CLEVELAND PUBLIC LIBRARY
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CORPORATION FILE

# *27th*
# ANNUAL REPORT TO STOCKHOLDERS
# 1954

# TEXTRON AMERICAN, INC.

**formerly**

**TEXTRON INCORPORATED**

*Also included:*

1954 statements of the following
Companies which merged with and into
Textron Incorporated on February 24, 1955:

**AMERICAN WOOLEN COMPANY**

**ROBBINS MILLS, INC.**

## *Board of Directors*

Royal Little, *Chairman*
E. Howard Bennett
Harry J. Burkart
Charles E. Daniel
Erwin N. Darrin
Frederic C. Dumaine, Jr.
Joseph B. Ely
Jewett T. Flagg
Norman B. Frost
Herman E. Goodman
Robert L. Huffines, Jr.
Gordon Scherck
James J. Sullivan
Albert L. Sylvester
Rupert C. Thompson, Jr.
J. Linzee Weld
Melville Weston

## *Executive Committee*

Joseph B. Ely, *Chairman*
Robert L. Huffines, Jr.
Royal Little
J. Linzee Weld
Melville Weston

This report and the financial statements contained herein are submitted for the general information of the stockholders of this Corporation as such and are not intended to induce, or for use in connection with, any sale or purchase of securities.

## *Officers*

| | |
|---|---|
| Royal Little | *Chairman of the Board* |
| Joseph B. Ely | *Chairman of the Executive Committee* |
| Robert L. Huffines, Jr. | *President* |
| Harry J. Burkart | *Vice President* |
| Lester A. Casler | *Vice President* |
| William D. Mewhort | *Vice President and Treasurer* |
| Laurence C. Plowman | *Vice President* |
| Robert R. Thurber | *Vice President and Assistant Secretary* |
| Cecil E. Whitney | *Secretary* |
| Douglas L. Grote | *Controller, Asst. Treasurer and Asst. Secretary* |
| William H. Burroughs | *Assistant Treasurer* |
| Theodore F. McDonald | *Assistant Treasurer* |
| Delbert J. Hayden | *Assistant Secretary* |
| Frederick Lippitt | *Assistant Secretary* |
| Mary T. Young | *Assistant Secretary* |

*Counsel:* Edwards & Angell
Providence, Rhode Island

*Auditors:* Stewart, Watts & Bollong

*Trustee:* Fifteen-Year 5% Subordinated
Sinking Fund Debentures
Due February 1, 1970

Old Colony Trust Company
Boston, Mass.

*Transfer Agents:* Common and Convertible Preferred

Rhode Island Hospital Trust Company
Providence, Rhode Island

Bank of America National Trust and Savings Association
Los Angeles, Cal.

*Transfer Agent:* Common

Guaranty Trust Company of New York
New York, N. Y.

*Transfer Agent:* Convertible Preferred

The Chase Manhattan Bank
New York, N. Y.

*Transfer Agent:* 4% Preferred

Industrial National Bank of Providence
Providence, Rhode Island

*Registrars:* Common and Convertible Preferred

Industrial National Bank of Providence
Providence, Rhode Island

The Hanover Bank
New York, N. Y.

Security-First National Bank of Los Angeles
Los Angeles, Cal.

April 15, 1955

# To the Security Holders:

Because the merger of American Woolen Company and Robbins Mills, Inc. into Textron Incorporated, now Textron American, Inc., was concluded prior to the mailing to the stockholders of annual reports of the constituent corporations, separate balance sheets, operating statements and auditors' certificates of the three companies are included in this report. In addition, there are included consolidated financial statements of Textron American, Inc. as of February 24, 1955, the effective date of the merger.

**Textron Incorporated**

For the year ending January 1, 1955, consolidated net earnings of Textron Incorporated were $1,262,000 on sales of $99,717,000. Between January 2, 1955 and February 24, 1955 (merger date) a consolidated profit (not including American Woolen or Robbins Mills) of $1,410,000 was made on sales of $15,291,000. During the last year earnings from our non-textile operations amounted to $4,298,000. Losses incurred in subsequently discontinued textile units, however, amounted to about $2,000,000. In addition, unusually heavy financing expenses and other non-recurring charges amounting to $929,000 were incurred.

On January 8, 1954, all the stock of Dalmo Victor Company, leading manufacturer of airborne radar antenna, was acquired. On March 25, 1954, there was purchased 100% of the shares of The M B Manufacturing Company, Incorporated, maker of vibration testing and eliminating equipment. By June 1954, Textron acquired 459,677 shares, (47%) of American Woolen Company common stock and on August 5, 1954 bought 368,913 shares (42%) of Robbins Mills common stock. As a result of these acquisitions it was possible to show a profit for the year and also to negotiate a merger of substantial advantage to the stockholders of all three companies.

**American Woolen Company**

During the year ending January 2, 1955 sales were $28,191,000 and losses amounted to $18,817,000, including a charge of $7,000,000 to provide a reserve against anticipated loss on disposal of idle plants. In 1954 fifteen plants were closed and only nine small units, seven woolen and two worsted, were in operation at the year end.

On August 20, 1954 Amwool Financial Corporation, a wholly-owned subsidiary, was organized to do commercial factoring. It is currently being used profitably to factor the receivables of Amerotron Corporation as well as those of several outside accounts. This operation will be continued. On October 1, 1954 Amerotron Corporation was jointly formed by Textron, Robbins and American Woolen Company to consolidate sales and management functions of these textile operations prior to merger. Currently all textile operations are being carried on in Amerotron as a wholly-owned subsidiary of Textron American, Inc.

From year-end to merger date American Woolen sales were $2,740,000 and losses amounted to $1,898,000 including $345,000 of idle plant expense. In addition the company has increased by $8,887,000 the special reserve for anticipated future losses in carrying and disposing of obsolete plants.

**Robbins Mills, Inc.**

For the year ended November 28, 1954 a loss of $7,250,000 was shown on sales of $49,364,000. Between November 29, 1954 and February 24, 1955 a loss of $1,460,000, including $476,000 provision for future loss on sale of certain assets, was incurred on sales of $13,352,000. The conversion of the Raeford Mill to 100% worsteds to supplement its established synthetic blend operations is expected to solve the seasonal problem at this mill and will also materially increase the volume at the Clarksville finishing plant.

**Textron American, Inc.**

An audit of the consolidated companies was made as of February 24, 1955 by Stewart, Watts & Bollong and is reported on page 9. As of that date, net working capital amounted to $48,068,000.

Net worth was $79,706,000. Total consolidated capital, including $21,393,000 of debentures was $101,099,000.

Amerotron Corporation with $50,000,000 equity capital now conducts our domestic textile operations. In addition, our original investment in Textron Puerto Rico was $1,000,000. These investments represent approximately 50% of our total capital, including debentures. It is our present intention to invest the balance of our capital in diversified industries outside the textile field prior to December 31, 1956, if possible, in order to develop maximum earnings prior to the expiration of portions of our tax loss carry forwards in 1957 and 1958. We should, therefore, be employing within the next two years in excess of $50,000,000 capital in this type higher yield investment.

On April 5, 1955, we purchased Ryan Industries, Inc., and this business will be a wholly-owned subsidiary. All its outstanding shares will have been acquired by July 1, 1955. Total purchase price was $1,035,200 cash, of which $262,000 is payable January 2, 1956. In addition, there will be paid an annual amount of 25% of pretax earnings of Ryan Industries for a period of ten years. This provision in the purchase contract should provide great incentive to those sellers remaining in management to expand the business and increase its future earnings.

Ryan Industries has manufactured a wide variety of products for the Government, including dispensing systems, aerial camera magazines, tank gun mounts, rate of climb indicators, electronic timers, flexible feed chuting, photo print washers, rocket launchers, flash bomb ejectors and other complicated precision devices. Ryan's backlog of orders exceeds $10,000,000 and pretax earnings for 1955 have been projected in excess of $1,000,000. With our financial assistance this subsidiary's annual sales should reach $20,000,000 within the next few years. Ryan's management is young, aggressive and highly competent.

