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# **TEXTRON AMERICAN, Inc.**

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**ANNUAL REPORT TO STOCKHOLDERS**

**1955**

### *Board of Directors*

ROYAL LITTLE, *Chairman*  
JOHN E. BIERWIRTH  
ALFRED BUCKLEY  
ERWIN N. DARRIN  
JOSEPH B. ELY  
JEWETT T. FLAGG  
NORMAN B. FROST  
HERMAN E. GOODMAN  
ROBERT P. HOLDING  
ROBERT L. HUFFINES, JR.  
FREDERICK T. MOSES  
ARTHUR T. ROTH  
GORDON SCHERCK  
JAMES J. SULLIVAN  
RUPERT C. THOMPSON, JR.  
MELVILLE WESTON

### *Executive Committee*

JOSEPH B. ELY, *Chairman*  
RUPERT C. THOMPSON, JR., *Vice-Chairman*  
ROBERT L. HUFFINES, JR.  
ROYAL LITTLE  
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  
JOSEPH B. ELY  
RUPERT C. THOMPSON, JR.  
ROBERT L. HUFFINES, JR.  
LESTER A. CASLER  
WILLIAM D. MEWHORT  
LAURENCE C. PLOWMAN  
ROBERT R. THURBER  
CECIL E. WHITNEY  
DOUGLAS L. GROTE  
ROBERT R. HERTZLER  
THEODORE F. McDONALD  
DELBERT J. HAYDEN  
FREDERICK LIPPITT  
GEO. WM. MILLER  
MARY T. YOUNG  
ROBERT C. WERNER

*Chairman of the Board*  
*Chairman, Executive Committee*  
*Vice-Chairman, Executive Committee*  
*President*  
*Vice President*  
*Vice President and Treasurer*  
*Vice President*  
*Vice President and Assistant Secretary*  
*Secretary*  
*Controller, Asst. Treasurer and Asst. Secretary*  
*Assistant Treasurer*  
*Assistant Treasurer*  
*Assistant Secretary*  
*Assistant Secretary*  
*Assistant Secretary*  
*Assistant Secretary*  
*Assistant Secretary*  
*Assistant Controller*

*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.

*Trustee:* 5% CONVERTIBLE SUBORDINATED DEBENTURES  
Due January 1, 1971

THE HANOVER BANK  
New York, N. Y.

*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

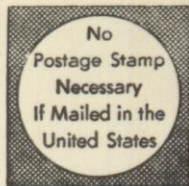
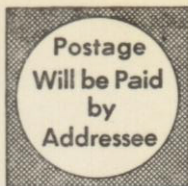
THE HANOVER BANK  
New York, N. Y.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES  
Los Angeles, Cal.

Regional meetings of stockholders will be held in seven different cities after the Annual Meeting to be held in Providence, R. I. at 10:00 A.M., May 16, 1956. We hope that this plan will make it possible for more of those interested in the Company's affairs to keep in personal touch with its progress.

All meetings will start promptly at 4:00 P.M., except that the Chicago meeting will start at 12 noon, and after a half-hour presentation, there will be a question-and-answer period. We plan to have a twenty-minute sound film in color showing many interesting phases of the company's business. No formal action will be taken at these meetings.

A buffet luncheon will be served in Chicago and refreshments will be served at the conclusion of the other meetings.



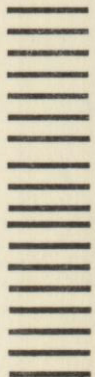
**BUSINESS REPLY CARD**  
First Class Permit No. 3180, Providence 1, Rhode Island

*Chairman of the Board*

TEXTRON AMERICAN INC.

P. O. Box #1777

PROVIDENCE 1, RHODE ISLAND



(PLEASE KEEP THIS FOR YOUR CONVENIENCE)

I PLAN TO ATTEND THE MEETING CHECKED BELOW:

- Wed. May 16  NEW YORK CITY—The Waldorf-Astoria, Grand Ballroom, 4:00 P.M.
- Thurs. May 17  PHILADELPHIA—Bellevue-Stratford Hotel, Rose Garden, 4:00 P.M.
- Mon. May 21  ST. LOUIS—Jefferson Hotel, The Crystal Room, 4:00 P.M.
- Tues. May 22  CHICAGO—La Salle Hotel, Century Room, 12 Noon
- Wed. May 23  SAN FRANCISCO—St. Francis Hotel, Italian Room, 4:00 P.M.
- Thurs. May 24  LOS ANGELES—Hotel Statler, Sierra Room, 4:00 P.M.
- Mon. May 28  BOSTON—Parker House, Rose Garden, 4:00 P.M.

