731151 ANNUAL REPORT 1977 CLASS

AMERICAN FOREST PRODUCTS CORPORATION

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RAILROAD LESSOR

APPROVED BY GAO
B-180230 (R0255)
EXPIRES 12-31-78

annual report

Correct name and address if different than shown.	731151 American Forest Products Corporation 2740 Hyde Street P. O. Box 3498 San Francisco, California 94119 Lessor 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, 1977

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 $10,000,000 or more. (For this class, Annual Report Form R-1 is provided.)

Class II companies are those having annual operating revenues below $10,000,000. (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

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SPECIAL NOTICE

The attenti n of the respondent is directed below to certain particulars, if any, in which this report form differs rom 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 modificatic as intended to make requirements clearer, other minor adjustments, and typograpical corrections.

Pages 8 thru 13: Schedule 200. General Balance Sheet

Provision has been made for reporting (1) marketable equity securities; (2) reclassification of long-term debt discount and premium; and, (3) capitalized lease obligations.

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, 1977

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

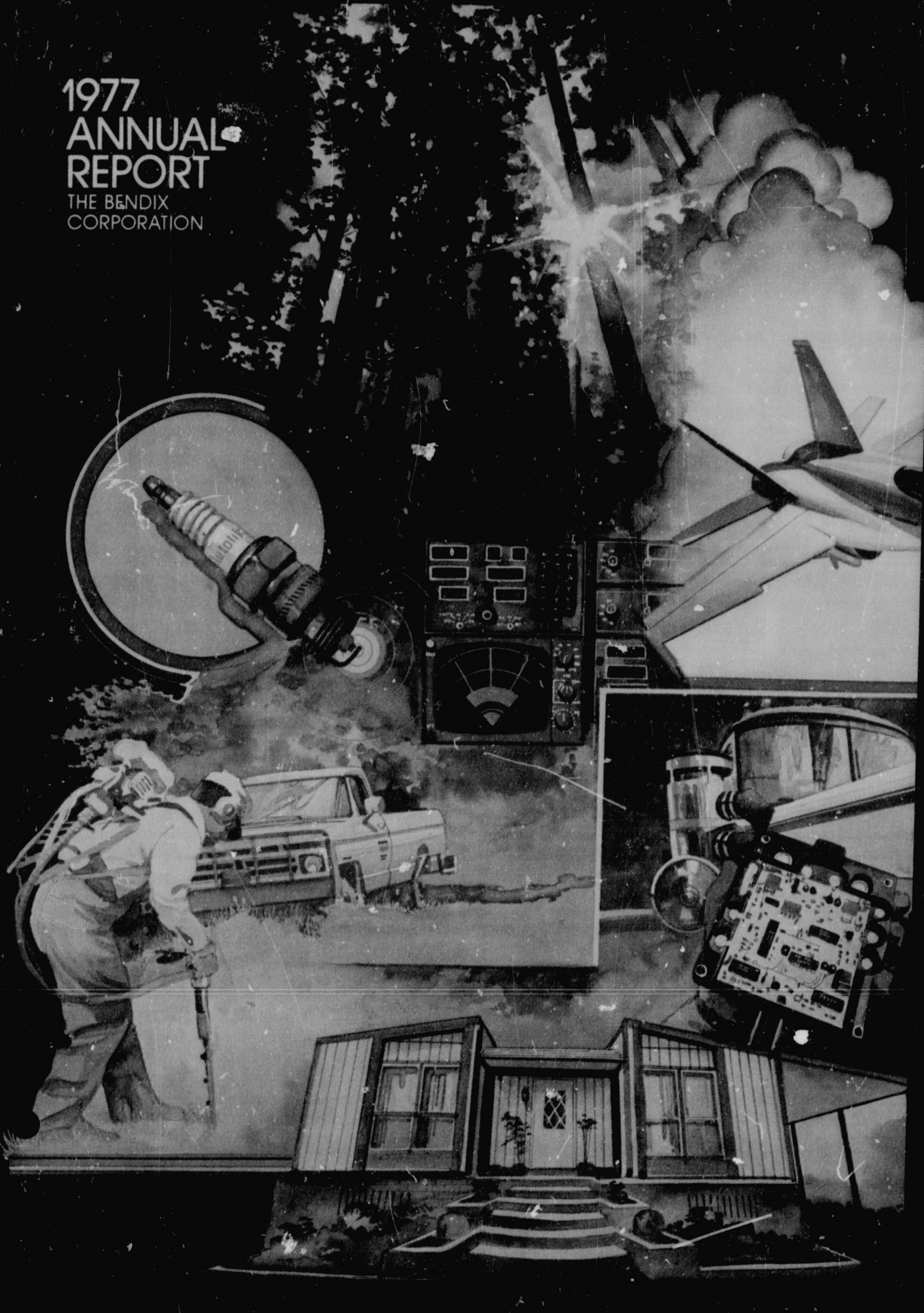
(Name) G. U. Rother (Title) Vice President & Treasurer

(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)

1977 ANNUAL REPORT

THE BENDIX CORPORATION



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ABOUT BENDIX

Bendix is a worldwide manufacturing company with four lines of business: automotive, aerospace-electronics, shelter and industrial-energy. In 1977 Bendix maintained its reputation as a financially strong and soundly managed company by achieving:

Careful Management of Assets. The Bendix approach is to maximize the return on its investments in order to enhance the value of stockholders' equity. In 1977, return on average stockholders' equity improved to 14.8 percent.

Increased Dividends. The quarterly dividend payable in December 1977 was increased to $.57 per share, the fifth increase since 1970; the new annual dividend rate of $2.28 per share is 90 percent higher than in 1970.

Planned Diversification. A deliberate policy of diversifying within and among product lines continued to produce, in 1977, a healthy mixture of activities that led to strong overall performance.

Technological Strength. Again in 1977, Bendix built on its reputation as an industry leader known for innovation, reliability and high quality. The Bendix name is associated with brakes on vehicles throughout the world, and Bendix is a major producer of airborne weather radar, jet engine fuel controls, and missile guidance systems.

Steady Growth. Earnings have more than tripled since 1970, rising from $32.3 million or $1.46 per share before extraordinary items in 1970 to $118.1 million or $5.29 per share in 1977.

ABOUT THIS REPORT

This year Bendix uses a new approach to report on the year just completed—1977's major news and financial events are treated in two separate but related publications.

1977 Annual Report—this is the publication you are now reading. It was distributed in December 1977 to all Bendix stockholders, including Bendix employees enrolled in the Salaried Employees' Savings and Stock Ownership Plan (SESSOP). This Annual Report includes audited financial statements and other information for 1977 which must be reported to stockholders.

The Year in Review—this is a companion report, with photographs as well as text, describing highlights for the year and new products for Bendix' four lines of business. The Year in Review publication was distributed to stockholders, employees and retirees in November 1977.

FINANCIAL PROFILE

THE BENDIX CORPORATION AND CONSOLIDATED SUBSIDIARIES FOR THE YEARS ENDED SEPTEMBER 30

	1977	1976	Percent Change
Net sales, royalties, and other operating income (in millions)	$3,302.5	$2,965.5	11.4%
Net income (in millions)	118.1	104.7	12.8
Earnings per share	5.29	4.74	11.6
Cash dividends per share	2.00	1.66	20.5
Percent return on average stockholders' equity	14.8	14.0	5.7

RESULTS OF OPERATIONS BY LINES OF BUSINESS FOR THE YEARS ENDED SEPTEMBER 30

	Revenues		Income Before Taxes	
	1977	1976	1977	1976
	(in millions)			
Automotive	$1,766.7	$1,596.7	$165.3	$153.6
Aerospace-Electronics	811.6	724.5	68.7	53.4
Shelter	486.2	408.4	23.2	12.2
Industrial-Energy	243.6	242.5	24.6	28.8
Sundry operations and intercompany eliminations	(5.6)	(6.6)	(20.4)	(16.5)
Interest expense			(44.1)	(39.2)
Total	$3,302.5	$2,965.5	$217.3	$192.3

See page 27 for Five Year Results of Operations by Lines of Business and note thereto.

TO OUR STOCKHOLDERS

It has become traditional to begin these prefatory letters with a summary of the results of the year just past. Since Bendix had another record year in fiscal 1977, with substantial progress in revenues, net income and earnings per share, the temptation to follow the tradition is great. It occurs to me, however, that a new chairman can do something more pertinent in this space: he can define the company's strengths and strategies as he sees them.

Perhaps the most interesting aspect of corporate enterprise is the scope it provides for the energies of people. Man may not live by bread alone, but he spends so much of his life in the making and marketing of it, and in coping with the problems that arise out of making and marketing, that economic activity becomes something more than the "getting and spending" which the poet, Wordsworth, complained about. Our business is not only "what we do," it is how we live. So, when we say that our purpose as a business enterprise is to enhance stockholder value, we mean something more than the statistics and other data which you will find in the following pages.

The statistics, nevertheless, are essential. They tell us whether and to what extent we are achieving our business objectives. And it goes without saying that unless we perform effectively and profitably in the marketplace we will not survive, much less fulfill some larger human purpose.

What, then, do we mean by stockholder value?

Even a casual reading of our annual report will reveal that Bendix has done well in the Seventies, with revenues and earnings both moving up, and with the rate of increase in earnings outpacing the rate of increase in revenues. At the same time, we have invested heavily in new plant, technology, and people, while keeping our debt ratio at the lowest level in recent history.

To improve our current profitability while laying a solid groundwork for future growth—this clearly results in the enhancement of stockholder value.

Four basic and related strategies have helped produce this pattern of success. We have pursued a deliberate policy of **diversification**, both within and among our lines of business, and geographically as well, in an effort to arrive at a combination of activities that helps insulate the company as a whole from the ups and downs of any one of them.

For example, our automotive operations sell both to the aftermarket and to original equipment manufacturers, for cars and trucks, both here and overseas. Our industrial-energy business includes perishable tools and capital equipment for the metalworking industry as well as products and services for the energy exploration and development markets. Our shelter business is on yet another business cycle, and produces products ranging from manufactured homes—both in this country and Canada—to timber products for both home building and remodeling to specialty wood products such as agricultural containers and "knocked down" furniture.

We have diversified—but not indiscriminately. The heart of our business is in products in which we are, or can become, a major factor in the market. In these products, Bendix is an industry leader whose reputation for reliability and high quality as a supplier is earned each day.

One of the keys to that reputation is our **technological strength**. As you can see in this report, we spend a great deal of money on engineering, research and development. Often it is our technological edge over the competition that brings us business. The past year saw another good example of this principle, when we introduced a new line of anti-lock heavy vehicle braking controls that were a step ahead of competitive products in performance, reliability and serviceability. We are keenly aware, too, of the importance of maintaining our leadership in manufacturing know-how.

All these achievements are supported by the **financial strength** of the company, and by the care with which we manage our assets so as to maximize profits. Earnings, of course, are meaningful only when related to the capital employed to generate them. Overall corporate statistics in this area have been steadily improving, though they are not yet at the level we would like. During this past year we achieved a return on average stockholders' equity of 14.8 percent, measurably closer than ever before to the intermediate goal we have set for ourselves.

The other basic strategy which we pursue relates to the **people** who make up Bendix. We have long been committed to the idea that fair reward for good performance will, in the long run, be the surest guarantee of business success. But in recent years, we have placed particular emphasis upon this point, and have insisted that our management practices reflect the relationship that exists between the satisfactions of people in an enterprise and the profits it earns. We are proud of our standing in industry on this score, and we expect this factor to sustain the momentum of Bendix in the years to come.

And while I have talked mostly about growth from within, I should also say that acquisitions have played an important role in Bendix in the past, and continue to be a source of growth that we evaluate carefully. On balance, our acquisition program has been a success, marked by the addition of Fram, Autolite, American Forest Products and some other smaller companies.

In the future, as in the past, we will consider and make acquisitions when they are consistent with our basic strategies.

To sum up, we are a worldwide manufacturer serving the automotive, aerospace-electronics, shelter and industrial-energy markets. We make and sell a great variety of products. But we are bound together by a common philosophy of management. Our diversity is planned, not haphazard. Our underlying strengths are technological expertise, manufacturing skill, and a system of financial controls. As with any large company, we are many things to many different people, be they our customers, our employees, or our stockholders. The one effort in which we are all engaged is the attempt to use our resources as efficiently as possible to provide steady growth and profitability.

Growth and profitability—these are the quantifiable components of stockholder value. But the more one examines the numbers the more one realizes that statistics alone do not constitute the whole of what we mean by stockholder value—for value, after all, is created by people.

We care about our reputation not only as a successful company, but also as a decent and socially useful one. We are committed to the idea that our business performance and the contribution we make to society as a whole depend on nothing so much as the efforts we have been making to improve the quality of Bendix as a place to work, to create an environment which will attract and nurture people with the highest standards of competence and integrity.

These efforts, clearly, are bearing fruit. This is why we are able to report that Bendix has had another record year in 1977, and that we expect to make further progress next year and in the years ahead.

