16579

75134

Corporation Number
75134

ARTICLES OF INCORPORATION

of the

A & F SPRING COMPANY
(Copy)

FILED

NOV 15 1913

H. J. LELANDE, Clerk
By [signature]
Deputy

G. C. DeGARMO
ATTORNEY AT LAW
[redacted]
[redacted] LOS ANGELES, CAL.
836 TITLE INSURANCE BUILDING
COR. 5TH & SPRING STS.

PARKER & STONE CO. LAW PRINTERS 258 NEW HIGH ST. L.A.

FILED
in the office of the Secretary of State
OF THE STATE OF CALIFORNIA

NOV 17 1913

FRANK C. JORDAN
Secretary of State.
By [signature]
Deputy.

Recorded in Book
3 09 at page 39

ARTICLES OF INCORPORATION

-of the-

A & F SPRING COMPANY

Under the Laws

Of The State of California

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, all of whom are citizens and residents of the State of California, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the State of California.

AND WE HEREBY CERTIFY,

First: That the name of the Corporation shall be the A & F Spring Company.

Second: That the purposes for which it is formed are to make, manufacture, buy, sell and dispose of springs of every kind and character; to do a general blacksmithing, repair and manufacturing business; to own, hold, acquire, lease, mortgage and dispose of real and personal property of every kind and description; to own, hold, acquire, sell and dispose of stock in any other corporation or partnership; and to do anything else that may be necessary, useful or advantageous in connection with said business.

Third: That the place where the principal business of said Corporation is to be transacted is the city of Los Angeles, state of California.

Fourth: That the term for which said corporation is to exist is fifty(50) years, from and after the date of its Incorporation.

Fifth: That the number of Directors or Trustees of said Corporation shall be five(5) and that the names and residences of the Directors or Trustees, who are appointed for the first year, and to serve until the election and qualification of such officers are as follows, to-wit:

RMC002

Names	Whose Residence is at
C. S. Fleming	Los Angeles, California
T. J. Wright	Los Angeles, California
Herbert Athons	Los Angeles, California
Ellwood De Garmo	Los Angeles, California
G. C. De Garmo	Los Angeles, California

Sixth: That the amount of the capital stock of said Corporation is Twenty five thousand dollars ($25,000.00), and the number of shares into which it is divided is Two hundred fifty (250) shares of the par value of One hundred dollars ($100.00) each.

Seventh: That the amount of said capital stock which has been actually subscribed is Five hundred dollars ($500.00), and the following are the names of the persons by whom the same has been subscribed, to-wit:

Names of Subscribers	No. of Shares	Amount.
C. S. Fleming	1	$100.00
T. J. Wright	1	100.00
Herbert Athons	1	100.00
Ellwood De Garmo	1	100.00
G. C. De Garmo	1	100.00

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 14th day of November nineteen hundred and thirteen.

C. S. Fleming

T. J. Wright

Herbert Athons

Ellwood De Garmo

G. C. De Garmo

RMC003

State of California, }
County of Los Angeles. } ss.

On this 14th day of November in the year nineteen hundred and thirteen, before me Eliza P. Houghton, a Notary Public in and for said County, residing therein, duly commissioned and sworn, personally appeared C. S. Fleming, T. J. Wright, Herbert Athone, Ellwood De Garmo and O. C. De Garmo known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

Witness my hand and official seal.

(Notarial Seal)

Eliza P. Houghton
Notary Public in and for said
Los Angeles County, State of
California

State of California, }
County of Los Angeles. } ss

I, Harry J. Lelande, County Clerk of the County of Los Angeles, State of California, do hereby certify the within to be a full, true and correct copy of Articles of Incorporation of the A & W Spring Company as remains on file in this office.

Witness my hand and official seal this 15 day of November, 1913.

HARRY J. LELANDE
Clerk

By N. L. Walton
Deputy Clerk

RMC004

Alex Padilla
California Secretary of State

Business Search - Entity Detail

The California Business Search is updated daily and reflects work processed through Tuesday, September 19, 2017. Please refer to document **Processing Times** for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity. Not all images are available online.

C0075134 UNITED STATES SPRING & BUMPER CO.

Registration Date:	11/17/1913
Jurisdiction:	CALIFORNIA
Entity Type:	DOMESTIC STOCK
Status:	DISSOLVED
Agent for Service of Process:	*
Entity Address:	*
Entity Mailing Address:	*

Document Type	File Date	PDF
DISSOLUTION	04/04/1956	Image unavailable. Please request paper copy.
REGISTRATION	11/17/1913	Image unavailable. Please request paper copy.

* Indicates the information is not contained in the California Secretary of State's database.

- If the status of the corporation is "Surrender," the agent for service of process is automatically revoked. Please refer to California Corporations Code **section 2114** for information relating to service upon corporations that have surrendered.
- For information on checking or reserving a name, refer to **Name Availability**.
- If the image is not available online, for information on ordering a copy refer to **Information Requests**.
- For information on ordering certificates, status reports, certified copies of documents and copies of documents not currently available in the Business Search or to request a more extensive search for records, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Frequently Asked Questions**.

