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ANNUAL REPORT 1974 R-4 RAILROAD LESSOR
AMERICAN FOREST PRODUCTS CORP.

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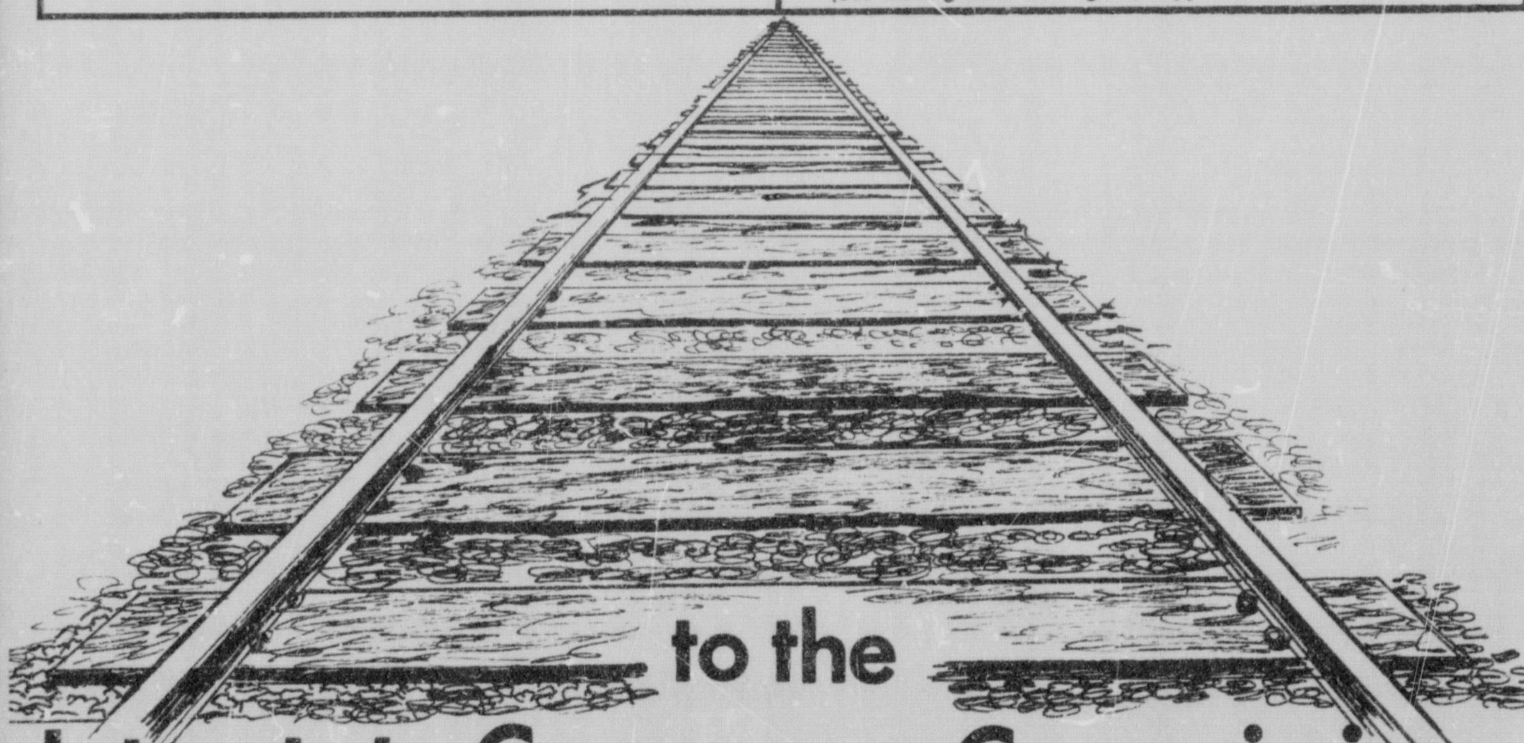
R-4

RAILROAD LESSOR

annual report

	12521 1501 AMERICAFORE 2 731151 AMERICAN FOREST PRODUCTS CORP P.O. BOX 3498 SAN FRANCISCO, CALIF 94119 LESSOR
Correct name and address if different than shown.	Full name and address of reporting carrier. (Use mailing label on original, copy in full on duplicate.)



to the Interstate Commerce Commission

FOR THE YEAR ENDED DECEMBER 31, 1974

NOTICE

1. This form for annual report should be filled out in triplicate and two copies returned to the Interstate Commerce Commission, *Bureau of Accounts*, Washington, D.C. 20423, *by March 31* of the year following that for which the report is made. Attention is specially directed to the following provisions of Part I of the Interstate Commerce Act:

SEC. 20. (1) The Commission is hereby authorized to require annual, periodical, or special reports from carriers, lessors, * * * (as defined in this section), to prescribe the manner and form in which such reports shall be made, and to require from such carriers, lessors, * * * specific and full, true, and correct answers to all questions upon which the Commission may deem information to be necessary, classifying such carriers, lessors,* * * as it may deem proper for any of these purposes. Such annual reports shall give an account of the affairs of the carrier, lessor, * * * in such form and detail as may be prescribed by the Commission

(2) Said annual reports shall contain all the required information for the period of twelve months ending on the 31st day of December in each year, unless the Commission shall specify a different date, and shall be made out under oath and filed with the Commission at its office in Washington within three months after the close of the year for which report is made, unless additional time be granted in any case by the Commission. * * *

(7) (b). Any person who shall knowingly and willfully make, cause to be made, or participate in the making of, any false entry in any annual or other report required under this section to be filed, * * * or shall knowingly or willfully file with the Commission any false report or other document shall be deemed guilty of a misdemeanor and shall be subject, upon conviction in any court of the United States of competent jurisdiction to a fine of not more than five thousand dollars or imprisonment for not more than two years, or both such fine and imprisonment: * * *

(7) (c). Any carrier, or lessor, * * * or any officer, agent, employee, or representative thereof, who shall fail to make and file an annual or other report with the Commission within the time fixed by the Commission, or to make specific and full, true, and correct answer to any question within thirty days from the time it is lawfully required by the Commission so to do, shall forfeit to the United States the sum of one hundred dollars for each and every day it shall continue to be in default with respect thereto. * * *

(8) As used in this section * * * the term "carrier" means a common carrier subject to this part, and includes a receiver or trustee of such carrier; and the term "lessor" means a person owning a railroad, a water line, or a pipe line, leased to and operated by a common carrier subject to this part, and includes a receiver or trustee of such lessor, * * *.

Each respondent is further required to send to the Bureau of Accounts, immediately upon preparation, two copies of its latest annual report to stockholders. See schedule 108, page 1.

2. The instructions in this form should be carefully observed, and *each question should be answered fully and accurately*, whether it has been answered in a previous annual report or not. Except in cases where they are specifically authorized, cancellations, arbitrary check marks, and the like should not be used either as partial or as entire answers to inquiries. If any inquiry, based on a preceding inquiry in the present report form, is, because of the answer rendered to such preceding inquiry, inapplicable to the person or corporation in whose behalf the report is made, such notation as "Not applicable; see page ___, schedule (or line) number ________" should be used in answer thereto, giving *precise reference to the portion of the report showing the facts which make the inquiry inapplicable*. Where the word "none" truly and completely states the fact, it should be given as the answer to any particular inquiry or any particular portion of an inquiry. Where dates are called for, the month and day should be stated as well as the year. Customary abbreviations may be used in stating dates.

3. *Every annual report should, in all particulars, be complete in itself*, and references to the returns of former years should not be made to take the place of required entries except as herein otherwise specifically directed or authorized.

4. If it be necessary or desirable to insert additional statements, typewritten or other, in a report, they should be legibly made on durable paper and, wherever practicable, on sheets not larger than a page of the form. *Inserted sheets should be securely attached, preferably at the inner margin; attachment by pins or clips is insufficient.*

5. All entries should be made in a permanent black ink. Those of a contrary character should be indicated in parenthesis. Items of an unusual character should be indicated by appropriate symbol and footnote.

6. Money items, except averages, throughout the annual report form should be shown in Whole dollars adjusted to accord with footings. Totals for amounts reported in subsidiary accounts included in supporting schedules must be in agreement with related primary accounts.

7. Each respondent should make its annual report to this Commission in triplicate, retaining one copy in its files for reference in case correspondence with regard to such report becomes necessary. For this reason three copies of the form are supplied.

8. Railroad corporations, mainly distinguished as operating companies and lessor companies, are for the purpose of report to the Interstate Commerce Commission divided into classes. An *operating company* is one whose officers direct the business of transportation and whose books contain operating as well as financial accounts; and a *lessor company*, the property of which being leased to and operated by another company, is one that maintains a separate legal existence and keeps financial but not operating accounts. (In making reports, lessor companies use Annual Report Form R-4).

Operating companies (including switching and terminal) are broadly classified, with respect to their operating revenues, according to the following general definitions.

Class I companies are those having annual operating revenues of $5,000,000 or more. (For this class, Annual Report Form R-1 is provided.)

Class II companies are those having annual operating revenues below $5,000,000. (For this class, Annual Report Form R-2 is provided.)

In applying this classification to any switching or terminal company which is operated as a joint facility of owning or tenant railways, the sum of the annual railway operating revenues, the joint facility rent income, and the returns to joint facility credit accounts in operating expenses, shall be used in determining its class.

9. Except where the context clearly indicates some other meaning, the following terms when used in this form have the meanings below stated:

Commission means *the Interstate Commerce Commission*. **Respondent** means *each person or corporation in whose behalf the report is made*. **The year** means *the year ended December 31 for which the report is made*. **The close of the year** means *the close of business on December 31 of the year for which the report is made*; or, in the case the report is made for a shorter period than one year, it means *the close of the period covered by the report*. **The beginning of the year** means *the beginning of business on January 1 of the year for which the report is made*; or, in case the report is made for a shorter period than one year, it means *the beginning of the period covered by the report*. **The preceding year** means *the year ended December 31 of the year next preceding the year for which the report is made*. **The Uniform System of Accounts for Railroad Companies** means *the system of accounts in Part 1201 of Title 49, Code of Federal Regulations, as amended*.

FOR THE INDEX SEE THE INSIDE OF BACK COVER

See also "Instructions regarding the use of this report form" on page 1

ANNUAL REPORT

OF

American Forest Products Corporation

(FULL NAME OF THE RESPONDENT)

San Francisco, California 94109

TO THE

INTERSTATE COMMERCE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 1974

Name, official title, telephone number, and office address of officer in charge of correspondence with the Commission regarding this report:

(Name) A. E. Pufford (Title) Executive Vice President

(Telephone number) 415 (Area code) 929-6000 (Telephone number)

(Office address) P.O. Box 3498, San Francisco, California 94119 (Street and number, City, State, and ZIP code)

SPECIAL NOTICE

The attention of the respondent is directed below to certain particulars, if any, in which this report form differs from the corresponding form for the preceding year. It should be understood that mention is not made of necessary substitutions of dates or, in general, such other things as simple modifications intended to make requirements clearer, other minor adjustments, and typographical corrections.

This report has been reduced in size to make it easier to complete, convenient to handle and permit the use of standard copy machines to reproduce the report.

The following changes have been made to facilitate better reporting and analysis:

A table of contents has been added.

Schedules 300 and 305 have been repositioned to follow the balance sheet, Schedule 200.

Pages 8 through 13: Schedule 200. General Balance Sheet

Account numbers 714, 744, 762 and 786 have been added to conform with the provisions of Docket No. 34178 (Sub-No. 2) Accounting for Income Taxes-Interperiod Tax Allocation (Deferred Taxes). Provision has also been made to report undistributed earnings from certain investments in account 721 in accordance with Docket No. 35949-The Equity Method of Accounting for Certain Long-Term Investments in Common Stocks.

Pages 14 through 17: Schedule 300. Income Account for the Year.

In accordance with Docket No. 34178 (Sub-No. 2) account numbers 533 and 591 have been added. Also, in conformity with Docket No. 35949, provision has been made to report equity in earnings (losses) of affiliated companies: Account 590 has been amended to read, "Income taxes on extraordinary and prior period items" and a footnote added to show the effect of deferred taxes on prior years' net income as reported in annual reports to the Commission.

Pages 17A and 17B: Schedule 305. Retained Income-Unappropriated

This schedule has been revised in accordance with Docket No. 35949.

Pages 27A and 27B: Investments in Common Stocks of Affiliated Companies

This schedule has been added to conform with the provisions of Docket No. 35949.

Pages 54, 55, and 55A: Schedule 350. Railway Tax Accruals, C. Analysis of Federal Income Taxes.

This schedule has been revised to incorporate interperiod tax allocation in accordance with the provisions of Docket No. 34178 (Sub-No. 2).

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 - Price $1.80

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The Bendix Corporation 1974 Annual Report

What's Inside . . .

A Financial Profile .... on Page **1**
Highlights of Bendix results in fiscal year 1974. Bendix sales, royalties, and other operating income amounted to $2.48 billion, and earnings per share increased to $4.65.

The Letter from the Chairman .... on Page **3**
Summarizes our situation in 1974 and looks ahead.

The Year in Review .... on Page **4**
Describes the performance of the Corporation in each of our major market areas.

An Interview with Management .... on Page **22**
Eleven of the most frequently asked questions about Bendix and its future.

The Financial Review .... on Page **24**
Analyzes the Corporation's financial statistics in greater detail.

The Balance Sheet .... on Page **28**
Presents a snapshot of your company's financial condition at the close of the fiscal year.

. . . And Something More

One purpose of the annual report is to meet the requirement that a publicly owned company regularly disclose its financial condition and the results of its operations.

But a great business enterprise cannot be reduced to statistics, nor do we propose in the following pages merely to satisfy a formal requirement. This report seeks to provide something more—a picture of the aims, the operations, the people of Bendix.

Bendix is a worldwide manufacturing company serving the automotive, aerospace and shelter markets. The Corporation has evolved over the years, adapting its methods, technologies and products to the changing times, but our abiding purpose has remained:

- ☐ to serve our markets as efficiently and profitably as we can,
- ☐ to enhance the value of our shareholders' investment,
- ☐ to provide scope and challenge for the creativity of our people,
- ☐ and thus to contribute to the well-being of our society.

The Cover

Bendix electronic fuel injection provides substantially improved fuel management and economy for automobile engines. Developed in the United States, the sophisticated electronic system was introduced to the automotive industry in Europe in the 1960's and now, after further refinements, it will make its debut on U.S. automobiles during 1975. Larry Gries, supervisor of inspection at the Electronic Fuel Injection Division, checks an EFI system on the computerized final inspection station.

Financial Profile

The Bendix Corporation and Consolidated Subsidiaries
For the Years Ended September 30, 1974 and 1973

	1974	1973	Percent Change
Net sales, royalties, and other operating income (in millions)	**$2,480.9**	$2,229.5	11.3%
Income before extraordinary items (in millions)*	**75.8**	69.3	9.4
Earnings per common and common equivalent share*	**4.65**	4.19	11.0
Book value per share of Common Stock	**42.43**	38.63	9.8
Percent return on stockholders' equity*	**11.1**	10.9	1.8

*Before extraordinary items for 1973 which are described on page 37.

Results of Operations by Operating Group

	Operating Revenues		Income Before Taxes	
	1974	1973	**1974**	1973
	(in millions)			
Automotive	**$1,207.4**	$1,020.8	**$131.6**	$123.1
Aerospace-Electronics	**657.6**	629.2	**38.7**	22.2
Building materials	**250.7**	278.1	**19.6**	20.0
Mobile homes/recreational vehicles	**208.7**	175.1	**(6.5)**	4.0
Industrial	**171.4**	130.8	**19.5**	2.9
Sundry operations and intercompany eliminations	**(14.9)**	(4.5)	**(55.2)**	(40.7)
TOTAL	**$2,480.9**	$2,229.5	**$147.7**	$131.5

See page 38 which sets forth the results of operations by operating group and notes thereto for the five years ended September 30, 1974.

To Our Shareholders

Someone once observed that while it's easy enough to "point with pride" or "view with alarm," it takes special skill to do both at once. We need a touch of this skill in presenting our annual report for fiscal year 1974.

On September 30, 1974 we closed our books on the most successful year in Bendix history. This is the second year in a row in which new highs were established in several major categories, including sales, earnings and book value per share. Our sales of $2.48 billion increased 11 percent over 1973. Income before extraordinary items rose 11 percent on a per share basis, reaching a record $75.8 million, or $4.65 per share, compared with $69.3 million, or $4.19 per share, in the previous year.

The 1974 results were achieved in a difficult environment. The energy situation, with its impact on the use of the automobile and on automobile sales; rapidly escalating levels of inflation; the high cost of money and the critical shortage of financing funds, which caused a sharp downturn of the shelter markets—all of these factors tended to depress our earnings. To overcome them required an extraordinary effort and devotion on the part of everyone at Bendix.

Under such circumstances—and even though we must allow for the fact that profit increases in inflationary times do not have the same meaning as in periods of relative stability—our success in achieving continued growth and new records in sales and earnings is a source of satisfaction to us.

During the last four years your Corporation has moved steadily upward, increasing not merely its sales volume—for sheer size can be deceptive—but also its earning capacity in good times and bad. Throughout this period we have maintained, in addition to our normally substantial outlays for research and development, a high level of new investment, not only to ensure our growth and profitability in the years ahead, but also to improve the physical and social environment for our people and for the communities in which they live.

From 1970 to 1974 our earnings per share grew at a compound rate of 24 percent per annum. This result was achieved through carefully planned growth in the automotive, aerospace and shelter markets—the markets we know. Our management resources have been strengthened and adapted to keep pace with this growth, so that we can better control the businesses we run and each can benefit from its association with the whole. A glance at our balance sheets during this period will show that we have maintained sound cash positions and a satisfactory debt-equity ratio, while increasing our dividend payout rate 12.5 percent.

So much, then, for "pointing with pride." What is it that we must "view with alarm"? The fact is that Bendix is not an island "entire of itself." We live in a troubled world.

There are moments in our history when public affairs so overshadow our private concerns that it seems, for a time at least, hardly to matter how we manage—moments when what is happening suddenly seems immensely more important than anything we can make happen. Recent generations have had more than their share of such moments, but after the past few years of Vietnam and Watergate and the energy crisis, I think we can fairly say that our cup runneth over.

Wherever we look we see inflation and governments too weak or discredited to deal effectively with it. In this country, the erratic policies of the last several years have left the economy with a series of distortions, from inflated inventories to materials shortages. Internationally, unemployment is on the rise and the oil squeeze is subjecting the economies and financial systems of the free world to intolerable strains. The problems which have brought us to this pass are neither mysterious nor insoluble, but one looks in vain for evidence that our leaders are prepared to take the necessary steps to solve them.

What all this means is that we are entering fiscal 1975 under unusually uncertain circumstances. Just how uncertain will depend on a number of factors—such as the cost of money and the money supply, international liquidity and the prospects for peace in the Middle East—which are hardly predictable at this writing.

Our fathers believed that difficult times were decreed by Providence. Whether we share that belief or not, the question is whether we have readied ourselves for the test, whether we are prepared to show that a business enterprise which has moved up consistently in relatively buoyant markets can continue to "beat the averages" and outperform the industry when some of its major markets have turned down.

That I believe we can, and will, goes without saying—and this is not simply a matter of faith. Our 1974 annual report, like the preceding ones, retraces the steps we have taken to increase the profitability of our aerospace activities, to diversify our automotive and shelter activities in order to reduce their dependence on the U.S. passenger car market on the one hand and on new housing starts on the other, and finally to prepare for the future—which is quickly becoming the present—by developing new products, penetrating new markets and improving our management resources.

It is not true, as it sometimes seems, that there are moments in history when it hardly matters how we manage. It always matters. Indeed, it matters doubly—to us and to society as a whole. For a great corporation stands in our system at the point where private and public concerns become inextricably mingled.

All in all, we can afford to look to the future, albeit an uncertain one, with a good measure of confidence. Unless all goes wrong, we have a good chance to continue to move up and to set new records. We certainly intend in 1975 to continue "beating the averages" and building shareholder value—to operate our businesses effectively regardless of unfavorable markets, as we have in better times. We are mindful of the fact that we have the power and the responsibility not only to determine our own fate, but also to affect the outcome for our country and for all the countries in which we work.

W M Blumenthal

December 2, 1974

The Year in Review

Fiscal 1974 provided evidence that Bendix has the resources and organizational strength to grow in a difficult business environment. Despite the gathering clouds on the economic horizon, the Corporation's revenues and earnings reached record levels.

Significant progress also was achieved in areas which, because they lay the groundwork for the future, may be even more important than the financial results of a single year. Bendix increased the effectiveness of its research and development activities, continued a vigorous capital investment program, and reached a satisfactory settlement of the litigation over Fram Corporation.

New "people programs" were inaugurated during the year in the Corporation's continuing effort to improve the working environment and to attract, retain and develop quality employees.

There also were important developments overseas. Bendix Europe, a coordinating office for our European operations, was established in Paris. A cooperation agreement was signed with the Soviet government with a view to developing business opportunities in the USSR. In France, we increased our participation in the management of Société Anonyme D.B.A., our largest overseas subsidiary.

In summary, Bendix took further steps to achieve its overriding objective: to consolidate and focus its activities to serve our three major markets—automotive, aerospace and shelter. *(See Results of Operations by Market Segment, page 24.)* As a matter of operating convenience, the Corporation has five operating groups which manufacture and market many different products for these three market areas worldwide. *(See Results of Operations by Operating Group, pages 1 and 38.)*

These markets offer opportunities for original equipment as well as aftermarket sales. They employ our technology, our manufacturing know-how and our marketing expertise. And each possesses domestic and international growth potentials that are in line with our requirements for return on investment.

The following review of our operations highlights significant events in our three major market areas during 1974.

Automotive

Bendix is a major components supplier to the worldwide automotive industry. In addition, the Corporation supplies a variety of machines, perishable tools and instruments to the automotive manufacturers, and produces recreational vehicles in Europe, Canada and the United States.

The results of our automotive operations during 1974 were among the most successful in the Corporation's history, even though passenger car sales declined sharply in some of our major markets and the energy situation had an extremely adverse effect on our recreational vehicle business, which operated at a substantial loss for the year. Offsetting these negative factors were increased worldwide sales to the passenger car aftermarkets, and to the truck markets, both original equipment and aftermarket.

The performance of Bendix divisions and subsidiaries which manufacture industrial products for the automotive and other industries also improved substantially in fiscal 1974 in spite of problems encountered because of higher costs and shortages of materials.

Bendix automated metalworking machine sales and profits were up significantly, primarily because of industry's requirements for such equipment to achieve lower production costs and the automakers' purchase of new equipment to meet the demand for smaller cars. Our perishable tools and materials handling equipment sales and profits also increased.

Original Equipment Sales Decline

While Bendix sales to the original equipment manufacturers in the North American passenger car market were lower than in 1973, they did not follow the substantial downtrend of the industry. This was due primarily to our increasing penetration of the power and foundation brake market and to the fact that two of our principal customers maintained relatively good sales positions during the year, especially for smaller cars.

Nevertheless, 1974 profits from our original equipment sales were down from fiscal 1973 because of rising material and labor costs which were not wholly offset by price increases and cost reductions.

Expansion in Spain and Brazil

The continued overall good performance of our automotive operations outside the United States and Canada can be partially attributed to more rapid growth rates in many countries where

The development of a new low-cost anti-skid braking system, being demonstrated here at our Automotive Development Center, has given Bendix a leading position in the field of computerized brake controls. The truck on the right, which is equipped with the system, comes to a straight stop during a panic braking situation while the truck which does not have the system skids out of control.

the automotive market is not yet fully developed. Our overseas growth rate did slow somewhat during 1974, however, because of unfavorable automotive market conditions in Germany and France.

Sales improved significantly in Spain and Brazil, where Bendix affiliates are the largest producers of automotive brakes. Expansion programs have been approved for operations in Spain and Brazil. In Spain, our subsidiary, Bendiberica, expanded its product line by acquiring a manufacturer and distributor of automotive shock absorbers.

Aftermarket Results Improve

Worldwide sales of Bendix replacement parts in the automotive aftermarket were up 23 percent during fiscal 1974 over the fiscal 1973 figure. We have concentrated many resources in recent years on increasing our penetration of the car and truck aftermarkets. These markets tend to increase at a faster rate when new car sales are down, providing a stabilizing influence on our business.

The Bendix Autolite spark plug business, acquired in November, 1973, also contributed significantly to our increased sales for the automotive aftermarket. About 90 percent of Bendix Autolite's production is for this replacement parts market.

A further boost to the Bendix automotive results was provided by the very good performance of Fram Corporation, which has a major portion of its automotive filter business in the aftermarket.

Truck Sales Growth Continues

The Corporation's business in the light, medium and heavy truck markets was strong throughout the year.

In the heavy truck field, Bendix is now the only supplier that can offer both the complete skid control system and components to the aftermarket which meet the required federal braking standards for air-braked heavy trucks. Based on our fiscal 1974 orders for front axle disc brakes, which meet the 1975 federal standards for hydraulically-braked medium and heavy trucks, we also expect to be a leading supplier in this growing market.

Orders for more than $20 million per year, starting in model year 1976, were received from medium and light truck manufacturers for a two-wheel hydraulic anti-skid system. This gives the Corporation a leading position in the field of computerized brake controls.

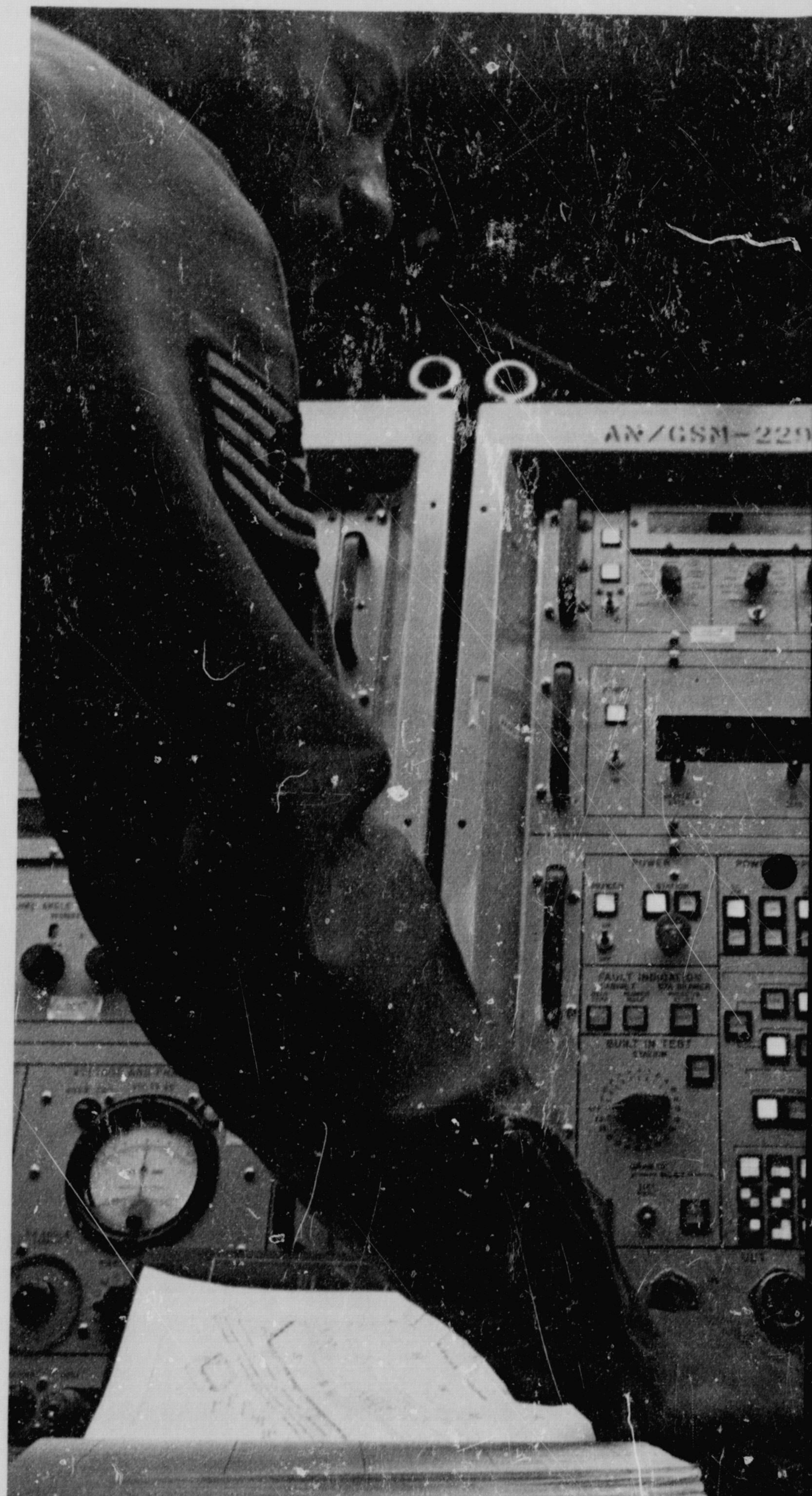
In conjunction with the growing

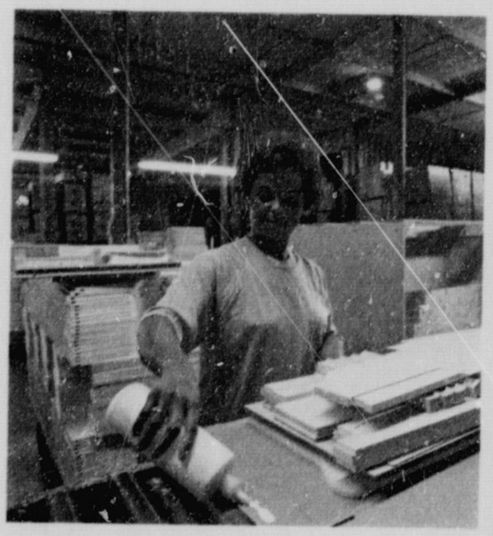
The quest for offshore oil has led to dramatic increases in the sale of winch and anchor windlass equipment produced by the Skagit Corporation. This huge drum, which can spool 6,000 feet of 3-inch wire rope, is part of a mooring system for an offshore drilling platform.

