Bliss & Laughlin Industries

Annual Report '74

Financial Highlights

	1974	1973
Net sales and rental revenue	$183,054,000	$162,888,000
Net income	$9,366,000	$8,205,000
Net income per share	$3.06	$2.62
Return on equity	15.7%	15.0%
Cash dividends	$3,216,000	$3,055,000
Cash dividends per share	$1.05	$.98
Shareholders' equity	$61,786,000	$56,614,000
Shareholders' equity per share	$20.29	$18.20
Average shares outstanding	3,065,000	3,129,000
Number of shareholders	6,491	6,339
Number of employees	3,250	3,155

Annual Meeting

The annual meeting of stockholders of Bliss & Laughlin Industries will be held at 10:30 A.M., Wednesday, May 7, 1975, at the executive offices, 122 West 22nd Street, Oak Brook, Illinois. You are cordially invited to attend.

In our annual report we provide you with two views of our operations—both of which are pertinent to your understanding of the way we do business. In the Operations section we discuss Bliss & Laughlin in terms of the markets we serve. In the Summary of Operations we define our businesses in accordance with the way our operations are structured for management purposes. We hope that careful review of these two sections will prove useful to you in learning about the businesses of Bliss & Laughlin.

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To Our Stockholders

We stated to you in the 1973 Annual Report that the net result of our 1974 Operating Plan, if accomplished, would result ". . . in a budgeted increase in total Corporate earnings in 1974." Our goal was accomplished to a greater degree than we anticipated. Consequently, on behalf of the Board, Management, and other employees of our company, I am proud to report to you that we again enjoyed all-time records in Sales and Rental Revenue and Net Income:

FINANCIAL RESULTS

- Net income of $9,366,000 for 1974 was the highest ever in the history of our 84 year old company. This compares to 1973's previous record year of $8,205,000.
- Earnings per share were $3.06, compared to $2.62 in 1973.
- Sales and Rental Revenue reached a record $183,054,000 compared to 1973's $162,888,000.

These results are even more encouraging considering our change to LIFO inventory methods (as detailed in our Fourth Quarter Report), which reduced Net Income $2,032,000, or $0.66 per share.

You may recall the closing statement of our letter to you in the 1973 Report which in part advised that ". . . you may rest assured that your Management will continue to use the best available techniques and effort to react successfully to the changing times." Our fulfillment of this commitment to you is evidenced by a further improvement this year in all important dollar, percentage and ratio comparisons of the Income Statement and Balance Sheet items, in spite of a year of rising interest rates and labor costs as well as inflation, material shortages and LIFO adjustments.

These improvements are evidenced by the Financial Highlights and the Ten-Year Financial Review, in addition to the data outlined below:

	1974	1973
INCOME STATEMENT ITEMS		
Gross Profit—% Revenue	24.4%	23.4%
Selling & Admin. Expense —% Revenue	11.2%	11.9%
Income—% Revenue	5.1%	5.0%
Income—% Net Assets	8.0%	7.5%
BALANCE SHEET ITEMS		
Capital Turnover	1.55	1.49
Inventory—% Revenue	15.6%	16.2%
Accounts Receivable—% Revenue	10.5%	10.9%

We should point out that this is the third consecutive year of dollar and ratio improvement. In these competitive times we believe that prudent risk taking will make major additional cost and asset reductions inadvisable. Consequently, we will be considering the current percentage and ratio comparisons as realistic goals for the future.

DIVIDEND ACTION

The excellent 1974 performance allowed us to continue BLI's record of 35 consecutive years of dividend disbursements to our stockholders. Further, in August 1974 we increased the quarterly dividend rate by 10%. This followed a 10% stock dividend approved in May 1973.

OPERATIONS

With the exception of Land, all Corporate Groups contributed to this record year. Concurrently, 17 labor contracts for 3 year terms were successfully negotiated with 9 different unions at 15 locations, with only one minor plant experiencing a work stoppage. Credit is due to the union membership and our divisional and plant managements for their maturity and sense of responsibility which allow us to move forward into 1975 facing only one major negotiation at one location. Hopefully, the same spirit of give-and-take will allow this negotiation to be successfully concluded.

FINANCIAL PLANNING

We feel strongly that good financial planning is just as important as operations in ensuring a viable Corporate future. The maintenance of a conservative financial structure represents the keystone to both our successful diversification and internal development. Moreover, it provides Bliss & Laughlin with the capacity to grow effectively in times of economic uncertainty, such as 1974. Prior to 1974, as you recall, we negotiated a $20 million revolving credit line at very favorable interest rates, and additional devaluation losses were avoided by disengaging ourselves from a Deutsche Mark loan. During 1974, in addition to the switch to LIFO accounting, we also made adjustments to reflect changed circumstances in our Land Development area. This resulted in a reduction of the value of our realty assets by $1,684,000 after taxes.

Relative to the subject of finance, it is important to note that the Audit Committee of your Board (which is comprised of non-management directors—refer to Page 20 for its membership) met three times during 1974; twice with our auditing firm of Arthur Andersen & Co. During the fall of 1974, a detailed meeting was convened to review the proposed audit scope. A very comprehensive follow-up meeting was held February 4, 1975, to discuss with Arthur Andersen's representatives the audited statements reported herein, and the relationship between our company and our public accounting firm, its method of auditing, and pertinent changes and considerations arising from its audit. It is to be emphasized that the Audit Committee of the Board has continuous and direct access to our auditors.

Organization

During 1974 the following organizational changes were made to further supplement our managerial efforts:

- Mr. James A. Goese accepted the position of Financial Vice President. His proven banking relationships and acquisition experience will greatly assist our long term objectives.
- The appointments of Messrs. William Pernfuss and Willard Stetzelberger, respectively as General Managers of our Doerner (Canadian) and Faultless Divisions, will assist in contributing to further successful operations.

As is noted in our Proxy Statement, the consulting agreement entered into in January, 1973 with Mr. Frederic J. Robbins is scheduled to terminate June 30, 1975. In view of his imminent retirement he has chosen not to stand for re-election as a Director of the Company. The successful diversification of Bliss & Laughlin can principally be attributed to his persistent efforts, and it is with this appreciation that we wish for him the best in the years to come.

Growth

As in previous years, we include in this Report a graphic presentation of the total Corporate earnings growth, together with that of the respective Groups. It is encouraging to note that 1974's earnings result is above the 10.6% average growth trend experienced since the 1961 diversification program was initiated. This growth dramatically demonstrates that our plan to become a diversified company was well justified.

Since diversification has been so instrumental to its growth, Bliss & Laughlin will continue to seek companies which fit within the administrative and marketing framework of its existing business. As an example, Bliss & Laughlin has recently acquired two companies specializing in mail media marketing: Jensen Tool and Alloys in 1974, marketers of electronic tools and tool kits; and Markson Science, Inc. in 1975, marketers of scientific and laboratory equipment and devices. These businesses added to the industrial mail order capabilities which Bliss & Laughlin has already established through its Goldblatt Tool Division. Similarly, the 1974 acquisitions of Boss Weather Protection Systems, a manufacturer of lightweight enclosures for working areas of buildings under construction; and Sky Witch, a manufacturer of mobile scissor-type manlift devices used in construction and industrial applications, complement the activities of our Waco Scaffold & Shoring Division.

The thrust of our diversification effort will continue to be to acquire companies that hold relatively strong and major positions in their markets. As further illustrated in this Report, by being well established, our companies are now able to benefit from marketplace awareness of both their products and the quality of their operating practices. This is a crucial factor in the uncertain period ahead.

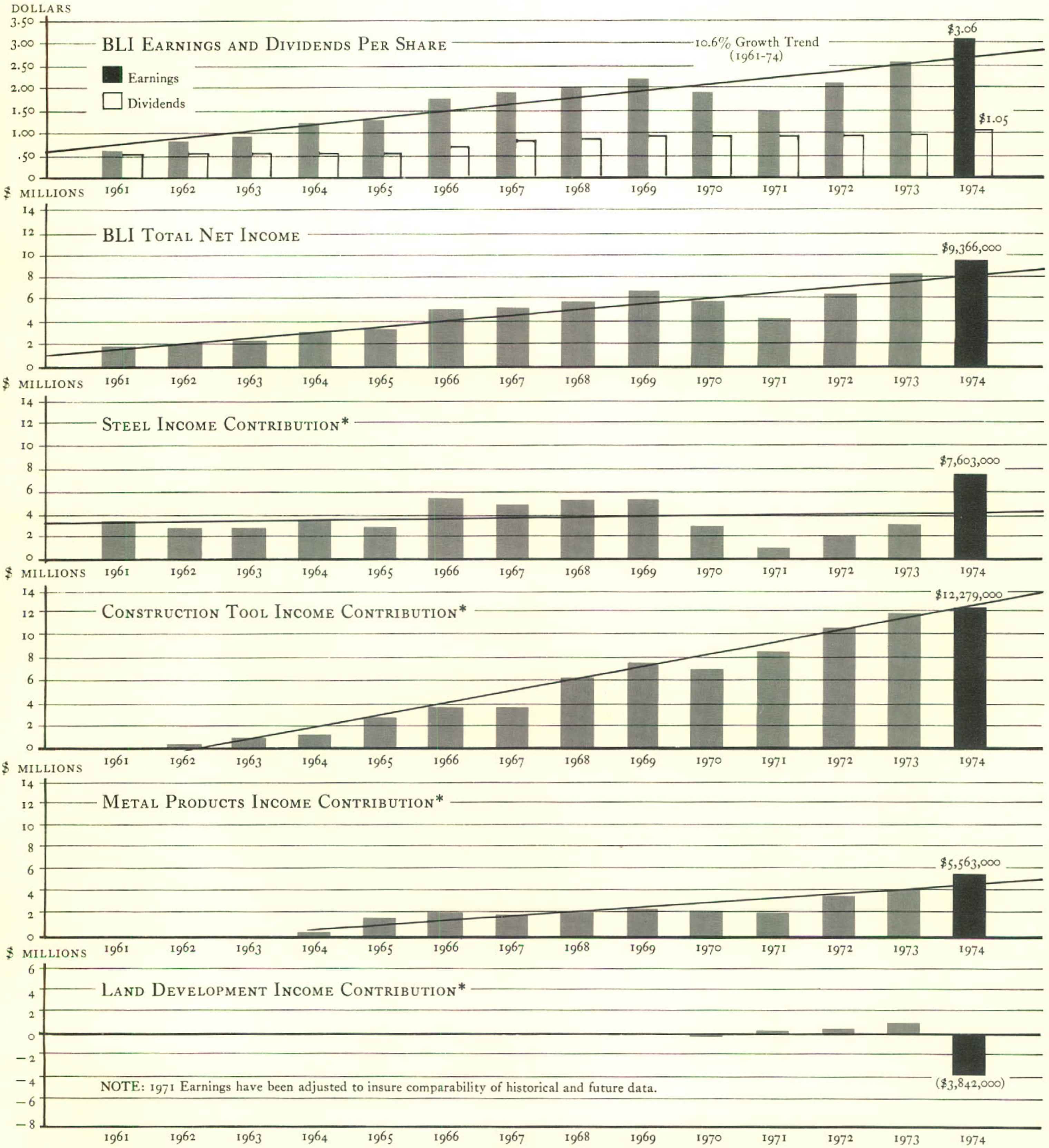
The Year 1975

The very act of attempting to forecast an earnings figure in this year of such extreme domestic and international economic uncertainties would imply an unwarranted degree of validity. We should report to you, however, that the general economic conditions assumed last September in developing our 1975 Operating Plans now appear optimistic. On the other hand, we do have very specific economic downturn plans for each of our Divisions, with automatic "trigger points" to insure profit optimization relative to changing economic conditions. Historically Bliss & Laughlin has generated a growth rate of over 10% in earnings since 1961. This is far in excess of the national economy for the same time period. To what degree all of these factors will offset the effect of the current worldwide economic decline remains open to question. You may rest assured, however, that all of us here at Bliss & Laughlin have committed our full effort to the continuation of a growing and well financed enterprise, which will compare well with its competitors in the year 1975.

