

**LTV**  
LING-TEMCO-VOUGHT, INC.

**BI**  
BRANIFF  
INTERNATIONAL

**Wilson**  
SPORTING GOODS CO.

**WAC**  
Wilson Pharmaceutical  
& Chemical Corporation

**OKONITE**

**JL**  
Jones & Laughlin Steel Corporation

**Wilson**  
CERTIFIED FOODS, INC.

LTV  
ELECTROSYSTEMS,  
INC.

**WILSON**  
**SINCLAIR**

LTV  
AEROSPACE  
CORPORATION

**WILSON**  
Wilson & Co., Inc.

**WILSON**  
**W**  
BEEF & LAMB  
COMPANY

LTV  
LING ALTEC, INC.

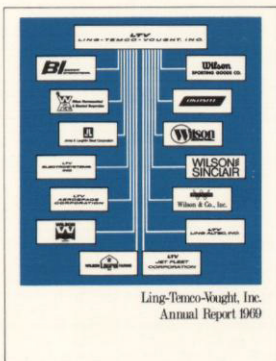
**WILSON** **Laurel** FARMS  
INC.

LTV  
JET FLEET  
CORPORATION

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Ling-Temco-Vought, Inc.  
Annual Report 1969

<i>Contents:</i>	1	Results in Brief
	2	Executives' Message
	6	Operating Review
	13	Six-Year Financial Summary
	14	Financial Review
	16	Consolidated Balance Sheet
	18	Consolidated Income Statement
	19	Income Statement (Unconsolidated)
	20	Balance Sheet (Unconsolidated)
	22	Statement of Capital Surplus and Retained Earnings
	23	Statement of Source and Use of Working Capital
	23	Notes
	28	Accountants' Report



*About the Cover:* In the past decade, Ling-Temco-Vought has emerged from a defense-oriented company into a highly visible, major, diversified corporation, which, in 1969, derived approximately 80 per cent of its sales from consumer-oriented markets. As depicted on the cover of the 1969 Annual Report, LTV at the year's end was comprised of 14 operating companies. With the exception of LTV Jet Fleet Corporation, all of these companies are publicly held. However, as announced earlier, Okonite is proposed to become a wholly owned subsidiary of LTV during 1970. In February, 1970, LTV sold its 75 per cent interest in Wilson Sporting Goods to PepsiCo, Inc.

1969 Annual Report  
Ling-Temco-Vought, Inc.

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## CONSOLIDATED RESULTS IN BRIEF

For the Year Ended December 31

	In Thousands	
	1969	1968
Net sales	\$3,750,264	\$2,769,737
Income before interest, taxes, minority interests and extraordinary items	121,273	114,602
Equity in earnings of unconsolidated subsidiaries	3,214	8,899
Income before extraordinary items	2,336	23,553
Extraordinary items	(40,630)	5,846
Net income (loss)	(38,294)	29,399
Earnings (loss) per share <sup>(1)</sup>		
Per common and common equivalent share		
Income (loss) before extraordinary items	(0.05)	3.88
Extraordinary items	(10.10)	1.13
Net income (loss)	(10.15)	5.01
Assuming full dilution		
Income (loss) before extraordinary items	(0.33)	2.82
Extraordinary items	(10.26)	0.61
Net income (loss)	(10.59)	3.43
Cash dividends paid per common share	1.33 $\frac{1}{3}$	1.33 $\frac{1}{3}$

<sup>(1)</sup> As defined in Notes 2 and 3 to Statement of Consolidated Income

*The annual meeting of shareholders of Ling-Temco-Vought, Inc., for 1970 will be held at 9:00 a.m., Monday, April 27, in the auditorium of the Republic National Bank Building in Dallas. All LTV shareholders are cordially invited to attend or be represented by proxy if unable to be present.*

## To Our Shareholders:

**W**e find it exceedingly difficult to adequately express to you—our shareholders—our very real disappointment in the consolidated financial results for the year 1969. We find it equally difficult to convey the frustrations we have experienced as a result of the events that have adversely affected the affairs of LTV the past year.

Discussing first the operating results for 1969, consolidated sales were a record \$3.75 billion, compared with \$2.77 billion for 1968. Consolidated income from operations, before interest, debt discount expense, taxes and minority interests, was at an all-time high of \$121.3 million, compared with \$114.6 million for 1968, but such charges to income reduced net operating income to \$2.3 million, compared with \$23.5 million on a like basis for 1968. Extraordinary charges to income, chiefly losses on sales of investments and unprofitable operations, plus a \$30 million reserve for possible losses on the anticipated sale of Braniff Airways and The Okonite Company, aggregated \$40.6 million. The net result after such extraordinary charges was a loss of \$38.3 million. Braniff and Okonite were selected for disposition to meet the terms of the consent decree recently negotiated with the Department of Justice.

On the basis of loss or income applicable to the common and common equivalent shares (common equivalent shares are the Class AA shares on a 1-for-1 basis, presently convertible at .95 for 1), this amounts to a loss of \$10.15 per share in 1969, on 4,020,000 average shares, compared with earnings of \$5.01 per share in 1968, on 5,193,000 average shares.

**I**n addition to the \$30 million reserve approved by the Board of Directors on March 11, we are considering augmentation of this \$30 million by up to an additional \$38 million (but not necessarily all of the \$38 million), resulting from the adjusted book profit realized on last month's sale of our approximate 75 per cent interest in Wilson Sporting Goods Co. If an amount equal to the total profit of \$38 million on the Wilson Sporting Goods sale is added to the initial reserve for possible losses on the anticipated sale of Braniff and Okonite, it would result in a total reserve of \$68 million. There is considerable latitude in the method and timing of the disposition of these assets and the ultimate loss, if any, cannot be determined at this time. Accordingly, the reserve may be restored to income as an extraordinary credit if its use is not required.

Moreover, because of temporary Jones & Laughlin Steel Corporation production problems, primarily related to the blast furnace operation at the Cleveland Plant and the break-in charges of the continuous caster at Aliquippa, there will be a substantial reduction in the anticipated profits of that subsidiary in the first quarter. This development at J&L Steel probably will result in a first quarter consolidated loss by LTV of several million dollars.

In view of this, and also in the interest of conserving working capital, future dividends on LTV common stock have been discontinued for an indefinite period. This action relative to common stock dividends will in no way affect dividends on the preferred stock or interest payments on the company's debentures and other outstanding debt.

Notwithstanding the now predictable first quarter consolidated operating loss, most of the subsidiaries are operating profitably.

The factors in 1969 that reversed the trend in our previously very gratifying earnings record were both operational and non-operational in nature. Among the non-operational factors were a general softening of the economy and the tightness of the money market, which resulted in sharply higher interest rates.

LTV Aerospace Corporation and Wilson Pharmaceutical & Chemical Corporation enjoyed substantial increases in net earnings in 1969 compared with 1968; however,

the earnings of J&L Steel, Braniff, Wilson & Co., Inc., and Wilson Sporting Goods (sold in February 1970 to PepsiCo) declined in varying degrees, and Okonite, LTV Electrosystems, Inc., and LTV Ling Altec, Inc., reported losses for the year.

Operationally, there were a number of special, unanticipated problems in certain subsidiaries, including the following:

- J&L Steel experienced two major wildcat strikes, resulting in increased costs and lost sales opportunities. Added to these problems were some unusually heavy break-in costs on new facilities.
- Braniff experienced substantial start-up costs resulting from new routes awarded during the year, including routes to Hawaii and between Texas and Florida. Lower than anticipated load factors brought about by the softening economy also contributed to Braniff's earnings decline.
- Okonite was affected by rising copper costs, which it could not fully recover in its wire and cable product selling prices. Above-average production costs and intense price competition in its soft floor-covering operations account for the disappointing performance of that division.
- LTV Electrosystems' costs on some fixed-price government contracts were higher than anticipated. This, and the establishment of reserves in connection with other contracts, resulted in a loss for the year.
- Ling Altec incurred operating losses due primarily to abnormal start-up production costs on new designs of computerized traffic control systems and on a government electronics design and production contract.

The most detrimental event of the past year was the filing of an antitrust suit by the Department of Justice against LTV, seeking the divestiture of J&L Steel. Settlement of the lawsuit—subject to approval by the Federal District Court in Pittsburgh—was announced March 6, 1970. Before outlining the terms of the settlement, a brief review of the circumstances leading up to it is in order.

On March 23, 1969, the Department of Justice announced its intention to file suit against LTV. This action came only six days after the exchange offer of Jones & Laughlin Industries (JLI) for all J&L Steel common stock not owned by LTV had become effective. It was our objective to acquire no less than 80 per cent of J&L Steel. We hoped to follow this action with the sale of JLI 6¾% Subordinated Debentures held by LTV for approximately \$100 million. The proceeds anticipated to be received from that sale would have completely retired that portion of LTV's outstanding bank debt incurred in the acquisition of J&L Steel.

With the actual filing of the suit on April 14, 1969, and the resultant market uncertainty, LTV determined that its ability to sell the JLI debentures at a reasonable price was no longer possible and, thus, we were unable to develop this potential cash resource of approximately \$100 million.

In light of these events, we had to re-evaluate LTV's then current operational plans and long-term prospects. Included in this re-evaluation was the antitrust suit itself. We endeavored to expedite the trial of this lawsuit, but were unsuccessful. There was no certainty as to when the trial would begin, and we were painfully aware of the inordinate length of time generally required to litigate such a suit. Additionally, we had to consider the factors of attendant expenses, increased demands on executive time, lost productivity, deteriorating employee morale, etc. Our best judgment, therefore, dictated that we should seek a settlement with the Department of Justice. This was accomplished and we feel that under the circumstances the settlement is in the best interests of LTV, and that it is workable.

*continued*

## To Our Shareholders *continued*

*The settlement provides, in essence, that:*

- (1) LTV must divest itself of both Braniff and Okonite—or in the alternative, J&L Steel—within three years. The settlement permits a number of alternative methods for accomplishing this disposition, subject in most cases to approval by the Government or the Court of the purchaser and terms. We have stated that we intend to dispose of Braniff and Okonite and we will seek out every reasonable alternative to be sure that these companies will be disposed of only on the most favorable basis possible.
- (2) LTV and its subsidiaries are prohibited for 10 years from acquiring any company with assets in excess of \$100 million without prior approval of the Department of Justice or the Court. However, should LTV sell J&L Steel within that 10-year period this limitation automatically terminates. Notwithstanding this limitation, we feel that there is considerable latitude for continued external growth and expansion of both LTV and its subsidiaries.
- (3) LTV, J&L Steel and their subsidiaries are prohibited from engaging in reciprocity for a period of 10 years. We would like to stress here, however, that LTV has long pursued a policy prohibiting reciprocity.
- (4) LTV is no longer to be subject to a previous prohibition, arising from the lawsuit, against representation on J&L Steel's Board of Directors. We will be serving on the steel company's board in the very near future. In this capacity, with the help and cooperation of the J&L Steel management team, it is our goal to improve the performance and growth prospects of that company.

Aside from the lawsuit, as we continued to grow during 1969, the operational problems that we encountered dictated the necessity for realigning some subsidiary management responsibilities in order to address ourselves more effectively to such problems. John L. Cockrill was elected president of Ling Altec, and John W. Dixon was elected president of Electrosystems during the past year. Both formerly were LTV corporate executives. It is our belief that these two companies (which reported losses for 1969) will be in a position to make a meaningful turn-around during the course of this year.

LTV is not simply a diversified company—but, more accurately, an association of companies, which also are diversified in varying degrees. LTV is a parent operating company, whose corporate structure is characterized by its majority ownership position in each LTV subsidiary, the principal ones of which, in turn, have minority public ownership.

Each LTV company is a separate publicly owned business. Each company is its own profit center; each is its own credit center, and its own motivational center. Each management team's financial future, stock options, and incentives are tied directly to its own operations.

In this context it is very important for the shareholders to carefully examine and understand the Unconsolidated Balance Sheet (on pages 20 and 21), since it shows LTV, the parent company, "standing alone," as it were, and therefore more accurately reflects the company's true financial condition. By contrast, the Consolidated Balance Sheet (on pages 16 and 17) shows LTV as if it had actually assumed all of the short-term and long-term debt of its subsidiaries. Although the accounting rules require such a consolidated statement, it should be clearly understood that even though LTV has a majority ownership position in its subsidiaries, it does not follow that LTV is directly liable for the debts of these subsidiaries; nor, by the same token, does LTV own all of the underlying assets.

