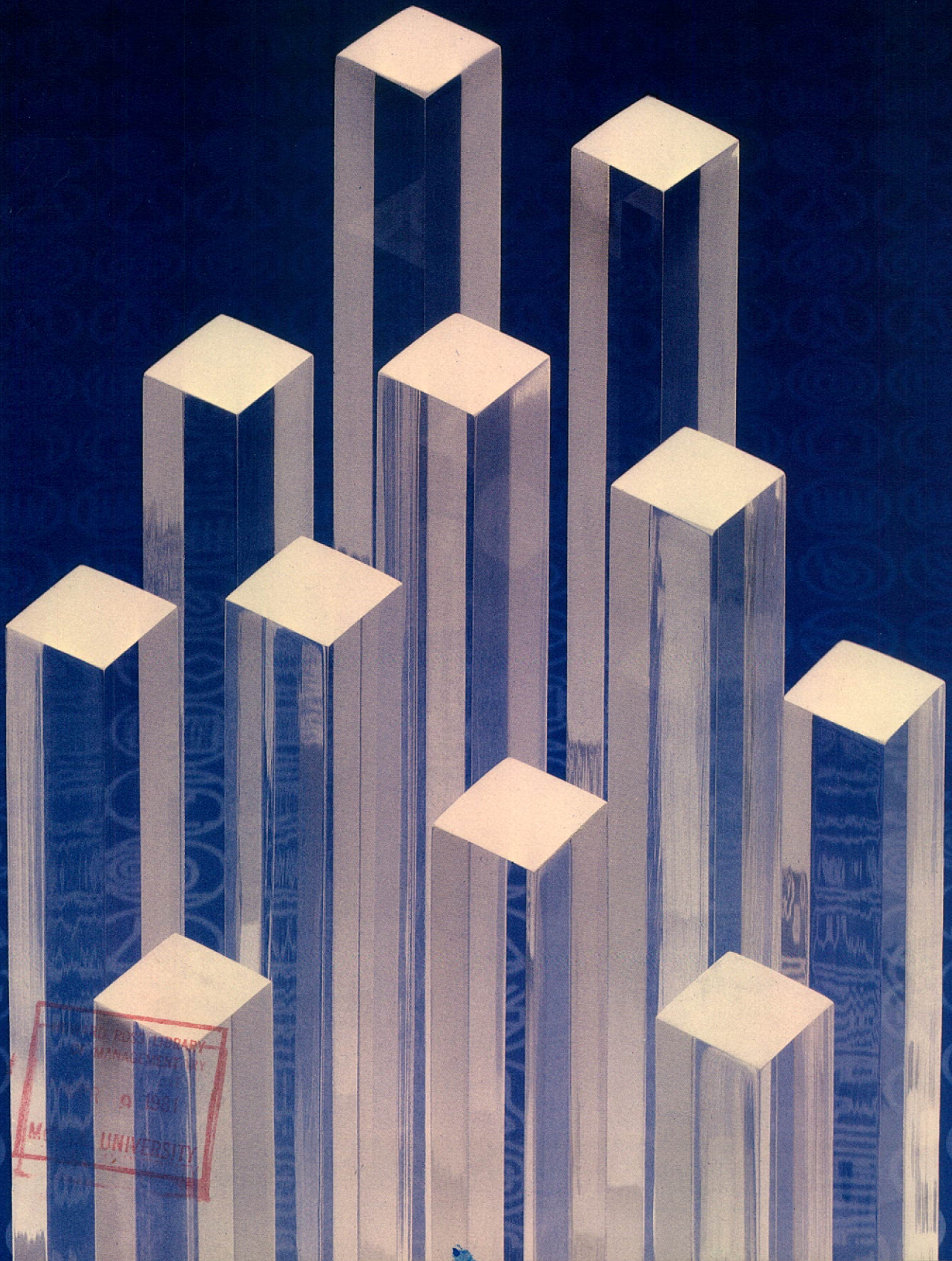
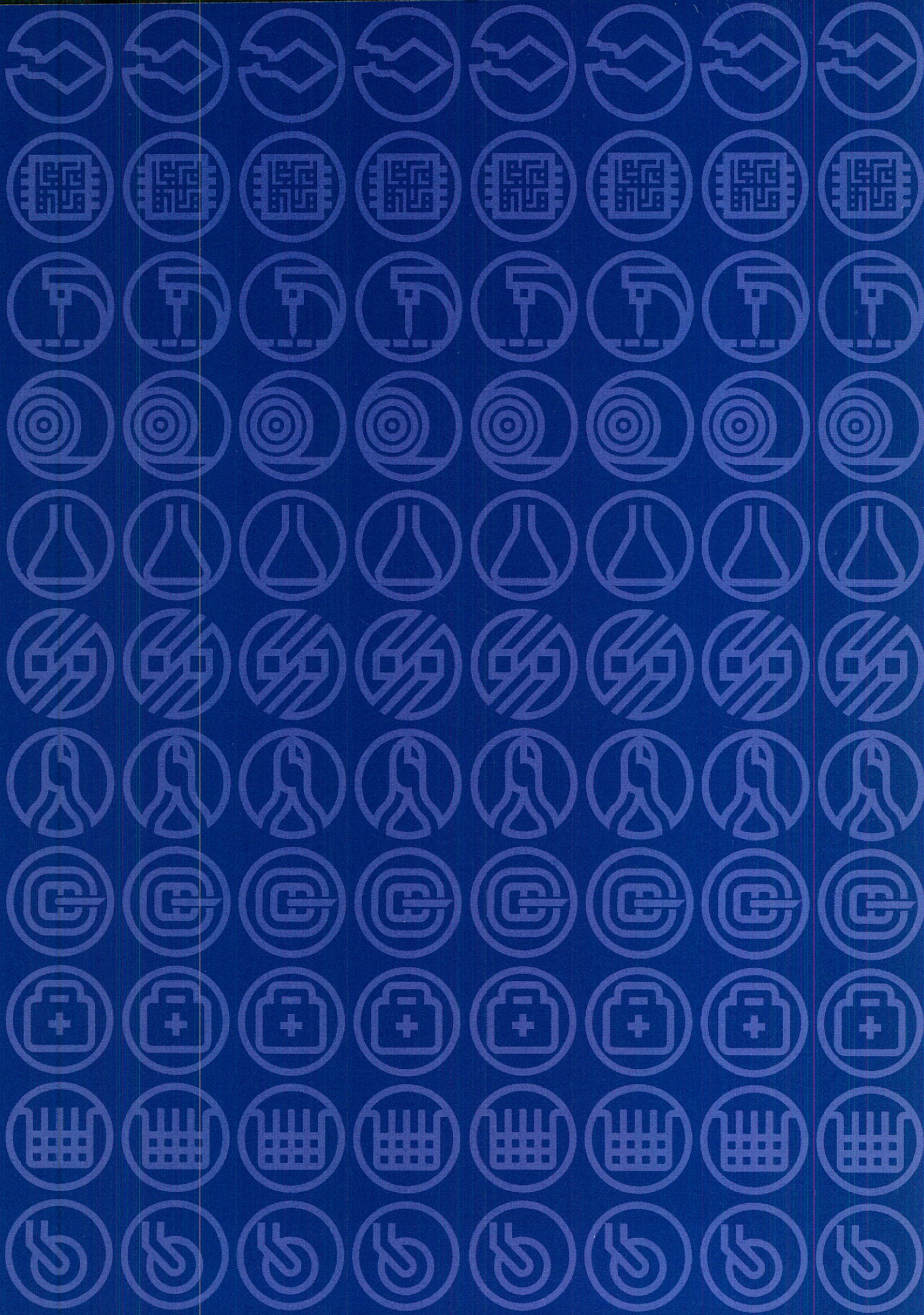


Bliss & Laughlin Industries

1980 Annual Report





1980 Financial Highlights—Continuing Operations:

	1980	1979	% Change
Net revenues	\$256,559,000	\$287,492,000	(10.8)
Net income	\$18,510,000	\$17,680,000	4.7
Fully diluted net income per share	\$2.55	\$2.41	5.8
Primary net income per share	\$2.58	\$2.45	5.3
Return on average stockholders' equity	16.9%	18.0%	
Cash dividends paid	\$6,768,000	\$6,206,000	9.1
Cash dividends paid per share	\$.94	\$.86	9.3
Stockholders' equity, end of year	\$107,185,000	\$104,884,000	2.2
Stockholders' equity per share, end of year	\$16.06	\$14.54	10.5
Primary shares outstanding, end of year	6,674,000	7,212,000	(7.4)
Number of stockholders	6,481	6,486	
Number of employees	3,219	3,465	

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Niche Businesses: The Key to Our Continued Financial and Operational Strength

The translucent columns on the cover arise from a pictorial display of symbols representing the diverse "niche" businesses that comprise the operations of Bliss & Laughlin.

Since 1961, when the Company produced only cold-finished steel bars, Bliss & Laughlin has diversified into a broad range of businesses by successfully expanding into product lines that command significant positions within well-defined market segments of large industries.

Each discrete symbol of the background illustrates one of these market segments and creates an image for the management concept that has achieved profitable growth, continued financial and operational strength, and higher dividends for our stockholders.

Description of the Company

Bliss & Laughlin, a diversified manufacturer and marketer of industrial and commercial products, manages its various geographically dispersed businesses as a portfolio of assets. Financial and operating results are measured against clearly defined corporate goals. Balanced growth develops from internal sources and selected acquisitions.

Major areas of business activity include construction-related products and tools, industrial mail media operations, metal products, and cold-finished steel bars.

Management's Objectives

In 1972 Bliss & Laughlin, under present management, instituted a new operational program by formalizing key long-range financial objectives.

- a minimum growth trend of 10% in fully diluted earnings per share;
- a return of 8-10% on net assets employed;
- a yield of 13-17% on net worth; and
- a consistent improvement in the dividend rate.

To Our Stockholders:

“During a cyclical downturn an imaginative and effective management becomes defensive by controlling its cost of operations and aggressive in exploiting the opportunities offered by its balance sheet.”

Ninth Consecutive Record Year For Income Per Share From Continuing Operations

At this time one year ago, because of unsettled economic, political, and financial environments, I proffered a word of caution concerning business prospects for your Company during 1980. I also expressed confidence that the market positions, qualities of the products, and the skills and dedication of Bliss & Laughlin's employees had prepared the Company for the challenges and opportunities presented. Bliss & Laughlin's record 1980 net income from continuing operations, contrary to the effects of a deteriorating economy, certainly verified those opinions. Net income from continuing operations was at an all-time high of \$18,510,000 or \$2.55 per share fully diluted (\$2.58 per share primary), up approximately 6 percent on a per share basis from the \$17,680,000 or \$2.41 per share fully diluted (\$2.45 per share primary) from continuing operations in 1979.

This constitutes the ninth consecutive year, under your present management,

that earnings per share from continuing operations have exceeded the results of the prior year. Reflecting the adverse economic climate, revenues from continuing operations for 1980 totaled \$256,559,000, a 10.8 percent reduction from the \$287,492,000 achieved in 1979.

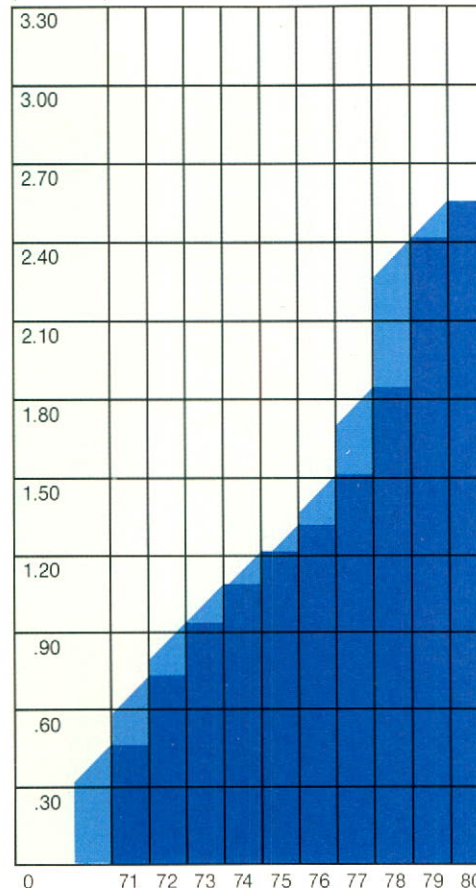
Another Stock Dividend and Increase of Cash Dividend

Again this year the Board of Directors, in recognition of the policy of your Company to share with the stockholders the improved financial performance of your Company, declared a 25 percent stock dividend on April 30, 1980. Moreover, the Board of Directors by resolution on August 6, 1980 increased the cash dividend on the higher number of outstanding shares so as to maintain a \$1.00 per share annual dividend rate, effectively increasing the cash dividend rate by 13.6 percent over the former rate.

Through the end of 1980 Bliss & Laughlin has paid 168 consecutive quarterly dividends. Under the present management and the policy introduced in 1972, the dividend rate has increased 150 percent.

Fully Diluted Earnings Per Share (Continuing Operations)

(in dollars)



Fully Diluted Earnings Per Share from continuing operations has established new records *each* year since 1972, increasing from \$0.73 in 1972 to \$2.55 in 1980 for a compound growth rate trend of 18.8%.

