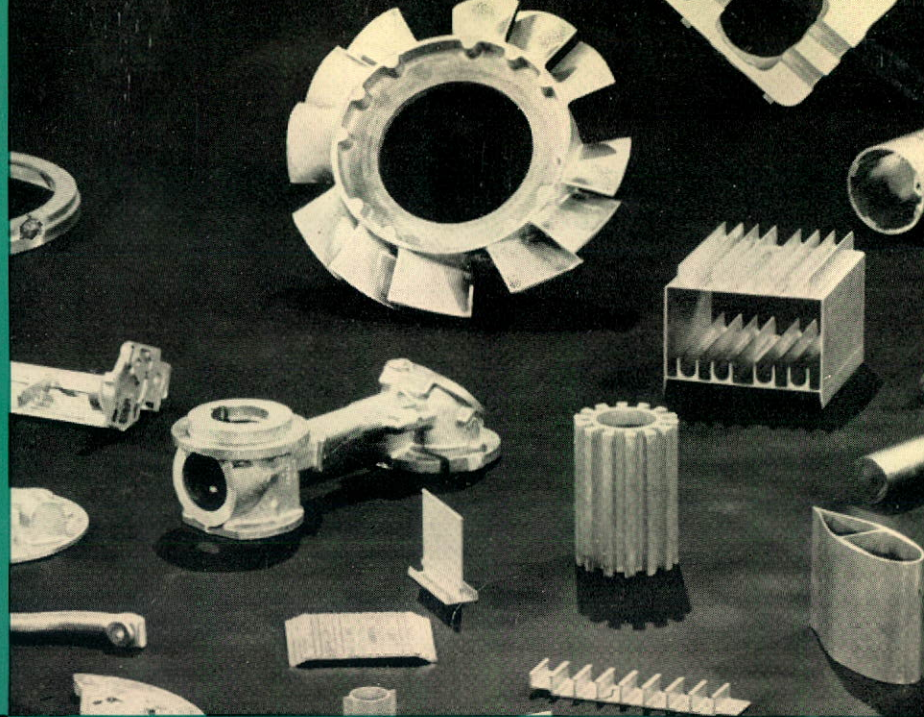


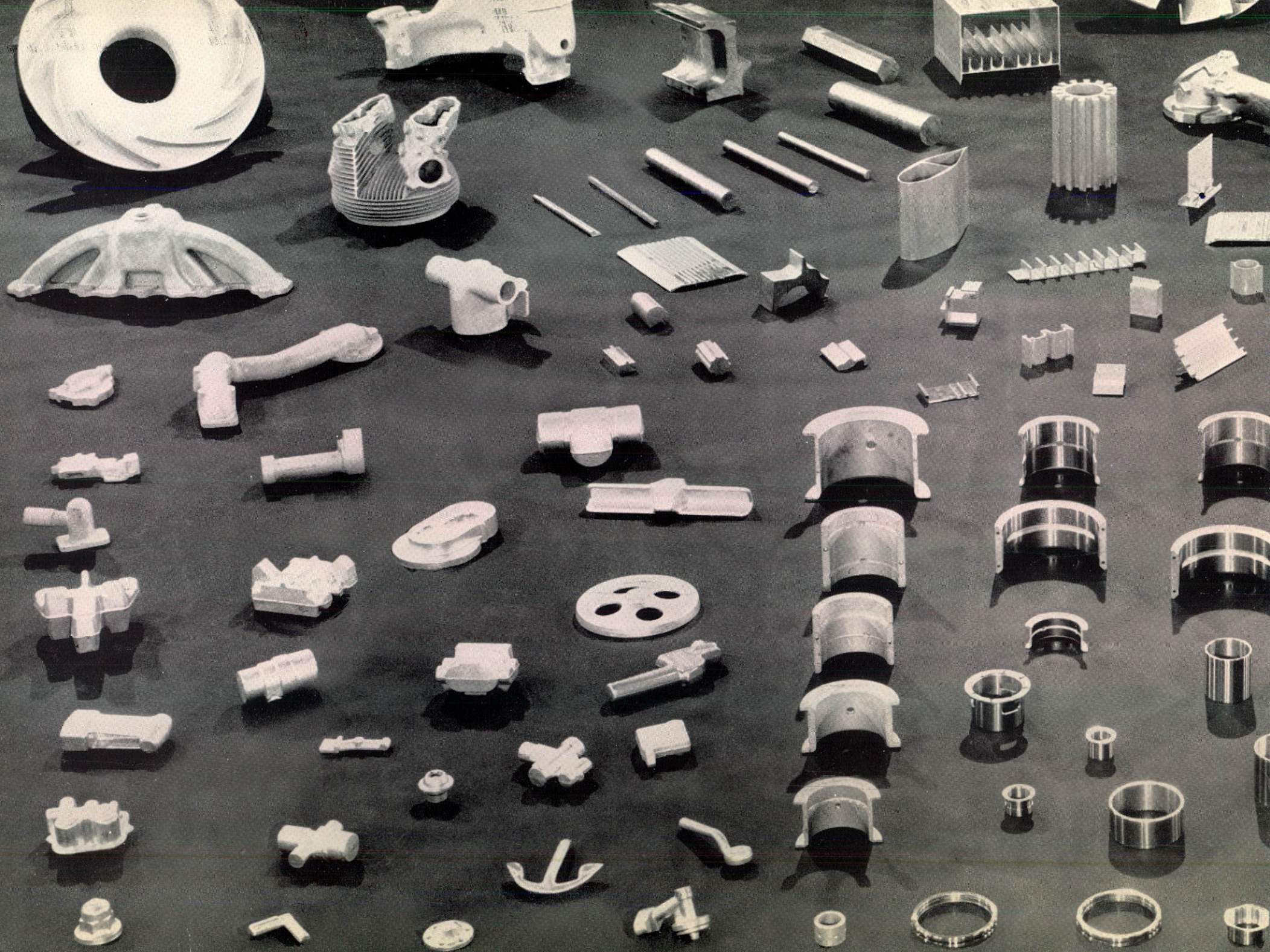
BOHN



**Bohn Aluminum and
Brass Corporation**

*Annual
Report*

**year ended
December 31, 1954**



THE MANAGEMENT

DIRECTORS

CLYDE M. ADAMS - - - - - Detroit
LEO M. BUTZEL - - - - - Detroit
MARTIN C. CALLAHAN - - - - - Detroit
GERALD W. CHAMBERLIN - - - - - Detroit
SIMON D. DEN UYL - - - - - Detroit
GEORGE M. ENDICOTT - - - - - Detroit
HARRY W. HOLT - - - - - Palm Desert, Calif.
TERRY W. KUHN - - - - - Detroit
ERNEST K. MANN, JR. - - - - - Detroit
HARRY C. ROBBINS - - - - - Boston
HOWARD J. STODDARD - - - - - Lansing, Mich.
H. RANDALL WICKES - - - - - Saginaw, Mich.

OFFICERS

SIMON D. DEN UYL - - - - - *President*
TERRY W. KUHN - - - - - *Executive Vice-President*
ERNEST K. MANN, JR. - - - - - *Vice-President and Treasurer*
CLYDE M. ADAMS - - - - - *Vice-President*
WILLIAM J. LANE - - - - - *Secretary*
KENNETH R. CRAWFORD - - - - - *Ass't. Secretary and Ass't. Treasurer*

TRANSFER AGENT & DIVIDEND DISBURSING AGENT

CITY BANK FARMERS TRUST COMPANY
22 William St., New York 15, N. Y.

REGISTRAR

BANKERS TRUST COMPANY
16 Wall St., New York 15, N. Y.

INDEPENDENT AUDITORS

TOUCHE, NIVEN, BAILEY & SMART
1380 National Bank Bldg., Detroit 26, Michigan

GENERAL COUNSEL

BUTZEL, EAMAN, LONG, GUST & KENNEDY
1881 National Bank Bldg., Detroit 26, Michigan

ADMINISTRATIVE OFFICES

1400 Lafayette Building, Detroit 26, Michigan

MANAGEMENT'S REPORT

Submitted herewith is the Annual Report for the Corporation for the year ended December 31, 1954, including the customary Financial Statements.

