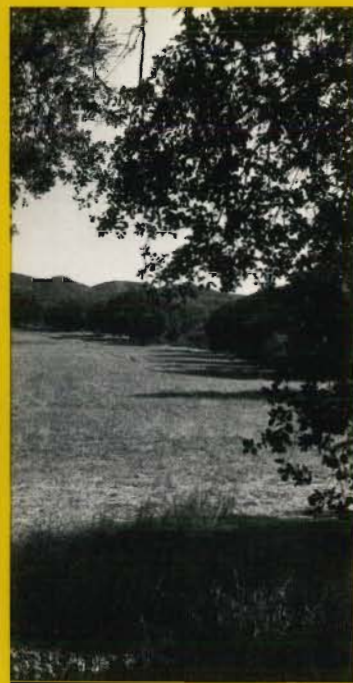
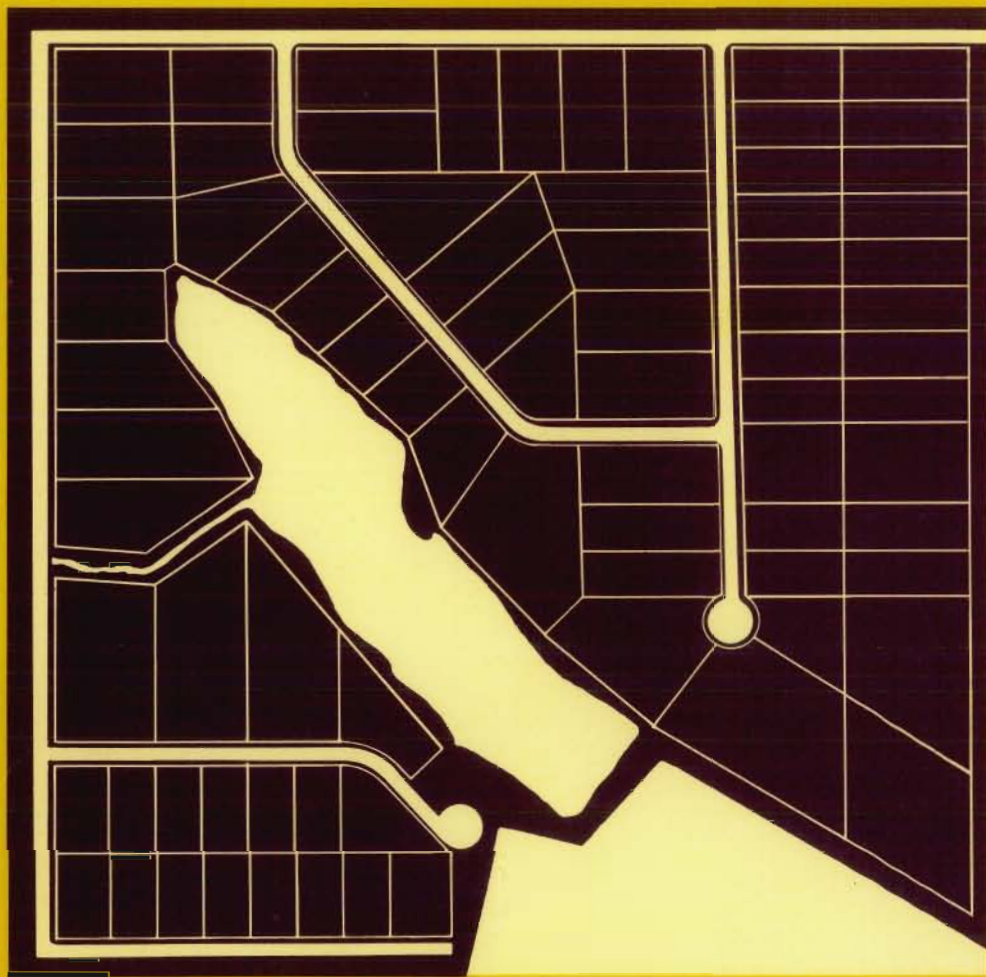




**BLISS & LAUGHLIN ANNUAL REPORT**

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# land development





The Land Development Group continues its expansion of profit contribution to the total corporation, even more than the above figures indicate. Operating income for the group increased on a comparable basis by 101.0% in 1972 over 1971.

Major economic and industry indicators forecast a very favorable outlook for the real estate segment of the economy in 1973. This continuation of a generally strong demand during 1972 for well-designed residential communities, and an increasing upsurge in the industrial real estate market has been anticipated by the Land Development Group.

Our master planned, golf oriented community of Turtle Creek in Tequesta, Florida continues to be a success. Discriminating customers appreciate the care and quality that has been taken to create an appealing, tranquil environment only 18 miles north of West Palm Beach. The large garden apartments which have features people expect to find, yet rarely see in luxury condominiums, convey the central theme of the community—"Florida like it used to be." In addition to these fine condominiums, only a limited number of homesites adjacent to the 18 hole championship golf course are still available because the number of homesites sold during 1972 were more than originally forecasted.

BLI's Fullerton Center Industrial Park is a 170-acre, master-planned business and light industrial area centrally located in the western Chicago suburb of Addison. Protective covenants for the fully improved park are enforced to assure open space and architectural harmony. In the wake of an aggressive marketing and development program, Fullerton Center is now reflecting significant progress. More than a third of the lots in the Park have been sold primarily to industrial builders. During the course of the 1972 building season more than 400,000 square feet of industrial floor space was completed or under construction. With the recent surge of industrial real estate demand, purchasers of land in Fullerton Center are planning additional buildings to meet a strong 1973 market. Our current marketing program offers our customers a wide range of services including basic land sales, build-to-suit programs and financing arrangements.

Significant environmental advantages and its strategic location to other southern California attractions contribute to the promising market appeal of our Wildwood Ranch planned community development. During the last quarter of 1972, the builder who has acquired the first tract in our holdings initiated an active marketing program to compliment the model homes complex and the community recreation center associated with this segment of Wildwood Ranch. At year's end, 65 homes were under construction. An additional 31 homes will be started during the first quarter of 1973.

Our Carmel Valley planned community development is located within the north city area of San Diego. In addition, Carmel Valley is strategically located adjacent to Interstate Highway 5, one mile from the Pacific Ocean. Because of its desirable characteristics and location, we believe the demand for land within our community will contribute to the growth of the Land Division in 1973.

As we approach the final planning phase of our newest planned community development near Lake Ray Hubbard in the metropolitan area of Dallas, Texas, a recently completed market study projects a bright future for this new community. It is anticipated that our 750 acre development will contribute to the satisfaction of an increasing demand for comprehensive well-planned communities that have the potential of creating values to the potential residents as well as our stockholders.

	REVENUE	INCOME
1972	\$ 2,985,000	\$ 564,000
1971	\$ 1,972,000	\$ 531,000









**BLISS & LAUGHLIN INDUSTRIES INCORPORATED**

**1972**

**5 CONSOLIDATED FINANCIAL STATEMENTS**

## **CONTENTS**

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## STOCKHOLDERS LETTER—ANNUAL REPORT, 1972

As predicted by Mr. F. J. Robbins in our last Annual Report, the year 1972 was indeed one of change and transition. Consequently, on the behalf of the Board of Directors and the Management Staff, it is a challenge as well as a pleasure for me to report to you our viewpoints on the 1972 operations of your Company.

### Finance

Most important is the fact that the declining earnings and the flat sales curves of 1970 and 1971 have been reversed. Sales and rental income of \$133,202,469, the highest in the Company's history, generated operating income of \$6,560,371 or \$2.30 per share, the second highest level of earnings ever reported. These results are even more encouraging when compared to 1971 sales of \$109,498,887 which produced income of \$4,740,204 or \$1.67 per share, showing a respective 22% and 38% increase over the preceding year.

