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CORPORATION FILE



**GULF & WESTERN
INDUSTRIES, INC.
ANNUAL REPORT
1964**

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On the cover: As the vast automotive parts aftermarket continues to mushroom, Gulf & Western and its American Parts System of marketing automotive parts and services assume an increasingly prominent position in this stable, growing factor of American business. With this illustration appearing in the first of a series of advertisements, Gulf & Western presents its story to the financial and management community of America.



Gulf & Western
highlights its
progress in an
expanding
multi-billion
dollar market ...

	1964	Measure of seven-year growth	1958*
Sales	\$117,246,000	is 14 times greater than	\$8,395,000
Net earnings	\$ 3,458,000	is 128 times greater than	\$ 27,000
Total assets	\$ 68,364,000	is 14½ times greater than	\$4,682,000
Stockholders' equity	\$ 29,615,000	is 13 times greater than	\$2,292,000
Total number of shares outstanding	1,845,055	is 7 times greater than	265,262
Warehouses	28	is 7 times greater than	4
Jobbers (owned and associate)	443	is 74 times greater than	6
Manufacturing plants ...	19	is 19 times greater than	1

*The figures shown in the 1958 column are as reported in the annual report to shareholders at July 31, 1958, and have not been adjusted for companies acquired on a pooling of interests basis subsequent to that date.

...from 1958 to 1964.

Seven years ago, the management of Gulf & Western realized the untapped potential in the automotive parts market. With this realization, the company began a continuing program of expansion and growth, launching Gulf & Western in a multi-billion dollar industry.

At July 31, 1964, the company's sales had reached \$117 million, compared with \$8.4 million originally reported in 1958. This rapid growth is founded upon a sound com-

bination of acquisitions and internal consolidation and development. Today Gulf & Western is one of the country's largest wholesale distributors of automotive parts, with warehouses located in various areas of the country to supply parts on an ever-broadening basis. The company also has substantial interests in specialized manufacturing operations which were selected for their capacity and ability to serve industry's accelerated production demands.

	1964	Increase	1963	
			Adjusted For Pooled Acquisitions	As Previously Reported
Net sales	\$117,246,000	9.3%	\$107,230,000	\$ 92,537,000
Net earnings after taxes...	\$ 3,458,000	18.3%	\$ 2,924,000	\$ 2,633,000
Average shares outstanding (A)	1,824,000	2.1%	1,786,000	1,602,000
Earnings per share (A)....	\$ 1.90	15.9%	\$ 1.64	\$ 1.64
Current assets	\$ 49,732,000	11.3%	\$ 44,687,000	\$ 37,071,000
Current liabilities	\$ 25,039,000	18.6%	\$ 21,106,000	\$ 17,011,000
Working capital	\$ 24,693,000	4.7%	\$ 23,581,000	\$ 20,060,000
Total assets	\$ 68,364,000	14.0%	\$ 59,984,000	\$ 48,112,000
Long-term debt	\$ 11,526,000	16.3%	\$ 9,913,000	\$ 8,520,000
Stockholders' equity	\$ 29,615,000	22.6%	\$ 24,146,000	\$ 20,552,000
Stockholders' equity per share (A)	\$ 16.05	19.8%	\$ 13.40	\$ 12.71

FINANCIAL BRIEFS

Years ended
July 31, 1964, and
July 31, 1963

(A) Prior year average outstanding shares and the shares outstanding at the end of each year have been adjusted for 5% stock dividends paid through July 31, 1964; and the pooled amounts have been adjusted for shares issued in the acquisition of companies accounted for as a pooling of interests.

CHARLES G. BLUHDORN



REPORT TO OUR SHAREOWNERS



JOHN H. DUNCAN

New highs in both sales and earnings, along with important advances in our automotive parts operations, highlighted Gulf & Western's progress during the year.

Record sales, through July 31, 1964, were \$117,246,000. Earnings climbed to \$3,458,000, or \$1.90 per share. The company also had net special income of \$1,427,000, or \$.78 per share. This gain resulted from the sale of Muskegon Piston Ring Company common stock, which Gulf & Western had acquired earlier in the year. Details concerning this transaction and certain special losses are described in the financial review section of this report.

Announcement of a cash dividend policy this year represented a major advance in the company's financial history. On July 7, the board of directors declared a quarterly cash dividend of \$.10 per share and, in addition, a three per cent annual stock dividend. The establishment of the cash dividend and the listing of Gulf & Western common stock on the New York Stock Exchange, February 28, are highly significant in terms of the financial growth and progress of our company.

In the past year, noteworthy progress was achieved in the development and expansion of the American Parts System, Gulf & Western's program of marketing automotive parts to the nation's independent parts jobbers. Continuing to gain public attention and trade acceptance, the American Parts System also made important progress through a significant increase in the number of jobbers joining under the program.

The increased number of associate jobbers, the acquisition of eight automotive parts distribution businesses, and the completion of a new warehouse, expanded our distribution network during the past twelve months to 28 warehouses and 443 owned and associate jobbers.

Further expansion of operations was achieved by the acquisition of Crampton Manufacturing Company in June. This eight-plant facility, with headquarters in Grand Rapids, Michigan, is a major producer of automotive parts for the automotive industry. In addition, Gulf & Western announced this month an agreement to pur-

chase Tassell Industries, a 23-year-old manufacturer of auto parts, accessories and hardware, also located in Grand Rapids. The financial transaction, involving more than \$1 million, is scheduled to be concluded early in October. Both these companies, with records of high performance, complement Gulf & Western's present manufacturing units and will enhance the company's growth and over-all earnings.

Of particular importance during the year were recent changes in the board of directors, precipitated by the retirement in July of Thos. F. Plant, director and officer of Gulf & Western since May 1960. Although personal health problems prompted his retirement from official duties, Mr. Plant will remain as consultant to the company.

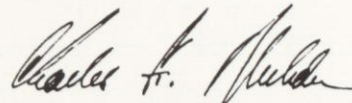
Harold U. Zerbe, who will be nominated as a director at the next meeting of the board, is president and general manager of the E. S. Youse Company, a Gulf & Western subsidiary, with headquarters in Reading, Pennsylvania. Mr. Zerbe's 43 years of management experience and his intimate knowledge of automotive parts distribution will further enhance Gulf & Western's board. In addition to serving as director and member of the executive board of New Jersey Zinc Co., a director and executive committee member of Reading Trust Co., Mr. Zerbe is recognized as one of the leaders in the field of automotive parts distribution, participating in various industry activities. He is a member and past director of the Motor Equipment Wholesalers Association, a member of the Distributors Institute and a past officer of that organization's Research Club.

On a national scale, Gulf & Western has achieved an increasingly prominent role in the steadily growing automotive parts aftermarket. Bringing this story of the company's progress in the industry to investors and to business and financial communities will be a series of full-page, color advertisements commencing in the October issue of FORTUNE magazine.

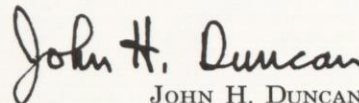
Productive steps were taken last year in utilizing more efficiently our greatest resource, the abilities and talents of our employees. In this interest, a comprehensive

evaluation of all employees in key positions was completed at each location throughout the distribution system. The primary objective is to enlarge a basic program of development and training, which will strengthen management and operations throughout the organization.

We have completed a year of record sales and earnings, achieved primarily by the increased demand for our services in the distribution field and for parts produced for the automotive industry. In addition, we have concluded another year of significant progress in building our national automotive parts distribution system. Details on these and other major events of the past twelve months are presented in the financial, market and operations sections of this report. We enter the 1965 fiscal year confident of our programs and our ability to continue to meet and grow with the demands of the ever-changing, ever-expanding automotive parts industry.



CHARLES G. BLUHDORN
Chairman of the Board



JOHN H. DUNCAN
President

September 30, 1964

FINANCIAL REVIEW

Underscoring a year of record sales and earnings were the company's listing on the New York Stock Exchange and the establishment of a cash dividend policy.

On February 28, 1964, the company's common shares began trading on the New York Exchange. With this move, Gulf & Western became the first automotive parts distribution company to be listed on the Exchange and thus achieved even more important recognition in the nation's financial community.

The inauguration of a cash dividend was another milestone in Gulf & Western's financial progress. While the company plans to retain the majority of its future earnings for its expansion program, management believes that Gulf & Western has now reached a level where it can distribute a portion of these future earnings to shareholders without restricting the company's growth.

Accordingly, on July 7, 1964, the board of directors announced an annual cash dividend on the common stock of \$.40 a share, payable at the rate of \$.10 a quarter. Also on that date, a stock dividend of three per cent was declared. Both the \$.10 cash dividend and the three per cent stock dividend were paid September 14, 1964, to shareholders of record August 14, 1964. During each of the past five years, Gulf & Western paid stock dividends.

SALES AND EARNINGS

Both sales and earnings rose to new highs during the year. Consolidated sales, for the twelve months ended July 31, 1964, amounted to \$117,246,000, an increase of 9 per cent over sales of \$107,230,000 for the previous period. Net earnings (before net special gain) rose to \$3,458,000, from \$2,924,000 last year, an 18 per cent increase. Per share earnings (before net special gain) amounted to \$1.90, compared to \$1.64 last year, after making adjustments to place the average number of outstanding shares on a comparable basis during the two periods.

Sales and earnings per share previously reported have been retroactively adjusted to include the operations of businesses acquired in poolings of interests.

SPECIAL GAIN AND LOSSES

In addition to its regular earnings for the year ended July 31, 1964, Gulf & Western had a net special gain, as described below, of \$1,426,986, equivalent to \$.78 per share on the average outstanding shares of common stock.