As an example, in 1969 the parent company on an unconsolidated basis accounted

for only approximately half of the consolidated debt and debt service requirements. The parent company made interest payments of \$54.6 million while \$107.5 million was the total consolidated interest charge for the same period.

During 1968-69 LTV issued a substantial amount of long-term debt in the acquisition of Greatamerica Corporation and J&L Steel, most of which was at the now attractive rate of 5% and is not due until 1988. We have incurred debt through the years primarily for one purpose—to purchase diversified earning power. The company has ample assets and earning power and anticipates no problem in making interest or principal payments on its debts.

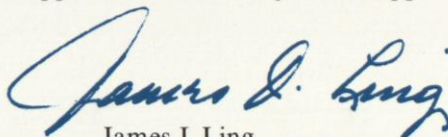
Among our primary objectives for 1970 are these:

- A. Restore all LTV companies to profitability.
- B. Reduce or completely retire all LTV bank debt.
- C. Reduce the company's other long-term debt.
- D. Achieve a positive cash flow position by the end of the first quarter of 1971.
- E. Work closely with the J&L Steel management to improve that company's diversification and earning power.
- F. Continue the cost reduction programs initiated last year by all LTV companies.

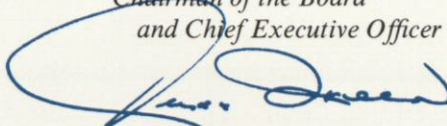
We are indeed indebted to the hundreds of you who have expressed loyalty, sympathy, and understanding to your management during the past year. We are also acutely aware of the substantial reduction in the market value of LTV securities during this period. Therefore, we are sympathetic to your sometimes critical, but generally constructive comments. In this connection, we seek your objective understanding of some of the fundamental economic facts of life, i.e., that major negative perturbations in the overall economy have their inescapable effect on operational results of certain companies engaged in businesses which are directly affected. In spite of management's efforts, these economic trends and general investor and market reaction thereto will assert themselves and will affect the value of your company's securities. On the other hand, management must report to you and be judged by you on the basis of its overall performance, not necessarily for one year, but rather on its "track record." Over the long term there can be no valid management excuses for unsatisfactory performance.

We are exerting every effort to effect a turnaround and return LTV to a profitable position this year. We are dedicated to this objective not only because it is our function and duty to be so dedicated, but also because your management shares with you a substantial stock ownership position in LTV, and our personal futures are directly related to the progress and earning power of this company.

We would like to express our appreciation to all who helped us during the year 1969—our employees, our customers, our suppliers and our many other supporters.



James J. Ling  
*Chairman of the Board  
and Chief Executive Officer*



Clyde Skeen  
*President*

March 20, 1970

# Subsidiary Operating Review

## LTV Aerospace Corporation

Listed on the American Stock Exchange. Symbol: LTA  
Year End Equity Ownership by LTV: 63%

### Operating Results:

	(in thousands)	
	1969	1968
Sales	\$ 714,001	\$ 527,652
Income Before Extraordinary Credit	17,006	14,976
Extraordinary Credit*	11,734	—
Net Income	28,740	14,976
LTV Equity in Net Income	18,331	10,557

\*Gain on sale of portion of investment in Computer Technology Inc. (net of applicable income taxes).

Increases of 35 per cent in sales and 14 per cent in net income (before an extraordinary credit of \$11.7 million) provided LTV Aerospace its most successful year.

In addition to making significant strides in continuing programs, the company's activities were highlighted by a variety of new business ventures, particularly in non-defense fields. LTV Education Systems, Inc., a subsidiary which began operations in January, 1969, achieved marked diversification with the acquisition of 15 business colleges, an education-related electronics company, a student-furniture manufacturer and a teen-age magazine.

#### New Subsidiaries Formed

LTV Aerospace expanded its aviation marketing scope and capabilities with the establishment in July of a new wholly owned subsidiary, Vought Helicopter, Inc. Through an agreement with Sud-Aviation of France, arrangements were completed to market Sud's *Alouette II* and *III* series of light helicopters in North America and establish a customer servicing organization.

In September, LTV Aerospace entered the outdoor recreation market through its purchase of land and facilities in the Mount Werner ski area near Steamboat Springs, Colorado. Under a newly formed subsidiary, LTV Recreation Development, Inc., the popular 2,500-acre ski area will be developed into a year-around family resort.

Also formed during the year was Kinetics International Division, to produce and market the *Kid*, a rugged, highly mobile, and versatile ground vehicle with wide commercial application.

LTV Aerospace's traditional aircraft, missile and space development and production programs continued at a high level during the year. In July, the U.S. Navy took delivery of its first A-7E *Corsair II* light attack aircraft. A similar version of this aircraft, the A-7D, now is in production for the U.S. Air Force. It is expected that the first Air Force wing scheduled to fly the A-7D will begin receiving its *Corsair IIs* in June.

#### Team Winner on S-3A

Vought Aeronautics Company, a division of LTV Aerospace, will build a major portion of the Navy's S-3A (VSX) anti-submarine warfare airplane. Vought teamed with the Lockheed California Company and won competitive bidding for the contract. It also completed remanufacture of 395 F-8 *Crusader* aircraft in 1969.

Production of major sections of the Boeing 747 and the McDonnell Douglas DC-10 continued on schedule.

#### Scout Observes Tenth Anniversary

The Synetics Company, a division formerly known as Missiles and Space Division, continued to maintain its highly successful *Scout* launch vehicle program. Observing its tenth anniversary in 1969, *Scout* is scheduled for another significant boost in performance through development of a larger first-stage rocket motor, the ALGOL III.

In missile activities, Synetics' Missiles and Space Division—Michigan brought the Army's *Lance* surface-to-surface missile nearer production with successful arctic environment tests and successful firings of extended-range versions of the system.

In the new products field, Synetics' Missiles and Space Division—Texas developed *Orbis III*, a unique traffic-monitoring device. It also provided a space radiator system for *Apollo* lunar astronauts, as well as the gold-plated helmet and visor assembly worn by America's men on the moon.

Kentron Hawaii, Ltd., a subsidiary, maintained its role as a major technical operations support contractor for the U.S. Government in the Pacific.

Another high-capability, technical and engineering firm, Service Technology Corporation, was re-purchased. The important NASA contractor had been a subsidiary of Computer Technology Inc. LTV Aerospace sold part of its interest in CT late in 1969.



## Jones & Laughlin Steel Corporation

Listed on the New York Stock Exchange. Symbol: JL

Year End Equity Ownership by LTV: 81%

### Operating Results:

	(in thousands)	
	1969	1968
Sales	\$1,056,064	\$1,016,011
Net Income	22,098	27,649
LTV Equity in Net Income	15,699	2,625*

\*From June 1, 1968

Sales of the newest of the LTV subsidiaries increased four per cent from the preceding year, establishing a record high. The increase was achieved despite a slight drop in shipments from 5,381,000 tons in 1968 to 5,366,000 tons in 1969.

The drop in earnings was attributable to the cumulative effects of internal steel shortages related primarily to labor problems, which caused extraordinary cost increases and lost sales opportunities in the second half of the year.

#### Unauthorized Work Stoppages

Third quarter production, for example, was seriously affected by an unauthorized 10-day work stoppage by open hearth employees at the Pittsburgh Works, which provides nearly one-third of J&L Steel's raw steel capacity. The Pittsburgh Works was also disrupted for several weeks following a shutdown caused by a four-day strike by railroad employees in November.

The extraordinary costs to the company resulting from the strikes included lost ingot production of more than 300,000 tons. In addition, J&L Steel had to purchase and convert at high cost an ingot equivalent of more than 100,000 tons and make abnormal inter-plant transfers of semi-finished steel in an effort to meet promises to customers.

Several other factors also affected earnings during the year. Among them: A three-month blast furnace relining project at the Cleveland Works; continuing break-in costs at the Hennepin Works; and break-in and training costs relating to the new continuous billet casting machine at the Aliquippa Works.

Although any forecasts must be tempered by the unsettled outlook for the economy, 1970 is expected to be a good year for steel demand. Imports have receded as a result of the increased

world demand for steel and the voluntary export arrangements. Technological improvements and new plant facilities have resulted in increased production capability. This expansion, which has been accompanied by the high break-in costs typical of the industry, should eventually be reflected in improved earnings.

#### Enters Modular Housing Field

J&L Steel continued throughout 1969 in its effort to upgrade its facilities and to develop new products and market areas. In August, for example, it joined with Donn Products, Inc., of Westlake, Ohio, to form Jal-Donn Modular Buildings, Inc. The new company has constructed a million-dollar plant in Medina, Ohio, to produce steel-framed modular housing.

Additional expenditures were made by J&L Steel during the year in an effort to meet its responsibilities in the area of controlling pollution. The company has now spent more than \$20 million over a four-year period on new equipment for air and water quality control.

## Braniff International

Listed on the New York Stock Exchange. Symbol: BNF

Year End Equity Ownership by LTV: 56%

### Operating Results:

	(in thousands)	
	1969	1968
Operating Revenues	\$ 325,648	\$ 294,059
Net Income	6,215	10,414
LTV Equity in Net Income	3,522	7,735*

\*From February 1, 1968

Operating revenues increased 11 per cent over the previous year, and, in passing the \$300 million mark for the first time, established an all-time high for Braniff.

The decline in net income occurred primarily as a result of high start-up expenses related to the company's new routes to Hawaii and between Texas and Florida. During the last quarter of the year, there was a greater than normal ratio of available seat miles to passenger revenue miles. Early results in 1970 have indicated a return to a more normal ratio.

*continued*

*New Route Awards*

Highlighting the year were the final awards of the Civil Aeronautics Board in several extremely important route cases.

As a result of the Transpacific case settlement, Braniff received routes between the Hawaiian Islands and the mainland points of Dallas/Fort Worth, Houston, Atlanta, New Orleans and Miami/Fort Lauderdale.

Route awards in the Southern Tier decision linked new destinations in the Southeast—Miami/Fort Lauderdale, Tampa/St. Petersburg/Clearwater and New Orleans—with Braniff's existing route systems in the Southwest, Midwest, Rocky Mountains, the Pacific Northwest and Hawaii.

Further route expansion was achieved in the Gulf States—Midwest Points case settlement which permitted Braniff to extend its service from Houston, Dallas/Fort Worth and Kansas City to Detroit. The addition of the Detroit market was of prime interest because of its potential traffic not only for Texas but also for Mexico, South America and Hawaii.

During the year, Braniff added new gateway cities to South America on the East, Gulf and West Coasts, making a total of seven—New York, Washington, D.C., Miami, New Orleans, Houston, Los Angeles and San Francisco.

*Conversion to All-Jet Service*

The year also marked Braniff's complete conversion to all-jet service. The addition of four long-range Boeing 707-138B fanjets, two additional 6,000-mile range DC-8-62s and 10 more Boeing 727-100 tri-jets brought the company's total fleet to 76 planes.

Braniff's passenger and cargo traffic on scheduled service in 1969 reached record levels. Revenue passenger miles totaled 3.9 billion, an increase of 9.8 per cent over 1968, and cargo ton miles reached 135 million, an increase of 23.6 per cent. Available seat miles were up 21.9 per cent to 8.6 billion.

Despite a slowdown in the economy, a return to a more substantial traffic growth rate is indicated from early results for 1970. This lends encouragement to the belief that for the total year Braniff will benefit from new revenue development over its expanded route system in combination with the higher fare level, which went into effect in the latter part of 1969, and a relatively stable level of capacity.

**Wilson & Co., Inc.**

*Listed on the American Stock Exchange. Symbol: WIL  
Year End Equity Ownership by LTV: 89%*

*Operating Results:*

	(in thousands)	
	1969	1968
Sales	<b>\$1,285,514</b>	\$1,024,567
Income Before		
Extraordinary Charges	<b>8,320</b>	10,084
Extraordinary Charges *	<b>(3,596)</b>	—
Net Income	<b>4,724</b>	10,084
LTV Equity in Net Income	<b>3,837</b>	8,220

*\*Loss of \$3,094,000 on sale of Brazilian subsidiaries plus expenses (\$502,000 net of taxes) in connection with reorganization.*

Redeployment into five separate and distinct companies was the most significant development in 1969 for Wilson & Co.