As you will note elsewhere in your report, every one of our operating groups contributed to this major improvement. We also believe it is just as important to bring to your attention that this earnings accomplishment was made simultaneously with improvements of all important dollar and ratio comparisons for both the income statement and balance sheet items. This is clearly evident in the "Financial Highlights" and "Ten Year Financial Review" sections, as well as the additional data outlined below:

Income Statement Items	1972	1971
Gross Margin—% Revenue	24.3%	24.0%
Sell. & Admin.—% Revenue	13.9%	14.7%
Income—% Revenue	4.9%	4.3%
Balance Sheet Items	1972	1971
Capital Turnover	1.3	1.1
Inventory—% Revenue	19.5%	24.1%
Acct. Rec.—% Revenue	11.5%	11.8%

During 1972 we instituted additional internal procedures and controls. For example, we modified the procedures of the Audit Committee of your Board of Directors to facilitate direct communication with our auditing firm. This will also enable the Board to express its viewpoints to the same

degree as your Operating Management on significant accounting decisions.

In addition, we have initiated an internal monthly reporting system which allows the Office of the President to receive by the first working day of each month, a Preliminary Corporate Earnings Statement detailed by profit centers for the preceding month. The accuracy of this report is such that we have been able to shorten by two weeks the time required for the Operating Management to address itself to whatever course of action is so indicated.

These two actions, combined with a newly installed capital expenditure procedure, will ensure the detailed control that is necessary for a diversified business such as ours.

Within this category of Finance, we are also pleased to report to you that we have been able to refinance our debt structure and in so doing, secure fund commitments for future growth. A \$20 million revolving credit and term loan agreement over the next ten years was secured on very favorable terms. \$6.5 million of this was utilized for the prepayment of two-thirds of the principal, interest and monetary revaluation of our 30 million Deutsche Mark loan. This resulted in a technical nonrecurring loss of \$0.17 per share in 1972; however, lower financing charges for the next two years will recover all but \$0.03 per share of this charge. By taking this action your Management eliminated the detrimental effect of the February 13, 1973, dollar devaluation, which would have reduced 1973 net earnings by \$322,000, or \$0.11 per share.

In closing this section of our report, we think it is also pertinent to state that these results allowed us to again distribute our \$1.00 per share annual dividend. This is the thirty-third continuous year of dividend disbursement.

### Organization

A company's organization reflects the operating style of its President and the problems and opportunities currently facing

it. Within this context, two new positions have been filled during 1972 in your Company's Management. Mr. Frank Aughnay, previously Group Vice President in charge of the Construction Tool Group, has accepted the responsibility of Senior Vice President of Operations.

A new addition to the Corporate Staff is Mr. T. P. Crigler, as Vice President of Administration and Corporate Development. His previous experience in acquisitions and operation research should prove to be a valuable asset to our efforts in this area. The personnel responsible for Corporate Advertising, Public Relations and Internal Auditing will also report to his office.

### Operations

During 1972, we increased the momentum of our operational activities. This subject is covered in detail elsewhere in your report. We are sure you will be pleased to note we divested ourselves of unprofitable plants and expended capital funds to increase the capacity of those that are profitable. We also initiated more aggressive marketing efforts in most of our divisions. This included the introduction of important new products which will certainly contribute to additional future earnings.

### Acquisitions

With our reorganization and refinancing behind us and our more detailed internal controls now installed, we can now look forward to a more aggressive acquisition program. Our plans for this encompass two major thrusts. First, we will continue to seek companies which fit within the administrative and marketing framework of our existing businesses. These will probably be for cash and in the magnitude of a few hundred thousand dollars for product lines, and up to a few million dollars for production units. Our Group Vice Presidents and the Vice President of Administration and Corporate Development are expected to play a major role in this undertaking.

The second thrust of our acquisition policy will be to find another diversified company

in the \$50 to \$100 million sales range, the combination of which will permit a financial structuring and operational synergism that will benefit both groups of stockholders. This will be given top priority by the Office of the President and the Corporate Staff. It is to be emphasized however, that regardless of the effort, successful undertakings of this magnitude require in addition to good planning—patience and perseverance.

### Growth

You will note the graphs on Page 5 which portray the total Company's growth during the period from 1961 to 1972, as well as trends of earnings contribution made by each of our four Groups.

In studying these graphs, you will note (Graph 1) that during this period the trend of Corporate after-tax earnings grew annually at an average rate of 19.7% and at a compounded rate of 11.5%. It is also evident that the 1972 earnings results brought us back up to this historical trend.

This earning growth rate has been enjoyed even though the trend of the earnings of the original cold finished steel bar business has declined at an annual average rate of 1.3% (Graph 2). This trend, by the way, practically follows the earnings trend of the steel industry during this period. Both of these graphs vividly substantiate the judgment of your Board in 1961 to divert the Company's efforts into new areas.

The successful execution of this policy is further evidenced by the resulting earnings trends of the acquired product groups. For example, since the first company in the Metal Products Group was acquired (Graph 3), that Group has produced an average growth trend of 18% per year, and a compounded trend of 12.3% through 1971. You will note that the 1972 results are, here again, well above this growth trend.

An even better record is illustrated by the annual growth of the Construction Tool Group (Graph 4) which has evidenced a

trend with an average rate of 153% and a compounded rate of 38% per year. This strong growth rate has practically offset the effect of business cycles inherent in this industry. Here, too, 1972 earnings are considerably over the growth trend line.

Last, but not least, is our most recent diversification, Land Development (Graph 5). Although our experience to date may be insufficient to constitute a meaningful trend, it is encouraging to note that we have progressed from a nominal loss of \$98,246 in 1970 to an operationally adjusted profit contribution of \$280,937 in 1971, which increased to a profit contribution of \$564,672 in 1972.

### The Year 1973

All Managements have to operate within an environment of uncontrollable, economic and political events. The problems inherent in this situation are compounded by sometimes short term conflicting interests between employees, consumers, stockholders and the general public. In our opinion, this combination makes it practically and humanly impossible to factually forecast earnings a year in advance with any degree of substance. We will, however, report to you that our 1973 operating plans, as currently constituted, challenge us to again meet our earnings growth trend as we did in 1972. Accomplishment of this objective can be attained within current Government Wage and Price Control policies and, if successful, will give us a record earnings year, putting us again on an earnings per share growth rate as good as or better than historically enjoyed.

We believe it is appropriate at this time to inform you of Mr. F. J. Robbins' decision to relinquish his position as Chairman of your Board of Directors, due to the pressure of his other interests. This will become effective at the May 2, 1973, Board Meeting, at which the Board will adopt a resolution expressing its high regard and appreciation for his many years of service. In so doing, it will be looking forward to his continued

assistance as a Director, Member of the Executive Committee and Consultant for your Company.

In the closing of this letter, I, personally, wish to voice my respect and admiration for Mr. F. J. Robbins who, as your President from 1960 to 1970, and subsequently as your Chairman, had the foresight and courage to lead Bliss and Laughlin Industries so successfully into uncharted fields. In addition, he has my sincere thanks for his counsel and advice, which has been invaluable to me in this first year of my stewardship.