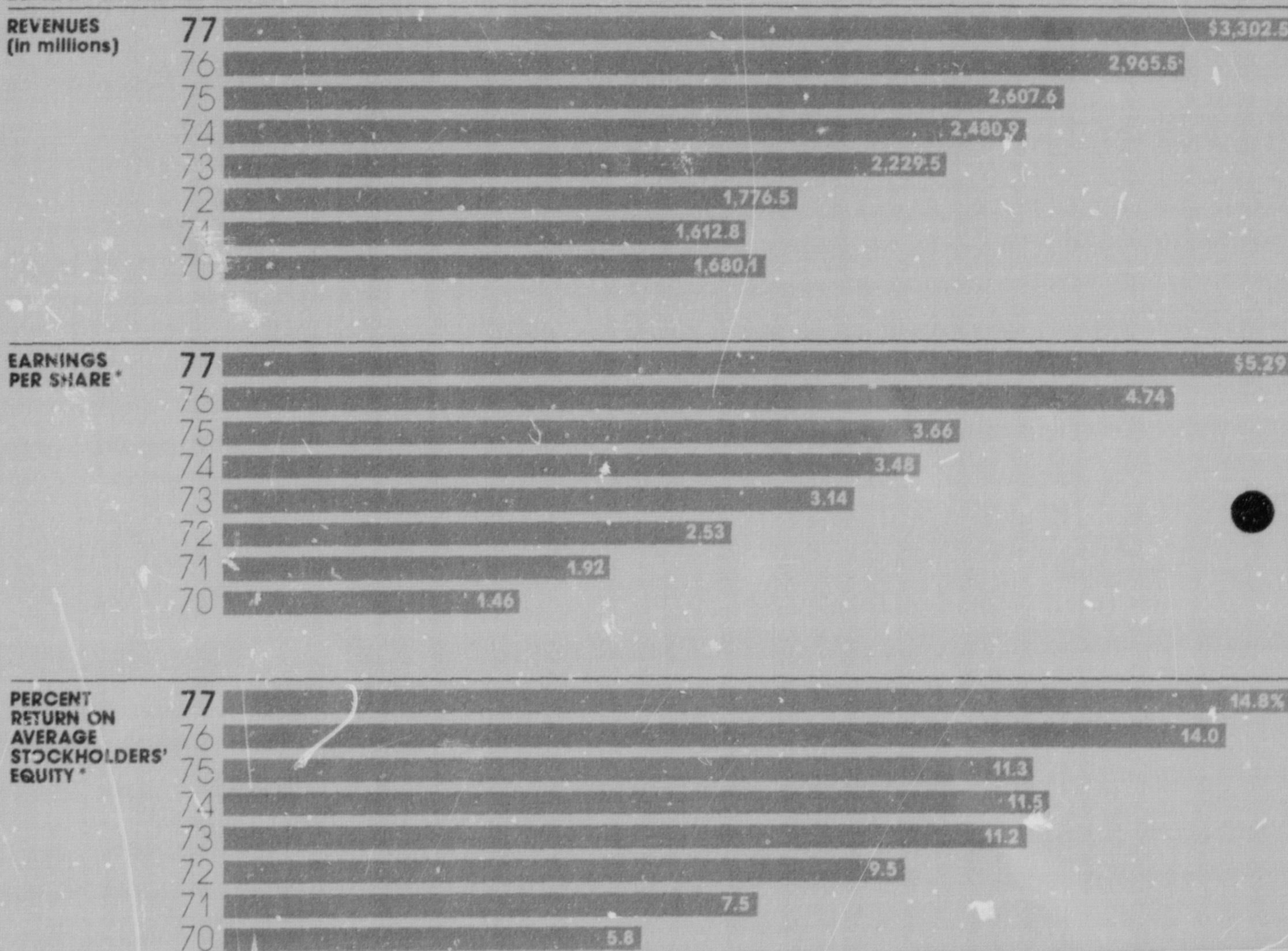
William M. Agee

William M. Agee
Chairman, President
and Chief Executive Officer

December 14, 1977

FINANCIAL REVIEW

BENDIX IN THE SEVENTIES



*See note (*) on page 26.

REVENUES

During fiscal 1977 Bendix achieved the highest revenues and net income in its history, continuing the upward movement that has been sustained throughout the Seventies. Revenues for 1977, including royalties and other operating income, amounted to $3.30 billion, an 11.4 percent increase over last year's $2.97 billion, and have nearly doubled since 1970.

EARNINGS AND DIVIDENDS

The Corporation's growth in earnings during 1977 again outpaced growth in revenues. Net income rose to $118.1 million in fiscal 1977 from $104.7 million in 1976, an increase of 12.8 percent. Earnings per share in 1977 were $5.29, compared to $4.74 per share in 1976, and reflect a compound annual growth rate of 20.2 percent from 1970.

The increased profitability during the Seventies has enabled Bendix to raise the Common Stock dividend rate five times since 1970. The dividend payable in December 1977 on Common Stock was increased to $.57 per share, an annual rate of $2.28 per share, which is 90 percent higher than that in effect for 1970.

STOCKHOLDERS' INVESTMENT

In planning for the Seventies, Bendix made a commitment to achieve steady and profitable growth. The Corporation's approach to accomplish this goal, simply stated, is to maximize return on investment. The level of progress achieved in meeting this goal is reflected in the Corporation's return on average stockholders' equity which increased from 5.8 percent for 1970 and 14.0 percent for 1976 to 14.8 percent for 1977.

At the end of 1977, there were 35,650 common stockholders compared with 35,982 common stockholders at the end of 1976. In addition, 14,298 employees were enrolled in the Bendix Salaried Employees' Savings and Stock Ownership Plan. The Plan held 3,299,570 shares of Bendix Common Stock at the close of fiscal 1977, representing about 15 percent of the outstanding shares.

At the end of 1977, there were 1,966 holders of the Series A $3 Cumulative Convertible Preferred Stock compared with 2,198 preferred stockholders at the end of 1976.

The 1977 and 1976 quarterly market price range for Bendix Common Stock and Series A $3 Cumulative Convertible Preferred Stock, as reported on the New York Stock Exchange Composite Transaction listing, and quarterly dividends paid on each class of stock are shown below:

	Common			Preferred		
Quarter Ended	High	Low	Divid.	High	Low	Divid.
9/30/77	42	36	50¢	84½	73	75¢
6/30/77	44½	38	50¢	88¾	80	75¢
3/31/77	47	40⅞	50¢	95	85½	75¢
12/31/76	44⅞	37⅝	50¢	90½	79	75¢
9/30/76	43¼	37¾	43¢	86⅝	77½	75¢
6/30/76	45¾	40⅝	43¢	92	84	75¢
3/31/76	46¼	33	42¾¢	92	66	75¢
12/31/75	34⅛	30	37½¢	67⅜	60¼	75¢

TOTAL DEBT

	1977		1976	
	(in millions, except percentages)			
U.S. and Canadian Operations				
Current	$ 33.0	10%	$ 3.9	1%
Long-Term				
6⅝% Sinking Fund Debentures Due 1992	95.4	29	106.2	32
9¼% Notes Due 1981	75.0	22	75.0	22
7% Promissory Notes Due December 1977			30.0	9
Other	17.0	5	18.5	6
Total	220.4	66	233.6	70
Operations Outside the U.S. and Canada				
Current	51.0	15	57.2	17
Long-Term				
8% Guaranteed Debentures Due 1979	4.0	1	6.5	2
Other	59.3	18	37.1	11
Total	114.3	34	100.8	30
Less—Unamortized debt discount	.7		.9	
Total	$334.0	100%	$333.5	100%

FINANCIAL POSITION

Bendix has continued to maintain the strong financial position which has been the foundation of its success in the Seventies and which should provide for continued long-term growth. While pursuing record capital expenditures and research, development and engineering programs, the Corporation was able to improve its debt ratio to 28 percent of total capitalization at year end 1977 compared with a ratio of 30 percent at year end 1976. At the close of 1977, working capital was $505.1 million, the current ratio was 1.8, and stockholders' equity reached an all time high of $838.8 million.

During November 1977, the Corporation entered into an agreement under which it will issue by July 31, 1978, $75 million principal amount of its 8.35% Notes Due 1998; the proceeds will be used for repayment of existing debt, working capital, capital expenditures and other future growth needs. In addition, during November 1977 Bendix terminated its $50 million bank credit agreement and obtained $50 million in additional domestic open bank lines.

CAPITAL EXPENDITURES AND RESEARCH, DEVELOPMENT AND ENGINEERING

During fiscal 1977, the Corporation again invested heavily in future internal growth through record capital spending and research, development and engineering. These increased expenditures cover projects designed to enhance the Corporation's future growth potential. Bendix has invested during the Seventies over $640 million in capital expenditures and $668 million in research, development and engineering.

As throughout the Seventies, capital expenditures during 1977 continued to outpace depreciation expense. Capital expenditures for land, buildings and equipment were $131.7 million this year, while related depreciation and amortization amounted to $57.4 million. The comparable 1976 amounts were $88.3 million and $52.5 million, respectively.

Research, development and engineering expense increased to an all time high of $112.9 million in 1977 from $100.5 million in 1976. Research activities during the Seventies have been reoriented to coincide more directly with corporate business objectives and strategies in order to further enhance Bendix' ability to utilize its technological capabilities.

MANAGEMENT'S ANALYSIS OF CONSOLIDATED STATEMENT OF INCOME

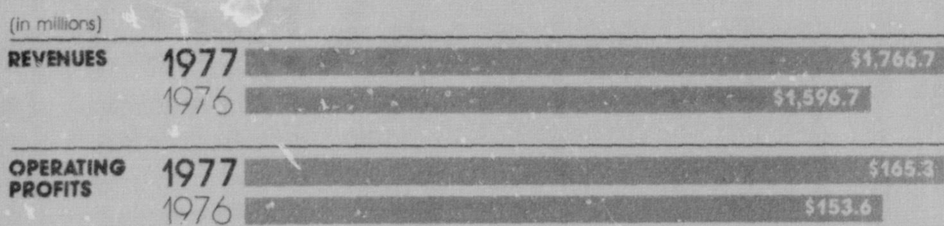
Fiscal 1977 Compared to 1976
Net sales increased $336.2 million primarily due to significantly greater sales of the automotive, aerospace-electronics and shelter businesses. The increase in net income of $13.4 million resulted principally from significantly higher profits of the aerospace-electronics business, substantially higher profits of the shelter business and increased profits of the automotive business. Net income was adversely affected by lower profits of the industrial-energy business. (For more detailed discussions of the comparative performances of each business, see "Analysis" under "Automotive", "Aerospace-Electronics", "Shelter" and "Industrial-Energy" on pages 8, 9, 10 and 11, respectively.)

Other Items. Miscellaneous income—Net increased $21.0 million principally due to the favorable effects of foreign exchange rate changes (see "Consolidated financial statements and related matters" under "Summary of Significant Accounting Policies", page 15) and also due to fixed asset dispositions, the sale of the minority interest in a foreign affiliate in 1977 and the write-off of goodwill resulting from the disposition of minor European recreational vehicle operations in 1976. The increase in cost of sales of $[illegible].4 million reflects higher sales volume and higher material and labor costs (see also, "Consolidated financial statements and related matters" page 15). The increase in interest expense of $4.9 million was principally due to a higher level of financings and higher interest rates in certain foreign countries in 1977. U.S. and foreign income taxes increased $13.3 million primarily because of the significant increase in profits.

Fiscal 1976 Compared to 1975
Net sales increased $357.3 million primarily due to significantly greater sales of the automotive and shelter businesses. The increase in net income of $24.9 million resulted principally from substantially higher profits of the automotive business and also significantly improved profits of the shelter business and improved profits of the aerospace-electronics business. Net income was adversely affected by lower profits of the industrial-energy business. (For more detailed discussions of the comparative performances of each business, see "Analysis" on pages 8, 9, 10 and 11.) Income before taxes increased also due to the absence of the unusual items which reduced 1975 income before taxes by $16.0 million.

Other Items. Miscellaneous income—Net decreased $.3 million due to the write-off of goodwill resulting from the disposition of minor European recreational vehicle operations and higher foreign exchange losses in 1976, although interest income was higher than in 1975. The increase in cost of sales of $256.3 million reflects higher sales volume and higher material and labor costs. Selling and administrative expenses were $6[illegible].6 million higher primarily due to expenses associated with the increased sales and higher levels of salaries, payroll taxes and pension expense. U.S. and foreign income taxes increased $33.9 million primarily because of the substantial increase in profits and the higher effective tax rate in 1976 due to the absence of tax benefits which resulted from the unusual items in 1975.

AUTOMOTIVE



PROFILE

Bendix is a worldwide manufacturer of systems and components for the automotive original equipment and replacement markets.

Principal products for passenger cars and light trucks are brake systems and components, including disc and drum brakes, friction materials, wheel and master cylinders, and power brake boosters; steering systems; electrical parts; and a variety of electronic and engine controls.

For heavy trucks and off-road vehicles, Bendix makes air braking systems and their components: foundation brakes, slack adjusters, brake actuators and an anti-lock system.

Bendix' Fram subsidiary produces air, oil and fuel filters, windshield wiper blades, engine cooling fans, air cleaner assemblies and a variety of under-the-hood valves. Autolite is a Bendix subsidiary which produces spark plugs for a broad range of motorized vehicles and equipment.