**General**

At the present time all major operations are conducted in wholly-owned subsidiaries. Amerotron Corporation, with an initial capital of $50,000,000, carries on the Company's combined textile business with Robert L. Huffines, Jr. as President and General Manager. Textron Puerto Rico, with Robert L. Rogers as President, has net worth of $688,000. F. Burkart Manufacturing Company with $2,000,000 capital operates with Harry J. Burkart as President and General Manager. Dalmo Victor Company continues under the guidance of its founder, T. I. Moseley, with net worth of $2,279,000. The M B Manufacturing Company, Incorporated is directed by Rollin and George Mettler, the former owners. Its net worth is $1,886,000. Ryan Industries, Inc. is under the management of Peter Magyari whose family founded the business in 1939. Net worth on December 31, 1954 was $1,140,000. Amwool Financial Corporation is run by William D. Mewhort, President and Frank J. Kelly, Executive Vice President with capital of $5,800,000.

In addition to being Vice President and Treasurer of the parent company Mr. Mewhort is the chief financial officer of the parent and all subsidiaries.

Textron American is therefore a holding company for 100% owned subsidiaries. It will control closely the financial policies and capital expenditures of these subsidiaries but otherwise will permit wide latitude to operating management. While staff members will maintain liaison between the parent and its operating companies, there will be no attempt to direct the routine operations of these enterprises from headquarters.

In order to assure incentive to salaried personnel in these businesses, profit sharing plans have been adopted which permit participation on the basis of the results for their particular Company. Furthermore, to provide an incentive to a group of key employees upon whom the future success of our various operations will largely depend, the directors are asking approval from the stockholders of a stock option plan. *No director of the parent Company will be eligible for an option.* It is anticipated that no one person will receive options for more than 6,000 shares. The plan will be fully described in the proxy material to be mailed to you in connection with the Annual Meeting of Stockholders.

We are also pleased to report that, although the Company has one of the most effective pension plans in the country for the salaried employees of the former textile divisions of American

Woolen, Robbins Mills and Textron, and of Burkart, numbering in the aggregate over 1,450 employees, this plan is sufficiently overfunded so as not to require any current Company contributions even for future services of these employees. As a result of merging the pension funds of American Woolen and Robbins Mills into the Sixty Trust (Textron American pension fund) the combined net worth of the trust is in excess of $25,000,000.

In order to avoid burdening future operations with losses which really belong to the past, the stockholders are being asked to approve management's action in establishing an additional reserve for losses and carrying charges on obsolete properties amounting to $9,574,000. The Board of Directors has determined that such an additional reserve is necessary as of the merger date to reflect accurately the net realizable value of these obsolete properties.

The directors have authorized the closing of R. W. Bates Piece Dye Works, Inc., a wholly-owned subsidiary, of Garnerville, N. Y. The machinery at this plant has been sold, and operations have already been stopped. This plant lost $350,000 last year and probably would have shown substantial losses in 1955. The commission dyeing of synthetics performed at this location has been transferred to our modern facilities at Clarksville, Va.

On April 1, 1955, ten idle plants with certain obsolete machinery acquired through merger from American Woolen Company (Arden at Fitchburg, Mass., Ayer at Lawrence, Mass., Bradford at Louisville, Kentucky, Brown at Dover-Foxcroft, Maine, Fulton at Fulton, New York, Globe at Utica, New York, Manton at Providence, R. I., Mascoma at Lebanon, N. H., Sawyer at Dover, N. H. and Wood at Lawrence, Mass.) were sold for $2,100,000 for May 2nd delivery. A deposit of $500,000 was made on signing the contract with the balance payable on May 2, 1955 when title to these properties will be passed to the purchaser. The carrying charges, not including depreciation for these properties, is at the rate of approximately $2,000,000 per year. While the price received was exceedingly low for the 6,000,000 sq. ft. of floor space involved, losses on these plants will cease May 2. All the modern machinery at these locations has been retained for use in other plants.

During the past few years we have received many letters from our stockholders inquiring as to the stockholdings of our directors and suggesting that their ownership should be greater. We have taken their suggestion and now require ownership of at least 1,000 shares of stock as a director's qualification. We believe that we are the first publicly owned company to take this important step to require such substantial equity ownership by directors.

The annual report to be published for the year 1955 will show sales and earnings for only Textron Incorporated and subsidiaries for the period January 2, 1955 to February 24, 1955 and for Textron American, Inc. and subsidiaries for the period February 25, 1955 to December 31, 1955. In addition, it is planned to include in future annual reports not only our consolidated balance sheet and operating statement but detailed information for each of our major operating subsidiaries.

Because our security holders (numbering with debenture holders more than 30,000) are scattered throughout the country, we can anticipate that only a handful of owners will attend in person the annual stockholders' meeting on May 18 which we are required by law to hold in Rhode Island. In order to keep everyone better posted about our affairs we plan the following informal regional meetings this year at which an interesting presentation will be made: Boston, May 18; Philadelphia, May 19; New York City, May 24; Chicago, May 25; Los Angeles, May 26. Please advise which meeting you plan to attend by returning the enclosed postal card. In addition to those regional meetings we plan to mail to every stockholder in June a post meeting report of the annual meeting.

We wish to welcome our many new employees and security holders to the Textron family of business enterprises, which now employs more than 14,000 persons and has over 30,000 security holders. We are confident that we will have a highly successful operation in the future and the continued loyalty of our employees and support of our owners.

By Order of Board of Directors

Royal Little
*Chairman of the Board*

# TEXTRON AMERICAN,

*Consolidated*

FEBRUARY

ASSETS

| | | | |
|---|---|---|---|
| ***Current assets:*** | | | |
| Cash | | | $ 11,956,983 |
| United States Government obligations | | | 7,888,842 |
| Accounts receivable (net of reserves and advances against assigned receivables) (Note C) | | | 19,441,706 |
| Inventories (Note B) | | | 41,249,846 |
| Prepaid and deferred expenses | | | 1,281,880 |
| Other current assets | | | 1,913,730 |
| ***Total current assets*** | | | $ 83,732,987 |
| Notes receivable — not current | | | 3,900,500 |
| Property, plant and equipment (Note D) | | $126,231,687 | |
| Less — Reserves for depreciation | $50,079,882 | | |
| Provision for loss on disposal of properties | 16,486,301 | 66,566,183 | 59,665,504 |
| Common stock of Textron American, Inc. (Note H) | | | 449,989 |
| Contingent cost of a subsidiary, less amortization (Note K) | | | 1,325,000 |
| Other assets | | | 2,073,613 |
| ***Total assets*** | | | $151,147,593 |

The Notes to Financial Statements are an integral part of

INC. AND SUBSIDIARY COMPANIES

# *Balance Sheet*

24, 1955

## LIABILITIES AND CAPITAL

| | | |
|---|---|---|
| ***Current liabilities:*** | | |
| Notes payable (Note C) | | $ 11,319,997 |
| Accounts payable | | 13,230,070 |
| Accrued expenses and other current liabilities | | 7,579,696 |
| Provision for Federal income taxes (Note F) | | 607,272 |
| Dividends payable | | 591,177 |
| Sinking funds due within one year on mortgage bonds and debentures (Note E) | | 2,336,408 |
| ***Total current liabilities*** | | $ 35,664,620 |
| Notes payable (Note E) | | 3,272,751 |
| First mortgage 4% sinking fund bonds, due October 1, 1970 (less current sinking fund) (Note E) | | 9,973,000 |
| Fifteen-year 5% subordinated sinking fund debentures, due February 1, 1970 (less current sinking fund) (Note E) | | 19,681,187 |
| Deferred and contingent cost of subsidiaries (Note K) | | 1,750,000 |
| Other liabilities and deferred income | | 539,175 |
| Minority interests in preferred stock of a subsidiary | | 560,760 |
| ***Total*** | | $ 71,441,493 |
| Capital stock and surplus (Note I): | | |
| $1.25 convertible preferred (cumulative), no par value, authorized 625,219 shares. Issued and outstanding 625,219 shares | $15,630,475 | |
| 4% preferred (cumulative), par value $100: | | |
| Series A — authorized 31,159 shares. Issued 31,158 26/30, retired 1,317, outstanding 29,841 26/30 shares | 2,984,187 | |
| Series B — authorized 91,002 shares. Issued 91,001 2/5, retired 3,512, outstanding 87,489 2/5 shares | 8,748,940 | |
| $4 preferred (cumulative), no par value, authorized 108,453 shares. | | |
| Issued and outstanding — none | — | |
| Common, par value $.50, authorized 5,000,000 shares. Issued and outstanding 2,899,014 ½ shares | 1,449,507 | |
| Surplus: | | |
| Paid-in surplus | 36,558,576 | |
| Capital surplus (no change during the period) | 4,323,353 | |
| Earned surplus | 10,521,764 | |
| ***Total*** | $80,216,802 | |
| Less treasury stock at cost — 4,523 26/30 shares Series A and 2,423 shares Series B 4% preferred and 4,335 shares common | 510,702 | |
| ***Total capital stock and surplus*** | | 79,706,100 |
| ***Total liabilities and capital*** | | $151,147,593 |

1.500.00
250.00
1.750.00

this statement and should be read in conjunction herewith.