During the year, the company sold all of the shares it held in Muskegon Piston Ring Co. for a pre-tax profit of \$2,515,000. After income taxes of \$629,000, at capital gains rate, the net gain on the sale was \$1,886,000.

The company made several major realignments in its automotive parts operations during the year for the benefit of future operations. Involved were the reorganization, principally relocation of inventories, or liquidation of certain automotive parts jobbing operations that were not compatible with the company's automotive parts distribution program. The non-recurring losses and expenses related thereto amounted to approximately \$459,415, after giving effect to applicable federal income tax benefits of \$117,000.

WORKING CAPITAL

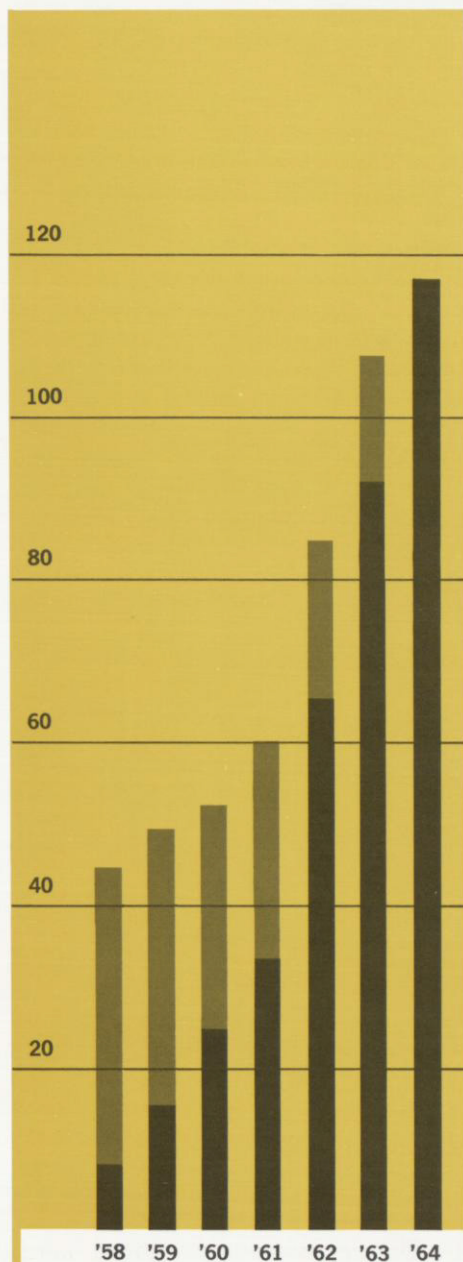
Working capital as of July 31, 1964, was \$24,693,000, an increase of \$1,112,000 over the \$23,581,000 reported last year. Current assets were \$49,732,000 and current liabilities, \$25,039,000, a ratio of 2 to 1.

ACQUISITIONS

During the fiscal year, the company invested \$11.2 million in acquiring 10 businesses. The transactions involved cash, notes and 209,794 shares of Gulf & Western common stock.

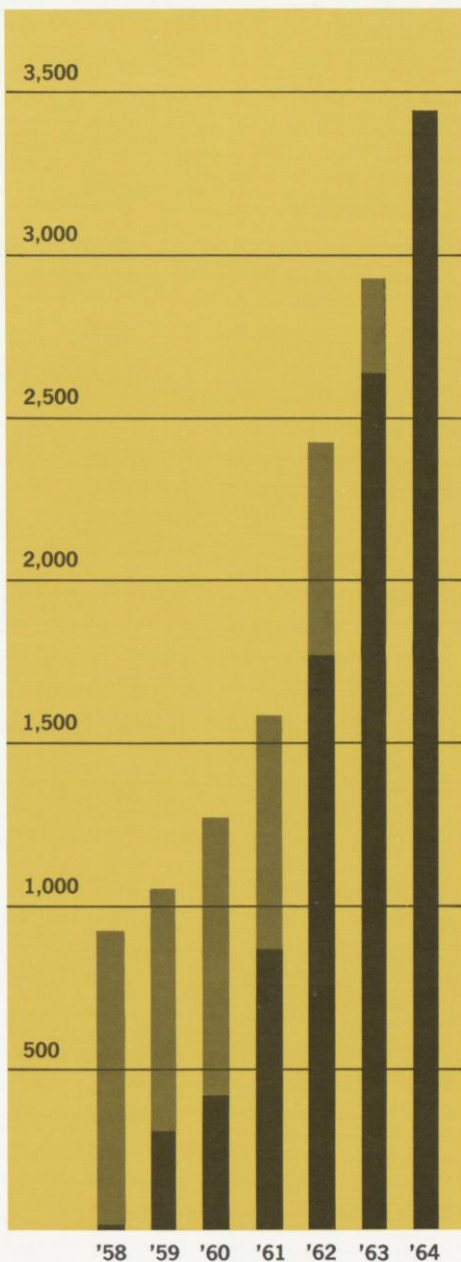
Four automotive parts warehouse businesses, with five warehouse locations, were added to the company's distribution system. Central Auto Parts Warehouse established a stronger position for the company in the greater St. Louis area of Missouri and Illinois. Wonstop Automotive Warehouse Co., with warehouses in Denver and Albuquerque, Phoenix Auto Supply Co. and Moore Bros. Company also expanded Gulf & Western's operations. These companies

Seven-Year Comparison — Years Ended July 31, 1958 through July 31, 1964



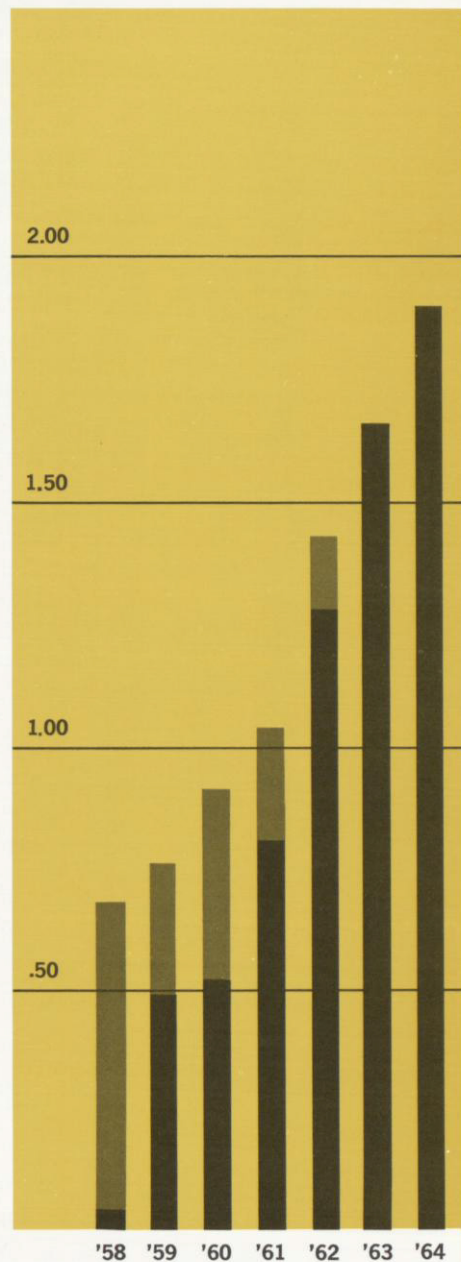
SALES
(MILLIONS OF DOLLARS)

■ Sales as previously reported in each year's annual report.
 ■ Sales prior to the year of acquisition of companies acquired on a pooling of interests basis.



NET EARNINGS
(THOUSANDS OF DOLLARS)

■ Net earnings as previously reported in each year's annual report.
 ■ Net earnings prior to the year of acquisition of companies acquired on a pooling of interests basis.



NET EARNINGS PER SHARE
(DOLLARS)

■ Net earnings per share as originally reported, adjusted for stock dividends through July 31, 1964.
 ■ Net earnings per share prior to the year of acquisition of companies acquired on a pooling of interests basis, adjusted for stock dividends through July 31, 1964.

serve an extensive nine-state area in the Rocky Mountain, Central and Southwest regions of the country.

Four jobber operations further extended distribution through 20 outlets in the Denver area, the St. Louis area, Illinois and for the first time in Michigan. The acquired companies are B.K.S. Corporation, Fred Campbell Auto Supply Company, Standard Auto Parts Co. and Auto Parts Co., Inc.

The purchase of Crampton Manufacturing Company added a large and profitable parts manufacturing facility to the Gulf & Western organization. With headquarters in Grand Rapids, Crampton has eight plants — seven in Michigan and one in Mississippi. In addition, the purchase of Amplifier Corporation of America strengthened the East Coast activities of Unicord, Inc., a Long Island-based subsidiary.

TREASURY STOCK

During the year ended July 31, 1964, Gulf & Western purchased approximately 45 per cent of the outstanding shares of Crampton Manufacturing Company. Subsequent to this, Gulf & Western exchanged 257,101 shares of its common stock for all of the assets of Crampton. The Crampton Manufacturing Company was then dissolved, and the Gulf & Western stock which it held was distributed to its shareholders, resulting in Gulf & Western acquiring 125,838 shares of its own stock. These shares will be held in the company's treasury and may be used in connection with future acquisitions and stock dividends. For financial reporting purposes, the acquisition of Crampton Manufacturing Company has been accounted for in part as a pooled transaction and in part as a purchase.

