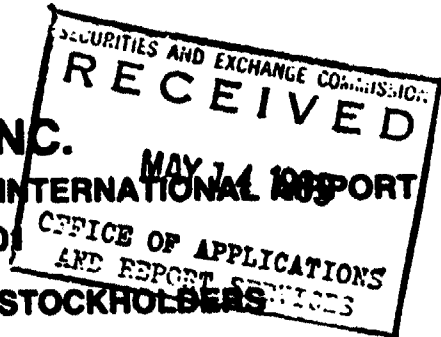


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PONDEROSA, INC.
ENTRANCE ROAD, JAMES M. COX DAYTON INTERNATIONAL AIRPORT
DAYTON, OHIO 45401



**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 26, 1985**



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 26th day of June, 1985 at 9:00 AM in the 747 Room at the Dayton Airport Hotel 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 two Directors for terms of three years each.
2. To appoint Independent Accountants for the Company.
3. 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 8, 1985, are 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 13, 1985

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 26, 1985

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 8, 1985, 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 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 13, 1985.

VOTING SECURITIES AND PRINCIPAL HOLDERS

The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock, \$.10 par value ("Common Stock") and 25,000,000 shares of Preferred Stock, no par value ("Preferred Stock"). On April 17, 1985, there were 9,669,490 shares of Common Stock outstanding (excluding 722,091 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 4,834,746 shares of Common Stock shall constitute a quorum for the meeting. None of the Preferred Stock has been issued.

No change in control of the Company has taken place since the last Annual Meeting of the Company on June 28, 1984.

Set forth in the table below as of April 17, 1985, is information with respect to the only Stockholder who to the knowledge of the Company 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>
BEA Associates, Inc. 153 East 53 Street One Citicorp Center New York, New York 10022	Common Stock \$.10 par value	1,090,700(1)	11.3%
All Officers and Directors as a Group (34 in number)	Common Stock \$.10 par value	<u>170,196(2)</u>	<u>1.7%</u>



- (1) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission. All shares are held with shared voting power and sole investment power.
- (2) This amount includes 134,968 shares covered by stock options which are currently exercisable. All other shares are held by such persons with sole voting and sole investment power, except 3,829 shares held with sole voting power only in the Employee Stock Ownership Plan and 4,999 shares held with sole investment power only (except those shares attributable to the Company matching contribution) in the Ponderosa, Inc. Employee Thrift and Savings Plan.





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 two Directors whose terms expire in 1985, two Directors whose terms expire in 1986, and three Directors whose terms expire in 1987. 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 1982.

The Board of Directors proposes that the two nominees listed below be elected as Directors at the Annual Meeting for three year terms expiring at the Annual Meeting in 1988. Unless a specification is made to withhold a vote for any candidate, the enclosed proxy will be voted for the election of the two nominees listed below for terms of three years each 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 Terms Expiring in 1988	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 April 17, 1985)
	Retired; formerly Chairman of the Executive Committee, 1979 to 1985; prior thereto Chairman of the Board and Chief Executive Officer, 1967-1979, Amcast Industrial Corp. (Manufacturer of cast metal products), Dayton, Ohio (1)	73	1971	3,100
	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 (2)	69	1976	9,000

<u>Directors whose Terms Expire in 1986</u>	<u>Principal Occupation and Five-Year Employment History</u>	<u>Age</u>	<u>Year First Became a Director</u>	<u>Shares Which May Be Considered Beneficially Owned Directly or Indirectly (As of April 17, 1985)</u>
 John L. Schaefer	Chairman of the Board of Directors and President, The Specialty Papers Company (Manufacturer of flexible packaging materials), Dayton, Ohio (3)	50	1971	2,080
 Fred G. Wall	President and Chief Executive Officer, Robbins & Myers, Inc. (Fluids handling equipment and electric motors and control systems), Dayton, Ohio (4)	50	1975	150
<u>Directors whose Terms Expire in 1987</u>				
 Gerald S. Office, Jr.	Chairman of the Board of Directors and President, Ponderosa, Inc. (5)	43	1968	104,476(6)
 W. H. (Bill) Williams	Retired, Former Vice President —Materials Management, Eaton Corporation (Manufacturer of engineered products for capital goods, automotive, truck and consumer markets), Cleveland, Ohio	69	1975	1,200

<u>Directors whose Terms Expire in 1987</u>	<u>Principal Occupation and Five-Year Employment History</u>	<u>Age</u>	<u>Year First Became a Director</u>	<u>Shares Which May Be Considered Beneficially Owned Directly or Indirectly (As of April 17, 1985)</u>
	Retired; formerly Chairman and Chief Executive Officer, The Sheraton Corporation, 1970-1985 (Hotels, inns and resorts world-wide), Boston, Massachusetts (7)	61	1983	None