## TEXTRON AMERICAN, INC. AND SUBSIDIARY COMPANIES

### *Consolidated Statement of Profit and Loss and Earned Surplus**

JANUARY 2, 1955 TO FEBRUARY 24, 1955

| | | |
|---|---|---|
| Net sales | | $15,290,677 |
| Cost of sales (Note B) | | 12,252,272 |
| ***Gross profit on sales*** | | $ 3,038,405 |
| Selling, advertising and administrative expenses | | 760,720 |
| ***Profit from operations*** | | $ 2,277,685 |
| Other income | | 32,948 |
| | | $ 2,310,633 |
| Other charges: | | |
| Interest expense | | $ 222,083 |
| Sundry other charges | | 399,036 |
| | | $ 621,119 |
| ***Net profit before special items*** | | $ 1,689,514 |
| Special items: | | |
| Add reversal of excess provisions for Federal income tax in prior years | | 300,000 |
| Deduct provision for loss on disposal of mill properties | | (579,330) |
| ***Net profit and special items*** (Note F) | | $ 1,410,184 |
| ***Earned Surplus — January 1, 1955*** | | 9,702,757 |
| | | $11,112,941 |
| Deduction — Dividends declared: | | |
| $1.25 convertible preferred stock — $.3125 per share | $195,382 | |
| 4% preferred stock: | | |
| Series A — $1.00 per share | 25,318 | |
| Series B — $1.00 per share | 85,066 | |
| Common stock — $.10 per share | 285,411 | 591,177 |
| ***Earned Surplus — February 24, 1955*** | | $10,521,764 |

### *Consolidated Statement of Paid-In Surplus*

JANUARY 2, 1955 TO FEBRUARY 24, 1955

| | |
|---|---|
| ***Balance at beginning of period*** | $10,635,968 |
| Addition — Amount arising from merger with American Woolen Company and Robbins Mills, Inc. | 25,922,608 |
| ***Balance at end of period*** | $36,558,576 |

*Includes Textron Incorporated and Subsidiary Companies only.

Depreciation and Amortization charged to costs and expenses for the period ended February 24, 1955, amounted to $318,311.

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

# TEXTRON AMERICAN, INC. AND SUBSIDIARY COMPANIES

## *Notes to Financial Statements*

FEBRUARY 24, 1955

### NOTE A General

On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged with and into Textron Incorporated. The name of the surviving company became Textron American, Inc. Further information with respect to the terms of this merger is contained in the data submitted with the proxy statement of the aforementioned companies for the special meetings held incident to this merger.

The accompanying consolidated balance sheet includes the accounts of the merged companies and all subsidiaries. The more significant subsidiaries included are as follows:

Dalmo Victor Company
The M B Manufacturing Company, Incorporated
Textron Puerto Rico
Amwool Financial Corporation
F. Burkart Manufacturing Company
Amerotron Corporation

The accompanying consolidated statement of profit and loss represents the results of operations of Textron Incorporated and its subsidiaries from January 2, 1955 to February 24, 1955.

On April 5, 1955, the Company purchased the outstanding stock of the Ryan Industries Inc. of Detroit, Michigan; the purchase price was $1,035,200 in cash and 25% of the earnings before taxes of that Company for the next ten succeeding years. The cash portion was paid or is payable $737,350 on April 5, 1955; $35,770 on or about July 1, 1955 and $262,080 January 2, 1956.

### NOTE B Inventories

The inventories were valued at the lowest of cost (first-in, first-out), replacement market or estimated selling market after allowance for administrative and selling expenses. In pricing the inventory allowance was made for obsolete, slow-moving and other irregular merchandise.

The last-in, first-out method of valuing the material content of certain inventories ($3,740,000 at January 1, 1955) has been discontinued. This change results in a reduction in cost of sales of $910,224 for the period from January 2, 1955 to February 24, 1955.

The Companies have commitments incurred in the ordinary course of business for materials to cost approximately $16,825,000. Provision has been made in the accompanying financial statements for any difference between the contract price of commitments and the market value thereof.

### NOTE C Assets Subject to Liens

Under the terms of a bank loan agreement, accounts receivable totaling $10,059,744 were assigned to a bank as security for advances against assigned receivables amounting to $5,447,752 and certain current mortgage notes payable amounting to $3,536,500.

The Regulation V-loan ($434,979) of Dalmo Victor Company was secured by a Deed of Trust and Chattel Mortgage on certain of its real and personal property with a book value of approximately $754,000, by assignment of the proceeds from defense contracts of $1,991,765, and by assignment of insurance on officers' lives in the amount of $250,000. Inventories of Dalmo Victor Company in the amount of $3,127,441 were subject to a lien in favor of the U. S. Government or prime contractors to the extent of unliquidated progress payments amounting to $2,042,471.

The capital stock of Dalmo Victor Company is pledged to secure indebtedness and contingent payments to the sellers in the amount of $1,150,000 and $1,500,000 respectively.

Mortgage notes payable and amounts payable under conditional sales contracts aggregating $17,162,954 are secured by properties having an original cost of approximately $50,406,432.

### NOTE D Property, Plant and Equipment

The gross property, plant and equipment are stated at cost except for certain items which are stated at values determined by an engineering survey as of July 1, 1931. Except for those properties which it is contemplated will be sold, the amounts at which the assets are stated do not purport to represent either presently realizable or replacement values.

As at the beginning of the year, American Woolen Company had provided $7,000,000 as an estimate of the loss to be sustained on properties which had at that time been offered for sale. As a result of the merger it was determined that additional mills would be closed and offered for sale. In addition, the provision of $7,000,000 has been determined to be inadequate. Management has therefore increased the provision for the loss to be sustained on the disposal of properties to $16,486,301.

### NOTE E Long-Term Debt

Long-term debt at February 24, 1955 consisted of mortgage notes on buildings and machinery $11,091,612; subordinated debentures $19,681,187; obligations for machinery acquired under conditional sales contracts $1,036,328; unsecured bank loans and installment notes secured by deposit of securities $1,117,811.

The fixed payment requirements of this long-term debt are as follows:

| | |
|---|---|
| 1956 | $ 2,654,835 |
| 1957 | 2,717,027 |
| 1958 | 2,494,213 |
| 1959 | 2,029,516 |
| 1960 | 2,029,516 |
| 1961 and later | 21,001,831 |

There is included as part of the mortgage obligations set forth above $10,598,000 aggregate principal amount of Sinking Fund Notes due October 1, 1970. These notes which bear interest at the rate of 4% per annum are secured by a First Mortgage on the plants, machinery and equipment of the former Robbins Mills, Inc., and have the benefit of a sinking fund into which the Company is obligated to pay $313,000 on each May 28 and $312,000 on each November 27.

The Company is restricted in the payment of dividends, stock purchases and certain other types of disbursements if after giving effect to such disbursements consolidated net working capital (excluding current sinking fund requirements) of the Company and certain subsidiaries shall be less than the greater of (a) consolidated funded debt (excluding the Debentures) of the Company and its certain subsidiaries, and (b) $25,000,000. Further details with respect to these restrictions are set forth in the proxy data supplied in connection with Special Meeting of Stockholders called incident to the merger of February 24, 1955.

The subordinated debentures of $21,392,595 which bear interest at the rate of 5% per year, are due February 1, 1970. The Company is obligated to contribute to a sinking fund quarterly at the annual rate of $1,711,408 for the year 1955 and at the rate of $1,283,556 thereafter. These debentures are subordinated to all other outstanding debt of the Company.

### NOTE F Contingencies

*Leases*

The Company and subsidiaries have entered into lease agreements covering mill properties and office space under long-term leases which provide for the payment of approximately $825,000 in annual rentals plus in certain instances the cost of taxes, repairs and insurance. In addition to the foregoing the Company leases plant and equipment relating to the Burkart Division, the annual rental being computed on the basis of profits of that division.

# *Notes to Financial Statements*

FEBRUARY 24, 1955

Textron Puerto Rico has leased the property and equipment of the print cloth mill located at Ponce, Puerto Rico for a period of 25 years with renewal options. The lease agreement provides for the payment out of income of an amount equal to 4% of the cost of buildings and equipment (approximately $6,000,000) plus additional amounts based upon earnings. There was at February 24, 1955 an accumulated arrearage of such rental payments of $591,008 payable out of future earnings.