Completed in the early part of 1970, the redeployment resulted in public ownership being established in four of the companies, and the fifth continuing as a wholly owned subsidiary. The new companies are: *Wilson-Sinclair Co.*, and *Wilson Certified Foods, Inc.*, both of which are beef, veal, lamb and pork companies with headquarters in Chicago and Oklahoma City, respectively; *Wilson Beef & Lamb Co.*, a fresh beef and lamb company with headquarters in Denver; *Wilson Laurel Farms, Inc.*, a poultry growing and processing company with headquarters in Federalsburg, Maryland; and *Wilson Agri-Business Enterprises, Inc.*, a wholly owned land, livestock and agricultural equipment company headquartered in Oklahoma City.

*Advantages Cited*

As expressed by Roy V. Edwards, Wilson president and chief executive, the reorganization will provide increased flexibility for growth by decentralizing operating management, result in more intensified marketing efforts and increased control over operations, and enable the subsidiaries to provide better service to their customers.

Expansion of facilities, leading to increased production, continued throughout the year. By mid-year, Wilson had placed in operation its new hog abattoir and processing plant in Logansport, Indiana. Designed to handle a capacity of 1,040,000 hogs annually, the 248,000-square-foot plant was only one of several new facilities under construction or undergoing expansion. Production facilities were increased at Cedar Rapids, Iowa; Monmouth,

Illinois; and at Wilson's Briggs subsidiary in Landover, Maryland. The company's enlarged hog cutting facility at Omaha was completed in the fall, and custom fabricating of beef was extended at plants in Cedar Rapids, Oklahoma City and Omaha.

Expansion activity also included several acquisitions: Caroline Foods, a fully integrated poultry growing and processing business located in the Delmarva and North Carolina areas; a lamb abattoir in San Angelo, Texas; and Fischer Packing Company, an automated pork and beef processing facility in Louisville, Kentucky.

Sales for the year were up 25 per cent over 1968, itself a record sales year. However, net income declined, due in part to two extraordinary non-recurring charges: A \$3 million loss in the disposition of the Brazilian operations; and costs associated with the redeployment of the company into smaller, more efficient operating units, including the establishment of headquarters' offices at new locations.

#### *Brazilian Operations Closed*

After operating in Brazil for more than 50 years, Wilson, in 1969, disposed of its Brazilian operations, which consisted of two processing plants, nine sales branches and four cattle ranches. The primary reason was the Brazilian government's direct intervention, participation and competition in the livestock and meat industry. As a result, profitable operations became impossible. Operating losses from the Brazilian operations disposed of were \$1,467,000 in 1969 and \$537,000 in 1968.

Despite an apparent softening in the nation's economy, management's outlook for this year remains optimistic.

## **Wilson Pharmaceutical & Chemical Corporation**

*Listed on the American Stock Exchange. Symbol: WCC  
Year End Equity Ownership by LTV: 75%*

### *Operating Results:*

	(in thousands)	
	1969	1968
Sales	\$ 48,042	\$ 41,966
Net Income	1,793	1,513
LTV Equity in Net Income	1,380	1,169

Wilson Pharmaceutical & Chemical Corporation experienced an outstanding year in 1969, recording

a sales increase of 14 per cent and an earnings increase of some 18 per cent, all resulting from internal growth.

Equally important, however, to the company's growth prospects in the 1970's was greater penetration of existing diversified markets and expansion via acquisition into important new growth areas in the medical health care field.

Particularly gratifying to management was the manner in which the company's internal development conformed to planned guidelines for concentrating financial and technological resources in areas with the most promising potential. These include pharmaceuticals and other medical health care products, convenience foods, cosmetics, plastics and textiles. Each is a potent, expanding specialty market where WPCC's technical skills can be expected to command profitable recognition.

#### *Increase in Capacity Projected*

Stronger sales were reported by WPCC in 1969 for pharmaceutical products such as *Heparin*, the widely prescribed anti-coagulant drug, and specialty chemicals used in cosmetics, plastics and textiles. The company has projected a 50 per cent increase in its pharmaceutical capacity, primarily as a result of capital improvements that will be completed as part of a three-year, overall \$6.5 million program started in 1969.

The acquisition of Colab Laboratories, Inc., in December, 1969, placed WPCC into a new role in the medical health care field. Within the broad spectrum of health care products, few areas are emerging as rapidly as simplified diagnostic tests and other disposable aids of the type offered by Colab to relieve burdened hospitals, doctors and clinics in their efforts to insure proper medical care.

#### *Research and Development Expanded*

Research and development was expanded in all areas of the company in 1969, especially in medical diagnostic procedures. The Wilson Laboratories Division started incorporation of previously developed technology into a series of radioimmunoassay test procedures, reagents and disposable test kits that should make it possible for medical laboratories to achieve direct, specific measurements of trace amounts of hormones in blood serum. Based on novel technology, such tests open entirely new avenues of diagnosis for medical laboratories and are expected to be valuable in the study and early detection of kidney malfunction, bone disorders,

*continued*

## Operating Review *continued*

abnormal metabolism and growth, and other health problems.

WPCC's research and development progress in medical diagnostics, in specialty proteins, gelatin, and polyester resins, is opening the doors to substantial new markets in which the company's abilities should produce progressively greater rewards and opportunities.

### Wilson Sporting Goods Co.

*Listed on the American Stock Exchange. Symbol: WSG  
Year End Equity Ownership by LTV: 75%*

#### Operating Results:

	(in thousands)	
	1969	1968
Sales	\$ 104,899	\$ 100,819
Net Income	3,024	4,379
LTV Equity in Net Income	2,252	3,273

In February of 1970, LTV sold to PepsiCo, Inc., its 75 per cent interest in Wilson Sporting Goods for \$63 million. The company's operating activities are included in this report since it operated as a subsidiary of LTV during all of 1969.

Expansion of facilities dominated operational activities at Wilson Sporting Goods during 1969. Overseas, the company completed a major addition to its plant in Irvine, Scotland, which is operated by Wilson Sporting Goods Co., Ltd., a wholly owned subsidiary. The addition is expected to significantly expand the potential of that golf and tennis equipment producing facility. Earlier in the year, Wilson Sporting Goods Co., Ltd., became the first golf equipment manufacturer in history to receive the "Queen's Award to Industry" in recognition of its outstanding export achievement.

An expansion program to more than double the size of Wilson's tennis racket facility in Cortland, New York, was begun in the early fall. Wilson's T-2000 steel racket and a number of the company's wood rackets are produced at Cortland.

#### *Enters Canadian Market*

In November, ground was broken for a new golf manufacturing plant in Belleville, Ontario, marking the company's first entry into the Canadian market.

Other expansion activities during the year included moving the sales divisions in Des Moines and Atlanta into new, larger and more efficient office and warehouse buildings. At Clearfield, Utah, the company occupied enlarged warehouse facilities,

and in Honolulu, the company opened its first warehouse facility.

At River Grove, Illinois, Wilson's management staff moved into new quarters at the expanded headquarters facilities.

### The Okonite Company

*Listed on the American Stock Exchange. Symbol: OKO \*  
Year End Equity Ownership by LTV: 86%*

#### Operating Results:

	(in thousands)	
	1969	1968
Sales	\$ 204,125	\$ 190,948
Net Income (Loss)	(810)	6,548
LTV Equity in Net Income (Loss) After Preferred Dividends	(879)	5,538

*\*Okonite is proposed to become a wholly owned LTV subsidiary during 1970.*

Despite a seven per cent increase in sales for the year, overcapacity and low profit margins in both the wire and cable and the soft floor-covering industries continued to exert pressure on earnings.

The market conditions within both industries during the past year were characterized as the most fiercely competitive ever experienced.

Wire and Cable Division operations were hampered by a continuance of rising copper costs which could not be fully recovered in product selling prices. The division has been in the forefront of the industry in attempting to establish prices for its products that adequately take into account the blended price of copper conductor metal.

A blended copper price is a weighted average of what is paid for domestic producer metal and for the higher priced copper available from dealers. Because of the shortage of producer copper during the year, Okonite and other non-integrated companies within the wire and cable industry have been forced to purchase large amounts of the metal at the premium prices prevailing on the open market. The seriousness of the situation is reflected by the announced intent of the Government to study the copper industry and its pricing structure.

#### *New Distribution Program Implemented*

In the face of these conditions, the division has adopted a sales policy under which it will accept only that business on which it can make a reasonable profit and maintain its quality and service standards. A new distribution program imple-

mented during the year has enabled the division to widen its supply capability and to provide excellent services to established and new customers as well.

In addition to overcapacity, inventory adjustments and above average production costs depressed results of the Soft Floor-Covering Division of the company. High level production was accompanied by a slow-down in housing starts which affected demand. In addition, the home decorating economy as a whole was adversely affected by the Government's anti-inflationary program geared to redirect discretionary spending by customers.

In January of 1970 Okonite acquired all of the assets of Prolan Carpet Corp., a tufted carpet manufacturer with a facility in Dalton, Georgia. The move provides a desirable product mix for the division that should enhance its competitive position in the market.

### LTV Ling Altec, Inc.

Listed on the American Stock Exchange. Symbol: LTL  
Year End Equity Ownership by LTV: 73%

#### Operating Results:

	(in thousands)	
	1969	1968
Sales	\$ 156,659	\$ 158,474
Income (Loss) Before Extraordinary Charges	(322)	1,979
Extraordinary Charges*	(2,849)	283
Net Income (Loss)	(3,171)	2,262
LTV Equity in Net Income (Loss)	(2,817)	1,139

\*In 1969, loss on sale of interests in subsidiaries and division; in 1968, gain on retirement of debt.

LTV Ling Altec's stated objective to rebuild and restructure its organization and operations was reflected in virtually every phase of its activities in 1969. The company sought to simplify its corporate structure, increase efficiency in all of its operations, limit its marketing expansion to selected areas, and strengthen its product base through research and development.

The Altec Lansing Division introduced several new or improved products, with the major thrust directed toward sound systems and the new line of intercommunications equipment tailored for offices, schools, dormitories, apartments, and the medical field—hospitals, clinics and nursing homes.

### Allied Radio Expansion

Allied Radio Corporation, a wholly owned subsidiary and an established leader in consumer and industrial electronics sales, continued its rapid expansion into new retail markets, penetrating the Southwest for the first time with four new stores in the Dallas/Fort Worth area. There are now 39 Allied stores as compared with 20 at the outset of 1969.

The Econolite Division of Tamar Electronics, a subsidiary, was transformed from essentially a manufacturer of traffic signal light heads and regional distributor of another manufacturer's products into a producer and national marketer of a completely new computerized traffic signal equipment line of its own design.

Expenditures for research, development and engineering continued at a high level during the year and in all likelihood will steadily increase over the next several years.

John L. Cockrill, who became president and chief executive in February, had stated the year was to be essentially one "of analysis and realignment." At the year's end, he said, "The realignment is substantially completed, and I believe we have a realistic approach to our potential in the fields of selected growth."

### LTV Electrosystems, Inc.

Listed on the American Stock Exchange. Symbol: LTE  
Year End Equity Ownership by LTV: 69%

#### Operating Results:

	(in thousands)	
	1969	1968
Sales*	\$ 203,470	\$ 194,688
Income (Loss) Before Extraordinary Charges	( 3,436)	3,344
Extraordinary (Charge) Gain**	( 632)	295
Net Income (Loss)	( 4,068)	3,639
LTV Equity in Net Income (Loss)	( 2,824)	2,557

\*Excludes sales of discontinued operations (\$8,747,000 in 1969—\$14,253,000 in 1968).

\*\*In 1969, principally loss on sale of discontinued operations; in 1968, gain on retirement of debt.

New management at LTV Electrosystems sought overall improvement in its operations during 1969, with particular attention given to regaining sched-

continued

ules in problem areas. The company also focused upon new market areas and an improvement in its ratio of commercial to defense business.

Despite these improvements, however, the company recorded a loss from continuing operations of \$2.9 million, a loss from discontinued operations of \$548,000 and an extraordinary loss of \$632,000, principally from the sale of substantially all of the assets of Continental Electronics Manufacturing Co.

The primary factor adversely affecting the company's 1969 performance was a charge against earnings of approximately \$5 million before taxes to establish a reserve against contract claims presently in litigation. Additionally, costs on some fixed-price government contracts were higher than anticipated.

#### *Divisional Activities*

The Greenville Division continued to operate in security-sensitive areas which can be referred to only as reconnaissance and surveillance. With one exception—the command and control program—current contracts are described as being in excellent shape, relative to quality, schedules and costs.