Measures of Management

The financial control ratios utilized by this management, and, also, by investment analysts, and by our stockholders to gauge corporate performance all remain within satisfactory operating standards. Further information supporting and supplementing these conclusions can be found in the financial highlights, the 10-year financial review included herein, and the following table:

Income Statement Items	Continuing Operations	
	1980	1979
Gross profit—% of revenue	25.4%	23.4%
Selling and administrative expense—% of revenue	13.6%	12.0%
Net income—% of revenue	7.2%	6.1%
Net income—% of average assets employed	10.4%	10.7%
Balance Sheet Items		
Asset turnover	1.44	1.74
Average inventory—% of revenue	16.4%	15.1%
Average accounts receivable—% of revenue	12.5%	11.4%

Even in a recessionary environment, our profit margins exceeded those of the preceding year. Unfortunately, our lower revenues were not matched by a corresponding decline in our inventories and accounts receivables. The lower capital turnover, therefore, resulted in a slightly reduced return on net assets despite the increased profit margin. However, it continues to exceed Bliss & Laughlin's average long-term goal of 10 percent.

As you will note, Bliss & Laughlin ended the year with a very strong balance sheet with a current ratio of 3.1 to 1.0 and a debt to equity ratio of 0.31 to 1.0.

Operational Controls and Effective Planning Preserved Profit Margins

During a cyclical downturn an imaginative and effective management becomes defensive by controlling its cost of operations and aggressive in exploiting the opportunities offered by its balance sheet. Consequently, at the time of my letter to the stockholders last year, the Company had already incorporated into its 1980 Plans predetermined cost and

operational reduction programs. These were promptly introduced at various levels of reduced revenue, in those operating Divisions adversely affected by economic deterioration—and constituted the mainstay of Bliss & Laughlin's operational control.

Moreover, during latter 1979, the corporate staff developed a two-project program to increase the sales of land and to promote aggressively the advantages inherent in the high liquidity of the Company's balance sheet by effective use of the short-term money markets and by longer term investments in corporate securities. As detailed in the management's discussion and analysis of continuing operations section of this report, both of these objectives were successfully accomplished.

This combination of judicious application of the downturn plans, the sale of land, and the inauguration of the investment program all contributed, along with the operating groups, to another very successful year.



Stock Investment Program

Early in 1980, the Company commenced a program to invest some of the cash not then needed for operations in a small number of carefully selected public companies. One of these investments, the purchase of approximately 9.5 percent, or 245,500 shares, of the common stock of Kirsch Company, headquartered in Sturgis, Michigan, was made in the first half of 1980.

After the filing by Bliss & Laughlin of the necessary governmental documents disclosing its purchases, Kirsch commenced an action in the United States District Court in Michigan alleging certain misstatements and nondisclosures

in Bliss & Laughlin's filings. At the time of this letter, this litigation is continuing to progress through the court, and Bliss & Laughlin is preliminarily enjoined from additional purchases of Kirsch stock. However, in the interim, Kirsch Company has announced an intention to conclude a cash merger with Cooper Industries Inc. of Dallas, Texas, which would, if consummated, provide to your Company a significant gain on the common stock investment in Kirsch.

All Operating Groups Contributed to 1980 Profits

The operating groups continued to make significant income contributions despite the high rate of inflation, the recession, and difficult markets in which many Divisions competed during 1980. As described in more detail on page 29, operating groups contributed the following percentages to total corporate operating income:

Construction Tools	50.9 percent;
Metal Products	22.0 percent;
Steel	7.2 percent.

Another "Niche" Business Acquisition

Consistent with the Bliss & Laughlin strategy of investing in and developing selected niche businesses, the Company, in December 1980, acquired the business and assets of Amprix Electronics, Inc. in Dallas, Texas, for \$7,151,000. This company designs and builds electronic components and products for automobile companies and the automotive aftermarkets. Amprix, a leading supplier of electronic ignition parts and voltage regulators, provides Bliss & Laughlin with an entry into a new business area—one with excellent growth potential but one which also utilizes business and operational techniques and processes with which your management is comfortable. Amprix has the prospect for internal product development and represents the potential to be the cornerstone for further acquisitions. It is anticipated that Amprix will provide a contribution to the continued earnings growth of the Company.

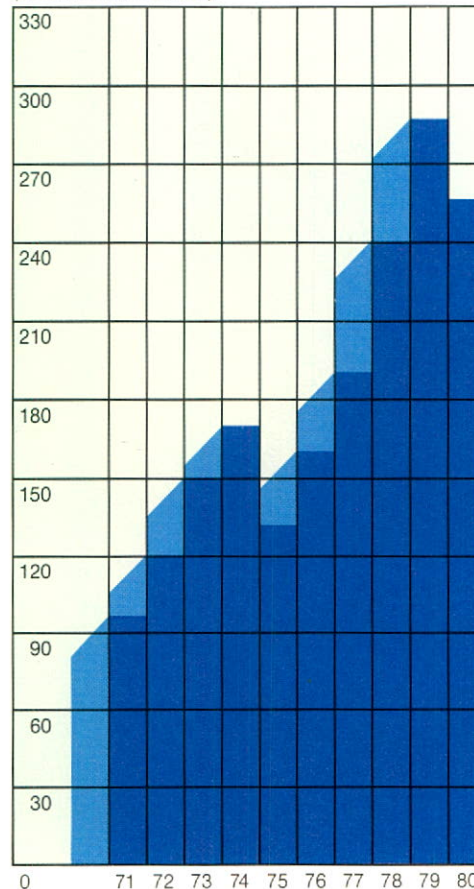
Revenues have increased 114% since 1972 to \$257 million, with businesses acquired since 1972 contributing 30.6% of this growth.

Dividends Paid Per Share

Since 1972 the dividend rate has increased 150%, with our stockholders now enjoying an annual average yield of 6.5% per year.

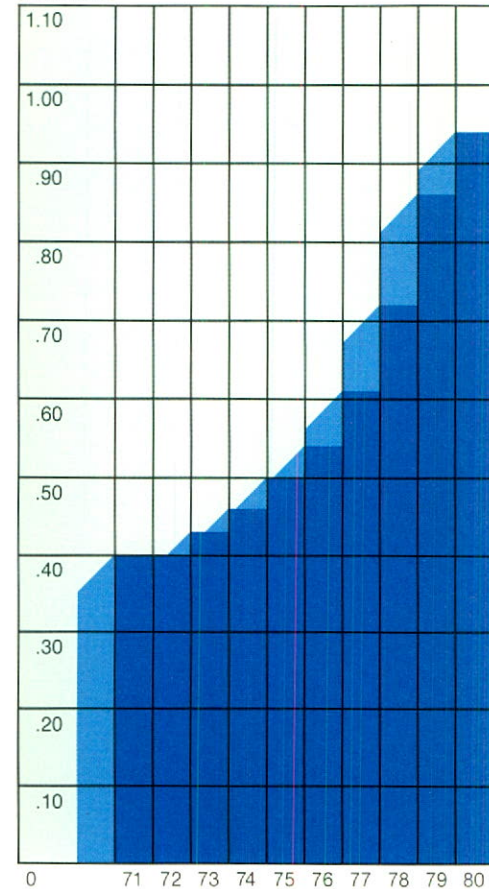
Revenues

(in millions of dollars)



Dividends Paid Per Share

(in dollars)



- In the same period:
- stockholders have had the number of their shares more than doubled through stock dividends and distributions.
 - the market value of these holdings has increased 115%.
 - the compound annual rate of total return (price appreciation plus dividend yield) has been 13.7%.

Corporate Planning

I encourage you to read the following case study relative to the long-term strategies initiated in 1961 by Bliss & Laughlin. At that time, the Board of Directors recognized the limited future prospects for the cold-finished steel bar business, as compared to the potential inherent in other concerns and products. Based on various conceptualized strategies the Company has acquired 39 enterprises and product lines over the past 20 years.

This planning concept requires a management that is fully cognizant of how the various Groups of the Company interface with the multiple segments of an ever-changing economy. The necessary techniques and knowledge compose the cornerstone for strategic planning and its execution.

This process was especially needed at Bliss & Laughlin where the Company has had to accommodate diverse business entities, widely dispersed over the geography of the United States, with a very small corporate staff. The implementation of these concepts has been

the foundation of Bliss & Laughlin's planned progress and will continue to be emphasized in the future. Growth has been balanced between internal development and carefully analyzed acquisitions. In the future, the management will continue to devote attention to acquiring businesses that provide an opportunity to exploit the management expertise, manufacturing know-how, and marketing capabilities of the Company.

Outlook for 1981

Our 1981 operating plans reflect an economic scenario developed in September 1980, as outlined below:

GNP Real Growth	1.5%
FRB Index—Total	150
Construction Component	150
Domestic Auto Shipments —Mil.	7.0
Housing Starts—Mil.	1.5
U. S. Steel Tons Shipped—Mil.	87.0

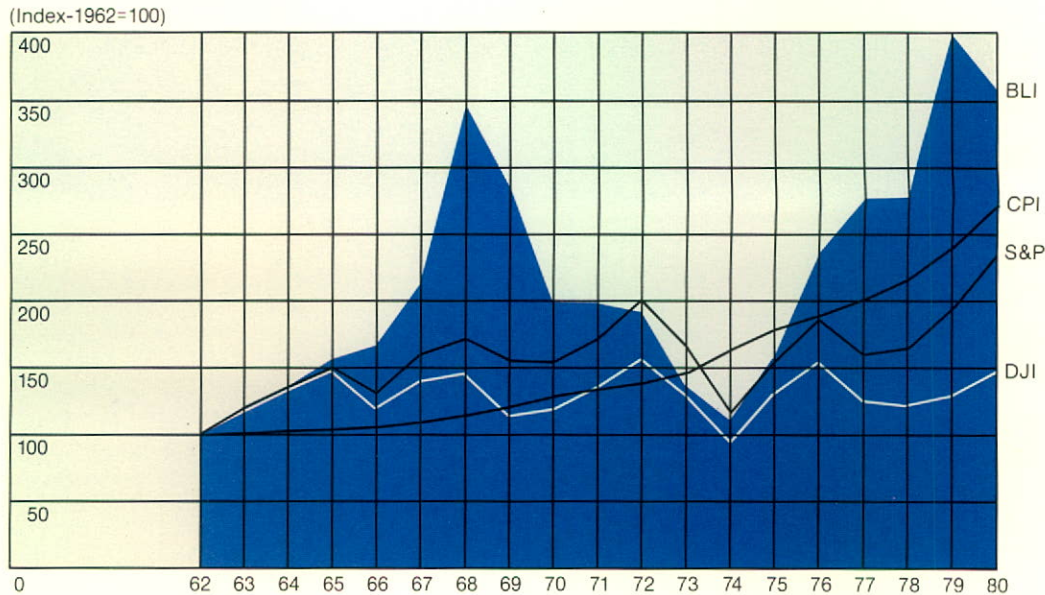
As this report is being completed, the country is in the early stage of a new political administration which seems to represent a very basic change in the attitudes of the American people. The degree of success of the efforts of our

elected representatives to rehabilitate the economic health of the Nation is currently unknown. However, your Company's performance under the difficult atmosphere of 1980 should be a positive harbinger for 1981.

Within this context, and assuming the above economic profile, our Operating Plan challenges your management to produce its tenth consecutive year of earnings increase from continuing operations. If we are not blessed with the business upturn, as indicated by the above economic statistics, we will again, as in 1980, apply our best ability, flexibility and aggressiveness to other endeavors in order to accomplish this goal.

E.T. Collinsworth, Jr.
President and Chief Executive Officer

Bliss & Laughlin Stock Price Comparison (1962-1980)



Using 1962 as a base year, the Bliss & Laughlin stock price has outperformed the Dow Jones Industrial Average by 142%, the Consumer Price Index by 31%, and the Standard & Poor's year-end stock price average by 53%.

The Diversification of Bliss & Laughlin Industries —A Case Study—

“Bliss & Laughlin Industries, by a planned conceptual process, deliberately evolved into its current structure.”

Prologue

Annual reports, all too often, present only a snapshot of an organization and its operations at a particular and arbitrary moment—usually the end of the prior calendar year. But, corporations are dynamic. Consequently, to offer you a longer term perspective, this year’s annual report presents a case study of how Bliss & Laughlin Industries, by a planned conceptual process, deliberately evolved into its current structure.

Diversification Decision

Organized as a private partnership in 1891, Bliss & Laughlin registered as a company in the State of Delaware on December 24, 1919 and assumed its position as a public company with a single product line of cold-finished steel bars.

By 1961 the Board of Directors concluded that deteriorating and cyclical profit margin trends would eventually make it impossible for the Company’s stockholders to continue to receive a satisfactory return on their investment. The Board, therefore, made two fundamental and farsighted decisions: first, to expand Bliss & Laughlin into new areas of operations; and second, to elect new Board members possessing the policy expertise required to accomplish this objective. In retrospect, this deliberately executed break with the past constituted a major watershed decision for the Company. (Note graphic presentation on page 9 of Steel Group earnings as contrasted with acquired businesses.)