Fram Corporation continued to increase its penetration of the automotive markets it serves with aggressive marketing programs. Fram's air, fuel and oil filters and windshield wipers are available through automotive replacement parts outlets and mass merchandising retail centers like this one.

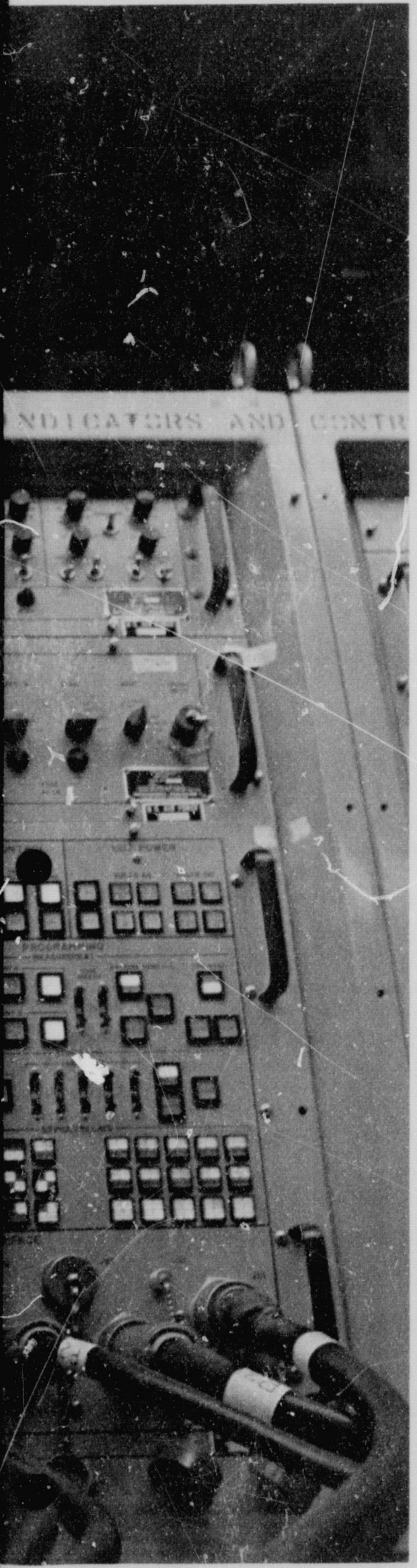
The new Bendix Lifetime motor home built in Mason City, Iowa, and a Corsair travel trailer, produced by our Canadian subsidiary, meet at Niagara Falls, a natural wonder shared by the U.S. and Canada.

New F-15 air superiority fighters will be supported by test equipment developed by Bendix that will keep them in an operational alert status anywhere in the world. Each Air Force squadron will use the test stations for rapid testing, fault isolation and performance validation of all avionics equipment used aboard the aircraft.





American Forest Products' line of unassembled packaged furniture, comprised of a variety of accessory tables and storage units, enjoys growing consumer acceptance across the nation.



number of trucks, buses and off-highway equipment, Fram Corporation has accelerated its involvement in heavy duty oil, air and fuel filters.

New Business Developments

Bendix enhanced its role as a leading supplier and manufacturer of electronic controls by further developing its domestic electronic fuel injection business in 1974. The Corporation has a multi-year order to supply EFI systems to Cadillac for various V-8 engine models and our system will be on a limited edition of the 4-cylinder Chevrolet Cosworth Vega engine starting in 1975. At the fiscal year end, we were actively pursuing new applications for EFI with additional customers.

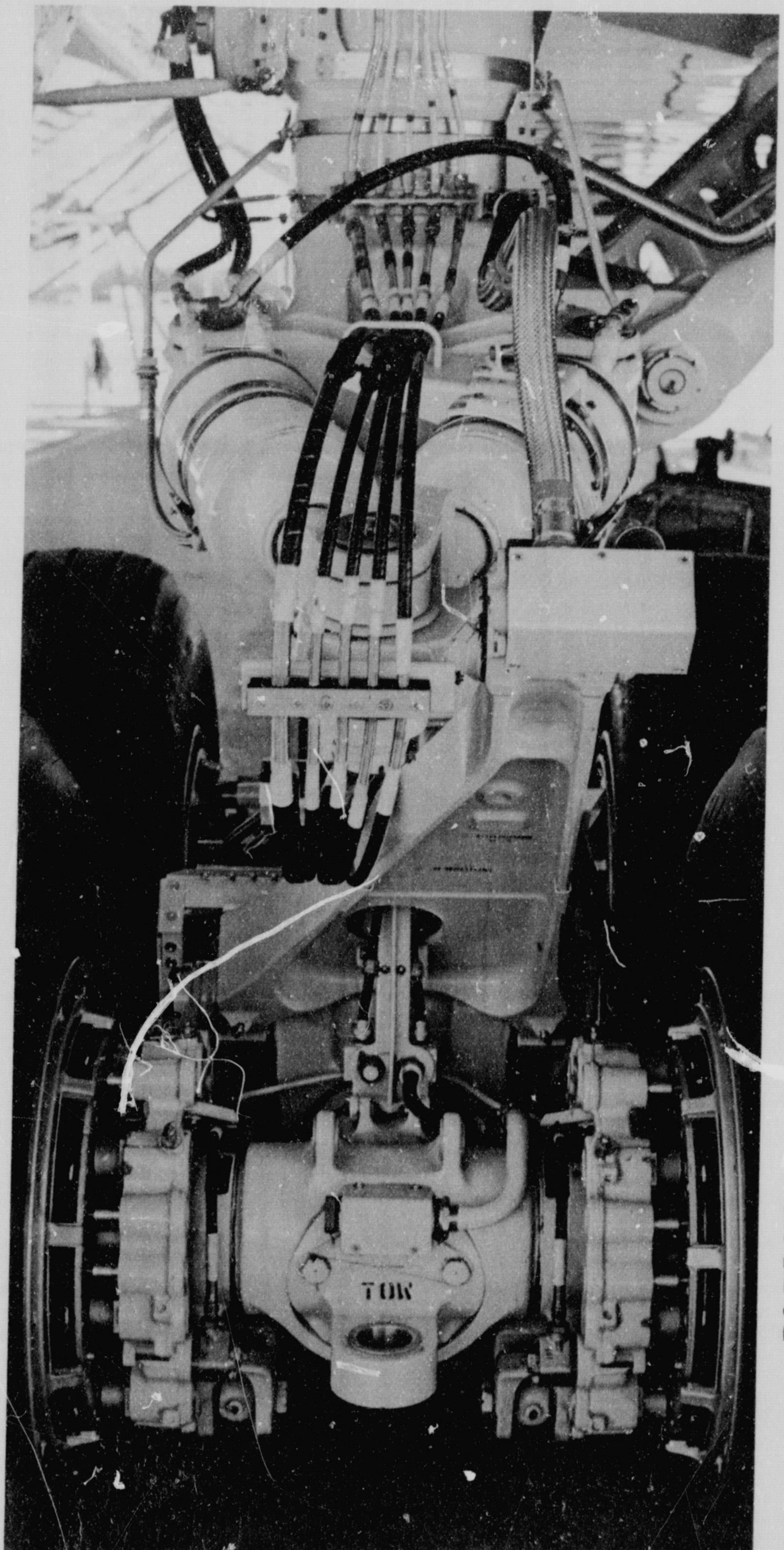
Another important product development was the increasing acceptance of our Hydro-Boost power brake actuation system. Thus Bendix, which has been the world's leading supplier of vacuum power brake systems, has taken the lead in developing a new system which not only could supersede the vacuum power approach, but also could be a first step toward a modified central hydraulic power system for many automotive functions.

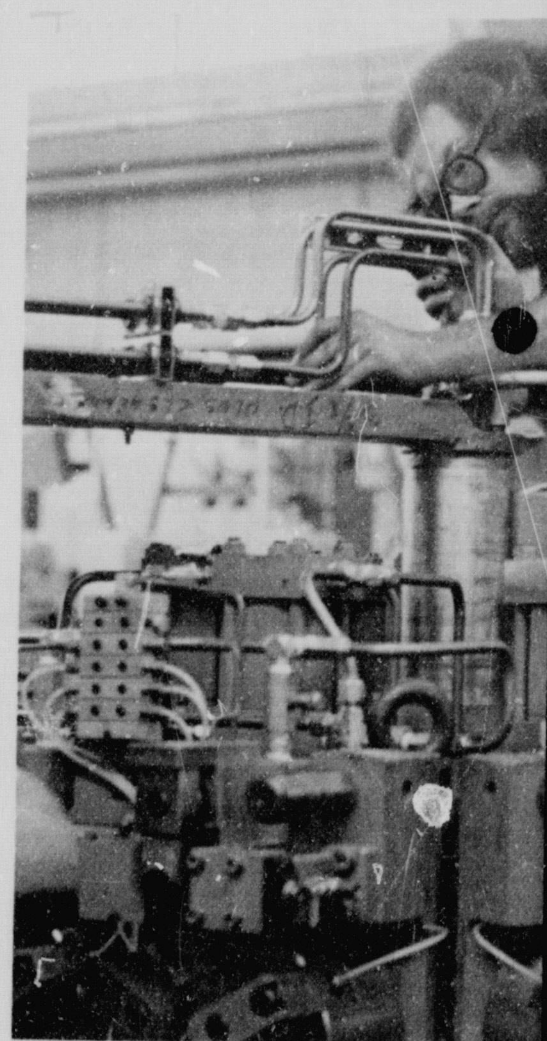
Production also began during the year on an air pump, a device which will be a part of some 1975 emission control systems. Fram Corporation continued to develop new business for flexible bladed fans to satisfy new federal standards involving noise and under-the-hood heat control.

Fram Litigation

A significant development which we believe will have a long-term positive effect on our automotive business was the successful resolution during November, 1974 of more than seven years of litigation involving the Corporation's 1967 acquisition of Fram Corporation. Bendix and the Federal Trade Commission agreed to a settlement which will permit Bendix to retain the Fram trademark and to continue to manufacture and market Fram products.

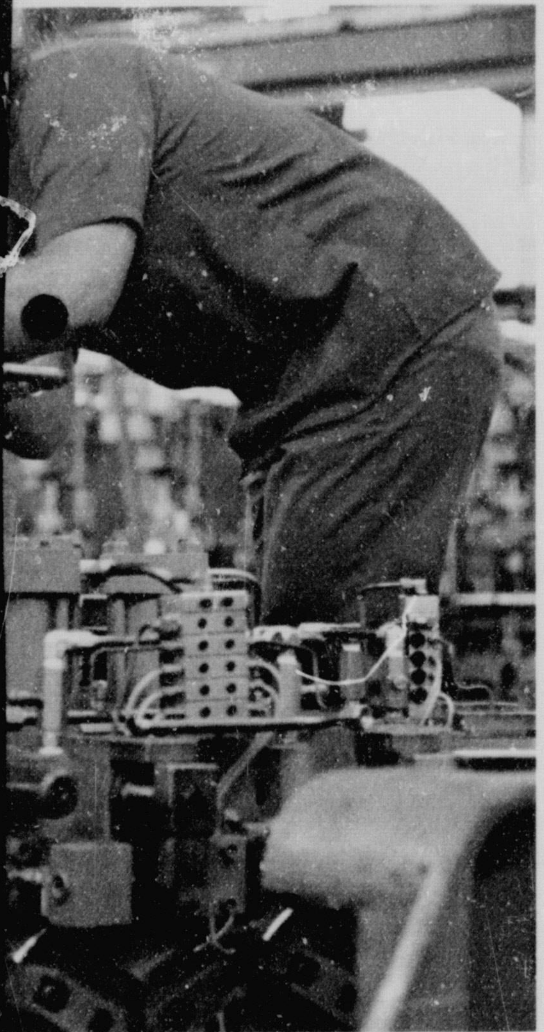
This agreement provides that Bendix will set up a new and independent company composed of several Bendix and Fram operations. The new company will be a diversified supplier with valuable assets and well-established positions in such market areas as private label automotive filters, ignition products, carburetors, starter drives and electric fuel pumps. Under the terms of the settlement agreement, it will be

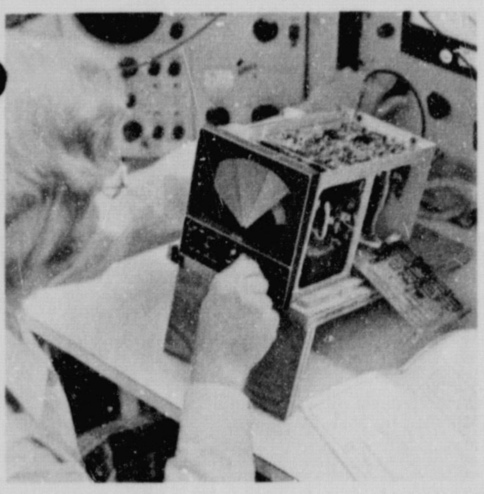




Strong sales of automated metalworking equipment, especially to the automotive industry for small car and heavy truck production, were among the reasons for improved industrial Group sales and profits. This dial index machine being built at the Michigan Special Machine Company is designed to produce parts for truck engines.

Bendix supplies more than 40 percent of the wheels and brakes used on U.S. manufactured commercial jet aircraft, including the Boeing 747. New carbon disc brakes developed by Bendix are lightweight and long lasting.





Weather radars produced by Bendix are used by more than 100 airlines throughout the world to enable pilots to avoid storm activity for safer, more comfortable and on-time flights. New digital weather radars for general aviation aircraft introduced by Bendix represent a significant technological advance and have been highly successful in the marketplace.

established as a wholly-owned subsidiary of Bendix and divested by the Corporation within two years.

Aerospace

Fiscal 1974 was a good year for Bendix in the aerospace-electronics field. Profits from these operations improved substantially over the 1973 results. Sales also were up significantly.

The turnaround in profitability for this group was due not only to the strong demand for our products and services at home and abroad, but also—and importantly—to effective and energetic management and improved contract review procedures and cost controls.

Aviation Sales Increase

Sales of Bendix products to the general, commercial and military aviation markets were 15 percent ahead of the fiscal 1973 sales figure. The markets for communications and navigation systems, fuel controls and aircraft wheels and brakes were particularly strong.

Export sales, principally avionics equipment, were enhanced during 1974 by the specification by many foreign airlines of Bendix digital radar and other aviation products as standard equipment, a new order from Japan for an Earth Resources Technology Satellite data processing system, and the award of major contracts for radar programs in Latin America.

Aviation sales account for about half of our aerospace-electronics revenues. Bendix equipment is on board a number of major commercial, general aviation and military aircraft programs which will provide us with a solid business base for many years.

Bendix is one of the world's largest manufacturers of cylindrical electrical connectors. Sales of these devices also increased in 1974. They are used in aircraft, automotive vehicles, space systems, ships and scientific instruments and provide a fast, reliable means of connecting electrical circuits.

Space Programs

The Corporation benefitted from the outstanding performance of several of its divisions on long-term service contracts with the federal government. Contract extensions were obtained to maintain the 10 stations of the NASA space tracking and data acquisition network and to provide support services at the Kennedy Space Center.

Command and control of the six Pioneer spacecraft gathering scientific data from interplanetary space is another major role Bendix plays in the nation's space program. Our systems and services will help support the Apollo-Soyuz and space shuttle programs, and we have built the ground data processing station for the NASA Earth Resources Technology Satellite. We are currently constructing similar stations for several countries overseas. Bendix experiments carried to Mars as part of the Viking program will help determine whether forms of life exist on the planet.

New Business Areas

New business during the year for our aerospace-electronics operations included contracts to develop the guidance computer for the Pershing II missile and a general purpose digital flight control system for the Air Force. Significant orders were received for Bendix automated ground test equipment used in the avionics maintenance of the Air Force's F-15 air superiority fighters.

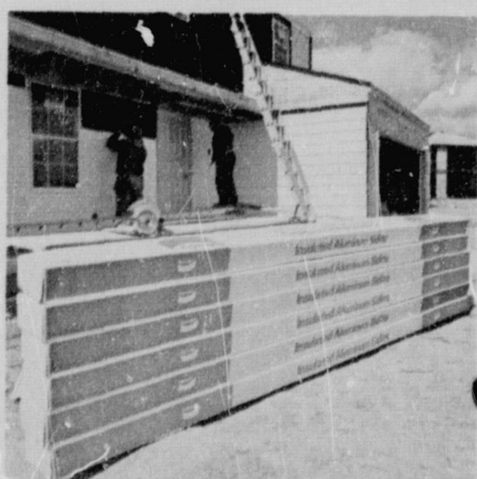
The petroleum industry's efforts to seek out and develop new sources of energy contributed to the increased business and improved performance of United Geophysical Corporation. The market for oil and natural gas exploration services provided by this Bendix subsidiary has grown significantly since the Arab oil embargo of late 1973. United Geophysical crews are now working on long-term contracts in Central and South America, in Canada, on the north slope of Alaska, and in several of the contiguous 48 states.

Bendix has become a major producer of analytical equipment for air pollution monitoring to meet the needs of industrial firms which are stepping up capital expenditures for equipment in the environmental, health and safety fields. We also are making field evaluations and surveys in these areas for various agencies of the federal government.

Shelter

Bendix serves the shelter market both as a producer and a distributor of a wide range of building materials and as a leading supplier of mobile homes.

Our operations serving this market were adversely affected by deteriorating economic conditions in fiscal 1974, particularly high interest rates and a shortage of mortgage funds. By the end of our fiscal year, housing starts had fallen off to an annualized rate of 1.1 million units.



The exterior of this new home is being finished with a long-established line of aluminum siding sporting a new name — Bendix. The Corporation's trademark was assigned to our complete line of aluminum building materials as part of a new brand identification program.

The search for natural resources, investigations into pollution and the preparation of land use studies are being facilitated around the world by remote sensing systems and computer processing techniques pioneered by Bendix. Computer-generated color overlays or maps produced from information provided by the sensors aboard the Earth Resources Technology Satellite help in categorizing important features on the surface of the Earth.

During the earlier part of the year, the profits from our building materials operations were well ahead of the earnings contribution for the same period of 1973. Housing starts, however, took a precipitous fall in the fourth quarter, and the prices and demand for our lumber products fell off sharply. As a result, by September we had curtailed production at several of our mills to adjust to these market conditions which we see continuing at least through the second quarter of fiscal 1975.

During fiscal 1974, we intensified our marketing efforts on the non-residential, industrial, agricultural and home repair markets—markets which generally are less sensitive to the effects of higher interest rates and tight credit conditions than residential housing.

Sales of Bendix aluminum building materials, including siding and rain carrying equipment, were about 20 percent ahead of 1973.

Wooden and corrugated container sales to the California and Arizona agricultural markets were up about 10 percent. Sales of an expanded line of ready-to-assemble unfinished furniture also were higher. While the volume is still relatively small, sales of American Forest Products' expanded and restructured international division about doubled as a result of increased exports of remanufactured products and imports of wood products for resale through our building materials distribution network.

The rising interest rates and reduced availability of financing during 1974 resulted in lower demand for mobile homes in all of the markets served by Bendix. Revenues of our Canadian Home Systems activities increased, however, and profits were about equal to our 1973 performance on a comparable basis. In the United States, a marked decline in our mobile home shipments resulted in production cutbacks and a loss for this operation for fiscal 1974.

During the year several new mobile homes were introduced in Canada and the United States, including a number of the deluxe double-wide units that are growing in popularity. We believe that these products, as well as our improved lower cost mobile homes, will put Bendix in a favorable position when the economy improves and the market returns to more normal conditions.

Facilities Expansion

Bendix worldwide facilities were expanded again in fiscal 1974. Consolidated expenditures for land, buildings and equipment were $72.7 million compared with $82.5 million for fiscal 1973.

Facilities expansion projects in our automotive operations were undertaken at divisions which produce passenger car braking systems, electronic fuel injection systems and truck brakes and components.

To meet the needs of an expanding filter market, Fram Corporation added 100,000 square feet of space at plants in Ohio and Missouri. Fram also completed construction of a new plant in Canada for production of automotive emissions control devices.

A new facility for the production of process, environmental and laboratory instrumentation is under construction at Lewisburg, West Virginia.

In anticipation of a continued strong market for Bendix mooring systems produced for offshore oil drilling platforms, our subsidiary, Skagit Corporation, began a facilities expansion program which will be completed early in fiscal 1975.

American Forest Products Corporation expanded its building materials distribution business during the year by acquiring two distribution centers in Florida and constructing another near Birmingham, Alabama.

Research Activities

Fiscal 1974 saw progress in our continuing effort to focus Bendix research, development and engineering on the Corporation's priority business objectives. During 1974, Bendix spent approximately $76 million on programs related to the development of new products or services or the improvement of existing products or services.

Bendix is conducting its principal automotive research and development activities on behalf of electronic fuel injection systems for automobiles. Emphasis is on emissions control, fuel economy and the reduction of unit production costs. Improvements in anti-skid or adaptive braking systems also are being actively pursued, particularly for the truck market. New formulas are being devised for passenger car and truck brake linings to improve performance and to meet new federal safety standards.

In the aerospace area, efforts are continuing to reduce the weight and increase the wear life of military and commercial aircraft brakes. Research also is in progress on programs to expand the capability of avionics equipment,

During the year Bendiberica, S.A., the Bendix subsidiary in Spain, expanded its product line with the acquisition of a manufacturer and distributor of automotive shock absorbers. Bendiberica is a major supplier of brakes and power steering equipment to the Spanish passenger car and truck industries.

including weather radars which are a major Bendix product.

Our aerospace operations are participating in the development of an airborne receiver for the Omega navigation system to provide a high degree of accuracy in aircraft navigation anywhere in the world. Additionally, Bendix has a contract to participate in the development of one of the Federal Aviation Administration's largest and most innovative air traffic control system improvements — the Discrete Address Beacon System (DABS). Bendix also is developing equipment for Synchro-DABS, a means to provide synchronized, automatic air-ground data communications which could be a key element of an advanced DABS system.

Instruments for the monitoring of a variety of pollutants in the atmosphere and in bodies of water are being developed in response to federal, state and local requirements for their control. An example is a system to accurately determine worker exposure to vinyl chloride, a suspected cancer-causing chemical in the industrial environment.

During 1974, Bendix received awards for developing two of the country's "100 most significant new technical products of the year." One is a system for analyzing the sulfur content in hydrocarbon process streams at petroleum refineries and petrochemical and sulfur recovery plants. The other is a mobile respiratory support system for use in the treatment of emphysema, chronic bronchitis, asthma and other respiratory problems.

Development work also is continuing on automated factory machinery and computer controls for machining and assembly operations.

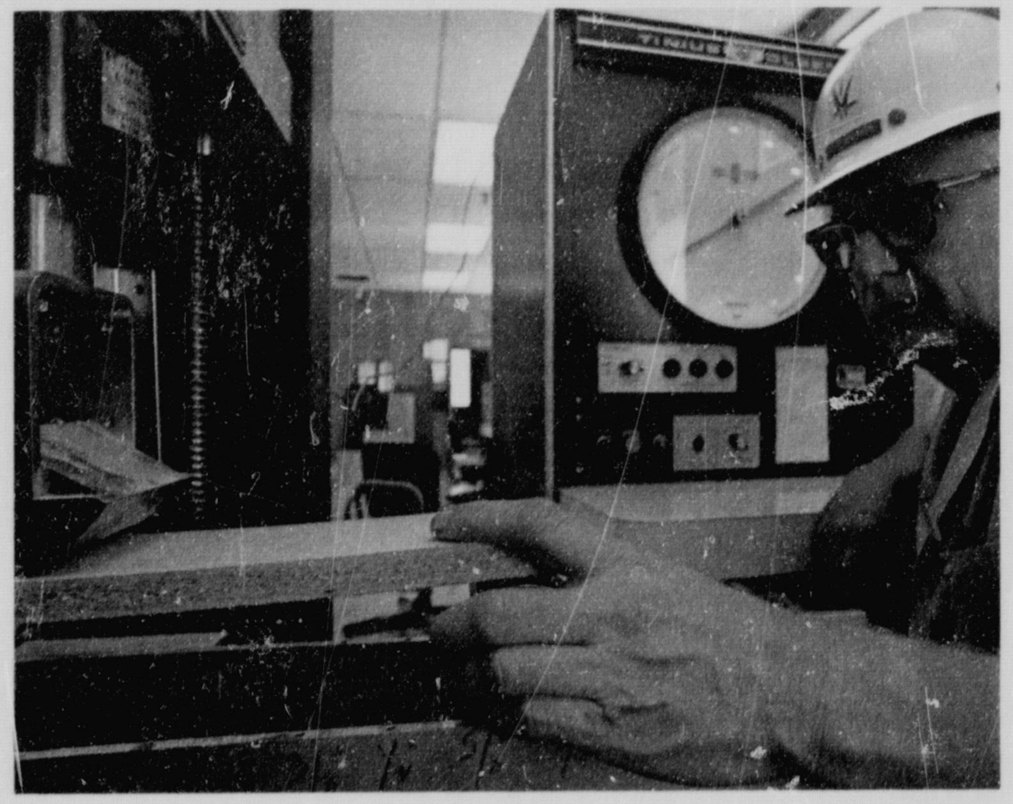
Bendix People

Bendix worldwide employment at the close of the fiscal year, not including the 5,400 employees of the Kansas City Division, was 82,100 men and women, approximately 53,300 of whom were employed at operations in the United States and Canada. Wages and salaries increased to $765 million from $721 million in 1973.