*Taxes*

The Federal income and excess profits tax liability of the Company and certain of its subsidiaries is subject to final determination by the U. S. Treasury Department for the years subsequent to 1945. Management is of the opinion that the provision for Federal income taxes of $607,000 is sufficient to cover any additional assessments which may be made against the Company. No provision for Federal income taxes was made with respect to the income for the period January 2, 1955 to February 24, 1955 because of the availability of loss carry-forwards.

*Renegotiation*

The Company and its subsidiaries have made sales either directly or indirectly to the U. S. Government and are subject to the Renegotiation Act of 1951. The amount of refund, if any, which may be required is not presently determinable. Management is of the opinion that profits were not excessive and therefore no provision for refund has been made in the accounts.

## NOTE G Pension and Profit-Sharing Plans

The Company and its subsidiaries other than Textron Puerto Rico and The M B Manufacturing Company, Incorporated are parties to a pension plan to provide eligible employees with retirement and death benefits. No contribution is required on the part of the employee members, the entire cost being borne by the Companies.

At February 24, 1955 the pension plan related to Textron American, Inc. member employees was overfunded; the unfunded past service costs related to member employees of subsidiary Companies amounted to approximately $1,000,000.

A deferred compensation plan was established in 1951 by the Company and certain subsidiaries for the benefit of employees not entitled to receive compensation at more than regular rates for overtime work. This plan, as amended, requires annual contributions equal to 10% of the consolidated net profit before taxes, limited to 15% of the total annual compensation of the member employees. No contribution was required for the fiscal year ended January 1, 1955. Dalmo Victor Company and The M B Manufacturing Company, Incorporated have separate profit sharing plans.

## NOTE H Option Agreements

Option agreements between the Company and certain officers providing for the purchase of 100,000 common shares of the Company at $25 per share were approved by the stockholders in 1953. No consideration was paid for the options which were exercisable upon issuance and which expire on April 30, 1963 or earlier on certain conditions. Certain officers and key employees of the former Robbins Mills, Inc. hold options which provide for the purchase of 26,000 shares of common stock at $33.79 per share. Under the terms of the merger these options entitle the holders to purchase the same number of shares of Textron American under similar conditions. These options expire December 28, 1955.

In addition the Company held 40,565 shares of its common stock in connection with an option agreement with Mr. Robert L. Huffines, Jr. This agreement gives Mr. Huffines the option to purchase any or all of these shares from the Company at cost at any time before December 15, 1963. However, the option with respect to shares costing $50,000 will expire on December 15 of each year unless previously exercised. These shares are stated in the financial statements at February 24, 1955, at cost; the aggregate quoted market value on that date was $537,486.

## NOTE I Capital Stock

### TEXTRON INCORPORATED

The 4% preferred stock is subject to the prior rights of the $1.25 convertible preferred stock and is entitled, subject to certain exceptions, to the benefit of a sinking fund requiring quarterly deposits of $2.50 for each share theretofore issued, such funds to be used for the purchase of 4% preferred stock tendered by holders at prices not in excess of $100 per share. Deposits in excess of amounts expended to purchase tendered stock are returnable to the Company prior to the end of each calendar year.

At a special meeting on February 7, 1955, 108,453 shares of $4.00 preferred stock was authorized, none of which was outstanding as of the balance sheet date. This stock is entitled to the same preferential dividends and liquidation provisions and subject to the same redemption provisions as the 4% preferred stock. The $4.00 preferred stock is entitled to the benefit of a sinking fund with quarterly sinking fund payments, after payment of all dividends on outstanding preferred stock of each class, of $1.00 for each share theretofore issued.

### TEXTRON PUERTO RICO

There were outstanding in the hands of the public 19,719 shares of preferred stock, par value $25 per share. These shares are entitled to cumulative annual dividends at the rate of $1.25 per share. The preferred stock may be redeemed by the Company in the year 1955 at $40 per share and in each following calendar year at an increase of $2.50 per share per year until 1959 and thereafter at $50 per share plus, in each case, dividends accrued to the redemption date.

## NOTE J Litigation

Certain lawsuits are pending, however Counsel is of the opinion that none of them is likely to result in a material liability.

## NOTE K Deferred and Contingent Cost of Subsidiaries

In January 1954 the Company acquired all of the capital stock of Dalmo Victor Company. The fixed part of the purchase price was $1,500,000 of which $300,000 was paid in cash and $1,200,000 was paid by notes which are payable in equal monthly installments over the four years 1955, 1956, 1957 and 1958. An additional $1,500,000 is to be paid on or before December 31, 1963 out of one-half of dividends after the Company has received repayment of a $500,000 working capital loan and dividends totaling $1,500,000.

In March 1954 the Company acquired all of the outstanding capital stock of The M B Manufacturing Company Incorporated for $1,750,000 in cash plus an additional $250,000 to be paid to the extent that its net worth at March 24, 1954 is not reduced by certain undisclosed liabilities.

**STEWART, WATTS & BOLLONG**
ACCOUNTANTS & AUDITORS
50 STATE STREET
BOSTON 9

NEW YORK
ATLANTA

To the Stockholders of TEXTRON AMERICAN, Inc.:

We have examined the consolidated balance sheet of Textron American, Inc. and subsidiary companies as at February 24, 1955 and the consolidated statement of profit and loss and earned surplus (consists of the operations of Textron Incorporated and subsidiaries only) and the consolidated statement of paid-in surplus for the period from January 2 to February 24, 1955 of Textron American, Inc. and subsidiaries. We did not, however, examine the balance sheets and related statements of profit and loss and surplus of two subsidiaries included in the consolidated statements but accepted after review the reports of examination by other independent public accountants. 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.

We were present at the several plants of the companies when the inventories were being physically checked and observed the work of the companies' employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the inventories and satisfied ourselves as to the substantial accuracy thereof.

In our opinion, the accompanying consolidated balance sheet of Textron American, Inc. and the consolidated statement of profit and loss and earned surplus (consists of the operations of Textron Incorporated and subsidiaries only) and the consolidated statement of paid-in surplus of Textron American, Inc. and subsidiaries, together with notes to financial statements, present fairly the consolidated financial position of Textron American, Inc. and its subsidiaries at February 24, 1955, and the consolidated results of operations for the period from January 2, to February 24, 1955, (consists of the operations of Textron Incorporated and subsidiaries only) in conformity with generally accepted accounting principles which, except for the change (approved by us) in pricing inventories, referred to in Note B to the financial statements, have been applied on a basis consistent with that of the preceding year.

STEWART, WATTS & BOLLONG

Boston, Massachusetts, April 8, 1955

# TEXTRON INCORPORATED

*Consolidated*

JANUARY

## ASSETS

| | | |
|---|---|---|
| ***Current assets:*** | | |
| Cash | | $ 3,496,414 |
| Accounts receivable — trade (Note C): | | |
| Assigned | $12,947,087 | |
| Less — Advances against assigned receivables | 4,616,026 | |
| Equity in assigned receivables | $ 8,331,061 | |
| Unassigned | 896,922 | |
| Less — Reserve for doubtful accounts, discounts and allowances | 186,884 | 9,041,099 |
| Inventories (Note B): | | |
| Merchandise | $10,135,237 | |
| Costs (less unliquidated progress billings) on contracts in progress | 1,710,450 | 11,845,687 |
| American Woolen Company and Robbins Mills, Inc. common stock (Note A) | | 16,489,777 |
| Prepaid and deferred expenses | | 594,502 |
| Other current assets | | 894,998 |
| ***Total current assets*** | | $42,362,477 |
| Notes receivable due after one year | | 1,317,500 |
| Common stock of Textron Incorporated (Note G) | | 449,989 |
| Property, plant and equipment at cost | $34,196,946 | |
| Less — Reserves for depreciation | 8,218,445 | 25,978,501 |
| Contingent cost of a subsidiary, less amortization (Note K) | | 1,350,000 |
| Other assets: | | |
| Long-term rental deposits | $ 600,000 | |
| Cash surrender value of life insurance | 241,043 | |
| Deposits with mutual insurance companies | 196,861 | |
| Sundry other assets | 365,825 | 1,403,729 |
| ***Total assets*** | | $72,862,196 |