The Garland Division during the year met all objectives in its major market areas.

The Memcor Division reached full production on its VRC-12 tactical radios for the U.S. Army.

Three new non-defense areas of business were penetrated by Electrosystems in 1969. These included an automated mail-handling system; entry into the field of earth resources aircraft; and establishment of a commercial aircraft modification and maintenance division.

Although not announced until this year, Electrosystems in 1969 designed and developed its first aircraft. Capable of flying manned or unmanned missions above 45,000 feet for more than 24 hours, the prototype L450F is currently undergoing a comprehensive flight evaluation program.

John Dixon, who was elected president and chief executive in May, 1969, has instituted corrective action designed to turn Electrosystems around and make it a profitable enterprise.

### **Research and Development**

With the emergence of ecology—the relationship between an environment and its life forms—as a principal concern of Government and business in 1969, the LTV Research Center directed a significant portion of its attention to increasingly relevant

and serious environmental problems.

Recognizing that the earth is a finite resource and that solid, liquid and gaseous pollution threatens man's very existence, the LTV Research Center acquired background and initiated programs in three important areas: remote sensing and analysis of water and air pollution; water treatment and purification; and metal recovery from low grade ores, tailings, and scrap automobiles. Programs to develop advanced methods of analyzing noise pollution on highways, at airports, and in industrial environments also were started.

As in previous years, however, the LTV Research Center's foremost contribution to the company's growth potential was its basic scientific inquiry in the broad technical areas of aerophysics, electronic sciences, materials, nuclear sciences and space physics, electroacoustics, applied mechanics, telecommunications, and the oceanic sciences.

#### *Innovative Studies*

Fundamental research and development programs in these areas are designed to interface with the larger, more applied programs of LTV subsidiary companies. The combined expenditures for both types of R&D (all company-sponsored technical expenditures) reached \$29,090,000 in 1969, an increase of 10 per cent over 1968.

A reputation for innovative studies in the areas of radiation and meteoroid detection earned the LTV Research Center a contract to design and construct a satellite scheduled to be launched by NASA to gather information concerning potentially hazardous conditions in space.

Molokai, one of the Hawaiian Islands, is the site of a new field laboratory established by the Hawaiian Division. Molokai has cliffs overlooking a vast expanse of deep ocean and provides a strategic location for oceanographic experiments.

### **LTV Jet Fleet Corporation**

Formation of LTV Jet Fleet Corporation, a new wholly owned subsidiary of LTV, was announced in December.

The decision to incorporate the company's jet aircraft fleet is expected to provide LTV with a more efficient jet transport operation. For some time the company has been operating a substantial corporate business jet fleet, flying in excess of three million miles each year in support of corporate and subsidiary operations.

# SIX-YEAR FINANCIAL SUMMARY — LING-TEMCO-VOUGHT, INC. AND CONSOLIDATED SUBSIDIARIES

(Dollar Amounts in Thousands)

OPERATING RESULTS	1969	1968	1967	1966	1965	1964
Sales						
As originally reported	\$3,750,264	\$2,769,737	\$1,833,259	\$ 468,251	\$ 336,206	\$ 322,859
From poolings of interests	—	—	38,275	1,162,200	967,928	908,867
As restated	3,750,264	2,769,737	1,871,534	1,630,451	1,304,134	1,231,726
Net income (loss)						
As originally reported	(38,294) <sup>(4)</sup>	36,332	34,003	13,683	5,984	4,904
From poolings of interests	—	—	(104)	10,852	5,243	5,365
Restatement to recognize debt discount	—	(6,933)	(689)	—	—	—
As restated	(38,294) <sup>(4)</sup>	29,399 <sup>(5)</sup>	32,210	24,535	11,227	10,269
Net income (loss) per common share <sup>(1)(2)(3)</sup>	(10.15)	5.01	6.85	4.22	1.32	0.91
Assuming full dilution <sup>(1)(2)(3)</sup>	(10.59)	3.43	5.37	3.98	1.24	0.88
Dividends paid						
To Preferred shareholders	2,524	3,742	3,260	1,147	1,001	602
To Class AA shareholders	1,620 <sup>(6)</sup>	3,864 <sup>(6)</sup>	—	—	—	—
To Common shareholders	2,945	5,607	4,537	3,447	912	1,185
Per share of common stock <sup>(1)</sup>	1.33⅓	1.33⅓	1.16⅔	.66⅔	.33⅓	.33⅓
FINANCIAL POSITION — at year end	1969	1968	1967	1966	1965	1964
				(As originally reported)		
Working capital	\$ 441,950	\$ 355,549	\$ 265,720	\$ 73,986	\$ 21,616	\$ 35,507
Ratio of current assets to current liabilities	1.53	1.43	1.80	1.59	1.17	1.62
Property, plant and equipment — net	1,047,042	987,702	179,389	54,547	44,582	20,127
Total assets	2,944,336	2,773,200	845,113	298,418	202,384	126,968
Short-term notes payable to banks	358,394	413,970	160,938	47,640	57,000	21,700
Long-term debt	1,500,972	1,236,693	202,586	95,773	40,274	37,012
Shareholders' equity	268,174	288,567	245,049	58,906	30,534	28,562
OTHER INFORMATION	1969	1968	1967	1966	1965	1964
				(As originally reported)		
Total employment — at year-end	120,582	114,579	60,316	26,158	20,670	16,513
Expenditures for property, plant and equipment	138,742	113,738	39,634	17,018	6,800	4,292
Company funded research and engineering expenditures	29,090	26,382	20,435	16,136	13,198	12,822
Common, Class AA and Preferred shareholders	28,521	25,002	24,519	16,368	15,422	19,923
Shares outstanding at year-end						
Common	2,423,759	2,071,753	4,669,276	2,904,132	2,646,915	2,774,973
Class AA	1,653,687	1,723,169	—	—	—	—
Preferred	504,437	512,054	1,098,841	434,107	344,991	416,824

(1) 1967 and prior years adjusted to give effect to 3-for-2 stock split in 1967.

(2) As restated for poolings of interests and amortization of debt discount.

(3) As defined in Notes 2 and 3 to Statement of Consolidated Income.

(4) Includes extraordinary charges aggregating \$40,630,000, equal to \$10.10 per common and common equivalent share and, assuming full dilution, to \$10.26 per share.

(5) Includes extraordinary gains of \$5,846,000, equal to \$1.13 per common and common equivalent share and, assuming full dilution, to \$0.61 per share.

(6) Market value of shares of Special Stock Class AA issued as stock dividends (48,165 shares on December 30, 1969; 50,189 shares on December 30, 1968).

## 1969 Financial Review

### Sales

Consolidated sales increased to a new high in 1969 of \$3,750,264,000, an increase of 35% over 1968 sales of \$2,769,737,000. Two main factors account for this growth. First, J&L Steel sales for 1969 of \$1,056,064,000 are included for the full year, as compared with \$536,034,000 for 1968, representing only the last seven months of the year following acquisition by LTV. Second, due mostly to internal growth, sales of other subsidiary companies increased to \$2,694,200,000 as compared with 1968 sales of \$2,233,703,000.

Excluded from the consolidated sales figures are those of Braniff Airways whose revenues for the full year 1969 amounted to \$325,648,000, up 11% from 1968 revenues of \$294,059,000.

LTV's diversification is illustrated in the following table showing the percentage distribution of 1969 sales and revenues by company, including Braniff, and major product areas of each:

COMPANY	MAJOR PRODUCT AREAS	%
<i>Wilson &amp; Co.</i>	<i>Meat and Food</i>	31
<i>J&amp;L Steel</i>	<i>Steel and Ferrous Metal Products</i>	26
<i>LTV Aerospace</i>	<i>Aircraft, Missiles and Space</i>	17
<i>Braniff Airways</i>	<i>Air Transportation</i>	8
<i>LTV Electrosystems</i>	<i>Military Electronics</i>	5
<i>The Okonite Company</i>	<i>Wire and Cable and Floor Covering</i>	5
<i>LTV Ling Altec</i>	<i>Consumer and Commercial Electronics</i>	4
<i>Wilson Sporting Goods</i>	<i>Recreation and Athletics</i>	3
<i>Wilson Pharmaceutical &amp; Chemical Corporation</i>	<i>Pharmaceuticals and Chemicals</i>	1
		100%

Although government business accounted for a smaller percentage of the total than in the prior year, it increased in total amount from \$664,000,000 in 1968 to \$844,000,000 in 1969. The current year sales were distributed among the various Government agencies as follows:

	AMOUNT (In millions)	%
<i>Navy</i>	\$ 413	49
<i>Air Force</i>	247	29
<i>Army</i>	93	11
<i>NASA</i>	51	6
<i>Other</i>	40	5
<i>Total Government</i>	\$ 844	100%

### Earnings

Consolidated net income for 1969, after taxes and minority interests in the earnings of subsidiaries, amounted to \$2,336,000, before extraordinary charges of \$40,630,000 resulting from sale of investments and provision for possible loss on sale of investments. Including the extraordinary charges, the consolidated net result was a loss of \$38,294,000. Consolidated net income for 1968, before extraordinary gains of \$5,846,000 from sale of property and retirement of debt, amounted to \$23,553,000; including the extraordinary gains, consolidated net income was \$29,399,000. LTV's equity interest in the earnings of Braniff Airways and other non-consolidated subsidiaries are included in consolidated net income.

The 1968 earnings figures are restated from amounts previously reported to reflect a new accounting requirement for the amortization of discount relating to debt issued with warrants (Opinion 14 of the Accounting Principles Board of the American Institute of Certified Public Accountants, issued in March 1969). This new requirement decreased previously reported 1968 consolidated income by \$6,933,000, of which \$4,159,000 was for amortization of debt discount and \$2,774,000 a reduction in the extraordinary gain on retirement of debt. In 1969, the reduction in consolidated net income for discount amortization was \$6,807,000.

Net loss per common share for 1969 was \$0.05 before extraordinary charges and \$10.15 including such extraordinary charges. This compares with 1968 restated earnings of \$3.88 excluding extraordinary gains and \$5.01 including extraordinary items. These per share figures are based on the average number of common shares outstanding during the year, including common equivalent shares. For these computations, the Special Stock, Class AA, is included as a common equivalent share on a one-for-one basis, even though the conversion ratio in existence at December 31, 1969, was only .95 shares of common for each share of Special Stock, Class AA.

### Dividends

Quarterly cash dividends of 33⅓¢ per share of common stock were paid in 1969 for a total of \$1.33⅓, the same as in 1968. Regular quarterly dividends of \$1.25 per share were paid to holders of the \$5 Series A Preferred Stock and a 3% stock dividend was paid in December, 1969, to holders of the Special Stock, Class



AA. Approximately 50,000 shares of Special Stock, Class AA were issued as a result of this stock dividend.

### **Working Capital**

Consolidated working capital amounted to \$441,950,000 at December 31, 1969, compared with \$355,549,000 at the end of the prior year. The significant items which accounted for this change are set forth in the Statement of Source and Use of Working Capital appearing on page 23.

### **Property, Plant and Equipment**

The consolidated book value of property, plant and equipment amounted to \$1,047,042,000 as of December 31, 1969, compared with \$987,702,000 at the end of 1968. Expenditures for new facilities and equipment during 1969 were \$138,742,000. Depreciation and amortization for the year was \$79,172,000.

### **Short- and Long-Term Debt**

Short-term bank debt of the LTV parent company amounted to only \$135,000 at December 31, 1969, compared with \$201,363,000 at the end of 1968. This decrease was accomplished by a \$90 million cash payment from proceeds of the sale of certain investments, together with a refinancing of \$110 million whereby the maturities were extended to 1971.

Long-term debt of the parent company totaled \$865,653,000 at the end of 1969 (including \$113,040,000 payable to subsidiaries), compared with \$748,184,000 (including \$76,041,000 payable to a subsidiary) a year earlier.

Total short-term and long-term debt of the parent company decreased \$61,456,000 in 1969, primarily from the proceeds of investments sold.

On a consolidated basis, total short-term debt amounted to \$358,394,000, down from \$413,970,000 a year earlier; long-term debt, excluding current portion, increased \$264,099,000; and total short- and long-term debt increased \$233,596,000. This latter amount includes \$124,041,000 of 6¾% Subordinated Debentures issued by Jones & Laughlin Industries during the year in the acquisition of the additional 18.4% equity in J&L Steel.