The balance sheet indicates that working capital at December 31, 1954, was \$13,935,139, a decrease of \$2,010,581 from December 31, 1953. Current liabilities, however, during the same period decreased \$3,752,750. The ratio of current assets to current liabilities is 4.26 to 1. The first payment of \$500,000 on the long-term insurance company loan was made on November 1, 1954, and the second payment, due November 1, 1955, has been included in current liabilities.

Net sales were \$42,790,525 as compared to the 1953 total of \$64,451,674. The major portion of the reduction results from the elimination of the Government-owned plant at Adrian, Michigan, which had net sales in 1953 of \$12,165,603. Further, during 1954, there was a general decline in the volume of automotive business and this reduced volume also necessitated lower prices to remain competitive.

The operation for the year 1954 resulted in a loss of \$351,004 after crediting \$1,050,000 for refundable income taxes resulting from the carry-back of the losses of the year. Contributing to this loss were increased depreciation provisions as the result of changing to a declining balance basis, which is now permissible under the revised 1954 Revenue Act.

Although this loss is substantial, it can in part be considered as an investment in the future because some of it can be attributed

to corrective measures which were instituted to eliminate operation losses and the establishment of a better basis for profitable operation in the future. That these measures have been effective is evidenced by the fact that current earnings warrant the payment of a first quarter dividend.

The Bearing Division was faced with a serious decline in one of the markets which it served. The demand for sleeve bearings used in piston-type aircraft engines had fallen off sharply with the increased use of jet engines which do not use this type of bearing. This diminishing market was accompanied by a decline in price brought about by more intensive competition. To cope economically with such prices would have required a costly modernization of equipment which could not be justified in view of the doubtful future for this product. Therefore, the manufacture of aircraft bearings was discontinued. As a consequence, the Detroit bearing plant could not be profitably operated at the reduced volume. The commercial work is being transferred to our Greensburg, Indiana, plant as rapidly as customer relationship and build-up of a working force will permit. Bearing production at the Greensburg plant was on a profitable basis in 1954 and with the increased volume by the transfer of the work mentioned above the prospects for this plant are promising.

The aluminum sand foundry in Detroit was greatly expanded with the aid of Government funds during World War II to take care of the heavy load of high quality aircraft-type castings. However, after the Korean incident it developed that this plant

TO STOCKHOLDERS

could not operate profitably on the available volume of sand casting requirements. To eliminate continued losses it was decided to discontinue this operation entirely and the equipment has been sold or abandoned and negotiations to sell the property are presently under way.

On the other hand, the operations of our permanent mold casting foundries have continued in steady volume. All passenger car engines now use aluminum pistons of one type or another, and of these the Nelson Bohnalite Autothermic piston has maintained its leadership. Our share of this market, plus a large share of pistons used in trucks, tanks, busses and tractors, indicates continued volume production in this field.

The use of aluminum evaporators in both domestic and commercial refrigeration and freezing units is still increasing and production should continue in substantial volume.

The highly satisfactory quality and service rendered to our customers has resulted in an increased sales volume of aluminum forgings, brass forgings, aluminum extrusions, brass extrusions and brass screw machine rod. Modern aluminum extrusion facilities have been added which will enhance our ability to serve customers in this field.

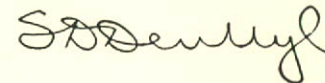
In spite of the tightness and uncertainties of the copper market, we have been able to increase our production volume of brass and bronze ingot which we manufacture for sale to brass foundries. This is one of the oldest divisions in the Corporation and the current progress in this field is very gratifying.

With an eye to the future, developmental and experimental work on aluminum coils and condensers for air conditioning is being continued. Likewise, considerable progress has been made in production techniques for producing steel back aluminum lined bearings, which are receiving additional attention by several heavy duty engine builders. In collaboration with the Glidden Company we are continuing our joint research project on titanium.

In the latter part of 1954 the assets of Reo Motors, Inc., Lansing, Michigan, were acquired by a subsidiary company in which our company has a 67% interest. With the high quality product which Reo has, backed by an aggressive manufacturing and sales organization, this should prove to be a most profitable investment.

We wish to thank our many stockholders who have rendered valuable assistance in the sale of our products. Your continued interest and help in the future sales of Bohn Products and Reo Trucks will be greatly appreciated.