The Notes to Financial Statements are an integral part of

AND SUBSIDIARY COMPANIES

# *Balance Sheet*

1, 1955

## LIABILITIES AND CAPITAL

| | | |
|---|---|---|
| ***Current liabilities:*** | | |
| Notes payable (Note C) | | $10,770,985 |
| Accounts payable | | 7,467,060 |
| Accrued expenses and other current liabilities | | 3,417,379 |
| Provision for Federal income taxes (Note J) | | 650,650 |
| ***Total current liabilities*** | | $22,306,074 |
| Notes payable (Note D) | | 3,956,303 |
| Other liabilities and deferred income | | 449,142 |
| Deferred and contingent cost of subsidiaries (Note K) | | 1,750,000 |
| Minority interests in preferred stock of a subsidiary | | 560,760 |
| ***Total*** | | $29,022,279 |
| Capital stock and surplus (Note I): | | |
| $1.25 convertible preferred (cumulative), no par value, authorized 293,809 shares. Issued and outstanding 291,491 shares | $ 7,287,275 | |
| 4% preferred (cumulative), par value $100: | | |
| Series A — authorized 50,000 shares. Issued 44,650 26/30, retired 14,809, outstanding 29,841 26/30 shares | 2,984,187 | |
| Series B — authorized 200,000 shares. Issued 96,895 2/5, retired 9,406, outstanding 87,489 2/5 shares | 8,748,940 | |
| Common, par value $.50, authorized 3,000,000 shares. Issued and outstanding 1,336,278½ shares | 668,139 | |
| Surplus: | | |
| Paid-in surplus | 10,635,968 | |
| Capital surplus (no change during the year) | 4,323,353 | |
| Earned surplus | 9,702,757 | |
| ***Total*** | $44,350,619 | |
| Less treasury stock at cost — 4,523 26/30 shares Series A and 2,423 shares Series B 4% preferred and 4,335 shares common | 510,702 | |
| ***Total capital stock and surplus*** | | 43,839,917 |
| ***Total liabilities and capital*** | | $72,862,196 |

this statement and should be read in conjunction herewith.

## TEXTRON INCORPORATED AND SUBSIDIARY COMPANIES

### *Consolidated Statement of Profit and Loss and Earned Surplus*

YEAR ENDING JANUARY 1, 1955

| | | |
|---|---|---|
| Net sales | | $99,717,141 |
| Cost of sales (including gains incident to adjustment of Lifo inventory base — $97,736) | | 92,340,718 |
| ***Gross profit on sales*** | | $ 7,376,423 |
| Selling, advertising and administrative expenses | | 3,771,463 |
| ***Profit from operations*** | | $ 3,604,960 |
| Other income | | 627,098 |
| | | $ 4,232,058 |
| Other charges: | | |
| Interest and financing expenses | | $ 1,773,378 |
| Idle plant expenses | | 430,449 |
| Loss on disposal of fixed assets | | 174,292 |
| Sundry other charges | | 560,565 |
| | | $ 2,938,684 |
| ***Profit before minority interests*** | | $ 1,293,374 |
| Portion of earnings applicable to minority interests in a subsidiary | | 30,812 |
| ***Net profit*** (Note J) | | $ 1,262,562 |
| ***Earned Surplus — January 2, 1954*** | | 10,046,880 |
| | | $11,309,442 |
| Deductions: | | |
| Excess cost of investment in subsidiaries over equities acquired | $774,608 | |
| Dividends declared: | | |
| $1.25 convertible preferred stock — $1.25 per share | 358,126 | |
| 4% preferred stock: | | |
| Series A — $4.00 per share | 113,650 | |
| Series B — $3.00 per share | 231,171 | |
| Common stock — $.10 per share | 129,130 | 1,606,685 |
| ***Earned Surplus — January 1, 1955*** | | $ 9,702,757 |

### *Consolidated Statement of Paid-In Surplus*

YEAR ENDING JANUARY 1, 1955

| | |
|---|---|
| ***Balance at beginning of year*** | $10,145,745 |
| Addition — Discount on 4% preferred stock retired | 490,223 |
| ***Balance at end of year*** | $10,635,968 |

Depreciation and Amortization charged to costs and expenses for the year ended January 1, 1955, amounted to $2,300,659.

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

# TEXTRON INCORPORATED AND SUBSIDIARY COMPANIES

## *Notes to Financial Statements*

JANUARY 1, 1955

### NOTE A General

The accompanying consolidated financial statements include the accounts of Textron Incorporated, Textron Puerto Rico, Dalmo Victor Company and The M B Manufacturing Company, Incorporated. The latter two Companies were acquired during the year 1954. The terms and conditions relating to the purchase of these Companies have been reported to the stockholders in the annual report of 1953, and in the Notice of Special Meeting of Stockholders, held February 7, 1955.

During 1954 the Company acquired shares of common stocks of American Woolen Company and Robbins Mills, Inc. as follows:

American Woolen Company — 459,677 shares, of which 259,477 shares were acquired pursuant to an exchange offer which provided for the exchange of 1/5 share of the Company's 4% preferred stock series B, 1/2 share of common stock and $5.00 in cash for each share of common stock of American Woolen Company. The remaining shares (200,200) held by the Company were acquired for cash at a total cost of $4,393,444.

Robbins Mills, Inc. — 368,913 shares acquired at a total cost of $5,072,554 of which $1,014,511 was paid in cash upon acquisition and the balance paid by notes secured by pledge of the acquired stock. These notes were paid in full on February 24, 1955.

On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged with and into Textron Incorporated. The name of the surviving corporation became Textron American, Inc. Further information with respect to the terms of this merger is contained in the Proxy Statement of Textron Incorporated dated January 5, 1955.

### NOTE B Inventories

Approximately $3,740,000 of the material content of the merchandise inventories was valued at cost on the last-in, first-out basis. The replacement market value of these inventories at January 1, 1955 was approximately $1,050,000 in excess of the stated values. The remaining portion of the inventories was valued on the basis of the lower of cost (first-in, first-out) or market.

At the close of the year the Company was committed for the purchase of materials to cost approximately $9,850,000. The cost of the materials was not in excess of their then market value.

Supply inventories were valued not in excess of cost.

### NOTE C Assets Subject to Liens

Under the terms of a bank loan agreement, assigned accounts receivable in the amount of $11,010,915 were additional security for current mortgage notes payable in the amount of $3,536,500.

The Regulation V-loan ($1,134,328) of Dalmo Victor Company was secured by a Deed of Trust and Chattel Mortgage on certain of its real and personal property with a book value of approximately $787,000, by assignment of the proceeds from defense contracts of $1,936,172, and by assignment of insurance on officers' lives in the amount of $250,000. Inventories of Dalmo Victor Company in the amount of $3,520,522 were subject to a lien in favor of the U. S. Government or prime contractors to the extent of unliquidated progress payments amounting to $1,810,072.

The capital stock of Dalmo Victor Company is pledged to secure indebtedness and contingent payments to the sellers in the amount of $1,200,000 and $1,500,000 respectively.

Mortgage notes payable and amounts payable under conditional sales contracts aggregating $6,921,307 are secured by properties having an original cost of $12,829,287.

### NOTE D Long-Term Debt

Long-term debt at January 1, 1955 consisted of obligations for machinery acquired under conditional sales contracts $1,126,754; mortgage notes on buildings and machinery $1,362,316; installment notes secured by deposit of securities $900,000; and unsecured loans $567,233.

The fixed payment requirements of this long-term debt are as follows:

| | |
|---|---|
| 1956 | $1,750,720 |
| 1957 | 808,472 |
| 1958 | 585,657 |
| 1959 | 120,960 |
| 1960 | 120,960 |
| 1961 or later | 569,534 |

### NOTE E Leases

Significant leases of real and personal property were as follows:

The Company and subsidiaries lease mill properties and office space under long-term leases which provide for the payment of approximately $582,000 in annual rentals, plus in certain instances the cost of repairs, taxes, and insurance. In addition to the foregoing, the Company leases plant and equipment relating to the Burkart Division, the annual rental being computed on the basis of the profits of that division.

Textron Puerto Rico has leased the property and equipment at Ponce, Puerto Rico for a period of 25 years with renewal options. The lease agreement provides for the payment out of income of an amount equal to 4% of the cost of the

## *Notes to Financial Statements*

JANUARY 1, 1955

buildings and equipment (approximately $6,000,000) plus additional amounts based upon earnings. At January 1, 1955 there were cumulative rental payments of $595,882 payable out of future earnings.

### NOTE F Litigation

Certain law suits are pending, however Counsel is of the opinion that none of them is likely to result in a material liability.