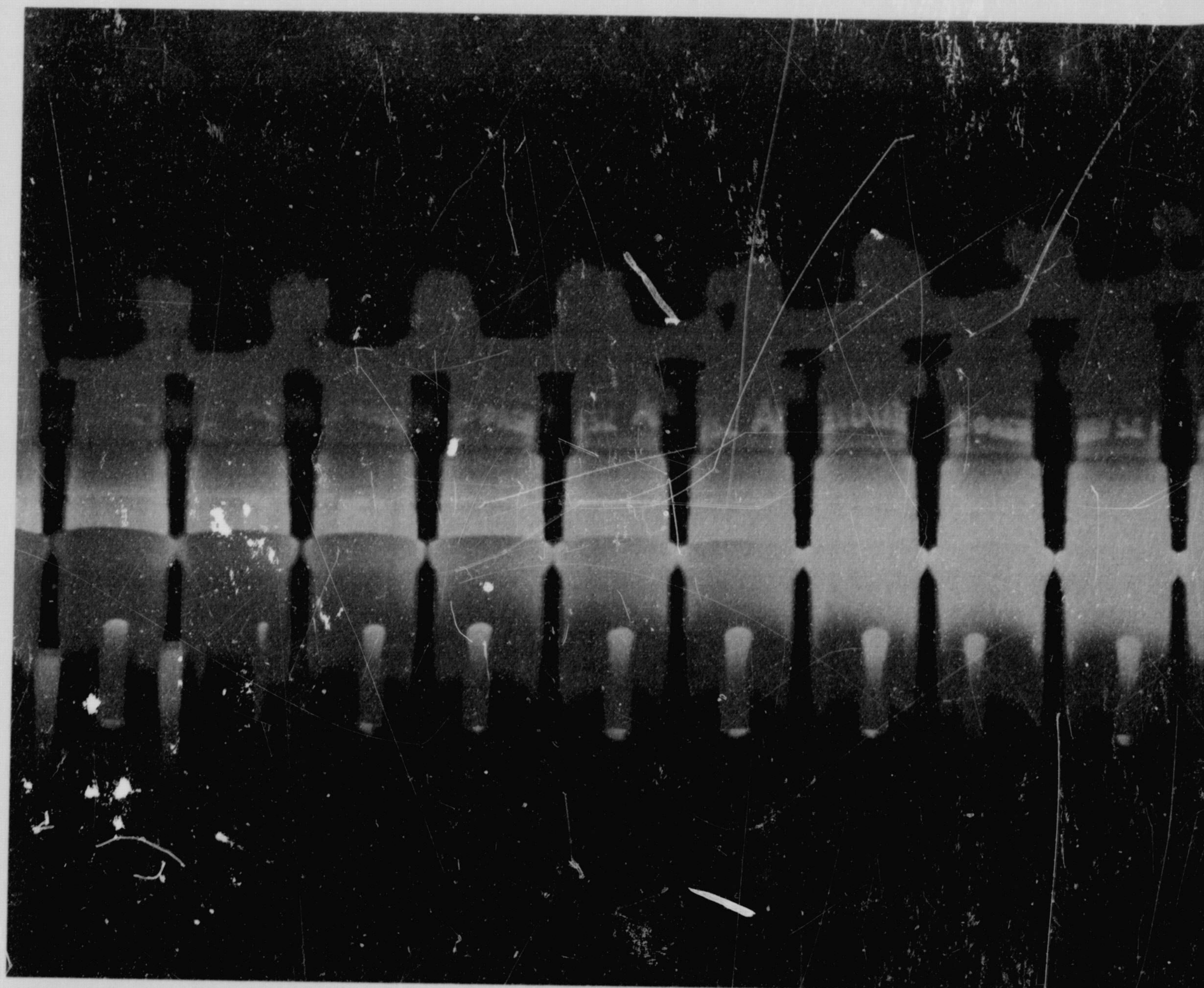
The fringe benefit packages provided to our employees in the United States and Canada amounted to $3,273 per employee in fiscal 1974 compared with $2,914 per employee in 1973. Improved pensions and medical and life

Sales of several Bendix divisions and subsidiaries have benefitted from the petroleum industry's efforts to seek out and develop new sources of energy. Exploration crews of our United Geophysical Corporation are working throughout North and South America in search of oil and natural gas.

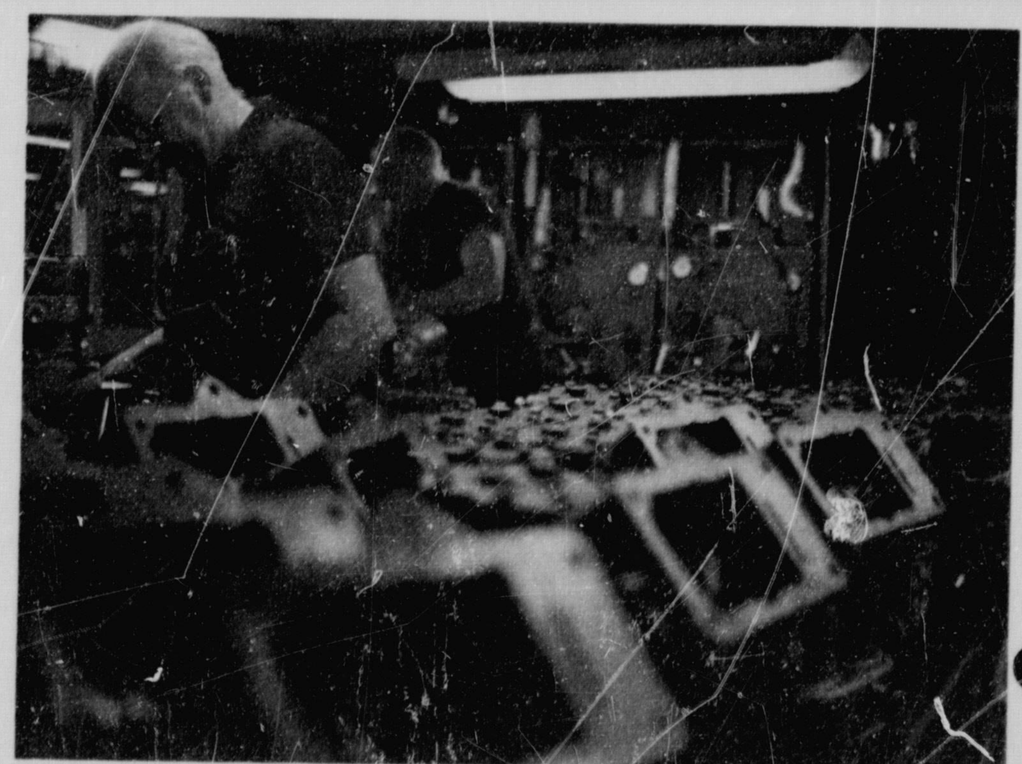
American Forest Products' precision particleboard undergoes 15 continuous quality control tests during manufacture, making it a popular choice for those applications where close tolerances are required, such as in the furniture industry.



Bendix is an innovative designer and manufacturer of homes such as this handsome double-wide model at a 5,000-homesite development called Barefoot Bay on Florida's east coast.



Autolite spark plugs, one of the newest and most promising additions to the Bendix catalog of high-quality product lines for the automotive industry, leave the insulator assembly furnace at the Bendix plant in Fostoria, Ohio where more than 200 million Autolite spark plugs are produced annually.



Employees of the Heavy Vehicle Systems Group work on a component of a heavy truck air brake compressor, one of the many products which have earned the group its reputation as the major independent manufacturer of braking systems for heavy vehicles in North America. Development of a smaller, lighter version of the air compressor was one of Bendix' major product innovations during 1974.

insurance were the principal factors in the increase. Included in fringe benefits costs for the year were $38.1 million in group insurance contributions and $29.4 million in employee retirement plan costs.

Labor Agreements

Fiscal 1974 was a particularly active year for Bendix in the negotiation of labor agreements with the various labor unions representing many of the Corporation's hourly-paid employees. A total of 38 labor agreements involving unions representing approximately 18,000 hourly-paid employees were negotiated on a basis satisfactory to the Corporation and to its employees, although costs of the new contracts were up substantially over costs of the same contracts three years ago.

In fiscal 1975, 28 contracts covering approximately 8,300 hourly-paid employees will be negotiated.

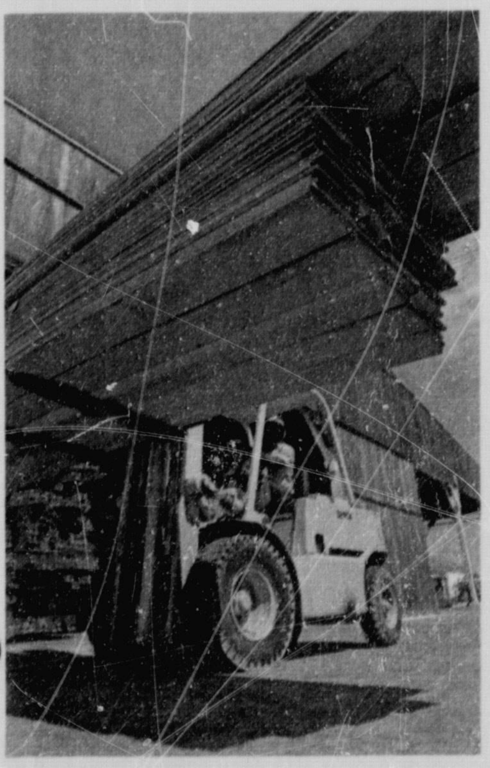
Equal Employment Opportunity

Bendix is committed to the concept that people and profits are essentially interrelated—that in order to achieve the best possible results, the Corporation requires full utilization of the talents and skills of all of its people.

As a result, a major element of our people-oriented programs has been the area of equal employment opportunity. This program is being pursued in a vigorous and systematic manner—and the results are evident throughout the Corporation. Special emphasis is being given to the addition of significant numbers of minority people and women to the Corporation's managerial and professional groups.

Assisting in these efforts is an Equal Employment Advisory Council which has been expanded to include line management and to reflect the functional and geographical diversity of the Corporation. The purpose of the council is to assist management in the development and monitoring of corporate policies, programs and procedures with respect to all aspects of equal employment opportunity within Bendix.

All of our divisions and subsidiaries have established specific goals for hiring and promoting minorities and women over the next five years. As an example of progress that has been made, 46 percent of the vacancies filled in exempt salaried classifications during the final quarter of fiscal 1974 were filled from these employee groups.



American Forest Products Corporation broadened its network of building materials distribution centers with the acquisition of distribution yards in Port Everglades and Orlando, Florida and the construction of a new center near Birmingham, Alabama.


DBA

The Corporation's personnel administration staff has been strengthened and expanded to provide counsel and assistance to divisions and subsidiaries. Senior executives' compensation is related to their performance in meeting specific equal employment goals.

Supervisory personnel are participating in a unique awareness program developed by Bendix entitled "Upward Mobility for Emergent Groups." The social, legal and economic responsibilities of executives with respect to the advancement of minorities and women are discussed in problem-solving situations.

A variety of educational assistance and training programs are maintained by Bendix to help our employees improve their skills. They range from apprenticeship, technical and co-op training to graduate fellowships and educational assistance at the college level.

We have inaugurated an Early Identification Program for secretarial and other clerical personnel who have the potential and desire for promotion into more responsible positions. An extensive Career Profiling System also has been implemented to facilitate the search for qualified employees to fill vacancies.

Increased emphasis has been placed on the recruitment of minorities and women on the college campuses through programs including participation in career centers, financial aid to black colleges, computerized listings of females seeking jobs and provisions for fellowships.

Management Development

Other activities to improve the recruitment, utilization and development of Bendix management talent were expanded in 1974. Personnel Development Centers were operated throughout the Corporation to identify and develop Bendix managers for top executive positions. Approximately 100 management personnel participated in the program during 1974.

A select group of high-potential men and women with advanced degrees are being recruited each year under the Bendix Graduate Development Program. These are professional and managerial candidates whose capabilities are being developed in a relatively short time to provide future leadership for the Corporation.

Health and Safety

Highest priority has been given to health and safety of Bendix employees on the job.

Continued and conscientious attention to employee health and safety has resulted in steady improvement in the reduction or elimination of adverse or hazardous conditions at the workplace. Both accident frequency and severity rates declined in 1974.

Suggestion System Awards

Approximately 2,060 suggestions for cost reduction or operating improvements were adopted in the past year as a result of creative ideas from employees. Employees received $113,609 in Suggestion System awards.

Bendix Stockholders

There were 41,766 Bendix stockholders at the end of the fiscal year. Of the preferred and common shareholders, 68 percent were individual accounts and 32 percent were institutions or groups.

At the close of the year, some 14,500 employees were enrolled in the Bendix Salaried Employees' Savings and Stock Ownership Plan which provides employees with a sound and systematic method of increasing savings. During the year, participants in the Plan invested $11.4 million in Bendix Common Stock and government securities.

The Corporation matches one-half of the employee contributions to the Plan. The maximum amount of the Corporation's contribution is equal to 4 percent of the employee's salary. Through the Plan, employees now hold about 1,964,000 shares of Bendix Common Stock. The Plan holds approximately 16 percent of the total shares of Bendix Common Stock outstanding.

Management Changes

During 1974, Coy G. Eklund, president of The Equitable Life Assurance Society of the United States, was elected to the Board of Directors, replacing Francis C. Reed, who was a member of the law firm of Hughes Hubbard & Reed, New York City and who retired from the Board on February 28, 1974. Mr. Reed had served as a Bendix director since 1971.

Five new corporate officers appointed by the Board are Charles E. Heitman, president of Bendix International; Jerome Jacobson, senior vice president; Dr. John Weil, vice president and chief technical officer; John M. O'Hare, vice president for industrial relations; and Donald A. Proechel, vice president and a group executive in the Aerospace-Electronics Group.

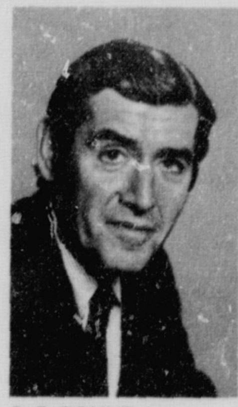
Bendix' largest overseas subsidiary, Société Anonyme D.B.A., exhibited virtually every product in its broad line of automotive parts and components at the Paris Auto Show with this unique transparent vehicle. As the car demonstrates D.B.A. produces many products for cars, from the headlights to the taillights and a host of electrical, hydraulic and mechanical devices in between.

An Interview With Management

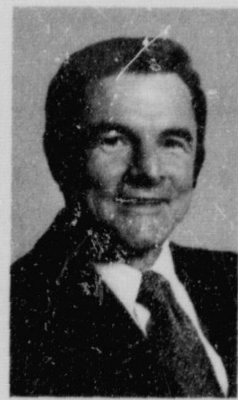
In these days of widespread concern about economic conditions and prospects, there is a vastly increased demand for information about the Corporation's current performance as well as the outlook for 1975 and beyond. In the following interview, members of the Office of the Chief Executive answer questions which are frequently asked about Bendix.

W. M. BLUMENTHAL
Chairman, President and Chief Executive Officer

W. M. AGEE
Executive Vice President



C. F. DONNELLY
Executive Vice President



W. L. MIRON
President, Group Operations

I gather you managed to get through this automotive year with very good results. But it wasn't a great year for your customers, the major car builders, and 1975 looks even worse. Are you battening down the hatches?

Mr. Miron: We're always battening down hatches—in good years and bad. There's never an end to the work of cutting costs and improving operations. Otherwise you don't survive in this very competitive business. But the results for fiscal 1974 show that we did much better than a lot of people thought we could in a rough year for most of the industry.

We had a good year in sales of our automotive products. Profits were also good under the circumstances, although they were hurt by the decline in the domestic car builds and the fact that we couldn't totally offset rising costs with price increases and productivity gains.

It is important to understand that the results of our automotive business do not rise and fall entirely with the statistics on North American passenger car production. Three out of every four passenger cars are now built in other countries and Bendix has a strong position in the overseas original equipment markets.

There are also trucks — light, medium and heavy — and we're a leading supplier to those markets, which have been and remain stronger and more profitable than passenger cars. There is the aftermarket, too, here and abroad, which represents more than a third of our automotive business. It's also a more profitable segment, by the way, than original equipment, and it tends to get stronger when original equipment sales lag.

What we've been doing over the years has been to spread our investment over these different areas so that we can even out the cycles and maintain a steady growth. We've also applied the Bendix technological strengths in the braking system and fuel management areas to develop new products that meet emissions control and fuel economy needs of the car and truck makers.

I understand that some of your divisions sell automated factory equipment to the automakers as well as brakes and other automotive parts.

Mr. Miron: Yes, we make tools and factory equipment for the automakers, and other manufacturers as well. Some of the most prestigious names in the industry are brands for Bendix products—Sheffield, Besly and Buhr, for example. And the divisions and subsidiaries which make these industrial products did remarkably well last year.

Can Bendix expect good growth in these industrial markets over the long haul?

Mr. Miron: I think we can. We have avoided the standard products used by the metalworking industry and instead have concentrated a major portion of our sales in the area of factory automation. Industry in our own country and abroad is faced with an increasing need to produce goods at stable and competitive prices. To do this, manufacturing costs must be controlled, and in many instances reduced, and one of the ways this can be accomplished is by automating the manufacturing process. This is a major business capability of our industrial products divisions.

Bendix' settlement agreement on Fram Corporation with the Federal Trade Commission calls for divestiture within two years of some of your automotive operations. How will this affect the future of Bendix in the automotive parts market?

Mr. Donnelly: On the whole, we believe the agreement will have a positive effect on the growth and development of our automotive business. It puts an end to a very long and very costly litigation. It allows us to retain Fram, which has been a growing and profitable business since we acquired it in 1967. And, with the settlement behind us, we are now able to combine Fram's resources and strengths in marketing with our Bendix capabilities in manufacturing. This should lead to a more aggressive development of our aftermarket business. For example, we have just assigned to Fram direct management responsibility for aftermarket sales of Bendix Autolite spark plugs and Bendix brake systems and parts.

The settlement does require us to divest several divisions and product lines which have recognized positions in the marketplace. Although they represent only 3.6 percent of our assets, these are valuable operations and we regret having to lose them. On balance, however, we believe that the settlement will have a very positive effect on our automotive operations and on the company as a whole.

You've reported substantial improvement in the results of your aerospace operations in 1974 compared with 1973. What caused the turnaround and do you expect to do as well in 1975?

Mr. Blumenthal: There were several reasons for the turnaround and for our expectation of continued growth in this business in 1975.

Commercial and general aviation markets for our products were quite good, and that helped our results. Another factor—and perhaps a more important one—is that we now have a strong, profit-oriented management team in this group, which helped produce better profits in most of our divisions. The fact that many of the technical and cost problems that we encountered on some major contracts in 1973 are now behind us also was a major contributing factor.

We began fiscal 1975 with a very strong order backlog position in our aerospace divisions, and we think those segments of the aviation business we serve will hold up well in the next 12 months.

Are you now satisfied with the ratio you have between government

and commercial sales in this area of the business?

Mr. Blumenthal: The short answer is yes, we are satisfied, but it requires some explanation. It's true that our corporate goal for several years has been to increase our involvement in commercial markets—and we have done that. On an overall corporate basis only about 18 percent of our business is now government related. In the aerospace area of business the situation is somewhat different.

Last year our aerospace-electronics sales were about two-thirds government-related, one-third commercial. In the future, that ratio will vary depending on opportunities available in either market for return on our investment. Bendix has immensely valuable assets in this area—technological leadership, manufacturing know-how, long experience and excellent management. We are now well-positioned to serve both the government and commercial markets and we intend to do so, but not in accordance with any preconceived ratio.

In other words, when a new wave of commercial aircraft construction develops, for example, we'll be prepared to sell more in that sector. At another time, government opportunities may be better. There is no dogma which says that you must maintain a particular, fixed proportion. The objective is to be in a position, as I believe we now are, to do what best contributes to the Corporation's steady and predictable growth.

A year ago your building materials subsidiary reported record sales and operating income. Since then the bottom has fallen out of the housing market. Is this now a "disaster area"?

Mr Donnelly: The present outlook is not good. But the fact is that we did quite well in our building materials business in fiscal 1974. In spite of the sharp decline in the housing market which occurred in the fourth quarter, along with a precipitous fall in lumber prices, our building materials operations achieved a good performance for the year. The product mix of our subsidiary, American Forest Products Corporation, provides some explanation for the results we achieved.

About 40 percent of our sales are to the residential construction industry. That segment was hurt when the demand for housing and lumber prices fell off sharply. On the other hand, other areas of our business held up reasonably well, and in some cases even improved, during fiscal 1974. Our agricultural box sales, for example, were up about 10 percent over the fiscal 1973 figure. Sales of materials used for remodeling, such as aluminum siding, were also up in fiscal 1974, about 20 percent ahead of 1973.

What is the outlook for 1975?

Mr. Donnelly: For the first six months of fiscal 1975, we expect our operations serving the shelter markets—building materials and mobile homes—will be faced with a difficult and uncertain economic environment, but as prudent managers, we have planned accordingly.

The building materials industry has been in a recession for a number of months due to the slowdown in home construction because of high interest rates and the shortage of mortgage funds. As a result, many of the industry's mills, and that includes our own, have been shut down or are on reduced production schedules.

These conditions continue to be a problem for the industry, even though interest rates have dropped from the highs earlier this year and the federal government has taken, or is planning to take, some steps to make lower cost money available to home owners.

The mobile home market also was adversely impacted in 1974 by the high cost of money and the near unavailability of financing, and our operations in this area have suffered along with the rest of the industry.

As we look beyond the first six months of fiscal 1975, we see as a likely, or possible, scenario an upturn in the shelter markets during the third fiscal quarter, continuing at an accelerating rate during the fourth quarter and continuing into 1976. We are not counting on this scenario – but we intend to be ready when the upturn comes.

It's important to recognize, however, that while financial developments are causing difficult times for the shelter markets now, the basic need for housing continues to rise. On the other hand, building materials inventories and retail inventories of mobile homes have been reduced to minimum levels. When the market for housing makes its comeback, which it will, there will be an immediate need to fill up the nearly empty pipelines for both building materials and mobile homes.

For the long term, we believe the pent-up demand will result in a strong market for building materials and mobile homes, and that Bendix is well-positioned to take advantage of it.

What are the Corporation's assumptions on interest rates and the availability of money in fiscal 1975?

Mr. Agee: Interest rate predictions are always hazardous, especially in the present environment. The financial community was just about unanimous late in 1973 in foreseeing a general downward trend throughout 1974 – a trend which didn't materialize.

Nevertheless, we will be brave and project that interest rates have peaked on short-term money and will continue to decline during 1975. The situation with respect to long-term rates is less clear, but we feel that they too will be coming down during the course of the year. With these two favorable trends occurring in 1975, the Corporation would be benefitted not only by the lower cost of money, but also, more importantly, lower interest rates should favorably affect our shelter business.

In these uncertain times, what is your policy with regard to financing?

Mr. Agee: We believe in maintaining a healthy and well-controlled financial condition by setting and adhering to certain basic financial standards and practices. We have a strong cash flow. We have the highest quality rating of any issue of commercial paper. We keep our debt ratio at a level which will enable us to preserve an "A" credit rating. This also allows us to maintain adequate bank lines of credit to cover our short-term financing requirements.

We believe that our policies of controlling our debt-to-equity ratio have served us very well. In October, we issued—at a relatively attractive rate—$75 million of seven-year notes to retire a portion of our current debt. We recognize, however, that in today's unsettled economy, a special and continuing effort is needed in managing our finances.

How is Bendix affected by the current uncertainties of the international monetary situation?

Mr. Agee: About 21 percent of our earnings come from sources outside North America. Exchange rates can affect our current cash assets as well as dividends and royalty income.

We are constantly analyzing the international situation in order to anticipate changes in exchange rates and to minimize the adverse effect of these changes, when we can, by using foreign exchange futures contracts.

Our policy is to keep our foreign exchange commitments in balance in order to minimize the effect of exchange rate fluctuations.

Financial Review

Revenues and Earnings

Consolidated net sales for 1974 were $2,464.4 million, an increase of $252.2 million, or 11 percent, over the $2,212.2 million for 1973. On November 30, 1973, the Corporation purchased from Ford Motor Company the Autolite spark plug plant in Fostoria, Ohio and the Autolite trademark. This business did not have a material effect on consolidated net sales or net income for 1974.

Royalties and other operating income amounted to $16.5 million for 1974 compared with $17.3 million for 1973.

Net income for 1974 was $75.8 million, or $4.65 per share, an increase of 11 percent on a per share basis, over income before extraordinary items of $69.3 million, or $4.19 per share, for 1973. The extraordinary items for 1973 are described on page 37.

Results of Operations by Market Segment

Beginning with fiscal 1975, the Corporation intends to report the results for its lines of business on the basis of its three major markets, rather than its five operating groups. The three-market reporting pattern is, in the judgment of management, appropriate to the Corporation's present operations, and reflects factors such as the relative rates of profitability, degrees of risk, and opportunities for growth. The three market segments consist of: (1) automotive, which includes, in addition to the Automotive Group, the portions of the Industrial Group which serve the automotive industry, and the recreational vehicles business; (2) aerospace-electronics, which includes the Aerospace-Electronics Group and the electronics portions of the Industrial Group; and (3) shelter, which includes the building materials business and the mobile homes business.

In the following table, operating revenues and income before taxes are set forth for 1974 and 1973 by market segment, with interest expense allocated to each market segment on the basis of the investment employed in that segment.

(in millions)

	Operating Revenues		Income Before Taxes*	
	1974	1973	**1974**	1973
Automotive	**$1,405.2**	$1,180.8	**$ 105.4**	$ 103.0
Aerospace-Electronics	**698.6**	668.5	**29.5**	11.5
Shelter	**383.1**	377.0	**14.5**	18.2
Sundry operations and intercompany eliminations	**(6.0)**	3.2	**(1.7)**	(1.2)
Total	**$2,480.9**	$2,229.5	**$ 147.7**	$ 131.5

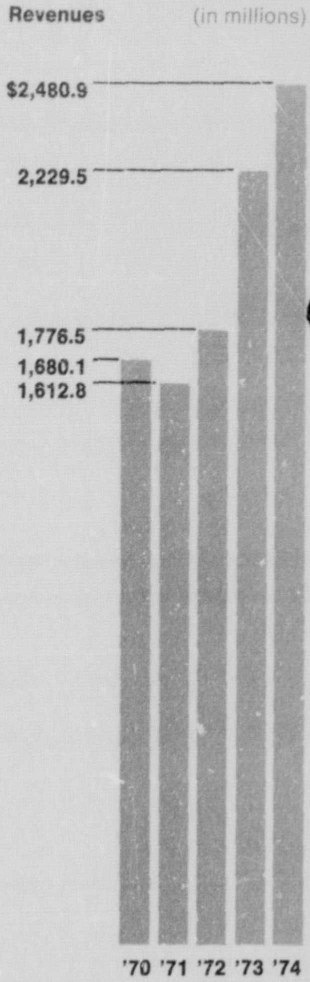
*Interest and corporate headquarters expenses are fully allocated to the three market segments.

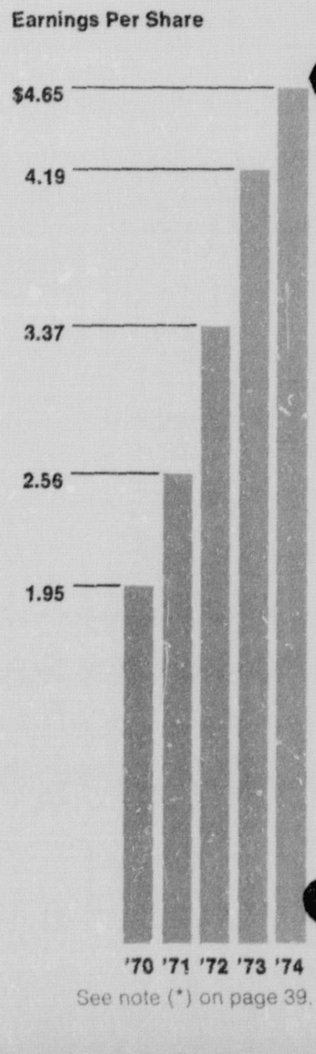
Before U.S. and foreign taxes on income and minority interests; also before extraordinary items for 1973 which are described on page 37.

Capital Stock

Beginning with the dividend paid March 30, 1974, the Board of Directors declared a quarterly dividend of $.45 per share on the Corporation's Common Stock. Total Common Stock dividends paid during the fiscal year were $1.75 per share, or $21.2 million, compared with $1.60 per share, or $19.7 million, for 1973. Also, quarterly dividends of $.75 per share were paid on the Corporation's Series A $3 Cumulative Convertible Preferred Stock for a total of $3.00 per share, or $8.3 million. The Corporation has paid 142 consecutive quarterly cash dividends to holders of its Common Stock beginning in June 1939 and 29 consecutive quarterly cash dividends to holders of its Series A $3 Cumulative Convertible Preferred Stock beginning September 30, 1967, the first dividend payment date after issuance of this security.

The Corporation's Common Stock is listed on the New York, Midwest, and London Stock Exchanges and most recently on the Pacific Stock Exchange. The Corporation's Series A $3 Cumulative Convertible Preferred Stock is listed on the New York Stock Exchange.





See note (*) on page 39.