Approved by the Board of Directors:



S. D. Den Uyl, *President*

March 23, 1955

BOHN ALUMINUM & BRASS CO

	December 31, 1954	December 31, 1953
CURRENT ASSETS:		
Cash - - - - -	\$ 5,300,157	\$ 7,734,369
Trade accounts receivable, less allowance of \$82,500 for doubtful accounts - - - - -	4,478,032	5,318,165
Due from partially-owned subsidiary - - - - -	100,000	—
Unbilled costs under defense contracts - - - - -	—	759,304
Refundable federal taxes on income arising from carry-back of operating loss - - - - -	1,050,000	—
Inventories—at lower of cost (first-in, first-out method) or market:		
In-process and finished products - - - - -	\$ 2,586,704	\$ 3,093,504
Metals - - - - -	4,035,770	6,044,463
Manufacturing supplies - - - - -	304,620	577,637
	\$ 6,927,094	\$ 9,715,604
Prepaid insurance, taxes, and other expenses - - - - -	358,848	450,020
TOTAL CURRENT ASSETS - - - - -	\$18,214,131	\$23,977,462
INVESTMENTS AND OTHER ASSETS:		
Capital Stock of Reo Motors, Inc. (Delaware), 67% owned—at cost (Note A) - - - - -	\$ 670,000	\$ —
Common Stock of Diamond T Motor Car Company, 30,000 shares at market price, cost \$540,000 (Note A) - - - - -	420,000	—
Abandoned machinery to be sold—at estimated realizable amount - - - - -	205,515	—
	\$ 1,295,515	\$ —
PROPERTY, PLANT, AND EQUIPMENT—at cost, less accumulated depreciation and amortization:		
Land - - - - -	\$ 925,331	\$ 927,866
Buildings and building equipment - - - - -	5,611,217	5,610,255
Machinery and other equipment - - - - -	9,162,510	9,533,827
	\$15,699,058	\$16,071,948
Less accumulated depreciation and amortization - - - - -	6,631,940	6,502,560
TOTAL PROPERTY, PLANT, AND EQUIPMENT - - - - -	\$ 9,067,118	\$ 9,569,388
DEFERRED CHARGES - - - - -	47,880	51,587
	\$28,624,644	\$33,598,437

NOTES TO FINANCIAL STATEMENTS

Note A—In December, 1954, the Corporation acquired 670,000 shares of the Capital Stock of Reo Motors, Inc. (a Delaware corporation) for \$670,000. The remaining 330,000 shares outstanding were acquired for \$330,000 by officers, directors, and/or key executives of the Corporation and/or Reo (Delaware). Prior to the transaction hereinafter described Reo (Delaware) had cash of \$1,000,000 and no liabilities.

On December 30, 1954, Reo (Delaware) acquired certain of the assets of Reo Motors, Inc. (a Michigan corporation) and as part consideration therefor assumed certain of its liabilities. In addition Reo (Delaware) has agreed to purchase from Reo (Michigan) all receivables as of December 30, 1954, which are not collected by December 15, 1955, and has agreed to indemnify and hold Reo (Michigan) harmless for any liability for federal taxes on income of the year 1954 and prior years. Furthermore, as a condition of the agreement Reo (Delaware) as principal, and Bohn as indemnitor, delivered an indemnity bond to Reo (Michigan) in the amount of \$5,000,000 to assure performance of the contract. No cash payment was made by Reo (Delaware) or by Bohn.

The assets transferred to and the liabilities assumed by Reo (Delaware), as shown by the accounts, without audit, of Reo (Michigan) were as follows:

Cash - - - - -	\$ 1,817,089
Notes receivable from sale of Pal Products Division - - - - -	50,000
Inventories - - - - -	8,912,372
Prepaid expenses - - - - -	144,857
Investment in Reo Truck Leasing, Inc.—at equity in net assets - - - - -	1,800,000
Property, plant, and equipment - - - - -	5,232,389
	\$17,956,707
Less:	
Accounts payable and accrued expenses - - - - -	\$ 2,212,353
Estimated provisions for price redetermination and renegotiation with respect to defense contracts and for federal taxes on income - - - - -	2,324,554
	\$ 4,536,907
NET ASSETS TRANSFERRED - - - - -	\$13,419,800

