compensation	Y. rs of Service		
	10	20	30
\$100,000	\$11,241	\$22,482	\$33,724
200,000	24,574	49,149	73,724
300,000	37,908	75,816	90,000
400,000	51,241	90,000	90,000
500,000	64,575	90,000	90,000

All benefits are computed under the Social Security law for employees retiring in the first half of 1984, assuming an employee of age 65, and assuming that annual compensation represents the average of the five highest annual compensation figures in the last ten years. The amounts in the above table give effect to the \$90,000 limitation on annual benefits under qualified defined benefit plans required by the Internal Revenue Code of 1954, as amended. This limit is subject to a cost of living adjustment beginning in 1986.

EMPLOYEE STOCK OWNERSHIP PLAN

Effective for the fiscal year ended February 23, 1978 and thereafter, the Company and its subsidiaries adopted the Employee Stock Ownership Plan for eligible employees who have attained the age of 25, have completed a specified term of service, and who are not members of a collective bargaining unit. To take advantage of changes in federal tax laws created by the Economic Recovery Tax Act of 1981, the Company amended the Employee Stock Ownership Plan, effective January 1, 1983, to provide for a new contribution formula based upon a percentage of compensation of participants in the plan. Subject to certain limitations, the Company and its subsidiaries make an annual contribution for each fiscal year of the Company equal to 0.5% of participants' aggregate compensation during such fiscal year of the Company. Allocation of this contribution, less any expenses paid by the Employee Stock Ownership Plan, is made to participants in accordance with the ratio that their respective annual compensation (up to a maximum of \$100,000) bears to the aggregate annual participating compensation of all employees included in such plan during that calendar year. Contributions by the Company may, at its option, be in cash or shares of Common Stock of the Company, or a combination thereof. Cash contributions by the Company are to be invested in the Company's Common Stock purchased on the open market, in private transactions or directly from the Company at the then-current market price. Each dollar contributed to the Employee Stock Ownership Plan by the Company, in the form of cash or common stock, reduces federal income taxes payable by the Company in the same amount.

All contributions to this Plan by the Company immediately and fully vest with each participant. In certain limited circumstances, which involve the recapture or redetermination of investment tax credits taken in prior years, contributions in current years may be adjusted. A participant may not withdraw any of the funds or Common Stock of the Company held for him pursuant to the Employee Stock Ownership Plan until such participant ceases to be employed by the Company by reason of retirement, death, disability or other termination of employment, or until such shares have been held by such Plan for more than 84 months. As of December 31, 1983, Mr. Office and Mr. Lewis each had 506 shares of Common Stock allocated to their respective accounts and Mr. Cleveland and Mr. Pulliam each had 185 shares of Common Stock allocated to their respective accounts under this Plan.

PONDEROSA, INC. EMPLOYEE THRIFT AND SAVINGS PLAN

The Ponderosa, Inc. Employee Thrift and Savings Plan (the "Thrift Plan") was approved by the Board of Directors on September 13, 1982 and became effective as of January 1, 1983 along with the Ponderosa, Inc. Employee Thrift and Savings Trust (the "Trust"). The Thrift Plan was approved by the Company's Stockholders at the 1983 Annual Meeting. An amendment and restatement of the Thrift Plan was approved by the Board of Directors on December 9, 1983, which amendment and restatement became effective April 1, 1984. The purpose of the Thrift Plan is to encourage employees to save on a regular basis and to provide them with an enhanced opportunity to become stockholders of the Company and thereby to secure for the Company the incentive inherent in employee stock ownership.

The Thrift Plan is a profit sharing plan intended to be qualified under Section 401(a) of the Internal Revenue Code and contains cash or deferred salary reduction arrangements intended to be qualified under Section 401(k) of the Internal Revenue Code of 1954, as amended.

Participation in the Thrift Plan is available to all employees of the Company meeting certain eligibility requirements based on age (25 years of age) and length of service (one year) and is subject to all terms, conditions and restrictions set forth in the Thrift Plan. As of September 30, 1983, approximately 2,700 employees were eligible to participate in the Thrift Plan.