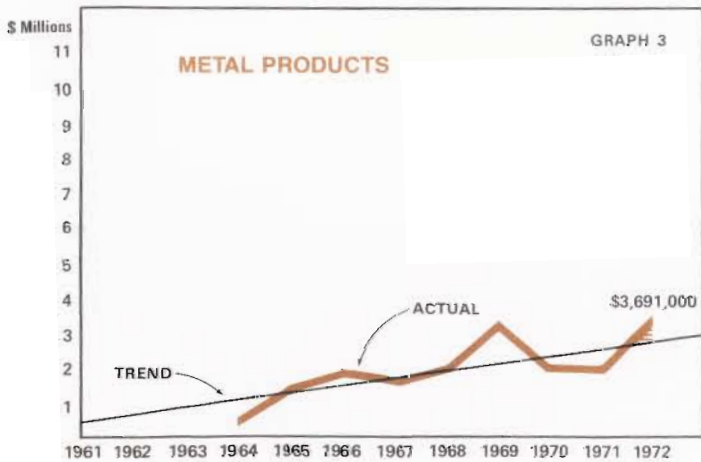
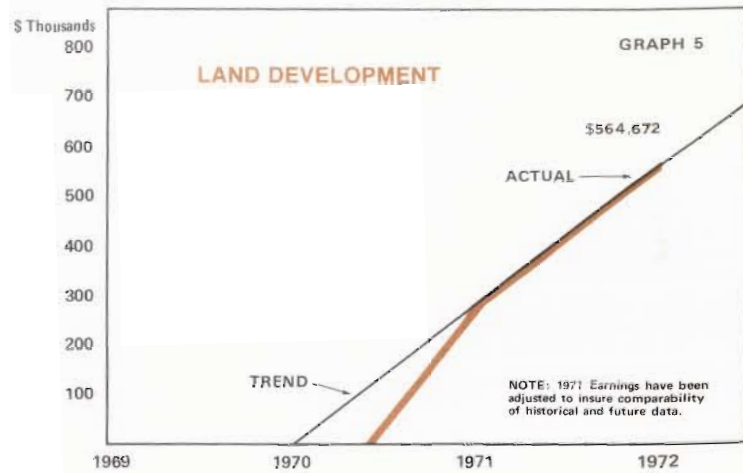
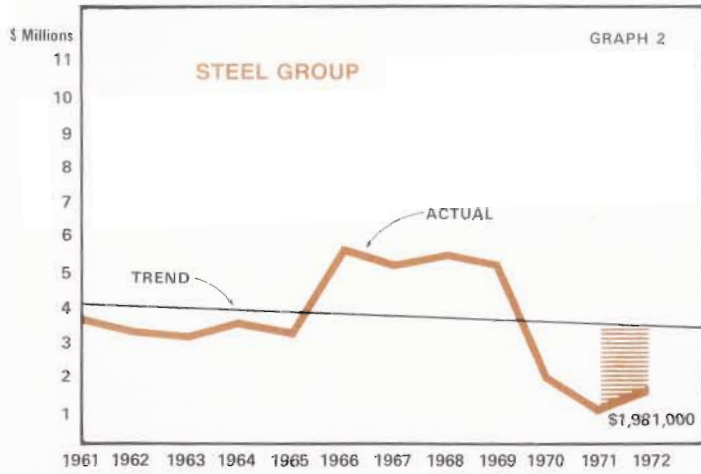
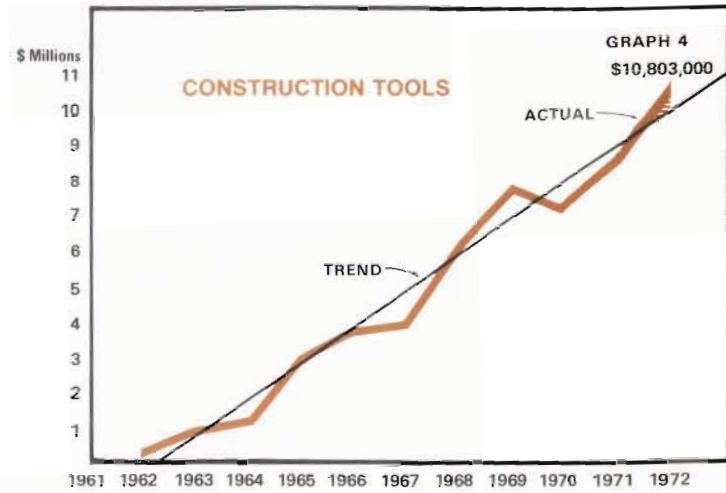
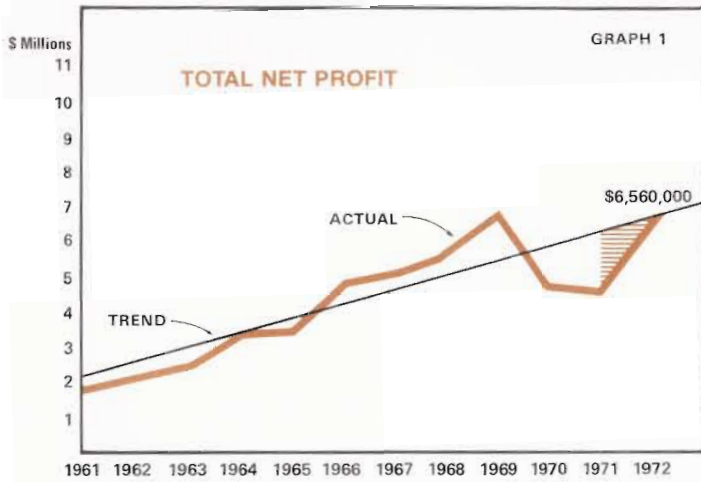
E. T. Collinsworth, Jr.  
President and Chief Executive Officer



F. J. Robbins  
Chairman of the Board



## BLI 1972 PERFORMANCE



## TEN-YEAR FINANCIAL REVIEW

1972

1971

1970

1969

### Annual Results (in thousands)

Net Sales and Rental Revenue.....	\$133,202	\$109,499	\$109,167	\$128,566
Depreciation and Amortization.....	4,089	3,894	3,728	3,444
Income Before Taxes.....	11,960(b)	8,440	8,761(a)	13,793
Provision for Income Taxes.....	5,400(b)	3,700	3,900(a)	6,900
Net Income.....	6,560(b)	4,740	5,649(b)	6,893
Cash Dividends.....	2,853	2,838	2,794	2,712

### Financial Position (in thousands)

Working Capital.....	\$ 33,611	\$ 26,579	\$ 22,529	\$ 21,086
Plant and Equipment, Net.....	27,839	28,520	28,742	25,077
Long-Term Notes Payable.....	18,089	13,763	13,765	5,046
Mortgage Loans.....	11,017	11,244	7,224	6,749
Convertible Subordinated Debtentures.....	7,141	7,735	8,821	10,211
Shareholders' Investment.....	52,144	48,610	45,821	41,845

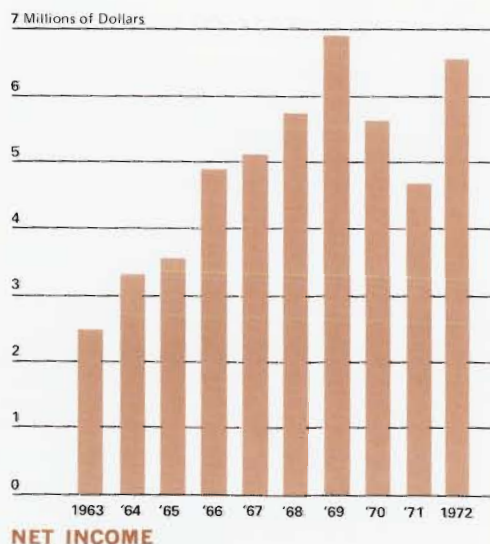
### Financial Highlights

Earnings Per Share.....	\$ 2.30(b)	\$ 1.67	\$ 2.02(b)	\$ 2.52
Dividends Per Share.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Income Before Taxes to Revenues....	9.0%	7.7%	8.0%	10.7%
Return on Average Shareholders' Investment.....	13.0%	10.0%	12.9%	17.4%