### NOTE G Option Agreements

Option agreements between the Company and certain of its officers and employees providing for the purchase of common shares of the Company at $25 per share have been approved by the stockholders. No consideration was paid for the options which expire at various dates to April 30, 1963 or earlier, if the optionee shall cease to be an employee of the Company or any subsidiary. At January 1, 1955, options for the purchase of 147,417 common shares were outstanding.

In addition, the Company held 40,565 shares of its common stock in connection with an option agreement with Mr. Robert L. Huffines, Jr. This agreement gives Mr. Huffines the option to purchase any or all of these shares from the Company at cost at any time before December 15, 1963. However, the option with respect to shares costing $50,000 will expire on December 15 of each year unless previously exercised. These shares are stated in the financial statements at January 1, 1955, at cost; the aggregate quoted market value on that date was $486,780.

### NOTE H Pension and Profit-Sharing Plans

The Company and its subsidiaries other than Textron Puerto Rico and The M B Manufacturing Company, Incorporated are parties to a pension plan to provide eligible employees with retirement and death benefits. No contribution is required on the part of the employee members, the entire cost being borne by the Companies. As of January 31, 1954 the Dalmo Victor Company adopted the Textron pension plan and became a party thereto.

At January 1, 1955 the pension plan related to Textron Incorporated member employees was substantially overfunded; the unfunded past service costs related to member employees of subsidiary companies amounted to approximately $1,000,000.

A deferred compensation plan was established in 1951 by the Company and certain subsidiaries for the benefit of employees not entitled to receive compensation at more than regular rates for overtime work. This plan, as amended, requires annual contributions equal to 10% of the consolidated net profit before taxes, limited to 15% of the total annual compensation of the member employees. No contribution was required for the fiscal year ended January 1, 1955. Dalmo Victor Company and The M B Manufacturing Company, Incorporated have separate profit sharing plans.

### NOTE I Capital Stock

TEXTRON INCORPORATED

The 4% preferred stock is subject to the prior rights of the $1.25 convertible preferred stock and is entitled, subject to certain exceptions, to the benefit of a sinking fund requiring quarterly deposits of $2.50 for each share theretofore issued, such funds to be used for the purchase of 4% preferred stock tendered by holders at prices not in excess of $100 per share. Deposits in excess of amounts expended to purchase tendered stock are returnable to the Company prior to the end of each calendar year.

TEXTRON PUERTO RICO

There were outstanding in the hands of the public 19,719 shares of preferred stock, par value $25 per share. These shares are entitled to cumulative annual dividends at the rate of $1.25 per share. The preferred stock may be redeemed by the Company in the year 1955 at $40 per share and in each following calendar year at an increase of $2.50 per share per year until 1959 and thereafter at $50 per share plus, in each case, dividends accrued to the redemption date.

### NOTE J Contingencies

The Federal income and excess profits tax liability of the Company and certain of its subsidiaries is subject to final determination by the United States Treasury Department for the years subsequent to 1945. Provision has been made in the financial statement in an amount considered by the management to be sufficient to cover any additional assessments which may be made against the Company. No provision for Federal income taxes was made for the year ended January 1, 1955 because of the availability of prior years tax loss carry-forward.

Approximately 9% of 1953 and 25% of 1954 sales were made either directly or indirectly to the United States Government and are subject to the Renegotiation Act of 1951. The amount of refund if any, which may be required is not presently determinable. Management is of the opinion that profits were not excessive and therefore, no provision for refund has been made in the accounts.

### NOTE K Deferred and Contingent Cost of Subsidiaries

In January 1954 the Company acquired all of the capital stock of Dalmo Victor Company. The fixed part of the purchase price was $1,500,000 of which $300,000 was paid in cash and $1,200,000 was paid by notes which are payable in equal monthly installments over the four years 1955, 1956, 1957 and 1958. An additional $1,500,000 is to be paid on or before December 31, 1963 out of one-half of dividends after the Company has received repayment of a $500,000 working capital loan and dividends totaling $1,500,000.

In March 1954 the Company acquired all of the outstanding capital stock of The M B Manufacturing Company, Incorporated for $1,750,000 in cash plus an additional $250,000 to be paid to the extent that its net worth at March 24, 1954 is not reduced by certain undisclosed liabilities.

STEWART, WATTS & BOLLONG
ACCOUNTANTS & AUDITORS
50 STATE STREET
BOSTON 9

NEW YORK
ATLANTA

To the Stockholders of TEXTRON Incorporated:

We have examined the consolidated balance sheet of Textron Incorporated and subsidiary companies as at January 1, 1955, and the related consolidated statement of profit and loss and earned surplus and the consolidated statement of paid-in surplus for the fiscal year then ended. We did not, however, examine the balance sheets and related statements of profit and loss and surplus of two subsidiaries included in the consolidated statements but accepted after review the reports of examination by other independent public accountants. 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.

We were present at the several plants of the companies when the inventories were being physically checked and observed the work of the companies' employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the inventories and satisfied ourselves as to the substantial accuracy thereof.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of profit and loss and earned surplus and the consolidated statement of paid-in surplus, together with notes to the financial statements present fairly the consolidated financial position of Textron Incorporated and its subsidiary companies at January 1, 1955, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STEWART, WATTS & BOLLONG

Boston, Massachusetts, February 21, 1955

# ROBBINS MILLS, INC.

## *Consolidated*

NOVEMBER

### ASSETS

***Current assets:***

| | | |
|---|---|---|
| Cash | | $ 3,369,513.95 |
| Accounts receivable, less reserve of $200,000 (Note 1) | | 8,390,647.31 |
| Inventories, at lower of cost or market — | | |
| Yarn and yarn in process | $ 6,094,578.57 | |
| Greige goods and work in process | 4,436,457.43 | |
| Finished goods | 1,965,175.91 | |
| Dyes, chemicals and supplies | 615,621.35 | 13,111,833.26 |
| ***Total current assets*** | | $24,871,994.52 |
| Property, plant and equipment, at cost: | | |
| Land | $ 156,031.23 | |
| Plant buildings | 16,058,019.73 | |
| Machinery and equipment | 22,685,062.90 | |
| Cottages and village improvements | 1,084,183.38 | |
| Automobiles and trucks | 596,365.84 | |
| | $40,579,663.08 | |
| Less — Reserves for depreciation and amortization | 11,698,004.23 | 28,881,658.85 |
| Miscellaneous assets and deferred charges | | 482,374.96 |
| ***Total assets*** | | $54,236,028.33 |

The accompanying notes to financial statements

AND SUBSIDIARY COMPANIES

# *Balance Sheet*

28, 1954

## LIABILITIES

| | | |
|---|---|---|
| ***Current liabilities:*** | | |
| Amounts due within one year on sinking fund notes | | $ 625,000.00 |
| Notes payable to banks (Note 1) | | 10,000,000.00 |
| Accounts payable | | 3,976,432.22 |
| Accrued liabilities — | | |
| Wages | $ 243,904.54 | |
| Taxes, other than taxes on income | 110,836.76 | |
| Federal and state taxes on income | 181,264.89 | |
| Other | 371,892.02 | 907,898.21 |
| ***Total current liabilities*** | | $15,509,330.43 |
| Sinking fund notes, due October 1, 1970 (net of amount shown above) (Note 2) | | 10,285,000.00 |
| Other long-term liabilities | | 108,750.00 |
| Capital stock and surplus: | | |
| Capital stock — | | |
| Preferred — Series A, 4½% cumulative, $50.00 par value — | | |
| Authorized 200,000 shares — issued and outstanding 166,864 shares (Note 3) | $ 8,343,200.00 | |
| Common — $20.00 par value — | | |
| Authorized 1,500,000 shares—issued and outstanding 909,411 shares (including 25,092 shares in treasury) (Notes 2, 3 and 4) | 18,188,220.00 | |
| Surplus — | | |
| Capital surplus (no change for the fifty-two weeks ended November 28, 1954) | 826,012.00 | |
| Earned surplus (restricted as to cash dividends) (Note 2) | 1,439,717.90 | |
| | $28,797,149.90 | |
| Less — 25,092 shares of common stock in treasury, at cost | 464,202.00 | 28,332,947.90 |
| ***Total liabilities*** | | $54,236,028.33 |

are an integral part of this statement.