The Development of A Diversification Policy

In 1962 the Board of Directors created a Diversification Committee which developed the following guidelines: (1) The Company would pursue

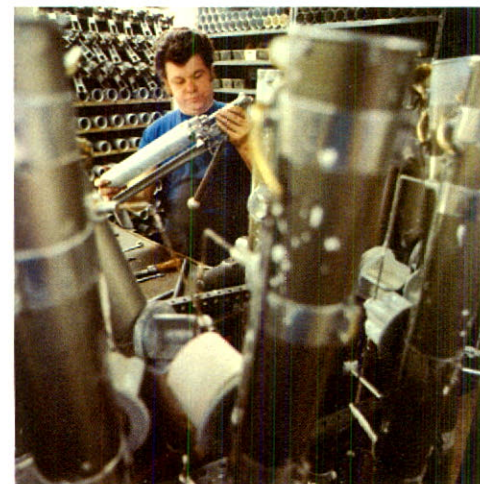
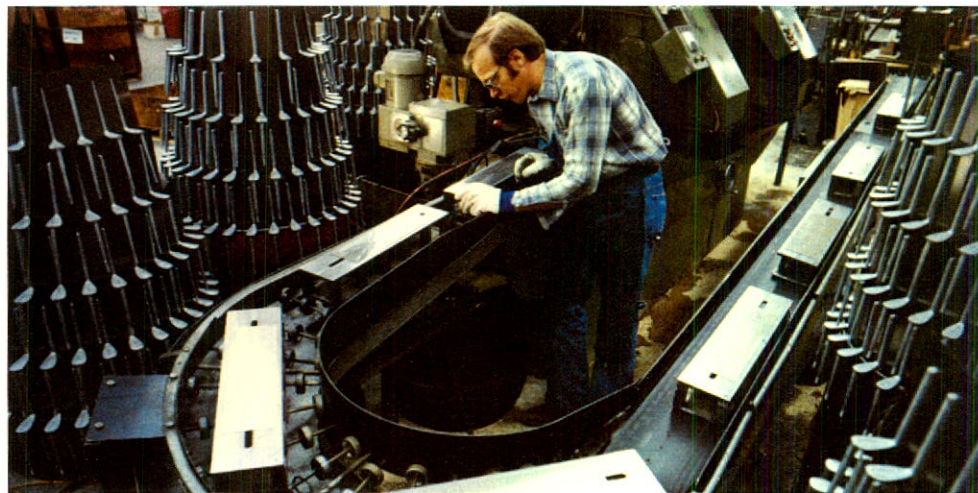
Page 6, Top: Blades on Goldblatt’s cement and plastering trowels are ground smooth before finishing. Special care in finishing the working surface of trowel blades sustains Goldblatt’s acknowledged reputation for the highest quality.

Page 6, Bottom Left: The Faultless Division and the Faultless-Doerner subsidiary design and manufacture casters, chair bases and controls for the office and furniture markets.

Page 6, Bottom Right: For optimum tradesman proficiency, trained technicians regularly service Ames’ laborsaving taping and finishing tools used in drywall construction. Established superiority in the manufacture, rental, and service of these tools has received worldwide recognition by contractors and tradesmen in the construction field.

Page 7, Left: Nestaway’s Nestaflex Portable Conveyors provide fast and economical methods to load and unload truck trailers without using a platform or dock, thus, facilitating stock movement and reducing handling costs.

Page 7, Right: Six hundred-pound rolls of special quality paper are slit, perforated, and rewound into two and one-half pound rolls of Marco drywall tape for convenience of tape applicators in joining gypsum wallboard.



acquisitions but avoid bidding excessive prices for known "growth industry" enterprises. (2) Initial acquisitions would be cash purchases of smaller companies to preserve a strong balance sheet and financial strength. (3) Emphasis would be placed on growth segments within "non-glamorous" industries. (4) All prospects would hold a significant position in a "niche" market.

Within this framework the following conceptual two-part acquisition policy was developed:

Part I:
Assuming that the cost of labor would increase faster in the construction industry than other segments of the economy, it was selected as the initial target. Moreover, recognizing that the high content of labor involved the "joining of things," the Company sought prospects that improved productivity in "joining" components in the construction industry.

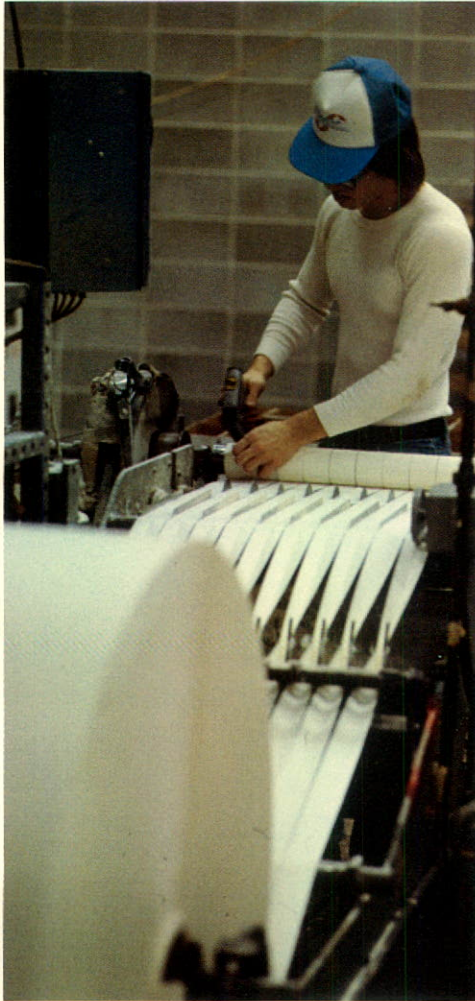
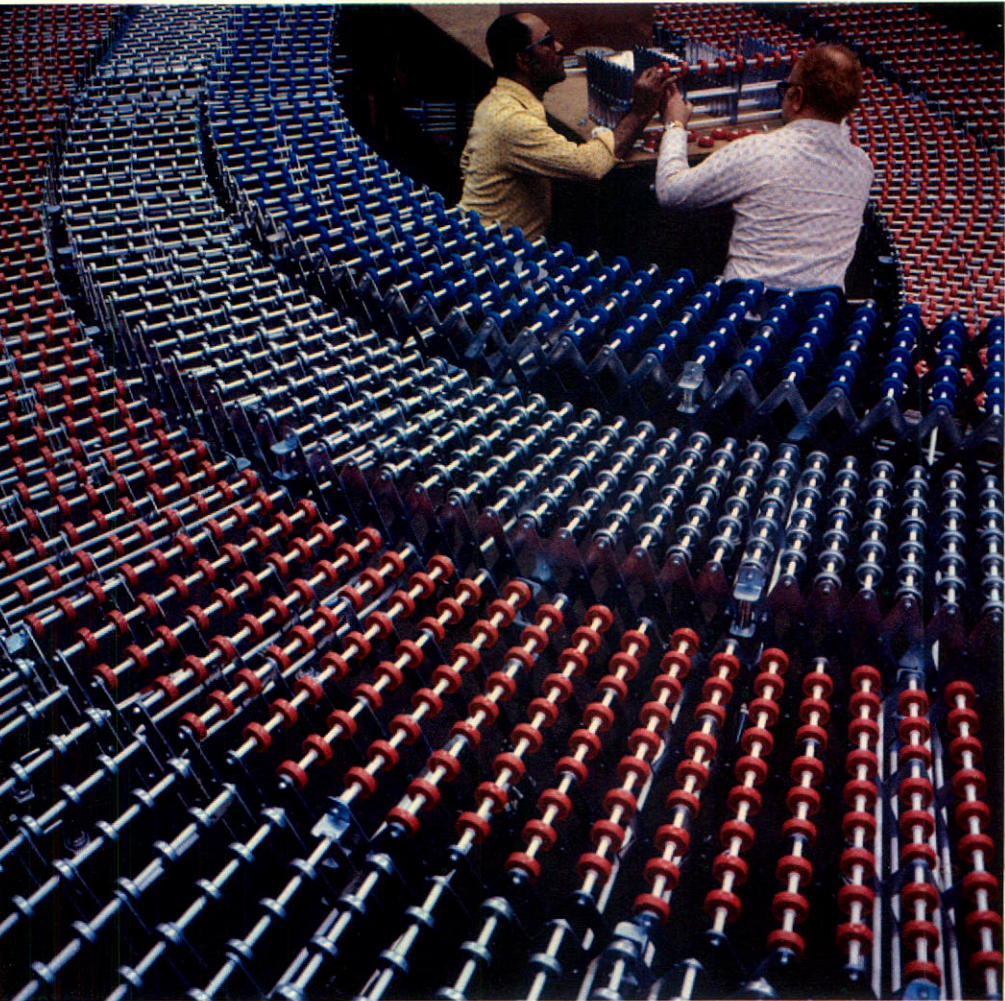
Part II:
Bliss & Laughlin, with its metallurgical experience, would pinpoint acquisitions whose product capabilities involved metal fabricating.

Execution of the Policy

The first acquisition, concluded in 1962, involved the Ames Taping Tool Systems Co. Ames perfectly fit Part I of the policy. It stood as the market leader in its field—the manufacture, rental and service of drywall taping tools, which were labor efficient devices used in the "joining" of gypsum wallboard. Also, it served a select and discrete portion of the construction market. Ames has remained less sensitive to recession than many other suppliers of construction tools and equipment.

In 1965 the Company, recognizing its changing character, became "Bliss & Laughlin Industries Incorporated." In February of that year, inaugurating Part II of the acquisition policy, the initial building block of the Metal Products Group was laid with the acquisition of the Faultless Caster Division. Later in the year the Sphinx Manufacturing Company, a producer of chair glide products was acquired and folded into Faultless. Frank Doerner & Sons Ltd. of Waterloo, Ontario, Canada's largest producer of chair bases and controls, was purchased in August.

In April of the same year Bliss & Laughlin, in further development of Part I of its acquisition policy, added a second facet to its Construction Tools Group—Goldblatt Tool Co. Goldblatt, the leading manufacturer and distributor of hand tools to the construction trowel trades ("joining of things"), was expanded by Bliss & Laughlin with the subsequent addition



“The Company sought prospects that improved productivity in ‘joining’ components in the construction industry.”

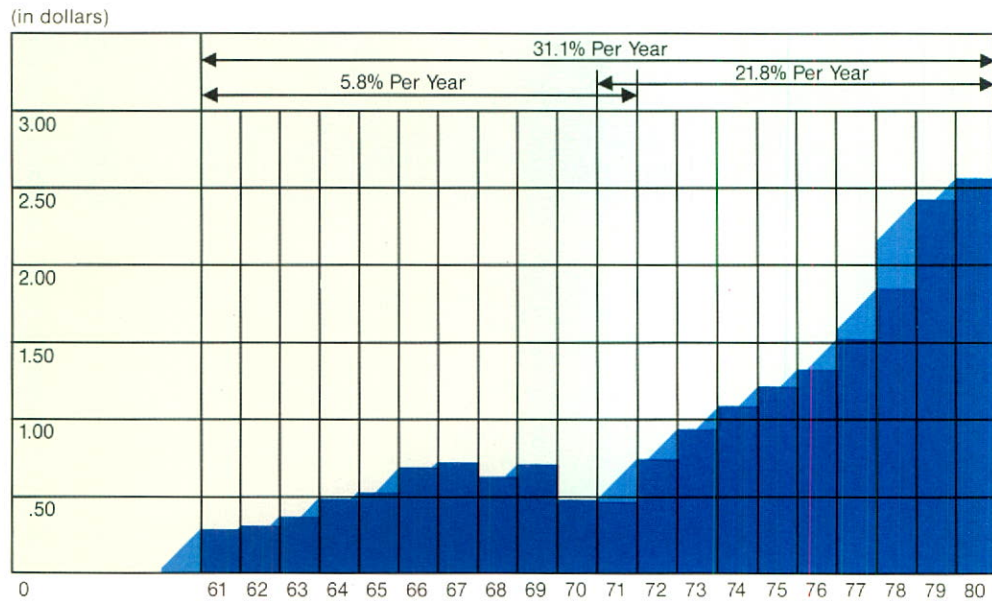
of product lines and labor efficient powered equipment, such as mortar mixers and power trowels. An important facet of its success was its mail order catalog expertise, which in 1974 was conceptually utilized in an expanded scope as will be explained later.

In 1966, five years after diversification began, Bliss & Laughlin’s steel operation was still a healthy and profitable part of the Company; however, by then it accounted for only about 50 percent of the total corporate net income. Corporate revenue had more than doubled and net income had more than tripled. The majority of the nine-member Board of Directors were not present five years earlier. Most importantly, the Company was evolving into a dynamic and growing enterprise.

Early in 1966 Waco Scaffold and Shoring Co. (another laborsaving product) was added to the Construction Tools Group. Waco produced scaffolding and shoring for sale and for the rental market and, through its investment in Andamios Atlas, S. A., participated in the growing Mexican construction market. With this addition Bliss & Laughlin benefited from the major highway, commercial, and industrial building boom of the late nineteen sixties and early seventies.

After a period of consolidation another series of purchases was concluded in 1968 and 1969. Marco Paper Products Co., a principal producer of drywall tape for gypsum wallboard (“joining of things”), was added to the Construction Tools Group. During this period Bliss & Laughlin’s Metal Products Group was particularly strengthened by the purchase of Tekform Products Co. and the Nestaway Division.

Earnings Trends in Fully Diluted Earnings Per Share (1961-1980)



The growth trend of fully diluted earnings per share has been 21.8% since 1972 and 31.1% since Bliss & Laughlin’s decision to diversify in 1961. The actual compound growth rates of fully diluted earnings per share have been 21.0% from 1972 and 12.3% from 1961.

By 1969 the management of Bliss & Laughlin felt sufficiently comfortable with serving the builders and suppliers to the "shelter market" that an additional diversification concept was presented to the Board and implemented. The Company would enter into the business of being able to present to the builder a package, consisting of raw land developed for the wholesale market together with a source for financing.

This concept was accepted by the Board, with the following restrictive policy guidelines: (1) The parcels of purchased land would be (a) geographically dispersed, and (b) developed for different end uses, such as second homes, retirement homes, and industrial parks. (2) Conservative accounting procedures would be observed in the control of this new profit center. Within this context, management purchased parcels of land and the National Security Bank of Chicago.