### **Shareholders' Equity**

Shareholders' equity amounted to \$268,174,000 at December 31, 1969, as compared with \$288,567,000 at the end of 1968, a decrease of \$20,393,000. The 1968 equity figure is restated from the amount previously

reported to reflect the new accounting requirement that in the issue of debt securities with detachable stock purchase warrants, the portion which is allocable to the warrants should be accounted for as paid-in capital. (Opinion 14 of the Accounting Principles Board of the American Institute of Certified Public Accountants, issued in March 1969.) Under the same requirement, the resultant discount on the debt issued is recorded as debt discount and amortized over the life of the related debt. The net increase in shareholders' equity at December 31, 1968, as a result of this new requirement, after deducting amortization of discount (net of taxes) applicable to 1968 and prior years, amounted to \$113,114,000.

The significant items which account for the decrease of \$20,393,000 in shareholders' equity in 1969 are set forth in the Statement of Capital Surplus and Retained Earnings appearing on page 22.

Common shares outstanding at the end of 1969 numbered 2,423,759, compared with 2,071,753 at the end of 1968. Such increase includes 182,083 shares issued in the acquisition of the minority interest in Jones & Laughlin Industries during the year. Shares of Special Stock, Class AA, totaled 1,653,687 at December 31, 1969, down from 1,723,169 shares outstanding a year earlier.

### **Investments in Subsidiaries**

The major changes in the investments of the parent company in subsidiaries in 1969 were the sale of 2,000,000 shares of Braniff Airways which reduced LTV's ownership from 66% to 55%; the sale of LTV's remaining direct ownership in Computer Technology Inc.; and the sale of LTV's minority holdings in National Car Rental System, Inc. The proceeds from these sales were used principally to prepay short-term bank loans.

A wholly owned subsidiary, Jones & Laughlin Industries, which acquired LTV's 63% ownership in J&L Steel in February, 1969, increased its equity in J&L Steel to 81.4% by an exchange offer in April and May, 1969, in which JLI issued \$124,041,000 of 6¾% subordinated debentures and warrants to purchase JLI common stock (subsequently converted to warrants to purchase LTV common stock).

LTV Aerospace Corporation sold one-half of its 71% interest in Computer Technology Inc. at the close of December, 1969.

In February, 1970, LTV sold its 75% interest in Wilson Sporting Goods Co.

# CONSOLIDATED BALANCE SHEET

LING-TEMCO-VOUGHT, INC. AND SUBSIDIARIES

December 31, 1969, and December 31, 1968

## ASSETS

	In Thousands	
	1969	1968
<b>CURRENT ASSETS</b>		(Note M)
Cash and temporary investments — Note C .....	\$ 185,624	\$ 161,129
Notes and accounts receivable, less allowances (1969 — \$3,857,000; 1968 — \$3,593,000) for doubtful receivables .....	487,116	419,632
Refundable federal income taxes — Note I .....	21,722	23,766
Unreimbursed costs and fees under cost-plus-fee contracts .....	33,089	32,880
Inventories— Note J		
Products .....	260,260	245,243
Fixed price contracts, etc. in process .....	372,918	322,109
Materials, purchased parts and supplies .....	188,827	162,915
	<u>822,005</u>	<u>730,267</u>
Less progress payments received .....	299,884	224,350
	<u>522,121</u>	<u>505,917</u>
Accumulated income tax prepayments .....	—	11,456
Prepaid expenses .....	26,790	24,623
<b>Total Current Assets</b> .....	<u>1,276,462</u>	<u>1,179,403</u>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments in and advances to unconsolidated subsidiaries — Notes A, B, C, and M .....	242,768	279,159
Notes and accounts receivable, and other investments, less allowances (1969 — \$250,000; 1968 — \$1,629,000) for doubtful receivables .....	120,968	100,809
Due from directors .....	3,114	1,862
Estimated future income tax benefits — Note I .....	22,130	—
Excess of cost over net assets of subsidiaries and businesses acquired — Note K .....	31,659	51,034
Patents, trademarks and distributor network — Note K .....	8,352	8,831
Unamortized debt discount and expense — Notes K and M .....	191,841	164,400
<b>Total Investments and Other Assets</b> .....	<u>620,832</u>	<u>606,095</u>
<b>PROPERTY, PLANT, AND EQUIPMENT — at cost — Note K</b>		
Land and land improvements .....	65,066	62,776
Plants and equipment .....	2,038,358	1,932,695
	<u>2,103,424</u>	<u>1,995,471</u>
Less allowances for depreciation .....	1,056,382	1,007,769
<b>Total Properties — Net</b> .....	<u>1,047,042</u>	<u>987,702</u>
	<u>\$2,944,336</u>	<u>\$2,773,200</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	In Thousands	
	1969	1968
		(Note M)
<b>CURRENT LIABILITIES</b>		
Notes payable (principally to banks) — Note C .....	\$ 358,394	\$ 413,970
Accounts payable .....	221,630	181,435
Accrued compensation, taxes, interest, etc. ....	183,712	155,073
Production payments .....	15,307	43,702
Dividends payable .....	728	1,249
Federal, state and foreign income taxes .....	23,833	22,590
Current portion of long-term debt — Note C .....	30,908	5,835
<b>Total Current Liabilities</b> .....	834,512	823,854
 <b>LONG-TERM DEBT — Note C</b>	 1,500,792	 1,236,693
 <b>RESERVES AND DEFERRALS</b>		
Reserve for loss on sale of investments — Note A .....	30,000	—
Federal income taxes .....	21,435	31,141
Employee compensation and benefits .....	21,681	22,300
Production payments .....	28,600	—
Other deferrals .....	4,723	5,210
<b>Total Reserves and Deferrals</b> .....	106,439	58,651
 <b>MINORITY INTERESTS IN SUBSIDIARIES</b> .....	 234,419	 365,435
 <b>SHAREHOLDERS' EQUITY — Notes A, C, D, E, F and M</b>		
\$5 Series A cumulative convertible preferred stock, par value \$5 (liquidating preference \$50,864,000 at December 31, 1969) .....	2,522	2,560
Special Stock, Class AA accumulating convertible, par value \$0.50 .....	827	862
Common stock, par value \$0.50 .....	1,212	1,036
Capital surplus .....	234,150	202,140
Retained earnings .....	29,463	81,969
<b>Total Shareholders' Equity</b> .....	268,174	288,567
 <b>CONTINGENCIES AND COMMITMENTS — Notes C and G</b>		
	\$2,944,336	\$2,773,200

See notes to financial statements.

# STATEMENT OF CONSOLIDATED INCOME

LING-TEMCO-VOUGHT, INC. AND SUBSIDIARIES

Years Ended December 31, 1969, and December 31, 1968

	In Thousands	
	1969	1968 <sup>(1)</sup>
Net sales .....	\$3,750,264	\$2,769,737
Other income .....	17,508	10,763
	<u>3,767,772</u>	<u>2,780,500</u>
Costs and expenses:		
Cost of products sold .....	3,380,190	2,450,332
Selling, administrative and general expenses .....	266,309	215,566
Interest and debt discount .....	122,642	76,406
	<u>3,769,141</u>	<u>2,742,304</u>
	(1,369)	38,196
Federal, state and foreign income taxes (credit) — Note I .....	(15,227)	9,710
	<u>13,858</u>	<u>28,486</u>
Equity in earnings of unconsolidated subsidiaries — Notes A and B .....	3,214	8,899
Minority interest in income of subsidiaries .....	(14,736)	(13,832)
Income Before Extraordinary Items .....	<u>2,336</u>	<u>23,553</u>
Extraordinary items — Note L .....	(40,630)	5,846
Net Income (Loss) .....	<u>\$ (38,294)</u>	<u>\$ 29,399</u>
Earnings (loss) per common and common equivalent share <sup>(2)</sup> :		
Income (loss) before extraordinary items .....	\$ (0.05)	\$ 3.88
Extraordinary items .....	(10.10)	1.13
Net income (loss) .....	<u>(10.15)</u>	<u>5.01</u>
Earnings (loss) per common share — assuming full dilution <sup>(3)</sup> :		
Income (loss) before extraordinary items .....	(0.33)	2.82
Extraordinary items .....	(10.26)	0.61
Net income (loss) .....	<u>(10.59)</u>	<u>3.43</u>

(1) 1968 amounts have been restated to recognize debt discount. See Note M.

(2) Earnings per common share are based on average number of common shares outstanding during each year, assuming conversion of 5¼% subordinated debentures (retired in 1968), \$3 Series B preferred stock (retired in 1968), and Special Stock, Class AA, all of which are considered common stock equivalents. Options and warrants issued prior to June 1, 1969, have been excluded from common equivalent shares, which is consistent with previously issued financial statements. For this computation, the Special Stock has been converted into common stock at the ratio of 1 to 1, and net income has been adjusted for the dividend requirements of \$5 Series A preferred stock, and for the reduction of interest expense, less tax effect, applicable to the 5¼% convertible debentures.

(3) Fully diluted per share results for 1969 have been determined after recognition of potential dilution to per share earnings of subsidiaries. No further adjustments for 1969 were required because of anti-dilutive effects. Fully diluted earnings per share for 1968 were computed after further assuming conversion of \$5 Series A preferred shares, conversion or exercise of dilutive debentures, warrants, and options and after giving effect to Special Stock conversion ratios and the cumulative effect of stock dividends to be paid on such stock for the succeeding ten years. Adjustments were made for reduction of interest and debt discount expense, net of income taxes, on debentures assumed to have been converted or tendered in lieu of cash in the exercise of warrants and for dividends on preferred stock.

See notes to financial statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	In Thousands	
	1969	1968
		(Note M)
<b>CURRENT LIABILITIES</b>		
Notes payable to banks — Note C .....	\$ 135	\$ 201,363
Accounts payable .....	1,702	9,065
Payable to subsidiaries .....	13,617	3,742
Accrued compensation, taxes, interest, etc. ....	17,268	20,897
Federal taxes on income .....	3,404	3,225
Current portion of long-term debt — Note C .....	22,748	445
<b>Total Current Liabilities</b> .....	<b>58,874</b>	<b>238,737</b>
 <b>LONG-TERM DEBT — Note C</b>		
Payable to subsidiaries .....	113,040	76,041
Other indebtedness .....	752,613	672,143
<b>Total Long-Term Debt</b> .....	<b>865,653</b>	<b>748,184</b>
 <b>RESERVES AND DEFERRALS</b>		
Reserve for loss on sale of investments — Note A .....	30,000	—
Federal income taxes .....	747	747
Employee compensation and benefits .....	1,766	1,512
Reserve for gain on sale of real estate to subsidiaries .....	3,618	3,730
Other deferrals .....	4,723	6,737
<b>Total Reserves and Deferrals</b> .....	<b>40,854</b>	<b>12,726</b>
 <b>SHAREHOLDERS' EQUITY — Notes A, C, D, E, F and M</b>		
\$5 Series A cumulative convertible preferred stock, par value \$5 (liquidating preference \$50,864,000 at December 31, 1969) .....	2,522	2,560
Special Stock, Class AA accumulating convertible, par value \$0.50 .....	827	862
Common stock, par value \$0.50 .....	1,212	1,036
Capital surplus .....	234,150	202,140
Retained earnings (representing equity in undistributed earnings of subsidiaries less charges arising from operations of the Company) .....	29,463	81,969
<b>Total Shareholders' Equity</b> .....	<b>268,174</b>	<b>288,567</b>
 <b>CONTINGENCIES AND COMMITMENTS — Notes C and G</b>		
	<b>\$1,233,555</b>	<b>\$1,288,214</b>

See notes to financial statements.