The Thrift Plan is funded by allocations from participating employees, by contributions from the Company and by such net earnings as are obtained from the investment of the assets in the Thrift Plan. Subject to certain limitations on maximum allocations, a participating employee may designate from 1% to 10% of his annual compensation before taxes to be allocated to the Thrift Plan. Under certain conditions, a participating employee may contribute an additional amount equal to from 1% to 6% of his annual compensation.

The Internal Revenue Service requires savings plans which permit employees to obtain tax advantages (such as the Thrift Plan) to meet a complex test assuring a fair mix of contributions with respect to participating employees at all earnings levels. In certain instances, it may be necessary to limit the allocations made with respect to higher compensated employees under this Plan. Employee allocations may be invested in a guaranteed income fund, Common Stock of the Company, a diversified equity fund, a money market fund, or life insurance, at the option of the participating employee.

The Company, subject to the limitations of the Thrift Plan and to the extent of net income during the fiscal year to which a contribution relates, pays into the Thrift Plan on an annual basis on behalf of each eligible participating employee a contribution equal to 50% of the employee's allocation up to a maximum of 2% of the employee's annual compensation. The Company in its sole discretion may make additional matching contributions outlined in the Thrift Plan. Company contributions may, at the option of the Company, be made in cash or in shares of Common Stock, or a combination thereof. The Company's contributions will in no event exceed the amount deductible for federal income tax purposes.

Employee allocations are fully vested at all times and never subject to forfeiture. The Company's contributions to a participating employee's account vest as follows: less than 3 years of service — 0%; at least 3 years but less than 5 years — 50%; five or more years — 100%. There are service credits for all service to the Company for all calendar years commencing after 1974. A total of 175,000 shares of Company Stock is available to fund the Thrift Plan. Ameritrust Company National Association (the "Trustee") serves as trustee of the Trust. All investments are held in the name of the Trustee or its nominees as provided in the trust agreement and the Trustee has the sole responsibility to perform custodial duties of the funds invested in the Trust.

The Company has the responsibility for the administration of the Thrift Plan. The Company reserves the right to make any amendment to the Thrift Plan which does not cause the funds invested in the Trust to be used for, or divested to, any purpose other than the exclusive benefit of participating employees or their beneficiaries.

As of December 31, 1983, pursuant to Company contributions to their respective accounts under the Thrift Plan, Mr. Office had received 397 shares of Common Stock, Mr. Lewis had received 165 shares of Common Stock, Mr. Jackson had received 169 shares of Common Stock, Mr. Cleveland had received 159 shares of the Common Stock, and Mr. Pulliam had received 101 shares of Common Stock.

AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION AUTHORIZING PREFERRED STOCK

The Board of Directors unanimously recommends that the Company's Restated Certificate of Incorporation be amended to authorize 25,000,000 shares of preferred stock, with no par value ("Preferred Stock"). The terms and conditions of such Preferred Stock would be determined by the Board of Directors at the time of issuance. These terms and conditions could include designation of different series, price and dividend rates and designation as cumulative and/or participating with respect to dividends, redemption provisions, sinking fund requirements, voting rights, pre-emptive rights and liquidation preference. The specific terms of any series of Preferred Stock will depend primarily on market conditions and other factors existing at the time of issuance. The Board of Directors does not intend to issue any Preferred Stock except on terms which the Board of Directors deems to be in the best interests of the Company and its Stockholders.

If opportunities arise that would make desirable the issuance of Preferred Stock either through public offerings or private placement, the proposed amendment would avoid the possible delay and expense of a Stockholders meeting, except as may be required by law or regulatory authorities or pursuant to the rules of The New York Stock Exchange or any other stock exchange on which the Company's securities may be listed. The Board of Directors has no present plan or commitment for the issuance of any Preferred Stock. Nevertheless, the Board of Directors considers it desirable to have Preferred Stock available to provide the Company with increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs which may arise.

If this Amendment to the Restated Certificate of Incorporation is adopted, the Board of Directors will, without further action by the Stockholders, be empowered to authorize the issuance, in series, of up to a total of 25,000,000 shares of Preferred Stock at such times, to such persons and for such consideration as it may deem desirable.