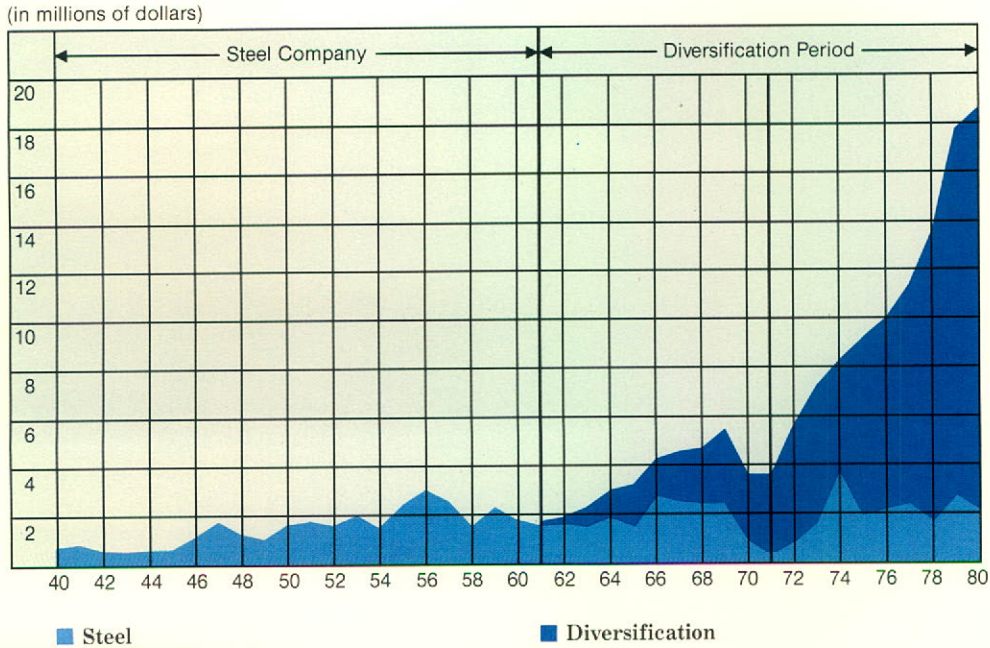
In 1970 and 1971 the Company experienced a weakening national economy, some prolonged strikes, and a sales and earnings decline. It was apparent that the tasks confronting the Company were totally different from those facing a one-product company ten years earlier in 1961.

While the sixties proved to be a period of successful acquisition and diversification at Bliss & Laughlin, the Board believed the future direction of the Company would require further expansion but, just as importantly, would demand a refinement of the Company's planning and control systems. To meet these new and varied challenges and to infuse new points of view, Bliss & Laughlin's Board of Directors, in late 1971, turned to a new management which, it felt, would be equipped to meet the tasks of the next ten years.

1972—New Strategic Concepts

The new management recognized that, as a result of the Board's previous policy directions, Bliss & Laughlin's niche businesses held significant market positions in small market segments serving larger industries. As a result, if plans were cogently developed and scrupulously but flexibly implemented, the Company could to a large extent limit the effect of the cyclical economic fluctuations of these larger industries and outperform them. To accomplish this Bliss & Laughlin commenced to manage its businesses as a portfolio of assets with the more mature assets generating cash that would be used in the acquisition, development and nurturing of the faster growing segments of the Company. Toward this end, management formalized key long-range operational standards and financial objectives.

Net Income from Continuing Operations/Steel Group and Total Company



“To accomplish these objectives, new internal controls and forecasting systems were installed. Plans for optimum utilization of the balance sheet were also formulated.”

To accomplish these objectives, new internal controls and forecasting systems were installed. Plans for optimum utilization of the balance sheet were also formulated.

These disciplines and controls were also designed to serve Bliss & Laughlin in times of an economic downturn. Thus, the Company developed specific economic game plans with automatic “trigger points” to conserve profits as markets and economic conditions changed. These procedures proved their value in 1975 and 1980, when total revenues declined while net income actually increased, despite two of the severest recessions in post World War II history.

To coincide with the disciplines inherent in the above-described financial and operational strategy, management concluded that:

1. It should develop a long-term plan to profitably disengage itself from the land business in that the Bank Holding Act had required the Company to divest itself of The National Security Bank of Chicago, which was one of the key elements initiating the strategy for the Land Development Program.
2. It should divest itself of the Waco Scaffolding Division (after optimizing its potentially large cash throw off), because detrimental long-term trends were becoming evident relative to the markets for that Division’s products.

The management also recommended to the Board a new policy regarding further diversification opportunities, i.e., continued increases in future earnings growth would be derived from two new strategic concepts:

Page 10: In addition to assembled kits of high-quality tools for field service engineers, Jensen continually offers new and innovative product ideas to meet the growing requirements of skilled electro/mechanical and electronic technicians.

Page 11, Left: Direct Safety Company, through its catalogs, supplies various products and accessories designed to meet the safety standards established by industrial users and governmental agencies.

Page 11, Top Right: Packages for advanced microelectronic circuits are produced by Tekform to satisfy tight specifications in defense, instrumentation, medical and industrial applications. These uses require strong, airtight packages to protect the circuits from contamination by conditions in operating environments.

Page 11, Bottom Right: Two examples of Markson’s vast line of scientific and laboratory equipment include Markson’s exclusive SelectroMark™ analyzers and spectrophotometer cells.



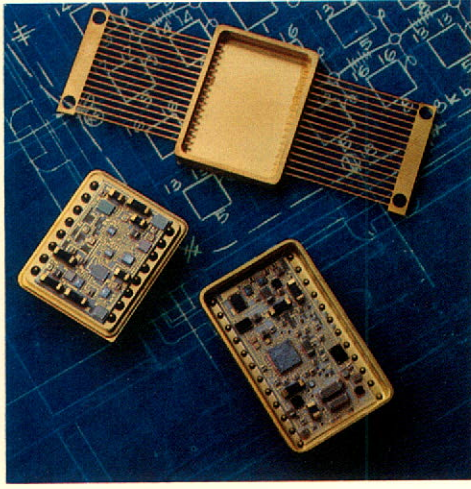
Chart, Page 11:

Productivity, as measured by net corporate income per employee, has sharply improved by 181%, from \$2,046 in 1972 to \$5,749 last year.

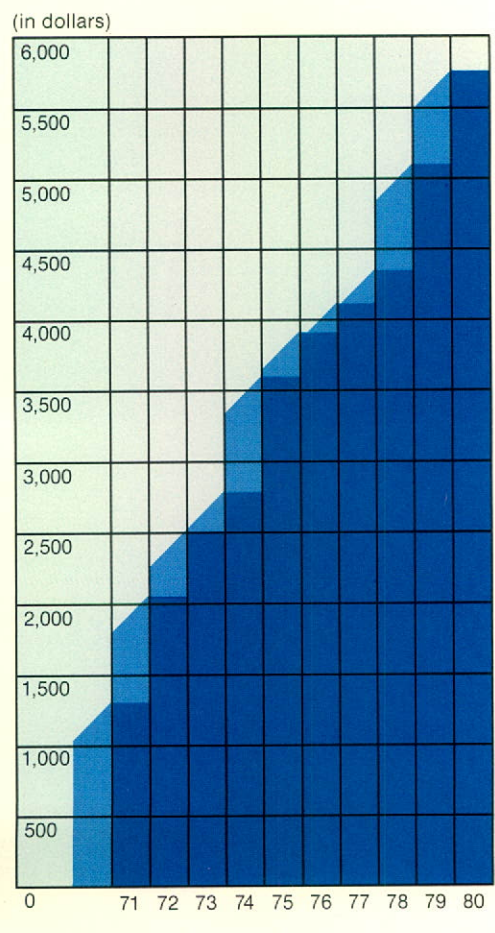
1. Internally, increased earnings growth would be created by improving the long-term gross margin of the Metal Products Group; and
2. Externally, the acquisition program would be directed toward the creation of one or two new Groups:
 - a. A Group to be built upon the hypothesis that an expected rapid increase in the cost of marketing industrial products through field salesmen would continue and that an increasing number of products, therefore, could be more effectively marketed by catalog; and
 - b. A new Group to interface with an, as yet, undetermined major segment of the U. S. economy; such as, defense or the automotive aftermarket.

To implement the second concept, Jensen Tools Inc. was acquired in 1974. Since then Jensen has become the major catalog marketer of tools and tool kits used by electronic service technicians and precision mechanics. Markson Science, Inc., a catalog marketer of scientific and laboratory equipment and supplies, was added in 1975, and Direct Safety Company was created in 1976 by the Goldblatt Division in anticipation of the growing market for safety products created by government regulation and industrial demand.

The extremely rapid growth of earnings from this new activity has decisively proved the validity of the underlying conceptual strategy. It has also contributed greatly to Bliss & Laughlin's record of nine consecutive years of growth in earnings from continuing operations.



Net Income Per Employee (Productivity)



“This strategy has produced a 10-year earnings growth trend of 20.5% and a 9-year dividend rate increase of 150%.”

To accomplish the other conceptual strategy, i.e., to increase the gross margin of the Metal Products Group, the divisional management was reorganized, and planning and control techniques installed, resulting in increased earnings growth. This Group was further strengthened with the acquisition of the Dave Fischbein Co. in 1978 and the Metalart Buckle Co. in 1979.

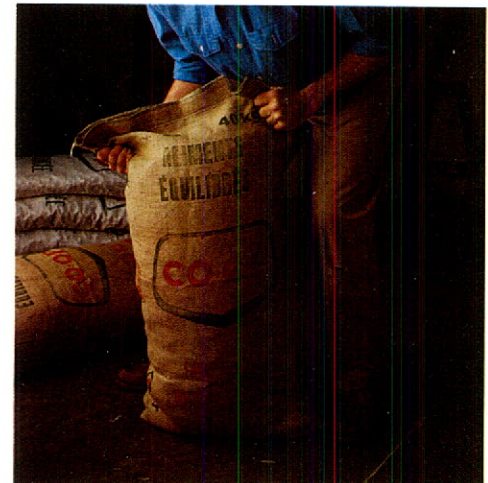
Through these strategically planned diversification efforts over the past twenty years, our Directors, management and employees have created a dynamic Company which, during the last ten years, has produced an earnings growth trend from continuing operations of 20.5 percent, with all financial criteria being achieved, so that the dividend rate could be increased over the last nine years by a total of 150 percent.

The execution of the new acquisition policy, established in 1972, was continued in December of 1980 when Bliss & Laughlin announced the acquisition of Amprix Electronics, Inc. in Dallas, Texas. Amprix is a leading supplier of electronic ignition parts and voltage regulators for the automotive aftermarket and may form the basis of a “new” Group.

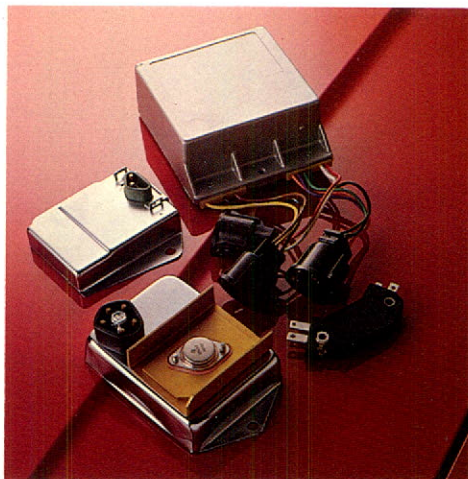
Page 12, Top Left: Bliss & Laughlin's new surface combustion roller hearth furnace, equipped with the latest in atmospheric and temperature control devices, provides uniform hardness, enhanced machinability, and improved response to quench or temper heat treatment of fabricated parts.



Page 12, Top Right: Dave Fischbein bag-closing equipment is being distributed on an international basis to assist in meeting the world's ever-increasing need for packaged products.



Page 12, Bottom Left: Amprix designs and builds electronic components and provides products to the automotive aftermarket. It is a leading supplier of replacement electronic ignition parts and voltage regulators.



Page 12, Bottom Right: Metalart Buckle Co. supplies artistic creations in buckles, belts, and other metal accessories to the very competitive and fast-changing fashion industry.



Management's Discussion and Analysis of Continuing Operations

(Refer to page 29. Line of Business Information)

Financial Condition—The financial condition of the Company at the end of 1980 remains strong. With over \$20,000,000 in cash and marketable securities, the Company is capable of meeting all internal short-term needs for fixed and working capital and continuing its successful acquisition program.

The strength of our short- and long-term liquidity is best illustrated by the following table:

	1980	1979	1978
Short-term:			
Current ratio (current assets ÷ current liabilities)	3.1	3.0	3.7
Accounts turnover	4.4	5.2	4.7
Accounts receivable turnover	8.1	9.5	9.9
Long-term:			
Interest coverage (pre-tax)	12.3x	13.6x	10.3x
Total debt/equity	31%	32%	39%

In 1980 cash decreased by \$19,000,000. Three major uses of cash, amounting to \$26,000,000, were partially offset by changes in working capital. First, early in 1980 the Company began purchasing equities of other companies for investment purposes. Slightly less than \$10,000,000 has been expended as of the end of the year. The Company intends to continue this program and expects to profit from it via dividends and potential price appreciation. Second, on December 5, 1980 the Company purchased the assets of Amprix Electronics, Inc. for \$7,151,000. Third, on December 12, 1980 the Company repurchased approximately 7.4% of its outstanding shares for \$9,072,000. As part of the repurchase agreement, the Seller and its affiliates agreed not to acquire any stock of the Company for a period of two and one-half years.