Report of Independent Accountants

ERNST & ERNST

2600 GULF BUILDING • HOUSTON, TEXAS

BOARD OF DIRECTORS
GULF & WESTERN INDUSTRIES, INC.
HOUSTON, TEXAS

We have examined the consolidated financial statements of Gulf & Western Industries, Inc. and its consolidated subsidiaries for the year ended July 31, 1964. 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 balance sheet and statements of earnings and stockholders' equity present fairly the consolidated financial position of Gulf & Western Industries, Inc. and its consolidated subsidiaries at July 31, 1964, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Houston, Texas
September 25, 1964

Ernst + Ernst

CONSOLIDATED STATEMENT OF EARNINGS

GULF & WESTERN INDUSTRIES, INC. AND SUBSIDIARIES Years ended July 31, 1964, and July 31, 1963

	1964	1963	
		Adjusted For Pooling — Note A	As Previously Reported
Net sales	\$117,246,439	\$107,230,070	\$ 92,536,868
Cost of goods sold	85,706,767	76,679,161	64,427,649
GROSS PROFIT — Note B	\$ 31,539,672	\$ 30,550,909	\$ 28,109,219
Selling, administrative, and general expenses — Note C.....	\$ 25,320,250	\$ 24,112,380	\$ 22,409,831
Interest expense	955,900	749,851	677,765
Other income* and deductions — net (including \$237,859 dividend income in 1964).....	742,263*	45,757*	133,328*
	\$ 25,533,887	\$ 24,816,474	\$ 22,954,268
EARNINGS BEFORE FEDERAL INCOME TAXES.....	\$ 6,005,785	\$ 5,734,435	\$ 5,154,951
Federal income taxes — estimated — Notes B and C.....	2,548,196	2,810,368	2,521,635
NET EARNINGS	\$ 3,457,589	\$ 2,924,067	\$ 2,633,316
Special gain and losses (less applicable federal income taxes) — Note D:			
Gain on sale of corporate stock.....	\$ 1,886,401		
Losses and expenses attributed to the liquidation or reorganization of certain subsidiaries' operations....	459,415		
NET SPECIAL GAIN	\$ 1,426,986		
NET EARNINGS AND NET SPECIAL GAIN.....	\$ 4,884,575	\$ 2,924,067	\$ 2,633,316
Depreciation and amortization charges included above.....	\$ 1,262,525	\$ 1,235,941	\$ 995,899
Average number of shares of common stock outstanding (adjusted for shares issued as 5% stock dividend in October 1963)	1,823,637	1,786,143	1,602,355
Net earnings (before net special gain) per share.....	\$ 1.90	\$ 1.64	\$ 1.64

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

GULF & WESTERN INDUSTRIES, INC. AND SUBSIDIARIES July 31, 1964, and July 31, 1963

ASSETS	1964	1963	
		Adjusted For Pooling — Note A	As Previously Reported
CURRENT ASSETS			
Cash	\$ 5,014,917	\$ 3,808,633	\$ 3,120,316
Marketable securities — at cost		937,692	937,692
Trade receivables	16,620,666	14,334,203	11,236,029
Inventories:			
At last-in, first-out cost	\$13,994,507	\$14,042,016	\$14,042,016
At lower of cost (first-in, first-out method) or market	13,205,977	10,726,864	7,101,408
	<u>\$27,200,484</u>	<u>\$24,768,880</u>	<u>\$21,143,424</u>
Prepaid expenses and other receivables	896,285	837,826	634,002
TOTAL CURRENT ASSETS	<u>\$49,732,352</u>	<u>\$44,687,234</u>	<u>\$37,071,463</u>
 PROPERTY, PLANT, AND EQUIPMENT — at cost	 \$23,223,522	 \$19,580,343	 \$12,080,147
Less allowances for depreciation and amortization	8,746,811	7,802,674	4,456,085
	<u>\$14,476,711</u>	<u>\$11,777,669</u>	<u>\$ 7,624,062</u>
OTHER ASSETS			
Investment in and advances to unconsolidated subsidiaries — Note A	\$ 436,395	\$ 334,238	\$ 334,238
Corporate stock held for investment — at cost — Note G	1,609,799	1,430,059	1,430,059
Deferred acquisition and merchandising program costs, less amortization — Note C	1,124,283	870,661	870,661
Intangibles — at cost, less amortization	381,357	355,305	355,305
Notes receivable, deferred charges, and other	602,996	528,366	426,022
	<u>\$ 4,154,830</u>	<u>\$ 3,518,629</u>	<u>\$ 3,416,285</u>
	<u>\$68,363,893</u>	<u>\$59,983,532</u>	<u>\$48,111,810</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	1964	1963	
		Adjusted For Pooling — Note A	As Previously Reported
CURRENT LIABILITIES			
Notes payable to banks	\$ 7,491,692	\$ 6,582,776	\$ 6,082,776
Notes payable to others	937,759	566,954	266,954
Current maturities of long-term debt	483,282	633,806	474,087
Trade accounts payable	10,010,953	8,698,192	6,715,909
Accrued expenses	3,411,797	3,241,223	2,365,919
Federal taxes on income — estimated	2,703,641	1,383,494	1,105,980
TOTAL CURRENT LIABILITIES	\$25,039,124	\$21,106,445	\$17,011,625
LONG-TERM DEBT — less current maturities — Note E	11,526,013	9,913,439	8,519,658
DEFERRED FEDERAL INCOME TAXES — Notes B and C	2,183,977	2,163,938	1,916,988
MINORITY INTEREST IN CONSOLIDATED			
SUBSIDIARIES AND POOLED BUSINESSES — Note A		2,653,563	111,549
STOCKHOLDERS' EQUITY			
Common stock at par value of \$1 a share (authorized 4,000,000 shares) — Note F	\$ 1,970,893	\$ 1,725,420	\$ 1,541,632
Paid-in surplus	18,540,766	12,190,535	10,537,384
Retained earnings — Note E	12,544,415	10,230,192	8,472,974
	<u>\$33,056,074</u>	<u>\$24,146,147</u>	<u>\$20,551,990</u>
Less treasury stock — 125,838 shares at cost — Note A	3,441,295		
	<u>\$29,614,779</u>	<u>\$24,146,147</u>	<u>\$20,551,990</u>
	<u>\$68,363,893</u>	<u>\$59,983,532</u>	<u>\$48,111,810</u>
See notes to consolidated financial statements.			

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

GULF & WESTERN INDUSTRIES, INC. AND SUBSIDIARIES Year ended July 31, 1964

	Common Stock at \$1 a share	Paid-in Surplus	Retained Earnings	Treasury Stock
Balance at July 31, 1963, as previously reported	\$1,541,632	\$10,537,384	\$ 8,472,974	
Acquisition of three pooled (or part- pooled) subsidiaries — Note A	183,788	1,653,151	1,757,218	
Balance at July 31, 1963, adjusted for pooling	\$1,725,420	\$12,190,535	\$10,230,192	
Common stock issued:				
Purchase of four subsidiaries	26,006	713,683		
Exercise of stock options	17,649	141,565		
5% stock dividend (at fair value) — includes cash paid in lieu of fractional shares	75,980	2,165,430	2,275,675*	
In a part-pooled, part-purchased acquisition representing the shares of the acquired company previously purchased by the Company for \$3,441,925 — Note A	125,838	3,315,457		\$3,441,295
Cash dividends declared — Note H			184,507*	
Dividends paid, preferred stock retired, and common stock sold by pooled subsidiaries prior to acquisition		179,012	110,170*	
Costs incurred on acquisition of pooled subsidiaries		164,916*		
Net earnings and net special gain for the year			4,884,575	
Balance at July 31, 1964	<u>\$1,970,893</u>	<u>\$18,540,766</u>	<u>\$12,544,415</u>	<u>\$3,441,295</u>

*Denotes deduction.
See notes to consolidated financial statements.

FINANCIAL STATEMENTS

AUTOPARTS FINANCE COMPANY, INC.

STATEMENT OF EARNINGS

Year ended July 31, 1964

Interest and loan fees	\$145,505
Expenses:	
Interest	\$71,894
Salaries and other expenses	26,575
Federal income taxes — estimated	18,500
	<u>116,969</u>
NET EARNINGS	\$ 28,536

BALANCE SHEET July 31, 1964

ASSETS	
Cash	\$ 3,321
Notes receivable from jobber customers, secured by mortgages and assignments	2,048,519
Accrued interest and other	12,742
	<u>\$2,064,582</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	
Notes payable to bank — secured by assignment of notes receivable and by guaranty of parent company	\$1,561,008
Accounts payable	48,679
Federal income taxes	18,500
Advances from parent company	305,638
Stockholder's equity, including \$30,757 retained earnings	130,757
	<u>\$2,064,582</u>

NOTE A — Principles of consolidation and acquisition of businesses

The consolidated financial statements include the accounts of the Company and all its subsidiaries except Autoparts Finance Company, Inc. All inter-company investments, accounts, and transactions have been eliminated upon consolidation.

The investment in Autoparts Finance Company, Inc. is carried at an amount equal to its underlying net asset value, and its earnings are included in the consolidated statement of earnings. Separate financial statements of Autoparts Finance Company, Inc. are included on page 14 of this report.

Ten businesses were acquired by the Company or its subsidiaries during the year; one in a transaction accounted for as pooling of interests, seven in transactions accounted for as purchases, and two in transactions accounted for partially as pooling of interests and partially as purchases. Under the pooling of interests concept, the assets, liabilities, paid-in surplus, and retained earnings of the three pooled or part-pooled businesses have been combined with the corresponding accounts of the Company upon consolidation, and a provision of \$2,542,014 made at July 31, 1963, for the minority interest in net assets applicable to the purchased portion of part-pooled acquisitions. The operations of the pooled businesses (or a pro rata portion for part-pooled acquisitions) for periods prior to acquisition have been combined with the operations of the Company for corresponding periods.