Additions to Land, Buildings, and Equipment

During 1974, consolidated expenditures for land, buildings, and equipment amounted to $72.7 million compared with $82.5 million for 1973. At September 30, 1974, the unexpended balance of approved capital projects amounted to approximately $42.9 million.

Financial Arrangements

Consolidated debt at September 30, 1974 was $416.5 million, an increase of $34.2 million since September 30, 1973. The debt related to operations outside the U.S. and Canada increased $34.4 million, while the debt related to U.S. and Canadian operations decreased $.4 million.

The total debt related to U.S. and Canadian operations and operations outside the U.S. and Canada is summarized below:

(in millions, except percentages)

	1974		1973	
U.S. and Canadian Operations				
Current	$109.5	26%	$101.8	27%
Long-Term:				
6⅝% Sinking Fund Debentures Due 1992	118.7	29	125.0	33
7% Promissory Notes Due 1977	30.0	7	30.0	8
Other	19.0	5	20.8	5
Total	277.2	67	277.6	73
Operations Outside the U.S. and Canada				
Current	72.0	17	31.8	8
Long-Term:				
8% Guaranteed Debentures Due 1979	9.5	2	10.5	3
Other	58.4	14	63.2	16
Total	139.9	33	105.5	27
Less—Unamortized Debt Discount	.6		.8	
Total	$416.5	100%	$382.3	100%

On October 3, 1974, the Corporation issued $75 million aggregate principal amount of its 9¼% Notes Due 1981. The net proceeds from the sale of the Notes were used to retire a portion of the current debt of the Corporation.

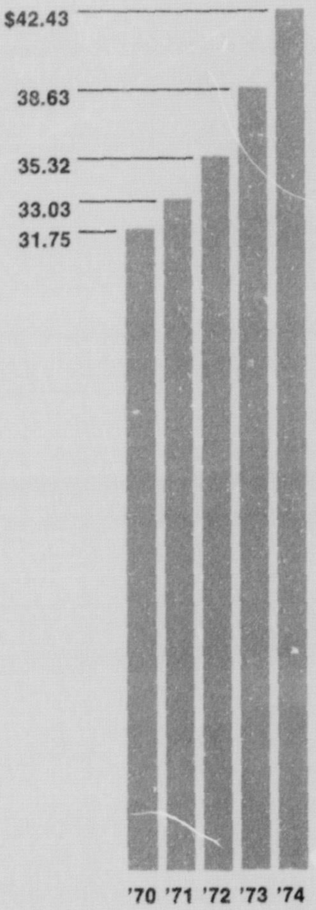
The Corporation has a bank credit agreement with eleven banks under which the Corporation may borrow up to $75 million for periods of not more than ninety days until October 1, 1975, and on October 1, 1975, the Corporation may borrow up to $75 million for a five-year term, a portion of which is repayable over the term of the borrowing. At September 30, 1974, $37.5 million of notes were outstanding under this bank credit agreement.

Divestiture

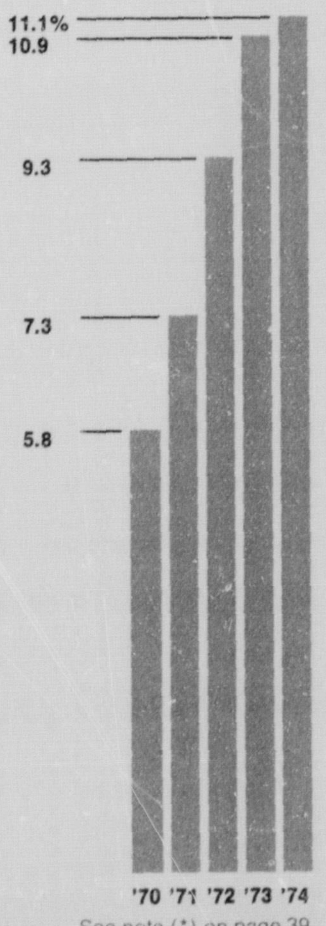
Pursuant to an agreement with the Federal Trade Commission, which settled the challenge to the Corporation's 1967 acquisition of Fram Corporation and for which final approval was obtained in November 1974, certain operations of the Corporation and of Fram Corporation are to be transferred to a new company (the New Company) within six months. The New Company is to be divested by the Corporation within two years by transferring the stock of the New Company to the stockholders of the Corporation or by selling the stock of the New Company to the public, or a combination thereof. Under the agreement the Corporation will generally be prohibited from competing in the United States with the New Company for two years after the divestiture. In addition, under the agreement the Corporation will not be permitted, for a ten-year period, to acquire any corporation engaged in the manufacture or sale in the United States of aerospace filters, liquid separators and, with certain exceptions, automobile parts sold in the automotive aftermarket.

The operations which are to be transferred to the New Company had, on a combined basis, for the year ended September 30, 1974 net sales of $86.5 million and income before headquarters administrative costs and United States and foreign taxes on income of $7.4 million. As of such date total assets and the Corporation's net investment allocable to such operations were approximately $56.9 million and $44.8 million, respectively. The Corporation will assure that, at the time of transfer, the net investment in operations transferred to the New Company will be at least $42 million. These operations principally consist of those segments of the Corpo-

Book Value Per Share



Percent Return on Stockholders' Equity



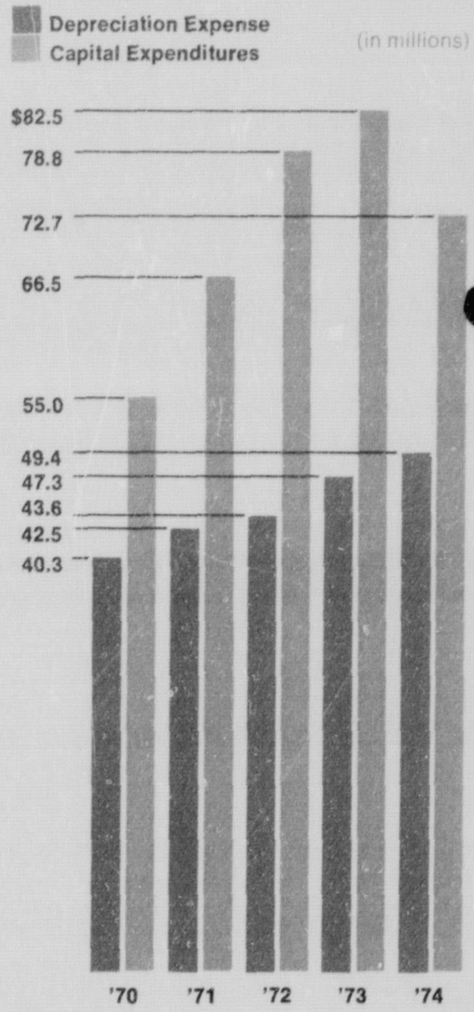
See note (*) on page 39.

ration's automotive business in the United States which manufacture and sell starter drives, carburetors, fuel pumps, electric clutches, flame arrestors, Zenith filters, private label filters for passenger cars, air handling filters and industrial filtration products, and the portions of the Corporation's automotive operations which distribute such products and certain other products to the automotive aftermarket in the United States. The New Company would also include one minor division, presently in the Aerospace-Electronics Group, which manufactures and sells aerospace filters and filter water separators.

Annual Report on Form 10-K

The consolidated financial statements and related footnotes appearing on pages 27 through 37 of this report are substantially the same as those which appear in the Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission. in compliance with the regulations of the Securities and Exchange Commission, the Form 10-K includes certain additional financial information.

The Form 10-K will be made available to interested stockholders upon written request to the Director—Investor Relations of The Bendix Corporation.



Quarterly Results of Operations

For the Years Ended September 30	1974			1973		
	Operating Revenues	Income Before Taxes*	Earnings Per Share	Operating Revenues	Income Before Taxes*	Earnings Per Share
	(in millions, except per share amounts)					
Quarter Ended:						
December 31	$ 584.2	$ 30.2	$ .99	$ 476.4	$ 28.2	$ .85
March 31	600.9	36.4	1.11	550.0	30.5	.99
June 30	659.0	40.3	1.26	612.7	37.2	1.10
September 30	636.8	40.8	1.29	590.4	35.6	1.24
TOTAL	$2,480.9	$147.7	4.65	$2,229.5	$131.5	4.19•
Extraordinary items			—			(.03)
TOTAL			$4.65			$4.16

*Before U.S. and foreign taxes on income and minority interests; also before extraordinary items for 1973 which are described on page 37.

•Earnings per share for the four quarters do not add to the total reported for 1973 due to rounding for each of the quarters.

The Bendix Corporation and Consolidated Subsidiaries

Consolidated Statement of Income

For the Years Ended September 30	1974	1973
	(in millions, except per share amounts)	
Income:		
Net sales	$2,464.4	$2,212.2
Royalties and other operating income	16.5	17.3
Other income—Net	6.9	8.0
TOTAL	2,487.8	2,237.5
Deductions From Income:		
Cost of sales	1,952.3	1,771.7
Selling, general, and administrative expenses	291.2	255.2
Provision for depreciation, depletion, and amortization	51.6	49.0
Interest expense	45.0	30.1
Minority interests in earnings of subsidiaries	6.3	5.6
Provision for U.S. and foreign taxes on income	65.6	56.6
TOTAL	2,412.0	2,168.2
Income Before Extraordinary Items	75.8	69.3
Extraordinary Items—Net of Income Taxes and Other Effects on Income		(.6)
Net Income for the Year	$ 75.8	$ 68.7
Earnings Per Common and Common Equivalent Share:		
Income before extraordinary items	$4.65	$4.19
Extraordinary items, net of income taxes and other effects on income		(.03)
Net income	$4.65	$4.16

See Notes to Consolidated Financial Statements which constitute an integral part of this statement.

The Bendix Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

September 30	1974	1973
	(in millions)	
Assets		
CURRENT ASSETS:		
Cash	$ 36.4	$ 41.0
Marketable securities (at cost, which approximates market)	9.8	3.3
Trade receivables (less allowance for doubtful receivables)	361.9	340.3
Inventories and contracts in progress (less progress payments)	574.4	487.9
Prepaid expenses	17.2	19.4
TOTAL CURRENT ASSETS	999.7	891.9
INVESTMENTS IN NONCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	29.6	28.5
LAND, BUILDINGS, AND EQUIPMENT—NET	412.1	383.6
TIMBER AND TIMBERLANDS (less depletion)	33.4	34.6
GOODWILL AND OTHER INTANGIBLES (less amortization)	94.6	78.1
MISCELLANEOUS ASSETS	9.7	10.3
TOTAL	$1,579.1	$1,427.0
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES:		
Notes payable	$ 181.5	$ 133.6
Accounts and drafts payable	217.5	173.0
U.S. and foreign taxes on income	32.6	13.8
Other accrued liabilities	145.9	144.9
TOTAL CURRENT LIABILITIES	577.5	465.3
LONG-TERM DEBT	235.0	248.7
DEFERRED INCOME TAXES	26.8	24.2
MINORITY INTERESTS	58.3	53.2
STOCKHOLDERS' EQUITY:		
Preferred Stock (liquidation preference, 1974, $166.2 million)	21.0	21.0
Common Stock	63.8	63.8
Surplus:		
Capital (arising from capital stock transactions)	58.5	58.4
Earned	559.2	512.9
Total	702.5	656.1
Less—Cost of treasury stock	21.0	20.5
STOCKHOLDERS' EQUITY—NET	681.5	635.6
TOTAL	$1,579.1	$1,427.0

See Notes to Consolidated Financial Statements which constitute an integral part of this statement.

Consolidated Statement of Changes in Financial Position

For the Years Ended September 30	1974	1973
	(in millions)	
Sources of Working Capital:		
Operations:		
Income before extraordinary items	$ 75.8	$ 69.3
Add (Deduct) items not affecting working capital:		
Provision for depreciation, depletion, and amortization	51.6	49.0
Minority interests	6.3	5.6
Provision for deferred income taxes	2.6	4.8
Equity in earnings of nonconsolidated subsidiaries and associated companies	(3.5)	(4.1)
Working capital provided from operations, exclusive of extraordinary items	132.8	124.6
Extraordinary items affecting working capital		15.8
Total	132.8	140.4
Increases in long-term debt	12.3	61.4
Disposals of land, buildings, and equipment	5.5	7.9
Miscellaneous	5.9	2.8
TOTAL	156.5	212.5
Applications of Working Capital:		
Additions to land, buildings, and equipment	72.7	82.5
Purchases of Common and Series A $3 Cumulative Convertible Preferred Stock		10.9
Cash dividends	29.5	28.0
Decreases in long-term debt	25.7	13.0
Changes in minority interests exclusive of minority interests in earnings	1.2	3.1
Acquisitions of net assets and businesses, less working capital provided	31.8	46.0
TOTAL	160.9	183.5
(Decrease) Increase in net working capital	(4.4)	29.0
Net working capital at beginning of the year	426.6	397.6
Net working capital at end of the year	$422.2	$426.6
Working Capital Changes—Increase (Decrease):		
Cash and marketable securities	$ 1.9	$ 9.2
Trade receivables	21.6	50.5
Inventories and contracts in progress	86.5	66.7
Prepaid expenses	(2.2)	2.1
Notes payable	(47.9)	(28.6)
Accounts and drafts payable	(44.5)	(56.2)
U.S. and foreign taxes on income	(18.8)	20.2
Other accrued liabilities	(1.0)	(34.9)
(Decrease) Increase in net working capital	$ (4.4)	$ 29.0

See Notes to Consolidated Financial Statements which constitute an integral part of this statement.

The Bendix Corporation and Consolidated Subsidiaries Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Consolidated Financial Statements and Related Matters

The consolidated financial statements for the two years ended September 30, 1974 comprise those of the Corporation and all of its subsidiaries, except for its insurance and finance subsidiaries. Equity in earnings of the nonconsolidated insurance and finance subsidiaries and associated companies (where the Corporation's equity investments enable the use of significant influence over operating and financial policies) is included in consolidated income currently. The financial statements of subsidiaries outside the U.S. and Canada generally are included in the consolidated financial statements on the basis of fiscal years ending on August 31.

Financial statements of foreign companies included in the consolidated financial statements are translated into U.S. dollar equivalents based upon free market rates of exchange; current assets and liabilities and long-term debt are translated at rates in effect at the end of the respective periods and other assets (including related accumulated depreciation and amortization) generally are translated at historical rates; income and expense items (other than depreciation and amortization) are translated at the average rates of exchange prevailing during the respective periods. Gains and losses resulting from translation of the financial statements of foreign companies and forward exchange contracts have been credited or charged to income during the respective periods.

Certain reclassifications have been made to the 1973 financial statements to conform with the presentation for 1974.

Inventories and Contracts in Progress

Inventories are stated at the lower of cost (substantially first-in, first-out, or average) or market (replacement cost or net realizable value). Inventories related to fixed-price contracts are stated at the accumulated cost of material, labor, and manufacturing overhead, less costs proportionate to amounts billed, but not in excess of amounts estimated to be recoverable.

Title to certain assets included in inventories and contracts in progress is vested in the U.S. Government under the contractual arrangements by which progress payments were received from the government.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Depreciation is provided generally on a straight-line basis over the estimated service lives of the respective classes of property. Fully depreciated assets still in service are not included in the property accounts. Amortization of leasehold improvements is based upon the terms of the respective leases.

Maintenance, repairs, and renewals, including replacement of minor items of physical properties, are charged to income; major additions to physical properties are capitalized.

For physical properties not fully depreciated, the cost of the assets retired or sold is credited to the asset accounts and the related accumulated depreciation is charged to the accumulated depreciation accounts. The gain or loss from sale or retirement of property is taken into income.

Timber and Timberlands

Timber and timberlands are stated at cost, less depletion which is credited directly to the asset accounts. Depletion of timber is provided on footages removed at rates based on estimated recoverable timber in each tract.

Goodwill and Other Intangibles

Goodwill arising prior to November 1970 represents the excess of cost over the amount ascribed to the net assets of going businesses purchased and is not amortized; goodwill and other intangibles arising from acquisitions entered into after October 1970 are amortized on a straight-line basis over periods up to forty years.

Purchased patents are stated at cost, less amortization, and are amortized over their estimated economic lives. The cost of internally developed patents is charged to income as incurred.

United States and Foreign Taxes on Income

Deferred income taxes are provided for timing differences between financial and taxable income.

Investment credit is deferred and amortized over the estimated useful lives of the assets to which it applies.

U.S. taxes on income have been provided on the undistributed earnings of subsidiaries outside the U.S., except to the extent such earnings are considered permanently invested in the subsidiary operations. After utilization of available foreign income tax credits under current U.S. income tax regulations, additional U.S. income taxes payable upon the remission of these undistributed earnings would not be material.

Research and Development

Research and development expenses are generally charged to income as incurred.

Government Contracts and Subcontracts

Profits on contracts are taken into income in proportion to billings made in accordance with the terms of the contracts, most of which are subject to renegotiation under the Renegotiation Act of 1951. Proceedings for the purpose of establishing the amounts, if any, of refundable profits have not been completed for fiscal 1971 and subsequent years; however, in the opinion of officials of the Corporation, any amount refundable under such proceedings would not be material in relation to the consolidated financial statements.

Acquisitions

On November 30, 1973, the Corporation purchased from Ford Motor Company (Ford) the Autolite spark plug plant in Fostoria, Ohio and the Autolite trademark for approximately $27 million, subject to certain adjustments. In connection with the purchase, the Corporation entered into a ten-year contract with Ford under which the Corporation will supply 100 percent of Ford's United States original equipment and aftermarket and Canadian original equipment spark plug requirements, subject to Ford's option to reduce the percentage during the second five years. This business did not have a material effect on consolidated sales or net income for 1974.

In addition, during 1974, all of the outstanding common stock of one company and the net assets and business of another company were acquired for $9.3 million.

At the end of the first quarter of fiscal 1973, the Corporation purchased from Boise Cascade Corporation, for $66.9 million, the properties and assets of its mobile home and recreational vehicle business, subject to certain liabilities. Further, the Corporation purchased the remaining fifty percent interest in a foreign joint venture for an additional $3.8 million.

The acquisitions above were accounted for by the purchase accounting principle. Accordingly, the accompanying consolidated financial statements for the two years ended September 30, 1974 include the operations of these companies from the dates of purchase to September 30, 1974. Further, the excess of cost over underlying net assets reported in the financial statements of these companies has been allocated to goodwill and other intangibles.

Non-current assets acquired, long-term debt assumed, and net working capital provided by the purchase of businesses are summarized below:

	(in millions) 1974	1973
Land, buildings, and equipment	**$13.3**	$20.8
Goodwill and other intangibles	**18.5**	29.6
Other		.2
Long-term debt		(4.6)
Total	**$31.8**	$46.0
Net working capital provided	**$ 4.5**	$24.7

Foreign Operations

A summary of the net assets of companies outside the U.S. and Canada included in the consolidated financial statements as of September 30 is set forth below. The summary also sets forth the revenues and income before extraordinary items from such companies and export sales of U.S. and Canadian manufactured products and licensing revenues derived from sources outside the U.S. and Canada.

(in millions)	1974					
	Europe	Latin America	Australia	Other	Total	1973
Current assets	$192.3	$ 32.4	$ 12.9	$ 8.0	$245.6	$227.9
Other assets	150.5	15.7	7.6	2.3	176.1	167.8
Total	342.8	48.1	20.5	10.3	421.7	395.7
Liabilities	219.5	29.3	9.3	8.2	266.3	245.9
Minority interests	56.2		2.0	.1	58.3	53.2
Total	275.7	29.3	11.3	8.3	324.6	299.1
Net assets	$ 67.1	$ 18.8	$ 9.2	$ 2.0	$ 97.1	$ 96.6

	1974	1973
Revenues:		
Net sales of subsidiaries outside the U.S. and Canada	$593.0	$477.5
Export sales	97.5	81.8
Royalties and other operating income	15.3	13.9
Total	705.8	573.2
Less—Intercompany eliminations	9.1	5.4
Remainder	$696.7	$567.8
Income before extraordinary items:		
Income from companies outside the U.S. and Canada	$ .2	$ 5.3
Equity income	2.7	3.1
Export sales	7.9	3.5
Royalties and other operating income	6.4	5.6
Total	17.2	17.5
Less—Administrative expense and intercompany eliminations	1.4	1.5
Remainder	$ 15.8	$ 16.0

Details to Consolidated Income Statement

(in millions)	1974	1973
Other Income—Net		
Equity in earnings of nonconsolidated subsidiaries and associated companies	$ 3.5	$ 4.1
Other income (deductions):		
Dividends	.7	1.0
Interest	1.7	1.6
Gain on disposals of land, buildings, and equipment—Net	1.6	1.6
Miscellaneous—Net	(.6)	(.3)
Total	$ 6.9	$ 8.0
Expenses Included in Other Categories		
Depletion of timber and timberlands	$ 1.5	$ 1.2
Amortization of goodwill and other intangibles	2.2	1.0

Details to Consolidated Balance Sheet

	September 30 1974	1973
Trade Receivables		
Trade receivables	$367.0	$344.6
Less—Allowance for doubtful receivables	5.1	4.3
Trade receivables—Net	$361.9	$340.3
Inventories and Contracts in Progress		
Inventories	$608.2	$501.2
Contracts in progress	29.8	35.2
Total	638.0	536.4
Less—Progress payments	63.6	48.5
Remainder	$574.4	$487.9
Land, Buildings, and Equipment		
Land and improvements	$ 35.1	$ 31.7
Buildings	207.2	192.9
Machinery and equipment	386.1	355.4
Construction in progress	27.0	26.2
Total	655.4	606.2
Less—Accumulated depreciation and amortization	243.3	222.6
Land, buildings, and equipment—Net	$412.1	$383.6

Details to Consolidated Balance Sheet (cont.)

	(in millions) September 30 1974	1973
Goodwill and Other Intangibles		
Goodwill and other intangibles	$ 95.0	$ 76.2
Patents	3.5	3.5
Total	98.5	79.7
Less—Accumulated amortization	3.9	1.6
Remainder	$ 94.6	$ 78.1
Notes Payable		
Banks (weighted average interest rate at September 30, 1974, 12.47%; 1973, 9.72%)	$113.9	$116.1
Commercial paper (weighted average interest rate 11.96%)	48.2	
Other, including current portion of long-term debt	19.4	17.5
Total	$181.5	$133.6
Long-Term Debt (exclusive of current maturities)		
Debt of The Bendix Corporation:		
6⅝% Sinking Fund Debentures Due 1992 (exclusive of $6,250,000 in treasury at September 30, 1974)	$118.7	$125.0
7% Promissory Notes Due 1977	30.0	30.0
Other	5.2	4.2
Debt of U.S. and Canadian subsidiaries:		
8% Guaranteed Debentures Due 1979	9.5	10.5
Banks	.1	.2
Other	13.7	16.4
Debt of other consolidated subsidiaries:		
Banks	56.7	61.6
Other	1.7	1.6
Total	235.6	249.5
Less—Unamortized debt discount	.6	.8
Remainder	$235.0	$248.7

Notes Payable and Long-Term Debt

The average aggregate short-term bank borrowings and commercial paper outstanding during fiscal 1974 and 1973 were $163.5 million and $103.2 million, respectively; these borrowings carried an approximate weighted average interest rate of 11.69% and 7.45%, respectively. The maximum amounts of such borrowings outstanding at any month end were $189.7 million and $131.3 million for the years ended September 30, 1974 and 1973, respectively.

Credit arrangements for the Corporation and consolidated subsidiaries include a bank credit agreement totaling $75 million and lines of credit totaling $176.2 million. Under the bank credit agreement, the Corporation may borrow up to $75 million for periods of not more than ninety days until October 1, 1975, and on October 1, 1975, the Corporation may borrow up to $75 million for a five-year term, a portion of which is repayable over the term of the borrowing. Borrowings maturing on or before October 1, 1975 will bear interest at the prime rate, and borrowings maturing thereafter will bear interest at fractions of a percent over the prime rate. Bank borrowings of subsidiaries primarily consist of overdraft facilities with banks outside the U.S. Under all of these credit arrangements, $163.1 million was unused at September 30, 1974. Commitment fees associated with unused lines of credit were not material for the two years ended September 30, 1974.

The Corporation and its consolidated subsidiaries maintain average collected balances at certain banks where credit arrangements exist. These average balances amounted to approximately $24.8 million and $20.9 million for the years ended September 30, 1974 and 1973, respectively. The balances are utilized in support of the credit arrangements, in compensation for other bank services, and for normal operating requirements. There are no minimum balance requirements or restrictions on the use of the cash balances.

Under the sinking fund provision of the indenture for the 6⅝% Sinking Fund Debentures Due 1992, cash payments of $6,250,000 will be required each year beginning December 1, 1974 or, in lieu thereof, the Corporation may deliver reacquired Debentures to the sinking fund agent. During the year ended September 30, 1974, the Corporation reacquired $6,250,000 of its Debentures to meet the December 1, 1974 sinking fund requirement. The Debentures are callable, under certain conditions, at the option of the Corporation, at prices ranging from 104⅜% at September 30, 1974 to 100% at December 1, 1987 and thereafter.

As of September 30, 1974, the minimum aggregate annual maturities of principal amount of long-term debt for each of the five fiscal years subsequent to September 30, 1974 were as follows: 1975, $14.9 million (included in current liabilities); 1976, $22.6 million; 1977, $40.7 million; 1978, $47.8 million; 1979, $15.0 million.

During October 1974, the Corporation issued $75 million aggregate principal amount of its 9¼% Notes Due 1981. Under the indenture the Notes mature October 1, 1981 and may not be redeemed prior to April 1, 1980. On and after April 1, 1980, the Notes may be redeemed at the Corporation's option, in whole or in part, at 100%.

Among the various restrictions contained in the debt instruments are covenants relating to creation of funded debt (as defined in the various agreements); the most restrictive of these provides that senior funded indebtedness may not exceed 40%, and funded indebtedness may not exceed 50%, of consolidated funded indebtedness and stockholders' equity. Also under the terms of the bank credit agreement, the Corporation has agreed not to permit consolidated net current assets, exclusive of loans under the agreement, to decline below $330 million.

Stockholders' Equity

The number of authorized and issued shares and shares held in treasury, and the par or stated values of the Corporation's capital stock at September 30 are set forth below:

	Shares	
	1974	1973
Preferred Stock, no par (authorized, 7,000,000 shares, issuable in series)—Series A $3 Cumulative Convertible Preferred Stock (authorized, 3,000,000 shares of $7.50 stated value each; entitled to $60 per share in liquidation):		
Issued	**2,792,033**	2,793,448
Treasury	**22,769**	14,600
Common Stock (authorized, 25,000,000 shares of $5 par value each):		
Issued	**12,768,746**	12,760,187
Treasury	**624,600**	624,600

The Series A $3 Cumulative Convertible Preferred Stock is convertible into Common Stock at the rate of 1.5 shares of Common Stock for each share of Series A $3 Cumulative Convertible Preferred Stock, subject to adjustment in certain events. The Series A $3 Cumulative Convertible Preferred Stock is redeemable, at the Corporation's option, on or after June 30, 1975, initially at $70 per share, decreasing by $1 per share annually from June 30, 1976 through 1985, and after June 30, 1985 at $60 per share.