In 1979 cash increased by \$23,000,000, primarily because of the sale of the Waco Division and an increase in current liabilities of \$16,000,000.

At present the Company has outstanding only a minor line of credit. With a strong balance sheet and excellent liquidity, no additional borrowing is currently required or anticipated, nor is any equity financing planned. Should a major acquisition be attempted, additional outside financing may be needed.

There are no material commitments for capital expenditures. All of the Company's divisions have adequate capacity to satisfy expected sales growth.

Operating Results Summary—Net income from continuing operations in 1980 was an all-time record for the ninth consecutive year. This was achieved in the face of runaway inflation, erratic monetary policies, and a drastic reduction in housing starts. Revenues and pre-tax income from the three operating groups—Steel, Metal Products and Construction Tools—were lower than prior year. Pre-tax income from nonoperating sources—land sales, interest income, dividend income and capital gains—increased substantially over 1979 and pushed total pre-tax income to a new record level.

Steel Group—The Steel Group suffered the largest decline in revenues and pre-tax income of the three operating groups, despite price increases which were achieved during the year. Net revenues were off 29%, while tons shipped dropped 36% compared to prior year as the entire industry endured a virtual depression.

A two-month strike at the group's main plant at Harvey, Illinois, also contributed to the revenue decline. Pre-tax income from the Steel Group declined 55%, reflecting the lower volume noted above, the high fixed costs of this business and raw material cost increases.

During 1980, in concert with the sales decline, the Steel Group management was able to decrease inventories by 22%. As the Steel Group is on the LIFO method of accounting for inventories, this inventory reduction resulted in pre-tax profits being favorably affected by approximately \$2,000,000.

Metal Products Group—The Metal Products Group has seven operating divisions. Combined revenues declined 2% in 1980, while pre-tax income declined 31%. Three of the seven divisions showed increases in revenues: Faultless-Doerner, Fischbein and Tekform. Revenue declines at the other divisions were modest. The primary reason for the group's decline in pre-tax income was a \$1,200,000 loss at the Faultless-Doerner Division. This loss was caused by an adjustment to inventory. Remedial measures are in place at this division. Pre-tax income at the Faultless Division held up very well, because the office furniture market did not suffer as severe a decline as did other sectors of its market.

Construction Tools Group—The Construction Tools Group has five operating divisions. Two divisions, Ames and Goldblatt, are heavily influenced by the construction industry. Three divisions, Jensen, Markson and Direct Safety, are mail media marketers and more responsive to inflation and levels of disposable income.

Revenues declined 5% and pre-tax income declined 14% for the group as a whole. These declines affected every division except Jensen. The largest declines in revenues and pre-tax income occurred at Ames and Goldblatt in response to the sharply lower housing starts.

Corporate and Other—Interest expense increased slightly but was more than offset by higher interest income. The higher interest income was a result of higher average cash balances which were invested at favorable rates of interest. This positive interest effect contributed \$1,700,000 to pre-tax income in 1980 versus \$500,000 in 1979.

The investments in equities of other companies, a new program in 1980, resulted in pre-tax income of approximately \$1,500,000 from dividends and capital gains in 1980.

There were substantial and highly profitable land sales in 1980 which contributed more than \$6,500,000 to pre-tax income. The program to liquidate the land holdings, initiated in 1976, will continue.

Taxes—Income before taxes increased 0.2% in 1980, while income after taxes increased 4.7%. The variance is due to a lower effective tax rate in 1980, 45.9% versus 48.2% in 1979. The lower tax rate in 1980 was primarily a result of higher capital gains benefits.

Inflation—The Company currently is not required to disclose the effects of changing prices upon operations as specified under SFAS 33 and has elected not to do so as meaningful disclosures are believed to be still in the developmental stage. In the future the Company fully intends to comply with required meaningful changing price disclosures.

Obviously, inflation impacts the Company. Pricing action is taken to protect profit margins and internal control systems are in place to allocate resources to achieve the highest potential return.

During 1980 the Company was able to offset cost increases with price increases. Lower volume at many divisions was the primary cause of the reduction in revenues and pre-tax profits.

Ten-Year Financial Review (a)

	1980(b)	1979(b)	1978(b)
Operating Results (in thousands)			
Net revenues	\$256,559	\$287,492	\$240,472
Gross profit	65,146	67,400	57,363
Depreciation and amortization	5,222	4,527	3,510
Interest expense	3,043	2,701	2,894
Income from continuing operations before income taxes	34,237	34,137	26,852
Provision for income taxes	15,727	16,457	13,309
Income from continuing operations	18,510	17,680	13,543
Income (Loss) from discontinued operations (c)	—	2,314	(87)
Net income	18,510	19,994	13,456
Cash dividends	6,768	6,206	5,157
Per Share Data			
Per fully diluted share:			
Income from continuing operations	\$ 2.55	\$ 2.41	\$ 1.84
Income (Loss) from discontinued operations	—	.32	(.01)
Net income	2.55	2.73	1.83
Per primary share:			
Income from continuing operations	\$ 2.58	\$ 2.45	\$ 1.90
Income (Loss) from discontinued operations	—	.33	(.02)
Net income	2.58	2.78	1.88
Dividends paid94	.86	.72
Financial Position (in thousands)			
Working capital	\$ 66,910	\$ 80,148	\$ 64,802
Plant and equipment, net	47,066	40,934	40,587
Long-term notes payable	28,039	28,534	29,550
Mortgage loans	1,266	1,577	2,278
Convertible subordinated debentures	726	889	1,617
Stockholders' equity	107,185	104,884	90,871
Total assets	174,894	181,851	153,856
Statistics			
Average primary shares outstanding (in thousands)	7,163	7,202	7,144
Number of stockholders	6,481(d)	6,486	6,789
Number of employees	3,219	3,465	3,112

(a) Restated to report separately discontinued operations resulting from the sale of the Waco Division in 1979.

(b) See page 13 for management's discussion and analysis of continuing operations.

(c) Includes loss on refinancing of debt in 1972.

(d) Stockholders of record at November 14, 1980.

1977	1976	1975	1974	1973	1972	1971
\$189,816	\$159,117	\$131,718	\$168,989	\$149,640	\$120,023	\$ 95,976
45,474	37,560	33,110	38,856	32,457	27,102	20,474
2,617	2,174	2,170	2,346	2,411	2,397	2,265
2,759	2,427	2,040	2,738	2,185	2,156	2,378
21,881	18,142	17,049	16,183	13,993	10,824	6,182
10,554	8,243	7,986	8,015	6,838	5,215	2,719
11,327	9,899	9,063	8,168	7,155	5,609	3,463
(114)	213	458	1,198	1,050	469	1,277
11,213	10,112	9,521	9,366	8,205	6,078	4,740
4,339	3,766	3,400	3,216	3,055	2,853	2,838
\$ 1.51	\$ 1.32	\$ 1.21	\$ 1.08	\$.93	\$.73	\$.46
(.02)	.03	.06	.16	.14	.06	.16
1.49	1.35	1.27	1.24	1.07	.79	.62
\$ 1.59	\$ 1.43	\$ 1.33	\$ 1.18	\$ 1.02	\$.80	\$.49
(.02)	.03	.07	.18	.15	.06	.19
1.57	1.46	1.40	1.36	1.17	.86	.68
.61	.54	.50	.46	.43	.40	.40
\$ 64,271	\$ 59,380	\$ 50,142	\$ 36,502	\$ 40,085	\$ 33,611	\$ 26,579
32,706	28,001	26,327	26,869	26,697	27,839	28,520
28,288	24,566	21,906	12,966	18,914	18,089	13,763
2,778	3,334	4,120	5,191	8,939	11,017	11,244
2,731	5,075	7,016	7,141	7,141	7,141	7,735
83,589	75,691	67,701	61,786	56,614	52,144	48,610
141,346	129,364	119,934	111,829	112,964	108,285	101,062
7,130	6,918	6,806	6,898	7,041	7,050	7,013
6,571	6,535	6,715	6,491	6,339	6,141	6,246
2,753	2,526	2,539	2,934	2,854	2,741	2,652

Consolidated Balance Sheet
(in thousands)

December 31	<u>1980</u>	<u>1979</u>	<u>1978</u>
ASSETS			
Current Assets:			
Cash and marketable securities	\$ 20,651	\$ 40,045	\$ 17,256
Trade accounts receivable, less allowance for doubtful accounts of \$1,899, \$1,506 and \$1,363, respectively	31,085	32,180	28,329
Inventories	42,694	43,594	40,730
Prepaid expenses and deferred income tax benefits	<u>4,363</u>	<u>4,593</u>	<u>2,645</u>
Total current assets	<u>98,793</u>	<u>120,412</u>	<u>88,960</u>
Realty:			
Land and related costs	6,841	9,354	10,929
Receivables, deferred income tax benefits and other	<u>3,489</u>	<u>2,687</u>	<u>3,263</u>
Total realty assets	<u>10,330</u>	<u>12,041</u>	<u>14,192</u>
Plant and Equipment, at Cost:			
Land	2,239	1,924	2,007
Buildings	20,511	16,513	16,479
Machinery and equipment	55,186	50,292	45,111
Equipment leased to others	<u>2,834</u>	<u>3,046</u>	<u>15,158</u>
	80,770	71,775	78,755
Less: Accumulated depreciation	<u>33,704</u>	<u>30,841</u>	<u>38,168</u>
Net plant and equipment	<u>47,066</u>	<u>40,934</u>	<u>40,587</u>
Other Assets:			
Investments, notes receivable and deferred charges	11,244	1,175	1,451
Investments in and advances to affiliated companies	1,559	1,202	1,096
Intangible assets, at cost less accumulated amortization	<u>5,902</u>	<u>6,087</u>	<u>7,570</u>
Total other assets	<u>18,705</u>	<u>8,464</u>	<u>10,117</u>
Total Assets	<u>\$174,894</u>	<u>\$181,851</u>	<u>\$153,856</u>

The accompanying financial review is an integral part of this balance sheet.

	<u>1980</u>	<u>1979</u>	<u>1978</u>
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans	\$ 2,218	\$ 1,552	\$ 675
Current maturities of long-term debt	720	1,177	1,212
Accounts payable-trade	15,179	12,280	7,456
Customer deposits	2,193	2,450	2,406
Accrued liabilities—			
Salaries, wages and vacations	2,929	3,382	3,152
Insurance costs	2,050	2,561	1,174
Pension costs	1,998	2,435	2,356
Other	3,384	4,045	3,033
Income taxes	1,212	10,382	2,694
Total current liabilities	<u>31,883</u>	<u>40,264</u>	<u>24,158</u>
Realty:			
Mortgage loans	1,266	1,577	2,278
Other	419	496	385
Total realty liabilities	<u>1,685</u>	<u>2,073</u>	<u>2,663</u>
Non-Current Liabilities:			
Long-term debt, less current maturities	28,765	29,423	31,167
Deferred income taxes	2,162	1,509	2,622
Accrued pension and insurance costs, less current portion	3,214	3,698	2,375
Total non-current liabilities	<u>34,141</u>	<u>34,630</u>	<u>36,164</u>
Stockholders' Equity:			
Capital stock—			
Preferred stock, no par value; authorized 1,000,000 shares; no shares issued	—	—	—
Common stock, \$2.50 par value; authorized 10,000,000 shares; issued 7,966,000, 6,357,000 and 6,288,000 shares, respectively	19,917	15,894	15,721
Additional capital	47,714	30,208	29,615
Retained earnings	56,104	65,788	52,099
Treasury stock, at cost; 1,292,000, 582,000 and 561,000 shares, respectively	(16,550)	(7,006)	(6,564)
Total stockholders' equity	<u>107,185</u>	<u>104,884</u>	<u>90,871</u>
Total Liabilities & Stockholders' Equity	<u>\$174,894</u>	<u>\$181,851</u>	<u>\$153,856</u>

Consolidated Statement of Income

(in thousands, except per share amounts)

For the years ended December 31	<u>1980</u>	<u>1979</u>	<u>1978</u>
Net Revenues	\$256,559	\$287,492	\$240,472
Costs and Expenses:			
Cost of revenues	191,413	220,092	183,109
Selling, general and administrative expenses	34,883	34,384	28,719
Interest expense	3,043	2,701	2,894
Interest (income)	(4,779)	(3,235)	(1,232)
Other (income) expense, net	(2,238)	(587)	130
Total costs and expenses	<u>222,322</u>	<u>253,355</u>	<u>213,620</u>
Income From Continuing Operations Before Income Taxes	34,237	34,137	26,852
Provision For Income Taxes	<u>15,727</u>	<u>16,457</u>	<u>13,309</u>
Income From Continuing Operations	18,510	17,680	13,543
Discontinued Operations:			
Income (Loss) from discontinued operations, less applicable taxes of \$1,778 in 1979 and tax benefits of \$51 in 1978	<u>—</u>	<u>2,314</u>	<u>(87)</u>
Net Income	<u>\$ 18,510</u>	<u>\$ 19,994</u>	<u>\$ 13,456</u>
Fully Diluted Income Per Share:			
Continuing operations	\$ 2.55	\$ 2.41	\$ 1.84
Net income	\$ 2.55	\$ 2.73	\$ 1.83
Primary Income Per Share:			
Continuing operations	\$ 2.58	\$ 2.45	\$ 1.90
Net income	\$ 2.58	\$ 2.78	\$ 1.88
Average Primary Shares Outstanding	<u>7,163</u>	<u>7,202</u>	<u>7,144</u>

The accompanying financial review is an integral part of this statement.