Issuance of the Preferred Stock could result in one or more classes of securities outstanding that will have certain preferences with respect to dividends and in liquidation over the Common Stock; the dilution of the voting rights, net income per share and net book value of the Common Stock; and/or diminution or depletion of the assets available for payment or distribution to holders of Common Stock in the event of liquidation, dissolution or winding up of the Company. Issuance of additional Common Stock, directly or pursuant to conversion rights granted to Preferred Stock, may also result in dilution of the voting rights, net income per share and net book value of the then outstanding Common Stock.

Preferred Stock might be used for acquiring the business, assets, real estate and operating rights of businesses that may be acquired by the Company. Also, in the event of a hostile attempt to take over the Company, it might be possible for the Board of Directors to issue Preferred Stock with rights and preferences which could impede the completion of such takeover. For example, it might be possible for the Board of Directors to issue a non-hostile party a series of Preferred Stock, the favorable vote of which would be necessary to approve any merger, sale of assets or other extraordinary corporate transaction involving the hostile bidder or similar parties. Such possibilities may make the Company a less attractive takeover candidate and may deter takeover attempts not approved by the Board of Directors in which holders of Common Stock might receive a substantial premium above market value for some or all of their shares. At the same time, such possibilities may also enable the Board of Directors to negotiate more favorable terms for the benefit of Stockholders.

The Company does not believe that the Restated Certificate of Incorporation or By-Laws presently contain any provisions adopted principally as anti-takeover devices. However, certain provisions may be considered to have an anti-takeover effect under certain conditions. Since 1975, the Company has staggered the terms of office of its directors so that approximately one-third of the directors are elected each year to serve for three year terms, in order to maintain continuity of management. This method of electing directors might be deemed to have an anti-takeover effect. In addition, the Restated Certificate of Incorporation provides that if any person is, or within the preceding twelve months has been, the beneficial owner of 5% or more of the outstanding voting securities of the Company, the affirmative vote of the holders of at least 75% of the outstanding voting securities of the Company is required in order to approve (a) a merger or consolidation with or into said 5% stockholder, (b) the sale of all or substantially all of the assets of the Company to said 5% stockholder, or (c) the issuance or transfer of voting securities of the Company as part of an exchange or acquisition of the securities or assets of said 5% stockholder. However, the foregoing provision would not be applicable if the proposed transaction was approved by a majority of the Board of Directors of the Company, and a majority of those Directors voting for such approval were elected and acting Directors of the Company prior to the time that such person became the holder of 5% or more of the Company's outstanding voting securities. The Restated Certificate of Incorporation also states that the foregoing provisions may be amended only by the affirmative vote of 75% of the outstanding voting securities of the Company. The Board of Directors has also adopted amendments to the Company's Stock option plans granting stock appreciation rights exercisable upon a "change in control" of the Company, as described on pages 14 and 15 hereof, which may be viewed as having an anti-takeover effect. Finally, as described on pages 5 and 6, the Company has entered into employment agreements with certain key executive officers which require funding of escrow accounts and salary continuation under certain circumstances relating to actual or threatened "change of control" of the Company, which may also have an anti-takeover effect.

While the Company may from time to time consider proposals which may under certain circumstances be deemed to have anti-takeover implications, the Company has no present intention to adopt any additional proposals or to submit any additional proposals for consideration by Stockholders.

The Board of Directors has no knowledge of any present efforts by any person to obtain control of the Company or to effect large accumulations of its stock. As of May 2, 1984, Directors and Officers of the Company beneficially owned 2.9% of the Common Stock of the Company.

Approval of this Amendment to the Restated Certificate of Incorporation requires the affirmative vote of a majority of shares represented at a meeting at which a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSED AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION. IF A CHOICE IS SPECIFIED BY THE STOCKHOLDER IN THE PROXY, THE SHARES WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE SHARES WILL BE VOTED "FOR" THE PROPOSED AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION.