# BALANCE SHEET

LING-TEMCO-VOUGHT, INC. (Parent Company/Unconsolidated)  
December 31, 1969, and December 31, 1968

## ASSETS

	<u>In Thousands</u>	
	<u>1969</u>	<u>1968</u>
		(Note M)
<b>CURRENT ASSETS</b>		
Cash and temporary investments — Note C .....	\$ 65,878	\$ 53,339
Notes and accounts receivable .....	625	30,020
Due from subsidiaries .....	1,030	491
Refundable federal income taxes — Note I .....	12,882	23,011
Unreimbursed costs and fees under cost-plus-fee contracts .....	586	540
Inventories of fixed price contracts in process — Note J .....	396	—
Prepaid expenses .....	<u>662</u>	<u>158</u>
<b>Total Current Assets .....</b>	<b>82,059</b>	<b>107,559</b>
 <b>INVESTMENTS AND OTHER ASSETS</b>		
Securities of consolidated subsidiaries — Notes A and C .....	781,193	708,625
Investments in and advances to unconsolidated subsidiaries — Notes A, B, C, and M .....	242,768	279,159
Notes and accounts receivable and other investments, less allowances (1969 — \$90,000; 1968 — \$1,129,000) for doubtful receivables .....	1,740	52,765
Due from directors .....	3,114	1,862
Estimated future income tax benefits — Note I .....	12,299	—
Patents, less amortization — Note K .....	1	16
Unamortized debt expense — Notes K and M .....	<u>103,803</u>	<u>113,262</u>
<b>Total Investments and Other Assets .....</b>	<b>1,144,918</b>	<b>1,155,689</b>
 <b>PROPERTY, PLANT, AND EQUIPMENT — at cost — Note K</b>		
Land .....	1,128	1,299
Buildings .....	5,008	19,617
Machinery and equipment .....	<u>5,650</u>	<u>19,108</u>
	11,786	40,024
Less allowances for depreciation .....	<u>5,208</u>	<u>15,058</u>
<b>Total Properties — Net .....</b>	<b>6,578</b>	<b>24,966</b>
	<u>\$1,233,555</u>	<u>\$1,288,214</u>

# STATEMENT OF INCOME

LING-TEMCO-VOUGHT, INC. (Parent Company/Unconsolidated)

Years Ended December 31, 1969, and December 31, 1968

	In Thousands	
	1969	1968 <sup>(1)</sup>
Net sales .....	\$ 1,437	\$ 1,851
Other income:		
Dividends from subsidiaries .....	8,522	2,859
Interest earned (principally from subsidiaries) .....	9,752	2,056
Sundry .....	2,194	1,414
	<u>20,468</u>	<u>6,329</u>
	21,905	8,180
Costs and expenses:		
Cost of sales .....	1,310	1,684
Selling, administrative and general expenses .....	5,444	4,016
Interest and debt discount .....	63,600	46,547
	<u>70,354</u>	<u>52,247</u>
Loss before income tax credit and extraordinary items .....	(48,449)	(44,067)
Federal income taxes (credit) — Note I .....	(28,981)	(25,703)
Loss before extraordinary items .....	(19,468)	(18,364)
Extraordinary items — Note L .....	(42,551)	2,786
Net loss of the Company .....	(62,019)	(15,578)
Equity in earnings of subsidiaries excluding dividends shown above — Note L .....	23,725	44,977
Net income (loss) of the Company and subsidiaries on a consolidated basis .....	<u>\$ (38,294)</u>	<u>\$29,399</u>

(1) 1968 amounts have been restated to recognize debt discount. See Note M.  
See notes to financial statements.

# STATEMENT OF CAPITAL SURPLUS AND RETAINED EARNINGS

LING-TEMCO-VOUGHT, INC. AND SUBSIDIARIES *(Parent Company and Consolidated are the same)*  
Years Ended December 31, 1969, and December 31, 1968

	In Thousands			
	Capital Surplus		Retained Earnings	
	1969	1968 <sup>(1)</sup>	1969	1968 <sup>(1)</sup>
Balance at beginning of year . . . . .	\$202,140	\$163,914	\$81,969	\$77,752
Acquisitions of pooled businesses . . . . .	—	—	—	114
Add (deduct):				
Net income (loss) . . . . .	—	—	(38,294)	29,399
Cash dividends paid or declared:				
On \$5 Series A preferred stock . . . . .	—	—	(2,524)	(3,742)
On common stock — \$1.33⅓ per share . . . . .	—	—	(2,945)	(5,607)
Portion of dividends paid to minority interests . . . . .	—	—	(3,023)	(4,486)
Stock dividend— 3% on Special Stock, Class AA . . . . .	1,595	3,839	(1,620)	(3,864)
Increase (decrease) of equity in subsidiaries arising from transactions in subsidiary shares and value assigned to warrants issued by subsidiaries . . . . .	11,413	41,717	(4,100)	(5,000)
Excess over par value of shares issued upon:				
Exercise of warrants . . . . .	834	1,989	—	—
Exercise of stock options . . . . .	417	1,396	—	—
Conversion of debentures . . . . .	—	1,295	—	—
Conversion of preferred stock and Special Stock . . . . .	60	535	—	—
Exchange of Company's stock . . . . .	15,895	1,328	—	—
Gain on debt retirement attributable to warrants . . . . .	—	13,136	—	—
Common stock acquired for treasury, in exchange for cer- tain shares of subsidiaries, plus warrants to purchase common stock . . . . .	—	(100,304)	—	(2,317)
Redemption of preferred stock . . . . .	—	(133)	—	(280)
Value assigned to warrants to purchase common stock— Note M . . . . .	1,800	73,673	—	—
Sundry capital charges . . . . .	(4)	(245)	—	—
Balance at end of year . . . . .	<u>\$234,150</u>	<u>\$202,140</u>	<u>\$29,463</u>	<u>\$81,969</u>

(1) 1968 amounts have been restated to recognize debt discount. See Note M.  
See notes to financial statements.



# STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

LING-TEMCO-VOUGHT, INC. AND SUBSIDIARIES

Years Ended December 31, 1968 and 1969

	In Thousands			
	Parent Company		Consolidated	
	1969	1968 <sup>(1)</sup>	1969	1968 <sup>(1)</sup>
<b>Source of Working Capital:</b>				
From operations —				
Net income (loss) .....	\$ (62,019)	\$ (15,578)	\$(38,294)	\$ 29,399
Depreciation .....	1,806	1,850	79,172	46,844
Amortization of debt discount .....	11,279	8,081	15,884	9,039
Other .....	30,290	(2,818)	24,518	12,682
	<u>(18,644)</u>	<u>(8,465)</u>	<u>81,280</u>	<u>97,964</u>
Proceeds from investments sold .....	83,531	—	124,641	—
Proceeds from sale of fixed assets to subsidiary .....	13,436	—	—	—
Increase in long-term debt .....	120,146	685,758	264,099	835,603
Other .....	1,234	8,692	1,234	4,676
	<u>199,703</u>	<u>685,985</u>	<u>471,254</u>	<u>938,243</u>
<b>Use of Working Capital:</b>				
Payment of dividends .....	5,469	9,349	17,560	20,186
Additions to property, plant and equipment (net of retirements) .....	2,603	6,903	133,545	87,148
Investments in and advances to subsidiaries .....	36,283	869,302	6,030	430,295
Net non-current assets of subsidiary acquired .....	—	—	—	230,989
Acquisition of minority interest in subsidiary .....	—	—	114,087	—
Other (including non-current assets received for investments sold) .....	985	5,850	113,631	79,796
	<u>45,340</u>	<u>891,404</u>	<u>384,853</u>	<u>848,414</u>
Increase (decrease) in working capital .....	154,363	(205,419)	86,401	89,829
Working capital (deficit) at beginning of year .....	(131,178)	74,241	355,549	265,720
Working capital (deficit) at end of year .....	<u>\$ 23,185</u>	<u>\$ (131,178)</u>	<u>\$441,950</u>	<u>\$355,549</u>

(1) Certain amounts have been restated to recognize debt discount.

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Ling-Temco-Vought, Inc. and Subsidiaries

December 31, 1969

### Note A—Principles of Consolidation and Investments in Subsidiaries

The consolidated financial statements include the accounts of the Company and its major subsidiaries, except Braniff Airways, Incorporated, a majority-owned subsidiary acquired in 1968, with respect to which financial data is shown in Note B. Investments in consolidated subsidiaries are carried at cost plus equity in the increase in net assets since acquisition. Investments in unconsolidated subsidiaries, principally Braniff, are carried at cost plus equity in undistributed earnings since acquisition.

In June, 1968, the Company purchased approximately 63% of the common stock of Jones & Laughlin Steel Corporation (J&L Steel).

In January and March, 1969, this investment, together with consideration of \$25,000,000, consisting of \$10,000,000 in cash and a 6% promissory note of the Company in the principal amount of \$15,000,000, was transferred to Jones & Laughlin Industries, Inc. (JLI), a newly organized subsidiary, in exchange for 100% of JLI common stock, \$170,000,000 principal amount of JLI 6¾% subordinated debentures and warrants to purchase JLI common stock. In April and May, 1969, JLI acquired additional common shares (18.4%) of J&L Steel in an exchange with public holders of such J&L Steel shares pursuant to which JLI issued common stock representing 4.4% ownership of JLI, \$124,041,000 principal amount of 6¾% subordinated debentures, and warrants to purchase JLI common stock. In December, 1969, the 4.4% minority interest in JLI

continued

## Financial Notes *continued*

was eliminated in exchange for the issuance of 182,083 common shares of LTV and the publicly held common stock purchase warrants of JLI were assumed by LTV and became warrants to purchase common shares of LTV (see Note E).

On March 6, 1970, the Company reached a settlement with the Government in the antitrust suit in which the United States Justice Department sought to require the Company to divest itself of its ownership in J&L Steel. The settlement is subject to approval by the U.S. District Court in Pittsburgh, Pennsylvania. Under the terms of the settlement, the Company may retain its ownership of J&L Steel and will no longer be subject to a previous prohibition, arising from the lawsuit, against LTV representation on the steel company's board of directors. The settlement also provides that LTV will dispose of its interests in Braniff and The Okonite Company within three years, or in the alternative, will dispose of its interest in J&L Steel. The Company's intention is to dispose of Braniff and Okonite and retain J&L Steel. This settlement permits a number of alternate methods for accomplishing the dispositions, subject in most cases to approval by the Government or the Court of the purchaser and terms.

In contemplation of the anticipated sale of its investments in Braniff and Okonite, the Company established, as of December 31, 1969, a reserve of \$30,000,000 for possible loss or losses which may result from such sales. This reserve may be increased in 1970 by an amount up to the gain of approximately \$38,000,000 realized in February through the sale of its approximate 75% interest in Wilson Sporting Goods Co. (See paragraph below.)

In February, 1969, the Company sold 2,000,000 shares of Special Stock, Class A of Braniff, thereby reducing the approximate ownership from 66% to 55%. In April, 1969, the Company sold common shares representing its 28% ownership of Computer Technology Inc. (CT) and as of December 31, 1969, the Company's subsidiary LTV Aerospace Corporation sold one-half of its 71% common stock interest in CT, and certain other securities of CT. In addition, certain other subsidiaries disposed of businesses or subsidiaries.

In December, 1969, the Company's subsidiary Wilson & Co., Inc., made an exchange offer to its public shareholders with respect to four newly organized subsidiaries of Wilson, which subsidiaries succeeded to substantially all of its business and assets. The offer expired in February, 1970, and common shares of Wilson were surrendered in exchange for cash and common shares of the four subsidiaries. After completion of the exchange, Wilson retained ownership in excess of 80% with respect to each of the subsidiaries, and the Company's ownership of Wilson increased from 82% to 89%. The above reorganization and exchange transactions have been retroactively reflected in the accompanying financial statements as of December 31, 1969.

On February 3, 1970, the Company announced a plan which, if approved, would result in the acquisition by the Company of the presently outstanding minority-held shares of both common and preferred stocks of Okonite. Under the proposal, the Company would issue 261,883 shares of its common stock and 224,999 shares of new series of preferred stocks. In addition, warrants to purchase common shares of Okonite would become warrants to purchase 289,980 common shares of the Company at prices ranging from \$70 per share for warrants expiring July 15, 1978, to \$70.94 per share for warrants expiring November 1, 1978.

On February 27, 1970, the Company sold its approximate 75% interest in Wilson Sporting Goods Co. to PepsiCo, Inc., for a consideration of \$63,000,000 payable on or before June 30, 1970. This transaction resulted in a gain of approximately \$38,000,000 (before taxes).