CORPORATION • BALANCE SHEETS

	December 31, 1954	December 31, 1953
CURRENT LIABILITIES:		
Trade accounts payable	\$ 1,845,172	\$ 1,868,899
Pay rolls and other compensation	684,583	1,665,217
Pay roll taxes and taxes withheld from employees	303,428	353,628
Accrued pension costs and other expenses	712,221	975,602
Federal taxes on income (at December 31, 1954, for prior years)	233,588	2,668,396
Payment due within one year on note payable to insurance company	500,000	500,000
TOTAL CURRENT LIABILITIES	<u>\$ 4,278,992</u>	<u>\$ 8,031,742</u>
NOTE PAYABLE TO INSURANCE COMPANY (Note C):		
4¼%, due November 1, 1967; redemption price to November 1, 1955, 103.65%; declining 0.30% each year thereafter; minimum annual payments 1955 to 1966—\$500,000	\$ 6,500,000	\$ 7,000,000
Less payment due within one year	500,000	500,000
	<u>\$ 6,000,000</u>	<u>\$ 6,500,000</u>
STOCKHOLDERS' INVESTMENT:		
Common Capital Stock, par value \$5.00 a share:		
Authorized 1,200,000 shares (options for 36,250 shares are outstanding under the 1952 Restricted Stock Option Plan at a price of \$23.75 a share, which is 95% of the highest market price between the dates of granting and amending such options; options for 21,310 of these shares are exercisable)		
Issued and outstanding 528,627 shares	\$ 2,643,135	\$ 2,643,135
Additional paid-in capital	5,190,354	5,190,354
Earnings retained for use in the business (Note C)	10,512,163	11,233,206
TOTAL STOCKHOLDERS' INVESTMENT	<u>\$18,345,652</u>	<u>\$19,066,695</u>
	<u>\$28,624,644</u>	<u>\$33,598,437</u>

See notes to financial statements.

TS . . . Year ended December 31, 1954

In setting up its accounts, however, Reo (Delaware) will carry the assets acquired at its cost and not at the carrying amounts of Reo (Michigan) as shown above.

It is the opinion of management of Bohn and of Reo (Delaware) that the liabilities assumed, as shown in the above tabulation, have been reasonably stated, but at all events, even if certain pending questions with respect to possible liabilities arising in connection with price redetermination and renegotiation under defense contracts and for federal taxes on income are adversely concluded, the net assets transferred to Reo (Delaware) should not be reduced more than \$2,500,000. Rulings have been obtained by Reo (Michigan) from the Commissioner of Internal Revenue to the effect that the loss on the sale could be used to offset profit for 1954 and the net loss for 1954 could be carried back as an operating loss to 1952 and 1953.

The receivables of Reo (Michigan) amounted to \$8,195,966 at December 30, 1954. No significant losses are anticipated in the collection of these accounts.

Contemporaneously with the acquisition of the Reo assets Bohn acquired 30,000 shares of the Common Stock of Diamond T Motor Car Company for the sum of \$540,000.

Note B—Unfunded past service costs under the Corporation's pension plans amounted to approximately \$2,750,000 at December 31, 1954, and are being amortized over a period of 30 years from 1950.

Note C—The loan agreement with the insurance company provides, among other covenants, that the Corporation will not declare or pay cash dividends on its Common Capital Stock or purchase shares of such stock subsequent to December 31, 1951, in an aggregate amount which will exceed 75% of consolidated net income (as defined in the note) after that date, plus \$1,000,000, or which will reduce net current assets below \$10,000,000. At December 31, 1954, earnings retained for use in the business of \$1,038,615 were free from this restriction.

Note D—Profits on certain sales of the Corporation for the years ended December 31, 1954, and December 31, 1953, are subject to the Renegotiation Act. These profits, however, are believed to be reasonable and no provision has been made for possible renegotiation refunds.

Note E—The Corporation has adopted a declining balance method of determining depreciation with respect to additions to plant and equipment after January 1, 1954, while continuing the straight-line method with respect to additions prior to that date. This change did not have a material effect on the depreciation charge for the year.