The accounts of the seven purchased businesses and the purchased portion of the accounts of the two part-pooled, part-purchased businesses have been taken into consideration on the basis of purchase cost, and their operations have been included in consolidation from the date of acquisition.

Also, see the paragraph captioned "treasury stock" in the financial review section of this report on page 10.

NOTE B — Effect of business purchases on consolidated earnings

Cost of goods sold and gross profit for the year ended July 31, 1964, reflect the sale through regular trade channels of inventories acquired as part of the assets of purchased businesses at costs which were approximately \$394,000 below the estimated cost which would be incurred to replace them from ordinary sources of supply. During the prior year the corresponding difference between purchase cost and replacement cost of goods similarly acquired and sold was approximately \$1,465,000. Due to

certain differences between the Company's methods of reporting this income for financial statement purposes and income tax purposes, the related income tax provisions of \$197,000 in 1964 and \$762,000 in 1963 are deferred since they are due and payable only if, as, and when the total inventory is reduced below the amount originally purchased.

NOTE C — Deferred acquisition and merchandising program costs

Administrative and general expenses for the year ended July 31, 1964, are stated after the deferment of \$253,622, representing costs attributed to the Company's corporate acquisition and private-brand merchandising programs, net of amortization of similar costs previously deferred. During the prior year the corresponding deferment amounted to \$385,972. The expenses deferred are being amortized over five years or less to coincide with the period during which benefits should be derived. In computing taxable income, the deferred expenses are deducted in the year incurred, and provision for the applicable deferred income tax has been made by charges of \$127,000 and \$201,000 to consolidated earnings for the respective years.

NOTE D — Special gain and losses

See the paragraphs captioned "special gain and losses" in the financial review section of this report on page 8 for a description of the special gain and losses occurring during the year ended July 31, 1964.

NOTE E — Long-term debt

Long-term debt at July 31, 1964, includes:

5¾% notes due 1977 and 1978.....	\$ 7,000,000
5½% first mortgage bonds due in 1975....	995,500
Bank note payable, secured by corporate stock	1,392,222
Unsecured notes arising from acquisition of businesses, generally payable over five-year periods	1,259,205
Other notes payable, substantially unsecured.	1,362,368
	<u>\$12,009,295</u>
Less amounts due within one year, including sinking fund requirements, classified as current liabilities	483,282
	<u>\$11,526,013</u>

The 5¾% notes were issued pursuant to Agreements which provide for installments on the notes totalling \$450,000 in 1967 and \$630,000 in each year thereafter. Under the terms of the Agreements, the payment of dividends (other than stock dividends) is limited to fifty per cent

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GULF & WESTERN
INDUSTRIES, INC.
AND SUBSIDIARIES
Year ended July 31, 1964

of earnings subsequent to July 31, 1961, less the excess, if any, of the cost of treasury stock acquired over the proceeds of shares sold. At July 31, 1964, \$3,780,000 was available for the payment of cash dividends. No dividend payments may be made or treasury shares purchased, which would have the effect of reducing consolidated net worth to less than \$10,500,000.

The 5½% first mortgage bonds are secured by all real property and machinery and equipment of Crampton Manufacturing Company, a wholly-owned subsidiary of the Company, and by the capital stock and indebtedness to Crampton of four former subsidiaries of Crampton that are now direct subsidiaries of the Company. These bonds require minimum sinking fund payments of \$60,000 a year, plus additional payments in an amount equal to 30% of the amount by which the net earnings of Crampton and its former subsidiaries exceed \$250,000.

The bank note payable secured by corporate stock has a nominal maturity of less than one year, but is classified as long-term debt inasmuch as the bank has committed to renew such note so long as the litigation described in Note G remains unsettled.

NOTE F — Stock options and reservations

The status at July 31, 1964, and the changes during the year then ended, in the number of shares reserved for and unexercised options granted pursuant to the Company's Stock Option Incentive Plan are summarized as follows:

	Options Outstanding		Shares Reserved for Future Options
	Total Option Price	No. of Shares	
Balance at August 1, 1963	\$1,514,300	91,707	33,984
Granted	665,912	25,150	25,150*
Increase for 5% stock dividend		4,663	1,565
Exercised	159,214*	17,649*	
Rescinded	199,203*	8,254*	8,254
Balance at July 31, 1964	<u>\$1,821,795</u>	<u>95,617</u>	<u>18,653</u>
Exercisable at July 31, 1964	<u>\$ 379,829</u>	<u>27,449</u>	

*Denotes deduction.

Option prices are based on the quoted value of the Company's stock on the date the options were granted, and were not less than 95% of the quoted value for options granted prior to January 1, 1964, and not less than 100% of this value for options granted subsequent to this date.

At July 31, 1964, an additional 76,125 shares of the Company's common stock were reserved

for issuance upon exercise of Common Stock Warrants delivered in connection with the 5¾% notes described in Note E. The exercise price of such warrants is approximately \$28.10 a share.

NOTE G — Corporate stock subject to litigation

During a prior fiscal year, the Company exercised an option to purchase corporate stock for \$1,392,222. Upon tender of the purchase price, the Grantor of the option refused to comply with the terms of the option agreement. The Company initiated an action to enforce its rights. At present both the corporate stock and the funds tendered by the Company are being held in escrow pending the outcome of the litigation. In the opinion of counsel, the Company will be successful in enforcing its rights. The escrowed stock is pledged as collateral on a bank loan, the proceeds of which were used for the purchase of the stock. The amount at which this stock is carried includes the costs and expenses attributable to the acquisition and litigation.

NOTE H — Events subsequent to July 31, 1964

On July 7, 1964, the Board of Directors declared a \$.10 per share cash dividend and a 3% stock dividend (fractional shares being payable in cash), both payable September 14, 1964, to shareholders of record at August 14, 1964. The stock dividend requires the reservation of 5,716 additional shares under "anti-dilution" provisions of the stock option plan and the warrants attached to the 5¾% notes.

During August 1964, the Company entered into an agreement to acquire a business for \$1,300,000, payable in cash and notes.

NOTE I — Commitments and contingencies

The rentals payable annually by the Company and its subsidiaries under leases in effect at July 31, 1964, totalled approximately \$1,284,000. Many of the leases also require the lessee to pay property taxes, carry insurance and make repairs. The leases in effect have varying terms up to twenty years.

During the year ended July 31, 1964, the Company and its subsidiaries contributed \$454,961 to various retirement and profit-sharing plans. Consulting actuaries estimate that the amount required to fund past-service costs under the plans was \$1,280,000 at July 31, 1964.

In the opinion of management and the Company's legal counsel there is no litigation pending which will result in any material liability to the Company.

In its comprehensive study of the automotive aftermarket FORTUNE magazine said, "The hardest part of the \$7-billion automotive aftermarket to get in focus is the distribution system. The distributors' problem is to have replacement parts immediately available in every corner of the U. S. — and not to go broke in the process. The way it is done baffles outsiders."

It is in this tremendous automotive aftermarket that Gulf & Western is employing its concept, the American Parts System. The key to its success lies in the development and expansion of its comprehensive program of marketing replacement parts and services, designed to meet the needs of today's automotive parts jobber.

The American Parts System and Gulf & Western's entire operations in the automotive aftermarket can only be appreciated when the significance and scope of this market are understood.

The automotive parts aftermarket is characterized by three main factors vitally important to any company serving this market — stability, growth and longevity.

STABILITY

Because the nation depends on its automobiles and trucks day in and day out, the market for replacement parts has exhibited remarkable stability in face of the peaks and valleys in the economy. In periods when more new cars and trucks are sold, the market for parts is broadened with increases in registrations. Prosperous owners are more likely to replace inefficient or worn parts and add luxury extras. While new vehicle production fluctuates, the service industry plays a continuous, vital role in keeping the nation's millions of vehicle wheels turning. Thus, as more vehicles are produced, or as more old vehicles are kept running longer, the requirements for service and replacement parts go up.

GROWTH

The present replacement parts market at the retail level is expected to increase from a current rate of \$7 billion per year to \$9 billion per year by 1970. Few realize that in 1962, the business generated by the nation's

manufacturers, distributors and marketers of automotive replacement parts and accessories equalled almost one-third of all money spent by the nation's consumers on new vehicles.

Several factors tend to bolster the aftermarket volume. The increasing complexity of cars and trucks is a strong sales stimulant, requiring many thousands of new and different parts for proper maintenance. Every device added, whether to increase comfort, convenience, safety or performance, is a potential candidate for replacement. Many of these parts — such as replacement batteries, bearings, bulbs and shock absorbers — are interchangeable among different models. However, there are others — for example, exhaust systems, brake shoes, engine parts and ignition systems — that are designed for specific makes and models and are not interchangeable with other makes and styles. Consequently, the service industry must be able to supply parts for popular makes of cars regardless of the model year.

Adding to the sales volume of parts is the fact that motor vehicles are being driven longer and harder. Today, 63 per cent of all cars are over four years old. The average age of cars and trucks last year was six and eight years, respectively. A few decades ago, a car was considered worn out before it had logged 50,000 miles. Now with better cars and better roads, the average car today is driven 11 years and 104,000 miles before it is scrapped, compared with seven years and 41,000 miles in 1933. As a vehicle's need for parts increases with age and use, so then do the costs for its maintenance. The annual replacement parts expenditure, not including tires or labor, approximates \$100 per car, more than six times what it was three decades ago.