### Note B—Unconsolidated Subsidiary

The Company owns 10,256,625 shares of Special Stock, Class A,

of Braniff Airways, Incorporated, representing approximately 56% of the outstanding voting stock of that company. At December 31, 1969, the carrying value of this investment amounted to \$231,981,000, before allocation of the special reserve provided at that date. (See Note A.) The following data is shown by audited financial statements of Braniff as of December 31, 1969, and December 31, 1968, and for the years then ended (in thousands of dollars):

	December 31, 1969	December 31, 1968
Total current assets _____	\$ 75,996	\$ 78,292
Property and equipment—net _____	257,137	270,724
Other assets and deferred charges _____	43,021	23,442
Total Assets _____	<u>\$376,154</u>	<u>\$372,458</u>
Total current liabilities _____	\$ 69,552	\$ 56,594
Long-term debt _____	200,773	213,927
Deferred credits _____	18,252	18,201
Shareholders' equity _____	87,577	83,736
Total Liabilities and Shareholders' Equity _____	<u>\$376,154</u>	<u>\$372,458</u>
Operating revenues _____	\$325,648	\$294,059
Income before income taxes _____	7,831	13,396
Income taxes (after investment tax credit of \$1,877,000 in 1969 and \$3,697,000 in 1968) _____	1,616	2,982
Net Income _____	<u>\$ 6,215</u>	<u>\$ 10,414</u>

The Company's equity in the earnings of Braniff included in net income was \$3,522,000 in 1969, and \$7,735,000 in 1968. The Company received no dividends from Braniff except a 3% stock dividend on Class A shares in 1969, and a 2% stock dividend on such shares in 1968.

With respect to other financial information, reference is made to the published annual report of Braniff for the year 1969.

### Note C—Indebtedness and Dividend Restrictions

Short-term bank loans of subsidiaries aggregating \$17,000,000 have the pledge of temporary cash investments of like amount, including \$14,500,000 owned by the Company. The Company has also pledged securities of its subsidiaries (market value of approximately \$16,000,000 at December 31, 1969) in connection with other bank loans of a subsidiary. The Company has guaranteed the aforementioned \$17,000,000 bank loans of subsidiaries, and has also executed a repurchase agreement covering other bank loans of a subsidiary to the extent of \$33,000,000, of which \$24,420,000 was outstanding at December 31, 1969.

Long-term debt due beyond one year, exclusive of indebtedness to subsidiaries, comprises the following (in thousands of dollars):

	December 31, 1969	December 31, 1968
Parent Company:		
5% Subordinated debentures due January 15, 1988	\$ 474,256	\$ 474,316
Notes payable to banks, due in 1971	110,521	—
7½% Term Loan due July 15, 1973	15,476	15,476
6½% Debentures due June 1, 1973	97,798	97,798
6¾% Debentures due January 10, 1970	—	25,000
6¼% Collateral notes due October 1, 1979	40,005	40,005
5¾% Subordinated debentures due September 1, 1976	14,175	16,550
Sundry notes	382	2,998
Total Parent Company	<u>752,613</u>	<u>672,143</u>

## Note C—Indebtedness and Dividend Restrictions *continued*

	December 31, 1969	December 31, 1968
Consolidated Subsidiaries:		
Mortgage bonds (4¾% to 5%) due 1983 to 1991	179,250	183,500
5% Guaranteed subordinated debentures due in 1988	77,380	77,380
Convertible subordinated debentures	49,252	46,760
Subordinated debentures issued with warrants to purchase common stock (5½% to 6¾%)	289,041	165,000
6¾% Subordinated debentures due April 1, 1994	17,137	—
Notes payable to banks convertible into 5-year term notes on December 31, 1971	75,000	48,750
Notes payable due January 8, 1975	22,000	—
Long-term lease obligation relating to industrial revenue bonds	14,835	15,000
Sundry notes	24,284	28,160
<b>Total Consolidated</b>	<b>\$1,500,792</b>	<b>\$1,236,693</b>

Long-term obligations of certain consolidated subsidiaries, aggregating \$112,717,000 at December 31, 1969, are guaranteed by the Company. Of such amount, \$98,000,000 is offset by related obligations included in long-term debt payable to subsidiaries in the accompanying balance sheet of the Company at December 31, 1969.

Obligations of unconsolidated subsidiaries, aggregating \$12,000,000 at December 31, 1969, are also guaranteed by the Company.

In accordance with loan agreements effected in August, 1969, short-term notes payable to banks amounting to \$110,521,000 were refinanced whereby the maturities were extended to 1971. On December 31, 1969, the Company received the proceeds of a 5-year Eurodollar bank loan of \$22,000,000 which were applied on January 10, 1970, in payment of the Company's 6¾% debentures due on that date. Substantially all of the Company's investments in securities of its subsidiaries (including \$170,000,000 of 6¾% subordinated debentures of JLI, but not including common shares of J&L Steel owned by JLI) are pledged to secure the \$110,521,000 bank loans, the \$22,000,000 Eurodollar bank loan and the 6¾% collateral notes of \$40,005,000.

At December 31, 1969, maturities of long-term debt through 1974 are as follows (in thousands of dollars):

	Parent Company	Consolidated
1970	\$ 22,748	\$ 30,908
1971	127,918	138,672
1972	2,397	32,607
1973	115,672	142,551
1974	2,397	28,941

The 5% subordinated debentures are subordinated to all other long-term debt of the parent company. The principal amount of such debentures, until January 15, 1973, may be used in lieu of cash in the exercise of warrants to purchase the Company's common stock expiring January 15, 1978. The 5% subordinated debentures of a subsidiary in the amount of \$77,380,000 are convertible into common stock of the Company. (See Note E.)

The indentures covering the debentures and bank loan agreements of subsidiaries contain provisions which limit the amount of their retained earnings available for payment of dividends by such subsidiaries. Such provisions contain no restrictions on consolidated retained earnings as to the payment of dividends by the Company. Under the restrictions contained in the indenture covering the Company's 5% subordinated debentures, approximately \$15,000,000 of consolidated retained earnings at December 31, 1969, were not restricted for payment of dividends by the Company.

## Note D—Capital Shares

Changes in outstanding capital shares during the year ended December 31, 1969, are presented in the following summary:

	\$5 Series A Preferred Par Value \$5	Special Stock Class AA Par Value \$50	Common Stock Par Value \$.50
Outstanding at January 1, 1969	512,054	1,723,169	2,071,753
Conversion of preferred shares	(11,537)	—	16,844
Exercise of stock options	3,920	—	30,530
Exercise of warrants	—	—	13,554
Conversion of Special Stock, Class AA	—	(117,647)	99,995
Stock dividend 3%	—	48,165	—
Treasury shares issued in exchange for minority interest in the common shares of JLI (see Note A)	—	—	182,083
Treasury shares issued in exchange for minority interest in an affiliated company	—	—	9,000
<b>Outstanding at December 31, 1969</b>	<b>504,437</b>	<b>1,653,687</b>	<b>2,423,759</b>

The above amounts do not include 1,755,918 common shares and 308,730 Series A preferred shares held in treasury at December 31, 1969, and 1,947,001 common shares and 308,730 Series A preferred shares so held at December 31, 1968.

The Company's authorized capital shares are described as follows:

	December 31, 1969	December 31, 1968
Preferred stock, \$5 par value (designated as "\$5 Series A Cumulative Convertible Preferred Stock, \$5 par value")	1,300,000	1,300,000
Preferred stock, \$1 par value (undesignated and unissued at December 31, 1969 [see Note A as to additional series to be designated in 1970])	1,261,554	1,261,554
Special Stock, \$0.50 par value (of which 7,350,000 shares have been designated as "Class AA Accumulating Convertible Stock")	15,000,000	15,000,000
Common stock, \$0.50 par value	40,000,000	20,000,000

The \$5 Series A cumulative preferred stock is convertible into common stock on the basis of one share of preferred stock for 1.2 common shares, at any time prior to May 1, 1977. Such conversion ratio is subject to adjustment in order to prevent dilution of the conversion rights. The stock is subject to redemption on or after June 30, 1972, at \$100 per share plus accumulated unpaid dividends, and 10% of total shares which have been issued are required to be redeemed on May 1, in each of the years 1983 through 1992. However, such redemptions are subject to deferment under certain conditions. The Series A preferred stock is entitled to cash dividends at the annual rate of \$5 per share, cumulative and payable before any dividends are paid on common stock. In the event of liquidation, the Series A preferred stock is entitled to receive \$100 per share plus accumulated dividends, and as of December 31, 1969, the amount of such preference was \$48,342,000 in excess of par value. In the opinion of the Company's counsel, the existence of this excess imposes no restriction upon retained earnings. The Series A preferred shares are also entitled to participate on a share-for-share basis in any assets remaining after the common stock and equivalent Class AA shares have received \$30 per share. *continued*

The Special Stock, Class AA, is convertible into common shares at any time after issuance at conversion ratios increasing annually from 0.95 share of common stock at December 31, 1969, to 1.50 shares of common stock in 1980 for each share of Special Stock. The shares of Special Stock are entitled to cumulative stock dividends of 3% in each year through 1992. Such dividend shares are also convertible into common stock on the above basis.

### Note E—Common Stock Reserved

During 1969, the Company assumed certain common stock purchase warrants of Jones & Laughlin Industries, Inc., which became warrants to purchase 912,063 shares of the Company's common stock at a price of \$60 per share. In addition, warrants to purchase 200,000 shares of common stock, exercisable at a price of \$27.50 per share to January 8, 1973, and \$40 per share thereafter, were issued in connection with the five-year Eurodollar bank loan (see Note C). At December 31, 1969, the Company had reserved shares of its common stock as follows (see Note F concerning shares reserved for option plans, and see Note A with respect to Okonite warrants to be assumed by the Company):

Reserved for:	Shares	Price Per Share
Warrants expiring:		
January 10, 1972	176,955	\$ 49.27
June 1, 1973	563,100	121.00
June 15, 1973	200,025	121.00
January 8, 1975	200,000	27.50
January 15, 1978	4,971,821	100.19
December 31, 1978	34,118	130.69
April 1, 1979	912,063	60.00
Conversion of 5% Guaranteed debentures of a subsidiary	655,762	118.00
Conversion of Special Stock, Class AA	2,480,530	
Conversion of \$5 Series A preferred stock	605,324	

All numbers of shares and prices are subject to adjustment in accordance with anti-dilution provisions, and the data shown above reflect such adjustments as determined as of December 31, 1969.

### Note F—Options to Purchase Capital Stock

The Company has options outstanding under plans adopted in 1957 and 1969, and under plans of predecessor companies. Additional options may be granted only under the 1957 and 1969 plans. Options have been granted at prices not lower than 85% of the market price at date of grant, and the terms of such options generally range from a minimum of two years to a maximum of ten years from date of grant. During August, 1969, new options to purchase common stock were granted to employees upon surrender of certain options previously granted (or assumed) to purchase common stock at prices in excess of \$40 per share, and \$5 Series A preferred stock at prices in excess of \$100 a share. The new options were granted at an option price of \$35 per share (the market value at date of grant), expire on August 14, 1974, and are not exercisable until the respective expiration dates of the options surrendered.

At December 31, 1969, the Company had reserved under all plans an aggregate of 248,140 shares of common stock and 24,648 shares of \$5 Series A preferred stock, of which 122,974 common shares were under option at prices aggregating \$4,474,000, and the preferred shares were under option at prices aggregating \$1,231,000. Of such shares under option, 17,458 common shares and 13,223 preferred shares were exercisable at December 31, 1969. During 1969, options to purchase common stock were granted for 127,537 shares at option prices aggregating \$5,315,000, and options were cancelled for 133,327 common shares, with option prices aggregating \$12,494,000, and 14,885 \$5 Series A preferred shares, with option prices aggregating \$1,524,000. Also during 1969, options to purchase 30,530 common shares were exercised at option prices aggregating \$260,000, and options to purchase 3,920 \$5 Series A preferred shares were exercised at option prices aggregating \$192,000.

## Note G—Contingencies and Commitments

### Contingencies

A substantial portion of sales is subject to renegotiation and other price adjustments. Renegotiation proceedings under the Renegotiation Act of 1951 have been completed for all years through 1967.

Certain governmental agencies have proposed adjustments affecting allowable depreciation for 1961 and subsequent years. As a consequence, at December 31, 1969, payment of approximately \$5,700,000 of accounts receivable and unreimbursed costs is being delayed pending settlement of the issues.

The Internal Revenue Service has proposed adjustments now being contested in federal court to the 1961 consolidated tax return of the Company which would also affect subsequent years (see preceding paragraph for one of the issues involved). The Company has filed a protest to proposed adjustments to income covering the 1962, 1963, and 1964 consolidated tax returns in which the issues involved relate, in large part, to the same matters giving rise to the proposed adjustments for 1961. The years 1965 and 1966 are being examined at this time.