Howard P. James

- (1) 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.
- (2) Mr. Brierley is a Director of Sheldahl, Inc. and Transohio Financial Corp.
- (3) Mr. Schaefer is a Director of The Specialty Papers Company, Shopsmith, Inc. and Gem Savings Association.
- (4) Mr. Wall is a Director of Huffy Corporation, Bank One, Dayton, NA and Robbins & Myers, Inc.
- (5) Mr. Office is a Director of Bank One, Dayton, NA, 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. 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.
- (6) Mr. Office's beneficial ownership of the Company's shares, which includes 97,547 shares subject to stock options currently exercisable, constitutes 1.1% of the issued and outstanding shares of the Company.
- (7) Mr. James is a Director of The Shawmut Corporation

The Board of Directors does not have a standing nominating committee. Nominations for Directors are considered by the full Board. Messrs. Schaefer, James and Wall comprise the Audit Committee of the Board of Directors. The Audit Committee regularly meets with the Company's independent outside accountants and the 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 three times.

During the fiscal year ended February 28, 1985, the Board of Directors met seven times, including a four-day planning meeting in the fall of 1984 and a three-day meeting at fiscal year-end, with

participation by the principal officers of the Company, and a special meeting in May, 1984. Each 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 cash compensation paid during the fiscal year ended February 28, 1985 to the five most highly compensated Executive Officers of the Company whose total cash compensation exceeded \$60,000, naming each such person, and all Officers as a group (28 in number):

CASH COMPENSATION TABLE

<u>Name of Individual or Number in Group</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation</u>
Gerald S. Office, Jr.	Chairman of the Board of Directors and President	\$ 509,615
Carl R. Falletta	President, Ponderosa International Development, Inc. (a wholly- owned subsidiary)	\$ <u>263,291</u>
Donald R. Jackson	<u>Former Executive Vice President and Chief Financial Officer</u>	\$ 137,596
William R. Menzel	Executive Vice President	\$ 112,713
<u>C. Stephen Lewis</u>	<u>Former Executive Vice President</u>	\$ <u>190,058</u>
All Officers as a Group (28 in Number)		<u>\$3,180,615</u>

Mr. Office, who has been Chairman of the Board and President since 1969, initially entered into an employment agreement with the Company dated July 1, 1973, as amended July 1, 1980, and June 21, 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 (\$500,000 for the fiscal year ended February 28, 1985). 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 fifteen 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 account. 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 involuntarily terminates employment with the Company 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 has resigned his position as an officer of the Company effective February 15, 1985 and his employment with the Company effective February 28, 1985. Mr. Jackson has resigned his position as an officer of the Company effective May 3, 1985 and his employment with the Company effective May 30, 1985. Both had entered into agreements which would have required the Company to fund escrow accounts upon certain events. Funding was required if a "change in control" (as defined in such agreements) of the Company was threatened. In such event, the Company was required, for each of them, immediately to pay into escrow an amount equal to the sum of his then current annual rate of salary plus bonus, if any, awarded or to be awarded to him for the most recent fiscal year. If after a change in control of the Company was threatened, his employment terminated involuntarily for any reason other than disability, retirement on or after the date they reached normal retirement age, or death, they would have been entitled to benefit payments from the escrow; otherwise, their right to payment from the escrow would have arisen if their employment had been terminated for any reason after a change in control of the Company occurred. Due to their resignations these agreements are no longer in effect. Both individuals have agreed, among other things, to offer consulting services to the Company and the Company has agreed to continue their salary and certain other benefits for a period of six (6) months, unless sooner terminated, and at the option of the Company, for extensions of up to an additional six (6) months.

Another executive, Thomas J. Russo, former President of the Howard Johnson Company, joined the Company with over twenty years experience in the food service industry and has entered into an employment agreement with the Company dated February 18, 1985, pursuant to which he shall serve as an executive vice president of the Company for a term of five (5) years beginning February 18, 1985 and ending February 17, 1990 at a salary of \$325,000 per annum subject to be reviewed

annually by the Executive Compensation Committee for possible adjustment, provided that his salary may not be reduced without his consent below \$325,000 per annum. The agreement also provides for supplemental retirement benefits, disability and death benefits and non-competition restrictions. The employment agreement also contains provisions which may require the Company immediately to fund an escrow account. 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 an amount approximately three (3) times such executive's annualized base salary for the five (5) most recent taxable years. If after a change in control of the Company is threatened, such executive 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 escrow.