AMENDMENTS TO QUALIFIED STOCK OPTION PLAN AND 1982 STOCK OPTION PLAN

Qualified Stock Option Plan

1. General

The Board of Directors and Stockholders approved adoption of the Qualified Stock Option Plan on June 16, 1972 ("Qualified Plan"). A total of 300,000 shares of the Company's authorized but unissued Common Stock was reserved for issuance. The Qualified Plan provides for granting of options to purchase shares of the Company's Common Stock to eligible employees of the Company and its subsidiaries. All options granted under the Qualified Plan are authorized by the Board of Directors and are evidenced by stock option agreements. These options were designed to be qualified stock options under Section 422 of the Internal Revenue Code of 1954, as amended.

The purpose of the Qualified Plan is to encourage ownership of the Company's Common Stock by certain Officers and key employees of the Company and to serve as an inducement in attracting qualified personnel to enter into the employment of the Company. As of March 2, 1984, there were 42 employees of the Company participating in the Qualified Plan. Although the Qualified Plan expired on June 16, 1982, outstanding options continue to be subject to the terms and conditions of the Qualified Plan as amended. The Qualified Plan is administered by a committee of the Board of Directors.

The Qualified Plan provides that the exercise price per share of Common Stock under stock options subject to the Qualified Plan shall be not less than 100% of the fair market value of the Common Stock on the date each such option was granted. A proportionate adjustment in the exercise price per share will be made to reflect any pro rata increase or decrease in the number of shares of Common Stock of the Company subject to an option.

The Qualified Plan provides that options granted thereunder would expire not later than five years from the date of grant. On April 20, 1982, the Board of Directors of the Company extended the term of all non-incentive stock options outstanding under the Qualified Plan for an additional five years from the date of expiration. On March 1, 1980, the Board of Directors granted all optionees the right to accelerate their exercise rights so that all or any part of an option granted under the Qualified Plan may be exercised immediately thereafter.

2. Payment of Exercise Price of Options in Common Stock

The Board of Directors has adopted as of April 17, 1984, and recommends for Stockholder approval, an amendment to the Company's Qualified Stock Option Plan to allow payment by an optionee exercising non-incentive stock options using Common Stock, as well as cash. This modification to the Qualified Plan will allow for consistent administration under the Company's outstanding stock option plans, since the Company's 1982 Stock Option Plan permits payment of an option granted thereunder in cash, Common Stock, or a combination thereof. Furthermore, this amendment would permit optionees greater flexibility with respect to option exercises because such optionees could avoid disposition of assets which might otherwise be necessary to raise the cash required to pay the exercise price, and may thereby defer recognition of tax on any such dispositions in accordance with the Internal Revenue Code of 1954, as amended, and regulations promulgated thereunder. From the Company's perspective, the same amount of value will be received upon exercise of an option if this payment method is utilized since the expected operating cash inflow from the exercise of stock options is immaterial.

3. Stock Appreciation Rights

The Board of Directors has adopted as of April 17, 1984, and recommends for Stockholder approval, an amendment to the Qualified Plan under which each present holder of a non-incentive stock option will receive a stock appreciation right ("SAR") with respect to each non-incentive stock option held. Each SAR will be granted in tandem with each non-incentive stock option so that the exercise of the SAR will terminate the holder's rights under the non-incentive stock option, and the exercise of the non-incentive stock option will terminate the holder's rights under the SAR. Each SAR will become exercisable at the time of a "change in control" of the Company. A "change in control" would occur when (i) any person acquired in excess of forty-nine percent (49%) of the outstanding voting stock of the Company, (ii) the Stockholders approve a merger, consolidation, or other combination involving the Company whereby more than forty-nine percent (49%) of the voting stock of the surviving corporation is held by former stockholders of the constituent corporation other than the Company, or (iii) two or more persons not nominated in proxy statements forwarded by the Board of Directors to stockholders during any period of 24 months, and nominated by other than the Board of Directors, are elected by the Stockholders. Upon exercise of a SAR, the holder will be entitled to a cash payment from the Company equal to the excess of (i) the fair market value of the Common Stock at the date of exercise over (ii) the related non-incentive stock option exercise price, i.e., the fair market value of the Common Stock at the date of the grant of the related non-incentive stock option. A holder may elect to exercise a portion of a non-incentive stock option or SAR in which case the proportionate rights of the holder under the non-incentive stock option or SAR, respectively are reduced. An exercise of a portion of an SAR entitles the holder thereof to the proportionate amount of the appreciation in the Common Stock described above.