Consolidated Statements of Additional Capital and Retained Earnings (in thousands)

For the years ended December 31	1980	1979	1978
Additional Capital:			
Balance at beginning of year	\$ 30,208	\$ 29,615	\$ 31,608
Add (Deduct):			
Par value transferred to common stock in payment of 25% common stock distribution	—	—	(3,119)
Excess of par value transferred to additional capital in payment of 25% common stock dividend	17,343	—	—
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion	117	548	866
Other, net	46	45	260
Balance at end of year	<u>\$ 47,714</u>	<u>\$ 30,208</u>	<u>\$ 29,615</u>
Retained Earnings:			
Balance at beginning of year	\$ 65,788	\$ 52,099	\$ 44,359
Add (Deduct):			
Net income	18,510	19,994	13,456
Cash dividends (\$.94 per share in 1980, \$.86 per share in 1979 and \$.72 per share in 1978)	(6,768)	(6,206)	(5,157)
Amount transferred to common stock and additional capital in payment of 25% common stock dividend	(21,321)	—	—
Excess of cost of treasury stock over proceeds of stock options exercised	(91)	(99)	(559)
Other, net	(14)	—	—
Balance at end of year	<u>\$ 56,104</u>	<u>\$ 65,788</u>	<u>\$ 52,099</u>

Consolidated Statements of Common Stocks and Treasury Stock (in thousands)

For the years ended December 31	1980		1979		1978	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock:						
Balance at beginning of year	6,357	\$15,894	6,288	\$15,721	4,946	\$12,365
Add: Stock issued for debenture conversion	20	45	69	173	95	237
Stock issued for 25% stock dividend/distribution	1,589	3,978	—	—	1,247	3,119
Balance at end of year	<u>7,966</u>	<u>\$19,917</u>	<u>6,357</u>	<u>\$15,894</u>	<u>6,288</u>	<u>\$15,721</u>
Treasury Stock:						
Balance at beginning of year	582	\$ 7,006	561	\$ 6,564	360	\$ 4,743
Add (Deduct):						
Treasury stock purchased	568	9,699	33	629	164	2,997
Stock issued for 25% stock dividend/distribution	151	—	—	—	112	—
Stock issued for stock options	(9)	(155)	(12)	(187)	(75)	(1,176)
Balance at end of year	<u>1,292</u>	<u>\$16,550</u>	<u>582</u>	<u>\$ 7,006</u>	<u>561</u>	<u>\$ 6,564</u>

The accompanying financial review is an integral part of these statements.

Consolidated Statement of Changes in Financial Position

(in thousands)

For the years ended December 31	1980	1979	1978
Sources of Working Capital:			
Income from continuing operations	\$ 18,510	\$17,680	\$13,543
Add (Deduct) items not affecting working capital:			
Depreciation and amortization	5,222	4,527	3,510
Equity in (earnings of) non-consolidated affiliates	(337)	(238)	(9)
Deferred income taxes, net	<u>1,016</u>	<u>1,357</u>	<u>1,179</u>
Working capital provided from continuing operations	24,411	23,326	18,223
Working capital provided from discontinued operations	<u>—</u>	<u>7,718</u>	<u>1,665</u>
Working capital provided from operations	24,411	31,044	19,888
Decrease in net realty assets	1,271	1,948	2,372
Increase in long-term debt	—	—	4,652
Subordinated debenture conversions	<u>163</u>	<u>728</u>	<u>1,114</u>
Total provided	<u>25,845</u>	<u>33,720</u>	<u>28,026</u>
Uses of Working Capital:			
Cash dividends	6,768	6,206	5,157
Investment in affiliated companies	20	(132)	(832)
Additions to plant and equipment, net of retirements	5,521	5,456	10,785
Working capital used for acquisition	5,509	3,657	2,939
Reduction of long-term debt	495	960	3,376
Subordinated debenture conversions	163	728	1,114
Decrease in non-current pension liability	484	645	700
Decrease in mortgage loans payable	311	701	500
Treasury stock purchases	9,699	629	2,997
Increase in investments, notes receivable and deferred charges	10,069	—	—
Other, net	<u>44</u>	<u>(476)</u>	<u>760</u>
Total used	<u>39,083</u>	<u>18,374</u>	<u>27,496</u>
Increase (Decrease) in working capital	<u>\$(13,238)</u>	<u>\$15,346</u>	<u>\$ 530</u>
Changes Consist of Increase (Decrease) in:			
Cash and marketable securities	\$(19,394)	\$22,789	\$ (5,291)
Receivables, net	(1,095)	3,851	8,211
Inventories	(900)	2,864	3,216
Prepaid expenses and deferred income tax benefits	<u>(230)</u>	<u>1,948</u>	<u>(48)</u>
Increase (Decrease) in current assets	<u>(21,619)</u>	<u>31,452</u>	<u>6,088</u>
Short-term loans, current maturities of long-term debt, and customer deposits	(48)	842	1,281
Accounts payable and accrued liabilities	837	7,576	4,056
Income taxes	<u>(9,170)</u>	<u>7,688</u>	<u>221</u>
Increase (Decrease) in current liabilities	<u>(8,381)</u>	<u>16,106</u>	<u>5,558</u>
Increase (Decrease) in working capital	<u>\$(13,238)</u>	<u>\$15,346</u>	<u>\$ 530</u>

The accompanying financial review is an integral part of this statement.

Report of Independent Public Accountants

To the Stockholders and Board of Directors of Bliss & Laughlin Industries Incorporated:

We have examined the consolidated balance sheet of BLISS & LAUGHLIN INDUSTRIES INCORPORATED (a Delaware corporation) AND SUBSIDIARIES as of December 31, 1980, 1979 and 1978 and the related consolidated statements of income, common stock and treasury stock, additional capital and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were 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 consolidated financial statements referred to above present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1980, 1979, and 1978, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Chicago, Illinois,
January 30, 1981.

Financial Review

For the years ended December 31, 1980, 1979 and 1978.

Accounting policies have been presented in italics as part of the financial review dealing with each subject.

Principles of Consolidation

The consolidated financial statements include all wholly owned subsidiaries except BLI Mortgage Company. Investments in affiliates, which consist of BLK Steel Inc. (a 50% joint venture) and Andamios Atlas, S.A. (a 49% joint venture), and BLI Mortgage Company (100% owned, included in other realty assets) are stated at cost plus equity in undistributed earnings since acquisition. Separate financial statements for these affiliates and BLI Mortgage Company are not included in this report because they are not significant.

The Company translates the accounts of foreign subsidiaries and affiliates to U.S. dollars by following, in all material respects, the policy of translating monetary items at the approximate current rate of exchange at the end of the year and nonmonetary items (inventory and fixed assets) at the rate of exchange in effect at the time the items were acquired. Income statement items, with the exception of cost of sales and depreciation expense, are translated at the average rate for the year. The resulting translation and exchange gains or losses included in income in 1980 were a loss of \$99,000, in 1979 a gain of \$16,000, and in 1978 a loss of \$521,000.

Discontinued Operations

On May 31, 1979, the Company sold the assets and certain liabilities of its Waco Division in a cash transaction, resulting in a net gain of \$2,656,000. The gain and the prior operating results are reported separately from results of continuing operations in the consolidated statement of income. Revenues from Waco were \$6,796,000 in 1979 and \$17,179,000 in 1978.

Pension Plans

Pension costs have been funded at a rate necessary to maintain the plans on an actuarially sound basis. Pension costs not expected to be funded within the next year are included as long-term obligations in the balance sheet. The provision is based on normal cost plus interest and amortization of unfunded past service cost over 30 years.

These plans provide benefits for substantially all employees. The provision for pension costs for continuing operations was \$1,957,000 in 1980, \$2,412,000 in 1979, and \$2,091,000 in 1978. Changes in certain actuarial assumptions were made by the Company in 1980 and have the effect of increasing net income by \$151,000.

A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans is presented below (in thousands):

	January 1		
	1980	1979	1978
Actuarial present value of accumulated plan benefits:			
Vested	\$19,693	\$17,749	\$16,005
Nonvested	1,268	1,115	1,514
	<u>\$20,961</u>	<u>\$18,864</u>	<u>\$17,519</u>
Net assets available for benefits	\$16,497	\$13,975	\$12,779
Accrued pension liabilities	3,244	4,165	4,731
	<u>\$19,741</u>	<u>\$18,140</u>	<u>\$17,510</u>

The weighted average assumed rate of interest used in determining the actuarial present value of accumulated plan benefits was 6% for 1980, 1979 and 1978.

Financial Review (continued)

Income Taxes

The provision for income taxes is the estimated amount of income taxes payable currently and in the future on earnings for the year. Investment tax credit is reflected as a reduction of the current provision under the flow-through method of accounting.

Continuing Operations

The components of the provision are as follows (in thousands):

	<u>1980</u>	<u>1979</u>	<u>1978</u>
U.S. and foreign taxes currently payable	\$13,436	\$14,528	\$10,522
Deferred taxes and (benefits), net	186	(144)	1,352
	13,622	14,384	11,874
State income taxes	2,105	2,073	1,435
Total provision	<u>\$15,727</u>	<u>\$16,457</u>	<u>\$13,309</u>

The effective income tax rates for 1980, 1979 and 1978 were 45.9%, 48.2% and 49.6%, respectively. Significant items affecting the income tax rate were the utilization of investment tax credits of \$367,000 in 1980, \$300,000 in 1979, and \$677,000 in 1978; capital gains benefits of \$1,371,000 in 1980, \$222,000 in 1979, and \$198,000 in 1978; and state income taxes.

Taxes deferred, due mainly to the use of accelerated depreciation for tax purposes, and pension accruals, different from current trust fund contributions, are classified as non-current liabilities. Deferred tax benefits related to working capital items are classified as a current asset and those relating to realty operations are included in the realty assets. The source of these differences in 1980, 1979 and 1978 and the tax effect of each were as follows (in thousands):

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Depreciation	\$458	\$ 734	\$ 628
Pensions	157	308	317
Realty assets	363	315	225
All other, net	(792)	(1,501)	182
	<u>\$ 186</u>	<u>\$(144)</u>	<u>\$1,352</u>

Discontinued Operations

The effective tax rate for 1979 was less than the statutory rate primarily because portions of the Waco sale gain are taxed at lower capital gains tax rates. The primary source of deferred tax benefit related to the sale of Waco was the reversal of the accumulated excess of tax over book depreciation with a tax effect of \$1,398,000.

Earnings Per Share

Net income per share is computed using the weighted average number of shares of common stock outstanding during the respective years. Fully diluted net income per share is computed using the shares included in the net income per share calculation and assuming conversion of the Company's convertible subordinated debentures as of the beginning of the year. The dilutive effect of stock options is not significant.

Common Stock Dividend/Distribution

The Company made a 25% common stock dividend on July 1, 1980. The accounting treatment was to increase common stock by \$3,978,000 and additional capital by \$17,343,000 with a corresponding charge to retained earnings. Additionally, the Company made a 25% common stock distribution in the form of a split-up on July 3, 1978. The accounting treatment was to increase common stock by \$3,119,000 with a corresponding charge to additional capital. Throughout this report, shares and per share amounts have been restated to reflect both the dividend and distribution.

Inventories

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market, except for certain inventories (\$8,183,000, \$10,498,000 and \$11,364,000 at December 31, 1980, 1979 and 1978, respectively), which are stated at last-in, first-out (LIFO) cost, which is not in excess of market.

The replacement cost of LIFO inventories exceeds stated LIFO cost by \$10,057,000, \$11,455,000 and \$9,728,000 at December 31, 1980, 1979 and 1978, respectively.

During 1980 the quantity of LIFO inventory was reduced, resulting in certain cost of sales being recorded at lower prior year costs. The effect of the reduction was to increase net income by approximately \$1,200,000.

The cost elements included in inventories are material, labor and factory overhead.

The opening and closing inventories used in computing cost of sales for the years ended December 31, 1980, 1979 and 1978 are as follows (in thousands):

	<u>12/31/80</u>	<u>12/31/79</u>	<u>12/31/78</u>	<u>12/31/77</u>
Raw materials	\$16,628	\$15,481	\$13,677	\$14,974
Work in process . . .	7,050	8,238	7,330	7,111
Finished goods . . .	19,016	19,875	19,723	15,429
	<u>\$42,694</u>	<u>\$43,594</u>	<u>\$40,730</u>	<u>\$37,514</u>

Realty Operations

The Company's realty operations differ from the other operations in that they have a business cycle extending over several years, and the assets are held primarily for investment purposes. Accordingly, all the assets and liabilities of these operations are presented under separate realty captions.

Land and related costs are stated at the lower of cost or market. Realty sales are recorded when the buyer has a significant and continuing cash equity in the property. Real estate taxes and interest costs are expensed as they are incurred. Development costs are capitalized. Costs are allocated to the various parcels of individual projects based upon either the relative value method or specific identification of costs to parcels.

Included in the 1980 consolidated statement of income are revenues and cost of sales for land of \$9,200,000 and \$2,700,000 respectively. In 1979 and 1978, these amounts were not significant.

Intangible Assets

The excess of the purchase price over the fair market value of net assets of certain businesses acquired prior to November 1, 1970 in the amount of \$2,690,000 is not being amortized because, in the opinion of management, it represents assets with continuing value. For certain other acquisitions any such excess is being amortized over the lesser of the period benefited or 40 years. The amortization charge for continuing operations was not material in 1980, 1979 or 1978.