Capital stock reserved for various purposes at September 30, 1974 is summarized below:

	Shares
Common Stock:	
Conversion of Series A $3 Cumulative Convertible Preferred Stock issued	4,188,050
Employee Stock Option, Incentive Compensation, Performance Incentive, and Stock Purchase Plans	881,524
Purchase agreement	6,600
Total	5,076,174
Series A $3 Cumulative Convertible Preferred Stock—	
Purchase agreement	4,400

Consolidated Summaries of Surplus for the years ended September 30, 1974 and 1973 are set forth below:

	(in millions)	
Capital Surplus:	**1974**	1973
Balance at beginning of the year	**$ 58.4**	$ 57.2
Add:		
Excess of sales price over par value of Common Stock sold under stock option plan	**.1**	1.1
Excess of sales price over stated value of Series A $3 Cumulative Convertible Preferred Stock sold to employees		.1
Balance at end of the year	**$ 58.5**	$ 58.4
Earned Surplus:		
Balance at beginning of the year	**$512.9**	$472.2
Add—Net income for the year	**75.8**	68.7
Deduct—Cash dividends:		
Common Stock—1974, $1.75 per share; 1973, $1.60 per share	**21.2**	19.7
Series A $3 Cumulative Convertible Preferred Stock—$3.00 per share	**8.3**	8.3
Total	**29.5**	28.0
Balance at end of the year	**$559.2**	$512.9

United States and Foreign Taxes on Income

The provision for U.S. and foreign taxes on income and deferred investment credit included in deferred income taxes is summarized below:

	(in millions) 1974	1973
Provision:		
Current:		
United States	$42.0	$26.6
Foreign	21.0	25.?
Deferred:		
United States	(1.9)	(.6)
Foreign	4.0	4.8
Deferred investment credit	.5	.6
Total	$65.6	$56.6
Deferred investment credit:		
Balance at beginning of the year	$ 5.4	$ 4.8
Investment credit:		
Earned	1.6	1.6
Amortized	(1.1)	(1.0)
Total	.5	.6
Balance at end of the year	$ 5.9	$ 5.4

Principal elements that give rise to timing differences between financial and taxable income and the tax effects of such timing differences for the years ended September 30, 1974 and 1973 are set forth below:

	(in millions) 1974	1973
Tax effects of timing differences:		
Tax over book depreciation	$ 3.8	$ 6.2
Provision for:		
Deferred compensation	(2.7)	(1.5)
Price redetermination	.6	(1.0)
Other costs and expenses	(.7)	(1.5)
Loss operations	(1.6)	
Other—Net	2.7	2.0
Total	$ 2.1	$ 4.2

The effective income tax rate for 1974 and 1973 as determined from the Consolidated Statement of Income differed from the statutory U.S. federal ordinary income tax rate. The reasons for the differences are as follows:

	1974	1973
Statutory U.S. tax rate	48.0%	48.0%
Increase (Decrease) due to:		
Income taxed at capital gain rate	(1.9)	(2.7)
Equity in earnings of nonconsolidated subsidiaries and associated companies	(1.1)	(1.5)
Effect of income and tax rates on earnings of consolidated subsidiaries outside the U.S.	3.0	3.0
Other—Net	(3.6)	(3.7)
Effective tax rate	44.4%	43.1%

Stock Option Plan

Under the Stock Option Plan, as amended, certain employees have been granted options to purchase Common Stock at prices which represented 100% of the fair market value, as adjusted for stock dividends and stock splits, on the dates the options were granted. Options which are qualified stock options (as defined in the Internal Revenue Code of 1954, as amended) and options which are not qualified stock options may be exercised over a period of five years and ten years, respectively, from the date of grant. No option may be exercised earlier than one year from the date on which the option is granted and generally options become exercisable in three equal annual installments beginning with the first anniversary of the date of grant.

Certain information with respect to the Plan is summarized below:

	Number of Shares Under Option	Option Price Per Share
October 1, 1972	369,640	$21.50 to $49.00
Granted	125,800	33.50 to 49.15
Exercised	46,708	21.50 to 46.15
Terminated or cancelled	24,302	21.50 to 49.00
September 30, 1973	424,430	21.50 to 49.15
Granted	113,810	21.90 to 29.75
Exercised	4,484	21.50 to 34.40
Terminated or cancelled	60,265	21.50 to 49.00
September 30, 1974	473,491*	21.50 to 49.15

*Includes 255,711 shares exercisable.

The maximum number of shares for which additional options might be granted under the Plan was 64,680 shares, 163,132 shares, and 109,637 shares at October 1, 1972, September 30, 1973, and September 30, 1974, respectively.

Employee Pensions

The Corporation and certain of its consolidated subsidiaries have pension plans for eligible employees. Pension expense, which includes amortization of prior service costs over a period of 30 years, was $29.7 million and $26.6 million for 1974 and 1973, respectively.

The Corporation's policy is to fund pension costs accrued. As of the latest date of determination, the actuarially computed value of vested benefits for certain of these plans exceeded the total assets of the pension funds and balance sheet accruals by approximately $127.1 million.

The Pension Reform Act of 1974 (the Act) is not expected to have a material effect on pension expense. The Act provides for government insurance which covers certain benefit payments to vested plan participants in the event a plan is terminated and insured benefits exceed plan assets. Insured benefits payable under such government insurance would be recoverable from the Corporation.

Management Incentive Plans

During fiscal 1974, $2.6 million was awarded to participants in the Corporation's Incentive Compensation Plan from amounts credited to the Fund with respect to fiscal 1973 and prior years. Computations by the Corporation's independent certified public accountants for fiscal 1974 indicate a maximum possible credit to the Fund of $5.5 million, all of which was provided in the accompanying Consolidated Statement of Income.

Under the Corporation's Performance Incentive Plan (the Plan) adopted in fiscal 1974, awards, consisting of a specified number of performance units, may be granted to key employees of the Corporation and its subsidiaries. The total number of performance units with respect to which payments may be made pursuant to the Plan may not exceed 400,000. The Corporation provided $.6 million in the accompanying Consolidated Statement of Income for fiscal 1974 relating to awards of 195,400 units made under this Plan during the year.

Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share have been computed based upon the average number of common and common equivalent shares outstanding of 16,310,933 shares and 16,548,391 shares for 1974 and 1973, respectively. The Corporation's Series A $3 Cumulative Convertible Preferred Stock and options on Common Stock are classified as common stock equivalents and are therefore included in the average number of common and common equivalent shares outstanding.

Subsequent Event

During November 1974, the Federal Trade Commission (FTC) gave final approval to an agreement to settle a challenge by the FTC of the acquisition of the net assets and business of Fram Corporation (Fram), acquired by the Corporation in June 1967. Under this agreement, certain operations of the Corporation and Fram will be transferred to a new company (the New Company) within six months. The New Company will be divested by the Corporation within two years by transferring the stock of the New Company to the stockholders of the Corporation or by selling the stock of the New Company to the public, or a combination thereof. See "Divestiture", page 25. (The financial data contained in such section on page 25 is unaudited.)

Commitments and Contingencies

There are various suits pending against the Corporation and its consolidated subsidiaries, some of which are for substantial amounts. It is the opinion of officials of the Corporation, on the basis of information furnished by counsel, that the ultimate liability, if any, resulting from such suits will not materially affect the consolidated financial position or results of operations of the Corporation and consolidated subsidiaries.

Certain subsidiaries outside the U.S. and Canada have agreements with local banks to sell their receivables with recourse. The agreements provide for repurchase of receivables from the bank in the event of a customer's default. Losses resulting from customers' defaults have not been significant and future losses are not expected to have a material adverse effect on the consolidated financial statements.

As is customary in the mobile home and recreational vehicle industry, Bendix Home Systems, Inc., a wholly-owned subsidiary of the Corporation, has entered into repurchase agreements with financing institutions which have provided floor-plan financing to its dealers. The agreements provide for repurchase of products from the financing institution for the balance due it in the event of repossessions upon a dealer's default. The risk of loss under the repurchase agreements is spread over numerous dealers and is further reduced by the resale value of the units repurchased. Losses experienced by this business prior to and since its acquisition by the Corporation have not been significant; further, officials of the Corporation do not expect future losses will have a material adverse effect on the consolidated financial statements.

Rental expense included in the Consolidated Statement of Income, principally leases for computer equipment and real estate, was $23.3 million and $21.2 million for the years ended September 30, 1974 and 1973, respectively.

Certain properties and equipment are leased under long-term noncancellable agreements for varying periods (generally from 1 to 30 years) and are renewable in many instances. The minimum annual rental commitments under such agreements are not considered to be material in relation to the consolidated financial statements.

Extraordinary Items

During fiscal 1973, an extraordinary charge of $.6 million, or $.03 per share, net of income taxes and other effects on income of $.1 million, resulted from a provision for a net loss on the sale of five minor operating units and of the equity interests in three foreign affiliated companies.

Accountants' Opinion

HASKINS & SELLS
Certified Public Accountants

1200 Guardian Building
Detroit, Michigan 48226

November 15, 1974

To The Board of Directors and Stockholders of
The Bendix Corporation:

We have examined the consolidated balance sheet of The Bendix Corporation and consolidated subsidiaries as of September 30, 1974 and 1973 and the related consolidated statements of income and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the previously mentioned consolidated financial statements present fairly the financial position of The Bendix Corporation and consolidated subsidiaries at September 30, 1974 and 1973 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

Results of Operations by Operating Group*

	Operating Revenues					Income Before Taxes•■				
	1974	1973	1972■	1971	1970	**1974**	1973	1972	1971	1970
	(in millions)									
Automotive	**$1,207.4**	$1,020.8	$ 855.5	$ 764.4	$ 718.1	**$ 131.6**	$ 123.1	$ 95.6	$ 73.6	$ 66.3
Aerospace-Electronics	**657.6**	629.2	591.5	587.6	673.8	**38.7**	22.2	30.9	29.9	21.8
Building materials	**250.7**	278.1	214.7	169.1	148.4	**19.6**	20.0	13.3	7.5	5.4
Mobile homes/recreational vehicles▲	**208.7**	175.1				**(6.5)**	4.0			
Industrial	**171.4**	130.8	117.1	102.5	142.0	**19.5**	2.9	4.9	(3.1)	6.9
Sundry operations and intercompany eliminations	**(14.9)**	(4.5)	(9.9)	(10.9)	(2.2)	**(55.2)**	(40.7)	(34.0)	(29.3)	(32.8)
TOTAL	**$2,480.9**	$2,229.5	$1,768.9	$1,612.8	$1,680.1	**$ 147.7**	$ 131.5	$ 110.7	$ 78.6	$ 67.6

*Amounts for 1970 are restated to include the financial results of subsidiaries outside the U.S. and Canada and to recognize equity in earnings of associated companies. Results for 1970 through 1972 are restated to reflect the realignment of certain minor operations among the operating groups during 1973.

•Interest expense is not allocated to any operating group and is included with "Sundry operations and intercompany eliminations".

■Before U.S. and foreign taxes on income and minority interests; also before a special nonrecurring price adjustment of $7.6 million on a multi-year contract, which benefitted 1972 earnings by $3.2 million, and before extraordinary losses (net of income taxes and other effects on income) of $.6 million in 1973, $2.8 million in 1972, and $5.0 million in 1970.

▲Results of operations for the mobile homes/recreational vehicles business are included from the date of its acquisition at the end of the first quarter of fiscal 1973.

Sales by Major Classifications*

	1974	1973	1972	1971	1970
Total sales (in millions)	**$2,464.4**	$2,212.2	$1,763.1•	$1,599.8	$1,670.0
Automotive equipment and service parts	**43%**	40%	42%	40%	35%
Aviation equipment and service parts	**15**	14	17	19	21
Building materials	**10**	13	12	10	9
Industrial systems and devices	**7**	8	8	8	10
Missile and space systems and subsystems	**7**	8	10	12	13
Mobile homes/recreational vehicles■	**8**	8			
Other products and services	**10**	9	11•	11	12
Total	**100%**	100%	100%	100%	100%
Government sales included above:▲					
Amount (in millions)	**$ 446.5**	$ 450.1	$ 462.4	$ 463.9	$ 541.2
Percent	**18%**	20%	26%	29%	32%

*The classification of sales shown has been determined with reference to the end use of the products and services sold rather than with reference to the operating group of the Corporation making the sale. This table excludes royalties and other operating income.

Sales amounts for 1970 are as reported in the Corporation's Annual Report to Stockholders, restated to include the sales of subsidiaries outside the U.S. and Canada.

•Includes a special nonrecurring price adjustment of $7.6 million.

■Results of operations for the mobile homes/recreational vehicles business are included from the date of its acquisition at the end of the first quarter of fiscal 1973

▲Government sales consist primarily of sales of products and services for use by the U.S. Government.

Financial and Statistical Summary

Amounts for 1970 are restated to include the financial results of subsidiaries outside the U.S. and Canada and to recognize equity in earnings of associated companies.

Financial Data (in millions)

	1974	1973	1972	1971	1970
Results of Operations:					
Net sales, royalties, and other operating income	**$2,480.9**	$2,229.5	$1,776.5	$1,612.8	$1,680.1
Income before U.S. and foreign taxes and before minority interests*	**147.7**	131.5	110.7	78.6	67.6
Percent of net sales, royalties, and other operating income	**6.0**	5.9	6.2	4.9	4.0
U.S. and foreign income taxes*	**65.6**	56.6	50.4	32.8	29.6
Minority interests	**6.3**	5.6	4.3	3.7	5.7
Income before special nonrecurring credit and extraordinary items*	**75.8**	69.3	56.0	42.1	32.3
Percent of net sales, royalties, and other operating income	**3.1**	3.1	3.2	2.6	1.9
Percent return on stockholders' equity*	**11.1**	10.9	9.3	7.3	5.8
Cash dividends: Preferred	**8.3**	8.3	8.4	8.5	4.6
Common	**21.2**	19.7	19.7	19.5	20.7
Depreciation	**49.4**	47.3	43.6	42.5	40.3
Financial Position:					
Net working capital	**422.2**	426.6	397.6	381.1	427.8
Current ratio	**1.7**	1.9	2.1	2.0	2.3
Total assets	**1,579.1**	1,427.0	1,235.2	1,199.3	1,168.2
Stockholders' equity	**681.5**	635.6	604.3	574.2	555.8
Net land, buildings, and equipment	**412.1**	383.6	345.4	318.7	304.5

Per Common Share Data

	1974	1973	1972	1971	1970
Income before special nonrecurring credit and extraordinary items*	**$ 4.65**	$ 4.19	$ 3.37	$ 2.56	$ 1.95
Cash dividends	**1.75**	1.60	1.60	1.60	1.60
Stockholders' equity at September 30●	**42.43**	38.63	35.32	33.03	31.75

Statistical Data

	1974	1973	1972	1971	1970
Capital expenditures (in millions)	**$ 72.7**	$ 82.5	$ 78.8	$ 66.5	$ 55.0
Wages and salaries (in millions)	**765.4**	721.0	625.0	605.5	632.4
Number of stockholders (in thousands) at September 30: Preferred	**5.1**	5.0	5.1	5.4	4.2
Common	**36.7**	35.5	35.9	37.8	39.4
Number of shares (in millions) outstanding at September 30: Preferred	**2.8**	2.8	2.8	2.8	2.8
Common	**12.1**	12.1	12.3	12.2	12.2
Number of employees (in thousands) at September 30■	**82.1**	82.3	74.7	73.4	79.3

*Before a special nonrecurring price adjustment during 1972, which benefitted 1972 earnings by $3.2 million, or $.19 per share, and before extraordinary losses (net of income taxes and other effects on income) of $.6 million, or $.03 per share, in 1973; $2.8 million, or $.17 per share, in 1972; and $5.0 million, or $.30 per share, in 1970.

●After allowing for Series A $3 Cumulative Convertible Preferred Stock at liquidating value of $60 per share.

■Exclusive of employees at Kansas City Division.

Directors

W. M. AGEE•
Executive Vice President

W. M. BLUMENTHAL•
Chairman, President and
Chief Executive Officer

C. M. CARDIN
Former Chairman—Warburg-Paribas, Inc.

W. J. COHEN
Dean of the School of Education and
Professor of Education—University
of Michigan

H. B. CUNNINGHAM•
Honorary Chairman of the
Board of Directors—
S. S. Kresge Company

C. F. DONNELLY•
Executive Vice President

C. G. EKLUND
President—The Equitable
Life Assurance Society
of the United States

R. G. FOLSOM
President Emeritus—Rensselaer
Polytechnic Institute

A. P. FONTAINE•
Former Chairman and
Chief Executive Officer—
The Bendix Corporation

P. F. HARTZ
President—Fram Corporation

C. E. HEITMAN•
President—Bendix International

W. L. MIRON•
President—Group Operations

C. S. HARDING MOTT•
President and Trustee—
Charles Stewart Mott
Foundation

L. F. POLK•
President—Louis Polk, Inc.

R. W. PURCELL
Consultant to Rockefeller Family and
Associates

G. R. VILA
Chairman of the Board of Directors and
Chief Executive Officer—
Uniroyal, Inc.

•Member of the Executive and
Finance Committees

Officers

W. M. BLUMENTHAL
Chairman, President and
Chief Executive Officer

W. M. AGEE
Executive Vice President

C. F. DONNELLY
Executive Vice President

W. L. MIRON
President—Group Operations

C. E. HEITMAN
President—Bendix International

R. B. HUNGATE
President—Automotive Group

D. S. JONES
President—Industrial Group

W. C. PURPLE
President—Aerospace-Electronics Group

J. E. BEVINS
Senior Vice President and Group Executive

J. JACOBSON
Senior Vice President

R. E. McGRUTHER
Senior Vice President—Corporate Staff

H. S. BARRON
Vice President, Secretary and General Counsel

F. J. BORHECK
Vice President

P. W. BRENGEL
Vice President and Treasurer

J. V. V. BRYAN
Vice President—Corporate Development

M. FLAKS
Vice President

H. R. FORD
Vice President—Worldwide Automotive
Marketing

N. M. GEORGITSIS
Vice President

J. T. GUYOL
Vice President

H. KAPLAN
Vice President—Corporate and Public Affairs

T. V. MALLOY
Vice President

J. M. O'HARE
Vice President—Industrial Relations

K. L. OTTO
Vice President—Personnel & Organization
Development

E. F. PESLAR
Vice President—Manufacturing

D. A. PROECHEL
Vice President and Group Executive

F. J. SVEC
Vice President and Controller

J. B. TREACY
Vice President

J. W. WEIL
Vice President and Chief Technical Officer

L. B. YOUNG
Vice President

Auditors

HASKINS & SELLS
Detroit, Michigan

Counsel

HUGHES HUBBARD & REED
New York, New York

Transfer Agents

BANKERS TRUST COMPANY
New York, New York

OFFICE OF THE
BENDIX CORPORATION
Southfield, Michigan

Registrars

NATIONAL BANK OF DETROIT
Detroit, Michigan

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
New York, New York

CHASE MANHATTAN BANK, N.A.
New York, New York

Trustees

(6⅝% Debentures)
MANUFACTURERS HANOVER
TRUST COMPANY
New York, New York

(9¼% Notes)
MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
New York, New York

The Corporation's 1975 Annual Meeting of Stockholders will be held at 2 p.m. on Thursday, February 27, 1975 at the Executive Offices of the Corporation. Friday, January 10, 1975 is the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of Stockholders.

INSTRUCTIONS REGARDING THE USE OF THIS REPORT FORM

This annual report is arranged in columnar form so that it may include returns for a single lessor company, or for several lessor companies whose properties are leased to the same operating railway, provided that the books of account are under the general supervision of the same accounting officer.

Separate returns are required to be shown for each lessor, the name of the reporting company to be entered in the box heading or in the column on the left of the several schedules, as may be applicable.

If the report is made for a single company, the exact corporate name should appear on the cover, title page, page 2, and in the oath and supplemental oath.

A report made for a number of lessor companies may show an appropriate designation, such as "Lessors of the ________________ ________________ Railroad Company" on the cover and title page, but the oath and supplemental oath must be completed for each corporation, except as provided therein.

Reports filed under the designation "Lessors of the ________________ ________________ Railroad Company" should contain hereunder the names of the lessor companies that are included in this report, and the names of those that file separately.

Names of lessor companies included in this report	Name of lessor companies that file separate reports
American Forest Products Corporation	

108. STOCKHOLDERS REPORTS

1. The respondent is required to send to the Bureau of Accounts, immediately upon preparation, two copies of its latest annual report to stockholders. Check appropriate box:

☒ Two copies are attached to this report.

☐ Two copies will be submitted ________________ (date).

☐ No annual report to stockholders is prepared.

In completing the various schedules in this report form, list the information concerning the lessor companies in the order in which their names appear on the balance sheet. Such additional pages as may be necessary will be furnished by the Commission on request.

101. IDENTITY OF LESSOR COMPANIES INCLUDED IN THIS REPORT

Give hereunder the exact corporate name and other particulars called for concerning each lessor company included in this report. The corporate name should be given in full, exactly as it appears in the articles of incorporation, using the words "The" and "Compnay" only when they are parts of the corporate name. Be careful to distinguish between *railroad* and *railway*.

If receivers, trustee, or a committee of bondholders are in possession of the property of any of the lessor companies, state their names and the court of jurisdiction in column (a) and give the date when such receivership, trusteeship, or other possession began, in addition to the date of incorporation, in column (*b*).

If a consolidation or merger was effected during the year, particulars should be given in Schedule 591, "Changes during the year."

Line No.	Exact name of lessor company (a)	INCORPORATION: Date of incorporation (b)	INCORPORATION: Name of State or Territory in which company was incorporated (c)	CORPORATE CONTROL OVER RESPONDENT: Name of controlling corporation (d)	CORPORATE CONTROL OVER RESPONDENT: Extent of control (percent) (e)	Total number of stockholders (f)	Total voting power of all security holders at close of year (g)
1	American Forest Products Corp.	May 21					
2		1970	Delaware	The Bendix Corporation	100%		
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Lessor Initials

Year 19

Railroad Lessor Annual Report R-4

109. STOCKHOLDERS AND VOTING POWERS

1. Give the names of the five security holders who had the highest voting powers in each lessor company included in this report. This information should be given as of the close of the year, or, if not available, at the date of the latest compilation of a list of stock-holders. If any holder held in trust, give particulars of the trust in a footnote. In the case of voting trust agreements give, as supplemental information on page 12 the names and addresses of the 30 largest holders of the voting trust certificates and the amount of their individual holdings.

Line No.	Name of lessor company (a)	Name of stockholder (b)	Voting power (c)	Name of stockholder (d)	Voting power (e)	Name of stockholder (f)	Voting power (g)	Name of stockholder (h)	Voting power (i)	Name of stockholder (j)	Voting power (k)
1	As of January 31, 1974, the Common Stock										
2	of American Forest Products Corporation										
3	the only class of Capital Stock and/or										
4	Voting Security outstanding was 100% owned										
5	by the Bendix Corporation, Southfield, Michigan										
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2. Give particulars called for regarding each lessor company included in this report, entering the initials of the lessor companies in the column headings.

	INITIALS OF RESPONDENT COMPANIES				
State total number of votes cast at latest general meeting for election of directors of respondent ______					
Give the date of such meeting ______					
Give the place of such meeting ______					

Lessor Initials ______ Year 19 ______

112. DIRECTORS

Give particulars of the various directors of respondents at the close of the year.

Line No.	Item			
1	Name of director	A. P. Fontaine		
2	Office address	The Bendix Center, Southfield, Michigan		
3	Date of beginning of term	February 24, 1975		
4	Date of expiration of term	February 26, 1976		
5	Name of director	W. M. Blumenthal		
6	Office address	Bendix Center, Southfield, Michigan		
7	Date of beginning of term	February 24, 1975		
8	Date of expiration of term	February 26, 1976		
9	Name of director	C. F. Donnelly		
10	Office address	Bendix Center, Southfield, Michigan		
11	Date of beginning of term	February 24, 1975		
12	Date of expiration of term	February 26, 1976		
13	Name of director	J. L. Ford		
14	Office address	P.O. Box 3498, San Francisco, California		
15	Date of beginning of term	February 24, 1975		
16	Date of expiration of term	February 26, 1976		
17	Name of director	R. E. McGruther		
18	Office address	Bendix Center, Southfield, Michigan		
19	Date of beginning of term	February 24, 1975		
20	Date of expiration of term	February 26, 1976		
21	Name of director	J. T. Guyol		
22	Office address	P.O. Box 3498, San Francisco, California		
23	Date of beginning of term	February 24, 1975		
24	Date of expiration of term	February 26, 1976		
25	Name of director	R. S. Wells		
26	Office address	P.O. Box 3498, San Francisco, California		
27	Date of beginning of term	February 24, 1975		
28	Date of expiration of term	February 26, 1976		
29	Name of director	W. M. Agee		
30	Office address	Bendix Center, Southfield, Michigan		
31	Date of beginning of term	February 24, 1975		
32	Date of expiration of term	February 26, 1976		
33	Name of director	A. E. Pufford		
34	Office address	P.O. Box 3498, San Francisco, California		
35	Date of beginning of term	February 24, 1975		
36	Date of expiration of term	February 26, 1976		
37	Name of director			
38	Office address			
39	Date of beginning of term			
40	Date of expiration of term			
41	Name of director			
42	Office address			
43	Date of beginning of term			
44	Date of expiration of term			
45	Name of director			
46	Office address			
47	Date of beginning of term			
48	Date of expiration of term			
49	Name of director			
50	Office address			
51	Date of beginning of term			
52	Date of expiration of term			
53	Name of director			
54	Office address			
55	Date of beginning of term			
56	Date of expiration of term			

112. DIRECTORS—Concluded

Enter the names of the lessor companies in the column headings.

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113. PRINCIPAL GENERAL OFFICERS OF CORPORATION, RECEIVER, OR TRUSTEE

Give particulars of the various general officers of respondents at the close of the year. Enter the names of the lessor companies in the column headings.

Line No.	Item			
1	Name of general officer	A. P. Fontaine		
2	Title of general officer	Chariman of the Board of Directors		
3	Office address	Bendix Center, Southfield, Michigan 48075		
4	Name of general officer	J. T. Guyol		
5	Title of general officer	President and Chief Executive Officer		
6	Office address	P.O. Box 3498, San Francisco, California 94119		
7	Name of general officer	A. E. Pufford		
8	Title of general officer	Executive Vice President and Treasurer		
9	Office address	P.O. Box 3498, San Francisco, California 94119		
10	Name of general officer	R. S. Wells		
11	Title of general officer	Vice President		
12	Office address	P.O. Box 3498, San Francisco, California 94119		
13	Name of general officer	J. L. Ford		
14	Title of general officer	Executive Vice President		
15	Office address	P.O. Box 3498, San Francisco, California 94119		
16	Name of general officer	R. L. Ocheltree		
17	Title of general officer	Secretary		
18	Office address	P.O. Box 3498, San Francisco, California 94119		
19	Name of general officer	R. L. Jacobs		
20	Title of general officer	Assistant Secretary		
21	Office address	Bendix Center, Southfield, Michigan 48075		
22	Name of general officer	J. M. Olshock		
23	Title of general officer	Assistant Treasurer		
24	Office address	Bendix Center, Southfield, Michigan 48075		
25	Name of general officer	F. W. Prince		
26	Title of general officer	Assistant Treasurer		
27	Office address	Bendix Center, Southfield, Michigan 48075		
28	Name of general officer	H. L. Joseph*		
29	Title of general officer	Assistant Secretary		
30	Office address	P.O. Box 3498, San Francisco, California 94119		
31	Name of general officer			
32	Title of general officer			
33	Office address	*Resigned February 28, 1975		
34	Name of general officer			
35	Title of general officer			
36	Office address			
37	Name of general officer			
38	Title of general officer			
39	Office address			
40	Name of general officer			
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54	Office address			
55	Name of general officer			
56	Title of general officer			
57	Office address			

113. PRINCIPAL GENERAL OFFICERS OF CORPORATION, RECEIVER, OR TRUSTEE—Concluded

If there are receivers, trustees, or committees, who are recognized as in the controlling management of the road, give also their names and titles, and the location of their offices.