The Company has a policy of providing additional compensation to its employees who are U.S. citizens living overseas. The policy allows such employees to maintain a standard of living overseas equivalent to the Company's employees in the United States. The policy is available to all U.S. citizens employed by the International Division overseas.

During the last fiscal year, other compensation was paid to all Officers, as a group, in aggregate amount of \$233,615.

DIRECTORS FEES

The Company has a standard arrangement with its Directors for payment of a base annual amount of \$27,500 per year in thirteen equal installments 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 of the Executive Compensation Committees, respectively. Mr. Office does not receive extra compensation for serving as Chairman of the Board of Directors. Directors may elect to defer payment of Directors' fees.

The Company has entered into consulting agreements with all six 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 if they have served ten years as a Director. A pro rata reduced amount is payable in the event the Director has served seven 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 of Directors and the Director reaching 60 years of age. The payments, once commenced, continue for the 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 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, 1984 to February 28, 1985, (ii) the average per share exercise price thereof and (iii) the net value of shares (market value less exercise price) realized upon the exercise of options during such period.

	<u>Gerald S. Office, Jr.</u>	<u>Carl R. Falletta</u>	<u>Donald R. Jackson</u>	<u>William R. Menzel</u>	<u>C. Stephen Lewis</u>	<u>All Officers as a Group</u>
Granted—2/23/84 to 2/28/85						
Number of Shares	15,000	6,299	3,000	3,000	<u>4,000</u>	80,799
Average per Share Option Price	\$20.1875	\$15.8750	\$20.1875	\$20.1875	\$20.1875	\$19.8513
Exercised—2/23/84 to 2/28/85						
Net Value Realized in Shares (market value less exercise price)	—	—	—	—	<u>\$ 24,563</u>	<u>\$ 50,801</u>

On February 28, 1985, the closing price of the Company's Common Stock on The New York Stock Exchange was \$12.875 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, and effective January 1, 1985, any employee who shall have attained the age of 21 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 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, an 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 ever yields 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.

The Officers named in the Cash Compensation Table on page 5 have the following years of credited service under the Pension Plans:

Mr. Office	15	Mr. Falletta	1	Mr. Jackson	4
Mr. Menzel	7	Mr. Lewis	<u>10</u>		

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

Annual Compensation	Years of Service		
	10	20	30
\$100,000	\$11,185	\$22,371	\$33,556
200,000	24,519	49,037	73,556
300,000	37,852	75,704	90,000
400,000	51,185	90,000	90,000
500,000	64,519	90,000	90,000
600,000	77,852	90,000	90,000

All benefits are computed under the Social Security law for employees retiring in the first half of 1985, 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 (the "Code"). This limit is subject to a cost of living adjustment beginning in 1988.

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, and effective March 1, 1985, any employees who have attained the age of 21, 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, subject to certain limitations under the Code.

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. The Officers named in the Cash Compensation table on page 5 received the following number of shares of Common Stock during the last fiscal year under this Plan:

Mr. Office	35	Mr. Falletta	0	Mr. Jackson	0
Mr. Menzel	35	Mr. Lewis	35		

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 Code and contains cash or deferred salary reduction arrangements intended to be qualified under Section 401(k) of the Code.

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 effective January 1, 1985, any employees who have attained the age of 21) and length of service (one year) and is subject to all terms, conditions and restrictions set forth in the Thrift Plan. As of March 31, 1985, approximately 4,500 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, on an after tax basis, an additional amount equal to from 1% to 6% of his annual compensation.

The Code 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 the Thrift 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 next ending after each calendar year, 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%. 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.

In March 1985, the Company made the following allocations of shares of Common Stock to the accounts of the Officers named in the Cash Compensation Table on page 5 for contributions made during the 1984 plan year:

Mr. Office	739	Mr. Falletta	0	Mr. Jackson	201
Mr. Menzel	161	Mr. Lewis	297		

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 1986. 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 four 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.

STOCKHOLDER PROPOSALS

Proposals of Stockholders intended to be presented at the 1986 Annual Meeting must be received by the Company by January 13, 1986, for inclusion in the Company's proxy statement and form of proxy relating to the 1986 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 services will be approximately \$5,000, 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 13, 1985

PONDEROSA, INC.
P. O. Box 578
Dayton, Ohio 45401
Telephone: (513) 890-6400

DISCLOSURE[®]

THIS STATEMENT WAS FILMED WITH THIS DOCUMENT. IF THE PAGES OF THE DOCUMENT ARE LESS CLEAR THAN THIS STATEMENT IT IS DUE TO THE POOR PHOTOGRAPHIC QUALITY OF THE DOCUMENT.