The grant of the tandem non-incentive stock option SAR will not result in income to a participant or a deduction to the Company. The tax consequences of an exercise of the non-incentive stock option under the non-incentive stock option/SAR will be treated the same as the exercise of a non-incentive stock option under circumstances where there is not a tandem SAR. The exercise of an SAR will result in ordinary income to the holder in an amount equal to the cash to which the participant is entitled and the Company is allowed a deduction in an equivalent amount. The payment of cash by the Company to a holder of a SAR pursuant to the exercise of the SAR by such holder results in a charge against the Company's earnings for financial accounting purposes.

1982 Stock Option Plan

1. General

The Board of Directors and Stockholders approved adoption of the 1982 Stock Option Plan on June 21, 1982 ("1982 Plan"). The 1982 Plan has a ten-year duration and is administered by a committee of the Board of Directors composed entirely of Directors who are not eligible to participate in the 1982 Plan. Under the 1982 Plan, certain options granted thereunder as well as certain options granted under the Qualified Plan constitute "incentive stock options" (ISO's) under Section 422A of the Internal Revenue Code of 1954 as amended. ISO's are limited to \$100,000 (market value of the stock when the option is granted) per year per optionee, with limited carryover to subsequent years. Non-qualified options may also be granted under the 1982 Plan.

Under the 1982 Plan, ISO's are granted at not less than 100% of the fair market value of the Company's Common Stock on the date of the grant. Non-incentive stock options may be granted at such price as the administrative committee determines in its discretion.

Under the 1982 Plan, no ISO is exercisable in whole or in part prior to twelve months after it is granted and the optionee must have been employed by the Company for at least two years. After the initial twelve-month period, and subject to the period of employment requirements, ISO's will become cumulatively exercisable in three successive annual installments, each installment comprising 33 1/3% of the total number of shares subject to the option. No ISO may be exercised until all ISO's with a prior granting date have been exercised. Payment by the optionee upon exercise of an option may be made using Common Stock, as well as cash. Proceeds of the exercise of options under the 1982 Plan will constitute general corporate funds.

All options will have a maximum duration of ten years. Notwithstanding restrictions on exercise, the Board of Directors, by an amendment to the 1982 Plan adopted April 17, 1984, provided that exercise rights may be accelerated on "change of control" of the Company as defined on page 14 above.

2. Authorization of Additional Shares

The Board of Directors recommends that an additional 350,000 shares of authorized Common Stock be reserved for issuance under the 1982 Stock Option Plan ("1982 Plan"). Under the 1982 Plan, as previously approved by the Stockholders of the Company at the 1982 Annual Meeting, 450,000 shares of Common Stock, including 185,800 shares subject to options outstanding at June 16, 1982 under the Qualified Plan, were reserved for issuance (such numbers adjusted to reflect a 3-for-2 stock split in December, 1982). A total of 61,223 shares of Common Stock is presently available for grant under the 1982 Plan. If approved by the Stockholders, 350,000 additional shares of authorized Common Stock will be reserved for issuance under the 1982 Plan, making 411,223 shares available for new grants as of June 28, 1984.

3. Stock Appreciation Rights

The Board of Directors has adopted as of April 17, 1984, and recommends to the Stockholders for approval, an amendment to the 1982 Plan under which participants will receive a stock appreciation right in tandem with each future grant of an ISO and with respect to all non-incentive stock options whenever granted. The SAR will become exercisable upon a "change in control" of the Company as defined on page 14 hereof. At such time, the holder of an outstanding tandem ISO/SAR or non-incentive stock option/SAR will be entitled to elect to exercise the SAR or the respective option. If the holder elects to exercise the option, then the holder's rights under the respective SAR are terminated. If the holder elects to exercise the SAR, then the holder's rights under the respective option are terminated. The election to exercise an SAR entitles the holder to receive from the Company a cash payment equal to the excess of (i) the fair market value of the Common Stock on the date of exercise over (ii) the related option exercise price, i.e., the fair market value of the Common Stock on the date the respective option was granted. A holder may elect to exercise a portion of an option or the respective SAR in which case the proportionate rights of the holder under the SAR or option, respectively, are terminated. An exercise of a portion of an SAR entitles the holder thereof to the proportionate amount of the appreciation in the Common Stock as described above.