### Statistics

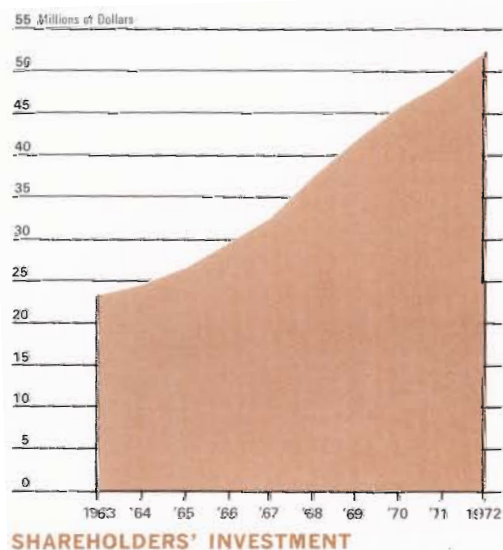
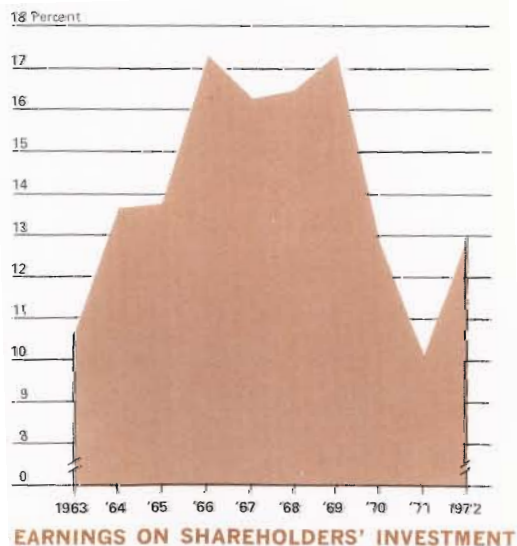
Average Shares Outstanding.....	2,848,608	2,833,270	2,789,697	2,736,163
Number of Shareholders.....	6,141	6,246	6,209	6,090
Number of Employees.....	3,063	3,048	3,319	3,286

(a) Results of Continuing Operations (b) Excludes Extraordinary item





1968	1967	1966	1965	1964	1963
\$114,061	\$ 95,112	\$105,324	\$ 83,813	\$ 80,748	\$ 73,546
3,289	2,290	2,143	1,945	1,811	1,662
11,833	9,756	9,627	6,796	6,264	5,060
6,100	4,650	4,750	3,250	2,968	2,597
5,733	5,106	4,877	3,546	3,296	2,463
2,496	2,264	1,996	1,617	1,400	1,394
\$ 24,586	\$ 22,332	\$ 18,443	\$ 18,557	\$ 16,025	\$ 16,124
22,743	15,234	14,545	12,017	10,914	10,353
5,575	6,161	7,637	8,094	4,619	5,372
—	—	—	—	—	—
12,531	13,983	—	—	—	—
37,672	32,676	29,738	26,568	24,744	23,220
\$ 2.20	\$ 2.02	\$ 1.93	\$ 1.42	\$ 1.33	\$ .99
\$ .975	\$ .90	\$ .80	\$ .73	\$ .73	\$ .73
10.4%	10.3%	9.1%	8.1%	7.8%	6.9%
16.5%	16.3%	17.3%	13.8%	13.7%	10.8%
2,606,588	2,520,860	2,516,544	2,495,050	2,475,498	2,483,758
5,985	5,717	5,639	5,787	6,067	6,175
2,743	2,428	2,573	2,232	1,936	1,926



**CONSOLIDATED STATEMENT OF INCOME** For the Years ended December 31

	1972	1971
<b>Revenue:</b>		
<b>Net sales</b> .....	\$119,477,753	\$ 96,870,810
<b>Rental revenue</b> .....	13,724,716	12,628,077
<b>Total revenue</b> .....	<u>133,202,469</u>	<u>109,498,887</u>
<b>Costs and Expenses:</b>		
<b>Cost of sales and rentals</b> .....	100,800,379	83,233,177
<b>Selling, general and administrative expenses</b> .....	18,524,644	16,108,926
<b>Other expenses, net</b> .....	1,917,075	1,716,580
<b>Total costs and expenses</b> .....	<u>121,242,098</u>	<u>101,058,683</u>
<b>Income Before Income Taxes</b> .....	11,960,371	8,440,204
<b>Provision for Income Taxes (Note 8)</b> .....	<u>5,400,000</u>	<u>3,700,000</u>
<b>Income Before Extraordinary Item</b> .....	6,560,371	4,740,204
<b>Extraordinary Item—Costs of Refinancing</b>		
<b>Long-Term Debt, net of applicable income</b>		
<b>taxes of \$445,000 (Note 3)</b> .....	<u>(482,263)</u>	<u>—</u>
<b>Net Income</b> .....	<u>\$ 6,078,108</u>	<u>\$ 4,740,204</u>
<b>Net Income Per Share:</b>		
<b>Income Before Extraordinary Item</b> .....	\$2.30	\$1.67
<b>Extraordinary Item</b> .....	(.17)	—
<b>Net Income</b> .....	<u>\$2.13</u>	<u>\$1.67</u>
<b>Fully Diluted Net Income Per Share:</b>		
<b>Income Before Extraordinary Item</b> .....	\$2.11	\$1.54
<b>Extraordinary Item</b> .....	(.15)	—
<b>Net Income</b> .....	<u>\$1.96</u>	<u>\$1.54</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.



**CONSOLIDATED BALANCE SHEET** December 31

**1972**
**1971**
**Assets**
**Current Assets:**

Cash and marketable securities.....	\$ 4,930,710	\$ 3,601,900
Receivables, less reserve.....	17,591,478	13,112,075
Inventories.....	25,317,717	26,755,741
Prepaid expenses.....	570,159	874,939
Total current assets.....	<u>48,410,064</u>	<u>44,344,655</u>

**Realty:**

Land and related costs.....	18,173,524	16,655,827
Receivables.....	1,703,072	780,621
Other.....	607,138	598,836
	<u>20,483,734</u>	<u>18,035,284</u>

**Other Assets:**

Notes receivable and deferred charges.....	902,480	1,109,309
Investments in affiliated companies and nonconsolidated subsidiary.....	1,877,114	1,806,925
Intangible assets arising from acquisitions.....	5,754,520	5,778,040
Patents, at cost less amortization.....	1,217,806	1,467,294
	<u>9,751,920</u>	<u>10,161,568</u>

**Equipment Leased To Others, at cost**

less reserves for depreciation of \$7,068,202 in 1972 and \$5,763,149 in 1971.....	<u>10,275,823</u>	<u>10,404,837</u>
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**Plant and Equipment, at cost (Note 3):**

Land.....	1,408,329	1,402,128
Buildings.....	10,324,648	10,520,834
Machinery and equipment.....	23,203,140	24,787,969
Reserves for depreciation.....	(17,373,132)	(18,595,627)
	<u>17,562,985</u>	<u>18,115,304</u>
	<u>\$106,484,526</u>	<u>\$101,061,648</u>

**Liabilities**
**Current Liabilities:**

Short-term bank loans.....	\$ —	\$ 4,550,000
Current maturities of long-term notes payable.....	451,158	1,274,545
Accounts payable and accrued liabilities.....	13,499,412	10,992,251
Federal income taxes.....	848,937	948,808
Total current liabilities.....	<u>14,799,507</u>	<u>17,765,604</u>

**Realty:**

Mortgage loans (Note 2).....	11,016,937	11,243,898
Other.....	194,140	244,229
	<u>11,211,077</u>	<u>11,488,127</u>

**Deferred Federal Income Taxes (Note 8).....**

	3,100,000	1,700,000
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**Long-term Notes Payable, less current maturities (Note 3).....**