Bendix International operations are located in Argentina, Australia, Brazil, Britain, France, Germany, Italy, Japan, Mexico, Spain and Venezuela. Distribution and marketing is conducted through facilities in many other countries as well.

Bendix manufactures recreational vehicles ranging from truck campers and travel trailers to motor homes. Manufacturing operations are located in the United States, Canada and France.

United States and Canadian operations accounted for 51 percent of Bendix' total automotive business in fiscal 1977 with 49 percent overseas. Original equipment sales accounted for 62 percent of automotive component sales with 38 percent in aftermarket products.

Revenues for the automotive business totaled $1,766.7 million in fiscal 1977, an increase of 10.6 percent from the $1,596.7 million of the year before. Profits amounted to $165.3 million in fiscal 1977, up 7.6 percent over the $153.6 million for 1976.

ANALYSIS

Automotive revenues and profits increased from fiscal 1976 to 1977. Revenues increased both domestically and overseas. The increased profits were principally due to the excellent performance of the North American automotive operations, which resulted from the strong aftermarket demand for Bendix' automotive products and the high level of new car and truck production. Profits of the international operations, however, were mixed for the year. Good results in several countries were insufficient to offset the significant profit deterioration experienced by DBA, Bendix' largest foreign subsidiary, located in France.

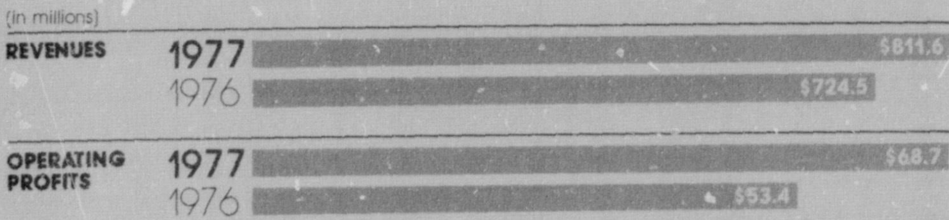
Automotive revenues and profits were up substantially from fiscal 1975 to 1976. These increases were principally due to much stronger sales of automotive components for new cars, with the recovery of the automotive industry in the United States and overseas, as well as for the worldwide market for replacement parts. Improved profitability of the recreational vehicle operations in fiscal 1976 resulted in a reversal of the 1975 loss.

OUTLOOK

Although mixed market conditions are expected to prevail again in 1978, Bendix' diversification is expected to provide resistance to cyclical downturns. Uncertainty will continue in several foreign original equipment markets, most notably France. However, the U.S. car and truck makers are projecting another good year, from which Bendix should benefit. Bendix' new product development programs are in line with industry objectives to achieve better gas economy through weight reduction and downsizing. The company also is bringing advanced technology such as electronics to fuel management and to other challenges facing the industry.

Fram and Autolite are expected to continue their trend of steady growth and have expanded their production capacity to meet increasing demand for their replacement parts.

AEROSPACE-ELECTRONICS



PROFILE

Bendix aerospace-electronics operations principally produce products for the aviation industry and for space programs.

Bendix also manufactures missile systems and subsystems; equipment used to detect and monitor pollutants and identify earth resources; medical and health equipment; equipment for military tanks; and underwater sonar devices. Bendix operates a plant in Kansas City, Missouri, for the Department of Energy (DOE) and another DOE facility in Colorado which is involved in uranium exploration and evaluation.

Bendix' principal products for the aviation industry are aircraft wheels, brakes and landing gear; ground and airborne radar systems; communication, navigation and identification equipment; electrical power generating, converting and control systems; fuel controls; electro-mechanical and hydraulic components; engine and flight instruments and controls; inertial guidance systems; high altitude breathing equipment; connectors, cables, and ignition components; and test and checkout equipment.

In activities related to space, Bendix provides equipment and services for space communications; guidance and control of space vehicles; test and checkout equipment; field engineering, and management and support services for NASA's network of space tracking stations throughout the world.

For the year ended September 30, 1977, the United States Government, acting through its various departments and agencies, accounted for about 16 percent of total corporate revenues, virtually all of which were contributed by the aerospace-electronics business.

Bendix' aerospace-electronics business is affected by the level of expenditures for defense and space programs and the scheduled production of commercial and general aviation aircraft.

Revenues for the aerospace-electronics business totaled $811.6 million in fiscal 1977, an increase of 12.0 percent over the $724.5 million of the year before. Profits amounted to $68.7 million in fiscal 1977, up 28.7 percent over the $53.4 million for 1976.

ANALYSIS

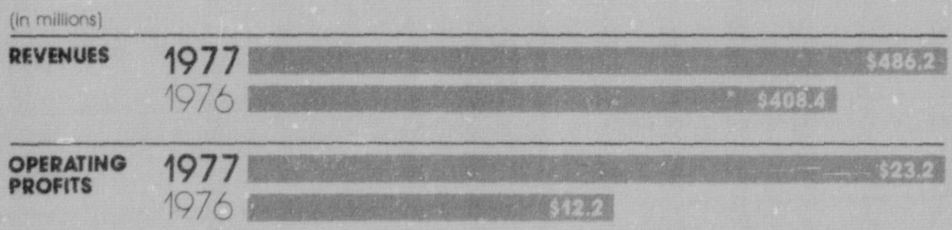
Profits of the aerospace-electronics business were significantly higher in fiscal 1977, as compared with 1976, on increased revenues. These improvements resulted primarily from advances in the military, general and commercial aviation markets.

Profits of the aerospace-electronics operations improved from fiscal 1975 to 1976 on slightly higher revenues. This profit improvement was mainly attributable to a significant turnaround in the profitability of one division.

OUTLOOK

Backlogs and market conditions for fiscal 1978 are good. The growth of the market served by the aerospace-electronics operations has been steady but not dramatic in recent years. Bendix' business approach, therefore, has been oriented more toward profit improvement than volume growth. Profitability and return on investment have advanced steadily as a result of this strategy. For the coming year, continuing demand is seen for Bendix' traditional aircraft products—braking, communications, navigation and radar systems. There will be growing markets for newer products, such as carbon brakes for military aircraft, constant frequency generators which provide on-board power for aircraft, and color weather radar for single engine planes.

SHELTER



PROFILE

Bendix' shelter business serves two primary markets: building materials, through American Forest Products Corporation (AFPC), and manufactured homes, through Bendix Home Systems, Inc. (BHS). The largest single industry in which the shelter business is involved as supplier or manufacturer is home building, but AFPC also supplies wood and aluminum products to a variety of industries.

AFPC products include lumber, plywood, particleboard, millwork, mouldings, unassembled furniture, wood and aluminum ladders, cabinets, fencing, prefinished paneling, specialty wood products, wooden containers, and aluminum siding and accessories.

A substantial portion of the products sold by AFPC is either used directly in residential construction or remanufactured into items which are used for the same or related purposes. As a result, revenues and profits are affected by trends in residential construction as well as by prices for lumber, plywood and related products, and the availability of timber.

BHS produces completely furnished manufactured homes at plants in the United States and Canada. These products are sold wholesale to independent retail dealers, who resell them to consumers. Some are also exported directly to customers.

BHS, which terminated European operations for manufactured homes in 1976, took further steps this year to improve profitability by closing two U.S. plants which were not meeting corporate objectives.

Revenues for the shelter business totaled $486.2 million in fiscal 1977, an increase of 19.0 percent from the $408.4 million of the year before. Profits amounted to $23.2 million in fiscal 1977, up 90.2 percent over the $12.2 million for 1976.

ANALYSIS

From fiscal 1976 to 1977, revenues from shelter operations improved significantly and profits increased substantially. These results were primarily due to the exceptionally good performance of AFPC, which had greater volumes in and somewhat higher prices for building materials as a result of the resurgence in the home building and remodeling markets. There was also a modest improvement in the manufactured home operations in the United States.

Revenues from shelter operations increased significantly from fiscal 1975 to 1976, due to improved sales of both forest products and manufactured homes. Profits were substantially higher principally due to greater volumes of and higher prices for building materials, and also to improved sales of manufactured homes in the United States.

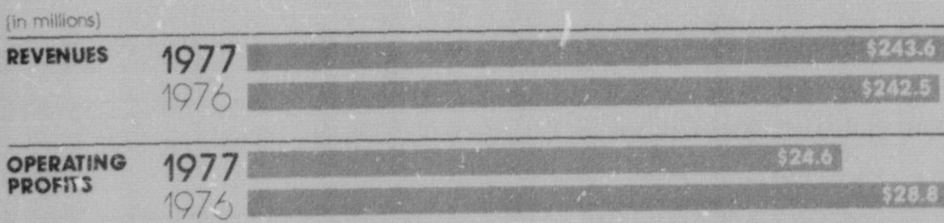
OUTLOOK

Industry projections indicate new housing starts for calendar year 1978 will fall slightly short of the 1.9 million rate of 1977, but will be higher than any other year since 1973. So, favorable market conditions are expected for Bendix building materials.

Revenues from mouldings and millwork are expected to be substantially higher primarily due to the acquisition in July 1977 of Coin Millwork, which will contribute an estimated $36 million in annual sales to AFPC.

The outlook is less clear for the manufactured home segment of the shelter business. The Canadian market is uncertain, but improved results are expected from U.S. operations. Factors pointing to an improved performance are continuing inflation in the cost of conventional housing, which is expected to force more buyers to consider a lower cost alternative, and the reorganization of BHS which closed some operations located in low-growth market areas.

INDUSTRIAL–ENERGY



PROFILE

Bendix' industrial-energy operations manufacture automated capital equipment and perishable tools for the metalworking industry and provide products and services supporting exploration and development of energy resources.

Products of the industrial segment which are supplied to the metalworking industry include precision inspection and measurement equipment, automated transfer machines, numerical control systems and perishable tools such as drills, taps, reamers, abrasive grains and grinding wheels.

The energy segment of the business consists of Skagit Corporation, which manufactures mooring and winching equipment for offshore oil drilling rigs and hoists for the logging and construction industries; Texas Pipe Bending Company, a fabricator of pipe for the refining, petrochemical, power generating and paper and food processing industries; and United Geophysical Corporation, which conducts exploratory geophysical services such as seismic surveys for oil and gas, and core drilling for minerals.

Revenues for the industrial-energy business totaled $243.6 million in fiscal 1977, an increase of .5 percent from $242.5 million the year before. Profits amounted to $24.6 million in fiscal 1977, down 14.6 percent from the $28.8 million in 1976.

ANALYSIS

Profits of the industrial-energy business declined from fiscal 1976 to 1977, and revenues were at about the same level. The principal reason for the decline in earnings was the weak demand for winching systems produced by Skagit Corporation for offshore oil drilling rigs.

Revenues and profits of the industrial-energy business were down for fiscal 1976 as compared with 1975, due to lower revenues and profits from operations serving the metalworking industry, which resulted from substantially reduced shipments of automated capital equipment in 1976. Although revenues of energy operations increased in 1976, profits remained at the 1975 level.

OUTLOOK

The market for most products of the industrial-energy business is expected to be better in fiscal 1978 than in 1977. The industrial segment of the business is cyclical and closely follows trends in capital investment in the economy as a whole. Backlog and bookings for Bendix machine tools have been running well ahead of the pace of 1976 and 1975. Incoming order levels also are higher for perishable tools. In energy-related activities, Texas Pipe Bending Company has extended its production capabilities. Market prospects for Skagit Corporation may be an exception to the improvement expected for the rest of the industrial-energy business in 1978. It will again face a weak market for its mooring and winching systems because of a continuing worldwide surplus of offshore oil drilling rigs.

Other developments also point to better results for Bendix' industrial-energy business in 1978. Markets should grow for computer-based numerical control systems and precision measuring equipment. Retooling requirements for automobile downsizing will continue to have a favorable impact for Bendix' machine tool products in the future. Finally, 1978 will be the first full year of production for the expanded Bendix Machine Tool Corporation facility in Warren, Michigan, which now has doubled the former assembly capacity of these operations.

FINANCIAL STATEMENTS

THE BENDIX CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE TWO YEARS ENDED SEPTEMBER 30, 1977			COMPARATIVE INFORMATION		
	1977	1976	1975	1974	1973
	(in millions, except share amounts)				
Income					
Net sales	$3,283.2	$2,947.0	$2,589.7	$2,464.4	$2,212.2
Royalties and other operating income	19.3	18.5	17.9	16.5	17.3
Equity in earnings of nonconsolidated companies	1.8	1.6	3.2	3.5	4.1
Miscellaneous income—Net*	21.5	.5	.8	3.4	3.9
Total	3,325.8	2,967.6	2,611.6	2,487.8	2,237.5
Deductions					
Cost of sales*	2,653.3	2,353.9	2,097.6	1,998.8	1,816.6
Selling and administrative expenses	411.1	382.2	320.6	296.3	259.3
Interest expense	44.1	39.2	42.8	45.0	30.1
Unusual items			16.0		
Minority interests	3.7	5.4	6.5	6.3	[illegible]
U.S. and foreign income taxes	95.5	82.2	48.3	65.6	56.6
Total	3,207.7	2,862.9	2,531.8	2,412.0	2,168.2
Income Before Extraordinary Items	118.1	104.7	79.8	75.8	69.3
Extraordinary Items—Net of Income Taxes and Other Effects on Income					(.6)
Net Income	$ 118.1	$ 104.7	$ 79.8	$ 75.8	$ 68.7
Average Number of Common and Common Equivalent Shares Outstanding (in thousands)	22,316	22,097	21,772	21,748	22,064
Earnings Per Share					
Income before extraordinary items	$5.29	$4.74	$3.66	$3.48	$3.14
Extraordinary items, net of income taxes and other effects on income					(.03)
Net income	$5.29	$4.74	$3.66	$3.48	$3.11
Cash Dividends Per Share	$2.00	$1.66	$1.39	$1.31	$1.20

*Prior to fiscal 1977, all effects of foreign exchange rate changes were included in miscellaneous income. The effects of rate changes on translation of inventories are now included in cost of sales. See "Summary of Significant Accounting Policies".