LONGEVITY

Replacement parts sales have increased in each successive year since 1956, and the replacement market keeps growing with the increase in car registrations.

According to figures recently compiled by the U. S. Bureau of Public Roads, there were 81,557,060 privately-owned vehicles registered in the United States as of Decem-

THE AUTOMOTIVE PARTS AFTERMARKET

ber 31, 1963. This is 4.6 per cent more than in the preceding year. The rising trend, however, traces back many years, with car registrations increasing successively each year since 1944.

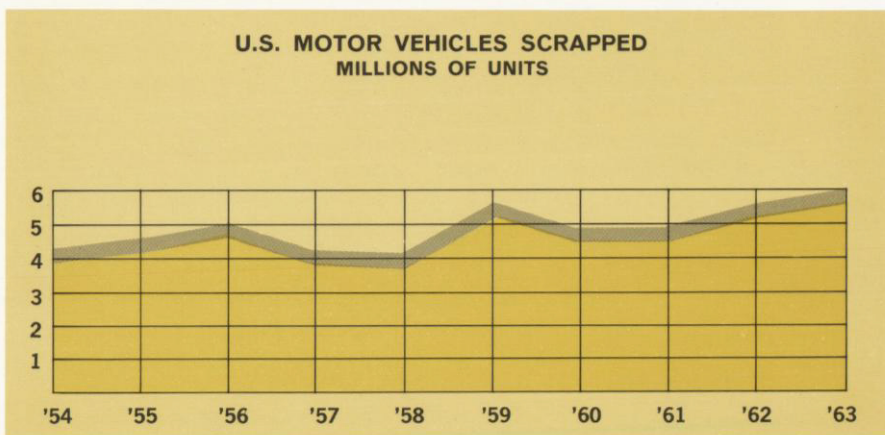
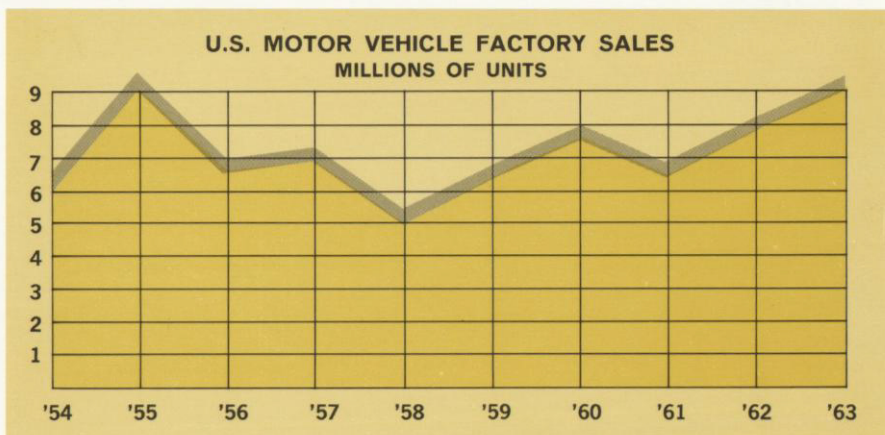
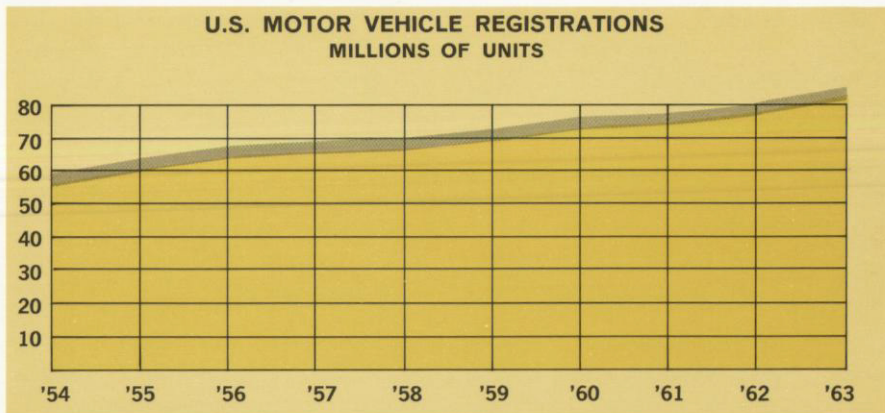
On a percentage basis, the automobile population of the country is growing about three times as fast as the human population. As new families are formed, family income rises, and the trend toward suburban living continues, increasing the number of cars required to meet personal transportation needs. Multi-car families in 1963, for example, were double those of nine years before. New car producers have recorded a third consecutive banner year, and industry authorities are now anticipating a fourth year of excellent car sales.

CHANNELS OF DISTRIBUTION

The automotive parts aftermarket is served by a vast distribution network, whose complexity is magnified in the number of manufacturers and outlets involved. Modern merchandising concepts are put through their fullest tests in moving parts from more than 2,800 manufacturers, through 17,000 wholesale parts distributors, to over 400,000 retail outlets servicing today's cars, including some 42,000 factory franchise car and trucks dealers, 100,000 automotive repair shops and a large percentage of the 200,000 service stations.

In this parts distribution network there are two primary distribution channels. One was formed by the automobile manufacturers for distribution of their own parts, principally through their dealer "sales and service" outlets. The other channel, which is the larger of the two, is composed of the independent warehouse distributors and jobbers that distribute parts not only produced by automobile manufacturers, but also those produced by independent manufacturers. This channel supplies a broad national market, which includes specialized repair shops, garages and service stations.

The continued growth of the independent system is founded on its ability to provide needed replacement parts quickly and efficiently. Determining these requisites for growth is the owner whose vehicle is in need



In a constant, rising trend, vehicle registrations were more than 3 million higher in 1963 than in the preceding year, reaching about 82 million units. Affecting this figure were factory sales which amounted to 9,100,000 and vehicle scrappage which totaled 5,700,000 units. Another record year for number of cars on the road is predicted for 1964, which is expected to be the 20th consecutive year of increased vehicle registrations. This is the base of the mushrooming automotive parts aftermarket.



In more than 400,000 repair and service outlets, the nation's automobiles line up for repairs each year, requiring every kind of service from minor adjustments to major replacements of engine and transmission parts. Meeting customers' demands for efficient service, and providing ready accessibility of all kinds of parts, are essential ingredients in the durability of the car dealer, the independent garage and service station.

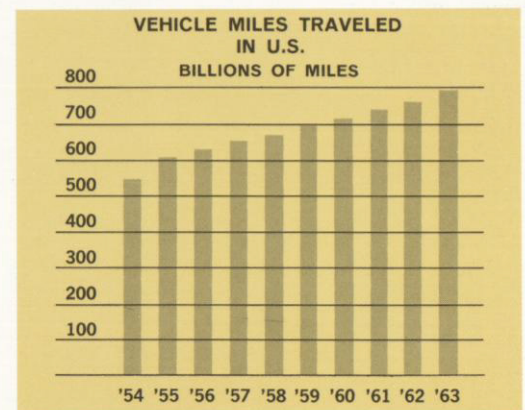
of repair. Surveys show that when a car or truck is not operating, the average owner's primary concern is to get the vehicle properly repaired and back into service as quickly as possible.

It is in the growing independent distribution segment that Gulf & Western's American Parts System is playing a larger role each year.

GULF & WESTERN'S POTENTIAL

Within the short span of seven years since the company started its program of parts distribution, it has become recognized as one of the leaders in the automotive parts distribution field.

In this dynamic automotive parts after-market, Gulf & Western has implemented its concept of distribution, the American Parts System. The tremendous growth of the market, its complexity, and the need for a modern, efficiently organized approach to furnish the ultimate in customer service provide a constant challenge. Because there has never been an independent distributor who served the replacement parts market intensively on a national basis, Gulf & Western's American Parts System offers a potential for growth that is outstanding in the automotive parts field.



Last year, Americans on-the-go — vacationing, commuting, shopping, socializing — drove a record 800 billion miles. The average car is driven 104,000 miles and more than 10 years before it is scrapped. The replacement of parts in this same car costs an average of \$100 annually, or over \$1,000 in its lifetime.

OPERATIONS

Operations fall into three general categories — the wholesale distribution of parts in the automotive aftermarket, the manufacture of automotive parts, and the distribution and manufacture of specialized products. The contribution that each activity makes to Gulf & Western's growth is significant. The companies in each category have been chosen carefully for their position and experience in their respective fields, and for their profitability and managements.

AUTOMOTIVE PARTS DISTRIBUTION

Under its American Parts System program of automotive parts distribution, introduced less than two years ago, the company has broadened its national coverage in the last twelve months by the acquisition of 5 warehouses, 20 jobber outlets, and the addition of 202 associate jobbers. By July 31, 1964, the System encompassed 28 regional warehouses and 443 owned and associate jobbers.

During the year, Gulf & Western initiated its program of building warehouses in areas of potential where the American Parts System of distribution otherwise would not be available to local independent parts jobbers. The first American Parts System, Inc. warehouse to serve jobbers throughout North and South Carolina was opened in July in Charlotte. A second new warehouse is scheduled to open in early fall to serve the populous Southern California area. In Dallas, Texas, the construction of another warehouse is nearing completion. This building, with more efficient facilities, will replace an existing warehouse.