I plan to bring.....guests.

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- Mon. May 28  BOSTON—Parker House, Rose Garden, 4:00 P.M.

I plan to bring.....guests.

Please print name: .....

Address: .....

.....

.....

## *To the Securityholders:*

On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged into Textron Incorporated, which as the surviving company took the name Textron American, Inc. As a result the sales and earnings figures given in this report are for Textron Incorporated for the period January 2, 1955 through February 24, 1955 and for Textron American, Inc. for the balance of the year.

Consolidated net earnings from January 2, 1955 through December 31, 1955 were \$9,497,000 on sales of \$189,214,000 before a special item covering provision for loss on the disposal of certain textile plants aggregating \$4,000,000. While the 1954 results are not strictly comparable because of the merger, earnings of Textron Incorporated for the period January 3, 1954 through January 1, 1955 were \$1,262,000 on sales of \$99,717,000. The 1955 earnings of \$9,497,000 should be viewed in the light of the \$18,996,000 aggregate losses in 1954 by American Woolen Company and Robbins Mills, Inc. before a \$7,000,000 provision for loss on disposal of certain mill properties.

### **Acquisitions Subsequent to Merger**

In accordance with the announced program of expansion and diversification through acquisitions, the following companies have been purchased since merger:

On April 5, 1955 100% of the stock of Ryan Industries, Inc. of Detroit, Michigan was acquired on a part cash and part contingent installment purchase plan. Ryan's activities are confined primarily to high-priority, classified defense work.

On July 9, 1955 all the outstanding shares of The Homelite Corporation of East Port Chester, Connecticut were acquired on a part cash and part contingent installment purchase plan. Homelite is one of the country's leading producers of gasoline engine-driven chain saws, generators and pumps.

On September 30, 1955 we purchased for cash and a 10-year purchase money mortgage all of the assets, subject to liabilities, of Coquille Plywood, Inc., located in Coquille, Oregon. This company is a low-cost producer of quality Douglas fir plywood.

On September 30, 1955 we also purchased all the stock of Camcar Screw & Mfg. Corporation of Rockford, Illinois and certain affiliated companies on a part cash and part contingent installment purchase plan. The Camcar companies are efficient producers of small metal fasteners made primarily by the cold flow process.

On October 13, 1955 we purchased 100% of the outstanding stock of Kordite Corporation of Macedon, New York on a part fixed price and part contingent installment purchase plan. Kordite is one of the leading producers of plastic clothesline and polyethylene bags and freezer supplies, and plastic garment bags.

On April 2, 1956 we purchased all the stock of General Cement Mfg. Co. of Rockford, Illinois, and also the assets of a partnership engaged in a similar business owned by the principal stockholders of General Cement Mfg. Co., on a part fixed price and part contingent installment purchase plan. This company manufactures and distributes radio, television and electronic parts and tools, liquid cements and certain chemicals.

On April 2, 1956 we also acquired all the stock of Benada Aluminum Products Company, which operates plants in Girard, Ohio; Chicago; Minneapolis; Nesquehoning, Pa.; Baltimore; Buffalo and New York City. This company is a leading producer of extruded aluminum products, consisting principally of doors, windows, awnings and sidings.

### **Proposed Acquisition**

On March 16, 1956 an offer was made by us to purchase for \$15,500,000 cash all of the assets, subject to liabilities, of Campbell, Wyant and Cannon Foundry Company, of Muskegon, Michigan. Its directors have approved this offer and will recommend acceptance by its stockholders at their annual meeting on April 19. Because Campbell, Wyant has about \$6,150,000 in surplus cash and government bonds not needed in its operation, our initial cash investment will actually be only \$9,350,000. Last year Campbell, Wyant had earnings before taxes of approximately \$3,640,000. It is a leading producer of alloy iron and steel castings, supplying a wide variety of grey iron castings to the automotive, railroad, agricultural implement, refrigeration, marine and other industries.

### **Report on Subsidiary and Divisional Operations**

As a result of these acquisitions we now have ten non-textile businesses, all of which are operated as divisions of the Company. The only operations now carried on in subsidiaries are textiles (Amerotron Corporation and Textron Puerto Rico) and factoring (Amwool Financial Corporation). Our Directors have approved expenditures of over \$15,000,000 for expansion and modernization of plants and facilities. A brochure describing activities of the Company has recently been mailed to securityholders.