# ROBBINS MILLS, INC. AND SUBSIDIARY COMPANIES

## *Statement of Consolidated Income and Earned Surplus*

FOR THE FIFTY-TWO WEEKS ENDED NOVEMBER 28, 1954

| | | |
|---|---|---|
| Net sales | | $49,363,810.23 |
| Cost of goods sold | | 51,711,156.07 |
| ***Gross loss*** | | ($ 2,347,345.84) |
| Selling and general administrative expenses | | 4,076,800.68 |
| ***Loss from operations*** | | ($ 6,424,146.52) |
| Other expenses: | | |
| Interest expense | $711,855.63 | |
| Miscellaneous (net) | 113,820.77 | 825,676.40 |
| ***Net loss*** | | ($ 7,249,822.92) |
| Earned surplus — Balance, November 30, 1953 | | 8,783,403.27 |
| | | $ 1,533,580.35 |
| Deduct — Cash dividends on preferred stock — $.5625 per share | | 93,862.45 |
| Earned surplus — Balance, November 28, 1954 | | $ 1,439,717.90 |

Depreciation and amortization charged to costs and expenses for the fifty-two weeks ended November 28, 1954, amounted to $1,921,200.

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

# ROBBINS MILLS, INC. AND SUBSIDIARY COMPANIES

## *Notes to Financial Statements*

### FOR THE FIFTY-TWO WEEKS ENDED NOVEMBER 28, 1954

**1** Subsequent to November 28, 1954, the Company sold its trade accounts receivable, without recourse. The partial receipt of $7,000,000 was applied to reduce the notes payable to banks.

**2** The 3% Sinking Fund Notes, due October 1, 1970, of which $6,983,000 is outstanding, provide for sinking fund payments, in fixed semiannual amounts of $200,000 plus annual contingent amounts due each June 1, equal to 9.6% of the previous year's consolidated net income in excess of $1,500,000.

The 3¼% Sinking Fund Note, due October 1, 1970, of which $3,927,000 is outstanding, provides for sinking fund payments, in fixed semiannual amounts of $113,000 each June 1, and $112,000 each December 1, plus annual contingent amounts due each June 1, equal to 5.4% of the previous year's consolidated net income in excess of $1,500,000.

In addition, the Company may make optional payments on the Sinking Fund Notes on each payment date in the ratio of the respective principal amounts.

Under the provisions of the note agreements, payments for cash dividends or distributions, or for the purchase, redemption or retirement of the Company's capital stock, during the period subsequent to November 30, 1949, are limited to the aggregate net income for such period plus $1,000,000 and consolidated working capital may not be reduced below $10,000,000 by such cash dividends, distributions or retirements. However, the Company may apply against payments for purchases, redemptions and retirements of stock of the Company, the net cash received from the sale subsequent to November 30, 1950, of additional stock of the Company.

At November 28, 1954, the earned surplus requirement under the first restriction mentioned above exceeded the earned surplus of the Company by $7,003,438. Consequently, no part of the earned surplus at November 28, 1954, was available for cash dividends. The Company has also agreed that consolidated working capital will not be reduced below $9,000,000 by expenditures for fixed assets. At November 28, 1954, consolidated working capital amounted to $9,362,664.

**3** At November 28, 1954, dividend payments in arrears on the cumulative Preferred Stock, Series A, amounted to $281,583 (or $1.6875 per share), representing the last three quarterly dividends. As a result of these defaults the holders of Preferred Stock are entitled at any annual meeting held prior to the payment of all dividends on Preferred Stock then in default, to elect, by a class vote, one-fourth of the Directors but not fewer than two Directors.

The Preferred Stock, Series A, is convertible, at any time prior to November 30, 1961, into common stock of the Company at the rate of 1.42 shares of common stock for each share of preferred.

**4** Pursuant to a "Stock Option Plan" approved by the Board of Directors and the stockholders, 26,000 shares of the Company's common stock were reserved, in 1951, for issuance to certain officers and key employees. Such options may be exercised during the period to December 28, 1955, at 95% ($33.79) of the quoted market value of the stock on December 29, 1950. No options have been exercised.

**5** The estimated annual cost for current service under the Company's Pension Plan for Salaried Employees is approximately $125,000. At November 28, 1954, the balance of unfunded past service obligations amounted to approximately $526,000, which will be charged to income as payments are made. For the fifty-two weeks ended November 28, 1954, no payment or charge to income was made for either current or past service costs.

**6** The Company has filed a claim in the amount of approximately $400,000 against the U. S. Government. At November 28, 1954 no portion of such claim has been reflected in the accompanying balance sheet.

**7** Subsequent to November 28, 1954, the Company acquired certain assets of Rutger Textiles, Inc. for 10,000 shares of the Company's common stock and cash.

**8** On February 24, 1955 Robbins Mills, Inc. and American Woolen Company were merged with and into Textron Incorporated. The name of the surviving corporation became Textron American, Inc.

## AUDITORS' CERTIFICATE

To the Stockholders,
ROBBINS MILLS, INC.:

We have examined the consolidated balance sheet of Robbins Mills, Inc. (a New York corporation) and its subsidiary companies as of November 28, 1954, and the related statement of consolidated income and earned surplus for the fifty-two weeks 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 balance sheet and statement of consolidated income and earned surplus present fairly the financial position of Robbins Mills, Inc. and its subsidiary companies as of November 28, 1954, and the results of their operations for the fifty-two weeks then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York
January 31, 1955

ARTHUR ANDERSEN & CO.

# AMERICAN WOOLEN

## *Consolidated*

JANUARY

### ASSETS

| | | | |
|---|---|---|---|
| ***Current assets:*** | | | |
| Cash | | | $ 7,195,828 |
| United States Government securities (at cost plus accrued interest) | | | 13,970,527 |
| Accounts receivable | | $12,455,720 | |
| Less — Reserves for doubtful accounts, discounts and allowances | | 324,703 | 12,131,017 |
| Inventories (Note B) | | | 10,912,663 |
| Other current assets | | | 488,572 |
| ***Total current assets*** | | | $44,698,607 |
| Notes receivable — due after one year (Note C) | | | 2,220,000 |
| Property, plant and equipment (Note C) | | $52,114,353 | |
| Less — Reserve for depreciation | $29,597,604 | | |
| Provision for loss on disposal of properties | 6,912,658 | 36,510,262 | 15,604,091 |
| Deposits with mutual insurance companies | | | 517,000 |
| Prepaid and deferred expenses | | | 1,090,534 |
| Sundry other assets | | | 123,892 |
| ***Total assets*** | | | $64,254,124 |

The Notes to Financial Statements are an integral part of

# COMPANY AND SUBSIDIARIES

## *Balance Sheet*

2, 1955

LIABILITIES AND CAPITAL

| | | |
|---|---|---|
| ***Current liabilities:*** | | |
| Accounts payable . . . . . . . . . . . . . . | | $ 925,611 |
| Payable on accounts receivable purchased (Note A) . . . | | 3,954,857 |
| Accrued expenses and other current liabilities . . . . . | | 1,690,493 |
| ***Total current liabilities*** . . . . . . . . . . | | $ 6,570,961 |
| Capital stock and surplus: | | |
| $4 Cumulative convertible prior preference, without par value, (convertible into two common shares; callable at $105; voluntary liquidation value $105): | | |
| Shares authorized 105,812; held for retirement 4,761; outstanding 101,051 . . . . . . . . . . | $10,105,100 | |
| 7% Cumulative preferred, par value $100: | | |
| Shares authorized and outstanding 89,852 . . . . | 8,985,200 | |
| Common stock, without par value: | | |
| Shares authorized 1,180,444; reserved for conversion 202,102; outstanding 978,342 . . . . . . . . | 30,917,100 | |
| Surplus: | | |
| Capital — paid in (no change during the year) . . . . | 11,849,804 | |
| Earned since January 1, 1941 (deficit) . . . . . . . | (4,174,041) | |
| ***Total capital stock and surplus*** . . . . . . . | | 57,683,163 |
| ***Total liabilities and capital*** . . . . . . . . | | $64,254,124 |

this statement and should be read in conjunction herewith.