Through the expansion of regional warehousing and a thriving American Parts associate jobber program, Gulf & Western's nationwide system of parts distribution is gaining momentum. The associate jobber program received further support during the year as independent jobbers, in increasing numbers, responded favorably to the package program of superior services and wider availability of parts under the American Parts System banner. The program combines such essential features as availability of balanced parts coverage from an authorized American Parts System warehouse;

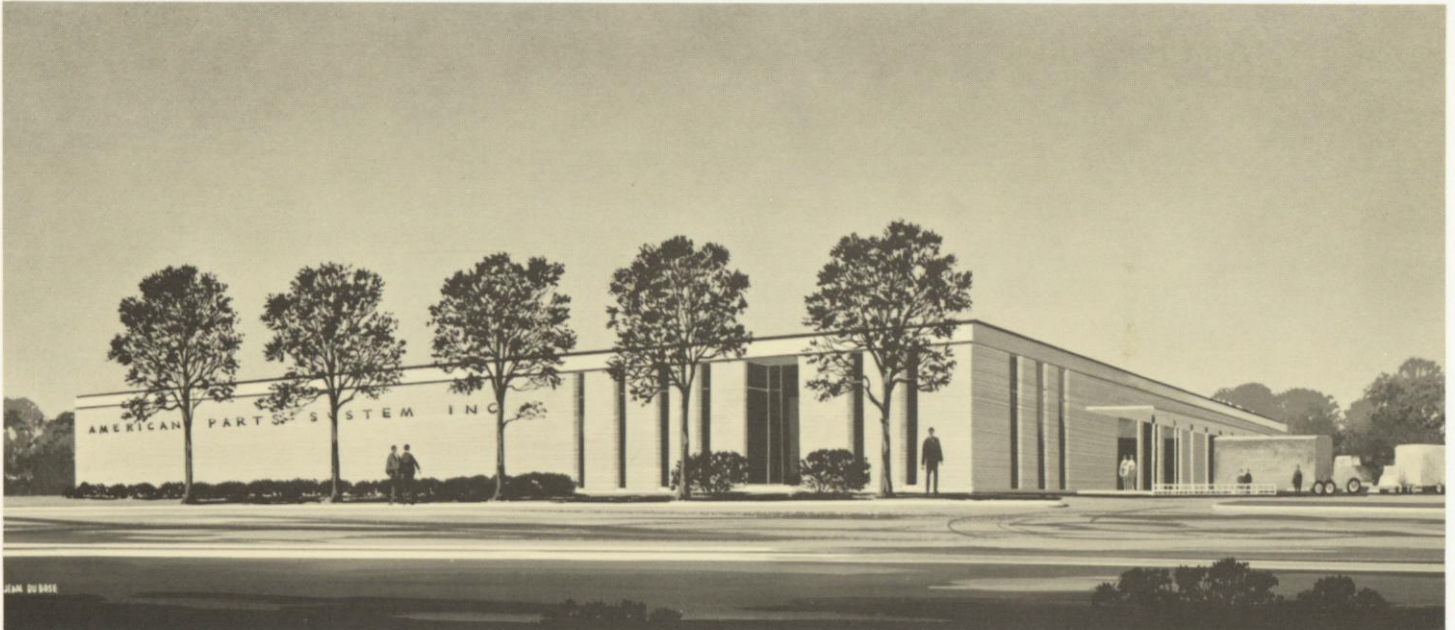
full protection against obsolescence; management and advisory services; sales and marketing services; inventory control and accounting systems; long-term financial assistance.

The associate jobber counts on his American Parts System warehouse for specialized service and individualized treatment of his needs and those of his customers — the repair shop, service station, car dealer and garage. In this connection, American Parts brands that the jobber introduces and markets at the dealer level, are supported by extensive merchandising and promotion to aid in securing acceptance by the user.

Further supporting the jobber and the entire American Parts System program is the company's schedule of advertisements, published regularly in leading national trade publications. Added impetus can be expected this fall as other ads, designed to appeal to the car owner, are scheduled in regional editions of LIFE magazine.

Also meeting the needs of the associate jobber were the introduction and further development of American Parts product lines. The outstanding merchandising achievement in the current period was the introduction of the new Poweready Ignition parts line in June. Previously introduced, the American Parts General Service and Poweride Lines experienced much broader distribution, and sales of both brands reached new highs for the year. The continued addition of new maintenance and supply items to GSL and the remarkable acceptance of the line's "single-source convenience" point to continued success in the market place.

Poweride's line of engine, chassis and automatic transmission parts recorded an increase of better than 40 per cent over last year's performance. As a result of customer demand, five products were added to the line during the last twelve months, thereby enhancing Poweride's industry leadership as the most comprehensive power-flow and chassis service parts line available to automotive parts jobbers. Poweride Line merchandising programs have given further support to the line's popularity by provid-



Within the framework of its American Parts System warehouses, being established from coast to coast, Gulf & Western offers the nation's jobbers a complete program of superior services and wider availability of parts. One in this group of 28 regional warehouses is the new American Parts System, Inc. warehouse, now nearing completion in Dallas, Texas.

Helping to introduce the Big "A", and American Parts' products and services everywhere are merchandising aids such as the General Service Line Sales Caravan trucks. As acceptance of GSL's "single-source convenience" has grown and spread, these fleet vehicles have created increased demand for this comprehensive line of service and supply items.



ing distribution and service outlets with attention-getting selling aids.

Gulf & Western's American Parts System, with its jobber program, its comprehensive parts lines and its many services, has been writing a new page in the marketing of automotive parts. News of the program is appearing more frequently in national publications, trade journals and in country-wide advertising and publicity. The American Parts System's trademark, the Big "A", is spreading throughout the United States on jobber and warehouse signs, on boxes, letterheads and labels, and on store windows, doors and trucks. It is a marketing concept unique in its total design and destined to grow.

AUTOMOTIVE PARTS MANUFACTURING

Gulf & Western maintains well-rounded activity in the parts industry through selective automotive parts manufacturing. These manufacturing companies provide Gulf & Western with a total picture, allowing the company to participate in manufacturing as well as distribution aspects of the automotive industry, and insuring a better balance of each activity through the year. Among this group of independent auto parts manufacturers, the past fiscal year was marked by important sales achievements and by further expansion of plant facilities to satisfy the accelerated production schedules of the automotive industry.

Auto Precision Parts, Incorporated, which also recorded an all-time high in sales this fiscal year, produces component parts for vehicle suspension systems. The company's products are original equipment on many of the country's automobiles.

A producer of automotive ignition parts, cable and wire, P. Sorensen Manufacturing Co. this period expanded into major sales territories and completed the first full year of its nationally-sponsored ignition training clinics and schools, which are a first in its segment of the automotive trade. The company also finished a 30,000 square-foot addition to its plant and installed a new heat-treating unit for more specialized processing.

Michigan Plating and Stamping Com-

pany manufactures bumpers and bumper parts as original equipment for passenger cars and trucks. The company has maintained its upward sales and profit trend, while continuing its program of expanding production facilities. The latest in this program is the completion of an automatic plating line, which not only increases the plating production capacity, but strengthens the company's rigid, product quality control program.

Completing a major plant expansion program this year, General Products Corporation doubled its manufacturing capacity. The company produces ignition parts, custom-molded plastics, industrial capacitors, as well as precision electrical parts and assemblies. New demands for its high quality products created the need for additional production capacity and have kept sales climbing accordingly.

Guaranteed Parts Co., Inc., a supplier of automotive electrical parts, distributes nationally to the automotive service industry in 48 states. During the year, the company expanded its warehousing and shipping functions to meet increased customer demand.

New to the Gulf & Western organization in the fourth fiscal quarter is Crampton Manufacturing Company, a manufacturer of die-cast hardware, both plated and painted, for the automotive and television industries and a producer of other hardware, components and appliances. With approximately 70 per cent of its business derived from automotive parts manufacturing, the company enjoyed a record year of sales in another dynamic year for the automotive industry.

OTHER MANUFACTURING AND DISTRIBUTION

Making important contributions to Gulf & Western's basic structure are several subsidiaries engaged in specialized phases of manufacturing and distribution. These companies have helped to provide a base for the over-all growth of Gulf & Western's automotive parts distribution system through their performance in fields of high demand.

Unicord Incorporated is an importer and

distributor of musical instruments and accessories. The company's lines were broadened further through the acquisition of Amplifier Corporation of America in the fourth quarter. This new addition is expected to give the company deeper market penetration in its field and augment earnings.

Concentrating its efforts on the space field, Rocket Jet Engineering Corp. is engaged in the design, development and manufacture of escape and survival equipment used in the life support systems of military aircraft and space capsules.

Mal Tool & Engineering Corporation, with facilities in both Connecticut and Florida, produces precision parts and assemblies for jet engines, rockets and other spacecraft. Completing a highly successful year of operation, the company expanded its plant capacities by 50 per cent in Connecticut and 30 per cent in Florida.

The Klock Corporation, of Connecticut, is a thermal processor of space-age metals, makes sub-assemblies for aircraft and produces missile components. A specialist in the field of heat-treating, the company added to its plant facilities by about 35 per cent this year.