### **Regional Meetings and Post Meeting Report**

Last year for the first time the Company held regional meetings of stockholders following the Annual Meeting in Providence on May 18. The aggregate attendance at the five meetings held in Boston, New York, Philadelphia, Chicago and Los Angeles was in excess of 2,000 persons. A complete post meeting report of the Annual Meeting and all regional meetings was mailed to shareholders in August. Over 3,600 shareholders have requested similar reports in the future.

The Annual Meeting this year will be held in Providence at the Company's office, 50 South Main Street, on Wednesday, May 16, at 10:00 A.M. A return postal is enclosed giving the time and location of the seven proposed regional meetings. We will have a twenty-minute sound film in color showing many interesting phases of the Company's business. Question and answer periods will follow to give securityholders an opportunity to discuss any subject of interest. I plan to conduct these meetings personally and will try to answer all written and oral inquiries. At the New York meeting on May 16 at 4:00 P.M. in the Grand Ballroom of the Waldorf Astoria Hotel, we hope that the entire Board of Directors and all the principal officers of the Company will be present.

You are urged to attend the regional meeting nearest your home. Please return the postal promptly so that we may plan for adequate space and refreshments.

### **Employee Benefits**

The competition for management talent in industry is extremely keen today. One of the surest ways to attract and retain capable executives is through pension, profitsharing and stock option plans. In our case, with completely unrelated diversified operations throughout the United States, it is particularly important to maintain both loyalty and enthusiasm. While we now have over 16,000 employees, only 68 persons including officers are home office workers. In order to create the maximum incentive for key personnel in the Company, salaried employees exempt from overtime under the Fair Labor Standards Act are included in a generous Pension Plan which, presently overfunded, requires no contributions from the Company. At the year end, the net worth of The Sixty Trust, which administers the funds from which are paid pensions and death benefits, is estimated to exceed \$25,000,000.

In addition, the Company maintains a Profit Sharing Plan (known as The Market Square Trust) for the benefit of salaried employees who are not entitled to overtime, under which certain employees of participating divisions share in the profits of their particular division and the home office employees share in the over-all profits. There are also two separate divisional profit sharing plans. The Company has in effect an Employees Stock Option Plan under which some 253 key employees have already been granted options in an aggregate of 174,780 shares of common stock, or an average of about 690 shares each.

We are pleased to report that Textron is a preferred place to work and that the turnover among our management group is relatively low. The welfare of the securityholders is closely tied to the enthusiasm of our organization.

### General

On February 1, 1956 the Company sold, through a large group of underwriters headed by Blair & Co. Incorporated and Scherck, Richter Company \$20,000,000 of 5% Convertible Subordinated Debentures due January 1, 1971. This was an unusually successful offering which was immediately oversubscribed. These Debentures are currently selling at a premium. The funds obtained have been or will be used in the future to purchase several more businesses to continue our long-range program of expansion and diversification through acquisitions.

Since our quarterly dividend rate on the Common Stock was increased to \$.40 over 141,000 shares of the \$1.25 Convertible Preferred Stock have been converted into Common Stock on a share for share basis.

In spite of the fact that upon the merger there were nine separate classes of stock entitled to statutory appraisal rights, there are now no appraisal proceedings outstanding and there have been no payments made by the Company by reason of appraisal awards.

As at December 31, 1955 the Company had unused Federal tax loss carry-overs of at least \$42,000,000. Under present tax laws these loss carry-overs may be applied, subject to the applicable provisions of the Internal Revenue Code, as an offset against future earnings for Federal income tax purposes.

### Dividend Policy

In 1954 stockholders received common dividends of \$.10 per share; in 1955, \$.60; and in 1956 to date \$.80. Our plan is to further increase the dividend rate as soon as the Directors are satisfied that it can be maintained.

### Future Prospects

At last year's regional meetings we stated that our goals, *not predictions*, were 1955 sales of \$200,000,000 and net operating profits of \$10,000,000, with monthly earnings of \$1,000,000 by September. Our actual sales were \$190,000,000 and net operating profits (before provision for losses on disposal of textile plants) were \$9,500,000, with average earnings of over \$1,000,000 a month since September.

We also set as goals for 1956 sales of \$300,000,000 and net operating profits of \$22,500,000 (\$7,500,000 from textiles and \$15,000,000 from non-textiles). Since we currently anticipate that textile operations will do no better than break even in 1956, the non-textile divisions will have to earn \$22,500,000 if we are to achieve this profits goal.