Note F—On February 15, 1955, the Board of Directors granted options to key employees for the remaining 23,750 shares of Common Capital Stock available for such options under the 1952 Restricted Stock Option Plan, as amended, at a price of \$23.75 a share.

EARNINGS

BOHN ALUMINUM &

STATEMENT OF NET EARNINGS

	1954	1953
Net sales - - - - -	\$42,790,525	\$64,451,674
Miscellaneous income:		
Gain on disposal of land, buildings, and equipment - - - - -	—	280,423
Proceeds from life insurance, less cash surrender value - - - - -	—	87,700
Other - - - - -	142,906	69,981
	<u>\$42,933,431</u>	<u>\$64,889,778</u>
Costs and expenses:		
Cost of products sold, other than items below - - - - -	\$38,944,506	\$54,982,845
Selling, advertising, and administrative expenses, other than items below - - - - -	2,720,799	3,812,418
Depreciation of plant and equipment (Note E) - - - - -	1,397,126	1,212,780
Cost of pensions for employees - - - - -	505,800	407,515
Loss on disposition or abandonment of machinery and equipment - - - - -	352,246	—
Interest on note payable to insurance company - - - - -	293,958	297,500
Reduction of investment in Common Stock of Diamond T Motor Car Company to market price - - - - -	120,000	—
	<u>\$44,334,435</u>	<u>\$60,713,058</u>
EARNINGS (LOSS*) BEFORE FEDERAL TAXES ON INCOME - - - - -	\$ 1,401,004*	\$ 4,176,720
Federal taxes on income (carry-back refunds**):		
Normal tax and surtax - - - - -	\$ 670,000**	\$ 2,100,000
Excess profits tax - - - - -	380,000**	480,000
	<u>\$ 1,050,000**</u>	<u>\$ 2,580,000</u>
NET EARNINGS (LOSS*) - - - - -	<u>\$ 351,004*</u>	<u>\$ 1,596,720</u>

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

	1954	1953
Balance at beginning of year - - - - -	\$11,233,206	\$10,217,976
Net earnings (loss*) for the year - - - - -	351,004*	1,596,720
	<u>\$10,882,202</u>	<u>\$11,814,696</u>
Deduct cash dividends paid (1954—\$0.70 a share; 1953—\$1.10 a share) - - - - -	370,039	581,490
Balance at end of year - - - - -	<u>\$10,512,163</u>	<u>\$11,233,206</u>

See notes to financial statements.

ACCOUNTANTS' REPORT

Board of Directors,
Bohn Aluminum & Brass Corporation,
Detroit, Michigan.

March 9, 1955

We have examined the balance sheet of Bohn Aluminum & Brass Corporation as of December 31, 1954, and the related statements of net earnings, earnings retained for use in the business, and additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of net earnings and earnings retained for use in the business present fairly the financial position of Bohn Aluminum & Brass Corporation at December 31, 1954, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in the method of computing depreciation as described in Note E to the financial statements.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