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	1977	1976
	(in millions)	
Assets		
Current Assets		
Cash and marketable securities	$ 84.5	$ 80.9
Trade receivables (less allowance for doubtful receivables)	388.4	371.5
Inventories and contracts in progress (less progress payments)	657.9	597.3
Prepaid expenses	34.2	28.5
Total Current Assets	1,165.0	1,078.2
Investments in Nonconsolidated Companies	19.8	22.1
Land, Buildings, and Equipment—Net	497.9	427.4
Timber and Timberlands (Less Depletion)	33.3	32.5
Goodwill and Other Intangibles (Less Amortization)	81.0	82.8
Miscellaneous Assets	13.6	10.6
Total	$1,810.6	$1,653.6
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$ 83.9	$ 61.0
Accounts and drafts payable	295.0	257.2
U.S. and foreign income taxes	37.3	38.6
Other accrued liabilities	243.7	207.5
Total Current Liabilities	659.9	564.3
Long-Term Debt	250.1	272.5
Deferred Income Taxes	31.0	27.4
Minority Interests	30.8	29.4
Stockholders' Equity		
Preferred Stock, no par (authorized, 7,000,000 shares, issuable in series)—Series A $3 Cumulative Convertible (authorized, 3,000,000 shares of $7.50 stated value each; issued, 405,009 and 560,385 shares, respectively; liquidation preference, $22.9 million)	3.1	4.2
Common Stock (authorized, 60,000,000 shares of $5 par value each; issued, 22,065,702 and 21,595,968 shares, respectively)	110.3	107.9
Additional capital	42.0	38.6
Retained earnings	703.5	629.4
Total	858.9	780.1
Less—Cost of treasury stock (22,769 shares of Preferred Stock and 597,736 shares of Common Stock)	20.1	20.1
Stockholders' Equity—Net	838.8	760.0
Total	$1,810.6	$1,653.6

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

THE BENDIX CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED SEPTEMBER 30	1977	1976
	(in millions)	
Source (Use) of Funds		
Net income	$118.1	$104.7
Add (Deduct) items not affecting funds:		
Depreciation, depletion, and amortization of tangible assets	60.7	54.4
Minority interests	3.7	5.4
Deferred income taxes	3.6	8.7
Equity in earnings of nonconsolidated companies	(1.8)	(1.6)
Other	(.1)	3.5
Total	184.2	175.1
Working capital items†	5.7	7.0
Additions to land, buildings, and equipment	(131.7)	(88.3)
Disposals of fixed assets	5.5	[illegible]7
Miscellaneous	(4.6)	[illegible].1
Total Before Financing and Investment Activity	59.1	97.6
Financing and Investment Activity		
Increases in long-term debt	34.9	30.8
Decreases in long-term debt	(57.3)	(44.1)
Increases (Decreases) in notes payable	22.9	(29.5)
Cash dividends	(44.0)	(36.2)
Stock options exercised	3.7	5.8
Funds provided from dispositions	4.2	27.8
Acquisitions of businesses, less funds provided	(18.4)	(42.5)
Miscellaneous	(1.5)	
Total	(55.5)	(87.9)
Net Increase in Cash and Marketable Securities	$ 3.6	$ 9.7
Analysis of Working Capital Items†		
Trade receivables	$(16.7)	$ 16.9
Inventories and contracts in progress	(51.7)	(71.4)
Prepaid expenses	(5.1)	(11.7)
Accounts and drafts payable	42.4	37.9
U.S. and foreign income taxes	(1.3)	(1.5)
Other accrued liabilities	38.1	36.8
Total	$ 5.7	$ 7.0

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 comprise those of the Corporation and all of its subsidiaries, except for its insurance subsidiaries. Equity in earnings of the nonconsolidated insurance subsidiaries and of other 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.

For fiscal 1977, the Corporation conformed its practice of translating foreign currency financial statements to the provisions of Financial Accounting Standards Board Statement No. 8. The principal change from prior years is that inventories are translated at exchange rates existing when they were acquired, adjusted for reduction of inventories to U.S. dollar market value when appropriate, rather than at rates existing at the end of a period. For fiscal 1977, exchange gains and losses are included in miscellaneous income, while the effects of foreign currency exchange rate changes on translation of inventories are included in cost of sales. Prior to fiscal 1977, all effects of rate changes were included in miscellaneous income. The net effect of exchange rate changes was not material in relation to the consolidated financial statements.

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.

Long-term contracts Certain amounts applicable to long-term contracts are included in trade receivables and inventories and contracts in progress. In some instances, inventoried costs are based on the estimated average cost of all units expected to be produced under a long-term contract. The estimated average cost is determined by applying the learning curve concept, which anticipates a predictable decrease in costs as production becomes more efficient through repetition. The learning curve concept is only applied in situations where firm contractual agreements exist. The amounts related to long-term contracts included in trade receivables and inventories and contracts in progress are not material in relation to the consolidated financial statements.

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. Because of the numerous classifications of property and equipment, it is impracticable to enumerate depreciation rates. Fully depreciated assets still in service are not included in the property accounts. Amortization of leasehold improvements is credited to the asset accounts and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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.

U.S. and foreign income taxes U.S. and foreign income taxes 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.

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

Pension plans The Corporation and certain of its subsidiaries have pension plans for eligible employees. The Corporation's policy generally is to fund pension costs accrued and to amortize prior service costs over a period of 25 years (prior to fiscal 1977, 30 years). The change in amortization policy had no material effect on consolidated results.

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, through fiscal 1976, are subject to renegotiation under the Renegotiation Act of 1951. Profits on certain contracts for fiscal 1977 are subject to applicable profit limitation legislation. Proceedings for the purpose of establishing the amounts 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 and Dispositions

During 1977, certain of the assets and the businesses of two companies were purchased and joint ventures entered into; these acquisitions aggregated $18.4 million. The operations of these companies were not material in relation to the consolidated results.

During 1976, a wholly-owned domestic subsidiary of the Corporation increased its ownership interest in Jurid Werke, G.m.b.H. (Jurid), from 49% to 100% for $9.9 million. In addition, certain of the assets and business of one company were purchased for $3.2 million and the net assets and business of another were acquired for 26,864 Common Stock treasury shares in a transaction accounted for as a pooling of interests.

The increase in net assets, exclusive of debt assumed, resulting from the acquisition of businesses during 1977 and 1976 (including Jurid) is summarized below:

	1977	1976
	(in millions)	
Trade receivables	$ .5	$12.2
Inventories and contracts in progress	8.9	2[illegible]
Prepaid expenses	.6	.6
Accounts and drafts payable		(7.2)
U.S. and foreign income taxes		(1.4)
Other accrued liabilities		(12.8)
Investments in nonconsolidated companies	3.6	(8.2)
Land, buildings, and equipment	4.6	28.0
Goodwill and other intangibles	.2	5.1
Miscellaneous net assets		(.4)
Total	$18.4	$42.5
Cash and marketable securities provided		$ 1.0

During the three years ended September 30, 1975, the Corporation and its consolidated subsidiaries increased their ownership interest in a consolidated subsidiary and purchased the net assets and businesses of several other companies, all of which are summarized below:

Company	Date of Acquisition	Cash Payment
		(in millions)
Increased ownership interest in a foreign automotive components company	April 1975	$11[illegible]
Autolite spark plug plant and trademark	November 1973	27.1
Mobile home and recreational vehicle operations	December 1972	70.7
Other companies	Various	8.9

The operations of the above companies acquired in transactions accounted for by the purchase accounting principle are included in the consolidated financial statements from the dates of purchase. Further, the excess of cost over underlying net assets of these companies has been allocated to goodwill and other intangibles.

On April 1, 1976, the Corporation distributed as a dividend to its common stockholders all of the common stock of Facet Enterprises, Inc. (Facet), a consolidated subsidiary formed in 1975 pursuant to a November 1974 Order of the Federal Trade Commission. Facet's net sales and income before U.S. and foreign income taxes for the six months ended March 31, 1976 represented 1.7% and 0.6%, respectively, of the corresponding consolidated fiscal 1976 amounts.

The Corporation has disposed of certain other operations which did not have a material effect on consolidated results. The effect on net assets resulting from dispositions during 1977 was not significant. The (increase) decrease in net assets, exclusive of cash, marketable securities, and debt, resulting from dispositions for 1976 (including Facet) is shown below:

	1976
	(in millions)
Trade receivables	$17.5
Inventories and contracts in progress	37.6
Prepaid expenses	1.7
Accounts and drafts payable	(9.5)
U.S. and foreign income taxes	(.5)
Other accrued liabilities	(8.3)
Land, buildings, and equipment	20.9
Goodwill and other intangibles	6.9
Miscellaneous net assets	(1.2)

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 net income from such companies, export sales of U.S. and Canadian manufactured products, and licensing revenues derived from sources outside the U.S. and Canada.

	1977					1976
	(in millions)					
	Europe	Latin America	Australia	Other	Total	
Current Assets	$295.0	$37.5	$ 9.6	$ 4.9	$347.0	$312.9
Other Assets	141.4	29.2	7.6	.9	179.1	170.2
Total	436.4	66.7	17.2	5.8	526.1	483.1
Liabilities	306.9	37.8	6.1	3.1	353.9	321.6
Minority Interests	28.1		2.5	.2	30.8	29.4
Total	335.0	37.8	8.6	3.3	384.7	351.0
Net Assets	$101.4	$28.9	$ 8.6	$2.5	$141.1	$132.1

	1977	1976
Revenues		
Net sales of subsidiaries outside the U.S. and Canada	$ 874.4	$779.6
Export sales	136.3	161.2
Royalties and other operating income	17.3	16.4
Total	1,028.0	957.2
Less—Intercompany eliminations	7.9	6.6
Remainder	$1,020.1	$930.6
Net Income		
Income from companies outside the U.S. and Canada	$ 16.1	$ 17.2
Equity income	.5	.7
Export sales	12.8	14.5
Royalties and other operating income	6.7	6.5
Total	36.1	38.9
Less—Administrative expense and intercompany eliminations	2.0	1.6
Remainder	$ 34.1	$ 37.3

FINANCIAL STATEMENTS

Details to Consolidated Statement of Income

	1977	1976
	(in millions)	
Interest Expense		
On debentures (including amortization of debt discount and expense)	$ 6.6	$ 6.8
On other long-term debt	17.0	18.6
Other	20.5	13.8
Total	$ 44.1	$ 39.2

	1977	1976
Expenses Included in Other Categories		
Depreciation of buildings and equipment and amortization of land and leasehold improvements	$ 57.4	$ 52.5
Depletion of timber and timberlands	3.3	1.9
Amortization of goodwill and other intangibles	2.4	2.9
Maintenance and repairs	96.5	81.9
Taxes, other than U.S. and foreign income taxes:		
Social Security	110.8	95.9
State income and franchise	18.4	14.7
Real and personal property	13.9	12.5
Miscellaneous	12.2	11.0
Rents	28.4	25.8
Royalties	3.0	3.5
Advertising	26.3	24.9
Research, development and engineering (research and development, $45.6 and $38.3 for 1977 and 1976, respectively)	112.9	100.5

Details to Consolidated Balance Sheet

	September 30	
	1977	1976
	(in millions)	
Cash and Marketable Securities		
Cash	$ 28.0	$ 5.7
Marketable securities (at cost, which approximates market)	56.5	75.2
Total	$ 84.5	$ 80.9
Trade Receivables		
Trade receivables	$395.3	$380.0
Less—Allowance for doubtful receivables	6.9	8.5
Trade Receivables—Net	$388.4	$371.5
Inventories and Contracts in Progress		
Inventories	$739.2	$685.1
Contracts in progress	22.1	18.2
Total	761.3	[illegible]
Less—Progress payments	103.4	106.0
Remainder	$657.9	$597.3
Land, Buildings, and Equipment		
Land and improvements	$ 37.9	$ 38.7
Buildings	220.2	209.7
Machinery and equipment	469.5	421.8
Construction in progress	74.1	37.5
Total	801.7	707.7
Less—Accumulated depreciation	303.8	280.3
Land, Buildings, and Equipment—Net	$497.9	$427.4
Goodwill and Other Intangibles		
Goodwill and other intangibles	$ 88.7	$ 88.2
Patents	2.1	2.1
Total	90.8	90.3
Less—Accumulated amortization	9.8	7.5
Remainder	$ 81.0	$ 82.8
Notes Payable		
Banks (weighted average interest rate at September 30, 1977, 10.86%; 1976, 15.22%)	$ 42.1	$ 27.0
Other, including current portion of long-term debt	41.8	34.0
Total	$ 83.9	$ [illegible]

	September 30 1977	1976
	(in millions)	
Other Accrued Liabilities		
Salaries and wages	$ 78.9	$ 68.0
Pensions	51.8	41.9
Interest	8.5	8.4
General taxes	45.4	35.0
Sundry	59.1	54.2
Total	$243.7	$207.5
Long-Term Debt (exclusive of current maturities)		
Debt of The Bendix Corporation		
6⅝% Sinking Fund Debentures Due 1992 (after deducting $10,795,000 in treasury at September 30, 1977 and [illegible]945,000 in treasury at September [illegible], 1976)	$ 95.4	$106.2
9¼% Notes Due 1981	75.0	75.0
7% Promissory Notes Due December 1977		30.0
Other	4.2	4.3
Debt of U.S. and Canadian subsidiaries		
8% Guaranteed Debentures Due 1979	4.0	6.5
Banks	.2	.3
Other	12.6	13.9
Debt of other consolidated subsidiaries		
Banks	58.9	36.8
Other	.4	.3
Total	250.7	273.3
Less—Unamortized debt discount	.6	.8
Remainder	$250.1	$272.5

Earnings Per Share

Earnings per share have been computed based upon the weighted average number of common and common equivalent shares outstanding. 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 weighted average number of common and common equivalent shares outstanding. Common and common equivalent shares outstanding have been adjusted to reflect the four-for-three common stock split effected during April 1976.