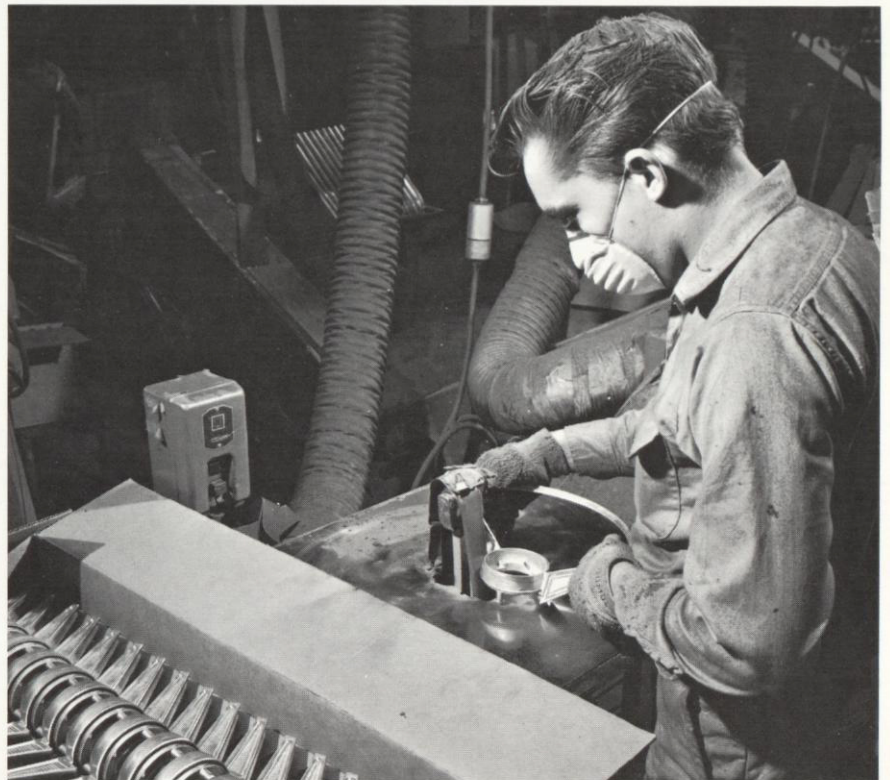
SUMMARY

Gulf & Western's automotive parts distribution companies and its manufacturing operations, through their stability and established growth trends, round out the corporation's total endeavor. Measured separately, their achievements are substantial. Taken collectively, their sum contribution is Gulf & Western's growth.

Through the Crampton manufacturing complex, hardware and component parts for automotive and other manufacturers are first die-cast in Holland, Michigan. The products are then moved to another plant nearby where tradesmen perform machine hand-polishing (right), trimming and buffing. From there, they are fed to the main Crampton plant, in Grand Rapids, for plating. A continual check is maintained on the plating thickness and quality of parts every hour during the two-shift plating-run.



Well known in automotive circles, Tony Foyt (left), father of racing champion A. J. Foyt, Jr., is a specialist in automotive repair work. Here he is being served by an American Parts System associate jobber, one of numerous American Parts jobbers located in Houston, Texas, Foyt's home town.

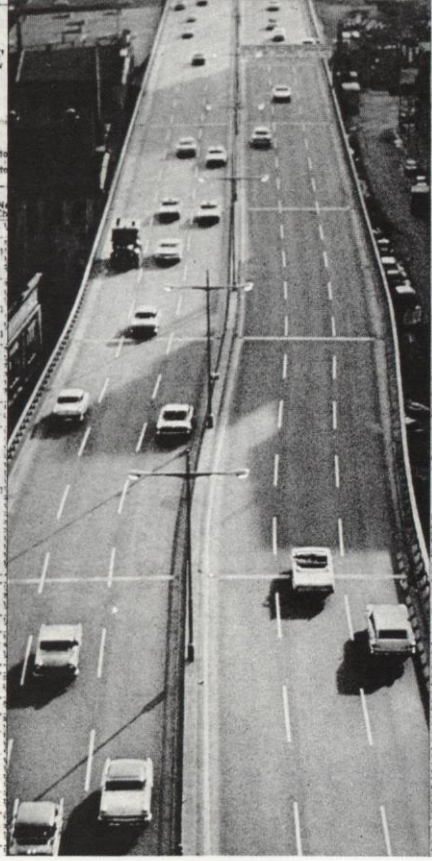


BUSINESS AND FINANCE

MULTI \$ BILLION MARKET THAT MULTIPLIES ITSELF

MARKETS AT A GLANCE
 NEW YORK (AP)—Moderate trading in stocks, covering most of the day. Steady in bonds, steady in commodities.

Stock	High	Low	Last	Chg.
Alcoa	47 1/2	47	47 1/2	+1/2
Am. Tel. & Tel.	42 1/2	42	42 1/2	+1/2
Am. Tobacco	45 1/2	45	45 1/2	+1/2
Am. Water Works	41 1/2	41	41 1/2	+1/2
Am. West. Ind.	40 1/2	40	40 1/2	+1/2
Am. Zinc	39 1/2	39	39 1/2	+1/2
Am. Sugar	38 1/2	38	38 1/2	+1/2
Am. Oil	37 1/2	37	37 1/2	+1/2
Am. Gas	36 1/2	36	36 1/2	+1/2
Am. Electric	35 1/2	35	35 1/2	+1/2
Am. Paper	34 1/2	34	34 1/2	+1/2
Am. Chemical	33 1/2	33	33 1/2	+1/2
Am. Textile	32 1/2	32	32 1/2	+1/2
Am. Lumber	31 1/2	31	31 1/2	+1/2
Am. Iron	30 1/2	30	30 1/2	+1/2
Am. Steel	29 1/2	29	29 1/2	+1/2
Am. Glass	28 1/2	28	28 1/2	+1/2
Am. Rubber	27 1/2	27	27 1/2	+1/2
Am. Leather	26 1/2	26	26 1/2	+1/2
Am. Clothing	25 1/2	25	25 1/2	+1/2
Am. Food	24 1/2	24	24 1/2	+1/2
Am. Drug	23 1/2	23	23 1/2	+1/2
Am. Perfumery	22 1/2	22	22 1/2	+1/2
Am. Jewelry	21 1/2	21	21 1/2	+1/2
Am. Watches	20 1/2	20	20 1/2	+1/2
Am. Clocks	19 1/2	19	19 1/2	+1/2
Am. Toys	18 1/2	18	18 1/2	+1/2
Am. Games	17 1/2	17	17 1/2	+1/2
Am. Books	16 1/2	16	16 1/2	+1/2
Am. Magazines	15 1/2	15	15 1/2	+1/2
Am. Newspapers	14 1/2	14	14 1/2	+1/2
Am. Printing	13 1/2	13	13 1/2	+1/2
Am. Publishing	12 1/2	12	12 1/2	+1/2
Am. Advertising	11 1/2	11	11 1/2	+1/2
Am. Insurance	10 1/2	10	10 1/2	+1/2
Am. Banking	9 1/2	9	9 1/2	+1/2
Am. Finance	8 1/2	8	8 1/2	+1/2
Am. Real Estate	7 1/2	7	7 1/2	+1/2
Am. Construction	6 1/2	6	6 1/2	+1/2
Am. Transportation	5 1/2	5	5 1/2	+1/2
Am. Utilities	4 1/2	4	4 1/2	+1/2
Am. Energy	3 1/2	3	3 1/2	+1/2
Am. Environmental	2 1/2	2	2 1/2	+1/2
Am. Health Care	1 1/2	1	1 1/2	+1/2
Am. Biotechnology	1/2	0	1/2	+1/2



NEW YORK STOCK SALES

NEW YORK (AP)—In 7 stock sales	4,700,000
Foreign	4,200,000
Month	140,000,000
Year	1,600,000,000
1963 to date	1,400,000,000
1962 to date	1,200,000,000

STANDARD AND POOR'S 500 STOCK INDEX

High	100.00
Low	98.00
Close	99.00
N.C.H.	98.50
415 Industrials	85.82
75 Railroads	45.47
10 Utilities	67.30
90 Stocks	77.82

WHAT STOCKS DID

Advanta	42 1/2
Deere	41 1/2
International	38 1/2
Tel. Corp.	42 1/2
West. Union	41 1/2
1964 Issue	49 3/4

STOCKS IN THE SPOTLIGHT

NEW YORK (AP)—Sales, closing price and net change of the 500 most active stocks traded on the NY stock exchange.

Am. Tel. & Tel.	42 1/2	+1/2
Am. Tobacco	45 1/2	+1/2
Am. Water Works	41 1/2	+1/2
Am. West. Ind.	40 1/2	+1/2
Am. Zinc	39 1/2	+1/2
Am. Sugar	38 1/2	+1/2
Am. Oil	37 1/2	+1/2
Am. Gas	36 1/2	+1/2
Am. Electric	35 1/2	+1/2
Am. Paper	34 1/2	+1/2
Am. Chemical	33 1/2	+1/2
Am. Textile	32 1/2	+1/2
Am. Lumber	31 1/2	+1/2
Am. Iron	30 1/2	+1/2
Am. Steel	29 1/2	+1/2
Am. Glass	28 1/2	+1/2
Am. Rubber	27 1/2	+1/2
Am. Leather	26 1/2	+1/2
Am. Clothing	25 1/2	+1/2
Am. Food	24 1/2	+1/2
Am. Drug	23 1/2	+1/2
Am. Perfumery	22 1/2	+1/2
Am. Jewelry	21 1/2	+1/2
Am. Watches	20 1/2	+1/2
Am. Clocks	19 1/2	+1/2
Am. Toys	18 1/2	+1/2
Am. Games	17 1/2	+1/2
Am. Books	16 1/2	+1/2
Am. Magazines	15 1/2	+1/2
Am. Newspapers	14 1/2	+1/2
Am. Printing	13 1/2	+1/2
Am. Publishing	12 1/2	+1/2
Am. Advertising	11 1/2	+1/2
Am. Insurance	10 1/2	+1/2
Am. Banking	9 1/2	+1/2
Am. Finance	8 1/2	+1/2
Am. Real Estate	7 1/2	+1/2
Am. Construction	6 1/2	+1/2
Am. Transportation	5 1/2	+1/2
Am. Utilities	4 1/2	+1/2
Am. Energy	3 1/2	+1/2
Am. Environmental	2 1/2	+1/2
Am. Health Care	1 1/2	+1/2
Am. Biotechnology	1/2	+1/2