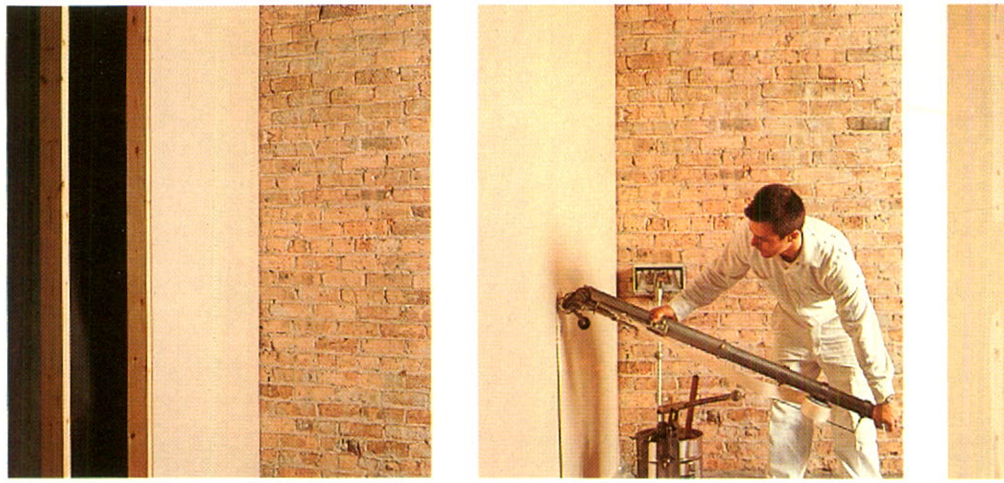
E. T. Collinsworth, Jr.
President & Chief Executive Officer

March 15, 1975

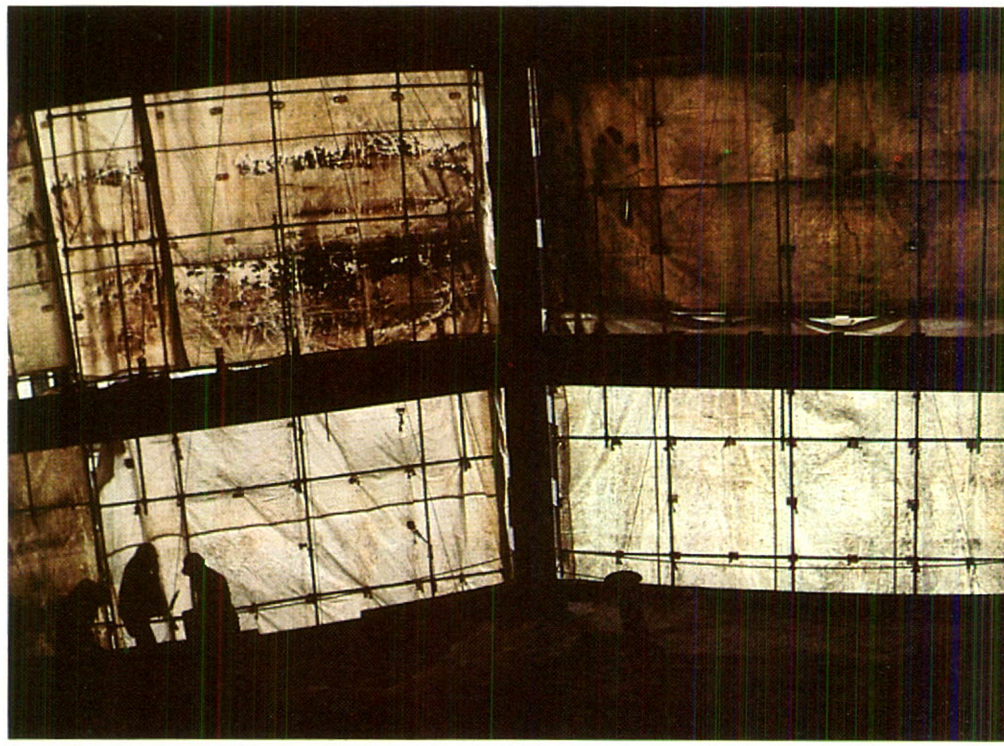
BLI Performance Review



*Income contribution is defined as income before corporate expense allocation and taxes.



Interior wall construction—Ames Taping Tools, Marco tape



Construction work area enclosure—Boss weather protection system

BLI In Construction

Bliss & Laughlin Industries supplies builders with labor-saving tools, equipment and products used in the construction of almost any type of residential, industrial and commercial structure, from factories and skyscrapers to homes and apartment buildings. The labor saving design of these items results in increased production and greater efficiency for the worker on the job site.

When a bricklayer or mason goes to work on an office building, factory or home, the odds are good he will use BLI tools, stand on BLI scaffolding, or be enclosed by a BLI weather protection system. Before he begins, the building's concrete beams might have been cast in BLI-supported forms. After he leaves, the drywall installers, tilesetters and plasterers might finish the construction job using BLI tools and tape.

It's hard to imagine a construction site or building going up nowadays that doesn't reflect a contribution from Bliss & Laughlin. It's also just as hard to imagine a professional contractor, drywall installer, tilesetter, lather or plastering tradesman who hasn't heard about or made use of our tools.

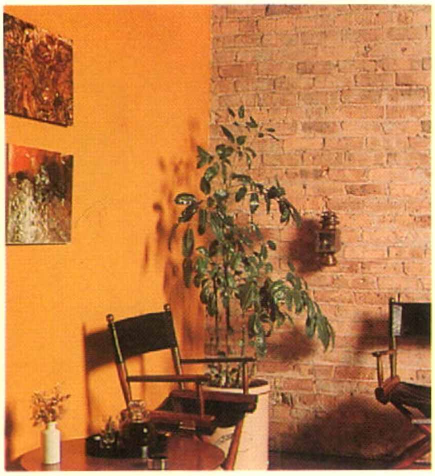
Because our equipment is sold under the brands, names and trademarks of our Divisions, many workers may never have identified BLI in connection with their jobs. However, our products include:

—scaffolding and shoring
—work-enclosure systems
—manlift devices
—drywall tape
—masonry, brick, cement and drywall tools.

BLI's Waco Division is one of the nation's largest scaffolding and shoring companies. Scaffolding is the elevated work platform used to support the laborer. Shoring is the support used to hold reinforced concrete. Both are essential in almost all industrial and commercial construction, which is why Waco products are in use throughout the United States.

The key to Waco's success is the strong relationships between its sales force and contractors. This sales force is supported by a team of engineers and technicians who review the requirements of each job and then custom design the scaffolding and shoring needed to meet the precise specifications of the job.

During 1974 BLI expanded its presence at construction sites by acquiring Boss Weather Protection



High rise construction—Waco scaffolding

Systems and Sky Witch Industries. Boss manufactures lightweight re-useable systems used to enclose working areas of buildings under construction. These systems permit work to continue during bad weather. They also serve to contain and control sprayed materials and debris at the construction site. Sky Witch manufactures and markets scissors-type manlift devices. This mobile, self-propelled equipment is constantly utilized in factories as well as by construction tradesmen.

Besides selling and leasing equipment used to construct the shells of buildings, BLI plays a major part in interior construction as well—manufacturing tools and tape used in drywall construction for residential, industrial and office buildings.

Over the past few years gypsum wall board has consistently outperformed lath and plaster in drywall construction. This preference for gypsum wall board among building owners and architects has provided the basis for BLI's growth in drywall taping tools and drywall tapes.

BLI's Ames Division leases labor saving automatic taping and finishing tools for drywall installation. The design of the taping tool is proprietary, which gives Ames a prominent position in its market. BLI's Marco Paper Products produces the paper tape used in drywall construction, and sells it to other firms, who then market the tape under their own labels.

Finally, through its Goldblatt Tool Division, BLI is one of the largest sellers of tools to the "trowel trades" —masons, tilesetters, lathers and plasterers. The secret of Goldblatt's success is its strong mail order marketing program. In 1974 over 1¼ million copies of the Goldblatt Tool Catalog were mailed to customers and dealers. The catalog featured 1,650 items, offering builders a complete line of cement, brick, masonry and drywall tools, as well as a wide range of related tools and equipment that are ordinarily difficult to locate and buy.

Front end loader—BLI cold finished steel bars

BLI In Heavy Industry & Technology

Bliss & Laughlin Industries is a major supplier of steel parts and metal equipment for heavy industry. Its Bliss & Laughlin Steel Division is the largest independent manufacturer and supplier of cold finished steel bars in the nation.

Bliss & Laughlin's steel products are used in the agricultural, automotive, electric motor, and non-electric machinery markets. In agriculture, typical applications are power transmission shafts and fluid power mechanisms that control and drive equipment such as plows and discs. The automotive industry uses BLI cold finished steel bars to produce spark plugs, steering gears, shock absorbers, starter motors, alternators, and other moving parts for autos, trucks, tractors and off-the-road vehicles.

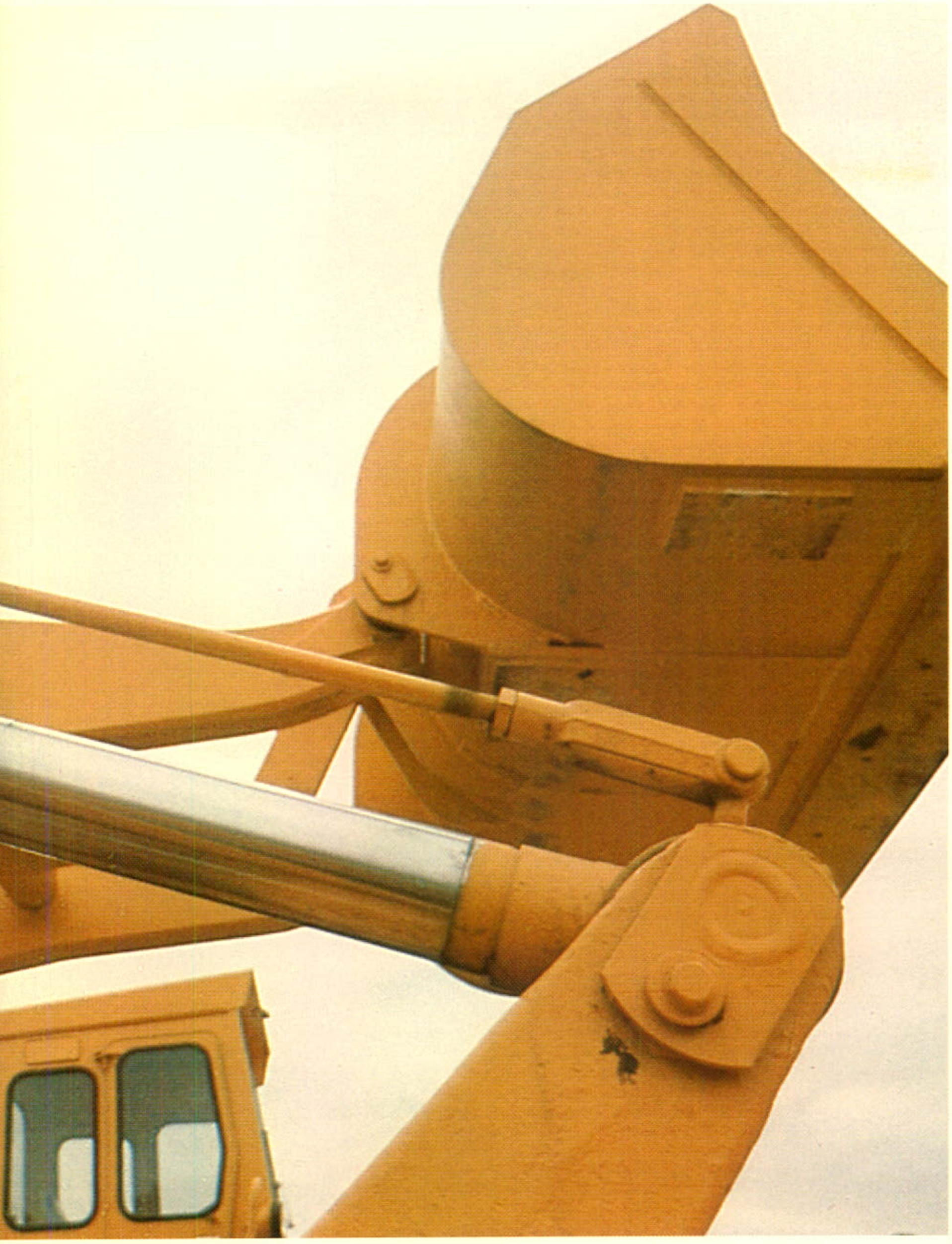
In the electrical machinery industry BLI cold finished steel bars are used in motor shafts for small appliances to heavy industrial motors. In the non-electrical machinery industry our products can be found in the parts of such equipment as hydraulic and pneumatic cylinders, lawn mowers, sweepers, outboard motors and bicycles.