We are particularly optimistic about the long range future of the Company for these reasons:

(1) 28% of our present capital, including the \$20,000,000 5% Convertible Subordinated Debentures sold in 1956, is now producing 100% of our earnings. As the remaining 72% of capital is more effectively employed, common stock earnings will materially increase.

(2) Our program of expansion through acquisition of established businesses is basically sound and our growth possibilities are unlimited.

Our objective is a 20% return after taxes on our common stock equity and the payment of 50% of such earnings in dividends. We will not expand our business merely for the sake of increasing sales volume.

Again we wish to thank our 16,000 employees and 26,500 securityholders and many thousands of customers for their continued loyalty and support. Textron is on the move!

By Order of the Board of Directors

ROYAL LITTLE

Chairman

April 2, 1956

# TEXTRON AMERICAN, INC.

*Consolidated*

DECEMBER

## ASSETS

**Current assets:**

Cash . . . . .		\$ 14,014,467
Accounts receivable — net of reserves and advances against pledged receivables (Note B) . . . . .		21,816,161
Notes receivable . . . . .		2,025,239
Inventories, at lower of cost or market . . . . .		41,425,591
Prepaid and deferred expenses . . . . .		754,095
Other current assets . . . . .		1,613,547
		81,649,100
<b>Total current assets</b> . . . . .		81,649,100

Notes receivable, due after one year . . . . . 2,494,966

Property, plant and equipment (Note C) . . . . .		\$109,232,919
Less — Reserves for depreciation and amortization . . . . .	31,513,160	
Provision for loss on disposal of properties . . . . .	8,682,044	
Provision for contingent payments for companies acquired . . . . .	5,145,185	
		45,340,389
<b>Total</b> . . . . .		45,340,389

Property, plant and equipment, net . . . . . 63,892,530

**Other assets:**

Long-term rental deposit . . . . .		600,000
Excess cost of companies acquired, less amortization . . . . .	653,877	
Cash surrender value of life insurance . . . . .	376,431	
Deposits with mutual insurance companies . . . . .	262,029	
Sundry other assets . . . . .	947,558	2,839,895

<b>Total assets</b> . . . . .		\$150,876,491
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AND SUBSIDIARY COMPANIES

*Balance Sheet*

31, 1955

LIABILITIES AND CAPITAL

**Current liabilities:**

Notes payable . . . . .		\$ 7,625,264
Current maturities of mortgage bonds and debentures		3,236,622
Accounts payable . . . . .		9,952,561
Accrued expenses and other current liabilities . . . . .		8,109,587
Amounts payable for companies acquired . . . . .		5,954,394
Liability for Federal income taxes of companies acquired . . . . .		1,642,020
Dividends payable . . . . .		1,477,644
<b>Total current liabilities . . . . .</b>		<u>37,998,092</u>

**Long-term debt (Note D):**

Notes payable . . . . .	\$ 5,027,069	
First mortgage 4% sinking fund bonds, due October 1, 1970, less current maturities . . . . .	8,348,000	
Fifteen-year 5% subordinated sinking fund debentures, due February 1, 1970, less current maturities . . . . .	18,111,717	31,486,786
Amounts payable for companies acquired, due after one year . . . . .		1,050,000
Other liabilities and deferred income . . . . .		525,252
<b>Total . . . . .</b>		<u>71,060,130</u>

**Capital stock and surplus:**

**Capital stock (Note E):**

\$1.25 convertible preferred (cumulative) no par value, authorized 625,219 shares, issued and outstanding 623,719 shares . . . . .	15,592,975	
4% preferred (cumulative) par value \$100:		
Series A — authorized 31,159 shares, issued 31,158 <sup>26</sup> / <sub>30</sub> shares, retired by sinking fund 5,341 shares, outstanding 25,817 <sup>26</sup> / <sub>30</sub> shares . . . . .	2,581,787	
Series B — authorized 91,002 shares, issued 91,001 <sup>2</sup> / <sub>5</sub> shares, retired by sinking fund 12,812 shares, outstanding 78,189 <sup>2</sup> / <sub>5</sub> shares . . . . .	7,818,940	
\$4 preferred (cumulative) no par value, authorized 108,453 shares, issued and outstanding — none . . . . .	—	
Common, \$.50 par value, authorized 5,000,000 shares, issued and outstanding 2,900,514 <sup>1</sup> / <sub>2</sub> shares . . . . .	1,450,257	
<b>Total capital stock . . . . .</b>	<u>27,443,959</u>	

**Surplus:**

Paid-in surplus . . . . .	36,858,963	
Capital surplus . . . . .	4,323,353	
Earned surplus . . . . .	12,029,788	
<b>Total . . . . .</b>	<u>80,656,063</u>	

Less — Treasury stock at cost — 4,523 <sup>26</sup>/<sub>30</sub> shares Series A and 6,423 shares Series B 4% preferred stock and 4,335 shares common stock . . . . .