Patents and other intangible assets are stated at their purchased cost and are amortized over their useful lives.

Plant and Equipment

Depreciation is provided over the following estimated useful lives:

Buildings	10-45 years
Machinery and equipment	3-20 years
Equipment leased to others	5 years

Depreciation on substantially all property except equipment leased to others is provided on the straight-line method for accounting purposes. For tax purposes, the double declining balance method of depreciation and the Internal Revenue Service asset depreciation range of lives are generally used.

Expenditures for minor renewals, current repairs and maintenance applicable to any class of property are charged to expense as incurred. Betterments of the property are capitalized. Replacements of major units are also capitalized and the replaced assets are retired.

In the case of minor property retirements, the original cost of the property items is removed from the plant and equipment accounts and the reserve for depreciation is charged with the original cost, less proceeds. Any gain or loss is amortized over the remaining life of the balance of the property items in the individual asset classification. In the case of major property retirements or abandonments, the original cost of the property items is removed from the plant and equipment accounts, the accumulated depreciation is removed from the related reserves and the net gain or loss is reflected in income.

Financial Review (continued)

Changes in plant and equipment and equipment leased to others and related accumulated depreciation for the years ended December 31, 1980, 1979 and 1978 are summarized as follows (in thousands):

1980—Assets at Cost:

	Balance 12/31/79	Additions at Cost	Transfers, Retirements or Sales	Other (1)	Balance 12/31/80
Land	\$ 1,924	\$ 9	\$ (1)	\$ 307	\$ 2,239
Buildings	16,513	1,132	(158)	3,024	20,511
Machinery and equipment	50,292	4,594	(1,941)	2,241	55,186
Equipment leased to others	3,046	12	(224)	—	2,834
	<u>\$71,775</u>	<u>\$5,747</u>	<u>\$(2,324)</u>	<u>\$ 5,572</u>	<u>\$80,770</u>

Accumulated Depreciation:

	Balance 12/31/79	Provision Charged to Income	Transfers, Retirements or Sales	Other	Balance 12/31/80
Buildings	\$ 5,127	\$ 495	\$ (133)	\$ —	\$ 5,489
Machinery and equipment	23,483	4,121	(1,695)	—	25,909
Equipment leased to others	2,231	282	(207)	—	2,306
	<u>\$30,841</u>	<u>\$4,898</u>	<u>\$(2,035)</u>	<u>\$ —</u>	<u>\$33,704</u>

1979—Assets at Cost:

	Balance 12/31/78	Additions at Cost	Transfers, Retirements or Sales	Other(2)	Balance 12/31/79
Land	\$ 2,007	\$ 143	\$ —	\$ (226)	\$ 1,924
Buildings	16,479	947	(6)	(907)	16,513
Machinery and equipment	45,111	4,658	(649)	1,172	50,292
Equipment leased to others	15,158	393	(602)	(11,903)	3,046
	<u>\$78,755</u>	<u>\$6,141</u>	<u>\$(1,257)</u>	<u>\$(11,864)</u>	<u>\$71,775</u>

Accumulated Depreciation:

	Balance 12/31/78	Provision Charged to Income(3)	Transfers, Retirements or Sales	Other(4)	Balance 12/31/79
Buildings	\$ 5,384	\$ 477	\$ (6)	\$ (728)	\$ 5,127
Machinery and equipment	21,524	3,480	(942)	(579)	23,483
Equipment leased to others	11,260	779	(344)	(9,464)	2,231
	<u>\$38,168</u>	<u>\$4,736</u>	<u>\$(1,292)</u>	<u>\$(10,771)</u>	<u>\$30,841</u>

1978—Assets at Cost:

	Balance 12/31/77	Additions at Cost	Transfers, Retirements or Sales	Other(5)	Balance 12/31/78
Land	\$ 1,834	\$ 85	\$ (50)	\$ 138	\$ 2,007
Buildings	12,986	2,810	(97)	780	16,479
Machinery and equipment	36,109	6,180	(1,029)	3,851	45,111
Equipment leased to others	17,408	629	(2,879)	—	15,158
	<u>\$68,337</u>	<u>\$9,704</u>	<u>\$(4,055)</u>	<u>\$ 4,769</u>	<u>\$78,755</u>

Accumulated Depreciation:

	Balance 12/31/77	Provision Charged to Income (3)	Transfers, Retirements or Sales	Other(6)	Balance 12/31/78
Buildings	\$ 4,970	\$ 435	\$ (21)	\$ —	\$ 5,384
Machinery and equipment	18,562	2,647	(785)	1,100	21,524
Equipment leased to others	12,099	1,603	(2,524)	82	11,260
	<u>\$35,631</u>	<u>\$4,685</u>	<u>\$(3,330)</u>	<u>\$ 1,182</u>	<u>\$38,168</u>

(1) Primarily reflects assets acquired from Amprix Electronics, Inc.

(2) Primarily reflects the sale of the assets of the Waco Division—net of assets acquired from Metalart Buckle Co.

(3) Depreciation provision charged to income from discontinued operations, included here, was \$425,000 for 1979, and \$1,382,000 for 1978.

(4) Primarily reflects the accumulated reserve for depreciation at the date of sale of the Waco Division assets.

(5) Acquisition of the Dave Fishchbein Co. and the capitalization of leases.

(6) Primarily capitalization of leases.

Accrued Insurance Costs

Accrued insurance costs represent claims incurred under the deductible amounts of liability insurance as well as uninsured employee benefits. Changes in the Company's deductibles and insurance costs retained after the sale of Waco resulted in increases in these accruals in 1979.

Long-Term Debt, Convertible Subordinated Debentures and Mortgage Loans

Long-term debt was as follows (in thousands):

	1980	1979	1978
Long-term loan	\$20,000	\$20,000	\$20,000
Obligations related to industrial revenue bonds	7,223	7,604	8,053
Convertible subordinated debentures	726	889	1,617
Other, with various interest rates (5-1/4% to 10%)	1,536	2,107	2,709
	<u>29,485</u>	<u>30,600</u>	<u>32,379</u>
Less current maturities	720	1,177	1,212
	<u>\$28,765</u>	<u>\$29,423</u>	<u>\$31,167</u>

The above long-term debt has varying maturities including, in the aggregate, maturities of \$720,000 in 1981, \$2,237,000 in 1982, \$2,359,000 in 1983, \$2,354,000 in 1984 and \$2,251,000 in 1985. The provisions of the loan agreements and the indenture for the 5-3/4% convertible subordinated debentures contain, among other things, restrictions on lease commitments, creation of mortgage indebtedness, payment of cash dividends and stock redemptions. In addition, the Company must maintain consolidated working capital of at least \$45,000,000 and consolidated current assets of not less than 225% of consolidated current liabilities. At December 31, 1980, the Company had consolidated working capital of \$66,910,000 and consolidated current assets were 310% of consolidated current liabilities. Under the terms of the most restrictive agreement, retained earnings of approximately \$48,869,000 were not available for the payment of cash dividends. At December 31, 1980 the Company may, under certain restrictions, increase funded (long-term) borrowing by \$27,718,000.

The long-term loan, with an interest rate of 9-3/8%, has annual installments due from 1982 to 1994. No compensating balances are required under this agreement.

The obligations related to industrial revenue bonds are due in installments through 1993, have various interest rates from 4% to 8-1/2%, and are secured by buildings and machinery and equipment with a net book value of \$5,649,000 at December 31, 1980.

The convertible subordinated debentures, 5-3/4%, due in 1987, are subordinated to all borrowings of the Company and are convertible into common stock at any time prior to maturity at the rate of 119.23 shares for each \$1,000 bond. Annual sinking fund payments of \$1,200,000 for redemption of the debentures are required, but may be satisfied by delivering converted or treasury debentures which amounted to \$14,274,000 at December 31, 1980. The debentures may be called at any time at prices decreasing from 102% of face value currently to 100% in 1986.

Mortgage loans classified under the realty caption are secured by real estate held for investment purposes with a net book value of \$5,515,000 at December 31, 1980. The loans bear various interest rates from 5% to 8-1/2% and have varying maturities through 1989, including \$251,000 in 1981, \$219,000 in 1982, \$181,000 in 1983, \$124,000 in 1984, and \$141,000 in 1985.

The Company has available a \$2,516,000 U.S. (\$3,000,000 Canadian) line of credit against which \$2,218,000 U.S. (\$2,645,000 Canadian) was borrowed as of December 31, 1980. This borrowing bears a weighted average interest rate of 14.6%. No compensating balances are required.

Financial Review (continued)

Commitments and Contingent Liabilities

Minimum rental commitments under all noncancellable leases are as follows:

(In thousands)

	<u>Operating Leases</u>	<u>Capital Leases</u>	
	Primarily Real Estate	Primarily Machinery And Equipment	Total
1981	\$ 708	\$ 666	\$1,374
1982	507	524	1,031
1983	369	449	818
1984	272	391	663
1985	152	295	447
1986-1990	228	203	431
1991-1995	83	—	83
1996-2000	16	—	16
After 2000	—	—	—
	<u>\$2,335</u>	<u>\$2,528</u>	<u>\$4,863</u>
		Less: Amount representing interest	1,148
		Net present value	<u>\$1,380</u>

In 1980, 1979 and 1978 the Company capitalized certain long-term leases. In 1980, \$1,080,000 is included in long-term debt with the remaining \$300,000 included in short-term obligations. The income effect of the capitalization is insignificant.

Stock Options

In 1975 the stockholders approved a stock option plan whereby 506,250 shares of common stock were reserved for granting options to key employees at 100% of fair market value at date of grant. Options are exercisable at the rate of 33-1/3% a year beginning one year from date of grant and expire 10 years from date of grant. Certain options may include a stock appreciation right, which entitles an optionee to receive from the Company common stock (and/or cash, at the election of the Company) equivalent in value to any appreciation in value of an exercisable option. The right to grant further options under the 1975 plan ended on February 4, 1980. At that time, 37,183 options were available for grant.

In 1980 options for 84,607 shares were granted at \$15.30 per share, or a total price of \$1,294,000. Also, 44,995 options became exercisable. During the year options for 9,677 shares were exercised and no options were terminated.

At December 31, 1980 options for 314,153 shares were outstanding with an aggregate option price of \$3,580,000 and an aggregate market value of \$4,594,000.

During 1979, options for 87,248 and 19,375 shares were granted at \$12.80 and \$16.00 per share, respectively, or a total price of \$1,427,000. Also, 11,020 options become exercisable. During 1979, options for 15,275 shares were exercised and no options were terminated.

During 1978, options for 12,750 shares were granted at \$12.10 per share or total price of \$154,000. Also, 86,345 options became exercisable. During 1978 options for 106,750 shares were exercised and 5,200 shares were terminated.

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Options Available for Future Grant:			
Beginning of year	121,790	228,413	235,963
Granted	(84,607)	(106,623)	(12,750)
Terminations	(37,183)	—	5,200
End of year	<u>—</u>	<u>121,790</u>	<u>228,413</u>
Options Granted and Outstanding:			
Beginning of year	239,223	147,875	247,075
Granted	84,607	106,623	12,750
Exercised	(9,677)	(15,275)	(106,750)
Terminations	—	—	(5,200)
End of year	<u>314,153</u>	<u>239,223</u>	<u>147,875</u>

The accounting procedure for the stock appreciation rights is to charge income for the increase in the market price of the Company's common stock over the option price.

Included in options outstanding were 105,750 shares with stock appreciation rights.

Management Incentive Compensation Plan

The plan, administered by a Board of Directors' committee composed of outside directors, provides additional compensation to officers and key employees based upon income and return on stockholders' equity.

The amount charged to income from continuing operations pursuant to the plan was \$462,000 for 1980, \$623,000 for 1979 and \$602,000 for 1978.

Acquisitions

On December 5, 1980 the company acquired for cash Amprix Electronics, Inc., Dallas, Texas. Amprix is a leading producer of electronic components for the automotive industry. The purchase method of accounting was used, and Amprix' results of operations are included in the consolidated financial statements from the date of acquisition through December 31, 1980.

On January 5, 1979 the Company acquired for cash the Metalart Buckle Company, Providence, Rhode Island. Metalart is a leading producer of die cast metal buckles and manufactures a line of women's metal belts. The purchase method of accounting was used and Metalart's results are included in the Company's consolidated financial statements from date of acquisition.

Financial Review (continued)

Marketable Securities and Other Security Investments

Marketable securities are carried on the balance sheet at cost, which approximates market. Equity investments are carried at the lower of cost or market. Retained earnings is adjusted whenever the aggregate market value of the equity investments

falls below the cost of these investments, and management believes the decline is temporary. In 1980, management began purchasing equity securities for investment purposes, and intends to continue this program. Following is a table summarizing the securities (dollars in thousands):

Name of Issuer and Title of Each Issue	Number of Shares or Units	Cost of All Issues	Market Value Of All Issues at 12/31/80	Amount Shown on Balance Sheet
Investments:				
Kirsch Company—common stock	245,500	\$ 4,204	\$ 8,040	\$ 4,204
Other common stock—5 issues	306,060	5,034	6,181	5,034
Subtotal		\$ 9,238	\$14,221	\$ 9,238
Marketable Securities:				
Time deposits, 16.625% to 22.0%, due 1/5/81 to 1/30/81	9	11,310	11,310	11,310
Commercial paper, 18.75% to 21.75% due 1/8/81 to 1/31/81	10	10,388	10,388	10,388
Subtotal		\$21,698	\$21,698	\$21,698
Total securities		\$30,936	\$35,919	\$30,936

Allowance for Doubtful Accounts

Changes for the years ended December 31, 1980, 1979 and 1978 are summarized as follows (in thousands):

	1980	1979	1978
Balance beginning of year	\$1,506	\$1,363	\$ 899
Additions—charged to income	1,552	975	1,038
Deductions—write-off of uncollectible accounts	(1,170)	(575)	(574)
Other	11	(257)(1)	—
Balance end of year	\$1,899	\$1,506	\$1,363

(1) Primarily reflects the allowance at the date of the sale of Waco Division—net of allowance acquired from Metalart Buckle Co.