Notes Payable and Long-Term Debt

The average aggregate commercial paper and short-term bank borrowings during fiscal 1977 were $42.2 million, and short-term bank borrowings during fiscal 1976 were $70.4 million; these borrowings carried an approximate weighted average interest rate of 19.60% and 11.35%, respectively. Short-term bank borrowings primarily consisted of overdraft facilities and borrowings with banks outside the U.S. The maximum amounts of all borrowings outstanding at any month end were $51.8 million and $83.6 million for the years ended September 30, 1977 and 1976, respectively.

Credit arrangements for the Corporation and its consolidated subsidiaries at September 30, 1977 include lines of credit totalling $119.9 million and a bank credit agreement. Under terms of the bank credit agreement, the Corporation could borrow up to $50 million; this agreement was terminated and replaced with additional lines of credit during November 1977. Under all of these credit arrangements, $137.7 million was unused at September 30, 1977. Commitment fees associated with unused lines of credit were not material for the years ended September 30, 1977 and 1976.

The Corporation and its consolidated subsidiaries maintain average collected balances at certain banks where credit arrangements exist. These average balances amounted to approximately $17.7 million and $16.4 million for the years ended September 30, 1977 and 1976, 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 cash balances.

Under the sinking fund provision of the indenture for the 6⅝% Sinking Fund Debentures Due 1992, cash payments of $6,250,000 are required each December 1 or, in lieu thereof, the Corporation may deliver reacquired Debentures to the sinking fund agent. During fiscal 1977 and 1976, the Corporation reacquired $11,100,000 and $5,892,000, respectively, of its Debentures to meet sinking fund requirements. The Debentures are callable, under certain conditions, at the option of the Corporation, at prices ranging from 103¼% at September 30, 1977 to 100% at December 1, 1987 and thereafter.

Under the indenture for the 9¼% Notes Due 1981, 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 option of the Corporation, in whole or in part at 100%.

During November 1977, the Corporation entered into an agreement under which it will issue $75 million principal amount of 8.35% Notes Due 1998. Up to $25 million of Notes may be issued on December 15, 1977, and the balance is to be issued on July 31, 1978. Through mandatory prepayments, $5 million principal amount of Notes will be retired annually beginning July 31, 1984. The Notes are callable, under certain conditions, at the option of the Corporation, at prices ranging from 108.35% prior to July 31, 1979 to 100% at July 31, 1997 and thereafter.

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. In addition, dividends on (and redemptions and repurchases of) the Corporation's capital stock after June 30, 1977 are limited to $100 million plus net income after such date; at September 30, 1977, $116.3 million was available for these purposes.

As of September 30, 1977, the aggregate annual maturities of principal amount of long-term debt for each of the five fiscal years subsequent to September 30, 1977 were as follows: 1978, $39.8 million (included in current liabilities); 1979, $18.1 million; 1980, $17.6 million; 1981, $20.3 million; 1982, $89.3 million.

U.S. and Foreign Income Taxes

U.S. and foreign income taxes and deferred investment credit included in deferred income taxes are summarized below:

	1977	1976
	(in millions)	
Provision		
Current		
U.S.	$62.1	$40.1
Foreign	29.8	33.4
Deferred		
U.S.	(.6)	1.7
Foreign	.7	4.0
Deferred investment credit	3.5	3.0
Total	**$95.5**	$82.2
Deferred Investment Credit		
Balance at beginning of the year	**$10.2**	$ 7.4
Investment credit		
Earned	5.3	4.4
Amortized	(1.8)	(1.4)
Total	3.5	3.0
Facet divestiture		(.2)
Balance at End of the Year	**$13.7**	$10.2

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, 1977 and 1976 are set forth below:

Tax Effects of Timing Differences	1977	1976
	(in millions)	
Tax in excess of book depreciation	$ 4.0	$ 4.0
Provision for		
Deferred compensation	(2.1)	(3.9)
Price redetermination	.3	(.8)
Other costs and expenses	(1.5)	(2.1)
Termination of operations of foreign affiliates		11.5
Other—Net	(.6)	(3.0)
Total Deferred Tax Provision	$ .1	$ 5.7

Total income tax provisions for 1977 and 1976 differed from the total tax expense as computed by applying the statutory U.S. federal ordinary income tax rate to income before income taxes. The reasons for the differences are as follows:

	1977	1976
Statutory U.S. tax rate	48.0%	48.0%
Decrease due to		
Income taxed at capital gain rate	(1.9)	(.9)
Equity in earnings of nonconsolidated companies	(.5)	(.4)
Effect of income and tax rates on subsidiaries outside the U.S.	(1.6)	(1.5)
Other—Net	(.1)	(2.4)
Effective tax rate	43.9%	42.8%

The undistributed earnings considered permanently invested in subsidiary operations outside the U.S. approximate $185 million at September 30, 1977; no provision has been made for taxes which could result in the event of remission of these undistributed earnings. Any such U.S. income taxes payable would be reduced through utilization of available foreign tax credits.

Employee Pensions

Pension expense, which includes amortization of prior service costs, was $69.0 million and $55.5 million for 1977 and 1976, respectively. The increased expense was due primarily to improved benefits. As of the latest date of determination, the actuarially computed value of vested benefits for certain of these plans exceeded total assets of the pension funds and balance sheet accruals by approximately $272.9 million.

Management Incentive Plans

During fiscal 1977, $7.0 million was awarded to participants in the Corporation's Incentive Compensation Plan from amounts credited to the Fund with respect to fiscal 1976 and prior years. Computations by the Corporation's independent certified public accountants indicate a maximum possible credit to the Fund of $10.6 million and $8.6 million for fiscal 1977 and 1976, respectively, all of which was provided in the accompanying Consolidated Statement of Income.

Under the Performance Incentive Plan, performance units may be awarded each year to key employees of the Corporation and its subsidiaries. The value of each unit which has been awarded is based on the attainment of the three-year growth rate objective established for the Corporation under this Plan. The Corporation provided $1.6 million and $2.3 million in the accompanying Consolidated Statement of Income for fiscal 1977 and 1976, respectively.

Unusual and Extraordinary Items

Income before income taxes and minority interests for fiscal 1975 was reduced by a $16.0 million unusual item resulting from the sale and termination of operations of certain foreign affiliates and a domestic real estate transaction. After tax benefits of $16.6 million and a charge of $1.0 million for minority interests, net income was decreased by $.4 million, or $.02 per share.

For 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 certain minor operating units and equity interests in foreign affiliates.

Stockholders' Equity

Each share of the Series A $3 Cumulative Convertible Preferred Stock (Preferred Stock) is convertible into 2.05 shares of Common Stock, subject to adjustment in certain events. The Preferred Stock is entitled to $60 per share in liquidation and is redeemable, at the Corporation's option, at $68 per share at September 30, 1977, decreasing by $1 per share annually from June 30, 1978 through 1985, and after June 30, 1985 at $60 per share.

At September 30, 1977, 1,999,844 shares of Common Stock were reserved for conversion of Preferred Stock and for the employee Stock Option, Incentive Compensation, Performance Incentive, and Stock Ownership plans.

A summary of Stockholders' Equity for the years ended September 30, 1977 and 1976 is set forth below:

	Preferred Stock		Common Stock		Additional Capital	Retained Earnings
	Shares	Amount	Shares	Amount		
			(in millions, except number of shares)			
Balance, October 1, 1975	2,634,543	$ 19.8	13,048,393	$ 65.2	$ 59.5	$608.[illegible]
Net income						104.[illegible]
Cash dividends						
Preferred Stock						(3.5)
Common Stock						(32.7)
Distribution of Facet Enterprises, Inc. common stock						(47.5)
Four-for-three Common Stock split			5,027,521	25.1	(25.1)	
Conversion of Preferred Stock	(2,076,620)	(15.6)	3,322,585	16.7	(1.1)	
Common Stock sold under Stock Option Plan and related income tax benefits			197,469	.9	5.9	
Issuance of 26,864 treasury shares for an acquired business					(.6)	.3
Purchase Plan	2,462					
Balance, September 30, 1976	560,385	4.2	21,595,968	107.9	38.6	629.4
Net income						118.1
Cash dividends						
Preferred Stock						(1.3)
Common Stock						(42.7)
Conversion of Preferred Stock	(155,376)	(1.1)	318,480	1.6	(.5)	
Common Stock sold under Stock Option Plan and related income tax benefits			151,254	.8	3.9	
Balance, September 30, 1977	405,009	$ 3.1	22,065,702	$110.3	$ 42.0	$703.5

Stock Option Plan

Under the Stock Option Plan, certain employees have been granted options to purchase Common Stock at prices which represented 100% of the fair market value on the dates the options were granted, as adjusted for stock dividends and stock splits. Options which are qualified stock options (as defined in the Internal Revenue Code of 1954, as amended) generally may be exercised over a period of five years from date of grant (but if exercised after May 20, 1981, will be treated as options which are not qualified). Options which are not qualified stock options generally may be exercised over a period of ten years 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		Fair Market Value	
		Per Share*	Total (in millions)	Per Share	Total (in millions)
October 1, 1975	668,376	$15.30 to 36.86	$17.0	$15.30 to 36.86*	$17.0
Granted	195,947	31.80 to 44.78			
Exercised	233,704	15.30 to 36.86	5.9	31.22 to 45.33†	9.5
Terminated or cancelled	55,964	16.43 to 44.78			
September 30, 1976	574,655	15.30 to 44.78	17.7	15.30 to 44.78*	17.7
Granted	118,000	40.65 to 46.10			
Exercised	147,294	15.30 to 33.49	3.7	36.31 to 46.81†	6.3
Terminated or cancelled	27,782	16.43 to 44.78			
September 30, 1977	517,579	15.30 to 46.10	18.1	15.30 to 46.10*	18.1
Shares exercisable at September 30:					
1976	241,547	15.30 to 36.86	6.7	42.00†	10.1
1977	237,770	15.30 to 44.78	7.1	37.13†	8.8
Shares became exercisable during:					
1976	140,427	15.30 to 36.86	3.3	30.89 to 44.72†	5.6
1977	144,375	15.30 to 44.78	4.2	37.31 to 45.31†	5.9

*At date of grant.
†At date exercisable or exercised.

The maximum number of shares for which additional options may be granted was 55,910 shares, 449,260 shares, and 359,042 shares at October 1, 1975, September 30, 1976, and September 30, 1977, respectively.

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 customer's 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, is a party to 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 under these agreements 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.

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 lease commitments for such properties and equipment are not considered to be material in relation to the consolidated financial statements. Also, the present value of minimum lease commitments of noncapitalized financing leases (as defined by the SEC) and the impact on net income are not material.

In connection with the April 1, 1976 divestiture of Facet Enterprises, Inc. (Facet), the Corporation has guaranteed certain pension benefits and insurance premium payments. The guarantees are generally limited to present and former employees of the divested units who had vested pension rights as of April 1, 1976 and who are now covered under Facet's plans. As of the latest date of determination prior to the divestiture, the actuarially computed present value of the guaranteed pension benefits in excess of related Facet fund assets at market and the guaranteed insurance premiums was approximately $51 million, as reported in the Corporation's fiscal 1976 Annual Report. Although complete information necessary to update the prior actuarial determination is not available to the Corporation, the actuarially computed present value at September 30, 1977 should not exceed the amount previously reported.