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200. GENERAL BALANCE SHEET—ASSET SIDE

Show hereunder the asset side of the balance sheet at close of year of each lessor company included in this report, entering the names of the lessor companies in the column headings. For instructions covering this schedule, see the text pertaining to General Balance Sheet Accounts in

Line No.	Account (a)	(b)	(c)	(d)	(e)
	CURRENT ASSETS				
1	(701 Cash	$	$	$	$
2	(702) Temporary cash investments				
3	(703) Special deposits				
4	(704) Loans and notes receivable				
5	(705) Traffic, car-service and other balances—Debit				
6	(706) Net balance receivable from agents and conductors				
7	(707) Miscellaneous accounts receivable				
8	(708) Interest and dividends receivable				
9	(709) Accrued accounts receivable				
10	(710) Working fund advances				
11	(711) Prepayments				
12	(712) Material and supplies				
13	(713) Other current assets				
14	(714) Deferred income tax charges (p. 55)				
15	Total current assets				
	SPECIAL FUNDS				
16	(715) Sinking funds				
17	(716) Capital and other reserve funds				
18	(717) Insurance and other funds				
19	Total special funds				
	INVESTMENTS				
20	(721) Investments in affiliated companies (pp. 24 to 27)				
21	Undistributed earnings from certain investments in account 721 (27A and 27B)				
22	(722) Other investments (pp. 28 and 29)				
23	(723) Reserve for adjustment of investment in securities—Credit				
24	Total investments (accounts 721, 722 and 723)				
	PROPERTIES				
	(731) Road and equipment property (pp. 18 and 19):				
25	Road	51,769	The amounts reported herein comprise		
26	Equipment		the cost and related depreciation		
27	General expenditures		of physical properties leased by		
28	Other elements of investment		American Forest Products Corporation		
29	Construction work in progress		to Amador Central Railroad Company		
30	Total road and equipment property	51,769	as recorded on the books of		
	(732) Improvements on leased property (pp. 18 and 19):		American Forest Products Corporation.		
31	Road				
32	Equipment				
33	General expenditures				
34	Total improvements on leased property				
35	Total transportation property (accounts 731 and 732)	51,769			
36	(735) Accrued depreciation—Road and Equipment	20,452			
37	(736) Amortization of defense projects—Road and Equipment				
38	Recorded depreciation and amortization (accts 735 and 736)	20,452			
39	Total transportation property less recorded depreciation and amortization (line 35 less line 38)	31,317			
40	(737) Miscellaneous physical property				
41	(738) Accrued depreciation—Miscellaneous physical property				
42	Miscellaneous physical property less recorded depreciation				
43	Total properties less recorded depreciation and amortization (line 39 plus line 42)				
	OTHER ASSETS AND DEFERRED CHARGES				
44	(741) Other assets				
45	(742) Unamortized discount on long-term debt				
46	(743) Other deferred charges				
47	(744) Accumulated deferred income tax charges (p. 55)				
48	Total other assets and deferred charges				
49	TOTAL ASSETS				
	ITEMS EXCLUDED ABOVE				
	The above returns exclude respondent's holdings of its own issues of securities as follows:				
50	(715) Sinking funds				
51	(716) Capital and other reserve funds				
52	(703) Special deposits				
53	(717) Insurance and other funds				

200. GENERAL BALANCE SHEET—ASSET SIDE—Continued

the Uniform Syster of Accounts for Railroad Companies. The entries in this schedule should be consistent with those in the supporting schedules on the pages indicated. All contra entries hereunder should be indicated in parenthesis.

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
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200. GENERAL BALANCE SHEET—LIABILITY SIDE

Show hereunder the liability side of the balance sheet at close of year of each lessor company included in this report, entering the names of the lessor companies in the column headings. For instructions covering this schedule, see the text pertaining to General Balance Sheet Accounts, in the Uniform Systems of Accounts for Railroad Companies. The entries in this schedule should be consistent with those in the supporting schedules on the pages indicated. All contra entries hereunder should be indicated in parenthesis.

Line No.	Account (a)	(b)	(c)	(d)	(e)
	CURRENT LIABILITIES				
54	(751) Loans and notes payable	$	$	$	$
55	(752) Traffic, car-service and other balances—Credit				
56	(753) Audited accounts and wages payable				
57	(754) Miscellaneous accounts payable				
58	(755) Interest matured unpaid				
59	(756) Dividends matured unpaid				
60	(757) Unmatured interest accured				
61	(758) Unmatured dividends declared				
62	(759) Accrued accounts payable				
63	(760) Federal income taxes accured				
64	(761) Other taxes accrued				
65	(762) Deferred income tax credits (p. 55)				
66	(763) Other current liabilities				
67	Total current liabilities (exclusive of long-term debt due within one year)				
	LONG-TERM DEBT DUE WITHIN ONE YEAR				
68	(764) Equipment obligations and other debt (pp. 38, 39, 40, and 41)				
	LONG-TERM DEBT DUE AFTER ONE YEAR				
69	(765) Funded debt unmatured				
70	(766) Equipment obligations pp. 38, 39, 40 and 41				
71	(767) Receivers' and Trustees' securities pp. 38, 39, 40 and 41				
72	(768) Debt in default pp. 38, 39, 40 and 41				
73	(769) Amounts payable to affiliated companies (pp. 42 and 43)				
74	Total long-term debt due after one year				
	RESERVES				
75	(771) Pension and welfare reserves				
76	(772) Insurance reserves				
77	(774) Casualty and other reserves				
78	Total reserves				
	OTHER LIABILITIES AND DEFERRED CREDITS				
79	(781) Interest in default (p. 40)				
80	(782) Other liabilities				
81	(783) Unamortized premium on long-term debt				
82	(784) Other deferred credits				
83	(785) Accrued depreciation—Leased property				
84	(786) Accumulated deferred income tax credits (p. 55)				
85	Total other liabilities and deferred credits				
	SHAREHOLDERS EQUITY				
	Capital stock (Par or stated value)				
	(791) Capital stock issued:				
86	Common stock (pp. 32 and 33)				
87	Preferred stock (pp. 32 and 33)				
88	Total capital stock issued				
89	(792) Stock liability for conversion (pp. 34 and 35)				
90	(793) Discount on capital stock				
91	Total capital stock				
	Capital Surplus				
92	(794) Premiums and assesments on capital stock				
93	(795) Paid-in surplus				
94	(796) Other capital surplus				
95	Total capital surplus				
	Retained Income				
96	(797) Retained income—Appropriated				
97	(798) Retained income—Unappropriated (pp. 17A and 17B)				
98	Total retained income				
99	Total shareholders' equity				
100	**TOTAL LIABILITIES AND SHAREHOLDERS EQUITY**				

200. GENERAL BALANCE SHEET—LIABILITY SIDE—Continued

On page 22, give an abstract of the provisions of the lease bearing on respondent's liability to reimburse the lessee for improvements made on the leased railroad property. If the leasehold contract contains no such provisions, state that fact.

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
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200. GENERAL BALANCE SHEET—LIABILITY SIDE—Continued

Line No.	Account (a)	(b)	(c)	(d)	(e)
	The above returns exclude respondent's holdings of its own issues as follows:	$	$	$	$
101	(765) Funded debt unmatured				
102	(767) Receivers' and trustees' securities				
103	(768) Debt in default				
104	(791) Capital stock				
	SUPPLEMENTARY ITEMS				
	Amount of interest matured unpaid in default for as long as 90 days:				
105	Amount of interest				
106	Amount of principal involved				
107	Investment carried in account No. 732, "Improvements on leased property," on the books of the lessee with respect to respondent's property				

Note: Provision has not been made for Federal income taxes which may be payable in future years as a result of deductions during the period December 31, 1949, to close of the year of this report for accelerated amortization in excess of recorded depreciation. The amounts by which Federal income taxes have been reduced during the indicated period aggregated ______ $______

Estimated accumulated net reduction in Federal income taxes because of accelerated amortization of certain rolling stock since December 31, 1969, under provisions of Section 184 of the Internal Revenue Code ______ $______

Estimated accumulated net reduction in Federal income taxes because of amortization of certain rights-of-way investment since December 31, 1969, under the provisions of Section 185 of the Internal Revenue Code ______ $______

Estimated amount of future earnings which can be realized before paying Federal income taxes because of unused and available net operating loss carryover on January 1 of the year following that for which the report is made ______ $______

NOTES AND REMARKS

200. GENERAL BALANCE SHEET—LIABILITY SIDE—Concluded

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
$	$	$	$	$	$	
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300. INCOME ACCOUNT FOR THE YEAR

1. Show hereunder the Income Account of each lessor company included in this report, entering the names of the lessor companies in the column headings. For instructions covering this schedule, see the text pertaining to Income Accounts in the Uniform System of Accounts for Railroad Companies.

2. All contra entries hereunder should be indicated in parenthesis.

3. Any unusual accruals involving substantial amounts included on lines 6 to 53, inclusive, should be fully explained in a footnote.

Line No.	Item (a)	Schedule No.	(b)	(c)	(d)	(e)
	ORDINARY ITEMS		$	$	$	$
	RAILWAY OPERATING INCOME					
1	(501) Railway operating revenues					
2	(531) Railway operating expenses					
3	Net revenue from railway operations					
4	(532) Railway tax accruals (p. 54)	350	254			
5	(533) Provision for deferred taxes (p. 55)					
6	Railway operating income		(254)			
	RENT INCOME					
7	(503) Hire of freight cars and highway revenue fright equipment-credit balance					
8	(504) Rent from locomotives					
9	(505) Rent from passenger-train cars					
10	(506) Rent from floating equipment					
11	(507) Rent from work equipment					
12	(508) Joint facility rent income					
13	Total rent income					
	RENTS PAYABLE					
14	(536) Hire of freight cars and highway revenue freight equipment-debit balance					
15	(537) Rent for locomotives					
16	(538) Rent for passenger-train cars					
17	(539) Rent for floating equipment					
18	(540) Rent for work equipment					
19	(541) Joint facility rents					
20	Total rents payable					
21	Net rents (lines 13, 20)					
22	Net railway operating income (lines, 6, 21)		(254)			
	OTHER INCOME					
23	(502) Revenues from miscellaneous operations (p. 53)					
24	(509) Income from lease of road and equipment (p. 56)	371	48,845			
25	(510) Miscellaneous rent income					
26	(511) Income from nonoperating property					
27	(512) Separately operated properties—profit					
28	(513) Dividend income (from investments under cost only)					
29	(514) Interest income					
30	(516) Income from sinking and other reserve funds					
31	(517) Release of premiums on funded debt					
32	(518) Contributions from other companies					
33	(519) Miscellaneous income					
34	Dividend income (from investments under equity only)					
35	Undistributed earnings (losses)					
36	Equity in earnings (losses) of affiliated companies (lines 34, 35)					
37	Total other income		48,845			
38	Total income (lines 22, 37)		48,591			
	MISCELLANEOUS DEDUCTIONS FROM INCOME					
39	(534) Expenses of miscellaneous operations (p. 53)					
40	(535) Taxes on miscellaneous operating property (p. 53)					
41	(543) Miscellaneous rents					
42	(544) Miscellaneous tax accruals					
43	(545) Separately operated properties—loss					
44	(549) Maintenance of investment organization					
45	(550) Income transferred to other companies		48,591			
46	(551) Miscellaneous income charges					
47	Total miscellaneous deductions		48,591			
48	Income available for fixed charges (lines 38, 47)		~~48,591~~			

300. INCOME ACCOUNT FOR THE YEAR—Continued

4. Line 28 includes only dividends from investments accounted for under the cost method. Line 34 includes only dividends accounted for under the equity method. Line 35 includes the undistributed earnings from investments accounted for under the equity method. Line 36 represents the earnings (losses) of investee companies accounted for under the equity method. Lines 34 and 35 should be included only once in the total on line 37.

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
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300. INCOME ACCOUNT FOR THE YEAR—Continued

Line No.	Item (a)	Schedule No.	(b)	(c)	(d)	(e)
	FIXED CHARGES		$	$	$	$
49	(542) Rent for leased roads and equipment (pp. 58 and 59)	383				
	(546) Interest on funded debt:					
50	(a) Fixed interest not in default					
51	(b) Interest in default					
52	(547) Interest on unfunded debt					
53	(548) Amortization of discount on funded debt					
54	Total fixed charges					
55	Income after fixed charges (lines 48, 54)		48,591			
	OTHER DEDUCTIONS					
	(546) Interest on funded debt:					
56	(c) Contingent interest					
57	Ordinary income (lines 55, 56)		48,591			
	EXTRAORDINARY AND PRIOR PERIOD ITEMS					
58	(570) Extraordinary items - Net Credit (Debit) (p. 58)	396				
59	(580) Prior period items - NetCredit (Debit) (p. 58)	396				
60	(590) Federal income taxes on extraordinary and prior period items - Debit (Credit) (p. 58)	396				
61	(591) Provision for deferred taxes- Extraordinary and prior period items					
62	Total extraordinary and prior period items Cr. (Dr.)					
63	Net Income transferred to Retained Income Unappropriated (lines 57, 52)	305	48,591			

INCOME ACCOUNT FOR THE YEAR - EXPLANATORY NOTES

Deductions because of accelerated amortization of emergency facilities in excess of recorded depreciation resulted in reduction of Federal income taxes for the year of this report in the amount of $________ .

(1) Indicate method elected by carrier, as provided in the Revenue Act of 1971, to account for the investment tax credit.

Flow-through ______ Deferral ______

(2) If flow-through method was elected, indicate net decrease (or increase) in tax accrual because of investment tax credit ______ $______ .

(3) If deferral method was elected, indicate amount of investment tax credit utilized as a reduction of tax liability for current year ______ $______ .

Deduct amount of current year's investment tax credit applied to reduction of tax liability but deferred for accounting purposes ______ (______) .

Balance of current year's investment tax credit used to reduce current year's tax accrual ______ $______ .

Add amount of prior years' deferred investment tax credits being amortized and used to reduce current year's tax accrual ______ ______ .

Total decrease in current year's tax accrual resulting from use of investment tax credits ______ $______ .

NOTES AND REMARKS

In accordance with Docket No. 34178 (Sub-No. 2), show below the effect of deferred taxes on prior years net income as reported in annual reports to the Commission. Debit amounts in columns (b) and (d), and credit amounts in column (c) should be indicated by parentheses.

Year (a)	Net income as reported (b)	Provision for deferred taxes (c)	Adjusted net income (d)
1973	$	$	$
1972			
1971			

See attached financial statement.

300. INCOME ACCOUNT FOR THE YEAR—Concluded

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
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NOTES AND REMARKS - Concluded

305. RETAINED INCOME - UNAPPROPRIATED

1. Show hereunder the Retained Income of each lessor company included in this report, entering the names of the lessor companies in the column headings. For instructions covering this schedule, see text pertaining to Retained Income Accounts in the Uniform System of Accounts for Railroad Companies.
2. All contra entries hereunder should be indicated in parentheses.
3. Indicate under "Remarks" the amount of assigned Federal income tax consequences, accounts 606 and 616.

Line No.	Item (a)		(b) (1)	(b) (2)	(c) (1)	(c) (2)
1	Unappropriate retained income (1) and equity in undistributed earnings (losses) of affiliated companies (2) at beginning of year*		$	$	$	$
	CREDITS					
2	(602) Credit balance transferred from income (pp. 16 and 17)	300		See attached financial statements.		
3	(606) Other credits to retained income (p. 58)	396				
4	(622) Appropriations released					
5	Total					
	DEBITS					
6	(612) Debit balance transferred from income (pp. 16 and 17)	300				
7	(616) Other debits to retained income (p. 58)	396				
8	(620) Appropriation for sinking and other reserve funds					
9	(621) Appropriations for other purposes					
10	(623) Dividends (pp. 52 and 53)	308				
11	Total					
12	Net increase (decrease) during year*					
13	Unappropriated retained income (1) and equity in undistributed earnings (losses) of affiliated companies (2) at end of year*					
14	Balance from line 13(2)*			x x x x x		x x x x x
15	Total unappropriated retained income and equity in undistributed earnings (losses) of affiliated companies at end of year*			x x x x x		x x x x x
	Remarks					
	Amount of assigned Federal income tax consequences:					
16	Account 606			x x x x x		x x x x x
17	Account 616			x x x x x		x x x x x

*Amount in parentheses indicates debit balance.

NOTES AND REMARKS

305. RETAINED INCOME—UNAPPROPRIATED—Concluded

4. *Segregate in column (2) all amounts applicable to the equity in undistributed earnings (losses) of affiliated companies based on the equity method of accounting.*
5. Line 2 (line 6 if debit balance), column (2), should agree with line 36, schedule 300. The total of columns (1) and (2), lines 2 and 6, should agree with line 63, schedule 300.
6. *Include in column (1) only amounts applicable to Retained Income exclusive* of any amounts included in column (2).

(d) (1)	(d) (2)	(e) (1)	(e) (2)	(f) (1)	(f) (2)	(g) (1)	(g) (2)	Line No.
								1
								2
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								8
								9
								10
								11
								12
								13
	x x x x x		x x x x x		x x x x x		x x x x x	14
	x x x x x		x x x x x		x x x x x		x x x x x	15
	x x x x x		x x x x x		x x x x x		x x x x x	16
	x x x x x		x x x x x		x x x x x		x x x x x	17

NOTES AND REMARKS

211. ROAD AND EQUIPMENT PROPERTY

1. Give particulars of changes during the year in accounts 731, "Road and equipment property," and 732, "Improvements on leased property," classified in accordance with the Uniform System of Accounts for Railroad Companies. Enter the names of the lessor companies in the column headings.

2. Gross charges during the year should include disbursements made for the specific purpose of purchasing, constructing, and equipping new lines, extensions of old lines, and for additions and betterments. This column should also include both the debits and credits involved in each transfer, adjustment, or clearance between road and equipment accounts and all adjustments applicable to expenditures for new lines and extensions and additions and betterments. Adjustments in excess of $100,000 should be explained. Net charges is the difference between gross charges and credits for property retired. All changes made during the year should be analyzed by primary accounts.

3. If during the year an individual charge of $100,000 or more was made to account No. 2, "Land for transportation purposes," state in a footnote the cost, location, area, and other details which will identify the property.

Line No.	Account (a)	Gross charges during year (b)	Net charges during year (c)	Gross charges during year (d)	Net charges during year (e)	Gross charges during year (f)	Net charges during year (g)
		$	$	$	$	$	$
1	(1) Engineering						
2	(2) Land for transportation purposes						
3	(2 1/2) Other right-of-way expenditures	None					
4	(3) Grading						
5	(5) Tunnels and subways						
6	(6) Bridges, trestles, and culverts						
7	(7) Elevated structures						
8	(8) Ties						
9	(9) Rails						
10	(10) Other track material						
11	(11) Ballast						
12	(12) Track laying and surfacing						
13	(13) Fences, snowsheds, and signs						
14	(16) Station and office buildings						
15	(17) Roadway buildings						
16	(18) Water stations						
17	(19) Fuel stations						
18	(20) Shops and enginehouses						
19	(21) Grain elevators						
20	(22) Storage warehouses						
21	(23) Wharves and docks						
22	(24) Coal and ore wharves						
23	(25) TOFC/COFC terminals						
24	(26) Communication systems						
25	(27) Signals and interlockers						
26	(29) Power plants						
27	(31) Power-transmission systems						
28	(35) Miscellaneous structures						
29	(37) Roadway machines						
30	(38) Roadway small tools						
31	(39) Public improvements—Construction						
32	(43) Other expenditures - Road						
33	(44) Shop machinery						
34	(45) Power-plant machinery						
35	Other (Specify & explain)						
36	Total expenditures for road						
37	(52) Locomotives						
38	(53) Freight-train cars						
39	(54) Passenger-train cars						
40	(55) Highway revenue equipment						
41	(56) Floating equipment						
42	(57) Work equipment						
43	(58) Miscellaneous equipment						
44	Total expenditure for equipment						
45	(71) Organization expenses						
46	(76) Interest during construction						
47	(77) Other expenditures—General						
48	Total general expenditures						
49	Total						
50	(90) Construction work in progress						
51	Grand total[1]						

[1] Do not include in road and equipment accounts, including Account No. 80, "Other elements of investments," adjustments which were made pursuant to the Commission's order, dated April 17, 1963.

211. ROAD AND EQUIPMENT PROPERTY—Continued

4. If during the year property was acquired from some other company, state in a footnote the name of the company, the mileage acquired, and the date of acquisition, giving termini and the cost of the property to the respondent. Also furnish a statement of the amount included in each primary account representing such property acquired, referring to the column or columns in which the entries appear.
5. Notes referring to entries in this schedule should be shown on page 22.
6. Report on line 35 amounts not includable in the primary road accounts. The items reported should be briefly identified and explained in a footnote on page 22. Amounts should be reported on this line only under special circumstances, usually after permission is obtained from the Commission for exceptions to prescribed accounting. Reference to such authority should be made when explaining the amounts reported. Respondents must not make arbitrary changes to the printed stub or column headings without specific authority from the Commission.

Gross charges during year (h)	Net charges during year (i)	Gross charges during year (j)	Net charges during year (k)	Gross charges during year (l)	Net charges during year (m)	Gross charges during year (n)	Net charges during year (o)	Line No.
$	$	$	$	$	$	$	$	1
	None							2
								3
								4
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212. PROPRIETARY COMPANIES

Give particulars called for regarding each inactive proprietary corporation of the lessor companies included in this report (i.e., one *all* of whose outstanding stocks or obligations are held by or for the respondent without any accounting to the said proprietary corporation). It may also include such line when the actual title to all of the outstanding stocks or obligations rests in a corporation controlled by or controlling the respondent; *but in the case of any such inclusion, the facts of the relation to the respondent of the corporation holding the securities should be fully set*

Line No.	Item (a)	(b)	(c)	(d)	(e)
1	Mileage owned: Road				
2	Second and additional main tracks				
3	Passing tracks, cross-overs, and turn-outs		Not Applicable		
4	Way switching tracks				
5	Yard switching tracks				
6	Road and equipment property: Road	$	$	$	$
7	Equipment				
8	General expenditures				
9	Other property accounts*				
10	Total (account 731)				
11	Improvements on leased property: Road				
12	Equipment				
13	General expenditures				
14	Total (account 732)				
15	Depreciation and amortization (accounts 735, 736, and 785)				
16	Funded debt unmatured (account 765)				
17	Long-term debt in default (account 768)				
18	Amounts payable to affiliated companies (account 769)				
19	Capital stock (account 791)				

*Includes Account Nos. 80, "Other elements of investment," and 90, "Construction work in progress."

212. PROPRIETARY COMPANIES—Concluded

forth in a footnote. The separation of accounts 731 and 732 into "Road," "Equipment," and "General expenditures" should be estimated, if not actually shown on respondent's books. Assign to "General Expenditures" only such amounts as are not included in "Road" or "Equipment." Enter brief designation of the several proprietary companies at the heads of their respective columns and state in footnotes the names of the lessor companies that control them.

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
						1
						2
						3
						4
						5
$	$	$	$	$	$	6
						7
						8
						9
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NOTES AND REMARKS REGARDING RETURNS IN SCHEDULE NO. 211 ON PAGES 18 AND 19

See copy of lease in 1964 (initial) report,
Par. 6 of lease reads as follows:

"The Lessee shall, at Lessor's cost and expense perform such construction and rehabilitation work as may be necessary to render the demised line of railroad suitable for the operation of a common carrier railroad service theron, and the Lessor shall from time to time, upon receiving Lessee's itemized statements of its expenditures therefore, promptly reimburse Lessee for such work."

ABSTRACT OF THE PROVISIONS OF THE LEASE BEARING ON RESPONDENT'S LIABILITY TO REIMBURSE THE LESSEE FOR IMPROVEMENTS MADE ON THE LEASED RAILROAD PROPERTY

(See instructions on page 11)

GENERAL INSTRUCTIONS CONCERNING RETURNS IN SCHEDULES 217 AND 218

1. Schedules 217 and 218 should give particulars of stocks, bonds, other secured obligations, unsecured notes, and investment advances of affiliated companies and other investments held by the lessor companies included in this report at the close of the year specifically as investments, including the obligations of a State or local government, or of an individual, so held; investments made, disposed of, or written down during the year, and dividends and interest credited to income. They should exclude securities issued or assumed by respondents. For definition of affiliated companies, see the rules governing account No. 721, "Investments in affiliated companies," in the Uniform System of Accounts for Railroad Companies.

2. These investments should be subdivided to show the book value pledged, unpledged, and held in fund accounts. Under "pledged" include the book vale of securities recorded in accounts Nos. 721, "Investments in affiliated companies," and 722, "Other investments," which are deposited with some pledgee or other trustee, or held subject to the lien of a chattel mortgage, or subject to any other restriction or condition which makes them unavailable for general corporate purposes. "Unpledged" should include all securities held by or for the respondent free from any lien or restriction, recorded in the accounts mentioned above. Under "In sinking, insurance, and other funds" include the book value of securities recorded in accounts Nos. 715, "Sinking funds"; 716, "Capital and other reserve funds"; and 717, "Insurance and other funds."

3. For each lessor company, list the investments in the following order and show a total for each group and each class of investments by accounts in numerical order:

(A) Stocks:
- (1) Carriers—active.
- (2) Carriers—inactive.
- (3) Noncarriers—active.
- (4) Noncarriers—inactive.

(B) Bonds (Including U.S. Government bonds):
(C) Other secured obligations:
(D) Unsecured notes:
(E) Investment advances:

4. The subclassification of classes (B), (C), (D), and (E) should be the same as that provided for class (A).

5. The kinds of industry represented by respondent's investments in the securities of other companies should be shown by symbol opposite the names of the issuing corporations, the symbols and industrial classifications to be as follows:

Symbol *Kind of Industry*

I. Agriculture, forestry, and fisheries.
II. Mining.
III. Construction.
IV. Manufacturing.
V. Wholesale and retail trade.
VI. Finance, insurance, and real estate.
VIII. Transportation, communications, and other public utilities.
VIII. Services.
IX. Government.
X. All other.

6. By carriers, as the term is here used, is meant companies owning or operating railroads, facilities auxiliary thereto such as bridges, ferries, union depots and other terminal facilities, sleeping cars, parlor cars, dining cars, freight cars, express service and facilities, electric railways, highway motor vehicles, steamboats and other marine transportation equipment, pipe lines (other than those for transportation of water), and other instrumentalities devoted to the transportation of persons or property for hire. Telegraph and telephone companies are not meant to be included.

7. Noncarrier companies should, for the purposes of these schedules, include telephone companies, telegraph companies, mining companies, manufacturing companies, hotel companies, etc. Purely "holding companies" are to be classed as noncarrier companies, even though the securities held by such companies are largely or entirely those issued or assumed by carriers.

8. By an active corporation is meant one which maintains an organization for operating property or administering its financial affairs. An inactive corporation is one which has been practically absorbed in a controlling corporation, and which neither operates property nor administers its financial affairs; if it maintains an organization it does so only for the purpose of complying with legal requirements and maintaining title to property or franchises.

217. INVESTMENTS IN AFFILIATED COMPANIES

Give particulars of investments in stocks, bonds, other secured obligations, unsecured notes, and investment advances of companies affiliated with respondent, included in accounts Nos. 715, "Sinking funds", 716, "Capital and other reserve funds"; 721, "Investments in affiliated companies", and 717, "Insurance and other funds."

Enter the name of a reporting lessor company in the body of the schedule and give, thereunder, particulars of its investments in affiliated companies before listing those of a second lessor. These names should be listed in the order in which they appear on the balance sheet.

Entries in this schedule should be made in accordance with the definitions and general instructions given on page 23, classifying the investments by means of letters, figres, and symbols in columns *(a)*, *(b)*, and *(c)*.

Indicate by means of an arbitrary mark in column *(d)* the obligation in support of which any security is pledged, mortgaged, or otherwise encumbered, giving names and other important particulars of such obligations in footnotes.

Give totals for each class and for each subclass, and a grand total for each account.

Entries in columns *(d)* should show date of maturity of bonds and other evidences of indebtedness. In case obligations of the same designation mature serially, the date in column *(d)* may be

Line No.	Account No. (a)	Class No. (b)	Kind of industry (c)	Name of issuing company and description of security held, also lien reference, if any (d)	Extent of control (e)	Investments at close of year — Book value of amount held at close of year — Pledged (f)	Unpledged (g)
					%	$	$
1				On October 30, 1970, American Forest Products Corporation			
2				was merged into a new corporation, American Forest Products			
3				Corporation (a Delaware corporation) Federal E.I. No. 38-1941409,			
4				which is a wholly-owned subsidiary of The Bendix Corporation,			
5				Southfield, Michigan Federal E.I. No. 38-0341261.			
6							
7				The American Forest Products Corporation holds a Highway			
8				Contract Carrier and Radial Highway Common Carrier permit			
9				issued in 1967 by the Public Utilities Commission of the			
10				State of California. Revenue from this source in 1974 was			
11				minor. Further information will be furnished if requested.			
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217. INVESTMENTS IN AFFILIATED COMPANIES—Continued

reported as "Serially 19__ to 19__." In making entries in this column, abbreviations in common use in standard financial publications may be used where necessary on account of limited space.

If any of the companies included in this schedule are controlled by respondent, the percent of control should be given in column *(e)*. In case any company listed is controlled other than through actual ownership of securities, give particulars in a footnote. In cases of joint control, give names of other parties and particulars of control.

If any advances reported are pledged, give particulars in a footnote.

Particulars of investments made, disposed of, or written down during the year should be given in columns *(j)*, *(k)*, and *(l)*. If the cost of any investment made during the year differs from the book value reported in column *(j)*, explain the matter in a footnote. By "cost" is meant the consideration given minus accrued interest or dividends included therein. If the consideration given or received for such investments was other than cash, describe the transaction in a footnote. Identify all entries in column *(k)* which represent a reduction in the book value of securities by symbol and give full explanation in a footnote in each case.