	18,089,135	13,763,191
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**Convertible Subordinated Debentures, 5¾% due in 1987 (Notes 3, 4 and 6).....**

	7,141,000	7,735,000
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**Shareholders' Investment (Notes 3, 6 and 7):**
**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 2,916,687 shares in 1972 and 2,887,797 shares in 1971.....	7,291,718	7,219,491
Additional capital.....	7,920,205	7,413,526
Retained earnings.....	38,325,238	35,099,750
Treasury stock, at cost, 52,999 shares in 1972 and 40,149 shares in 1971.....	(1,393,354)	(1,123,041)
	<u>52,143,807</u>	<u>48,609,726</u>
	<u>\$106,484,526</u>	<u>\$101,061,648</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years ended December 31

	1972	1971
<b>Sources of Working Capital:</b>		
Income before extraordinary item.....	\$ 6,560,371	\$ 4,740,204
Add items not requiring outlay of working capital:		
Depreciation and amortization.....	4,088,876	3,893,914
Increase in deferred Federal income taxes.....	1,400,000	400,000
Working capital provided from operations before extraordinary item.....	<u>12,049,247</u>	<u>9,034,118</u>
Extraordinary item—costs of refinancing long-term debt, net of applicable income taxes of \$445,000 (Note 3).....	(482,263)	—
Decrease in notes receivable and deferred charges.....	206,829	6,743,695
Sales and retirements of plant and equipment.....	956,585	1,266,785
Increase in long-term notes payable.....	11,255,533	1,203,358
Common stock issued for debenture conversions.....	594,000	1,086,000
Total provided.....	<u>24,579,931</u>	<u>19,333,956</u>
<b>Uses of Working Capital:</b>		
Realty:		
Additions to land and related costs.....	3,308,357	8,502,507
Cost of real estate sold.....	(1,790,660)	(1,349,506)
(Increase) Decrease in mortgage loans, net.....	226,961	(4,019,678)
Increase in receivables and other Realty, net.....	980,842	758,821
	<u>2,725,500</u>	<u>3,892,144</u>
Increase in intangible assets arising from acquisitions.....	—	1,114,476
Additions to plant and equipment.....	4,088,006	4,698,056
Payments of long-term notes payable.....	6,929,589	1,205,409
Debenture conversions.....	594,000	1,086,000
Cash dividends.....	2,852,620	2,838,384
Other.....	358,710	449,688
Total used.....	<u>17,548,425</u>	<u>15,284,157</u>
Increase in working capital.....	<u>\$ 7,031,506</u>	<u>\$ 4,049,799</u>
<b>Changes Consist of Increase (Decrease) In:</b>		
Cash.....	\$ 1,328,810	\$ (921,353)
Receivables, less reserve.....	4,479,403	397,057
Inventories.....	(1,438,024)	806,058
Prepaid expenses.....	(304,780)	169,434
Increase in current assets.....	<u>4,065,409</u>	<u>451,196</u>
Short-term bank loans.....	(4,550,000)	(2,500,000)
Current portion of long-term notes payable.....	(823,387)	124,516
Accounts payable and accrued liabilities.....	2,507,161	(1,349,191)
Federal income taxes.....	(99,871)	126,072
(Decrease) in current liabilities.....	<u>(2,966,097)</u>	<u>(3,598,603)</u>
Increase in working capital.....	<u>\$ 7,031,506</u>	<u>\$ 4,049,799</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.



**CONSOLIDATED STATEMENTS OF ADDITIONAL CAPITAL  
AND RETAINED EARNINGS**

For the Years ended December 31

	1972	1971
<b>Additional Capital:</b>		
Balance at beginning of year .....	\$ 7,413,526	\$ 6,477,849
Add (Deduct):		
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion (Notes 4 and 6) .....	522,500	955,315
Other, Net .....	(15,821)	(19,638)
Balance at end of year .....	<u>\$ 7,920,205</u>	<u>\$ 7,413,526</u>
<b>Retained Earnings:</b>		
Balance at beginning of year .....	\$35,099,750	\$33,197,930
Add (Deduct):		
Net income .....	6,078,108	4,740,204
Cash dividends paid (\$1.00 per share) .....	(2,852,620)	(2,838,384)
Balance at end of year (Note 3) .....	<u>\$38,325,238</u>	<u>\$35,099,750</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Significant accounting policies are summarized as follows:

**a. Basis 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.

**b. Depreciation.** Depreciation is calculated principally on the straight-line method.

**c. Intangible Assets Arising from Acquisitions.** Such intangible assets arising since October 31, 1970, in the amount of \$947,000, are being amortized over 40 years. The remaining intangible assets of \$4,842,800 are not being amortized.

**d. Inventories.** Inventories are stated principally at the lower of average cost or market.

**e. 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. Taxes deferred, due mainly to the use of accelerated depreciation for tax purposes, are classified as a non-current liability.

The reduction in Federal income taxes resulting from the investment tax credit on new property and equipment is reflected in the statement of income currently.

**f. Pension Plans.** The provision charged to earnings each year covers normal costs and interest on prior service costs. The Company's policy normally is to fund pension costs.

**g. 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.

**h. Realty Operations.** The Company's realty operations differ from its 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 not recorded until the buyer has a significant and continuing cash equity in the property. Real estate taxes, interest expenses and development costs applicable to land are capitalized as part of the cost of the land. Costs are allocated to the various parcels of individual projects based upon the area or relative value method, whichever most equitably reflects such costs.

**2. Mortgage loans classified under the Realty caption are secured by real estate held for resale. The loans bear various interest rates from 4% to 8½%. Amounts due within one year are \$1,133,829 in 1972 and \$3,672,313 in 1971.**

**3. At year end, long-term notes payable were as follows:**

	1972	1971
Notes payable under loan agreement with banks, due in installments from 1976 to 1982 . . . . .	\$11,000,000	\$ —
Term loan, due in 1975 . . . . .	2,906,433	8,419,300

	1972	1971
Obligations applicable to facilities financed through municipal industrial revenue bonds, with various interest rates (4% to 8½%) . . . . .	3,815,197	3,938,608
Other, with various interest rates (5¼% to 8%) . . . . .	818,663	2,679,828
	<u>18,540,293</u>	<u>15,037,736</u>
Less current maturities . . . . .	451,158	1,274,545
	<u>\$18,089,135</u>	<u>\$13,763,191</u>

The above notes payable under loan agreement with banks provide for interim loans up to \$20,000,000 to September 15, 1975, with interest at ¼% over the prime rate (6% at December 31, 1972) and a commitment fee of ½% per annum on unused amounts of credit. On September 15, 1975, the interim loans are convertible to term loans due in installments from 1976 to 1982, with interest at ½% over the prime rate.

The above term loan, due in 1975, repayable in 10,000,000 Deutchemarks, was translated into U.S. dollar equivalents at the official exchange rate in effect at the time the loan was made. The increased U.S. dollar cost of \$400,000 to repay the loan at current exchange rates is being amortized over the remaining life of the loan; \$200,000 of such costs are unamortized at December 31, 1972. The term loan has an effective interest rate of 8.9% before considering the amortization of the U.S. dollar conversion cost. During the year the company prepaid two-thirds of the term loan. The prepayment premium and U.S. dollar conversion costs aggregating \$482,263, after income tax benefits of \$445,000, are classified as an extraordinary item in the Consolidated Statement of Income.

The above long-term notes payable have varying maturities including, in the aggregate, maturities of \$385,696 in 1974 and \$3,145,433 in 1975.