Any payments by the Corporation under the guarantee with respect to pensions would be reduced to the extent payments may be made under the insurance provisions of the Employee Retirement Income Security Act of 197[illegible]. By an indemnification agreement, dated February 16, 1976, Facet agreed to reimburse the Corporation for any payments made and expenses incurred in connection with such guarantees. Recently, Facet stated that the indemnification agreement is invalid. It is the opinion of officials of the Corporation, on the basis of information furnished by counsel, that the indemnification agreement is a valid contract enforceable by the Corporation against Facet.

Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 1977 and 1976 follow:

	Quarters			
	First	Second	Third	Fourth
	(in millions, except per share amounts)			
1977				
Revenues	$765.3	$836.3	$875.5	$825.4
Cost of sales	611.6	669.3	700.8	671.6
Net income	26.8	29.9	34.0	27.4
Earnings per share	1.20	1.34	1.52	1.23
1976				
Revenues	$685.0	$761.6	$802.6	$716.3
Cost of sales	546.7	602.4	636.1	568.7
Net income	23.4	26.5	29.4	25.4
Earnings per share	1.06	1.20	1.33	1.15

Replacement Cost Information (Unaudited)

The Corporation has experienced and will continue to experience the effects of inflation upon costs to replace inventories and productive capacity as well as other operating costs and expenses. However, increased cost of sales and depreciation expense are partially offset by gains in technology and improvements in operating efficiencies. As most cost increases would normally be recovered through adjustments in selling prices, the Corporation would not expect inflation to cause a significant change in its gross profit margins.

Regulations of the Securities and Exchange Commission (SEC) require the Corporation to furnish certain replacement cost information reflecting inflation and technological changes on inventories and productive capacity, and the resulting effects on cost of sales and depreciation expense. This information is available in the Corporation's Annual Report to the SEC on Form 10-K. While the replacement cost information generally reflects the increased cost of doing business, the Corporation advises against any simplistic use of the data. Since the information is highly theoretical, involving subjective assumptions and approximations, comparisons of the data with similar data from other companies should be made with extreme caution.

Auditors' Opinion

HASKINS & SELLS
Certified Public Accountants
100 Renaissance Center
Detroit, Michigan

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

We have examined the consolidated balance sheets of The Bendix Corporation and consolidated subsidiaries as of September 30, 1977 and 1976 and the related consolidated statements of income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and expressed our unqualified opinions on the consolidated financial statements for the three years ended September 30, 1975 (not presented herewith) from which the comparative information accompanying the consolidated statements of income was prepared.

In our opinion, such consolidated financial statements present fairly the financial position of The Bendix Corporation and consolidated subsidiaries at September 30, 1977 and 1976 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. Also, in our opinion, the comparative information presents fairly in all material respects the information set forth therein on a basis consistent with the financial statements referred to above.

Haskins & Sells

November 14, 1977

FINANCIAL AND STATISTICAL SUMMARIES

Financial Data

	1977	1976	1975	1974	1973	1972	1971	1970
				(in millions)				
Net sales, royalties, and other operating income	$3,302.5	$2,965.5	$2,607.6	$2,480.9	$2,228.5	$1,776.5	$1,612.8	$1,680.1
Income before special nonrecurring credit and extraordinary items*	118.1	104.7	79.[illegible]	75.8	69.3	56.0	42.1	32.3
Percent of net sales, royalties, and other operating income	3.6	3.5	3.1	3.1	3.1	3.2	2.6	1.9
Percent return on average stockholders' equity*	14.8	14.0	11.3	11.5	11.2	9.5	7.5	5.8
Cash dividends								
Preferred	1.3	3.5	8.2	8.3	8.3	8.4	8.5	4.6
Common	42.7	32.7	22.7	21.2	19.7	19.7	19.5	20.7
Net working capital	505.1	513.9	513.9	422.2	426.6	397.6	381.1	427.8
Current ratio	1.8	1.9	2.0	1.7	1.9	2.1	2.0	2.3
Total assets	1,810.6	1,653.6	1,567.6	1,579.1	1,427.0	1,235.2	1,199.3	1,16[illegible]
Stockholders' equity	838.8	760.0	731.6	681.5	635.6	604.3	574.2	55[illegible]
Land, buildings, and equipment—Net	497.9	427.4	389.2	412.1	383.6	345.4	318.7	304.5

Per Common Share Data

	1977	1976	1975	1974	1973	1972	1971	1970
Income before special nonrecurring credit and extraordinary items*	$ 5.29	$ 4.74	$ 3.66	$ 3.48	$ 3.14	$ 2.53	$ 1.92	$ 1.46
Cash dividends	2.00	1.66	1.39	1.31	1.20	1.20	1.20	1.20
Stockholders' equity at September 30†	38.00	34.66**	34.70	31.82	28.97	26.49	24.77	23.81

Statistical Data

	1977	1976	1975	1974	1973	1972	1971	1970
Capital expenditures (in millions)	$ 131.7	$ 88.3	$ 64.6	$ 72.7	$ 82.5	$ 78.8	$ 66.5	$ 55.0
Wages and salaries (in millions)	1,005.6	887.9	809.7	765.4	721.0	625.0	605.5	632.4
Number of stockholders (in thousands) at September 30								
Preferred	2.0	2.2	4.9	5.1	5.0	5.1	5.4	4.2
Common	35.7	36.0	35.9	36.7	35.5	35.9	37.8	39.4
Number of shares (in millions) outstanding at September 30								
Preferred	.4	.5	2.6	2.8	2.8	2.8	2.8	2.8
Common	21.5	21.0	12.4	12.1	12.1	12.3	12.2	12.2
Number of employees (in thousands) at September 30††	80.6	79.7	74.1	82.1	82.3	74.7	73.4	7[illegible].3

*Before a special nonrecurring price adjustment during 1972, which benefitted 1972 earnings by $3.2 million, or $.14 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 $.12 per share, in 1972; and $5.0 million, or $.23 per share, in 1970.

**In addition to cash dividends, stockholders' equity has been reduced by the distribution to stockholders of all of the common stock of Facet Enterprises, Inc.

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

††Exclusive of employees at Kansas City Division.

Five Year Results of Operations By Lines of Business

	1977	1976	1975	1974	1973
			(in millions)		
Revenues					
Automotive	$1,766.7	$1,596.7	$1,333.0	$1,254.8	$1,077.4
Aerospace-Electronics	811.6	724.5	715.2	630.8	608.7
Shelter	486.2	408.4	330.4	383.1	377.0
Industrial-Energy	243.6	242.5	246.7	226.0	169.7
Sundry operations and intercompany eliminations	(5.6)	(6.6)	(17.7)	(13.8)	(3.3)
Total	$3,302.5	$2,965.5	$2,607.6	$2,480.9	$2,229.5
Income Before Taxes*					
Automotive	$ 165.3	$ 153.6	$ 117.2	$ 123.8	$ 125.9
Aerospace-Electronics	68.7	53.4	48.6	34.8	20.5
Shelter	23.2	12.2	5.3	18.1	20.7
Industrial-Energy	24.6	28.8	34.8	25.1	5.1
Sundry operations and intercompany eliminations	(20.4)	(16.5)	(12.5)	(9.1)	(10.6)
Interest expense	(44.1)	(39.2)	(42.8)	(45.0)	(30.1)
Total	217.3	192.3	150.6	147.7	131.5
Unusual items			(16.0)		
Total	$ 217.3	$ 192.3	$ 134.6	$ 147.7	$ 131.5

*Before U.S. and foreign income taxes and minority interests; also before extraordinary losses (net of income taxes and other effects on income) of $.6 million in 1973. Unusual items for 1975 are described on page 21.

DIRECTORS AND OFFICERS

DIRECTORS

W. M. Agee[1,4]
Chairman, President and
Chief Executive Officer

M. Baldrige[2,3]
Chairman and
Chief Executive Officer—
Scovill Manufacturing Company

W. J. Cohen[1,2,4]
Dean of the School of Education
and Professor—
The University of Michigan

H. B. Cunningham[1,3]
Honorary Chairman of
the Board of Directors—
K mart Corporation

C. F. Donnelly[1,4]
Vice Chairman and
Chief Administrative Officer

C. G. Eklund[3,4]
President and
Chief Executive Officer—
The Equitable Life Assurance
Society of the United States

J. C. Fontaine[1,3]
Partner—
Hughes Hubbard & Reed
(attorneys)

P. F. Hartz
Vice President; Chairman and
President of Fram Corporation

C. E. Heitman[1]
Former President—
Bendix International

J. S. Lafontant[1,2]
Partner—Lafontant, Wilkins &
Fisher (attorneys)

P. S. Mirabito[1]
President and
Chief Operating Officer—
Burroughs Corporation

W. P. Panny[1]
Vice Chairman and
Chief Operating Officer

R. W. Purcell[2,3]
Consultant to
Rockefeller Family & Associates

W. C. Purple
Executive Vice President

J. L. Scott[2,3]
Chairman and
Chief Executive Officer—
The Great Atlantic & Pacific Tea
Company, Inc.

G. R. Vila[2,4]
Former Chairman of the
Board of Directors—Uniroyal, Inc.

1. Executive and Finance Committees
2. Audit Committee
3. Executive Compensation Committee
4. Pension Investment Policy Committee

OFFICERS

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

W. P. Panny
Vice Chairman and
Chief Operating Officer

C. F. Donnelly
Vice Chairman and
Chief Administrative Officer

W. C. Purple
Executive Vice President

D. P. Crane
President—Automotive Group

J. T. Guyol
Vice President; and President of
American Forest Products Corporation

P. F. Hartz
Vice President; and Chairman and
President of Fram Corporation

D. S. Jones
President—Industrial-Energy Group

J. Jacobson
Senior Vice President

R. E. McGruther
Senior Vice President—
Corporate Staff

F. J. Svec
Senior Vice President and
Chief Financial Officer

J. W. Weil
Senior Vice President

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

F. J. Borheck
Vice President

J. R. Breen
Vice President—Corporate
Organization and Human Resources

T. J. Busch
Vice President and Group Executive

A. E. Clark
Vice President and Group Executive

S. M. Cleveland
Vice President

H. R. Ford
Vice President—
Worldwide Automotive Marketing

N. M. Georgitsis
Vice President

K. L. Hastie
Vice President and Treasurer

O. L. Henry
Vice President and Group Executive

H. Kaplan
Vice President—Corporate and
Public Affairs

W. A. Moorhead
Vice President

J. L. O'Brien
Vice President

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

E. F. Peslar
Vice President—Manufacturing

D. A. Proechel
Vice President and Controller

N. C. Reynolds
Vice President—National Affairs

E. G. Shelor
Vice President and Group Executive

STOCKHOLDER INFORMATION

Annual Meeting The 1978 annual meeting of stockholders will be held at 2 p.m. on Thursday, February 23, 1978 at the Executive Offices of the Corporation. Friday, January 6, 1978, is the record date for determining the stockholders entitled to vote at this annual meeting.

10-K and Investor Relations Information A complimentary copy of the Corporation's annual report on Form 10-K filed with the Securities and Exchange Commission may be obtained by interested stockholders by writing to: Secretary, The Bendix Corporation, Executive Offices, Bendix Center, Southfield, Michigan 48076.

Stockholder inquiries concerning the Corporation's activities should be addressed to: Director, Investor Relations, The Bendix Corporation, Executive Offices, Bendix Center, Southfield, Michigan 48076.

Bendix Common Stock is listed on the New York, Midwest and Pacific stock exchanges and The Stock Exchange (London). Bendix Preferred Stock is listed on the New York Stock Exchange.

Auditors Haskins & Sells (Detroit).

Counsel Hughes Hubbard & Reed (New York).

Transfer Agents Manufacturers Hanover Trust Company (New York). Office of The Bendix Corporation (Southfield, Michigan).

Registrars Manufacturers Hanover Trust Company (New York). National Bank of Detroit.

Trustees (6⅝% Debentures) Manufacturers Hanover Trust Company (New York). (9¼% Notes) Morgan Guaranty Trust Company of New York.

Dividend Reinvestment Plan Under the Automatic Dividend Reinvestment Service of Citibank (formerly First National City Bank), stockholders can elect to have dividends on Bendix Common Stock automatically reinvested in additional shares. In addition to their dividends, participants in the plan also have the option to invest additional cash (any amount between $10 and $1,000 per month) in more shares of Bendix Common Stock. Participation in the plan is entirely voluntary. If a stockholder elects to participate and then subsequently desires to discontinue participation, enrollment may be terminated any time prior to any dividend record date. At the end of the fiscal year, 8.5 percent of all common stockholders participated in the plan. For additional information, write: Citibank Dividend Reinvestment, P.O. Box 2670, Grand Central Station, New York, N.Y. 10017.

The Stockholders of Bendix The Corporation has approximately 21,500,000 shares of Common Stock outstanding, owned by 35,650 stockholders, and some 400,000 shares of Preferred Stock, held by about 2,000 owners. These stockholders are individuals, about equal numbers of men and women, and institutions—from religious and fraternal organizations to insurance companies and mutual funds—which hold large blocks of stock on behalf of still more individuals, thousands of them. A total of 29 mutual funds hold 700,000 shares of Bendix Common Stock, again on behalf of individual investors. Likewise, pension plans set up by public and private employers own Bendix stock for the participants in their plans.