The grant of the tandem ISO/SAR or non-incentive stock option/SAR will not result in income to a participant or a deduction to the Company. The tax consequences of an exercise of the option portion of an ISO/SAR or non-incentive stock option/SAR will be treated the same as the exercise of an ISO or non-incentive stock option, respectively, under circumstances where there is not a tandem SAR. The exercise of an SAR will result in ordinary income to the holder in an amount equal to the cash to which the participant is entitled and the Company is allowed a deduction in an equivalent amount. The payment of cash by the Company to a holder of an SAR pursuant to the exercise of the SAR by such holder results in a charge against the Company's earnings for financial accounting purposes.

Approval of these amendments to the Qualified Stock Option Plan and 1982 Stock Option Plan requires the affirmative vote of a majority of shares represented at a meeting at which a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THESE PROPOSED AMENDMENTS TO THE QUALIFIED STOCK OPTION PLAN AND 1982 STOCK OPTION PLAN. IF A CHOICE IS SPECIFIED BY THE STOCKHOLDER IN THE PROXY, THE SHARES WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE SHARES WILL BE VOTED "FOR" THE PROPOSED AMENDMENTS TO THE QUALIFIED STOCK OPTION PLAN AND 1982 STOCK OPTION PLAN.

APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and the Audit Committee have approved and recommended that the firm of Deloitte Haskins & Sells be appointed as independent accountants of the Company for fiscal year 1985. The firm of Deloitte Haskins & Sells has served as the Company's independent accountants since fiscal year 1983. The Company has been advised by Deloitte Haskins & Sells that the firm does not have any direct financial interest, or any material indirect financial interest, in the Company or in any of its subsidiaries. The firm has not had any connection during the past three years with the Company or any of its subsidiaries in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

Representatives of Deloitte Haskins & Sells are expected to be present at the Annual Meeting with the opportunity to make a statement if they so desire. Such representatives are also expected to be available to respond to questions at the Annual Meeting.

FINANCIAL INFORMATION

The discussion and analysis of financial condition and results of operations set forth on pages 18 through 21 of the Company's Annual Report to Stockholders for the year ended February 23, 1984, and the financial information set forth on page 22 and pages 24 through 37 of the Company's Annual Report to Stockholders for the year ended February 23, 1984 are incorporated herein by reference. The Company's Annual Report to Stockholders for the year ended February 23, 1984 is being sent to Stockholders prior to or simultaneously with the mailing of this Proxy Statement.

STOCKHOLDER PROPOSALS

Proposals of Stockholders intended to be presented at the 1985 Annual Meeting must be received by the Company by January 8, 1985 for inclusion in the Company's proxy statement and form of proxy relating to the 1985 Annual Meeting.

MISCELLANEOUS

As of the date of this proxy statement, the Company has no knowledge of any business which will be presented for consideration at the Annual Meeting other than the issues described above. Should any other matter properly come before the meeting, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with their best judgment.

SOLICITATION OF PROXIES

The entire expense of preparing, assembling and mailing the proxy and other material used in the solicitation of proxies will be paid by the Company. In addition to the solicitation of proxies by mail, arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxy materials to their principals, and the Company will reimburse them for their reasonable out-of-pocket expenses in so doing. To the extent deemed desirable in order to ensure sufficient representation, officers and regular employees of the Company may request the return of proxies personally, by telephone or telegram. The Company has also engaged Morrow & Co., Inc. to conduct the solicitation of proxies. The cost of such service will be approximately \$7,500, and the Company will reimburse Morrow & Co., Inc. for its out-of-pocket expenses incurred in connection therewith. The extent to which this will be necessary depends entirely on how promptly proxies are received. Stockholders are urged to send their proxies without delay.

By Order of the Board of Directors
John R. Mohr, Secretary
Dayton, Ohio
May 8, 1984

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