# AMERICAN WOOLEN COMPANY AND SUBSIDIARIES

## *Consolidated Statement of Profit and Loss and Earned Surplus*

YEAR ENDING JANUARY 2, 1955

| | | |
|---|---|---|
| Net sales | | $28,191,356 |
| Cost of sales (including depreciation $918,416) | | 36,708,683 |
| ***Gross loss on sales*** | | ($ 8,517,327) |
| Selling, general and administrative expenses | | 3,741,811 |
| ***Loss from operations*** | | ($12,259,138) |
| Other income: | | |
| Net rental income of the Pocono Company | $ 108,176 | |
| Interest earned | 329,095 | |
| Profit on disposal of New York City real estate | 1,970,375 | |
| Sundry other income | 268,617 | 2,676,263 |
| | | ($ 9,582,875) |
| Other charges: | | |
| Interest expense including customers' anticipation discounts | $ 146,915 | |
| Idle and inactive plant expenses (including depreciation $536,004) | 1,780,347 | |
| Expenses on machinery transferred | 134,334 | |
| Sundry other charges | 172,759 | 2,234,355 |
| ***Net loss before special item*** | | ($11,817,230) |
| Special item — Provision for loss on disposal of mill properties | | 7,000,000 |
| ***Net loss and special item*** | | ($18,817,230) |
| ***Earned Surplus — December 31, 1953*** | | 15,676,357 |
| | | ($ 3,140,873) |
| Deduction — Dividends declared — cash: | | |
| Prior preference stock — $4 per share | $ 404,204 | |
| Preferred stock — $7 per share | 628,964 | 1,033,168 |
| ***Earned Surplus — January 2, 1955 (deficit)*** | | ($ 4,174,041) |

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

# AMERICAN WOOLEN COMPANY AND SUBSIDIARIES

## *Notes to Financial Statements*

JANUARY 2, 1955

### NOTE A General

The financial statements include the accounts of American Woolen Company and all wholly-owned subsidiaries.

On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged with and into Textron Incorporated. The name of the surviving corporation became Textron American, Inc. Further information with respect to the terms of this merger is contained in the Proxy Statement of American Woolen Company dated January 5, 1955.

During 1954 the Company organized the Amwool Financial Corporation to carry on a general factoring business. The Company also participated with Textron Incorporated and Robbins Mills, Inc. in the organization of Amerotron Corporation which Company was to carry on certain management and sales functions for these Companies.

### NOTE B Inventories

The inventories were valued at the lowest of cost (first-in, first-out), replacement market or estimated selling market after allowance for administrative and selling expenses. In valuing the inventories, allowance was made for obsolete, slow-moving and other irregular merchandise.

The Company has commitments incurred in the ordinary course of business for materials to cost approximately $3,200,000. Provision has been made in the accompanying financial statements for any differences between the price of commitments and the market value thereof.

### NOTE C Property, Plant and Equipment

The gross property, plant and equipment are stated at cost except for certain items which are stated at values determined by an engineering survey as of July 1, 1931. The amounts at which the assets are stated do not purport to represent either presently realizable or replacement values.

In August 1954 the New York City real estate was sold at a profit of approximately $2,000,000. The mortgage held by the Mutual Life Insurance Company of New York which was secured by the American Woolen Building was assumed by the buyer of that property. The transaction was made for part cash, assumption of the first mortgage and a purchase money mortgage of $1,970,000.

As of January 2, 1955 certain mills had either ceased operating or were in the process of being closed. Management has provided a reserve of $7,000,000 as an estimate of the loss which may be sustained upon the sale of these properties. The reserve does not include provision for carrying charges of these properties which approximates $200,000 per month.

As of February 24, 1955 as a result of the merger with Textron Incorporated and Robbins Mills, Inc. it was determined that additional mills would be closed and offered for sale. The reserves related to these properties are described in the Notes to the Financial Statements of Textron American, Inc. dated February 24, 1955.

### NOTE D Contingencies

The Federal income tax liability of the Company and subsidiaries is subject to final determination by the United States Treasury Department for the years since 1952. Management is of the opinion that additional assessments, if any, would not be material.

No provision has been made in the accounts for various claims or suits in the usual course of business nor for expense or other costs which may be incurred in legal proceedings instituted by stockholders. Also an action has been commenced against the Company for the recovery of $105,000 based on alleged price discrimination, which action the Company is contesting, and presently no provision is deemed necessary or has been made.

### NOTE E Retirement Plan

The Company is a party to a non-contributory retirement income plan for its salaried employees. No contribution was required for the year 1954.

STEWART, WATTS & BOLLONG
ACCOUNTANTS & AUDITORS
50 STATE STREET
BOSTON 9

NEW YORK
ATLANTA

To the Stockholders of AMERICAN WOOLEN COMPANY:

We have examined the consolidated balance sheet of American Woolen Company and its subsidiaries as at January 2, 1955, and the related consolidated statement of profit and loss and earned surplus and the consolidated statement of paid-in surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were present at the several plants of the company when the inventories were being checked physically and observed the work of the company's employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the inventories and satisfied ourselves as to the substantial accuracy thereof.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of profit and loss and earned surplus and the consolidated statement of paid-in surplus together with the notes to the financial statements, present fairly the consolidated financial position of American Woolen Company and its subsidiaries at January 2, 1955, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STEWART, WATTS & BOLLONG

Boston, Massachusetts, February 21, 1955

# MANUFACTURING PLANTS AND OFFICES

## TEXTRON AMERICAN, INC.

EXECUTIVE OFFICES:
50 South Main Street, Providence 1, Rhode Island
225 Fourth Avenue, New York 3, N. Y.

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## AMEROTRON CORPORATION

EXECUTIVE AND SALES OFFICES: 1407 Broadway, New York 17, N. Y.

(Manufacturers of cotton lawns and cotton print cloths, man-made filament fabrics, spun and blended fabrics, tricot and raschel knit fabrics, woolen, worsted, woolen-synthetic blended and worsted-synthetic blended fabrics; dyeing and finishing services)

MANUFACTURING PLANTS

| | | | |
|---|---|---|---|
| Aberdeen | *Aberdeen, N. C.* | Pioneer* | *Newmarket, N. H.* |
| Anderson | *Skowhegan, Me.* | Ponce* (Textron Puerto Rico) | *Ponce, Puerto Rico* |
| Baltic | *Enfield, N. H.* | Puritan | *Plymouth, Mass.* |
| Beaver Brook | *Lowell, Mass.* | Raeford | *Raeford, N. C.* |
| Clarksville Finishing | *Clarksville, Va.* | Raleigh | *Raleigh, N. C.* |
| Gossett Finishing | *Anderson, S. C.* | Red Springs | *Red Springs, N. C.* |
| Kennebec | *Fairfield, Me.* | Riverside | *Anderson, S. C.* |
| Hartwell* | *Hartwell, Ga.* | Robbins | *Robbins, N. C.* |
| Honea Path | *Honea Path, S. C.* | Southside | *Anderson, S. C.* |
| Ladlassie | *Anderson, S. C.* | Tifton | *Tifton, Ga.* |
| Louise* | *Charlotte, N. C.* | Toxaway | *Anderson, S. C.* |
| Machias | *Machias, Me.* | Vassalboro | *No. Vassalboro, Me.* |
| Ounegan | *Old Town, Me.* | Williamston Rayon | *Williamston, S. C.* |
| Peerless | *Belton, S. C.* | Williamston Throwing | *Williamston, S. C.* |

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## AMWOOL FINANCIAL CORPORATION

(Factors)

EXECUTIVE OFFICE: 225 Fourth Avenue, New York 3, N. Y.

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## F. BURKART MANUFACTURING COMPANY

(Manufacturers of cotton and sisal batts and pads)

EXECUTIVE AND SALES OFFICES: 4900 North Second Street, St. Louis 7, Mo.

MANUFACTURING PLANTS

| | |
|---|---|
| Cairo, Ill.* | New Orleans, La. |
| Carlisle, Ark.* | Philadelphia, Pa.* |
| Detroit, Mich.* | St. Louis, Mo.* |

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## DALMO VICTOR COMPANY

(Manufacturers of airborne radar antennae)

EXECUTIVE AND SALES OFFICES: 1414 El Camino Real, San Carlos, Calif.

MANUFACTURING PLANTS
San Carlos, California Area — 6 Plants**

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## THE M B MANUFACTURING COMPANY, INCORPORATED

(Manufacturers of aircraft engine mounts and vibration eliminating and testing equipment)

EXECUTIVE AND SALES OFFICES: 1060 State Street, New Haven, Conn.

MANUFACTURING PLANTS
New Haven, Connecticut Area — 3 Plants***

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## RYAN INDUSTRIES, INC.

(Manufacturers of electro-mechanical and electronic devices)

EXECUTIVE AND SALES OFFICES: 19159 John R Street, Detroit 3, Michigan

MANUFACTURING PLANTS
Detroit, Michigan Area — 2 Plants****

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*Leased Property
**Leased Property 5 Plants
***Leased Property 2 Plants
****Leased Property 1 Plant

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