The Bendix Salaried Employees' Savings and Stock Ownership Plan, in which 14,298 salaried employees are enrolled, held 3,299,570 shares of Common Stock as of September 30, 1977, or 15 percent of the total number of outstanding shares of Common Stock.

Under the Plan, after a year of service, salaried employees may invest from 2 to 12 percent of their monthly base salary in U.S. Government securities, Bendix Common Stock or a combination of the two. The Corporation contributes an amount (up to 4 percent of a participating employee's salary) equal to 50 percent of the individual's contributions. This amount is invested in Bendix Common Stock for the employee's account.

Fifty percent of the people owning Bendix Common Stock have 100 shares or less and 90 percent own 500 or fewer shares. So, the majority of Bendix stockholders own relatively small amounts of Bendix shares.

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:

   [X] 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	May 21	Delaware	The Bendix Corporation	100%		
2	Corporation	1970					
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Railroad Lessor Annual Report R-4

Lessor Initials AFPC Year 19 77

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 December 31, 1977, 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					

112. DIRECTORS

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

Line No.	Item			
1	Name of director	W.P. Panny		
2	Office address	Bendix Center, Southfield, Michigan 48075		
3	Date of beginning of term	November 23, 1977		
4	Date of expiration of term	February 27, 1978		
5	Name of director	W. M. Agee		
6	Office address	Bendix Center, Southfield, Michigan 48075		
7	Date of beginning of term	February 28, 1977		
8	Date of expiration of term	February 27, 1978		
9	Name of director	C. F. Donnelly		
10	Office address	Bendix Center, Southfield, Michigan 48075		
11	Date of beginning of term	February 28, 1977		
12	Date of expiration of term	November 23, 1977		
13	Name of director	J. L. Ford		
14	Office address	P. O. Box 3498 San Francisco, California 94119		
15	Date of beginning of term	February 28, 1977		
16	Date of expiration of term	February 1, 1978		
17	Name of director	J. T. Cuyol		
18	Office address	P. O. Box 3498 San Francisco, California 94119		
19	Date of beginning of term	February 28, 1977		
20	Date of expiration of term	February 27, 1978		
21	Name of director	J. Jacobson		
22	Office address	Bendix Center, Southfield, Michigan 48075		
23	Date of beginning of term	February 28, 1977		
24	Date of expiration of term	February 27, 1978		
25	Name of director	M. Pratt		
26	Office address	P. O. Box 3498 San Francisco, California 94119		
27	Date of beginning of term	February 28, 1977		
28	Date of expiration of term	February 27, 1978		
29	Name of director	R. W. Evitt		
30	Office address	Highway 49, Martell, California 95654		
31	Date of beginning of term	February 28, 1977		
32	Date of expiration of term	February 27, 1978		
33	Name of director			
34	Office address			
35	Date of beginning of term			
36	Date of expiration of term			
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.

				Line No.
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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	W. P. Panny		
2	Title of general officer	Chairman 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	M. Pratt		
8	Title of general officer	Executive Vice President		
9	Office address	P. O. Box 3498 San Francisco, California 94119		
10	Name of general officer	J. L. Ford		
11	Title of general officer	Executive Vice President		
12	Office address	P. O. Box 3498 San Francisco, California 94119		
13	Name of general officer	D. A. Westenhaver		
14	Title of general officer	Executive Vice President		
15	Office address	P. O. Box 3498 San Francisco, California 94119		
16	Name of general officer	J. B. Edens		
17	Title of general officer	Vice President		
18	Office address	P. O. Box 3498 San Francisco, California 94119		
19	Name of general officer	R. W. Evitt		
20	Title of general officer	Vice President		
21	Office address	Highway 49, Martell, California 95654		
22	Name of general officer	J. A. Fechner		
23	Title of general officer	Vice President		
24	Office address	P. O. Box 8368 Stockton, California 95204		
25	Name of general officer	G. U. Rother		
26	Title of general officer	Vice President and Treasurer		
27	Office address	P. O. Box 3498 San Francisco, California 94119		
28	Name of general officer	R. L. Ocheltree		
29	Title of general officer	Secretary		
30	Office address	P. O. Box 3498 San Francisco, California 94119		
31	Name of general officer	R. L. Jacobs		
32	Title of general officer	Assistant Secretary		
33	Office address	Bendix Center, Southfield, Michigan 48075		
34	Name of general officer	W. Billingslea, Jr.		
35	Title of general officer	Assistant Secretary		
36	Office address	P. O. Box 3498 San Francisco, California 94119		
37	Name of general officer	K. L. Hastie		
38	Title of general officer	Assistant Treasurer		
39	Office address	Bendix Center, Southfield, Michigan 48075		
40	Name of general officer	B. J. Barker		
41	Title of general officer	Assistant Treasurer		
42	Office address	P. O. Box 3498 San Francisco, California 94119		
43	Name of general officer			
44	Title of general officer			
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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.

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	(724) Allowance for net unrealized loss on noncurrent marketable equity securities—Cr.				
25	Total investments (accounts 721, 722, 723, and 724)				
	PROPERTIES		The amounts reported herein comprise the cost and related depreciation of physical properties leased by AFPC to Amador Central Railroad Co. as recorded on the books of the AFPC.		
	(731) Road and equipment property (pp. 18 and 19):				
26	Road	51,769			
27	Equipment				
28	General expenditures				
29	Other elements of investment				
30	Construction work in progress				
31	Total road and equipment property	51,769			
	(732) Improvements on leased property (pp. 18 and 19):				
32	Road				
33	Equipment				
34	General expenditures				
35	Total improvements on leased property				
36	Total transportation property (accounts 731 and 732)	51,769			
37	(733) Accrued depreciation—Improvements on leased property				
38	(735) Accrued depreciation—Road and Equipment	27,901			
39	(736) Amortization of defense projects—Road and Equipment				
40	Recorded depreciation and amortization (accts 733, 735 and 736)	27,901			
41	Total transportation property less recorded depreciation and amortization	23,868			
42	(737) Miscellaneous physical property				
43	(738) Accrued depreciation—Miscellaneous physical property				
44	Miscellaneous physical property less recorded depreciation				
45	Total properties less recorded depreciation and amortization				
	OTHER ASSETS AND DEFERRED CHARGES				
46	(741) Other assets				
47	(743) Other deferred charges				
48	(744) Accumulated deferred income tax charges (p. 55)				
49	Total other assets and deferred charges				
50	TOTAL ASSETS				

NOTE: See page 12 for explanatory notes, which are an integral part of the General Balance Sheet.

GENERAL BALANCE SHEET—ASSET SIDE—CONTINUED ON PAGES 9A and 9B.

200. GENERAL BALANCE SHEET—ASSET SIDE—Continued

the Uniform System 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—ASSET SIDE (Concluded)

Line No.	Account (a)	(b)	(c)	(d)	(e)
	ITEMS EXCLUDED ABOVE The above returns exclude respondent's holdings of its own issues of securities as follows:	$	$	$	$
51	(715) Sinking funds				
52	(716) Capital and other reserve funds				
53	(703) Special deposits				
54	(717) Insurance and other funds				

REMARKS

200. GENERAL BALANCE SHEET—ASSET SIDE (Concluded)

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
$	$	$	$	$	$	
						51
						52
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REMARKS

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				
55	(751) Loans and notes payable	$	$	$	$
56	(752) Traffic, car-service and other balances—Credit				
57	(753) Audited accounts and wages payable				
58	(754) Miscellaneous accounts payable				
59	(755) Interest matured unpaid				
60	(756) Dividends matured unpaid				
61	(757) Unmatured interest accured				
62	(758) Unmatured dividends declared				
63	(759) Accrued accounts payable				
64	(760) Federal income taxes accured				
65	(761) Other taxes accrued				
66	(762) Deferred income tax credits (p. 55)				
67	(763) Other current liabilities				
68	Total current liabilities (exclusive of long-term debt due within one year)				
	LONG-TERM DEBT DUE WITHIN ONE YEAR				
69	(764) Equipment obligations and other debt (pp. 38, 39, 40, and 41)				
	LONG-TERM DEBT DUE AFTER ONE YEAR				
70	(765) Funded debt unmatured				
71	(766) Equipment obligations (pp. 38-41)				
72	(766.5) Capitalized lease obligations				
73	(767) Receivers' and Trustees' securities (pp. 38-41)				
74	(768) Debt in default (pp. 38-41)				
75	(769) Amounts payable to affiliated companies (pp. 42 and 43)				
76	(770.1) Unamortized discount on long-term debt				
77	(770.2) Unamortized premium on long-term debt				
78	Total long-term debt due after one year				
	RESERVES				
79	(771) Pension and welfare reserves				
80	(774) Casualty and other reserves				
81	Total reserves				
	OTHER LIABILITIES AND DEFERRED CREDITS				
82	(781) Interest in default (p. 40)				
83	(782) Other liabilities				
84	(784) Other deferred credits				
85	(785) Accrued liability—Leased property				
86	(786) Accumulated deferred income tax credits (p. 55)				
87	Total other liabilities and deferred credits				
	SHAREHOLDERS EQUITY				
	Capital stock (Par or stated value)				
	(791) Capital stock issued:				
88	Common stock (pp. 32 and 33)				
89	Preferred stock (pp. 32 and 33)				
90	Total capital stock issued				
91	(792) Stock liability for conversion (pp. 34 and 35)				
92	(793) Discount on capital stock				
93	Total capital stock				
	Capital Surplus				
94	(794) Premiums and assesments on capital stock				
95	(795) Paid-in surplus				
96	(796) Other capital surplus				
97	Total capital surplus				
	Retained Income				
98	(797) Retained income—Appropriated				
99	(798) Retained income—Unappropriated (pp. 17A and 17B)				
100	(798.1) Net unrealized loss on noncurrent marketable equity securities				
101	Total retained income				

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)
	TREASURY STOCK	$	$	$	$
102	(798.5) Less: Treasury stock				
103	Total shareholders' equity				
104	**TOTAL LIABILITIES AND SHAREHOLDERS EQUITY**				
	The above returns exclude respondent's holdings of its own issues as follows:				
105	(765) Funded debt unmatured				
106	(767) Receivers' and trustees' securities				
107	(768) Debt in default				
108	(791) Capital stock				
	SUPPLEMENTARY ITEMS				
	Amount of interest matured unpaid in default for as long as 90 days:				
109	Amount of interest				
110	Amount of principal involved				
111	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 $______

Show the amount of investment tax credit carryover at year end $______

Show amount of past service pension costs determined by actuarians at year end $______

Total pension costs for year:

Normal costs $______

Amortization of past service costs $______

State whether a segregated political fund has been established as provided by the Federal Election Campaign Act of 1971 (18 U.S.C. 610). YES______ NO______

NOTES AND REMARKS

200. GENERAL BALANCE SHEET—LIABILITY SIDE—Concluded

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
$	$	$	$	$	$	
						102
						103
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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	6,382			
5	(533) Provision for deferred taxes (p. 55)					
6	Railway operating income		(6,382)			
	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)		(6,382)			
	OTHER INCOME					
23	(502) Revenues from miscellaneous operations (p. 53)					
24	(509) Income from lease of road and equipment (p. 56)	371	57,528			
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		57,528			
38	Total income (lines 22, 37)		51,146			
	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					
46	(551) Miscellaneous income charges		51,146			
47	Total miscellaneous deductions		51,146			
48	Income available for fixed charges (lines 38, 47)		~~51,146~~			

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.
$	$	$	$	$	$	
						1
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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)					
	OTHER DEDUCTIONS					
	(546) Interest on funded debt:					
56	(c) Contingent interest					
	UNUSUAL OR INFREQUENT ITEMS					
57	(555) Unusual or infrequent items-Net-(Debit) credit*					
58	Income (loss) from continuing operations (lines 55-57)					
	DISCONTINUED OPERATIONS					
59	(560) Income (loss) from operations of discontinued segments*					
60	(562) Gain (loss) on disposal of discontinued segments*					
61	Total income (loss from discontinued operations (lines 59, 60)					
62	Income (loss) before extraordinary items (lines 58, 61)					
	EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
63	(570) Extraordinary items-Net-(Debit) credit (p. 58)					
64	(590) Income taxes on extraordinary items-Debit (credit) (p. 58)					
65	(591) Provision for deferred taxes - Extraordinary items					
66	Total extraordinary items (lines 63-65)					
67	(592) Cumulative effect of changes in accounting principles*					
68	Total extraordinary items and accounting changes (Debit) credit (lines 66,67)					
69	Net income (loss) transferred to Retained Income Unappropriated (lines 62,68)					
	* Less applicable income taxes of:		$	$	$	$
	555 Unusual or infrequent items-Net (Debit) credit					
	560 Income (loss) from operations of discontinued segments					
	562 Gain (loss) on disposal of discontinued segments					
	592 Cumulative effect of changes in accounting principles					

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 ________ $________

Show the amount of investment tax credit carryover at year end ________ $________

300. INCOME ACCOUNT FOR THE YEAR—Concluded

(f)	(g)	(h)	(i)	(j)	(k)	Line No.
$	$	$	$	$	$	49
						50
						51
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						68
						69

NOTES AND REMARKS

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*		$	$	$	$
2	(601.5) Prior period adjustments to beginning retained income		See attached Financial Statements			
	CREDITS					
3	(602) Credit balance transferred from income (pp. 16 and 17)	300				
4	(606) Other credits to retained income (p. 58)	396				
5	(622) Appropriations released					
6	Total					
	DEBITS					
7	(612) Debit balance transferred from income (pp. 16 and 17)	300				
8	(616) Other debits to retained income (p. 58)	396				
9	(620) Appropriation for sinking and other reserve funds					
10	(621) Appropriations for other purposes					
11	(623) Dividends (pp. 52 and 53)	308				
12	Total					
13	Net increase (decrease) during year*					
14	Unappropriated retained income (1) and equity in undistributed earnings (losses) of affiliated companies (2) at end of year*					
15	Balance from line 13(2)*			x x x x x		x x x x x
16	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:					
17	Account 606			x x x x x		x x x x x
18	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 3 (line 7 if debit balance), column (2), should agree with line 36, schedule 300. The total of columns (1) and (2), lines 3 and 7, 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)		(e)		(f)		(g)		Line No.
(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	
								1
								2
								3
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								6
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								8
								9
								10
								11
								12
								13
								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
	x x x x x		x x x x x		x x x x x		x x x x x	18

NOTES AND REMARKS

NOTES AND REMARKS

Schedule 203.—SPECIAL DEPOSITS

For other than compensating balances, state separately each item of $10,000 or more reflected in account 703, Special deposits, at the close of the year. Items of less than $10,000 may be combined in a single entry and described as "Minor items less than $10,000". For compensating balances, state separately the total amounts held on behalf of respondent and held on behalf of others.