839,702

<b>Total capital stock and surplus . . . . .</b>		<u>79,816,361</u>
<b>Total liabilities and capital . . . . .</b>		<u>\$150,876,491</u>

# TEXTRON AMERICAN, INC. AND SUBSIDIARY COMPANIES

## *Consolidated Statement of Income*

YEAR ENDING DECEMBER 31, 1955

Net sales . . . . .		\$189,213,990
Cost of sales (including gains incident to liquidation of LIFO inventory base — \$1,047,705) . . . . .		164,906,960
		24,307,030
<i>Gross profit on sales</i> . . . . .		24,307,030
Selling, advertising and administrative expenses . . . . .		12,533,399
		11,773,631
<i>Profit from operations</i> . . . . .		11,773,631
Other income:		
Interest income . . . . .	\$ 307,930	
Sundry other income . . . . .	1,681,892	
		1,989,822
<i>Total other income</i> . . . . .		1,989,822
		13,763,453
Other charges:		
Interest expense, including customers' anticipation . . . . .	2,841,840	
Contributions to profit sharing plans . . . . .	729,890	
Provision for state income taxes . . . . .	124,287	
Sundry other charges . . . . .	869,690	
		4,565,707
<i>Total other charges</i> . . . . .		4,565,707
		9,197,746
<i>Profit before Federal income tax adjustment and special item (Note F)</i> . . . . .		9,197,746
Adjustment of excess provision for Federal income tax in prior years . . . . .		300,000
		9,497,746
<i>Net profit before special item</i> . . . . .		9,497,746
Special item:		
Provision for loss on disposal of textile mill properties . . . . .		4,000,335
		5,497,411
<i>Net profit after special item</i> . . . . .		\$ 5,497,411

Depreciation and amortization charged to costs and expenses for the year ending December 31, 1955, amounted to \$4,454,117

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

*Consolidated Statements of Surplus*

YEAR ENDING DECEMBER 31, 1955

PAID-IN SURPLUS

<i>Balance, January 1, 1955</i> . . . . .	\$ 10,635,968
<i>Additions:</i>	
Amount resulting from merger with American Woolen Company and Robbins Mills, Inc. . . . .	25,922,608
Discount on 4% preferred stock retired . . . . .	263,637
Amount resulting from conversion of \$1.25 convertible preferred stock . . . . .	36,750
	<hr/>
<i>Balance, December 31, 1955</i> . . . . .	<u><u>\$36,858,963</u></u>

CAPITAL SURPLUS

<i>Balance at beginning and at end of year</i> <i>(no changes during the year)</i> . . . . .	<u><u>\$ 4,323,353</u></u>
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EARNED SURPLUS

<i>Balance, January 1, 1955</i> . . . . .	\$ 9,702,757
Adjustment of surplus representing the excess cost of investment in certain subsidiaries over equity therein, charged to earned surplus in prior years . . . . .	892,000
	<hr/>
Adjusted balance as at January 1, 1955 . . . . .	10,594,757
Net profit after special item, per Statement of Income . . . . .	5,497,411
	<hr/>
	16,092,168
<i>Deduction — Dividends declared:</i>	
\$1.25 convertible preferred stock — \$1.25 per share . . . . .	\$ 781,195
4% preferred stock:	
Series A — \$4.00 per share . . . . .	93,109
Series B — \$4.00 per share . . . . .	317,354
Common stock — \$1.00 per share . . . . .	2,870,722
	<hr/>
<i>Total dividends</i> . . . . .	4,062,380
	<hr/>
<i>Balance, December 31, 1955</i> . . . . .	<u><u>\$ 12,029,788</u></u>

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

# TEXTRON AMERICAN, INC.

## Notes to Financial Statements . . .

### NOTE A General

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries except Textron Puerto Rico. The Company's equity in this subsidiary has been eliminated through losses and the book value of its investment therein has been written down to a nominal amount through a charge of \$107,282 to 1955 operations.