The provisions of the loan agreements and the indenture for the 5¾% convertible subordinated debentures require, among other things, that the Company restrict the use of funds for the payment of cash dividends or reacquisition of the Company's capital stock; at December 31, 1972, \$4,200,000 of retained earnings was free of such restriction. In addition, the Company must maintain consolidated working capital of at least \$13,500,000; at December 31, 1972, consolidated working capital was \$33,610,557. Also the Company must maintain a debt-equity ratio of not more than 125%; at December 31, 1972 the debt-equity ratio was 92%.

4. At December 31, 1972, the Company has reserved 343,911 shares of unissued common stock for conversion of the debentures. 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, 1972. The debentures may be called at any time at prices decreasing from 104.24% of face value currently to 100% in 1987. At December 31, 1972, debentures in the principal amount of \$1,017,000 had been reacquired and have been deducted from convertible subordinated debentures.

5. The Company and subsidiaries provide pension benefits for substantially all employees under various plans. The provision for pension costs was \$1,300,000 in 1972 and \$1,321,000 in 1971.

At December 31, 1972, the total of the pension fund assets and balance sheet accruals was in excess of the actuarially computed value of vested benefits for all plans.

6. During 1972 the Company issued 28,600 shares (52,274 in 1971) of previously unissued common stock in connection with conversions of the 5¾% convertible subordinated debentures, sold 290 shares (none in 1971) of previously unissued common stock to employees under a stock option plan, and acquired 12,850 shares (7,200 in 1971) of treasury stock.

7. At December 31, 1972, 45,710 unissued shares of common stock were reserved for issuance upon the exercise of outstanding stock options at \$18.75 to \$21.50 per share, and an additional 103,375 unissued shares were reserved as of that date for granting additional options under the Company's qualified stock option plan. During the year, options for 7,500 shares at \$21.50 were granted, options for

290 shares at \$18.75 were exercised, and options for 2,500 shares were terminated.

8. Provision for income taxes consists of:

	1972	1971
Currently payable . . . . .	\$4,190,000	\$3,450,000
Less investment credit . . . . .	(190,000)	(150,000)
Deferred (related to depreciation) . . . . .	1,400,000	400,000
	<u>\$5,400,000</u>	<u>\$3,700,000</u>

9. The Company is contingently liable for \$5,295,543 at December 31, 1972, to the holder of a note receivable purchased from the Company with recourse. The note is due in varying installments with a final maturity of December 1, 1980. The note bears interest at the prime rate and is secured by a subordinated security interest.

The Company is also contingently liable at December 31, 1972, as guarantor of short-term bank loans of \$1,873,000 of its unconsolidated subsidiary, BLI Mortgage Company.

10. During 1972 the Company closed and sold a manufacturing plant. The effect on net income of the closing of the plant was insignificant and is included in Other expenses, net.

## 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, 1971, and December 31, 1972, and the related consolidated statements of income, additional capital, 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.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1971, and December 31, 1972, and the results of their operations and changes in financial

position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

**ARTHUR ANDERSEN & CO.**

Chicago, Illinois,  
February 2, 1973



## BLI CORPORATE OFFICERS

### DIRECTORS

HENRY P. ALBRECHT

President  
Gale Realty, Inc.

EVEN T. COLLINSWORTH, JR.

President\*  
Bliss & Laughlin Industries  
\*effective February 21, 1972

ROLAND A. ERICKSON

Financial Consultant

T. MITCHELL FORD

President  
Emhart Corporation

G. FINDLEY GRIFFITHS

Director  
Interlake, Inc.

C. ARNOLD KALMAN

Senior Vice President  
Booz, Allen & Hamilton, Inc.

MARVIN G. MITCHELL

Chairman & President  
Chicago Bridge & Iron Co.

F. J. ROBBINS

Chairman  
Bliss & Laughlin Industries

KEITH SHAY

Partner, Schiff Hardin & Waite

### EXECUTIVE COMMITTEE

C. ARNOLD KALMAN,  
Chairman

E. T. COLLINSWORTH, JR.

F. J. ROBBINS

KEITH SHAY

### TRANSFER AGENTS

Continental Illinois National Bank  
and Trust Company,  
Chicago, Illinois

Morgan Guaranty Trust Company  
New York, New York

### REGISTRARS

Harris Trust and Savings Bank,  
Chicago, Illinois

Bankers Trust Company,  
New York, New York

### COMMON STOCK LISTINGS

New York Stock Exchange  
Midwest Stock Exchange  
(Stock Exchange Symbol—BLI)