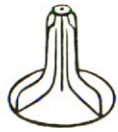
BRASS CORPORATION

FINANCIAL INFORMATION

	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>
RECORD OF OPERATIONS:					
Net sales of products - - - - -	\$42,790,525	\$64,451,674	\$51,733,860	\$47,693,593	\$39,839,677
Earnings (loss*) before taxes on income - - - - -	\$ 1,401,004*	\$ 4,176,720	\$ 1,456,950	\$ 4,386,078	\$ 3,295,585
Provision for federal taxes (credit*) - - - - -	1,050,000*	2,580,000	580,000	2,950,000	1,517,187
Net earnings (loss*) - - - - -	<u>\$ 351,004*</u>	<u>\$ 1,596,720</u>	<u>\$ 876,950</u>	<u>\$ 1,436,078</u>	<u>\$ 1,778,398</u>
FINANCIAL POSITION:					
Current assets - - - - -	\$18,214,131	\$23,977,462	\$22,885,760	\$16,920,758	\$15,247,512
Current liabilities - - - - -	\$ 4,278,992	\$ 8,031,742	\$ 6,825,236	\$ 7,070,456	\$ 5,189,768
Ratio - - - - -	4.26 to 1	2.98 to 1	3.35 to 1	2.39 to 1	2.94 to 1
Working capital - - - - -	\$13,935,139	\$15,945,720	\$16,060,524	\$ 9,850,302	\$10,057,744
Per share of Common Capital Stock - - - - -	\$26.36	\$30.16	\$30.38	\$18.63 ¹	\$19.03 ¹
Property, plant, and equipment (net) - - - - -	\$ 9,067,118	\$ 9,569,388	\$ 8,773,347	\$ 7,647,358	\$ 6,461,819
Stockholders' investment - - - - -	\$18,345,652	\$19,066,695	\$18,051,465	\$17,659,090	\$16,839,743
Per share of Common Capital Stock - - - - -	\$34.70	\$36.07	\$34.15	\$33.41 ¹	\$31.86 ¹
DIVIDEND PAYMENTS - - - - -	\$ 370,039	\$ 581,490	\$ 484,575	\$ 616,731	\$ 440,522
PER SHARE OF COMMON CAPITAL STOCK:					
Earned (loss*) - - - - -	\$.67*	\$3.02	\$1.66	\$2.72 ¹	\$3.36 ¹
Dividends paid - - - - -	\$.70	\$1.10	\$.92	\$1.17 ¹	\$.83 ¹
EXPENDITURES FOR PROPERTY, PLANT, AND EQUIPMENT - - - - -					
	\$ 1,734,750	\$ 2,397,090	\$ 2,348,900	\$ 2,006,233	\$ 2,199,805
DEPRECIATION AND AMORTIZATION - - - - -	\$ 1,397,126	\$ 1,212,780	\$ 1,054,844	\$ 719,137	\$ 500,363
AVERAGE NUMBER OF STOCKHOLDERS - - - - -	4,500	4,700	4,600	4,600	4,600
AVERAGE NUMBER OF EMPLOYEES - - - - -	3,200	4,600	4,500	4,000	3,700

¹Per share amounts for 1951 and 1950 have been restated to give effect to the 50% stock distribution of June 20, 1952, and thereby all years are on a comparable basis.

Products made by **BOHN**



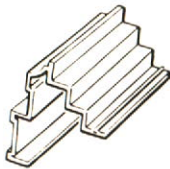
CASTINGS

Aluminum Permanent Mold Castings



ENGINE BEARINGS

Automobile • Bus • Diesel
• Marine • Tank • Tractor • Truck



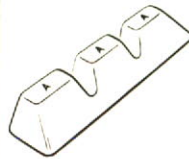
EXTRUSIONS

Aluminum and Brass • Standard and
Special Shapes • Screw Machine Rod



FORGINGS

Aluminum • Brass



NON-FERROUS INGOT METALS

Brass • Bronze • Solders • Babbitts
• Special Alloys



PISTONS

Automobile • Bus • Diesel • Marine
• Tank • Tractor • Truck
• Hydraulic Brake

REFRIGERATION PRODUCTS



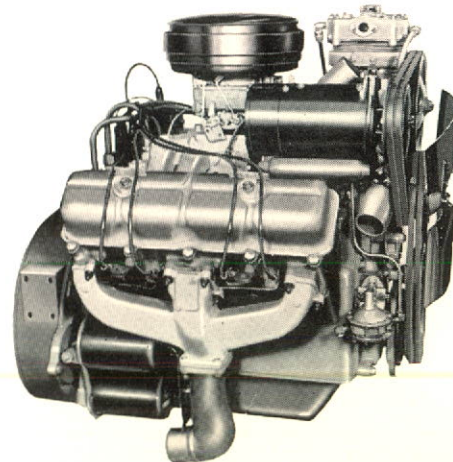
Aluminum Evaporators
• Freezer Plates • Tubing
• Copper-Aluminum Connectors
• Refrigeration Coils
• Accumulators