An interesting and important utilization of BLI's cold finished steel bars is in aviation. The very special ball groove shaft, used to raise and lower the landing gear and to activate many other controls necessary for flights, is produced from a particular alloy that has been turned, ground and polished, and thread-rolled.

Much industrial equipment in storage is held by BLI storage racks and containers. Through its Nestaway Division BLI is a leading supplier of materials handling equipment for industrial storage. These coated or plated items consist of welded wire baskets, racks, shelving, pallets and dollies. The wire baskets and shelving racks can be stacked on dollies to form an integral unit suitable for in-plant handling, over-the-road transit, and final delivery. In these critical operations Nestaway's systems provide all the qualities essential to good handling and storage, including full product protection, complete visual control, and easy product accessibility.

Bliss & Laughlin Industries is extremely active in a wide variety of highly technical fields such as health care, aerospace and missile programs through the products of its Tekform, Faultless, Jensen and Markson Divisions.

Tekform designs and produces precision metal packaging used to



Electronic Circuits—Tekform packages, Jensen tool kits

Hospital bed —Faultless casters

enclose microelectronic circuits. The Tekform package often must be able to withstand severe vibrations, heating cycles and changes in gravitational pressure. It also must be airtight, capable of being soldered to other metals and oxidation resistant.

Tekform products more than meet highly exacting specifications. Its Anaheim, California plant is the nation's only integrated facility capable of tooling and metal stamping its own piece parts prior to glass sealing, as well as specializing in gold, tin, copper and nickel plating.

Tekform products play an important part in electronic time pieces, heart pacers, medical instrumentation, computers, commercial aircraft sound systems, and missile and aerospace programs.

BLI's Faultless Division produces casters for such highly technical industries as health care, food and electrical products. It is a leading supplier of casters to hospitals, providing mobility for beds, stretchers and medical test equipment. Designed to resist corrosion and contamination, Faultless casters also are used in food production facilities to move machinery, racks and containers.

Jensen Tools and Alloys is a major marketer of tools and tool kits used by technicians for electronic assembly and precision mechanics. Its tool kits have become industry standards. Their excellence stems from the company's policy of marketing products that have been "engineer-designed for engineers."

In 1974 more than 700,000 individual electronic engineers, inventors, scientists, serious hobbyists, teachers and technicians received copies of Jensen's mail-order catalog of electronic tools. It features 2300 items for use by electronic technicians.

Furthering BLI's involvement in technology is Markson Science Inc., a major mail media marketer of scientific and laboratory equipment and devices, which was acquired in 1975. Through Markson, BLI is able to provide scientists and laboratory technicians with a product selection of over 2,000 items.

Office chair—Doerner chair base, Faultless casters

BLI In The Home & Office

Bliss & Laughlin Industries makes an impressive impact on the quality of life in North America as a leading manufacturer and supplier of metal material and components going into products for the home and office. A wide range of these products made and marketed by BLI's Faultless, Doerner, Nestaway and Steel Divisions includes:

—cabinet and vanity hardware
—dishwasher racks
—freezer and refrigerator racks
—casters and glides
—office chair bases and controls
—steel for electrical appliance motor shafts

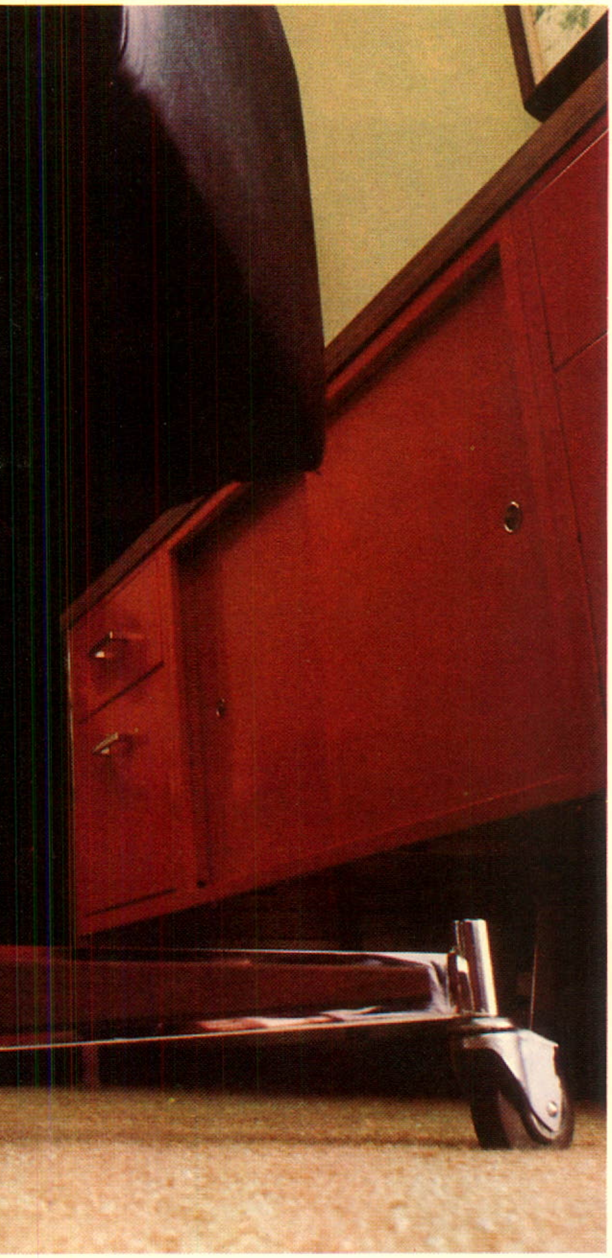
The Faultless Division's custom cabinet hardware is designed by people aware of both the practical and decorative aspects of creating beautiful things for the home and office. They are artisans who create a selection of decorative hardware to accent a wide range of decorating themes, whether they be the new Americana, Mediterranean, Modern or traditional Early American designs. The hardware includes pulls, bails, knobs and backplates that combine beauty and practicality in furniture used throughout the home and office.

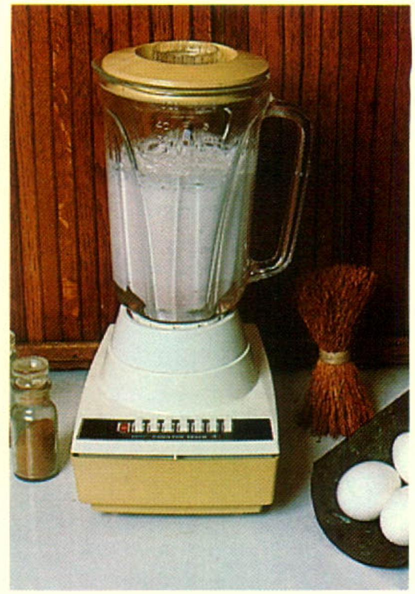
During 1974, Faultless expanded its marketing channels by mailing a new consumer-oriented catalog to dealers and cabinet makers. Designed to offer consumers advice and ideas on how to decorate successfully with cabinet hardware, the catalog also is effective in stimulating sales at dealer outlets. This new direct-mail campaign enables Faultless to reach a vast audience of both large and small independent cabinet makers and dealers at minimum cost and manpower.

Besides furnishing decorative hardware, BLI also supplies plated and vinyl-coated racks for use in the kitchen. These products include vinyl-coated dishdrainers and automatic dishwasher racks, as well as plated racks and brackets for refrigerators and freezers. BLI's Nestaway Division manufactures these products and supplies them to manufacturers of high quality home appliances.

Furniture mobility in the home and office relies heavily on BLI's Faultless Division's casters and glides. As one of the largest manufacturers of casters and glides in the world, this Division designs, produces and sells casters to manufacturers of home and office furnishings. Chairs, sofas, beds, dressers, TV's, stereos and other movable furniture use Faultless casters for easier movement—backward, forward or to the side.

Faultless has always had top recognition in its field as a product innovator. This is especially evident in its contributions to style and function of casters





Small electrical appliances—BLI cold finished steel bars

Automatic dishwasher—Nestaway rack

for the home and office. Faultless' "Carpeteer", for example, is specifically designed for use on carpeted surfaces. It rolls so easily and turns so smoothly, it seems to glide at tuft-top level permitting furniture to move about as freely on carpeting as though it were on a hard surface floor. The "Royal Roll" caster, a ball-type, is still considered the style king of the caster line. Its smart, elegant contour design adds beauty as well as easier mobility.

The same styling and function is evident in the BLI Doerner Division line of office equipment components. This Division produces a low silhouette chair control designed to provide more comfort and smoothness than ever before achieved in office chairs, yet it is only about half the size of the more conventional spring control. Its graceful, low silhouette blends with the beauty and styling of both modern and traditional chair designs.

Similarly, Doerner chair bases are made with the special care that is required for the high quality finishing characteristic of fine office furniture today.

These products appear in offices throughout the world. In combination, they make BLI extremely important to manufacturers of products that provide both optimum utility and pleasing design at reasonable cost.

BLI's Steel Division supplies cold finished steel bars as raw material for use in a wide variety of home appliances and equipment. The shafts in electric motors which run forced air heaters, air conditioners, electric fans, vacuum cleaners, refrigerators, washers, dryers, dishwashers, can openers, blenders and many more of today's modern home appliances are from cold finished steel bars supplied by BLI.

In the office, BLI's cold finished steel bars find applications ranging from the drive shaft of a pencil sharpener to shafts in the large motors of heating and air conditioning plants, elevators and computers. It is a rare home or office in the U.S. without some apparatus which uses cold finished steel bars as a raw material, and BLI is one of the larger producers of cold finished steel bars in the U.S.

There can be no doubt that Bliss & Laughlin's diversity of enterprise involves it in many of the most consistent areas of growth in America. New challenges are creating new business opportunities. BLI is selectively entering new businesses consistent with its pattern of growth in sales and income since starting its successful diversification in 1961. Such diversification continues to be our future.