F. J. Robbins  
Chairman of the Board



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



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



Richard K. Klink  
V. P., Secretary & Treasurer



Frank W. Aughnay  
Senior V. P. of Operations



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



Edwin J. Burk  
V. P./Land Development



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



Walter C. Cannon  
Assistant Secretary



## BLI DIVISIONS AND SUBSIDIARIES



### EXECUTIVE OFFICES

**BLISS & LAUGHLIN INDUSTRIES**  
122 W. 22nd St.  
Oak Brook, Illinois 60521

### CONSTRUCTION GROUP

**AMES TAPING TOOL SYSTEMS CO.**  
Belmont, California  
Taping tools and products for drywall construction

**GOLDBLATT TOOL CO.**  
Kansas City, Kansas  
Tools and equipment for construction industry

**MARCO PAPER PRODUCTS CO.**  
Kansas City, Kansas  
Construction tapes

**THREADED NAILS CO.**  
Skokie, Illinois  
Specialty fasteners

**WACO SCAFFOLD & SHORING CO.**  
Schiller Park, Illinois  
Scaffolding and shoring

**ANDAMIOS ATLAS, S.A.**  
Mexico City, Mexico  
Scaffolding and shoring

### METAL PRODUCTS GROUP

**DOERNER PRODUCTS CO., LTD.**  
Waterloo, Ontario, Canada  
Chair bases and controls

**FAULTLESS CO.**  
Evansville, Indiana  
Furniture and industrial casters, decorative hardware and plastics

**FAULTLESS CASTERS CO., LTD.**  
Stratford, Ontario, Canada  
Furniture and industrial casters

**NESTAWAY DIVISION**  
Cleveland, Ohio  
Coated metal products and handling systems

**POLY-DYN, CO.**  
Denver, Colorado  
Cabinet doors

**TEKFORM PRODUCTS CO.**  
Anaheim, California  
Cases for microminiature electronic circuits

**BLISS & LAUGHLIN LATINOAMERICANA, S.A.**  
Mexico City, Mexico  
Furniture and industrial casters and chair controls

### STEEL GROUP

**BLISS & LAUGHLIN STEEL CO.**  
Harvey, Illinois  
Cold-finished steel bars

**CENTRAL DIVISION**  
Detroit, Michigan  
Medina, Ohio

**EASTERN DIVISION**  
Mansfield, Massachusetts

**MIDWEST DIVISION**  
Harvey, Illinois  
Houston, Texas

**PACIFIC COAST DIVISION**  
Los Angeles, California  
Seattle, Washington

**BLISS & LAUGHLIN LATINOAMERICANA, S.A.**  
Mexico City, Mexico

### LAND DEVELOPMENT

**FULLERTON CENTER, ILL.**

**TURTLE CREEK VILLAGE, FLA.**

**A.S.D. CORPORATION**  
CARMEL VALLEY, CALIF.  
WILDWOOD RANCH, CALIF.  
LAKE RAY HUBBARD, TEX.

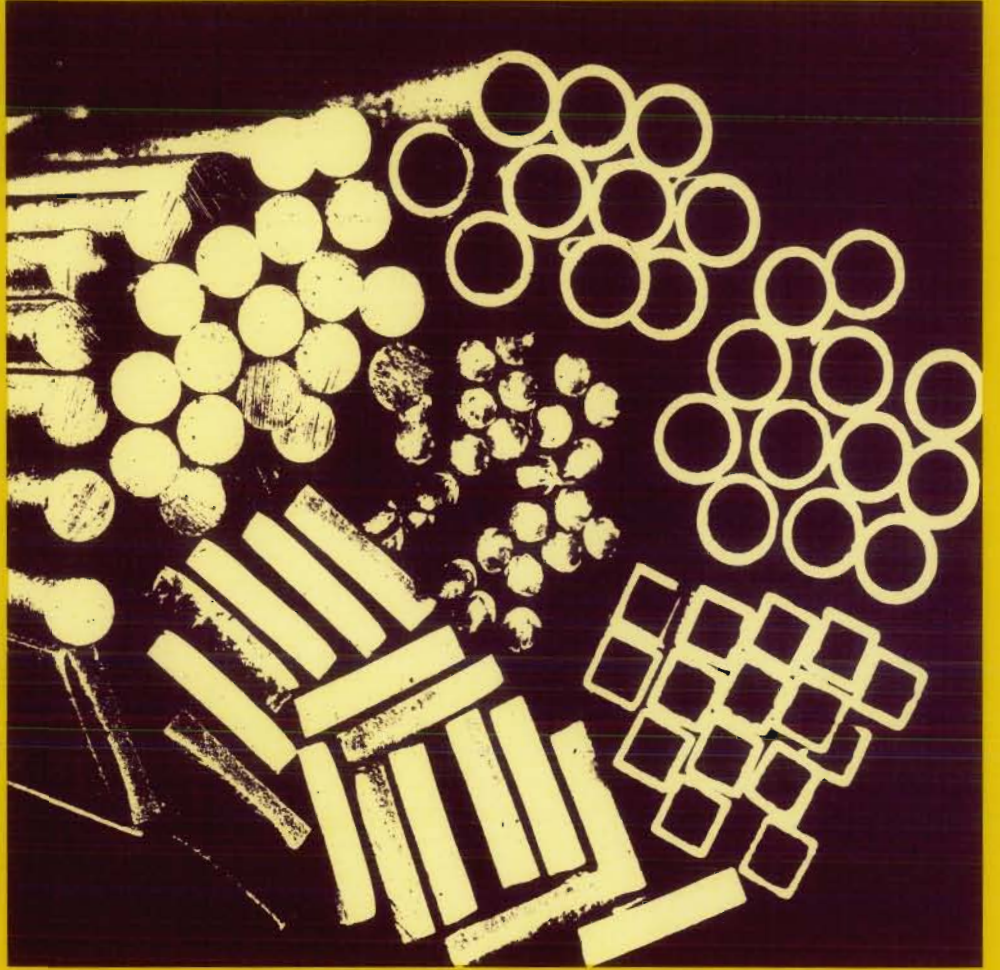






2 STEEL GROUP





steel group



The Steel Group converts hot rolled bars into cold finished bars by drawing, turning, grinding, polishing and furnace treatment.

In 1972 the Steel Group began a slow recovery from the 1971 strike stricken year. Earnings increased by \$901,000, or 83.5%, and the year ended with the order pattern on the upswing.

During the year, the group also finalized a half million dollar computerized system which is directed at providing better customer service and utilization of inventory. This system should have a significant positive effect on the group's operations in 1973.

In addition, a centralized organizational structure is being established within the group to utilize the computerized system to its maximum efficiency. The BLI Steel Group anticipates utilizing a new, non destructive testing device

in 1973 that should help it provide even higher quality controlled products than before. The device checks for straightness, size tolerance and surface quality.

Marketing studies and programs were undertaken to carefully re-examine all of the metal working industries for new sales opportunities for cold finished steel bars so that we might increase our share of the market.

On November 14, 1972, the Buffalo, New York plant was profitably sold to Ramco Steel, Inc., reducing the number of domestic plants in the group from eight to seven. The Buffalo plant had been closed by a strike since July 23, 1971. In April, 1972, Bliss & Laughlin made the decision to sell the 193,000 square foot plant.

While the plant was inoperative, it was costing Bliss & Laughlin approximately one cent per share per month. These losses have been eliminated. The group's share of market did suffer slightly at the outset of the strike. However, major customers in the area were served by other plants. They will continue to be served by other plants wherever it is economically feasible as we continue to slowly recapture this lost share of market.

The generally anticipated upswing in the overall economy and the accompanying demand for steel products, and this year's \$10 per ton price increase which will offset increasing costs, should all help the group towards an upward trend in its contribution to corporate earnings in 1973.

	REVENUE	INCOME
1972	\$53,551,000	\$ 1,981,000
1971	\$45,650,000	\$ 1,079,000

## CONTENTS, FINANCIAL HIGHLIGHTS, ANNUAL MEETING

### CONTENTS

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### FINANCIAL HIGHLIGHTS

	1972	1971
Net sales and rental revenues	\$133,202,000	\$109,499,000
Income before extraordinary item	\$ 6,560,000	\$ 4,740,000
Income per share before extraordinary item	\$2.30	\$1.67
Net income	\$ 6,078,000	\$ 4,740,000
Net income per share	\$2.13	\$1.67
Cash dividends	\$ 2,853,000	\$ 2,838,000
Cash dividends per share	\$1.00	\$1.00
Shareholders' investment	\$ 52,144,000	\$ 48,610,000
Average shares outstanding	2,848,608	2,833,270
Number of shareholders	6,131	6,246
Number of employees	3,063	3,048

### ANNUAL MEETING

The annual meeting of shareholders of Bliss & Laughlin Industries will be held at 10:30 A.M., Wednesday, May 2, 1973, at the executive offices, 122 West 22nd Street, Oak Brook, Illinois. You are cordially invited to attend.





4 METAL PRODUCTS GROUP



Home Furnishings and Office Equipment Hardware, Material Handling Equipment and Electronics Packaging.

Paced by the introduction of several important new products, more aggressive marketing programs and improved operating efficiencies, the Metal Products Group increased its contribution to earnings by 81% over the total earnings realized by the divisions in this group in 1971.

The strong domestic housing market in 1972 was a significant factor as it created a demand for household furniture and appliances which are important markets for our customers.

In the appliance area, the Nestaway Division, which produces uniquely designed, plastic-coated wire containers and cost-saving material handling equipment, obtained the commitment of three major dishwasher manufacturers to be, with minor exceptions, their sole supplier of racks. The dishwasher industry is one of the fastest growing in the appliance field.

Late in 1971, Nestaway introduced a new-moveable storage rack system, the NESTAINER, one of the most flexible, industrial storage systems available. Marketing results in 1972 suggest a continuing multi-million dollar sales potential for this product. A Nestainer unit, constructed of heavy-duty tubular steel frames, is capable of carrying, moving or storing all types of weight requirements. Loaded units can be stacked to utilize valuable overhead space.

Empty units can be nested so that eight units occupy the same floor space required for one.

Doerner Products Company, Ltd., and the Faultless Division combined talents and aggressive marketing to bring several improved product innovations to their market in 1972. They supply metal chair controls, chair bases and casters to office equipment industries in the United States and Canada and decorative and functional components to the domestic furniture markets.

Doerner's latest new product is a revolutionary aluminum die cast base. This new design permits chair manufacturers to have their own proprietary products at a tooling investment substantially lower than is possible with the conventional die cast products.

Faultless has introduced a Carpeteer caster which enables office chairs to move on carpeting without the previously required plastic pads. A caster investment of about \$150 can obviate approximately \$2,000 in the cost of pads.

Doerner of Canada is now planning to expand its plant capacity at its Waterloo, Ontario, plant. Faultless is initiating more efficient production flow programs to obtain increased productivity in 1973. The new Hopkinsville, Kentucky, plant, which opened in 1971, now is operating profitably.