Line of Business Information

The Company operates principally in three industries: steel, metal products and construction tools. Operations in the Steel Group involve the manufacture and sale of cold-finished steel bars. Operations in the Metal Products Group involve the manufacture and sale of a wide range of products such as industrial and furniture casters, material handling systems, coated wire baskets for automatic dishwashers, industrial sewing machines for bag closures, precision miniature packages for the microelectronics industry, metal accessories for the apparel trade, and automotive electronic

components. The Construction Tools Group manufactures and sells or leases construction tools and paper tape for finishing gypsum drywall board joints, and tools and equipment for other construction trades. This group also markets, via catalogs, tool kits, laboratory supplies and equipment, and safety products.

Assets employed are those assets used within each group to produce income. Corporate assets consist primarily of cash, marketable securities, common stock investments, corporate office property, and realty assets which are held for investment purposes.

Income Information (in thousands):

Net Revenues from Unaffiliated Customers

	1980	1979	1978	1977	1976
Steel Group.....	\$ 80,209	\$112,825	\$ 93,375	\$ 79,790	\$ 68,551
Metal Products Group.....	94,603	96,405	74,547	57,412	50,608
Construction Tools Group.....	72,529	76,115	67,060	51,431	37,670
Corporate, Land, other and eliminations.....	9,218	2,147	5,490	1,183	2,288
Total.....	<u>\$256,559</u>	<u>\$287,492</u>	<u>\$240,472</u>	<u>\$189,816</u>	<u>\$159,117</u>

Income From Continuing Operations Before Income Taxes

Steel Group.....	\$ 2,636	\$ 5,875	\$ 3,704	\$ 4,875	\$ 4,310
Metal Products Group.....	8,047	11,592	9,017	6,738	6,450
Construction Tools Group.....	18,569	21,619	19,151	15,337	11,588
Corporate, Land, other and eliminations.....	7,256	1,035	319	241	(217)
	<u>36,508</u>	<u>40,121</u>	<u>32,191</u>	<u>27,191</u>	<u>22,131</u>
General corporate (expense) income.....	772	(3,283)	(2,445)	(2,551)	(1,562)
Interest expense.....	(3,043)	(2,701)	(2,894)	(2,759)	(2,427)
Total.....	<u>\$ 34,237</u>	<u>\$ 34,137</u>	<u>\$ 26,852</u>	<u>\$ 21,881</u>	<u>\$ 18,142</u>

Asset Information (in thousands):

Assets Employed

Steel Group.....	\$ 26,183	\$ 30,739	\$ 31,901	\$ 29,065
Metal Products Group.....	70,207	63,057	48,382	34,609
Construction Tools Group.....	28,383	29,041	36,951	35,234
Corporate, Land, other and eliminations.....	50,121	59,014	36,622	42,438
Total.....	<u>\$174,894</u>	<u>\$181,851</u>	<u>\$153,856</u>	<u>\$141,346</u>

Depreciation and Amortization

Steel Group.....	\$ 1,151	\$ 1,121	\$ 806	\$ 613
Metal Products Group.....	3,212	2,552	1,956	1,419
Construction Tools Group.....	730	734	632	520
Corporate, Land, other and eliminations.....	129	120	116	65
Total.....	<u>\$ 5,222</u>	<u>\$ 4,527</u>	<u>\$ 3,510</u>	<u>\$ 2,617</u>

Capital Expenditures

Steel Group.....	\$ 278	\$ 283	\$ 2,793	\$ 3,830
Metal Products Group.....	4,507	3,904	4,034	3,080
Construction Tools Group.....	707	814	757	1,217
Corporate, Land, other and eliminations.....	29	455	3,201	304
Total.....	<u>\$ 5,521</u>	<u>\$ 5,456</u>	<u>\$ 10,785</u>	<u>\$ 8,431</u>

All data presented above pertain only to continuing operations. Information previously reported for prior years has been restated to a comparable basis. Sales between industry segments are not material.

Financial Review (continued)

Quarterly Financial Summary (Unaudited)

(in thousands, except per share amounts)

	1980				Total
	For the Three Months Ended				
	3/31	6/30	9/30	12/31	
Net revenues	\$73,404	\$64,045	\$60,904	\$58,206	\$256,559
Gross profit	17,642	16,293	14,572	16,639	65,146
Income from continuing operations before taxes	9,168	8,293	6,920	9,856	34,237
Provisions for income taxes	4,494	3,800	3,086	4,347	15,727
Income from continuing operations	4,674	4,493	3,834	5,509	18,510
Income from discontinued operations	—	—	—	—	—
Net income	<u>\$ 4,674</u>	<u>\$ 4,493</u>	<u>\$ 3,834</u>	<u>\$ 5,509</u>	<u>\$ 18,510</u>
Per Share Data					
Income Per Fully Diluted Share:					
Continuing operations	\$.64	\$.62	\$.52	\$.77	\$ 2.55
Discontinued operations	—	—	—	—	—
Net income	<u>\$.64</u>	<u>\$.62</u>	<u>\$.52</u>	<u>\$.77</u>	<u>\$ 2.55</u>
Income Per Primary Share:					
Continuing operations	\$.65	\$.62	\$.53	\$.78	\$ 2.58
Discontinued operations	—	—	—	—	—
Net income	<u>\$.65</u>	<u>\$.62</u>	<u>\$.53</u>	<u>\$.78</u>	<u>\$ 2.58</u>
Average primary shares outstanding	7,210	7,203	7,197	7,134	7,163
Average fully diluted shares outstanding	7,314	7,310	7,291	7,224	7,259
Interest add back	6	7	5	8	26

*All information is restated to reflect the sale of the Waco Division as a discontinued operation.

Supplementary Income Statement Information

Supplementary income statement information from continuing operations for the years ended December 31, 1980, 1979 and 1978 is as follows (in thousands):

	Charged to Costs and Expenses		
	1980	1979	1978
Maintenance and repairs	\$5,104	\$5,853	\$4,279
Advertising	5,630	5,150	5,411

1979*					1978*				
For the Three Months Ended					For the Three Months Ended				
3/31	6/30	9/30	12/31	Total	3/31	6/30	9/30	12/31	Total
\$73,864	\$73,940	\$70,522	\$69,166	\$287,492	\$55,436	\$62,469	\$61,388	\$61,179	\$240,472
15,568	18,165	17,134	16,533	67,400	12,640	14,922	14,464	15,337	57,363
6,554	9,822	8,758	9,003	34,137	5,136	7,241	6,304	8,171	26,852
3,155	4,429	4,193	4,680	16,457	2,540	3,568	3,082	4,119	13,309
3,399	5,393	4,565	4,323	17,680	2,596	3,673	3,222	4,052	13,543
18	1,897	399	—	2,314	(22)	40	28	(133)	(87)
<u>\$ 3,417</u>	<u>\$ 7,290</u>	<u>\$ 4,964</u>	<u>\$ 4,323</u>	<u>\$ 19,994</u>	<u>\$ 2,574</u>	<u>\$ 3,713</u>	<u>\$ 3,250</u>	<u>\$ 3,919</u>	<u>\$ 13,456</u>
\$.47	\$.73	\$.62	\$.59	\$ 2.41	\$.35	\$.49	\$.45	\$.55	\$ 1.84
—	.26	.06	—	.32	—	—	—	(.01)	(.01)
<u>\$.47</u>	<u>\$.99</u>	<u>\$.68</u>	<u>\$.59</u>	<u>\$ 2.73</u>	<u>\$.35</u>	<u>\$.49</u>	<u>.45</u>	<u>\$.54</u>	<u>\$ 1.83</u>
\$.47	\$.75	\$.64	\$.59	\$ 2.45	\$.36	\$.51	\$.46	\$.57	\$ 1.90
.01	.26	.06	—	.33	—	.01	—	(.03)	(.02)
<u>\$.48</u>	<u>1.01</u>	<u>\$.70</u>	<u>\$.59</u>	<u>\$ 2.78</u>	<u>\$.36</u>	<u>\$.52</u>	<u>\$.46</u>	<u>\$.54</u>	<u>\$ 1.88</u>
7,179	7,208	7,212	7,217	7,202	7,183	7,165	7,093	7,133	7,144
7,354	7,355	7,341	7,332	7,345	7,498	7,433	7,325	7,339	7,399
9	8	9	6	32	17	14	13	12	56

Board of Directors

Henry P. Albrecht (A, C, N)
President, Gale Realty, Inc.
Real estate investment company

Harold G. Bernthal (C)
President & Chief Operating Officer,
American Hospital Supply Corporation
Manufacturer of health care products

E. T. Collinsworth, Jr. (E)
President & Chief Executive Officer,
Bliss & Laughlin Industries Incorporated

Stanley E. G. Hillman (C, N)
Retired Vice Chairman of the Board,
IC Industries, Inc.
Diversified company engaged in transportation,
consumer products, and other businesses

C. Arnold Kalman (E, P)
Senior Vice President,
Booz, Allen & Hamilton, Inc.
Management consultants

Marvin G. Mitchell (A, N)
Chairman & Chief Executive Officer,
CBI Industries, Inc.
Contracting firm engaged in construction of metal
plate structures and related systems

Robert T. Powers (P)
Chairman of the Board,
Nalco Chemical Company
Specialty chemical company

Keith Shay (E)
Partner, Schiff Hardin & Waite
Law firm

Gordon R. Worley (A, P)
Executive Vice President—Finance,
Montgomery Ward & Co., Incorporated
National retailer of general merchandise

Committees of the Board of Directors

- (A) Audit
- (C) Compensation
- (E) Executive
- (N) Nominating
- (P) Pension

Corporate Officers

Frank W. Aughnay
Executive Vice President

Norma J. Bark
Assistant Secretary

E. T. Collinsworth, Jr.
President & Chief Executive Officer

T. P. Crigler
Financial Vice President & Treasurer

Emile J. Garneau
Corporate Controller & Assistant Secretary

Donald R. Hart
Assistant General Counsel & Assistant Secretary

Donald B. Moritz
Vice President, Construction Tools Group

Gregory H. Parker
Vice President, Steel Group

Joseph W. Rose
Vice President, Metal Products Group

Dennis W. Sheehan
Vice President Administration,
General Counsel & Secretary

Transfer Agents
Continental Illinois National Bank and
Trust Company, Chicago Illinois
Morgan Guaranty Trust Company,
New York, New York

Registrars
Harris Trust and Savings Bank,
Chicago, Illinois
Bradford Trust Company
New York, New York

Common Stock Listing
New York Stock Exchange
(Stock Exchange Symbol—BLI)

Ames Taping Tool Systems Co.
Eugene R. Johnson,
Vice President & General Manager

Amprix Electronics Co.
James L. Gang,
Vice President & General Manager

Andamios Atlas, S.A.
(49% owned)
Jorge de Arechavala,
General Manager

Bliss & Laughlin Steel Co.
Gregory H. Parker,
Group Vice President

Direct Safety Company
Richard K. Gilbert,
Marketing Manager

Faultless Division
Willard P. Stetzelberger,
Vice President & General Manager

Faultless-Doerner Manufacturing Inc.
Vernon H. Anthony,
General Manager

Dave Fischbein Co.
Robert J. Robinson,
Vice President & General Manager

Goldblatt Tool Co.
Donald C. Place,
Vice President & General Manager

Jensen Tools Inc.
Uma Nandan,
Vice President & General Manager

Markson Science, Inc.
Kenneth E. Stine,
General Manager

Metalart Buckle Co.
Philip W. Brown,
General Manager

Nestaway Division
Harold O. Hayes, Jr.,
Vice President & General Manager

Tekform Products Co.
Ronald C. Chalman,
Vice President & General Manager

The annual meeting of stockholders of Bliss & Laughlin Industries will be held at 10:30 A.M., local time, Wednesday, May 6, 1981, at the executive offices of the Company, 122 West 22nd Street, Oak Brook, Illinois. You are cordially invited to attend.

Executive Offices:

Bliss & Laughlin Industries Incorporated
122 West 22nd Street
Oak Brook, Illinois 60521
Telephone 312/654-3350
TWX 910/651-0211

Form 10-K

A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the year 1980 will be furnished without charge to stockholders upon written request to:

Miss Norma J. Bark
Assistant Secretary
Bliss & Laughlin Industries
122 West 22nd Street
Oak Brook, Illinois 60521

Bliss & Laughlin is an equal opportunity employer.

Quarterly Data

Bliss & Laughlin's common stock is listed on the New York Stock Exchange (ticker symbol BLI). The table below sets forth quarterly data relating to the Company's common stock prices and cash dividends per share for the past two years:

Quarter	Prices Per Share				Cash Dividends Per Share	
	1980		1979		1980	1979
	High	Low	High	Low		
First	\$16.40	\$12.00	\$13.00	\$11.30	\$.22	\$.20
Second	16.40	12.90	15.40	12.60	.22	.22
Third	17.38	15.00	20.40	13.20	.25	.22
Fourth	15.88	14.25	18.60	14.30	.25	.22