On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged with and into Textron Incorporated and the name of the surviving corporation became Textron American, Inc. Under the terms of the merger agreement the Company issued \$21,392,595 principal amount of 5% subordinated sinking fund debentures, 333,728 shares of \$1.25 convertible preferred stock and 1,562,736 shares of common stock in exchange for the capital stock of American Woolen Company and Robbins Mills, Inc. (except shares held by the Company). After allowing for expenses in connection with the merger and the cost of the investment of Textron Incorporated in these companies, the net assets of American Woolen Company and Robbins Mills, Inc. were \$25,922,608 in excess of the par or stated value of the securities issued to their stockholders, which amount was credited to paid-in surplus.

On September 30, 1955 the Company acquired the net assets of Coquille Plywood, Inc. at a cost of \$4,000,000.

During the year the Company acquired all the outstanding capital stock of Ryan Industries, Inc., The Homelite Corporation, Kordite Corporation and Camcar Screw & Mfg. Corporation and associated companies. The aggregate purchase price of the foregoing was \$12,680,746 plus 25% of the pre-tax earnings (as defined in the purchase agreements) for the succeeding ten years.

During the year, the non-textile subsidiary companies were liquidated into the parent Company and are being operated as divisions.

### NOTE B Accounts Receivable

Accounts receivable are stated after deducting related reserves for doubtful accounts, discounts and allowances and do not include \$18,000,000 collected from banks to whom accounts receivable of a subsidiary company aggregating \$24,608,605 have been pledged. Of the accounts pledged, the banks have assumed the credit risk to the extent of approximately \$21,200,000. Accounts receivable in the amount of \$15,718,435 were not pledged.

### NOTE C Property, Plant and Equipment

The gross property, plant and equipment is stated at cost, except that the fixed assets of certain non-textile divisions are stated at appraised values which

are \$5,145,185 in excess of costs incurred to date. This amount has been credited to "Provision for contingent payments for companies acquired". Future contingent payments which are based upon earnings, if any, of the acquired business will be charged to this provision.

During the year provisions amounting to \$4,000,335 were made to cover losses to be sustained on disposal of certain textile mill properties. Prior to their merger into the Company, American Woolen Company and Robbins Mills, Inc. had made similar provisions aggregating \$15,911,490, which provisions were transferred to the Company, upon the merger, on February 24, 1955. A substantial amount of surplus properties have been sold and losses, idle plant expenses and other carrying charges aggregating \$11,290,782 were charged against the provisions in 1955.

The \$4,000,335 special charge for losses on disposal of textile mill properties shown in the consolidated income statement, includes \$3,387,000 for losses on the sale of six textile plants in January, 1956.

Mortgage notes payable and amounts payable under conditional sales contracts, aggregating \$15,055,907 are secured by fixed assets having a gross cost of \$51,184,591.

### NOTE D Long-term Debt

Long-term debt at December 31, 1955 consisted of obligations for machinery acquired under conditional sales contracts \$937,459; mortgages on real estate and machinery \$2,964,610; subordinated debentures \$18,111,717; first mortgage bonds \$8,348,000; and unsecured loans \$1,125,000.

The fixed payment requirements of the indebtedness due after one year are:

1957 .....	\$ 3,435,024
1958 .....	3,227,051
1959 .....	3,069,378
1960 .....	2,919,221
1961 .....	2,672,816
1962 and later .....	16,163,296

The mortgage obligations outstanding include \$9,973,000 aggregate principal amount of 4% sinking fund bonds due October 1, 1970 which are secured by a first mortgage on the plants of the former Robbins Mills, Inc. and the related machinery and equipment. These bonds 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. By supplemental indenture dated December 30, 1955, the Company agreed (a) to make a sinking fund payment of \$625,000 on January 3, 1956 in anticipation and satisfaction of the sinking fund payments otherwise payable in 1956 and (b) to prepay, during the year 1956, \$1,000,000 aggregate principal amount of the said

# AND SUBSIDIARY COMPANIES

December 31, 1955

bonds, in quarterly installments of \$250,000 each. Under the terms of the first mortgage, 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 subordinated debentures) of the Company and certain subsidiaries shall be less than the greater of (a) consolidated funded debt, as defined (excluding subordinated debt), of the Company and certain subsidiaries, or (b) \$25,000,000. In addition, under the first mortgage as amended, the Company covenants that commencing January 1, 1957 it will not permit the sum of (a) consolidated indebtedness, as defined (excluding subordinated debt and indebtedness up to \$35,000,000 under a factoring arrangement), plus (b) consolidated rental obligations accruing within 36 months of the Company and certain subsidiaries to exceed \$50,000,000.