Ten-Year Financial Review

Operating Results (in thousands)	1974(a)	1973(a)
Net Sales and Rental Revenue	$183,054	$162,888
Gross Profit	44,751	38,040
Depreciation and Amortization	4,146	4,119
Interest Expense	2,751	2,206
Income Before Taxes	18,459	15,970
Provision for Income Taxes	9,093	7,765
Income from Continuing Operations	9,366	8,205
Income from Bank Subsidiary (acquired and sold in 1970) less Related Interest and Income Taxes	—	—
Income Before Extraordinary Items	9,366	8,205
Extraordinary Items:		
Gain on Sale of Bank Subsidiary, net of Applicable Income Taxes of $280	—	—
Cost of Refinancing Long-Term Debt, net of Applicable Income Taxes of $445	—	—
Net Income	9,366	8,205
Cash Dividends	3,216	3,055
Net Income Per Share:		
Income before Extraordinary Items	$ 3.06	$ 2.62
Extraordinary Items	—	—
Net Income	3.06	2.62
Fully-Diluted Net Income Per Share:		
Income before Extraordinary Items	2.78	2.40
Extraordinary Items	—	—
Net Income	2.78	2.40
Dividends Per Share	1.05	.98
Financial Position (in thousands)		
Working Capital	$ 36,502	$ 40,085
Plant and Equipment, Net	26,869	26,697
Long-Term Notes Payable	12,966	18,914
Mortgage Loans	5,191	8,939
Convertible Subordinated Debentures	7,141	7,141
Shareholders' Investment	61,786	56,614
Statistics		
Average Shares Outstanding (in thousands)	3,065	3,129
Number of Shareholders	6,491	6,339
Number of Employees	3,250	3,155

(a) See page 12 for management's discussion and analysis of operating results.

1972(a)	1971	1970	1969	1968	1967	1966	1965
$133,202	$109,499	$109,167	$128,566	$114,061	$ 95,112	$105,324	$ 83,813
32,402	26,266	25,995	30,234	25,751	20,508	21,100	16,770
4,089	3,894	3,728	3,444	3,289	2,290	2,143	1,945
2,178	2,404	1,373	1,238	1,228	785	541	557
12,540	8,690	9,141	14,238	12,163	10,086	9,802	6,936
5,980	3,950	4,280	7,345	6,430	4,980	4,925	3,390
6,560	4,740	4,861	6,893	5,733	5,106	4,877	3,546
—	—	788	—	—	—	—	—
6,560	4,740	5,649	6,893	5,733	5,106	4,877	3,546
—	—	699	—	—	—	—	—
(482)	—	—	—	—	—	—	—
6,078	4,740	6,348	6,893	5,733	5,106	4,877	3,546
2,853	2,838	2,794	2,712	2,496	2,264	1,996	1,617
$ 2.09	$ 1.52	$ 1.84	$ 2.29	$ 2.00	$ 1.84	$ 1.75	$ 1.29
(.15)	—	.22	—	—	—	—	—
1.94	1.52	2.06	2.29	2.00	1.84	1.75	1.29
1.92	1.40	1.66	2.00	1.70	—	—	—
(.14)	—	.20	—	—	—	—	—
1.78	1.40	1.86	2.00	1.70	—	—	—
.91	.91	.91	.91	.89	.82	.73	.66

$ 33,611	$ 26,579	$ 22,529	$ 21,086	$ 24,586	$ 22,332	$ 18,443	$ 18,557
27,839	28,520	28,742	25,077	22,743	15,234	14,545	12,017
18,089	13,763	13,765	5,046	5,575	6,161	7,637	8,094
11,017	11,244	7,224	6,749	—	—	—	—
7,141	7,735	8,821	10,211	12,531	13,983	—	—
52,144	48,610	45,821	41,845	37,672	32,676	29,738	26,568

3,133	3,117	3,069	3,010	2,867	2,773	2,768	2,745
6,141	6,246	6,209	6,090	5,985	5,717	5,639	5,787
3,063	3,048	3,319	3,286	2,743	2,428	2,573	2,232

Description of Business & Summary of Operations

The company's business is organized into four major groups whose principal products and services and method of marketing and distribution are as follows:

Bliss & Laughlin Steel Group: The business is the manufacture and sale of cold finished steel bars. These products are made from a variety of carbon and alloy hot bar stock into a broad range of sizes, shapes, finishes and grades. Sales are by company salesmen and independent agents principally within the United States. The customers of greatest importance are involved in the manufacture of mechanical parts, machinery and appliances or are steel service centers serving such markets. Shipments to these customers are made from 6 domestic manufacturing plants.

Metal Products Group: The business is the shaping, formation and assembly of metal products for industrial specialty markets. The principal products are industrial and furniture casters and glides, chair controls and bases, furniture hardware and trim, material handling systems (wire baskets, racks, shelving, pallets and dollies), coated wire baskets for automatic dishwashers, metal stampings, and precision miniature packages for the microelectronics industry. Sales are primarily to customers who manufacture products sold for use in offices, homes, industrial plants, electronic equipment and food processing, distribution and retailing. Marketing is done throughout the United States and Canada by company salesmen, independent agents and distributors. The products are supplied from 5 plants in the United States and 2 plants in Canada.

Construction Tool Group: The business is the manufacture and supply of scaffolds, shoring, enclosure systems, tools and paper tape for gypsum drywall board joining and tools for masonry and construction trades. Principal users of these products are construction contractors and tradesmen. The products are sold or leased to such users through independent distributors, dealers and jobbers, company owned service centers, company salesmen and catalog mailings in the United States and Canada.

Land Development Group: The principal business is the improvement of raw land and its resale as property ready for real estate development. Presently, five developments totaling over 2,000 acres are under development within the United States. These are geographically dispersed with uses including high density residential, retirement property, single unit housing and an industrial park. Sales are to individuals, local and regional builders and industrial park builders and developers by company salesmen and independent real estate firms.

General: In each of its industrial specialties BLI is able to compete efficiently with other suppliers and is not seriously jeopardized by its dependence upon a few large customers or suppliers.

Financial Results of the Company's Principal Lines of Business

	1974	1973	1972	1971	1970
Net Revenues:					
Steel Group	$ 85,789,000	$ 70,894,000	$ 53,539,000	$ 45,650,000	$ 54,205,000
Construction Tool Group	43,145,000	41,852,000	38,627,000	31,868,000	27,879,000
Metal Products Group	51,799,000	44,448,000	38,052,000	30,009,000	27,083,000
Land Development Group	2,321,000	5,694,000	2,984,000	1,972,000	—
	$183,054,000	$162,888,000	$133,202,000	$109,499,000	$109,167,000
Income Before Income Taxes and Extraordinary Items:					
Steel Group	$ 7,603,000	$ 3,471,000	$ 1,981,000	$ 1,079,000	$ 2,099,000
Construction Tool Group	12,279,000	11,850,000	10,803,000	8,786,000	7,209,000
Metal Products Group	5,563,000	4,276,000	3,691,000	2,037,000	2,152,000
Land Development Group	(3,842,000)	1,240,000	564,000	531,000	—
General Expenses Not Allocated	(3,144,000)	(4,867,000)	(4,499,000)	(3,743,000)	(2,319,000)
	$ 18,459,000	$ 15,970,000	$ 12,540,000	$ 8,690,000	$ 9,141,000

Management's Discussion and Analysis of Operating Results

1973: Increased volume of most operations accounted for most of the increase in revenues and all of the increase in net income. Revenues also increased but to a lesser degree due to increased selling prices.

1974: Revenues increased almost entirely due to increasing selling prices. Higher margins created an increase of $6,711,000 in Gross Profit even after a reduction of $3,909,000 as a result of a change to the LIFO method of valuing certain inventories. The major offset to these increased Gross Profits was a $3,658,000 reduction to net realizable value of certain real estate and other assets.

General: The net revenues and income before taxes and extraordinary items for the past 5 years are shown for each operating group in the Financial Results of the Company's Principal Lines of Business (see chart above).

Quarterly Data

Bliss & Laughlin's common stock is listed on the New York Stock Exchange and Midwest Stock Exchange. 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.

	Prices Per Share				Cash Dividends Per Share	
Quarter	1974		1973		1974	1973
	High	Low	High	Low		
First	15¾	12½	19	14½	$ .25	$ .23
Second	14⅞	12⅛	19⅜	15½	.25	.25
Third	13⅛	10⅞	16⅞	14¾	.275	.25
Fourth	13	9⅝	16⅞	12	.275	.25
					$1.05	$ .98

Consolidated Statement of Income

For the Years ended December 31	1974	1973
Revenue:		
Net sales	$167,721,000	$147,943,000
Rental revenue	15,333,000	14,945,000
Total revenue	183,054,000	162,888,000
Costs and expenses:		
Cost of sales and rentals:		
Sales	132,982,000	119,932,000
Rentals	5,321,000	4,916,000
	138,303,000	124,848,000
Selling, general and administrative expenses	20,438,000	19,403,000
Interest expense	2,751,000	2,206,000
Other expenses, net	3,103,000	461,000
Total costs and expenses	164,595,000	146,918,000
Income before income taxes	18,459,000	15,970,000
Provision for income taxes	9,093,000	7,765,000
Net income	$ 9,366,000	$ 8,205,000
Net income per share:		
Primary	$3.06	$2.62
Fully diluted	$2.78	$2.40

The accompanying financial review is an integral part of the financial statements

Consolidated Balance Sheet

December 31	1974	1973
Assets		
Current Assets:		
Cash and equivalents	$ 7,451,000	$ 9,295,000
Receivables, less allowance for doubtful accounts of $1,520,000 and $1,265,000 respectively	14,192,000	17,931,000
Inventories	32,071,000	27,409,000
Deferred income tax benefits	1,369,000	1,126,000
Prepaid expenses	532,000	454,000
Total current assets	55,615,000	56,215,000
Realty:		
Land and related costs	15,265,000	16,800,000
Receivables	2,954,000	3,575,000
Deferred income tax benefits	2,197,000	93,000
Other	325,000	573,000
	20,741,000	21,041,000
Other Assets:		
Deferred charges	409,000	584,000
Investments in affiliated companies	1,557,000	1,634,000
Intangible assets arising from acquisitions	5,168,000	5,448,000
Patents, at cost less amortization of $2,997,000 and $2,703,000 respectively	1,470,000	1,345,000
	8,604,000	9,011,000
Equipment Leased to Others, at cost less accumulated depreciation of $9,158,000 and $8,122,000 respectively	8,481,000	9,460,000
Plant and Equipment, at cost:		
Land	1,591,000	1,325,000
Buildings	10,905,000	10,210,000
Machinery and equipment	24,857,000	23,676,000
Accumulated depreciation	(18,965,000)	(17,974,000)
	18,388,000	17,237,000
	$111,829,000	$112,964,000

	1974	1973
Liabilities		
Current Liabilities:		
Current maturities of long-term debt	$ 264,000	$ 410,000
Accounts payable and accrued liabilities	14,650,000	11,625,000
Income taxes	4,199,000	4,095,000
Total current liabilities	19,113,000	16,130,000
Realty:		
Mortgage loans	5,191,000	8,939,000
Other	426,000	284,000
	5,617,000	9,223,000
Deferred Income Taxes	1,866,000	2,119,000
Accrued Pension Costs, Non-current	3,340,000	2,823,000
Long Term Debt	12,966,000	18,914,000
Convertible Subordinated Debentures, 5¾% due in 1987	7,141,000	7,141,000
Shareholders' Equity:		
Capital stock		
Preferred stock, no par value; authorized 1,000,000 shares; no shares issued	—	—
Common stock $2.50 par value; authorized 5,000,000 shares; issued 3,208,355 shares	8,021,000	8,021,000
Additional capital	11,971,000	11,992,000
Retained earnings	44,787,000	38,637,000
Treasury stock, at cost 163,318 shares and 97,768 shares, respectively	(2,993,000)	(2,036,000)
	61,786,000	56,614,000
	$111,829,000	$112,964,000