This schedule should not include securities issued or assumed by respondent.

INVESTMENTS AT CLOSE OF YEAR		Book value of investments made during year	INVESTMENTS DISPOSED OF OR WRITTEN DOWN DURING YEAR		DIVIDENDS OR INTEREST DURING YEAR		Line No.
BOOK VALUE OF AMOUNT HELD AT CLOSE OF YEAR							
In sinking, insurance, and other funds (h)	Total book value (i)	(j)	Book value (k)	Selling price (l)	Rate (m)	Amount credited to income (n)	
$	$	$	$	$	%	$	
							1
							2
							3
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217. INVESTMENTS IN AFFILIATED COMPANIES--Continued

						Investments at close of year	
						Book value of amount held at close of year	
Line No.	Account No. (a)	Class No. (b)	Kind of industry (c)	Name of issuing company and description of security held, also lien reference, if any (d)	Extent of control (e)	Pledged (f)	Unpledged (g)
					%	$	$
51							
52							
53							
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101							
102							
103							
104							
105					Total		

217. INVESTMENTS IN AFFILIATED COMPANIES—Concluded

Investments at close of year — Book value of amount held at close of year: In sinking, insurance, and other funds (h)	Investments at close of year — Book value of amount held at close of year: Total book value (i)	Book value of investments made during year (j)	Investments disposed of or written down during year: Book value (k)	Investments disposed of or written down during year: Selling price (l)	Dividends or interest during year: Rate (m)	Dividends or interest during year: Amount credited to income (n)	Line No.
$	$	$	$	$	%	$	51
							52
							53
							54
							55
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					x x		105

217A INVESTMENTS IN COMMON STOCKS OF AFFILIATED COMPANIES

Undistributed Earnings From Certain Investments in Affiliated Companies

1. Report below the details of all investments in common stocks included in Account 721. Investments in Affiliated Companies, which qualify for the equity method under instruction 6-2 in the Uniform System of Accounts for Railroad Companies.

2. Enter in column (c) the amount necessary to retroactively adjust those investments qualifying for the equity method of accounting in accordance with instruction 6-2 (b) (11) of the Uniform System of Accounts for Railroad Companies.

3. Enter in column (d) the share of undistributed earnings (i.e., less dividends) or losses.

4. Enter in column (e) the amortization for the year of the excess of cost over equity in net assets (equity over cost) at date of acquisition. See instructions 6-2 (b) (4).

5. The total of column (g) must agree with line 21, schedule 200.

6. For definitions of "carrier" and "noncarrier", see general instructions 6 and 7 on page 23.

Line No.	Name of issuing company and description of security held (a)	Balance at beginning of year (b)	Adjustment for investments qualifying for equity method (c)	Equity in undistributed earnings (losses) during year (d)	Amortization during year (e)	Adjustment for investments disposed of or written down during year (f)	Balance at close of year (g)
	Carriers: (List specifics for each company)	$	$	$	$	$	$
1							
2	None						
3							
4							
5							
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217A INVESTMENTS IN COMMON STOCKS OF AFFILIATED COMPANIES-Concluded

Undistributed Earnings From Certain Investments in Affiliated Companies

Line No.	Names of issuing company and description of security held (a)	Balance at beginning of year (b)	Adjustment for investments qualifying for equity method (c)	Equity in undistributed earnings (losses) during year (d)	Amortization during year (e)	Adjustment for investments disposed of or written down during year (f)	Balance at close of year (g)
	Carriers: (List specifics for each company)	$	$	$	$	$	$
14							
15							
16							
17							
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36							
37							
38							
39							
40	Total						
41	Noncarriers: (Show totals only for each column)						
42	Total (lines 40 and 41)						

218. OTHER INVESTMENTS

1. Give particulars of investments in stocks, bonds, other secured obligations, unsecured notes, and investment advances of all corporations other than affiliated companies, included in accounts Nos. 715, "Sinking funds"; 716, "Capital and other reserve funds"; 722, "Other investments"; and 717, "Insurance and other funds." Investments included in account Nos. 715, 716, and 717 held by trustees in lieu of cash deposits required under the governing instrument are to be excluded from this schedule.
2. Enter the name of a reporting lessor company in the body of the schedule and give, thereunder, particulars of its other investments before listing those of a second lessor. These names should be listed in the order in which they appear on the balance sheet.
3. Entries in this schedule should be made in accordance with the definitions and general instructions given on page 23, classifying the investments by means of letters, figures, and symbols in columns (a), (b), and (c). Investments in U.S. Treasury bills and notes may be reported as one item.
4. Indicate by means of an arbitrary mark in column (d) the obligation in support of which any security is pledged, mortgaged, or otherwise encumbered, giving names and other important particulars of such obligations in footnotes.
5. Give totals for each class and for each subclass, and a grand total for each account.

Line No.	Account No. (a)	Class No. (b)	Kind of industry (c)	Name of issuing company or government and description of security held, also lien reference, if any (d)	Investments at close of year — Book value of amount held at close of year — Pledged (e)	Unpledged (f)
					$	$
1						
2						
3				See note on page 24.		
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44						
45						
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49						
50				Total		

218. OTHER INVESTMENTS—Concluded

6. Entries in column *(d)* should show date of maturity of bonds and other evidences of indebtedness. In case obligations of the same designation mature serially, the date in column *(d)* may be reported as "serially 19___ to 19___." In making entries in this column, abbreviations in common use in standard financial publications may be used where necessary on account of limited space.

7. If any advances are pledged, give particulars in a footnote.

8. Particulars of investments made, disposed of, or written down during the year should be given in columns *(i)* to *(k)*, inclusive. If the cost of any investment made during the year differs from the book value reported in column *(i)*, explain the matter in a footnote. By "cost" is meant the consideration given minus accrued interest or dividends included therein. If the consideration given or received for such investments was other than cash, describe the transaction in a footnote. Identify all entries in column *(j)* which represent a reduction in the book value of securities by symbol and give full explanation in a footnote in each case.

INVESTMENTS AT CLOSE OF YEAR		Book value of investments made during year	INVESTMENTS DISPOSED OF OR WRITTEN DOWN DURING YEAR		DIVIDENDS OR INTEREST DURING YEAR		Line No.
BOOK VALUE OF AMOUNT HELD AT CLOSE OF YEAR							
In sinking, insurance, and other funds (g)	Total book value (h)	(i)	Book value (j)	Selling price (k)	Rate (l)	Amount credited to income (m)	
$	$	$	$	$	%	$	1
							2
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221. SECURITIES, ADVANCES, AND OTHER INTANGIBLES OWNED OR CONTROLLED THROUGH NONREPORTING CARRIER OR NONCARRIER SUBSIDIARIES

Give particulars of investments represented by securities and advances (including securities issued or assumed by the respondent), and of other intangible property, indirectly owned or controlled by the lessor companies included in this report through any subsidiary which does not report to the Commission under the provisions of Part I of the Interstate Commerce Act, without regard to any question of whether the company issuing the securities, or the obligor, is controlled by the subsidiary.

Line No.	Class No. (a)	Name of lessor company (b)	Name of nonreporting carrier or noncarrier subsidiary that owns the securities, advances, or other intangible property (c)	Name of issuing company and security or other intangible thing in which investment is made (d)
1		None		
2				
3				
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221. SECURITIES, ADVANCES, AND OTHER INTANGIBLES OWNED OR CONTROLLED THROUGH NONREPORTING CARRIER OR NONCARRIER SUBSIDIARIES—Concluded

This schedule should include all securities, open account advances, and other intangible property owned or controlled through nonreporting carrier and noncarrier subsidiaries, as well as those of other organizations or individuals whose actions respondent is able to determine. Investments in U.S. Treasury obligations may be combined in a single item.

Total book value of investments at close of the year (e)	Book value of investments made during the year (f)	Investments disposed of or written down during year: Book value (g)	Investments disposed of or written down during year: Selling price (h)	Remarks (i)	Line No.
$	$	$	$		1
					2
					3
					4
					5
					6
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251. CAPITAL STOCK

Give particulars of the various issues of capital stock which were in existence at the close of the year.

Show separate returns for each lessor company included in this report, classifying the stocks as follows:

Common.
Preferred.
Debenture.
Receipts outstanding.

State, in a footnote, the class of stock covered by the receipts.

In case any "Preferred" or "Debenture" stock is outstanding, the rate of dividend requirements should be shown in column *(b)*, and it should be stated whether the dividends are cumulative or noncumulative. If the designation of any class of stock shown in column *(b)* is not sufficiently descriptive to indicate clearly its dividend rights and equity in the assets of the respondent, a complete statement of the facts should be given.

In stating the date of an authorization, the date of the latest assent or ratification necessary to its validity should be shown; e.g., in case an authorization is required to be ratified by stockholders after action by the board of directors, but is not required to be approved by any State or other governmental board or officer, give the date of approval by stockholders; if the assent of a State railroad commission or other public board or officer is necessary, give the date of such assent, or if subsequent to such assent notice has to be filed with a secretary of state or other public officer and a tax or other fee has to be paid as a *condition precedent* to the validity of the issue, give the date of such payment. In case some *condition precedent* has to be complied with after the approv-

Line No.	Name of lessor company (a)	WITH PAR VALUE: Class of stock (b)	Par value per share (c)	Date issue was authorized (d)	Par value of amount authorized (e)	Total par value outstanding at close of year (f)	Total par value nominally issued and nominally outstanding at close of year: In treasury (g)	Pledged as collateral (h)	In sinking or other funds (i)
			$	$	$	$	$	$	$
1		See attached financial statement.							
2		Further information will be furnished upon request.							
3									
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49									

251. CAPITAL STOCK—Concluded

al and ratification of the stockholders has been obtained, state, in a footnote, the particulars of such condition and of the respondent's compliance therewith. It should be noted that section 20a of the Interstate Commerce Act makes it unlawful for a carrier to issue or assume any securities, unless and until, and then only to the extent that, the Commission by order authorizes such issue or assumption.

Entries in columns (f) and (n) should include stock nominally issued, nominally outstanding, and actually outstanding. For the purposes of this report, capital stock and other securities are considered to be *nominally issued* when certificates are signed and sealed and placed with the proper officer for sale and delivery or are pledged or otherwise placed in some special fund of the respondent. They are considered to be *actually issued* when sold to a bona fide purchaser for a valuable consideration, and such purchaser holds them free from control by the respondent. All securities actually issued and not reacquired by or for the respondent are considered to be *actually outstanding*. If reacquired by or for the respondent under such circumstances as require them to be considered as held alive, and not canceled or retired, they are considered to be *nominally outstanding*.

Total par value actually outstanding (j)	Without Par Value: Class of stock (k)	Date issue was authorized (l)	Number of shares authorized (m)	Number of shares outstanding at close of year (n)	Number of shares nominally issued and nominally outstanding at close of year: In treasury (o)	Pledged as collateral (p)	In sinking or other funds (q)	Cash value of consideration received for stocks actually outstanding (r)	Line No.
$	None							$	1
									2
									3
									4
									5
									6
									7
									8
									9
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253. CAPITAL STOCK CHANGES DURING THE YEAR

Give full particulars of stocks actually or nominally issued (either original issues or reissues) and of stocks reacquired or canceled during the year. Enter the name of a reporting lessor company in the body of the schedule and give, thereunder, particulars of its capital stock changes during the year before listing those of a second lessor. These names should be listed in the order in which they appear on the balance sheet. In column (c) state whether issued for construction of new properties, for additions and betterments, for purchase of railway or other property, for conversion, for acquisition of securities, for reorganization, or for other corporate purposes. Also give the number and date of the authorization by the public authority under whose control such issue

Line No.	Class of stock (a)	STOCKS ISSUED DURING YEAR: Date of issue (b)	Purpose of the issue and authority (c)	Par value* (d)	Net proceeds received for issue (cash or its equivalent) (e)
				$	$
1					
2					
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38					
39			Total		

*For nonpar stock, show the number of shares.

254. STOCK LIABILITY FOR CONVERSION OF SECURITIES OF OTHER COMPANIES

If at the close of the year the lessor companies included in this report were subject to any liability to issue their own capital stock in exchange for outstanding securities of constituent or other companies, give full particulars thereof here under, including names of parties to contracts and

253. CAPITAL STOCK CHANGES DURING THE YEAR—Concluded

was made, naming such authority. In column *(e)* include as cash all money, checks, drafts, bills of exchange, and other commercial paper payable at par on demand. For nominally issued stock, show returns in columns *(a)*, *(b)*, *(c)*, and *(d)* only. For each class of par stock actually issued the sum of the entries in columns *(e)*, *(f)*, and *(h)*, plus discounts or less premiums in column *(g)*, should equal the entry in column *(d)*.

Particulars concerning the reacquirement of stock that was actually outstanding should be given in columns *(a)*, *(i)*, and *(j)*.

STOCKS ISSUED DURING YEAR—Continued			STOCKS REACQUIRED DURING YEAR — AMOUNT REACQUIRED			
Cash value of other property acquired or services received as consideration for issue (f)	Net total discounts (in black) or premiums (in red). Excludes entries in column (h) (g)	Expense of issuing capital stock (h)	Par value* (i)	Purchase price (j)	Remarks (k)	Line No.
$	$	$	$	$		1
						2
						3
						4
						5
						6
						7
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*For nonpar stock, show the number of shares.

254. STOCK LIABILITY FOR CONVERSION OF SECURITIES OF OTHER COMPANIES—Concluded

abstracts of terms of contracts whereunder such liability exists.

None

NOTES AND REMARKS

INSTRUCTIONS CONCERNING RETURNS TO BE MADE IN SCHEDULE 261 ON PAGES 38, 39, 40, AND 41

Give particulars of the various issues of securities in accounts Nos. 765, "Funded debt unmatured," 768, "Debt in default," 767, "Receivers' and Trustees' securities," 766, "Equipment obligations," and 764 "Equipment obligations and other debt due within 1 year," at the close of the year, together with interest accrued and interest paid during the year and total amount of matured interest in default. Include receipts outstanding for funded debt with their respective issues.

In column *(a)* enter the name of a reporting lessor company and give, thereunder, the name of each of its bonds or other obligations before listing those of a second lessor. The names of the lessors should be listed in the order in which they appear on the balance sheet. Classify the funded debt and securities of each lessor by accounts and according to the following designations in the numerical order given:

(1) Mortgage bonds:
  (a) With fixed interest.
  (b) With contingent interest.
(2) Collateral trust bonds:
  (a) With fixed interest.
  (b) With contingent interest.
(3) Unsecured bonds (Debentures):
  (a) With fixed interest.
  (b) With contingent interest.
(4) Equipment obligations (Corporation):
  (a) Equipment securities.
  (b) Conditional or deferred payment contracts.
(5) Miscellaneous obligations.
(6) Receivers' and trustees' securities:
  (a) Equipment obligations.
  (b) Other than equipment obligations.
(7) Short-term notes in default.

Give totals for each group and subgroup of bonds or other obligations. Columns *(f)*, *(g)*, *(h)*, *(i)*, and *(j)* are intended further to classify the obligations of the company and are to be answered "Yes" or "No."

If an issue is a serial issue, the last date of maturity should be shown in column *(c)* preceded by the letter "S." If the payments required in the contracts for equipment obligations are unequal in amount (except for the last payment) or are to be made at irregular intervals, show a symbol against the entry made in column *(c)* opposite the name of such obligation and give particulars in a footnote.

If the issue is an income bond, the entry in column *(d)* should be the annual maximum rate of interest specified by the indenture. In column *(k)* show the approximate number of miles of road on which the mortgage is a direct first lien and in column *(l)* the approximate number of miles of road on which the mortgage is a direct junior lien. Do not consider any road or other property indirectly subject to either a first or junior lien through the pledge of collateral, leaseholds, or other contractual rights in making the returns required in columns *(i)*, *(j)*, *(k)*, and *(l)*.

In column *(n)* enter the amount of bonds both nominally and actually issued up to the date of the report and not the amount authorized.

Matured obligations amounting to less than $50,000 which have not been presented for payment may be combined into a single entry designated "Minor items of matured obligations, each less than $50,000," and the total of such items shown in a footnote.

No entries shall be made in this schedule with respect to issues of matured obligations nominally issued or nominally outstanding when no parts of such issues are actually outstanding.

For definitions of "nominally issued," "nominally outstanding," "actually issued," and "actually outstanding," see Schedule 251.

Entries in columns *(v)* and *(w)* should include interest accrued on funded debt reacquired, matured during the year, even though no portion of the issue is outstanding at the close of the year.

In column *(y)* enter the total in account No. 781, "Interest in default," at the close of the year.

On page 41, give particulars of changes during the year in funded debt and other obligations, following the same order in which they appear in the prior pages of this schedule.

In column *(z)* state whether issued for construction of new properties, for additions and betterments, for purchase of railroad or other property for conversion, for acquisition of securities, for reorganization, or for other corporate purposes. Also give the number and date of authorization by the public authority under whose control such issue was made, naming such authority. For nominally issued securities, show returns in columns *(z)* and *(aa)* only.

For each class of securities actually issued, the sum of the entries in columns *(bb)* and *(cc)*, plus discounts or less premiums, such discounts or premiums to be shown in a footnote applicble to each issue, should equal the entry in column *(aa)*. For definition of expense, reportable in column *(cc)*, see Definition 10 in the Uniform System of Accounts for Railroad Companies.

Particulars concerning the reacquirement of securities that were actually outstanding should be reported in columns *(a)*, *(dd)*, and *(ee)*.

Include those securities that have been called for payment during the year for which liability has been transferred to account No. 763, "Other current liabilities."

NOTES AND REMARKS

261. FUNDED DEBT AND OTHER OBLIGATIONS

Line No.	Name of lessor company and name and character of obligation (a)	Nominal date of issue (b)	Date of maturity (c)	INTEREST PROVISIONS: Rate percent per annum (current year) (d)	INTEREST PROVISIONS: Date due (e)	DOES OBLIGATION PROVIDE FOR— (Answer "Yes" or "No"): Conversion (f)	DOES OBLIGATION PROVIDE FOR—: Call prior to maturity, other than for sinking fund (g)	DOES OBLIGATION PROVIDE FOR—: Sinking fund (h)	IS OTHER PROPERTY (REAL OR PERSONAL OR LEASEHOLD) SUBJECT TO LIEN OF THE OBLIGATION? (ANSWER "YES or NO"): First lien (i)	IS OTHER PROPERTY ... : Junior to first lien (j)
1	See consolidate balance sheet attached.									
2	Further information will be furnished upon request.									
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53										
54								Grand Total		

261. FUNDED DEBT AND OTHER OBLIGATIONS—Continued

Approximate number of miles of line directly subject to— First lien (k)	Approximate number of miles of line directly subject to— Junior to first lien (l)	Total amount nominally and actually issued (m)	Amount nominally issued and— Held in special funds or in treasury or pledged (Identify pledged securities by symbol "P"; matured by symbol "M") (n)	Amount nominally issued and— Canceled (o)	Total amount actually issued (p)	Amount reacquired and— Canceled through sinking fund or otherwise canceled (Identify canceled through sinking fund by symbol "s") (q)	Amount reacquired and— Held in special funds or in treasury or pledged (Identify pledged securities by symbol "P"; matured by symbol "M") (r)	Total amount actually outstanding— Unmatured (accounts 765, 766, and 767 (s)	Total amount actually outstanding— Unmatured (account 764) (t)	Total amount actually outstanding— Matured and no provision made for payment (account 768) (u)	Line No.
		$	$	$	$	$	$	$	$	$	
											1
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261. FUNDED DEBT AND OTHER OBLIGATIONS—Continued

Line No.	Name of lessor company and name and character of obligation (List on same lines and in same order as on page 38) (a)	AMOUNT OF INTEREST ACCRUED DURING YEAR: Charged to income (v)	AMOUNT OF INTEREST ACCRUED DURING YEAR: Charged to investment accounts (w)	Amount of interest paid during year (x)	Total amount of interest in default (y)
		$	$	$	$
1					
2					
3					
4					
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6					
7					
8					
9					
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52					
53					
54	Grand Total				

261. FUNDED DEBT AND OTHER OBLIGATIONS—Concluded

SECURITIES ISSUED DURING YEAR				SECURITIES REACQUIRED DURING YEAR — AMOUNT REACQUIRED		
Purpose of the issue and authority (z)	Par value (aa)	Net proceeds received for issue (cash or its equivalent) (bb)	Expense of issuing securities (cc)	Par value (dd)	Purchase price (ee)	Line No.
	$	$	$	$	$	1
						2
						3
						4
						5
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						52
						53
Grand Total						54

266. INTEREST ON INCOME BONDS

1. Give particulars concerning interest payable, accrued, paid, and accumulated and unpaid on the securities having contingent interest provisions classified as (1) Mortgage Bonds, (2) Collateral Trust Bonds, and (3) Unsecured Bonds (Debentures), in schedule 261, "Funded Debt and Other Obligations."
2. In columns *(a)*, *(b)*, and *(c)* state the name, amount, and nominal rate of interest shown in columns *(a)*, *(v)*, and *(d)*, respectively, in schedule 261, for each security of the kind indicated. List the names of such securities in the same order as in schedule 261.
3. In column *(d)* show the amount of interest payable for the year at the nominal rate, if earned, on all of the bonds outstanding at the close of the year plus those retired during the year.

Line No.	Name of issue (from schedule 261) (a)	Amount actually outstanding (from schedule 261) (b)	Nominal rate of interest (from schedule 261) (c)	AMOUNT OF INTEREST: Maximum amount payable, if earned (d)	AMOUNT OF INTEREST: Amount actually payable under contingent interest provisions, charged to income for the year (e)
		$		$	$
1					
2					
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268. AMOUNTS PAYABLE TO AFFILIATED COMPANIES

Give full particulars of amounts included in balance sheet account No. 769, "Amounts payable to affiliated companies," by each lessor company included in this report. Notes and open accounts should be stated separately.

Line No.	Name of debtor company (a)	Name of creditor company (b)
1	Amounts payable to affiliates are eliminated in the consolidated balance	
2	sheet attached. Further information will be furnished upon request.	
3		
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266. INTEREST ON INCOME BONDS—Concluded

4. In column (e) show the amount of interest charged to the income account for the year.
5. In column (f) show the difference between columns (d) and (e).
6. In columns (h), (i), and (j) show the amounts of interest actually paid during the year, segregated in columns (h) and (i) between payments applicable to the current year's accruals, and those applicable to past accruals.
7. In column (L) show the sum of unearned interest accumulated under the provisions of the security plus earned interest unpaid at the close of the year.

AMOUNT OF INTEREST—Continued

Difference between maximum payable if earned and amount actually payable: Current year (f)	All years to date (g)	Total paid within year: On account of current year (h)	On account of prior years (i)	Total (j)	Period for, or percentage of, for which cumulative, if any (k)	Total accumulated unearned interest plus earned interest unpaid at the close of the year (l)	Line No.
$	$	$	$	$		$	
							1
							2
							3
							4
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268. AMOUNTS PAYABLE TO AFFILIATED COMPANIES—Concluded

Entries in columns (g), (h), and (i) should include interest accruals and interest payments on debt retired during the year, even though no portion of the debt remained outstanding at the close of the year.

Balance at close of year: Notes (c)	Open accounts (d)	Total (e)	Rate of interest (f)	Interest accrued during year: Charged to income (g)	Charged to construction or other investment account (h)	Interest paid during year (i)	Line No.
$	$	$	%	$	$	$	
							1
							2
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282. DEPRECIATION BASE—EQUIPMENT OWNED

Show the ledger value of all equipment owned by each lessor company included in this report. The totals of columns (c) and (j) should correspond with the carrier's investment in equipment as carried in the accounts, as of the beginning and close of the year, respectively. If the depreciation base is other than the ledger value a full explanation should be given, together with a statement by primary accounts reconciling the difference between the figures used as the depreciation base and those carried in the ledger as investment in equipment.

Line No.	Name of lessor company (a)	Account (b)	Balance at beginning of year (c)	DEBITS DURING THE YEAR Additions and betterments (d)	Other debits (e)	Total debits (f)	CREDITS DURING THE YEAR Property retired (g)	Other credits (h)	Total credits (i)	Balance at close of year (j)
1		(52) Locomotives	$	$	$	$	$	$	$	$
2		(53) Freight-train cars	Not Applicable							
3		(54) Passenger-train cars								
4		(55) Highway revenue equipment								
5		(56) Floating equipment								
6		(57) Work equipment								
7		(58) Miscellaneous equipment								
8		Total								
9		(52) Locomotives								
10		(53) Freight-train cars								
11		(54) Passenger-train cars								
12		(55) Highway revenue equipment								
13		(56) Floating equipment								
14		(57) Work equipment								
15		(58) Miscellaneous equipment								
16		Total								
17		(52) Locomotives								
18		(53) Freight-train cars								
19		(54) Passenger-train cars								
20		(55) Highway revenue equipment								
21		(56) Floating equipment								
22		(57) Work equipment								
23		(58) Miscellaneous equipment								
24		Total								
25		(52) Locomotives								
26		(53) Freight-train cars								
27		(54) Passenger-train cars								
28		(55) Highway revenue equipment								
29		(56) Floating equipment								
30		(57) Work equipment								
31		(58) Miscellaneous equipment								
32		Total								
33		(52) Locomotives								
34		(53) Freight-train cars								
35		(54) Passenger-train cars								
36		(55) Highway revenue equipment								
37		(56) Floating equipment								
38		(57) Work equipment								
39		(58) Miscellaneous equipment								
40		Total								

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Lessor Initials

Year 19

Line No.										
41		(52) Locomotives								
42		(53) Freight-train cars								
43		(54) Passenger-train cars								
44		(55) Highway revenue equipment								
45		(56) Floating equipment								
46		(57) Work equipment								
47		(58) Miscellaneous equipment								
48		Total								
49		(52) Locomotives								
50		(53) Freight-train cars								
51		(54) Passenger-train cars								
52		(55) Highway revenue equipment								
53		(56) Floating equipment								
54		(57) Work equipment								
55		(58) Miscellaneous equipment								
56		Total								
57		(52) Locomotives								
58		(53) Freight-train cars								
59		(54) Passenger-train cars								
60		(55) Highway revenue equipment								
61		(56) Floating equipment								
62		(57) Work equipment								
63		(58) Miscellaneous equipment								
64		Total								
65		(52) Locomotives								
66		(53) Freight-train cars								
67		(54) Passenger-train cars								
68		(55) Highway revenue equipment								
69		(56) Floating equipment								
70		(57) Work equipment								
71		(58) Miscellaneous equipment								
72		Total								
73		(52) Locomotives								
74		(53) Freight-train cars								
75		(54) Passenger-train cars								
76		(55) Highway revenue equipment								
77		(56) Floating equipment								
78		(57) Work equipment								
79		(58) Miscellaneous equipment								
80		Total								

285. ACCRUED DEPRECIATION—ROAD AND EQUIPMENT

Give the particulars called for hereunder of the credits and debits made to account 735, "Accrued depreciation—Road and Equipment," during the year which relate to equipment by each lessor company included in this report. A debit balance in column (c) and (j) for any primary account should be preceded by the abbreviation "Dr."