The outstanding subordinated sinking fund debentures of \$19,723,340 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. These debentures are subordinated to all other presently outstanding debt of the Company. Under the debenture indenture, 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 current assets (as defined) of the Company and its subsidiaries shall be less than 150% of the aggregate principal amount of the outstanding debentures.

## NOTE E Capital Stock

The \$1.25 convertible preferred stock is entitled in the event of voluntary liquidation or redemption to \$26 per share and accrued dividends, and in the case of involuntary liquidation to \$25 per share and accrued dividends. It is convertible into common stock on a share for share basis.

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 preferred stock was authorized, none of which is outstanding. This stock is entitled to the same preferential dividends and liquidation provisions and is subject to the same redemption provisions

as the 4% preferred stock. The \$4 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.

## NOTE F Contingencies

### Leases:

The Company and its subsidiaries have entered into lease agreements covering mill properties and office space under long-term leases which provide for the payment of approximately \$1,042,000 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 at an annual rental of 20% of the first \$1,000,000 of the net income (before income taxes) of that Division plus 10% of any such net income in excess of \$1,000,000.

### 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 there is no material liability with respect to the open tax years. No provision for Federal income taxes was required on 1955 income due to operating loss carry-overs and tax losses during the year on the disposal of plant properties and equipment. The major portion of these property losses were charged to reserves previously provided.

### 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.

### Litigation:

Certain lawsuits are pending but counsel is of the opinion that none of them is likely to result in a material liability.

### Commitments:

At December 31, 1955 the Company and its subsidiaries were committed for the purchase of materials to cost approximately \$21,500,000. There were no apparent losses involved in these commitments.

As at December 31, 1955, the Directors had authorized plant additions and improvements still to be completed aggregating approximately \$15,600,000. In this connection, financing in the amount of \$8,112,000 has been arranged under conditional sales contracts and mortgage agreements.

**NOTE G Stock Options**

**Stock Option Plan:** The Company has in effect an employee stock option plan, approved by stockholders authorizing it to grant options to purchase not more than 200,000 shares of common stock. Regular salaried employees are eligible to receive options. The plan provides for options for up to 200 employees at any one time.

Under the plan, the purchase price for one-half of the optioned shares must be not less than the fair market value of the common stock at the time the option is granted, and the purchase price for the other one-half must be not less than the greater of (a) \$25 or (b) the fair market value at the time the option is granted. Each option is for a term of not more than five years, may not be exercised until after two years from the date of granting, and terminates upon the termination of employment (except by death).

As at December 31, 1955, 157 officers and employees held options (expiring from June 2 to June 30, 1960) to purchase 130,800 shares of common stock of which one-half were purchasable at \$25 per share and the other half were purchasable at various prices averaging \$19.29 per share. In addition, 96 employees held options (expiring from July 28 to December 8, 1960) to purchase 41,690 shares of common stock of which one-half were purchasable at \$25 per share and the other half were purchasable at various prices averaging \$21.83 per share, such additional options being subject to stockholders approval of an increase in the number of employees who may hold options at any given time.

**Other Stock Options:** 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.

On March 16, 1956 the Board of Directors approved, subject to the approval of the stockholders, the grant of an option to an officer to purchase 50,000 shares of common stock at \$25 per share. The option may not be exercised until March 16, 1958 and will terminate on March 16, 1966 or earlier on certain conditions.

**Exercise of Stock Option:** In December 1955 Mr. Robert L. Huffines, Jr. exercised an option granted to him on March 4, 1953 and purchased 40,565

shares of common stock from the Company at its cost of \$449,989. The total market value of this stock on March 4, 1953 was \$451,286. The total market value on the dates the option was exercised was \$956,042.

**NOTE H Pension and Profit Sharing Plans**

The Company and its consolidated subsidiaries 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, if any, being borne by the companies. At December 31, 1955 the pension plan was overfunded and no payments are required for 1955.

The Company has a profit sharing plan which was established in 1951. Eligible employees of divisions and subsidiaries which are included in the plan by action of the Board of Directors are entitled to participate.

One of the Camcar Divisions, the Dalmo Victor Division and the M B Division (none of which is included under the Company's profit sharing plan) each have separate profit sharing plans for the benefit of their divisional employees.

Consolidated earnings for 1955 have been charged with the following contributions to profit sharing plans:

Company profit sharing plan	\$542,336
Separate divisional plans	187,554
Total	<u>\$729,890</u>

**NOTE I New Financing**

In February 1956 the Company sold \$20,000,000 5% convertible subordinated debentures due January 1, 1971, and received therefore proceeds of \$19,000,000 plus interest from January 1, 1956 amounting to \$83,333. Expenses payable by the Company in connection with the sale of the debentures are estimated at \$100,000.