The accompanying financial review is an integral part of the financial statements

Consolidated Statement of Changes in Financial Position

For the Years ended December 31	1974	1973
Sources of Working Capital:		
Net income	$ 9,366,000	$ 8,205,000
Add (Deduct) items not affecting working capital:		
Depreciation and amortization (straight-line)	4,146,000	4,119,000
Write-downs of realty and other assets	3,658,000	398,000
Deferred income taxes, net	(2,357,000)	191,000
Working capital provided from operations	14,813,000	12,913,000
Sales and retirements of plant and equipment	541,000	984,000
Increase in long-term debt	320,000	4,143,000
Other, net	127,000	668,000
Total provided	15,801,000	18,708,000
Uses of Working Capital:		
Additions to net realty assets other than mortgage loans	660,000	591,000
Decrease in mortgage loans payable	3,748,000	2,078,000
Additions to plant and equipment	4,535,000	3,654,000
Payments of long-term debt	6,268,000	3,318,000
Cash dividends	3,216,000	3,055,000
Treasury stock purchases	957,000	643,000
Total used	19,384,000	13,339,000
Increase (Decrease) in working capital	$(3,583,000)	$ 5,369,000
Changes Consist of Increase (Decrease) In:		
Cash and equivalents	$(1,844,000)	$ 4,365,000
Receivables, less allowance	(3,739,000)	340,000
Inventories	4,662,000	2,091,000
Deferred income tax benefits	243,000	591,000
Prepaid expenses	78,000	(116,000)
Increase (Decrease) in current assets	(600,000)	7,271,000
Current portion of long-term debt	(146,000)	(41,000)
Accounts payable and accrued liabilities	3,025,000	880,000
Income taxes	104,000	1,063,000
Increase in current liabilities	2,983,000	1,902,000
Increase (Decrease) in working capital	$(3,583,000)	$ 5,369,000

The accompanying financial review is an integral part of the financial statements

BLISS & LAUGHLIN INDUSTRIES INC.

54 TH ANNUAL MEETING

MANAGEMENT'S REPORT TO THE STOCKHOLDERS

WEDNESDAY, MAY 1, 1974
10:30 o'clock A.M.
AT
EXECUTIVE OFFICES
122 WEST 22nd STREET
OAK BROOK, ILLINOIS

Mr. Collinsworth: I am Even Collinsworth; and, as you know, we traditionally here at Bliss & Laughlin have tried to mix a little fun and enjoyment with our annual meetings while at the same time reporting on the state of the nation, so to speak. Consequently, in this vein, I hope that you have enjoyed your coffee and sweet rolls as well as the opportunity of chatting with your fellow stockholders and your friends.

As usual, all of your representatives of the Board of Directors are here today. Before we get too formal, may I introduce them to you alphabetically. As you know, with my exception, they are all outside directors, so I am proud to introduce them to you.

Mr. Henry Albrecht.
Mr. Roland Erickson.
Mr. Mitchell Ford.
Mr. Findley Griffiths.
Mr. Arnold Kalman.
Mr. Marvin Mitchell.
Mr. Frederick Robbins.
And Mr. Keith Shay.

I want to also say that they are certainly a working Board.

To give you a little evidence of this, I asked my secretary yesterday to add up the number of memos that have gone from my office to them since we had our last meeting, and even I was surprised. There have been seventy-four memoranda that have gone to this Board of Directors to keep them informed on what is going on here, and I may add that they expect it, as they should.

I will now make a few comments and ask Mr. Aughnay to introduce each of our Group Vice-Presidents who will report to you on his segment of the business. The success as well as the failures of a corporation are the result of a group of people, and I think you will get a good flavor of their ability after you have heard them out today.

I trust that you have all read your 1973 annual report and the more recent 1974 quarterly report, in which we had the pleasure of informing you that during both of these periods we enjoyed all-time records in sales and earnings, and consequently, today there is no reason to belabor the details so outlined in both of these documents.

Now, ever within the context of reported earnings, I probably should bring to your attention an increasing trend of proclamations that businessmen have the responsibility of explaining to their investors the effects of inflation on their companies' profits. It is quite obvious, I may add, that none of these voices, to my knowledge, outline just how one should do this.

It is also quite apparent that even though the subject of inflation has been with us for many, many years, no one in position of power or influence has really thought it important enough to have the courage to face up to the agonizing reality of the devil's choice of just how much unemployment should be tolerated to keep the dollar from losing half its value every twenty-three and one-half years (which is the three per cent inflation that we have been having) or of losing half its value every seven and one-half years (which is the recent rate of ten per cent a year inflation).

Somehow, some way, this conflict between inflation and employment will have to be resolved by our unions, management and government to ensure the survival of our democratic and capitalistic system; for there is no such thing as a recession for a man who has lost his job. He is experiencing a depression!

Even though I believe that there is no corporate president who can magically explain away this complex situation in which we now find ourselves, I will attempt to pass on a few observations pertaining to our own earnings relative to these inflationary times.

I will first give you a tremendous shot of confidence in my ability to do this by confessing that I really don't know what "reported profits" are, just as I don't know what "reported costs" are!

I do know that the accounting profession executes to its best ability within the context of continuously changing tax laws and Security & Exchange regulations to tell me what they *think* they are.

My increasing pragmatism, developed during the passing years, makes me agree more and more with a recent quote of a respected economist when he stated, and I quote:

> "One of the real problems with profits is that you really don't know what they are. The only way you can find out is to liquidate a corporation and reduce everything to cash. Then you subtract what went into the company from what came out, and the result is profits. Until then, profits are only a product of the accountants."

What brings this into clear focus is the fact that there are some well-known recent examples—I hope our stockholders weren't investors in such situations—of companies that had beautiful reported profits, but somehow ran out of cash, which is a polite way of saying, where I was raised in the hills of east Tennessee, that they were going broke! But, anyway, if our leaders are finally becoming willing to face up to the issue of inflation, far be it from me to be recalcitrant and uncooperative.

So, let's play with some figures.

For the time span from 1961 when we started to diversify, through 1973, our upturn since 1971 has allowed the trend of our reported earnings to produce a compounded growth rate of 12.2 per cent per year.

Some experts say that to eliminate the effects of inflation one should divide these data by the Gross National Product deflator, which is an index utilizing 1958 as the base year. Frankly, I don't know how pertinent this magic index is to our specific business, but since everybody else seems to be using it, why should we be different.

So, when we make this division, it statistically concludes that the compound rate of our earnings trend since 1961 expressed in theoretical 1958 dollars would be reduced to 7.5 per cent per year.

Is this good or is it bad? I don't know. It all depends on to what we wish to compare it. For example, during this same time period we do know that the growth of our national economy, as measured by the gross national product, also in 1958 dollars, has increased at an average trend rate of only 4.0 per cent per year.

As part and parcel of this inflationary situation, I am sure that you have been exposed to the term of "inventory profits"; here, again, in my opinion a semantic boobytrap, being a term that can be defined in any way any vested interest so desires.

We have derived from our accounting system a figure which indicates that in 1973 we had a so-called "inventory profit," and I'll mentally always put that phrase in quotes, of approximately \$205,000.00, or 2.5 per cent of our after-tax earnings.

The same type of calculation indicates that in 1969, our previous record earnings year, we had an inventory profit at that time of approximately \$224,000.00, or 3.2 per cent of our profit. Yet, no one then seemed to think that this was any big problem.

Again, is this bad?—Again, I don't know. About the only thing of which I am positive is that it is certainly better than a reported loss!

I know that the apparent benefits of this will be nullified to some unknown degree by the cash out-of-pocket cost for the replacement of worn-out equipment, the current day value of which being certainly more than the depreciated cost, as determined currently by our accounting system—which in all fairness to our auditors in turn is dictated by our tax laws.

I also know that we are going to have to replace this inventory with higher priced products and, in the interim, we, ironically, will have to pay out cold cash to the government as a tax on this abstract thing called "inventory profit."

BLI's Board of Directors

Now, I don't wish my apparent facetiousness to belie my concern relative to inflation. You may rest assured that your management is using every tool at its disposal to continuously seek after that will-o-wisp accounting figure which will truly reflect reality. But, in my opinion, the bitter and horrible consequences of national inflation, especially to those on a fixed income, cannot be softened or alleviated one iota by the lame explanation of any corporate president as to its effect upon his company's earnings.

Now may I touch on a point which I am sure is a sensitive one to many of our stockholders, that of the current price of our stock.

As you know, your management does not have the power to influence the so-called market trend. On the other hand, you should expect us to be sensitive to the fact that we are a listed New York Stock Exchange company, and we can't ignore that investor attitude has a substantial bearing on the market value of our securities. Consequently, we should continue to attempt to communicate our results in a positive, yet ethical, fashion to the financial community; and we have reported to you our activities in this regard in our annual report.

I must admit, however, in all candor, that to utilize my time and, certainly more importantly that of the rest of your management, toward this end is taking more and more discipline in the face of declining stock values, in spite of continuous record annual and quarterly earnings increases since 1971.

The blunt fact remains that investors' confidence, for whatever the reason, for all stocks is at a very low ebb. This has produced an environment which has pressured our times-earnings ratio to a low of between five and six, a range, I may add, in which we have a lot of company.

As of April the 17th, there were 574 companies out of the 1,562 companies listed on the New York Stock Exchange, or 37 per cent of those companies, with price-earnings ratios of six or less; in fact, some being even less favored than ourselves, including such well-known names as Libby-Owens-Ford, Studebaker-Worthington, Northwest Industries, Kidde, City Investment and others.

I know that for many of our stockholders it is of little solace for me to bring to their attention that the average times-earnings ratio of our stock for the twelve-year period 1961 through 1973, when compared to the equivalent ratio for April of this year, has declined less than that of the average times-earnings ratio of the Dow Jones Companies' composite for the same period. For example, Bliss & Laughlin's times-earnings declined 55.2 per cent and the Dow Jones composite declined 59.4 per cent.

More currently, the same conclusion can be drawn when we compare the decline of our one-year 1972 average times-earnings with that of the Dow Jones equivalent also relative to this April. Our times-earnings has decreased 60.2 per cent, but did you realize in that period of time that the Dow Jones composite times-earnings has declined 64.5 per cent!

In addition, I know that it does not put money in any of our stockholders' pockets when I mention that if we currently enjoyed the same **average** price-earnings ratio as during the last ten years our stock today would be selling at the $28-a-share range. On the other hand, I have enough faith in the economic system of our country to think that it will be only a matter of time until well-run companies with proven track records will again enjoy favorable investment consideration.

As I mentioned in a recent interview with the editor of the Wall Street Transcript, and I quote:

> "One of these days someone is going to have to wake up to the fact that here is a company like ours, no matter what you wish to categorize us, which started diversifying in 1961, and our earnings per share have grown compounded at over ten per cent trend rate per year. We have thirty-three years of consistent dividends.
>
> "In Fortune's 1,000 companies last year we rated 666 in sales, yet we also rated 576 in net income. We rated 377 in return on net worth and 368 in ten-year growth in earnings, and 344 in the new Fortune's so-called "combination retion" of yield plus stock appreciation from 1962 to 1972—and we are selling at five and six times earnings with a yield of over seven per cent!
>
> "Sometime someone is going to have to wake up and say, 'Look, there is something there that maybe we ought to be interested in, conglomerate or not.' "

In closing this subject, may I state that I have put my personal money where my mouth is by purchasing 3,700 shares of Bliss & Laughlin stock since I have taken over the responsibilities of this office. And, to show you how I have taken advantage of my insider information, my weighed average price that I paid is still higher than today's quoted value! Yet, I still feel that this will be one of my best investments.