Tekform Products Company, which produces exotic metal packages for electronic circuitry, has undergone a 120 per cent plant expansion, so that it can continue its almost three-fold growth of the last three years. This division's marketing dominance in its industry was recognized during 1972 by a major electronics trade journal which cited Tekform as being the number one packaging source for the semi-conductor industry.

The outlook for 1973 continues to be very positive. The divisions which comprise this group are expected to continue to increase their contribution to earnings by another significant margin. All are in position to serve growth markets with a continuing flow of existing and new products, efficiently produced in expanded and modern facilities.

	REVENUE	INCOME
1972	\$38,041,000	\$ 3,691,000
1971	\$30,009,000	\$ 2,037,000











metal products group



During the past decade, a great change took place in many American businesses. An almost mad stampede took place during the last half of the 1960's as companies sought to diversify their activities into new or different fields.

Like Topsy, these companies simply grew and grew without any pattern or plan. By the late 1960's the word, "conglomerate," or the phrase, "diversified manufacturer," seemed to have a magic ring to investors. Yet, as the United States economy suffered in the early 1970's, so did most of these companies. Their managements, unable to cope with the wide range of businesses they were in, came to realize that solutions for one business were not always appropriate to another. Many of these firms still face serious problems of over-extension.

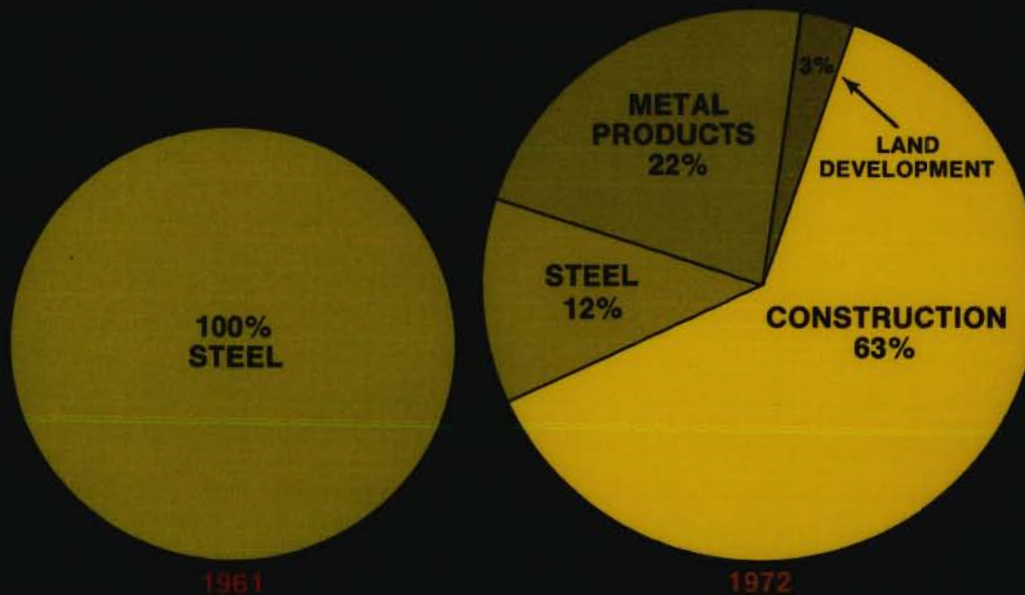
Bliss & Laughlin also embarked on a diversification and growth program in the early 1960's. But, unlike many such programs, Bliss & Laughlin's was carefully planned and executed as evidenced by the tripling of net earnings since that time.

It started in 1961 when the company was in one basic business, the production of cold finished steel bars. At that time the Company's Board of Directors and Management realized that it was in a business with limited growth potential. Following a formal plan, the Company launched itself in 1962 into an acquisition program that during the next decade put it into four major areas of operation: (1) the original cold finished steel bar business; (2) manufacturing of time saving devices and tools for the construction industry; (3) office and home furnishings hardware, materials handling equipment and electronic packaging; and (4) land development.

Carefully, Bliss & Laughlin sought companies that were manageable in size and that would fit into its management's areas of expertise. The firms acquired usually had sales in the \$5 to \$6 million range.

Today, while still an important factor in the cold finished steel bar business, it is the other businesses that are generating about 90 per cent of the total corporate profits. More importantly, year 1972 on a pooling basis showed a comparative 124.0% increase in sales over 1961, which in turn produced a 255.9% earnings increase for the same period. This shows true internal growth.

In addition to this we plan on using this solid base as a springboard to further utilize our more than a decade of successful experience in the field of acquisitions. We are, however, planning on lifting our sights significantly. Firms with sales in the \$40 to \$50 million category—or even larger—now could be appropriate acquisition targets. For this reason, we expect that the next decade will again contribute significantly to our Company's 82 year history.





# construction tools









The outlook for the next decade in relation to the Construction Tools Group continues to be good. Bliss & Laughlin Industries' diversification program started in 1962 with the acquisition of Ames Taping Tools Co. This group has grown to include drywall tape application systems, drywall tape, threaded nails, hand tools and equipment for construction tradesmen, and scaffold and shoring systems. The divisions of the Construction Group have continually increased their contribution to corporate earnings, and in 1972 earned 23% more than 1971.

The oldest and the newest of the Construction Group's companies, Ames Taping Tools and Marco Paper Products, have benefited significantly from the trend in construction away from conventional lath and plaster to the more modern gypsum wallboard construction of walls and partitions. This trend has seen shipments of gypsum wallboard in the United States grow by approximately 50%

in the last five years from approximately 8 billion sq. ft. in 1967 to 12 billion sq. ft. in 1971. At the same time, gypsum lath, used for conventionally plastered walls, has declined approximately 50%. Ames and Marco have increased their revenues and profits by pursuing an aggressive policy of market penetration.

In terms of per capita consumption of wallboard, many of the European markets will experience the same explosive growth that has occurred in the U. S. in the last ten years. To meet this challenge, Ames has agency agreements with principal gypsum producers in the major countries of Europe, as well as Japan. In 1972, Marco increased its capacity by approximately 45%, and further expansion is planned for mid-1973.

Goldblatt Tool Co. obtains a significant portion of its revenue from the residential building market. Most economists predict that housing starts will continue to be strong through the 70's. The addition of 700-800 new dealers in 1972, the distribution of more than one million catalogs annually, and the actions of Goldblatt's New Products Committee (which introduced more than 60 new products in 1972) will keep Goldblatt in a dominant market position. To support this increased marketing effort, Goldblatt has expanded its Kansas City facilities by 40,000 sq. ft.

The recently implemented Occupational Safety & Health Act (OSHA) has created a new market opportunity for products designed to satisfy these safety requirements. Waco Scaffold & Shoring Co., which produces, sells and leases shoring and scaffolding, is in an excellent position to gather increased revenues and profits from this new market opportunity.

Looking ahead at the next ten years for Bliss & Laughlin Industries, the Construction Group will continue to be a strong contributor towards corporate earnings. 1973 should produce the 11th consecutive record year with the Construction Group's earnings continuing the trend started in 1962, which has been achieved through market growth, penetration and diversification.

	REVENUE	INCOME
1972	\$38,625,000	\$10,803,000
1971	\$31,868,000	\$ 8,786,000

## THE GROWTH OF BLISS & LAUGHLIN INDUSTRIES

The accomplishments of Bliss & Laughlin  
in 1972 are best compared to the  
growth of a tree.

To support and nourish its branches,  
a tree must have a firm and thriving  
foundation.

That kind of growth represents what  
Bliss & Laughlin has done and continues  
to do. By establishing a stable  
foundation for our diversification programs  
in 1961, we've successfully cultivated  
the exploration of new markets,  
new products, and new ideas within  
the grasp of the company's talents,  
capacities, and financial resources.

Welcome to the Bliss & Laughlin tree.  
Distinctively and solidly growing  
to meet the future.