STOCK AVERAGES

NYSE	99.00
Am. Tel. & Tel.	42 1/2
Am. Tobacco	45 1/2
Am. Water Works	41 1/2
Am. West. Ind.	40 1/2
Am. Zinc	39 1/2
Am. Sugar	38 1/2
Am. Oil	37 1/2
Am. Gas	36 1/2
Am. Electric	35 1/2
Am. Paper	34 1/2
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Am. Clothing	25 1/2
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Am. Insurance	10 1/2
Am. Banking	9 1/2
Am. Finance	8 1/2
Am. Real Estate	7 1/2
Am. Construction	6 1/2
Am. Transportation	5 1/2
Am. Utilities	4 1/2
Am. Energy	3 1/2
Am. Environmental	2 1/2
Am. Health Care	1 1/2
Am. Biotechnology	1/2

AMERICAN LEADERS

Am. Tel. & Tel.	42 1/2
Am. Tobacco	45 1/2
Am. Water Works	41 1/2
Am. West. Ind.	40 1/2
Am. Zinc	39 1/2
Am. Sugar	38 1/2
Am. Oil	37 1/2
Am. Gas	36 1/2
Am. Electric	35 1/2
Am. Paper	34 1/2
Am. Chemical	33 1/2
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Am. Watches	20 1/2
Am. Clocks	19 1/2
Am. Toys	18 1/2
Am. Games	17 1/2
Am. Books	16 1/2
Am. Magazines	15 1/2
Am. Newspapers	14 1/2
Am. Printing	13 1/2
Am. Publishing	12 1/2
Am. Advertising	11 1/2
Am. Insurance	10 1/2
Am. Banking	9 1/2
Am. Finance	8 1/2
Am. Real Estate	7 1/2
Am. Construction	6 1/2
Am. Transportation	5 1/2
Am. Utilities	4 1/2
Am. Energy	3 1/2
Am. Environmental	2 1/2
Am. Health Care	1 1/2
Am. Biotechnology	1/2

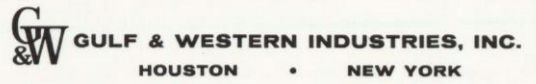
NATIONWIDE
 ADVERTISING
 PROGRAM

The year 1962 saw 6.9 million new cars produced, 7.5 million in 1963. This year's estimates call for another 7 million and more. Unlike other industries, however, annual automobile production does not replace the previous year's consumption. For today's new cars will travel another eleven years, another hundred thousand miles before they are scrapped. Nor does the normal business cycle adversely affect this pattern. In good times, more new cars are on the streets; in bad times, they're driven longer, cared for more scrupulously.

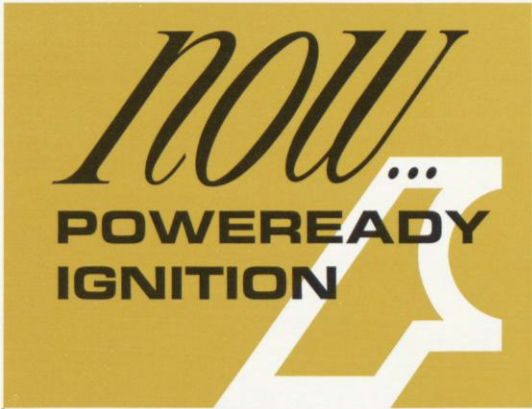
To keep America's cars running requires over \$7½ billion worth of replacement parts each year... piston rings, clutches, condensers,

more than 15,000 individual parts that make up every automobile. The American Parts System, a concept of Gulf & Western Industries, Inc., provides a modern and efficient marketing complex to the warehouses and jobbers who distribute these replacement parts.

As a prime factor in this burgeoning market, Gulf & Western's fiscal 1964 sales have swelled to more than \$100,000,000... a record that attests to the validity of this marketing concept in an industry that knows no bounds. To find out more about the promising potential of the automotive market, write today for free descriptive leaflet to Gulf & Western Industries, Inc.



Corporate advertising



...from **AMERICAN PARTS**



AMERICAN PARTS SYSTEM . . . A Concept of Gulf & Western Industries, Inc.
© G&W

100% Heavy Duty . . . engineered for today's high performance cars.

Complete Coverage . . . to service cars, trucks, foreign cars, marine and small engines. Less duplication . . . lower investment and inventory.

Convenient Easy-to-Read Catalog . . . time-saving, single-source ordering.


New Merchandising Cabinet . . . a profit-building expandable unit for every need. Free to stocking dealers.

Trade advertising

Through a program of advertising designed to reach the trade, the consumer and the financial community, Gulf & Western Industries is continually strengthening its reputation as a national distributor of automotive parts, with vital interests in other specialized areas of industry. Developing and advancing its American Parts System of marketing automotive parts, which encompasses a "total package" program for associate jobbers, Gulf & Western uses nationwide advertising to tell its story.



When your car needs service or repair, look for the sign of the big (A). . . dynamic symbol of American Parts System, distributor of custom quality automotive replacement parts and supplies. Specially engineered for every automobile make and model, for car care at its dependable best. For confidence in your car, remember . . . assurance starts with (A).

CONFIDENCE IN YOUR CAR CAN SMOOTH THE ROUGHEST ROAD
...ASSURANCE STARTS WITH 

AMERICAN PARTS SYSTEM
A CONCEPT OF GULF & WESTERN INDUSTRIES, INC.

Consumer advertising

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHARLES G. BLUHDORN, *Chairman*
Gulf & Western Industries, Inc.
New York, N. Y.

D. S. ALLBRIGHT
Allbright's Auto Parts Incorporated
Riverside, California

JOEL DOLKART
Strasser, Spiegelberg, Fried & Frank
New York, N. Y.

JOHN H. DUNCAN
Gulf & Western Industries, Inc.
Houston, Texas

DAVID N. JUDELSON
Oscar I. Judelshon
Jersey City, N. J.

T. H. NEYLAND
Gulf & Western Industries, Inc.
Houston, Texas

IRWIN SCHLOSS
Irwin Schloss & Co., Inc.
New York, N. Y.

WESLEY A. STANGER, JR.
Riter & Co.
New York, N. Y.

COMMON STOCK

Gulf & Western common stock is listed on the New York Stock Exchange and the Detroit Stock Exchange under the symbol GFW.

EXECUTIVE COMMITTEE

CHARLES G. BLUHDORN
JOEL DOLKART
JOHN H. DUNCAN
DAVID N. JUDELSON

OFFICERS

CHARLES G. BLUHDORN
Chairman of the Board

JOHN H. DUNCAN, *President*

WILLIAM W. BROWN, *Vice President*

JOHN H. DEVRIES, *Vice President*

JOEL DOLKART, *Vice President and Secretary*

DAVID N. JUDELSON, *Vice President*

T. H. NEYLAND, *Financial Vice President and Assistant Secretary*

FRANK V. ROGERS, *Vice President*

D. F. GASTON, *Treasurer and Controller*

TRANSFER AGENT

Bankers Trust Company
485 Lexington Avenue
New York, New York

REGISTRAR

The Marine Midland Trust
Company of New York
120 Broadway
New York, New York

ANNUAL MEETING

November 10, 1964
Houston, Texas

PRINCIPAL COMPANIES AND DIVISIONS

Allbright's Auto Parts Incorporated
American Parts System, Inc. (Charlotte)
American Parts System, Inc. (Great Bend)
American Parts System, Inc. (Miami)
American Parts Warehouse (Philadelphia)
Auto Parts Company
Auto Spring & Supply Company
B. K. S. Corporation
Beard & Stone, Inc.
Car Parts Depot, Inc.
Casper Supply Company
Central Auto Parts Warehouse, Inc.
E. S. Youse Company, Inc.
Fred Campbell Auto Supply Company
Hendrie & Bolthoff Company
H. M. Parker & Son
Jobber Service Warehouse (North Hollywood)
Jobber Service Warehouse (Riverside)
Kanebco, Inc.
L. J. Messer Company
Moore Bros. Company
Overseas, S. A.
Patten Sales Company
Phoenix Auto Supply and Mercantile Company
Standard Auto Parts Company
The Scheufler Supply Company, Inc.
Thomas S. Perry Company, Inc.
Warehousing Service, Inc.
Wonstop Automotive Warehouse Co.

American Parts Company, Inc.
Autoparts Finance Company, Inc.
Auto Precision Parts, Incorporated
Crampton Manufacturing Company
General Products Corporation
Glasgow Industries, Inc.
Guaranteed Parts Co., Inc.
The Klock Corporation
Mal Tool & Engineering Corporation
Michigan Plating and Stamping Company
Ocrum Corporation
P. Sorensen Manufacturing Co., Inc.
Rocket Jet Engineering Corp.
Unicord Incorporated
Unicord International, S. A.

GULF & WESTERN INDUSTRIES, INC.
2903 RICHMOND AVENUE
HOUSTON, TEXAS 77006

This report and the financial statements it contains are submitted for the general information of the shareholders of Gulf & Western Industries, Inc. and are not intended to induce, or to be used in connection with, any sale or purchase of securities. Additional copies of this report may be obtained upon request to the Public Relations Department of the company, P. O. Box 1147, Houston, Texas 77001.



GULF & WESTERN INDUSTRIES, INC.
HOUSTON / NEW YORK