I have faith in this company, and just as importantly, I have faith in this country.

Now, getting back to a topic that we **can** do something about, I believe that it is pertinent at this time for me to ask Frank Aughnay, Senior Vice President, Operations, of our company, to introduce to you our group vice presidents, and they in turn will recognize the men who are out there in the field that really do the job, and, then the group vice presidents will bring you current relative to our objective as to meeting this year's operational goals.

We will then continue with the formal and legal requirements of our meeting, after which we'll be open to questions from the floor.

Thank you for hearing me out. —Frank.

Mr. Aughnay: Thank you, Even.

We would like to begin our report on operations with Mr. Joseph Rose, group vice president, Metal Products Group.

Mr. Rose: Thank you, Frank and Even.

METAL PRODUCTS GROUP REPORT

I would like to begin by introducing the general managers of the Metal Products Group, who are here for the shareholders' meeting, and also for a management meeting which will be held following this meeting.

We have with us Ron Chalman of Tekform in Anaheim, California. Frank Doerner, Doerner Products, in Waterloo, Ontario, Canada. Ham Johnson of our Faultless Division in Canada, Stratford, Ontario. Bob Stallings of our Faultless Division in Evansville, Indiana. And Fred Thacker of our Nestaway Division, headquartered in Cleveland.

Before they sit down, I would like to tell you that this management team and their divisions have turned in a compounded earnings growth rate of sixteen and two-thirds per cent annually since the group was first formed with the acquisition of Faultless in 1964.

Thank you.

In this year's annual report Mr. Collinsworth stated that the Metal Products Group was anticipated to produce higher earnings than their record earnings of last year. Happily, very happily, I can report to you that the first-quarter performance was slightly ahead of this schedule.

I think this demonstrates that our divisions are capable of taking advantage of favorable market opportunities. Therefore, given a favorable and healthy external economic environment in the last few months of this year, we expect to meet or exceed our operating plans for 1974.

The plans for this year were initiated in August of 1973 and finalized last December. Our plans are always based on certain assumptions about what is going to occur in the next year, and then, for the balance of the eighteen months, we cross our fingers and hope that those assumptions are correct.

The most important assumption that we made in our forecasting for our group last year was that industrial production would level out at a rather high plateau for most of the year and then actually would begin to pick up during the fourth quarter.

We did not anticipate the energy shortage panic, but we did recognize that construction generally and housing in particular would be slow, slower than 1973, because of the high cost of money. We also assumed that the automotive industry would slow down. However, it is not directly affecting our group's performance. As a matter of fact, it may be helping, in that the finances originally slated for the purchase of automobiles are released now for the purchases of appliances or even furniture.

Construction activity also does not directly affect our group's activities.

The economy, as you know, otherwise is running pretty well as predicted. Our markets have been good and presently the economists, while they do vary by quite a wide range, do compositely predict that the balance of the year will be good.

Our second major assumption was that price controls would allow only cost pass-throughs, and because of this we expected that our profit margins on sales would be under considerable pressure. In our planning, we had therefore to determine how to execute programs to offset this price erosion, or margin erosion, with cost reduction.

I think the first-quarter performance indicates that this is being successfully done.

Another event that we did not anticipate was the independent truckers' strike. Mr. Collinsworth, in his first-quarter report, commented that our divisional managers have reacted successfully to this strike, being very alert and flexible in their actions. Now, these same qualities are very much in evidence in the skill with which they are handling today's chaotic pricing situation.

I think most of you have read about the price of gold and how it has escalated over the past year and half. By the way, gold is a major raw material for our Tekform division. Not so well publicized in specifics are the rises, for example, of fifty per cent in the price of steel wire since the first of the year! In addition, almost every supplier we have has been in at least once to our division with price increases in the last quarter. Sometimes they have been monthly. This kind of chaotic pricing and costing requires us to quickly assimilate the changes into our system.

Our division managers have been very busy in making substitutions of materials, in making product changes and where those can't be effected, they have been changing their own prices. Thus far, not only in our group but throughout the corporation, our divisional managers have done an excellent job in reacting to these circumstances.

We have also experienced shortages that we have never anticipated. It's the first time that we have really seen scarcity in such common items as fasteners and other similar metal parts which have always been assumed as available readily, almost off the shelf. Bob Stallings has had trouble getting fasteners, to the extent that his deliveries, which normally were four to six weeks, now go out six to nine months.

In this situation, the hidden plus for Bliss & Laughlin has been the diversified corporate structure. In recent weeks several times we have had one division help another locate a very critical item, one which the particular division in need could not, through its regular sources, locate.

Joseph W. Rose
Metal Products Group

Donald B. Moritz
Construction Tool Group

Now, looking ahead for the balance of this year, we have two important labor contracts to negotiate in June. One is at our rubber plant in Evansville, Indiana. The other is at our wire fabricating facility at Beaver Dam, Kentucky. Since negotiations on these contracts have just started, it is not possible now to predict their outcome. Our operating plans, however, assume that new contracts will be obtained without work interruption.

Another important event with forecastable effects at the moment, is the removal of price controls as of today. I personally think that the situation is going to be utterly chaotic for at least a few weeks. But, I am confident that our managers throughout the corporation are going to be able to cope with this as well or better than most and be able to continue to be on their operating plans for the balance of the year. Currently, our group's backlogs, the divisional backlogs, are at all-time highs. In recent weeks, we have had just a few signals that they may be leveling out at a high plateau. These backlogs have been important to us because they have permitted us to operate with greater efficiency and thereby obtain cost reductions offsetting some of the price increases that had been put through.

Stockholders examine product literature.

[L to R]: J. W. Rose; Carl Hogberg; C. Arnold Kalman, Director

So, in summary, if the economy continues strong and we are able to negotiate these two labor contracts with satisfactory results, the Metal Products Group will finish the year 1974 with another record-earnings performance.

Thank you very much.

Mr. Aughnay: Next we will hear from Mr. Donald Moritz, group vice president of the Construction Tool Group.

Mr. Moritz: Thank you Frank and Even.

REPORT OF THE CONSTRUCTION TOOL GROUP

May I first introduce the vice presidents and general managers who made the Construction Tool Group's contribution to corporate earnings a record in 1973 and who are responsible for the thirty per cent compound growth rate that this group has achieved since it was instituted in 1962.

From Ames Taping Tools, Mr. Gene Johnson.

From Goldblatt and Marco, Mr. Don Place.

From Waco Scaffold and Shoring, Mr. Dick Mocny.

And from south of the border, our Andamios Atlas representatives, Sergio Portal and Tony Larrea.

Thank you.

Last fall we made several assumptions upon which our operating plan for 1974 was based.

The combination of these assumptions produced an original operating plan for 1974 which indicated an earning contribution approximately seven per cent below our record performance of '73. If this does occur it will be only the second time the earning contribution of this group has declined relative to the preceding year since our inception in '62. Therefore, two of our major assumptions deserve further explanation.

First, in light of the predictions by recognized construction industry experts we based our operating plan in part upon housing starts, which were dismally predicted to be as low as 1.6 to 1.7 million units in 1974, or about three to four hundred thousand units below the 1973 rate of 2.05 million housing units. Secondly, we assumed, as I think all of our groups assumed, an erosion of our profit margin as a result of price controls.

We fully anticipated labor and material cost increases, and we simultaneously assumed that continuing government controls would allow us to regain somewhat less than historical margins and then only after we had experienced the costs.

With the value of hindsight, our current appraisal of the validity of these two fundamental assumptions has been made. Let us review them.

Housing starts.—Although the first quarter was in the range of 1.5 million annualized starts, the outlook is somewhat brighter than it was last fall when we prepared our operating plan.

There are indications that if the tight money market does not continue the worst could be behind us, and starts could improve the rest of the year with the total year ending at about 1.7 to 1.8 million units. If so, this will be a six per cent improvement over the figures that we used to plan operations for '74. In addition, non-residential construction has been very strong, with only occasional sectors such as shopping centers lagging 1973.

With respect to profit margins, yesterday, or today, if you will, price controls ended. It is now possible to quickly react to the rising costs without governmental delays, and within the limitation of market-place acceptance.

Because many of our products are productivity-oriented, we expect most price increases to be offset by the users' productivity,

(L to R): Ronald C. Chalman; Hector Tinajero shaking hands with G. Findley Griffiths; A. H. Johnson (back to camera) and J. W. Rose.

(L to R): A. Hamilton Johnson; Sergio Portal; Carl Hogberg; Donald Place; Carl Huff, former BLI president.

and thus not contribute significantly to inflation. We have additional concerns, however.

As of today, the cost of money seems to have no ceiling and the resulting interest rates may dampen this expected upturn in housing.

The demand-regulated economy has turned to one dominated by supply considerations.

On the other side of the ledger, construction has historically been a can-do industry. It works with whatever is available and this may in turn help our group's performance.

We believe the energy crisis will aid industrial construction for years and years to come. It will require massive federal, state and local programs in the area of mass transit, for example, and the probable building of many high-rise structures in the center cities. Also, new design standards for almost every form of construction will be required to lessen energy consumption.

These will also be pluses for our construction business.

All of this adds up to the Construction Tool Group's actual income contribution for the first quarter being approximately seven per cent above our operating plan and practically the same as the corresponding period last year.

Barring unforeseen money and labor problems for the remainder of this year, our current appraisal indicates the Construction Tool Group earnings contribution to the total year will be better than our plan. But, to be on the conservative side, we do not think it prudent to forecast another record year at this time.

Thank you.

Mr. Aughnay: Thank you, Don.

Next, I would like to introduce to you Ed Burk, vice president of our Land Group.

Mr. Burk: Thank you, Frank.

LAND DEVELOPMENT VICE PRESIDENT REPORTS

Ladies and gentlemen, it is my pleasure at this time to introduce to you two people who were very instrumental in the record income contribution, more than doubling our 1972 results in 1973, in the areas of our Land Division.

Mr. Don Pacey, Marketing Manager, Fullerton Center Industrial Park. Don, would you kindly stand up.

And, Mr. Phil Capron, who is assistant to the vice president. Thank you, gentlemen.

The Land Division also experienced a good first quarter, although the first quarter of 1974 was less than 1973.

Our performance during this period was better than planned, largely due to the strong industrial sales at Fullerton Center Industrial Park located in Addison, Illinois.

As stated previously, our 1974 business plans were formulated in the early part of the fourth quarter last year. These plans were based upon a number of fundamental assumptions concerning our land inventory position, the national economy and the real estate activity in our respective operating areas.

The most important assumption included in our 1974 business plan is that this year's results will be lower than 1973 because of a better than expected success during last year, which in turn reduced our salable land inventory at three of our five projects. In addition, we assumed that inflation and tight money would have a depressing effect on residential real estate activity both nationally and in our respective areas of operation.

We expected these factors to continue until the fourth-quarter of this year. However, our assumptions did not include the uncertainties that resulted from the federal gasoline allocation program which we recently experienced.