Line No.	Name of lessor company (a)	Account (b)	Balance at beginning of year (c)	CREDITS TO RESERVE DURING THE YEAR: Charges to others (d)	Other credits (e)	Total credits (f)	DEBITS TO RESERVE DURING THE YEAR: Charges for Retirement (g)	Other debits (h)	Total debits (i)	Balance at close of year (j)
1		(52) Locomotives	$ Not Applicable	$	$	$	$	$	$	$
2		(53) Freight-train cars								
3		(54) Passenger-train cars								
4		(55) Highway revenue equipment								
5		(56) Floating equipment								
6		(57) Work equipment								
7		(58) Miscellaneous equipment								
8		Total								
9		(52) Locomotives								
10		(53) Freight-train cars								
11		(54) Passenger-train cars								
12		(55) Highway revenue equipment								
13		(56) Floating equipment								
14		(57) Work equipment								
15		(58) Miscellaneous equipment								
16		Total								
17		(52) Locomotives								
18		(53) Freight-train cars								
19		(54) Passenger-train cars								
20		(55) Highway revenue equipment								
21		(56) Floating equipment								
22		(57) Work equipment								
23		(58) Miscellaneous equipment								
24		Total								
25		(52) Locomotives								
26		(53) Freight-train cars								
27		(54) Passenger-train cars								
28		(55) Highway revenue equipment								
29		(56) Floating equipment								
30		(57) Work equipment								
31		(58) Miscellaneous equipment								
32		Total								
33		(52) Locomotives								
34		(53) Freight-train cars								
35		(54) Passenger-train cars								
36		(55) Highway revenue equipment								
37		(56) Floating equipment								
38		(57) Work equipment								
39		(58) Miscellaneous equipment								
40		Total								

Lessor Initials

Year 19

41		(52) Locomotives								
42		(53) Freight-train cars								
43		(54) Passenger-train cars								
44		(55) Highway revenue equipment								
45		(56) Floating equipment								
46		(57) Work equipment								
47		(58) Miscellaneous equipment								
48		Total								
49		(52) Locomotives								
50		(53) Freight-train cars								
51		(54) Passenger-train cars								
52		(55) Highway Revenue Equipment								
53		(56) Floating equipment								
54		(57) Work equipment								
55		(58) Miscellaneous equipment								
56		Total								
57		(52) Locomotives								
58		(53) Freight-train cars								
59		(54) Passenger-train cars								
60		(55) Highway revenue equipment								
61		(56) Floating equipment								
62		(57) Work equipment								
63		(58) Miscellaneous equipment								
64		Total								
65		(52) Locomotives								
66		(53) Freight-train cars								
67		(54) Passenger-train cars								
68		(55) Highway revenue equipment								
69		(56) Floating equipment								
70		(57) Work equipment								
71		(58) Miscellaneous equipment								
72		Total								
73		(52) Locomotives								
74		(53) Freight-train cars								
75		(54) Passenger-train cars								
76		(55) Highway revenue equipment								
77		(56) Floating equipment								
78		(57) Work equipment								
79		(58) Miscellaneous equipment								
80		Total								

286. DEPRECIATION RESERVE—ROAD AND MISCELLANEOUS PHYSICAL PROPERTY

Give a classified statement, for each lessor company included in this report, of the credits to the reserve accounts for depreciation of road and miscellaneous physical property during the year, and the charges to the reserve accounts during the year because of property retired; also the balances in the accounts at the beginning and at the close of the year.

Line No.	Item (a)	(b)	(c)	(d)	(e)
	Credits	$	$	$	$
1	Balances at beginning of year: Accrued depreciation-Road				
2	Accrued depreciation-Miscellaneous physical property	18,026			
	Road property (specify):				
3					
4		2,426			
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
	Miscellaneous physical property (specify):				
21					
22					
23					
24					
25	TOTAL CREDITS	20,452			
	Debits				
	Road property (specify):				
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
	Miscellaneous physical property (specify):				
44					
45					
46					
47					
48					
49	TOTAL DEBITS				
50	Balances at close of year: Accrued depreciation-Road	20,452			
51	Accrued depreciation-Miscellaneous physical property				

286. DEPRECIATION RESERVE—ROAD AND MISCELLANEOUS PHYSICAL PROPERTY--Concluded

Enter the names of the lessor companies in the column headings. All debits or credits to the reserve respecting amortization, if a general amortization program has been authorized, should be included.

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
$	$	$	$	$	$	1
						2
						3
						4
						5
						6
						7
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						51

287. DEPRECIATION RATES—ROAD AND MISCELLANEOUS PHYSICAL PROPERTY

Give a statement of the percentages used by each lessor company for computing the amounts accrued for depreciation during the year on various classes of road and miscellaneous physical property, together with the estimated life of the property upon which such percentages are based.

Line No.	Name of lessor company (a)	Class of property on which depreciation was accrued (b)	Estimated life (in years) (c)	Annual rate of depreciation (d)	Name of lessor company (e)	Class of property on which depreciation was accrued (f)	Estimated life (in years) (g)	Annual rate of depreciation (h)
1	American Forest			%				%
2	Products Corporation	Roadbed	20	5 %				
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
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84							

308. DIVIDENDS DECLARED

Give particulars of each dividend declared by each lessor company included in this report. For par value or nonpar stock, show in column *(e)* the respective total par value or total number of shares on which dividend was declared and the corresponding rate percent or per share in column *(c)* and *(d)*. If any such dividend was payable in anything other than cash; or, if any obligation of any character has been incurred for the purpose of procuring funds for the payment of any dividend or for the purpose of replenishing the treasury after such payment; or, if any class of stock received a return not reportable in this schedule, explain the matter fully in the remarks column. For nonpar stock, show the number of shares in column (e) and the rate per share in column (c) or (d). The dividends in column *(f)* should be totaled for each company. The sum of the dividends stated in column *(f)* should equal the amount shown in schedule No. 305.

Line No.	Name of lessor company (a)	Name of security on which dividend was declared (b)	RATE PERCENT (PAR VALUE STOCK) OR RATE PER SHARE (NONPAR STOCK) Regular (c)	Extra (d)	Total par value of stock or total number of shares of nonpar stock on which dividend was declared (e)	Dividends (Account 623) (f)	DATE Declared (g)	Payable (h)	Remarks (i)
1	None								
2									
3	See attached financial statements.								
4									
5									
6									
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59									
60									
61									

340. MISCELLANEOUS PHYSICAL PROPERTIES OPERATED DURING THE YEAR

Give particulars of each class of miscellaneous physical property or plant operated by *each lessor company* included in this report during the year. If any of the operations listed in this schedule were discontinued before the close of the year, explain the matter in a footnote. Group the properties under the heads of the classes of operations to which they are devoted.

In column *(a)* give the designation used in the respondent's records and the name of the town or city and State in which the property or plant is located, stating whether the respondent's title is that of ownership or whether the property is held under lease or other incomplete title. All peculiarities of title should be explained in a footnote.

The totals of columns *(b)*, *(c)*, and *(d)* should agree with the totals of accounts Nos. 502, "Revenue from miscellaneous operations," 534, "Expenses of miscellaneous operation," and 535, "Taxes on miscellaneous operating property," in respondent's Income Account for the Year. If not, differences should be explained in a footnote.

Line No.	Designation and location of property or plant, character of business, and title under which held (a)	Total revenue during the year (b)	Total expenses during the year (c)	Total taxes applicable to the year (d)
1	Not Applicable.	$	$	$
2				
3				
4				
5				
6				
7				
8				
9				
10	Total			

350. RAILWAY TAX ACCRUALS

1. Give particulars called for of the "Other than U. S. Government taxes" and "U. S. Government taxes" accrued and charged to account No. 532, "Railway tax accruals," during the year.
2. Enter in the column headings the names of the lessor companies which accrued the taxes.
3. In section A show for each State the taxes accrued which were levied by the State Governments (or Governments other than the United States).
4. In section B give an analysis by kind of U. S. Government taxes.
5. Substantial adjustments included in the amounts reported should be explained in a footnote.

Line No.	Name of State and kind of tax (a)	Amount	Amount	Amount	Amount	Amount
		$	$	$	$	$
	A. Other Than U. S. Government Taxes					
	(Enter names of States)					
1	California Property Tax	254				
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26	Total—Other than U. S. Government taxes	254				
	B. U. S. Government Taxes					
27	Income taxes					
28	Old-age retirement					
29	Unemployment insurance					
30	All other United States taxes					
31	Total—U. S. Government taxes					
32	GRAND TOTAL—Railway Tax Accruals (account 532)	254				

350. RAILWAY TAX ACCRUALS-Continued

C. Analysis of Federal Income Taxes

1. In column (a) are listed the particulars which most often cause a differential between taxable income and pretax accounting income. Other particulars which cause such a differential should be listed under the caption "Other", including State and other taxes deferred if computed separately. Minor items each less than $100,000 may be combined in a single entry under "Other".
2. Indicate in column (b) the beginning of the year total of accounts 714, 744, 762 and 786 applicable to each particular item in column (a).
3. Indicate in column (c) the net change in accounts 714, 744, 762 and 786 for the net tax effect of timing differences originating and reversing in the current accounting period.
4. Indicate in column (d) any adjustments, as appropriate, including adjustments to eliminate or reinstate deferred tax effects (credits or debits) due to applying or recognizing a loss carry-forward or a loss carry-back.
5. The total of line 10 in columns (c) and (d) should agree with the total of the contra charges (credits) to account 533, Provision for deferred taxes, and account 591, Provision for deferred taxes - extraordinary and prior period items, for the current year.
6. Indicate in column (e) the cumulative total of columns (b), (c), and (d). The total of column (e) must agree with the total of accounts 714, 744, 762 and 786.

Name of Lessor

Line No.	Particulars (a)	Beginning of Year Balance (b)	Net Credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc 62-21				
2	Accelerated amortization of facilities Sec. 168 I.R.C.				
3	Accelerated amortization of rolling Stock, Sec. 184 I.R.C.				
4	Amortization of rights of way, Sec. 185 I.R.C.	See attached financial statements.			
5	Other (Specify)				
6					
7					
8					
9	Investment tax credit				
10	TOTALS				

Name of Lessor

Line No.	Particulars (a)	Beginning of Year Balance (b)	Net Credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc. 62-21				
2	Accelerated amortization of facilities Sec. 168 I.R.C.				
3	Accelerated amortization of rolling Stock, Sec. 184 I.R.C.				
4	Amortization of rights of way, Sec. 185 I.R.C.				
5	Other (Specify)				
6					
7					
8					
9	Investment tax credit				
10	TOTALS				

350. RAILWAY TAX ACCRUALS-Continued

Name of Lessor

Line No.	Particulars (a)	Beginning of Year Balance (b)	Net Credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc. 62-21				
2	Accelerated amortization of facilities Sec. 168 I.R.C.				
3	Accelerated amortization of rolling Stocks, Sec. 184 I.R.C.				
4	Amortization of rights of way, Sec. 185 I.R.C.				
5	Other (Specify)				
6					
7					
8					
9	Investment tax credit				
10	TOTALS				

Name of Lessor

Line No.	Particulars (a)	Beginning of Year Balance (b)	Net Credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc 62-21				
2	Accelerated amortization of facilities Sec. 168 I.R.C.				
3	Accelerated amortization of rolling Stock, Sec. 184 I.R.C.				
4	Amortization of rights of way, Sec. 185 I.R.C.				
5	Other (Specify)				
6					
7					
8					
9	Investment tax credit				
10	TOTALS				

Name of Lessor

Line No.	Particulars (a)	Beginning of Year Balance (b)	Net Credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc 62-21				
2	Accelerated amortization of facilities Sec. 168 I.R.C.				
3	Accelerated amortization of rolling Stock, Sec. 184 I.R.C.				
4	Amortization of rights of way, Sec. 185 I.R.C.				
5	Other (Specify)				
6					
7					
8					
9	Investment tax credit				
10	TOTALS				

NOTES AND REMARKS

371. INCOME FROM LEASE OF ROAD AND EQUIPMENT

1. Give particulars called for with respect to road and equipment leased to others during the year, the rent of which is includible in account No. 509, "Income from lease of road and equipment."

2. If the respondent leased to others during all or any part of the year any road and equipment upon which no rent receivable accrued, give particulars in a footnote.

Line No.	Description of road: Name of lessor company (a)	Termini (b)	Length (c)	Name of present leaseholder (d)	Rent accrued during year: Total (e)	Depreciation (f)	All other (Account 509) (g)
					$	$	$
1	American Forest	Martell to Ione,	11.79 mi..	Amador Central			
2	Products Corporation	California		Railroad Company	51,990	2,426	49,564
3					Less: Insurance		719
4					Income balance to page 14		48,845
5							
6							
7							
8							
9							
10							
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12							
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31							
32							
33							
34							
35							
36							
37							

Lessor Initials

Year 19

371A. ABSTRACT OF TERMS AND CONDITIONS OF LEASES

Give brief abstracts of the terms and conditions of the leases under which the above stated rents are derived, showing particularly (1) the name of lessor, (2) the name of lessee, (3) the date of the grant, (4) the chain of title (in case of assignment or subletting) and dates of transfer connecting the original parties with the present parties, (5) the basis on which the amount of the annual rent is determined, and (6) the date when the lease will terminate, or, if the date of termination has not yet been fixed, the provisions governing the termination of the lease. Also give reference to the Commission's authority for the lease, if any. If none, state the reasons therefor.

Copies of leases may be filed in lieu of abstracts above called for. References to copies filed in prior years should be specific.

NOTE.—Only changes during the year are required.—Indicate the year in which reference was made to the original lease, and also the years in which any changes in lease were mentioned.

See copy of lease filed in the 1964 (initial) report
No change during 1974.

383. RENTS FOR LEASED ROADS AND EQUIPMENT

1. Give particulars called for with respect to roads and equipment leased from others during the year, the rent for which is includible in account No. 542, "Rent for leased roads and equipment."

2. Rents payable which are not classifiable under one of the three heads provided should be explained in a footnote.

3. Taxes paid or payable by the respondent as a part of the stipulated rent should be included in column (f) and specifically stated under "Remarks."

4. This account includes amounts payable accrued as rent for roads, tracks, or bridges (including equipment or other railroad property cov-

Line No.	Name of leaseholder (a)	Name of lessor company (b)	Total rent accrued during year (c)
1	None		$
2			
3			
4			
5			
6			
7			
8			
9			
10			

383A. ABSTRACT OF LEASEHOLD CONTRACTS

Give brief abstracts of the terms and conditions of the leases under which the above-named properties are held, showing particularly (1) the name of lessee, (2) the name of lessor, (3) the date of the lease, (4) the chain of title and dates of transfer connecting the original parties with the present parties in case of assignment or subletting, (5) the basis on which the amount of the annual rent is determined, and (6) the date when the lease is to terminate, or, if such date has not yet been determined, the provisions governing its determination. Also give reference to the Com-

NOTE.—Only changes during the year are required.

396. SELECTED ITEMS IN INCOME AND RETAINED INCOME ACCOUNTS FOR THE YEAR

Give a detailed analysis regardless of the amounts of all items included in accounts 570, "Extraordinary items"; 580, "Prior period items"; and 590 "Federal income taxes on extraordinary and prior period items; 606, "Other credits to retained income" and 616, "Other debits to retained income."

Line No.	Name of lessor company (a)	Account No. (b)	Item (c)	Debits (d)	Credits (e)
1			Not Applicable	$	$
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					

383. RENTS FOR LEASED ROADS AND EQUIPMENT—Concluded

ered by the contract), and for specific equipment held under lease for 1 year or more, the property being owned by other companies, and held under lease or other agreement by the terms of which *exclusive use and control for operating purposes* are secured.

5. If the reporting companies held under lease, during all or any part of the year, road on which no rent payable accrued, or if any portion of the charge shown hereunder is for construction on a line in which the leasehold interest will soon expire, give full particulars in the "Remarks" column.

CLASSIFICATION OF RENT			Remarks (g)	Line No.
Guaranteed interest on bonds (d)	Guaranteed dividends on stocks (e)	Cash (f)		
$	$	$		1
				2
				3
				4
				5
				6
				7
				8
				9
				10

383A. ABSTRACT OF LEASEHOLD CONTRACTS—Concluded

mission's authority for the lease, if any. If none, state the reasons therefor.

In lieu of the abstracts here called for, copies of lease agreements may be filed. Reference to copies filed in prior years should be given in connection with any changes in terms and conditions of the leasehold contracts.

396. SELECTED ITEMS IN INCOME AND RETAINED INCOME ACCOUNTS FOR THE YEAR—Concluded

Each item recorded in accounts 606 and 616 amounting to $10,000 or more should be stated; items less than $10,000 may be combined in a single entry, designated "Minor items, each less than $10,000."

Line No.	Name of lessor company (a)	Account No. (b)	Item (c)	Debit (d)	Credits (e)
31				$	$
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50					
51					
52					
53					
54					
55					
56					
57					

411. TRACKS OWNED AT CLOSE OF YEAR
(For lessors to other than switching and terminal companies)

Give particulars of the mileage owned by each lessor company included in this report. If a company of this class controls any mileage by lease, and, in turn, subleases such mileage to another company, give particulars in a footnote. In giving "Miles of road", column (c), state the actual *single-track* distance between termini.

The classes of tracks are defined as follows:

Running tracks.—Running tracks, passing tracks, cross-overs, etc., including turn-outs from those tracks to clearance points.

Way switching tracks.—Station, team, industry, and other switching tracks for which no separate switching service is maintained.

Yard switching tracks.—Yards where separate switching services are maintained, including classification, house, team, industry, and other tracks switched by yard locomotives.

In the lower table, classify the mileage of road owned at close of year by States and Territories. The figures should apply to single-track mileage only. Enter names of States or Territories in the column headings. Lengths should be stated to the nearest hundredth of a mile.

Line No.	Name of road (a)	Termini between which road named extends (b)	Running tracks, passing tracks, cross-overs, etc.: Miles of road (c)	Miles of second main track (d)	Miles of all other main tracks (e)	Miles of passing tracks, cross-overs, etc. (f)	Miles of way switching tracks (g)	Miles of yard switching tracks (h)	Total (i)
1	Amador Central Railroad	Martell to Ione, California	11.79 2					4.11 4	15.90 6
2	Company								
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									

MILES OF ROAD OWNED AT CLOSE OF YEAR—BY STATES AND TERRITORIES—(Single Track)

(Enter names of States or Territories in the column headings)

Line No.	Name of road	California										Total
25	Amador Central											
26	Railroad Company	11.79 2										
27												
28												
29												
30												
31												

Lessor Initials

Year 19

Line No.														
32														
33														
34														
35														
36														
37														
38														
39														
40														
41														
42														
43														
44														
45														

411A. TRACKS OWNED AT CLOSE OF YEAR
(For lessors to switching and terminal companies)

Give particulars of the mileage owned by lessors to switching and terminal companies. If a company of this class controls any mileage by lease, and, in turn, subleases such mileage to another company, give particulars in a footnote.

In the lower table, classify the mileage of tracks owned at close of year by States and Territories. Enter names of States or Territories in the column headings. Lengths should be stated to the nearest hundredth of a mile.

Line No.	Name of road (a)	Location (b)	Mileage of tracks owned (c)	Name of lessee (d)
1	Not Applicable			
2				
3				
4				
5				
6				
7				
8				
9				
10				

MILES OF TRACKS OWNED AT CLOSE OF YEAR—BY STATES AND TERRITORIES

Line No.	Name of road	(Enter names of States or Territories in the column headings)										Total
11	Not Applicable											
12												
13												
15												
15												
16												
17												
18												
19												

561. EMPLOYEES AND COMPENSATION

1. Give the average number of employees in the service of the lessor companies included in this report and the total compensation paid to them. General officers who served without compensation or were carried on the pay rolls of another company, and pensioners rendering no service, are not to be included.
2. Averages called for in columns (b), (c), and (d) should be the average of 12 middle-of-month counts.
3. **This schedule does not include old-age retirement, and unemployment insurance taxes. See schedule 350 for such taxes.**

Line No.	Name of lessor company	AVERAGE NUMBER OF EMPLOYEES IN SERVICE			TOTAL COMPENSATION DURING YEAR		
	(a)	Executives, general officers, and staff assistants (b)	Other employees (c)	Total employees (d)	Executives, general officers, and staff assistants (e)	Other employees (f)	Total compensation (g)
1	None in connection with Railroad Property				$	$	$
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							

562. COMPENSATION OF OFFICERS, DIRECTORS, ETC.

Give the name, position, salary, and other compensation, such as bonus, commission, gift, reward, or fee, of each officer, director, pensioner, or employee to whom the lessor companies included in this report paid $40,000 or more during the year as compensation for current or past services over and above necessary expenses incurred in discharge of their duties.

If more convenient, this schedule may be filled out for a group of roads considered as one system and shown only in the report of the principal road of the system with a reference thereto in this report.

Any large "Other compensation" should be explained.

Line No.	Name of lessor company (a)	Name of person (b)	Title (c)	Salary per annum as of close of year (d)	Other compensation during the year (e)	Remarks (f)
1	Information will be furnished upon request			$	$	
2						
3						
4						
5						
6						
7						
8						
9						
10						

563. PAYMENTS FOR SERVICES RENDERED BY OTHER THAN EMPLOYEES

Give particulars concerning payments, fees, retainers, commissions, gifts, contributions, assessments, bonuses, pensions, subscriptions, allowances for expenses, or any form of payments amounting in the aggregate to $10,000 or more during the year to any corporation, institution, association, firm, partnership, committee, or any person (other than one of respondents' employees covered in schedule 562 in this annual report) for services or as a donation.

Payments for services which both as to their nature and amount may reasonably be regarded as ordinarily connected with the routine operation, maintenance, or construction of a railroad should be excluded, but any special or unusual payments for services should be reported.

If more convenient, this schedule may be filled out for a group of roads considered as one system and shown only in the report of the principal road of the system with a reference thereto in this report.

Line No.	Name of lessor company (a)	Name of recipient (b)	Nature of service (c)	Amount of payment (d)	Remarks (e)
1	Information will be furnished upon request			$	
2					
3					
4					
5					
6					
7					
8					
9					
10					

581. CONTRACTS, AGREEMENTS, ETC.

Hereunder give a concise statement of each important contract, agreement, arrangement, etc., with other companies or persons, together with important revisions, modifications, terminations, and other changes thereof, which became effective during the year, and concerned in any way the transportation of persons or things at other than tariff rates, or the purchase of equipment under conditional sales plans without the issuance of securities by respondent, making such statements in the following order:

1. Express companies.
2. Mail.
3. Sleeping, parlor, and dining car companies.
4. Freight or transportation companies or lines.
5. Other railway companies.
6. Steamboat or steamship companies.
7. Telegraph companies.
8. Telephone companies.
9. Equipment purchased under conditional sales contracts.
10. Other contracts.

Under item 9, give particulars of conditional sales agreements, lease or rental contracts, and other similar instruments, entered into by respondent for the purchase of equipment, which provide for payment in installments and do not involve the issuance of securities by respondent. State the names of the parties to the contracts or agreements, the number of units of each class of equipment covered, and the terms and conditions of payment.

Information concerning contracts of minor importance may be omitted. A contract of minor importance is defined as one involving receipts or payments of less than $10,000 per year, and which by its terms is otherwise unimportant.

In lieu of giving abstracts, copies of contracts may be filled. Every copy of a contract furnished in connection with the foregoing requirement should be listed hereunder.

The basis for computing receipts and payments should be fully stated in the case of each such contract, agreement, or arrangement.

Compliance with the requirements of this schedule does not relieve the respondent of the duty placed upon common carriers by section 6 (5); Part I, of the Interstate Commerce Act, which reads as follows:

> "Every common carrier subject to this part shall also file with said Commission copies of all contracts, agreements, or arrangements with other common carriers in relation to any traffic affected by the provisions of this part to which it may be a party. Provided, however, that the Commission, by regulations, may provide for exceptions from the requirements of this paragraph in the case of any class or classes of contracts, agreements, or arrangements, the filing of which, in its opinion, is not necessary in the public interest."

591. CHANGES DURING THE YEAR

Hereunder state the matters called for. Make the statements explicit and precise, and number them in accordance with the inquiries; each inquiry should be fully answered, and if the word "none" truly states the fact it may be used in answering any particular inquiry. Changes in mileage should be reported by classes and stated to the nearest hundredth of a mile.

1. All increases and decreases in mileage, classifying the changes in the tables below as follows:
   (Class 1) Line owned by respondent.
   (Class 2) Line owned by proprietary companies.
2. For changes in miles of road, give dates of beginning or abandonment of operation. If any changes reportable in this schedule occurred under authority granted by the Commission in certificates of convenience and necessity, issued under paragraphs (18) to (22) of section 1 of the Interstate Commerce Act or otherwise, specific reference to such authority should in each case be made by docket number or otherwise as may be appropriate.
3. All consolidations, mergers, and reorganizations effected, giving particulars.
   This statement should show the mileage, equipment, and cash value of property of each company as well as the consideration received by each company party to the action. State the dates on which consolidated, etc., and whether the prior companies have been dissolved. Copies of the articles of consolidation, merger, or reorganization should be filed with this report.
4. Adjustments in the book value of securities owned, and reasons therefor.
5. Other financial changes of more than $50,000, not elsewhere provided for, giving full particulars.

INCREASES IN MILEAGE

Line No.	Class (a)	Name of lessor company (b)	Main (M) or branch (B) line (c)	RUNNING TRACKS, PASSING TRACKS, CROSS-OVERS, ETC. — Miles of road (d)	Miles of second main track (e)	Miles of all other main tracks (f)	Miles of passing tracks, cross-overs, and turn-outs (g)	Miles of way switching tracks (h)	Miles of yard switching tracks (i)	Total (j)
1		No changes made during 1974								
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14		Total Increase								

DECREASES IN MILEAGE

Line No.	Class (a)	Name of lessor company (b)	Main (M) or branch (B) line (c)	Miles of road (d)	Miles of second main track (e)	Miles of all other main tracks (f)	Miles of passing tracks, cross-overs, and turn-outs (g)	Miles of way switching tracks (h)	Miles of yard switching tracks (i)	Total (j)
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29		Total Decrease								

Lessor Initials

Year 19

If returns under Inquiry No. 1 on page 64 include any first main track owned by respondent or its proprietary companies representing new construction or permanent abandonment give the following particulars:

	OWNED BY RESPONDENT			OWNED BY PROPRIETARY COMPANIES		
		MILES OF ROAD			MILES OF ROAD	
Line No.	Name of lessor company (a)	Constructed (b)	Abandoned (c)	Name of proprietary company (d)	Constructed (e)	Abandoned (f)
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						

The item "miles of road constructed" is intended o show the mileage of first main track laid to extend respondent's road, and should not include tracks relocated and tracks laid to shorten the distance between two points, without serving any new territory. By "road abandoned" is meant permantly abandoned, the cost of which has been or is to be written out of the investment accounts.

VERIFICATION

The foregoing report must be verified by the oath of the officer having control of the accounting of the respondents. It should be verified, also, by the oath of the president or other chief officer of the respondents, unless the respondents state on the last preceding page of this report that such chief officer has no control over the accounting of the respondents. The oath required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

(To be made by the officer having control of the accounting of the respondents)

State of California }
County of San Francisco } ss:

A. E. Pufford (Insert here the name of the affiant) makes oath and says that he is Executive Vice President (Insert here the official title of the affiant)

of American Forest Products Corporation (insert here the exact legal titles or names of the respondents)

That it is his duty to have supervision over the books of account of the respondents and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Interstate Commerce Commission, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondents during the period of time from and, including

January 1, 1974, to and including December 31, 1974

A E Pufford
(Signature of affiant)

Subscribed and sworn to before me, a Notary Public, in and for the State and county above named, this 26th day of March, 1975

My commission expires AUGUST 17, 1976 [Use an L. S. impression seal]

MY COMMISSION EXPIRES AUG. 17, 1976 ARTHUR L. WHITE NOTARY PUBLIC CALIFORNIA CITY & COUNTY OF SAN FRANCISCO

Arthur L White
(Signature of officer authorized to administer oaths)
ARTHUR L. WHITE
Notary Public in and for the City and County of San Francisco, State of California

VERIFICATION—Concluded

SUPPLEMENTAL OATH

(By the president or other chief officer of the respondents)

State of California
County of San Francisco } ss:

J. T. Guyol (Insert here the name of the affiant) Makes oath and says that he is President (Insert here the official title of the affiant)

of American Forest Products Corporation (Insert here the exact legal titles or names of the respondents)

that he has carefully examined the foregoing report; that he believes that all statements of fact contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondents during the period of time from and including

January 1, 19 74, to and including December 31, 19 74

J. T. Guyol
(Signature of affiant)

Subscribed and sworn to before me, a Notary Public, in and for the State and county above named, this 26th day of March, 19 75

My commission expires AUGUST 17, 1976

[Use an L. S. impression seal]

Arthur L. White
(Signature of officer authorized to administer oaths)

ARTHUR L. WHITE
Notary Public in and for the City and County of San Francisco, State of California

CORRESPONDENCE

OFFICER ADDRESSED		DATE OF LETTER OR TELEGRAM			SUBJECT	Answer needed	ANSWER			
							DATE OF— LETTER			File number of letter or telegram
Name	Title	Month	Day	Year	Page		Month	Day	Year	

CORRECTIONS

DATE OF CORRECTION			Page	AUTHORITY						CLERK MAKING CORRECTION
				LETTER OR TELEGRAM OF—			OFFICER SENDING LETTER OR TELEGRAM		COMMISSION FILE NO.	
Month	Day	Year		Month	Day	Year	Name	Title		Name