A subsidiary has been notified that contracting officers, on behalf of the Department of Defense, deny liability for substantial cost overruns in connection with a command and control system and a service contract. The subsidiary has filed appeals with the Armed Services Board of Contract Appeals. In addition, the command and control system contract provides for substantial damages and penalties for non-conformance to specified delivery schedule. Provision has been made for estimated loss on the contracts, which, in the opinion of management, would be sufficient if equitable settlements of the contracts are reached. The issues will ultimately be resolved by arbitration and/or litigation and the outcome cannot be presently determined.

Subsequent to December 31, 1969, two lawsuits have been filed against the Company and LTV Aerospace Corporation (a subsidiary) arising out of the sale by such subsidiary of a portion of its investment in Computer Technology Inc. to University Computing Company. Such suits allege damages to minority stockholders of the subsidiary sold and seek damages aggregating \$87,000,000 and certain injunctive relief. In the opinion of management of the Company such lawsuits are without merit and accordingly no provision has been made therefor.

In connection with the aforementioned sale by LTV Aerospace Corporation, part of the consideration was represented by a note of University Computing Company for \$20,000,000 due March 1, 1970. The original note was exchanged on March 20, 1970, for a substitute note due December 31, 1970, which bears interest at 6% from March 1 to March 19, 1970, and 9% per annum thereafter. Collection of this note at scheduled maturity may be subject to University Computing Company's obtaining additional financing. In the opinion of management of the Company, the note will be paid in full at maturity.

Several other lawsuits are pending against certain of the consolidated companies, arising in the normal course of business.

It is not presently possible to predict the outcome of the foregoing matters, and, accordingly, other than as indicated above, no specific provision has been made therefor.

### Commitments

Substantial portions of plant facilities, machinery and equipment and office space are leased. Long-term leases require annual rental payments ranging from \$25,000,000 in 1970 to \$14,000,000 in 1979, and diminishing amounts thereafter to 1999.

J&L Steel was committed for plant construction in the approximate amount of \$43,250,000 at December 31, 1969.

### Note H—Retirement and Pension Plans

The Company and its subsidiaries have retirement and pension plans covering substantially all of their employees. Approximate costs under the plans charged to income, including amortization of prior

service costs (generally over periods of thirty to forty years), amounted to \$49,437,000 in 1969 and \$33,000,000 in 1968. The net assets of the various plans are approximately equal to, or in excess of the actuarially computed value of vested benefits, except for certain plans, with respect to which the total vested benefits exceeded the net assets by approximately \$61,960,000 at the most recent valuation dates.

### Note I—Income Taxes

The provision (credit) for United States, foreign and state income taxes for 1969, includes the following (in thousands of dollars):

	Parent Company	Consolidated
Currently payable, net of investment credits of \$1,583,000	\$ —	\$ 20,791
Refundable federal income taxes resulting from carryback of operating losses and investment credits to prior years	(9,798)	(21,569)
Collected or collectible from subsidiary for income taxes on income includible in consolidated return	(8,984)	—
Deferred taxes, less applicable investment credits, with respect to expenses deducted currently for tax purposes but in future periods for accounting purposes	—	4,634
Estimated future income tax benefits, representing the tax benefits expected to be realized in future years from operating loss and investment credit carry-overs	(10,199)	(19,083)
Total	<u>\$(28,981)</u>	<u>\$(15,227)</u>

The accompanying balance sheets include amounts reflecting estimated future income tax benefits of \$10,199,000 and \$19,083,000 for parent company and consolidated, respectively. The realization of these estimated future income tax benefits is dependent upon the ability of the Company and subsidiaries includible in consolidated federal income tax returns to generate future taxable income during the years 1970 through 1974. These amounts are included in the financial statements since, in the opinion of management, the realization of such tax benefits is assured beyond a reasonable doubt.

The tax provisions for 1969 and 1968 reflect substantial income tax benefits with respect to the operations of J&L Steel. In addition to investment tax credits, these benefits include deductions for percentage depletion and timing differences between years of sale and liquidation of production payments.

See Note L with respect to substantial capital losses incurred in 1969 which may result in tax benefits in future years.

### Note J—Inventories

Products and materials inventories are generally valued at lower of average cost or market (net realizable value) except for steel products, certain food products and copper products which are valued at cost on the basis of "last-in, first-out", and certain meat products where costs are not ascertainable which are valued at market, less allowance for selling and distribution expenses.

Fixed price contracts in process generally comprise the cost of labor, material, and manufacturing, administrative and general overhead incurred on the contracts, less estimated cost of shipments, but not in excess of net realizable values.

### Note K—Depreciation and Amortization

Provisions for depreciation of property, plant and equipment are computed principally on the straight-line method on the basis of amounts considered sufficient to amortize the cost of depreciable assets over their estimated service lives. Accelerated methods of depreciation are used for certain properties for income tax purposes, and appropriate provision is made for deferred federal income taxes

applicable to the excess of depreciation claimed for income purposes, over depreciation charged to income in the financial statements. Provisions for depreciation and amortization included in costs and expenses in 1969 and 1968 amounted to \$79,172,000 and \$46,844,000, respectively.

There is no present plan for amortization of amounts in the consolidated balance sheet representing excess of cost over net assets of subsidiaries and businesses acquired, except as to \$1,025,000, because in the opinion of management there is no present indication of diminished value or limited life. A subsidiary is amortizing \$21,316,000 excess of net assets over cost over a period of twelve years. Amortization of patents is provided on a straight-line basis over the average remaining life of the patents, and distributor networks in the amount of \$7,500,000 are being amortized over the estimated useful life (50 years). Debt discount and expense is amortized over terms of the debt.

### Note L—Extraordinary Items

Extraordinary items reflected in the statements of income comprise the following (in thousands of dollars):

	1969	1968
Parent Company:		
Loss on sale of interests in certain subsidiaries and an affiliated company	\$ (9,595)	\$ —
Provision for estimated loss on disposition of investments (Note A)	(30,000)	—
Adjustment of purchase price of investment sold to subsidiary in prior year	(2,956)	—
Gain on retirement of debt, less \$747,000 income taxes	—	2,786
Total parent company	<u>\$(42,551)</u>	<u>\$ 2,786</u>
Equity in extraordinary items of subsidiaries:		
Net gain on sale of investments	1,921	—
Gain on sale of property	—	3,060
Total consolidated	<u>\$(40,630)</u>	<u>\$ 5,846</u>

Certain losses on sales of securities and the provision for estimated loss on disposition of investments, aggregating \$39,595,000 for the parent company and \$3,094,000 for a subsidiary includible in the Company's consolidated federal income tax return, are before potential income tax benefits which may result from carry-forward of such losses against possible capital gains in future years.

### Note M — Restatements Arising from Debt Issued with Stock Purchase Warrants

As a result of the issuance in March, 1969, of Opinion No. 14 of the Accounting Principles Board relating to debt issued with stock purchase warrants, the accompanying financial statements for the year ended December 31, 1968, give retroactive effect to substantial adjustments applicable to issues of such securities by the Company and certain of its subsidiaries in 1967 and 1968. This new accounting pronouncement requires that in the case of debt issued with stock purchase warrants the portion of the consideration which is allocable to the warrants should be accounted for as paid-in capital and that any discount on the debt securities resulting from such allocation should be accounted for as such. The principal effects of this requirement on the consolidated statements for 1968 were a decrease in investments in unconsolidated subsidiaries and affiliated companies of \$36,272,000, an increase in unamortized debt expense of \$152,859,000, an increase in minority interests in subsidiaries of \$9,684,000, an increase in capital surplus of \$72,062,000 and an increase in retained earnings of \$41,052,000. The adjustments to recognize debt discount under this new requirement reduced previously reported net income for 1968 by \$6,933,000, of which \$4,159,000 was for amortization of debt discount and \$2,774,000 a reduction in the extraordinary gain on retirement of debt.

## Accountants' Report

ERNST & ERNST  
1700 LTV TOWER  
DALLAS, TEXAS 75201

To The Shareholders and Board of Directors  
Ling-Temco-Vought, Inc.  
Dallas, Texas

We have examined the financial statements of Ling-Temco-Vought, Inc. (Parent Company) and Ling-Temco-Vought, Inc. and subsidiaries for the year ended December 31, 1969, as follows:

Balance Sheets – Parent and Consolidated  
Statements of Income – Parent and Consolidated  
Statement of Capital Surplus and Retained Earnings – Parent and Consolidated  
Statement of Source and Use of Working Capital – Parent and Consolidated

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. It was not practicable to confirm by direct correspondence amounts receivable from United States Government Departments, but we satisfied ourselves as to such amounts by means of other auditing procedures. We did not examine the financial statements of two subsidiaries of the Company (Jones & Laughlin Steel Corporation and Wilson & Co., Inc.), which statements were examined by other independent accountants whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely upon such reports.

As explained in Note A to the financial statements, the Company has entered into an agreement with the United States Department of Justice to divest itself of one or more subsidiaries within three years. The terms and conditions by which the divestment will be arranged cannot be predicted, and accordingly the impact thereof on the accompanying financial statements, which may be material, cannot now be determined.

In our opinion, subject to (1) the effect of the matter described in the preceding paragraph, (2) any adjustments which might be required upon settlement of the several matters as described under contingencies in Note G, and (3) the realization of the estimated future income tax benefits as explained in Note I, the accompanying financial statements of Ling-Temco-Vought, Inc. (Parent) and Ling-Temco-Vought, Inc. and subsidiaries, as named in the first paragraph, present fairly the respective financial positions at December 31, 1969, and the respective results of operations, changes in shareholders' equity and source and use of working capital for the year then ended, all in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year, after giving effect to the restatement for debt discount as described in Note M.

Dallas, Texas  
March 11, 1970, except as to Note G, as to which the date is March 20, 1970

*Ernst & Ernst*

### Registrars

First National Bank in Dallas  
Dallas, Texas  
Bankers Trust Company  
New York, New York  
Texas Bank & Trust Company of Dallas  
Dallas, Texas  
Security First National Bank  
Los Angeles, California  
Marine Midland Grace Trust Company of New York  
New York, New York

### Transfer Agents

Republic National Bank of Dallas  
Dallas, Texas  
The Chase Manhattan Bank (National Association)  
New York, New York  
Bank of America National Trust and Savings Association  
Los Angeles, California  
First National City Bank  
New York, New York  
First National Bank in Dallas  
Dallas, Texas

### Warrant Agents

Republic National Bank of Dallas  
Dallas, Texas  
The Chase Manhattan Bank (National Association)  
New York, New York

### Trustees, Conversion and Paying Agents

5¾% Subordinated Debentures  
Bank of America National Trust and Savings Association  
Los Angeles, California  
5% Subordinated Debentures  
First National Bank in Dallas  
Dallas, Texas  
6½% Subordinated Debentures  
Manufacturers Hanover Trust Company  
New York, New York

Common, Series A Preferred, and Special Stock, Class AA, and 5¾% and 5% Debentures are listed on the New York Stock Exchange, as are 5% Convertible Debentures of LTV International, N.V., convertible into Common Stock of Ling-Temco-Vought, Inc.

Warrants to purchase common stock of Ling-Temco-Vought, Inc., expiring January 15, 1978, are listed on the American Stock Exchange

## OFFICERS

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*Chairman of the Board  
and Chief Executive Officer*

Clyde Skeen  
*President*

Roscoe G. Haynie  
*Chairman of the  
Executive Committee*

E. Grant Fitts  
*Vice Chairman of the  
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*Vice President—  
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*Vice President—Executive  
Assistant to the President*

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*Vice President—Executive  
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and Chief Executive Officer*

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*President  
Ling-Temco-Vought, Inc.*

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*Chairman of the Executive Committee  
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*President, Gulf Life Holding Co.  
Vice Chairman of the Executive  
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*Chairman Emeritus  
Ling-Temco-Vought, Inc.*

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*D. H. Byrd Enterprises  
Dallas, Texas*

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*President, Chief Executive Officer  
and Publisher  
The Dallas Times Herald  
Dallas, Texas*

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*Real Estate & Investments  
Dallas, Texas*

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*President and Chief Executive Officer  
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Pittsburgh, Pennsylvania*

W. P. Thayer  
*President and Chief Executive Officer  
LTV Aerospace Corporation  
Dallas, Texas*

James O. Weldon  
*President, Continental Electronics  
Companies  
Dallas, Texas*

\*Became director in October 1969

**LTV**  
**LING-TEMCO-VOUGHT, INC.**  
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