With the benefit of four months' experience, our current appraisal is that we will continue to experience uncertainties in the national economy, inflation and tight money will continue as a major problem for the real estate industry; material shortages and spot gasoline shortages throughout the balance of the year will plague the homebuilding industry; and increased regulatory agency activity, which is designed to slow growth, will continue to delay development. However, these conditions will not reduce the demand for more homes. Rather, it will set the stage for the next cyclical upswing in residential construction and in real estate activity.


Mr. Collinsworth with Stockholder Arnold Ruud.

The impact of these factors on our five community and industrial land projects are as follows.

Turtle Creek Village in Florida. This has been our most successful and our most profitable project. At this time a major portion of Turtle Creek has been sold. Due to delayed Martin County approval, we do not expect to be in a position to sell our Phase II condominiums this year as originally planned. Phase II is a small portion of the total product. This, however, in no way reduces the desirability or the profitability of this outstanding community.

Fullerton Center Industrial Park in Addison, Illinois, continues to demonstrate increasing profitability from industrial land sales due to increased prices and demand. However, our inventory position has been reduced significantly. It is expected that Fullerton Center will meet our goals in 1974.

Wildwood Ranch activity in San Bernardino, California, did not meet our first-quarter expectations due to the general slowdown in San Bernardino County and delayed environmental approvals. Because of these circumstances and the uncertainties of homebuilding in the area, we do not expect sales and profits to meet our original 1974 business plan.

At our Carmel Valley, San Diego property in California, sales are on target and we expect to meet our 1974 sales and profit goals by the end of this year.

Lastly, Balcones Hills, our newest community development in metropolitan Dallas, Texas, has now been accepted and zoned according to our proposed land plan. While the project is well located and has great potential, the slowdown in home construction and tight money in that specific area will delay our program until 1975. Consequently, sales and profits from Balcones Hills will not meet our 1974 business objectives.

In conclusion, our total land activities will continue to be profitable in 1974. However, it currently appears that 1974 will offer less of a profit contribution than we enjoyed in 1973, and it is expected to be lower than originally planned. In view of this we are now exploring alternative approaches to land sales to minimize the indicated negative variance from the plan.

Thank you very much.

Mr. Aughnay: Thank you, Ed.

The final talk of the day will be from Bob Keenan, group vice president of the Steel Group. Bob.

Mr. Keenan: Thank you, Frank and Even.

REPORT OF THE STEEL GROUP

Ladies and gentlemen, it gives me pleasure to introduce to you an associate of mine from Mexico who materially contributed to the turnaround of the Steel Group in 1973, which is continuing into this year 1974.

Hector Tinajero, general manager of Bliss & Laughlin, Latinoamericana, S.A. Now you know why we refer to it as BALLSA!

During the first quarter of 1974 the Steel Group achieved significantly increased revenues and income over 1973, and above its plan for the period. Although these results are most encouraging, they must be viewed in the light of our original assumptions and expectations for 1974.

In our operating plan for this year and as stated in the 1973 annual report, the Steel Group expected "short supply conditions in the steel industry." Shortages have not been as severe as expected thus far in 1974, and we have reduced some of our raw material inventories to achieve relatively higher levels of shipments. Obviously, both of these conditions cannot continue indefinitely.

A second and extremely important assumption regarding 1974 involved pricing.

Late in December, 1973, steel prices began rising, based on revised rulings of the Cost of Living Council, which permitted price increases based on increased costs and a variety of surcharges predicated on drastically increased costs of scrap and other materials. These cost increases have been continuing throughout the first four months of 1974 and have allowed the Steel Group to increase its prices commensurately.

The favorable effect of these increases on our revenues and income is the result of their timing and extent.

Our operating plan expectations were that price increases would not be realized until late in the first quarter of 1974, instead of at the beginning, and that the amount would be about half of what has actually happened. Even an unexpected wildcat truckers' strike and severe energy shortages did not materially affect our results, due to the extra efforts and ingenuity of our personnel.

One other fact has contributed to record levels in the first quarter of 1974, and that is new leadership in the operations facet of our group, the quality of which has evidenced itself in an improvement in productivity and morale.

What are our expectations for the balance of 1974?

Ed Burk
Land Development Group

Robert W. Keenan
Steel Group

We have already been notified by several of our major mill suppliers to expect reduced allocations of steel in the third quarter. Additionally, it is estimated that the end of the Cost of Living Council and Phase IV effective today will result in the price of this raw material increasing substantially over the present levels by the end of this year.

These expectations are based on continuing increases in costs, particularly labor, as the result of the negotiations just concluded by the ten largest steel companies and the United Steel Workers.

Although the demise of governmental controls on wages and prices heralds the long-awaited return to a free-market economy, it should also accelerate the return to competition and pricing stability. This is to the good, and it is our expectation that the latter factors will limit pricing flexibility and obviate the possibility of making cold finished bars relatively more expensive than competing products.

This latter factor, i.e., not pricing ourselves out of our market, plays an important part in our attitude relative to our Steel Group's pending four labor contracts, also with the United Steel Workers, which expire at different times from September, 1974 through January, 1975.

It is pertinent, therefore, and I must emphasize to you, that our non-integrated seventy-one million dollar group cannot conceptually or economically be compared to the seven billion dollar fully integrated United States Steel Corporation. Also, our Steel Group returns on revenues and assets are the lowest of all the groups in Bliss & Laughlin.

This further emphasizes the crucial necessity of improving steel related returns in order to increase vitally needed steel producing capacity, and thereby supply.

We hope that this very obvious set of circumstances will be realistically recognized by the union and management in their negotiations and that the agreements developed will reflect these conditions.

During April of this year we instituted our selective selling program, which will concentrate on improving service and relationships with our key customers on a long-range basis. The results of this program, however, will not be evidenced until the last quarter of 1974.

In the fourth quarter we expect to install a management information system which will give our group its first realistic analyses of costs and productivity by product and producing center. Training in motivation and supervisory techniques will begin in May and extend throughout the balance of the year. It is our belief that these programs will result in better morale and productivity.

In conclusion, our current appraisal for this year is as follows.

Our 1974 operating plan expectations of slightly reduced revenues and stable earnings for the year now appear to be conservative, particularly in view of the results for the first quarter. For the balance of the year, however, we expect comparatively lower levels of revenues and income due to material shortages, cost increases and pricing limitations, all of this within the context of crucial labor negotiations.

Despite these problems and uncertainties, and barring labor disruptions relative to our suppliers, customers, as well as ourselves, revenues and income for 1974 should exceed our operating plan and those of 1973.

Thank you.

Mr. Aughnay: Thank you, Bob.

We will now turn the meeting back to Mr. Collinsworth.

PRESIDENT'S CLOSING REMARKS.

Mr. Collinsworth: I just don't want you to think that because Frank here is not saying anything that he is not important.

He is like Theodore Roosevelt. You know, he speaks softly but carries a big stick.

After listening to these men, I am sure that you are just as proud of their accomplishments as I am. They are professionals.

I think that you will also be pleased to know that in spite of the 50 per cent increase of $53,539,000.00 in net revenue, and a 73 per cent increase of $3,465,000.00 in our after-tax earnings since our low point in 1971, we have had a net increase of the people here at the corporate staff of only one secretary in our corporate administration; which, by the way, totals 31 people.

I think this is also to their credit.

I believe that these current projections of these men can be summarized corporate-wise as follows, relative to the original 1974 corporate plan.

The Construction Tool Group estimates that it will do better than planned, but it might not beat last year's record.

The Land Development Group is estimated to contribute less than planned and last year.

The Steel Group projects to better its plan and possibly exceed last year.

The Metal Products Group estimates that they will meet their plan and do better than last year.

I can add to this, that in my opinion the corporate administrative cost will be kept within plan or less, and our "other income, net" will possibly better plan and last year.

This totals up to our current day conclusion that, barring labor difficulties, an important increasing concern I may add, and unforeseen economic events, your company's earnings for 1974 are estimated to end up on plan; which, if so, will produce another record earnings year.

Before we finalize this 54th annual meeting, may I invite you to enjoy just a little brief pleasure with me.

I mentioned in my previous remarks that I have faith in our company and in our country. Regarding the latter, may I emphasize one of the reasons why I do.

One night a few weeks ago, like probably the rest of you, I came home from work and I picked up the evening paper. As usual, after reading the first page, I lost my appetite. When turning over to the third page, way down near the bottom, I read an article that made me feel that this country still has a chance.

You maybe read this.

There was a little headline there, and it said, *"BOY SHOWS $100 WORTH OF HONESTY."*

It said:

"Vitas Briedis, 11, has dreams of a new ten-speed bicycle and a fishing rod and $100 go a long way toward making those dreams come true.

"But when Vitas found more than $100 in crumbled bills on his way home Tuesday, he knew instinctively he must turn it over to the police.

"'I first thought it was play money,' said Vitas, who lives with his parents, three sisters and brother at 11256 South Troy.

"'But when I got home I found out it was real, and I told my mom that we should call the police and it was not mine.'

"Mrs. Anna Briedis agreed with her son, and they took the money to the Gresham District police station."

The first thought that flashed through my mind after I read this was, "What capable parents this boy must have." The second was my feeling of indebtedness that was due to them and their son for making me feel that the basic criteria of simple black and white honesty is still in existence.

So the next morning I phoned Mrs. Briedis and I expressed my appreciation.

Then I took one of the prerogatives of my office in saying, "Mrs. Briedis, I want your son to be a stockholder of our company, for two reasons. One, a boy of his integrity has to appreciate that the capitalistic system needs him; and two, he has to know that there are still people left who appreciate his honest act. Consequently, on behalf of our company, we want to give him seven shares of our stock, which is the approximate value of the $100.00 he found and refunded to the police, per his mother's counsel."

So I want to introduce to you now, first Vitas Briedis, a new stockholder of Bliss & Laughlin.

Will you stand, young man?

(Prolonged applause)

Mr. Collinsworth: And just as importantly, his mother, Mrs. Anna Briedis. Will you please stand?

(Prolonged applause)

Mr. Collinsworth: Thank you all for your interest in our company, as evidenced by your attendance here today.

Vitas Briedis and his mother, Mrs. Anna Briedis, with Mr. Collinsworth [left] and Mr. Burk.

Consolidated Statements of Additional Capital and Retained Earnings

For the Years ended December 31

	1974	1973
Additional Capital:		
Balance at beginning of year	$11,992,000	$ 7,920,000
Add (Deduct):		
Market value in excess of par value of common stock issued in payment of 10% common stock dividend	—	4,110,000
Other, net	(21,000)	(38,000)
Balance at end of year	$11,971,000	$11,992,000
Retained Earnings:		
Balance at beginning of year	$38,637,000	$38,325,000
Add (Deduct):		
Net Income	9,366,000	8,205,000
Cash dividends paid ($1.05 per share in 1974 and $.98 per share in 1973)	(3,216,000)	(3,055,000)
10% common stock dividend	—	(4,838,000)
Balance at end of year	$44,787,000	$38,637,000

The accompanying financial review is an integral part of the financial statements

Report of Independent Public Accountants

To the Shareholders and Board of Directors
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, 1974 and 1973, and the related consolidated statements of income, additional capital and retained earnings, and changes in financial position for the years 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.

As more fully explained in the inventory note in the Financial Review to the accompanying financial statements, the Company changed from the average cost method to the last-in, first-out method of computing the cost of certain inventories as of January 1, 1974.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1974 and 1973, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied, except for the change (with which we concur) in the method of accounting for inventories referred to in the preceding paragraph, on a consistent basis during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
January 31, 1975

Financial Review

In an effort to reflect clearly and comprehensively the financial affairs of the Company we have made the following changes in format this year:

**Accounting policies have been presented in *italics* as part of the financial review dealing with each subject.
**Information formerly contained in notes to the financial statements has been included in this financial review which is covered by the Report of Independent Public Accountants.
**Accrued pension costs not expected to be paid to the pension fund within one year and the related income tax effect have been reclassified to long-term liabilities.