Products of **REO MOTORS, INC.**

Subsidiary of Bohn Aluminum & Brass Corporation



WORLD'S TOUGHEST TRUCKS

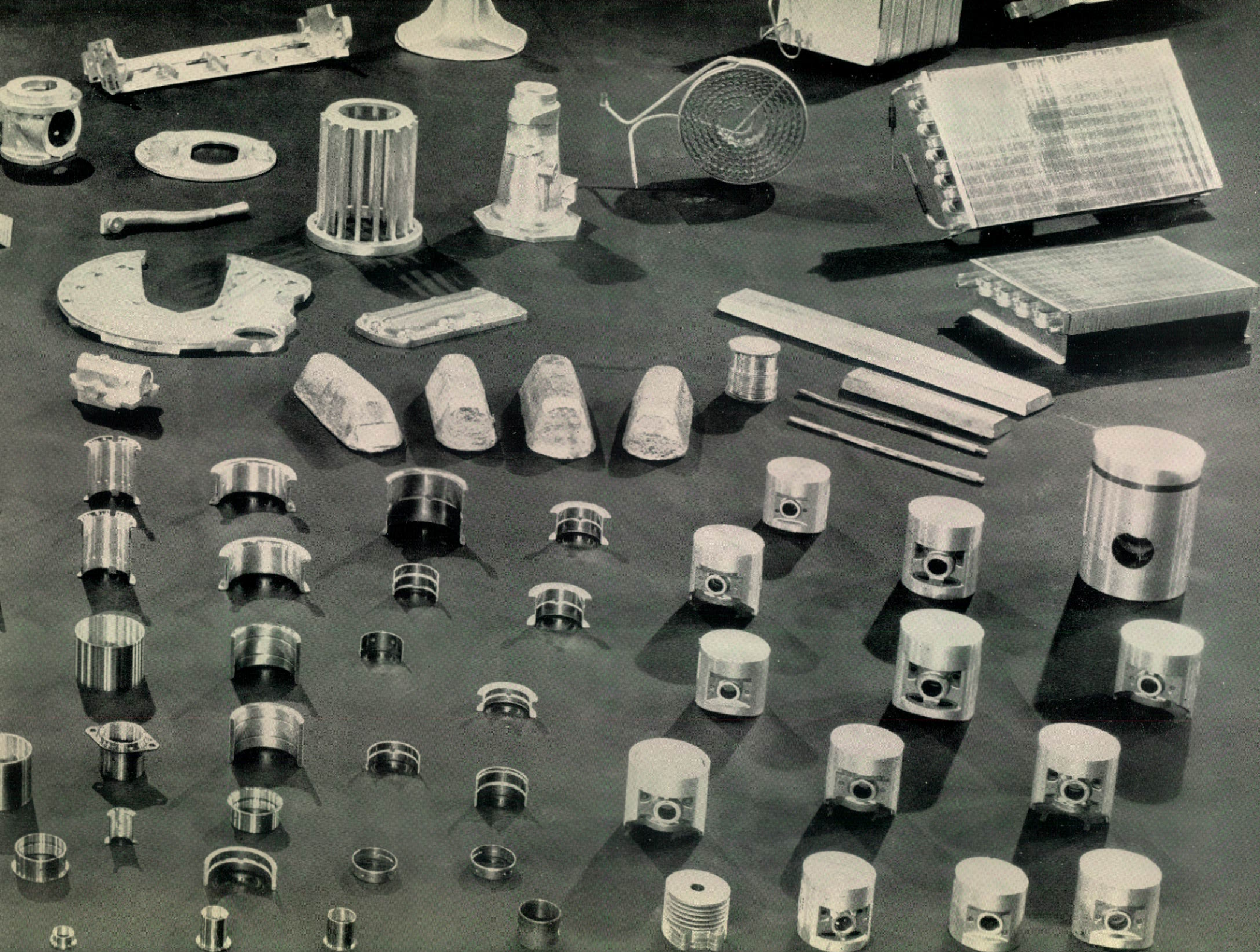


GOLD COMET TRUCK AND INDUSTRIAL ENGINES

Four-Point Transportation Service

- 1** Purchase **3** Rental
- 2** Leasing **4** Guaranteed Maintenance





BOHN

ALUMINUM & BRASS CORPORATION

SALES OFFICES: BOSTON, CHICAGO, CLEVELAND, DAYTON, DETROIT, INDIANAPOLIS, LOS ANGELES,
MILWAUKEE, MINNEAPOLIS, MOLINE, NEW YORK, PHILADELPHIA, ROCHESTER, ST. LOUIS