Line No.	Purpose of deposit (a)	Balance at close of year (b)
	Interest special deposits:	$
1		
2		
3		
4		
5		
6	Total	
	Dividend special deposits:	
7		
8		
9		
10		
11		
12	Total	
	Miscellaneous special deposits:	
13		
14		
15		
16		
17		
18	Total	
	Compensating balances legally restricted:	
19	Held on behalf of respondent	
20	Held on behalf of others	
21	Total	

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						
4	(3) Grading						
5	(5) Tunnels and subways						
6	(6) Bridges, trestles, and culverts						
7	(7) Elevated structures						
8	(8) Ties			NONE			
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
								2
								3
								4
								5
			NONE					6
								7
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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		NOT APPLICABLE		
3	Passing tracks, cross-overs, and turn-outs				
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
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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 thereon, 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)
					%	$	$

On October 30, 1970, American Forest Products Corporation was merged into a new corporation, American Forest Products Corporation (a Delaware corporation) Federal E.I. No. 38-1941409, which is a wholly-owned subsidiary of the Bendix Corporation, Southfield, Michigan, Federal E.I. No. 38-0341261.

The American Forest Products Corporation holds a highway Contract Carrier and Radial Highway Common Carrier permit issued in 1967 by the Public Utilities Commission of the State of California. Revenue from this source in 1977 was minor. Further information will be furnished if requested.

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 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.
$	$	$	$	$	%	$	
							1
							2
							3
							4
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ANNUAL REPORT 1977 CLASS

AMERICAN FOREST PRODUCTS CORPORATION

217. INVESTMENTS IN AFFILIATED COMPANIES —Continued

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)	Investments at close of year — Book value of amount held at close of year — Unpledged (g)
					%	$	$
51							
52							
53							
54							
55							
56							
57							
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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)	Total book value (i)	Book value of investments made during year (j)	Investments disposed of or written down during year: Book value (k)	Selling price (l)	Dividends or interest during year: Rate (m)	Amount credited to income (n)	Line No.
$	$	$	$	$	%	$	
							51
							52
							53
							54
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							102
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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							
3							
4							
5							
6		NONE					
7							
8							
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11							
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13							

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							
18							
19							
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34							
35							
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		
4						
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43						
44						
45						
46						
47						
48						
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 AMOUNT HELD 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.
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
							3
							4
							5
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					x x		50

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				
2			NONE	
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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		Remarks (i)	Line No.
		Book value (g)	Selling price (h)		
$	$	$	$		1
					2
					3
					4
					5
					6
					7
					8
					9
					10
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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 it 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			$	$	$	$	$	$	$
2									
3									
4									
5		See attached Financial Statement							
6									
7		Further information will be furnished upon request.							
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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	Without Par Value								Line No.
	Class of stock	Date issue was authorized	Number of shares authorized	Number of shares outstanding at close of year	Number of shares nominally issued and nominally outstanding at close of year			Cash value of consideration received for stocks actually outstanding	
					In treasury	Pledged as collateral	In sinking or other funds		
(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	
$								$	1
									2
									3
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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					
3					
4					
5					
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9					
10					
11					
12					
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36					
37					
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
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						38
						39

*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.

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	Nominal date of issue	Date of maturity	INTEREST PROVISIONS		DOES OBLIGATION PROVIDE FOR— (Answer "Yes" or "No")			IS OTHER PROPERTY (REAL OR PERSONAL OR LEASEHOLD) SUBJECT TO LIEN OF THE OBLIGATION? (ANSWER "YES or NO"	
				Rate per-cent per annum (current year)	Date due	Conversion	Call prior to maturity, other than for sinking fund	Sinking fund	First lien	Junior to first lien
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1										
2										
3	See Consolidated Balance Sheet attached.									
4										
5	Further information will be furnished upon request.									
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48										
49										
50										
51										
52										
53										
54							Grand Total			

261. FUNDED DEBT AND OTHER OBLIGATIONS—Continued

APPROXIMATE NUMBER OF MILES OF LINE DIRECTLY SUBJECT TO—			AMOUNT NOMINALLY ISSUED AND—			AMOUNT REACQUIRED AND—		TOTAL AMOUNT ACTUALLY OUTSTANDING			
First lien (k)	Junior to first lien (l)	Total amount nominally and actually issued (m)	Held in special funds or in treasury or pledged (Identify pledged securities by symbol "P"; matured by symbol "M") (n)	Canceled (o)	Total amount actually issued (p)	Canceled through sinking fund or otherwise canceled (Identify canceled through sinking fund by symbol "s") (q)	Held in special funds or in treasury or pledged (Identify pledged securities by symbol "P"; matured by symbol "M") (r)	Unmatured (accounts 765, 766, and 767 (s)	Unmatured (account 764) (t)	Matured and no provision made for payment (account 768) (u)	Line No.
		$	$	$	$	$	$	$	$	$	
											1
											2
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											53
											54

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)	AMOUNT OF INTEREST ACCRUED DURING YEAR		Amount of interest paid during year	Total amount of interest in default
		Charged to income	Charged to investment accounts		
	(a)	(v)	(w)	(x)	(y)
		$	$	$	$
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
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36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50					
51					
52					
53					
54	Grand Total				

261. FUNDED DEBT AND OTHER OBLIGATIONS—Concluded

Securities issued during year: Purpose of the issue and authority (z)	Securities issued during year: Par value (aa)	Securities issued during year: Net proceeds received for issue (cash or its equivalent) (bb)	Securities issued during year: Expense of issuing securities (cc)	Securities reacquired during year, amount reacquired: Par value (dd)	Securities reacquired during year, amount reacquired: Purchase price (ee)	Line No.
	$	$	$	$	$	1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
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						45
						46
						47
						48
						49
						50
						51
						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 actually payable under contingent interest provisions, charged to income for the year (e)
		$		$	$
1					
2					
3					
4					
5					
6					
7					
8					
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10					
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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	
2	consolidated balance sheet attached. Further	
3	information will be furnished upon request.	
4		
5		
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24		

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		Total paid within year			Period for, or percentage of, for which cumulative, if any	Total accumulated unearned interest plus earned interest unpaid at the close of the year	Line No.
Current year (f)	All years to date (g)	On account of current year (h)	On account of prior years (i)	Total (j)	(k)	(l)	
$	$	$	$	$		$	
							1
							2
							3
							4
							5
							6
							7
							8
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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			Rate of interest	Interest accrued during year		Interest paid during year	Line No.
Notes (c)	Open accounts (d)	Total (e)	(f)	Charged to income (g)	Charged to construction or other investment account (h)	(i)	
$	$	$	%	$	$	$	
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
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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								
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			NOT APPLICABLE					
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								

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	$	$	$	$	$	$	$	$
2		(53) Freight-train cars								
3		(54) Passenger-train cars								
4		(55) Highway revenue equipment								
5		(56) Floating equipment			NOT APPLICABLE					
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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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	25,418			
	Road property (specify):				
3	Depreciation	2,483			
4					
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	27,901			
	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				
51	Accrued depreciation-Miscellaneous physical property	27,901			

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
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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	Roadbed	20	5 %				%
2	Products Corp.							
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
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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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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		$	$	$
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					
2	Tax	6,382				
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	6,382				
	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)	6,382				

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.				
5	Other (Specify)				
6					
7		See attached	Financial	Statements	
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 present leaseholder (d)	RENT ACCRUED DURING YEAR		
	Name of lessor company (a)	Termini (b)	Length (c)		Total (e)	Depreciation (f)	All other (Account 509) (g)
1	American Forest	Martell to Ione,	11.79mi.	Amador Central	$ 60,011	$ 2,483	$ 57,528
2	Products Corp.	California		Railroad Company			to Page 14
3							
4							
5							
6							
7							
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14							
15							
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29							
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33							
34							
35							
36							
37							

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 1977.

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			
2			
3			
4			
5	NONE		
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"; and 590 "Federal income taxes on extraordinary 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					
2					
3					
4			NOT APPLICABLE		
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: Guaranteed interest on bonds (d)	Guaranteed dividends on stocks (e)	Cash (f)	Remarks (g)	Line No.
$	$	$		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 comapny 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 WHOLE mile adjusted to accord with footings, i.e., counting one-half mile and over as a whole mile and disregarding any fraction less than one-half 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				3.58		15.37
2	Co.								
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)

Line No.	Name of road	(Enter names of States or Territories in the column headings) California										Total
25	Amador Central Railroad											
26	Company	11.79										
27												
28												
29												
30												
31												

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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 WHOLE mile adjusted to accord with footings, i.e.: counting one-half mile and over as a whole mile and disregarding any fraction less than one-half 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 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 (a)	AVERAGE NUMBER OF EMPLOYEES IN SERVICE: Executives, general officers, and staff assistants (b)	Other employees (c)	Total employees (d)	TOTAL COMPENSATION DURING YEAR: 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 change made during 1977.								
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								

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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.

Schedule 595.—COMPETITIVE BIDDING — CLAYTON ANTITRUST ACT

Section 10 of the Clayton Antitrust Act (15 U.S.C. 20) states that "no common carrier engaged in commerce shall have any dealings in securities, supplies or other articles of commerce, or shall make or have any contracts for construction or maintenance of any kind, to the amount of more than $50,000, in the aggregate, in any one year, with another corporation, firm, partnership or association when the said common carrier shall have upon its board of directors or as its president, manager or as its purchasing or selling officer, or agent in the particular transaction, any person who is at the same time a director, manager, or purchasing or selling officer of, or who has any substantial interest in, such other corporation, firm, partnership or association, unless and except such purchases shall be made from, or such dealings shall be made with, the bidder whose bid is the most favorable to such common carrier, to be ascertained by competitive bidding under regulations to be prescribed by rule or otherwise by the Interstate Commerce Commission." The specification for competitive bids is found in the Code of Federal Regulations, Part 1010-Competitive Bids through Part 1010.7 - Carriers Subject to the Interstate Commerce Act.

In column (g), identify the company awarded the bid by including company name and address, name and title of respondent officers, directors, selling officer, purchasing officer and/or general manager that has an affiliation with the seller.

Line No.	Nature of bid (a)	Date Published (b)	Contract number (c)	No. of bidders (d)	Method of awarding bid (e)	Date filed with the Commission (f)	Company awarded bid (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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16							
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21							
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23							
24							
25							
26							
27							
28							
29							
30							

Lessor Initials AFPC

Year 1977

NOTES AND REMARKS

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:

G. U. Rother (Insert here the name of the affiant) makes oath and says that he is Vice President and Treasurer (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, 1977, to and including December 31, 1977

GWR

G. Rother
(Signature of affiant)

Subscribed and sworn to before me, a Notary Public, in and for the State and county above named, this 30th day of March, 1978

My commission expires June 24, 1978 [Use an L.S. impression seal]

OFFICIAL SEAL
MARIANNE HETHERINGTON
NOTARY PUBLIC - CALIFORNIA
CITY & COUNTY OF SAN FRANCISCO
My Commission Expires June 24, 1978

Marianne Hetherington
(Signature of officer authorized to administer oaths)

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 Makes oath and says that he is President
(Insert here the name of the affiant) (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 77, to and including December 31, 19 77

TMA

x 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 30th day of March, 19 78

My commission expires June 24, 1978 [Use an L. S. impression seal]

OFFICIAL SEAL
MARIANNE HETHERINGTON
NOTARY PUBLIC - CALIFORNIA
CITY & COUNTY OF SAN FRANCISCO
My Commission Expires June 24, 1978

Marianne Hetherington
(Signature of officer authorized to administer oaths)

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

U. S. GOVERNMENT PRINTING OFFICE : 1977 O - 249-931 (R-4)

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