Principles of Consolidation

The consolidated financial statements include all subsidiaries except BLI Mortgage Company. Investments in affiliates and BLI Mortgage Company are stated at cost plus equity in undistributed earnings since acquisition. Separate financial statements for BLI Mortgage Company are not included in this report because they are not significant. The Company's share in the net earnings of these affiliated and subsidiary companies is insignificant.

The accounts of foreign subsidiaries which are located in Canada, are translated into U.S. dollars at the current rate of exchange, which has not changed materially during the period of ownership.

Pension Plans

The expense for pension plans includes the cost of benefits earned during the year and that portion of prior service costs necessary to amortize such costs over a period of approximately 30 years.

Pension costs have been funded at a rate necessary to maintain the plans on an actuarially sound basis. Pension costs not currently funded are included as long-term obligations in the balance sheet.

These plans provide benefits for substantially all employees. The provision for pension costs was $1,772,000 in 1974 and $1,584,000 in 1973. At December 31, 1974, the aggregate actuarially computed value of vested benefits was in excess of the total of the pension fund assets and balance sheet accruals for all plans by approximately $360,000 due to decline in market value of pension fund securities.

The Pension Reform Act of 1974 will not have a material effect on pension expense, funding requirements or vested benefits.

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.

The components of the provision are as follows:

	1974	1973
U.S. and Canadian currently payable	$10,593,000	$7,500,000
Deferred taxes and (benefits), net	(2,600,000)	(400,000)
	7,993,000	7,100,000
State	1,100,000	665,000
Total provision	$ 9,093,000	$7,765,000

The reduction in U.S. income taxes resulting from the investment tax credit is reflected as a reduction of the current provision under the flow-through method of accounting. Such credits were $220,000 in 1974 and $160,000 in 1973.

Taxes deferred, due mainly to the use of accelerated depreciation for tax purposes, are classified as a non-current liability. Deferred tax benefits related to working capital items are classified as a current asset and those relating to realty operation are included in the realty assets. The source of these differences in 1974 and 1973 and the tax effect of each were as follows:

	1974	1973
Depreciation	$ 100,000	$ 600,000
Provision to reduce realty assets	(2,104,000)	(93,000)
Pension accrual	(245,000)	(207,000)
Vacation accrual	(137,000)	(208,000)
Accrued insurance	(47,000)	(160,000)
All other, net	(167,000)	(332,000)
	$(2,600,000)	$(400,000)

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.

Inventories

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market except for certain inventories which are stated at last-in, first-out (LIFO) cost which is not in excess of market. In December, 1974, the Company changed to the LIFO method of accounting for certain inventories effective January 1, 1974. The reason for the change was to reduce the effect of inflation on earnings, to more nearly match current costs with current sales, and to increase the cash flow available for use in the business. The effect of the change on the year was to decrease net income $2,032,000 ($0.66 per share). For this type of accounting change there is no cumulative effect on retained earnings as of December 31, 1973.

LIFO inventories at December 31, 1974 were $11,709,000. Under the FIFO method of accounting, inventories would have been $3,909,000 higher than those reported at December 31, 1974.

Realty Operations

The Company's realty operations differ from other operations in that they carry a higher ratio of debt to investment and have a business cycle extending over several years. Accordingly, all the assets and liabilities of these operations are presented under separate Realty captions.

Realty sales are recorded when the buyer has a significant and continuing cash equity in the property. Real estate taxes, interest expenses ($115,000 in 1974 and $435,000 in 1973) and development costs applicable to land are capitalized as part of the cost of the land prior to the marketing stage provided that such capitalization does not state land and related costs in *excess of net realizable value. Costs are allocated to the various parcels of individual projects based upon the area or relative value method, whichever most equitably reflects such costs.*

During 1974 $3,239,000 was provided to reduce land and related costs to net realizable value.

Intangible Assets

The excess of the purchase price over fair market value of net assets of businesses acquired, in the amount of $4,562,000, prior to November 1, 1970 is not being amortized because, in the opinion of management, they represent assets with continuing value. For subsequent acquisitions any such excess is being amortized over the lesser of the period benefited or 40 years. Amortization during 1974 totaled $480,000, including $452,000 which was deemed to have no value.

Mortgage Loans and Long-Term Debt

Mortgage loans classified under the Realty caption are secured by real estate held for resale. The loans bear various interest rates from 4% to 12½% and have varying maturities, including $1,041,000 in 1975, $793,000 in 1976, $668,000 in 1977, $413,000 in 1978, and $622,000 in 1979.

Long-term debt was as follows:

	1974	1973
Revolving credit notes	$ 8,000,000	$14,000,000
Obligations applicable to facilities financed through municipal industrial revenue bonds, with various interest rates (4% to 8½%)	4,826,000	4,680,000
Other, with various interest rates (5% to 6½%)	404,000	644,000
	13,230,000	19,324,000
Less current maturities	264,000	410,000
	$12,966,000	$18,914,000

A revolving credit agreement with banks provides for unsecured borrowings up to $20,000,000 to September 15, 1975, with interest at ¼% over the prime rate (10½% prime rate at December 31, 1974), and a commitment fee of ½% per annum on the unused portion of the commitment. On September 15, 1975, the Company intends to exercise its option to convert the borrowings into a term loan due in equal semi-annual installments from 1976 to 1982, with interest at ½% over the prime rate. The maximum interest rate under the term loan through September 15, 1979 is 8%.

Lines of credit from banks were $33,800,000 at December 31, 1974, including notes sold with recourse. The Company had borrowings of $12,800,000 at December 31, 1974, including the discounted note receivable of approximately $4,900,000. In support of these credit lines and borrowings, the Company has no formal agreements but has generally maintained compensating bank balances of $3,900,000 which substantially comply with the banks' requests. These balances are on an annual average balance basis and are unrestricted as to use at any given time.

The above long-term debt has varying maturities, including, in the aggregate, maturities of $1,372,000 in 1976, $1,369,000 in 1977, $1,374,000 in 1978 and $1,390,000 in 1979. The provisions of the loan agreements and the indenture for the 5¾% convertible subordinated debentures contain, among other things, restrictions on creation of mortgage indebtedness, payment of cash dividends and stock redemptions. In addition, the Company must maintain consolidated working capital of at least $14,500,000 and a debt-equity ratio of not more than 125%, both of which the Company exceeded by more than $22,000,000 at December 31, 1974. Under the terms of the most restrictive agreement retained earnings of approximately $11,113,000 was available for the payment of cash dividends. The Company is restricted to the $12,000,000 available under the revolving credit agreement for further funded (long-term) borrowings, except for those secured by liens on real property acquired.

The convertible subordinated debentures, 5¾% due in 1987 are subordinated to all borrowings of the Company, and are now convertible into common stock at any time prior to maturity at $18.88. Annual sinking fund payments of $1,200,000 for redemption of the debentures are required commencing in 1978, but may be satisfied by delivering converted or treasury debentures which amounted to $7,859,000 at December 31, 1974. The debentures may be called at any time at prices decreasing from 103.63% of face value currently to 100% in 1987.

Stock Options

At December 31, 1974, 78,006 unissued shares of common stock were reserved for issuance upon the exercise of outstanding stock options at $11.42 to $19.55 per share, and an additional 85,987 unissued shares were reserved as of that date for granting additional options under the Company's qualified stock option plan.

Stock option transactions were as follows:

	1974		1973	
	Shares	Price	Shares	Price
Granted	46,617	$11.42 to $14.88	17,225	$13.46 to $16.76
Terminated	33,367		2,750	

Contingent Liabilities

At December 31, 1974 contingent liabilities not recorded in the consolidated financial statements are as follows:

A note receivable of the Company was sold with recourse in 1971. The note, which is not in default, is due in varying installments to December 1, 1980 with the December 31, 1974 balance being $4,838,000. The Company is also contingently liable at December 31, 1974, as guarantor of short-term bank loans of $537,000 of its nonconsolidated subsidiary, BLI Mortgage Company.

Board of Directors and Corporate Officers

DIRECTORS

Henry P. Albrecht (*A*, *C*)
President, Gale Realty, Inc.
Real estate

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

Roland A. Erickson (*A*, *P*, *C*)
Financial Consultant

T. Mitchell Ford (*A*)
President, Emhart Corporation
A diversified company principally engaged in the manufacture of machinery and hardware

G. Findley Griffiths (*P*)
Retired, Formerly Chairman of the Board, Interlake, Inc.
A basic steel producer, also engaged in diverse other businesses

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

Marvin G. Mitchell (*C*)
Chairman & President, Chicago Bridge & Iron Co.
A contracting firm engaged in construction of metal plate structures and related systems

F. J. Robbins (*E*)
Chairman, First Ogden Corp.
A banking services company

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

COMMITTEES OF THE BOARD OF DIRECTORS

(E) Executive
(A) Audit
(P) Pension Trust & Investment Policy
(C) Compensation and Stock Option Plan

CORPORATE OFFICERS

Frank W. Aughnay
Senior V.P./Operations

Norma J. Bark
Assistant Secretary

Edwin J. Burk
V.P./Land Development

Walter C. Cannon
Assistant Secretary

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

T. P. Crigler
V.P./Administration & Corporate Development

James A. Goese
V.P./Finance

Robert W. Keenan
Group V.P./Steel Group

Donald B. Moritz
Group V.P./Construction Tool Group

Joseph W. Rose
Group V.P./Metal Products Group

Executive Offices
Bliss & Laughlin Industries
122 W. 22nd St.
Oak Brook, Illinois 60521

Construction Tool Group
Ames Taping Tool Systems Co.
Taping tools and products for drywall construction
Belmont, California

Goldblatt Tool Co.
Tools and equipment for construction industry
Kansas City, Kansas

Marco Paper Products Co.
Drywall tape
Kansas City, Kansas
San Rafael, California

Waco Scaffold & Shoring Co.
Scaffolds and shoring
Schiller Park, Illinois
Cleveland, Ohio
Oklahoma City, Oklahoma

Andamios Atlas, S.A.
Scaffolds and shoring
Mexico City, Mexico

Jensen Tools and Alloys Co.
Electronic & precision tools
Phoenix, Arizona

Markson Science Co.
Scientific & laboratory equipment & devices
Del Mar, California

Steel Group
Bliss & Laughlin Steel Co.
Cold-finished steel bars
Harvey, Illinois
Detroit, Michigan
Medina, Ohio
Houston, Texas
Los Angeles, California
Seattle, Washington

Bliss & Laughlin Latinoamericana, S.A.
Cold-finished steel bars
Mexico City, Mexico

Land Development
Fullerton Center, Ill.
Turtle Creek Village, Fla.
Carmel Valley, Calif.
Wildwood Ranch, Calif.
Balcones Hills, Texas

Metal Products Group
Doerner Products Co., Ltd.
Chair bases and controls
Waterloo, Ontario, Canada

Faultless Co.
Furniture and industrial casters, decorative hardware and plastics
Evansville, Indiana
Hopkinsville, Kentucky

Faultless Casters Co., Ltd.
Furniture and industrial casters
Stratford, Ontario, Canada

Nestaway Co.
Coated metal products and handling systems
Cleveland, Ohio
Beaver Dam, Kentucky

Tekform Products Co.
Packages for microminiature electronic circuits
Anaheim, California

Bliss & Laughlin Latinoamericana, S.A.
Furniture and industrial casters and chair controls
Mexico City, Mexico