The debenture indenture restricts the payment of dividends or other distributions on capital stock subsequent to December 31, 1955 (excluding dividends payable January 1, 1956) to a total of (a) the consolidated net earnings of the Company and its subsidiaries for periods subsequent to December 31, 1955 computed without giving effect to profits or losses or sales of capital assets plus (b) \$5,000,000.

**NOTE J New Acquisitions**

On March 6, 1956 the Company entered into an agreement to purchase on April 2, 1956 all the stock of General Cement Mfg. Co. and the assets of a partnership owned by the principal stockholders of General Cement Mfg. Co.

On March 16, 1956 the Company made an offer to purchase for \$15,500,000 cash all the assets, subject to liabilities, of Campbell, Wyant and Cannon Foundry Company.

**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 December 31, 1955, and the related consolidated statements of income and surplus for the fiscal 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 companies when the inventories were being checked physically 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 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 statements of income and surplus, together with notes to the financial statements present fairly the consolidated financial position of Textron American, Inc. and subsidiary companies at December 31, 1955, and the consolidated results of operations for the fiscal 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, March 28, 1956





## 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 18, N. Y.  
(Manufacturers of cotton lawns, man-made filament fabrics, spun and blended fabrics, tricot knit fabrics, woolen, worsted, woolen-synthetic blended and worsted-synthetic blended fabrics; dyeing and finishing services)

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### AMWOOL FINANCIAL CORPORATION

(Factors)

#### EXECUTIVE OFFICES:

225 Fourth Avenue, New York 3, N. Y.

### TEXTRON PUERTO RICO

(Manufacturers of cotton print cloths)

#### EXECUTIVE OFFICES AND MANUFACTURING PLANT:

Ponce, Puerto Rico

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### TEXTRON AMERICAN, INC. OPERATING DIVISIONS:

#### BENADA ALUMINUM PRODUCTS DIVISION

(Manufacturers of aluminum home building specialty products)

#### EXECUTIVE AND SALES OFFICES:

Girard, Ohio

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#### F. BURKART MANUFACTURING COMPANY DIVISION

(Manufacturers of cotton and sisal batts and pads)

#### EXECUTIVE AND SALES OFFICES:

4900 North Second Street, St. Louis 7, Mo.

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#### CAMCAR SCREW & MFG. CO. DIVISION

(Manufacturers of bolts, fasteners, rivets and screws)

#### EXECUTIVE AND SALES OFFICES:

Rockford, Ill.

Affiliated Camcar Divisions:

#### CADILLAC SCREW CO. DIVISION

Belvidere, Ill.

#### INDIANA METAL PRODUCTS CO. DIVISION

Rochester, Ind.

#### MANIKIN CO. DIVISION

Belvidere, Ill.

#### SEMS DIVISION

Rockford, Ill.

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#### COQUILLE PLYWOOD DIVISION

(Manufacturers of plywood)

#### EXECUTIVE AND SALES OFFICES:

Coquille, Ore.

Timber Holding Subsidiary:

TEXTRON TIMBER INC.

#### DALMO VICTOR COMPANY DIVISION

(Manufacturers of airborne radar antennas)

#### EXECUTIVE AND SALES OFFICES:

1414 El Camino Real, San Carlos, Calif.

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#### GENERAL CEMENT DIVISION

(Manufacturers of radio and electronic parts and tools, liquid cements and certain chemicals)

#### EXECUTIVE AND SALES OFFICES:

Rockford, Ill.

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#### HOMELITE DIVISION

(Manufacturers of chain saws, generators, blowers and pumps)

#### EXECUTIVE OFFICES:

East Port Chester, Conn.

#### SALES AND SERVICE OFFICES

in key cities throughout the country.

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#### KORDITE DIVISION

(Manufacturers of polyethylene plastic products)

#### EXECUTIVE AND SALES OFFICES:

Macedon, N. Y.

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#### M B MANUFACTURING COMPANY DIVISION

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

#### EXECUTIVE AND SALES OFFICES:

1060 State Street, New Haven, Conn.

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#### RYAN INDUSTRIES DIVISION

(Manufacturers of electro-mechanical devices)

#### EXECUTIVE AND SALES OFFICES:

19159 John R Street, Detroit 3, Mich.

**TEXTRON AMERICAN, Inc.**