Modify Search | New Search | Back to Search Results

Ind 87

No. 50287

Department of State
Low Stock Number

IN THE

SUPERIOR COURT

OF THE

STATE OF CALIFORNIA,

In and for the County of Los Angeles.

In the Matter of the Application of A. & F. Spring Company for change of name.

Plaintiff

vs.

United States Spring Co

Defendant

Decree Changing Name.

Filed June 1 1917 191

H. J. LELANDE, Clerk, Clerk,

By A. F. Gregg Deputy Deputy Clerk.

[redacted] of the within 1917

Entered June 12 1917 191

Book 412 PAGE 137

By Teresa Hope DEPUTY CLERK

Attorney for

W. W. BUTLER

OFFICES REMOVED TO

611-613 AMERICAN BANK BUILDING

129 WEST 2ND ST. SUITE 610 TITLE INSURANCE BLDG. LOS ANGELES, CAL.

FIFTH AND SPRING STREETS

Attorney for

PARKER & STONE CO. LAW PRINTERS 238 NEW HIGH STREET L. A.

FILED

In the office of the Secretary of State
OF THE STATE OF CALIFORNIA

NOV 27 1917

FRANK C. JORDAN,
SECRETARY OF STATE

By Frank C. Jordan
DEPUTY

Page Number 2403

RMC006

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA,

IN AND FOR THE COUNTY OF LOS ANGELES.

In the Matter of the Application of)
A. & F. SPRING COMPANY for change)
of Name.)

The above entitled matter having come regularly on for hearing on the 4th day of June, 1917, and it appearing that all of the allegations of the petition are true, and that notice of the hearing of said petition of A. & F. Spring Company to have its name changed to United States Spring Co. has been given as required by law, and no person having made any objection to the same, it is ordered, adjudged and decreed that the name of A. & F. Spring Company, a corporation organized and existing under the laws of the State of California, be and the same is hereby changed to United States Spring Co.

Dated at Los Angeles, California, this 4th day of June, 1917.

J. P. Wood.
Judge.

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RMC007

STATE OF CALIFORNIA, } ss.
COUNTY OF LOS ANGELES

No. B 50287

I, **H. J. LELANDE,** *County Clerk and ex-officio Clerk of the Superior Court, do hereby certify the foregoing to be a full, true and correct copy of the original* Decree Changing Name Inc. A F Spring Company *on file in my office, and that I have carefully compared the same with the original.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Superior Court this* 21 *day of* Nov *191*7

H. J. LELANDE, County Clerk.

By C C Cr[illegible]
Deputy Clerk.

(75-Clerk—Certified Copy)

RMC008

No. 255674 Dept. 51

Department of State
Corporation Number
75134

IN THE

SUPERIOR COURT

OF THE

STATE OF CALIFORNIA,

In and for the County of Los Angeles.

IN THE MATTER OF THE
APPLICATION OF UNITED
STATES SPRING CO. FOR Plaintiff
vs.
CHANGE OF NAME.

Defendant

DECREE CHANGING CORPORATE
NAME.

Filed Sep 26, 1928 192

Clerk,

By Guy Stoner Deputy Clerk.

Received copy of the within Sep 28, 1928

BOOK 686 PAGE 135

BY Marie Hurt DEPUTY

this day of

Attorney for

W. W. BUTLER
603 STOCK EXCHANGE BUILDING
LOS ANGELES, CAL.

Attorney for Petitioner

PARKER & STONE CO., LAW PRINTERS, 221 NEW HIGH STREET, L. A.

Posted

FILED

in the office of the Secretary of State
OF THE STATE OF CALIFORNIA
OCT 9 - 1928
FRANK C. JORDAN
SECRETARY OF STATE
By Frank C. Jordan
DEPUTY

JOURNAL
Page Number
4942

RMC009

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF LOS ANGELES.

In the Matter of the Application of United States Spring Co. for Change of Name.	DECREE CHANGING CORPORATE NAME.

The petition of United States Spring Co. for change of name having come regularly on for hearing, and it appearing to the court that all of the allegations of the petition are true, and that no reason exists why the name of said corporation should not be changed as prayed for in said petition, but that good reason exists therefor, and no objections to said change having been made or filed;

NOW THEREFORE, it is ORDERED that the name of United States Spring Co. be, and the same is hereby changed to United States Spring & Bumper Co.

Dated: September ~~12~~ 26th, 1928.

Rubin S. Schmidt
Co S
JUDGE.

THE FOREGOING INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE.
ATTEST Sept 29 1928
L. E. LAMPTON, COUNTY CLERK AND CLERK OF THE SUPERIOR COURT IN AND FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.
BY Emma Gibson DEPUTY

Law Offices of W. W. SUTLER 603 Stock Exchange Building Los Angeles, California

18

RMC010

Best Copy Available

FILED
in the office of the Secretary of State
OF THE STATE OF CALIFORNIA
JAN 22 1930
FRANK C. JORDAN
SECRETARY OF STATE
By Chas J Hagerty DEPUTY

137575

ARTICLES OF INCORPORATION

- OF -

RHEEM MANUFACTURING COMPANY.

KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned, RICHARD S. RHEEM, DONALD L. RHEEM, WILLIAM K. RHEEM, FRANK SUTCLIFFE, and HERBERT E. HALL, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the State of California, and we hereby certify and declare:

FIRST: That the name of this corporation is "RHEEM MANUFACTURING COMPANY".

SECOND: That the purposes for which this corporation is formed are as follows:

1. To manufacture, construct, repair, own, buy, lease from others or otherwise acquire, sell, either at wholesale or retail, convey, transfer, lease to others or otherwise dispose of, mortgage or otherwise encumber, any and all kinds of machinery, tools, equipment, appliances, containers, and range boilers, and generally all other articles of every kind and nature whatsoever.

2. To apply for, obtain, register, purchase, lease, or otherwise acquire, hold, own, use, operate, introduce, develop or control, sell, assign, or otherwise dispose of, take or grant licenses, patents, and trade marks, or other rights with respect thereto, and in any and all ways to exploit or turn to account inventions, improvements, processes, copy-

RMC011

rights, patents, trade marks, formulae, trade names, and distinctive marks, and similar rights of any and all kinds, whether granted, registered or established by or under the laws of the United States or of any other State, Country or place.

3. To construct and erect buildings for the accommodation of its own business, and for any other business purpose or use, and to buy, lease, or otherwise acquire, own and hold, sell, lease, or otherwise dispose of and mortgage, or otherwise encumber, buildings and real property.

4. To manufacture, purchase, or otherwise acquire, goods wares, merchandise, and personal property of every class and description, and to hold, own, sell, pledge, exchange, or otherwise dispose of, trade in and deal in and with the same.

5. To borrow and lend money, and for moneys borrowed or in payment for property acquired, or for any other obligations or purposes of this corporation, or otherwise, in connection with the transaction of any part of its business, to issue bonds, debentures, notes, and other obligations, secured and unsecured, and to mortgage, pledge or hypothecate any and all of its property and assets as security therefor.

6. To acquire the business, good will, and/or property of any person, firm or corporation, and to pay for the same in cash, stock or bonds of this corporation, or otherwise.

7. To contract for, obtain, purchase and acquire, sell, exchange, mortgage, pledge, grant, transfer and assign, own and hold, and generally deal in and dispose of, shares of the capital stock, bonds, debentures, promissory notes, and securities of every character issued by any individual, firm, corporation, government, state, municipality, and/or political subdivision.

137575

RMC012

8. To conduct the business of a distributing agent for the purposes of buying, selling, and distributing manufactured products or finished products of any kind and description, or the raw materials or compounds which form the constituent parts of the finished products, either at wholesale or retail.

9. To have and establish one or more offices and branch offices, and to conduct its business in all of its branches, and to hold, purchase, and convey its real and personal property within the State of California, and in all other States and portions of the United States, and in all foreign countries.

10. In general to carry on any other business in connection with the foregoing, whether manufacturing or otherwise, and to have and to exercise all of the powers conferred by the laws of the State of California upon corporations formed under the laws of this State.

THIRD: That the place where the principal place of business of this corporation is to be transacted is the County of Alameda, State of California.

FOURTH: That the number of shares which may be issued by this corporation is twenty-six thousand (26,000). That the shares of this corporation are without par value.

FIFTH: That the shares of this corporation shall be classified as preferred shares and common shares. That the number of shares to which no preference is granted is seventeen thousand (17,000), that the number of shares to which preference is granted is nine thousand (9,000), and the nature and extent of the preference granted is as follows, to wit:

137575

RMC013

The holders of said preferred shares are and shall be entitled to receive from the surplus or net profits arising from the business of this corporation, when and as declared by the Board of Directors of this corporation, dividends at the rate of Six ($6.00) Dollars per share per annum, and no more, payable semi-annually, on January first and July first of every year. The dividend on said preferred shares to the extent of Six ($6.00) Dollars per share, and no more, shall be either paid or set apart for payment on all of the issued and outstanding shares thereof before any dividend on said common shares shall either be declared, paid or set apart for payment, and the holders thereof shall not be entitled to participate in any other or additional profits. Such dividends upon said preferred shares shall be cumulative after January 1st, 1931.

When in any given calendar year both the semi-annual installments of the dividend for the current year on said issued and outstanding preferred shares shall have been declared and paid, or set apart for payment, the Board of Directors may declare dividends on the issued and outstanding common shares, payable then or thereafter, out of the remaining surplus, and any profits arising out of the business of this corporation.

Upon the liquidation, dissolution or winding up of the affairs of this corporation at any time and in any manner, holders of the issued and outstanding preferred shares shall be entitled to receive and be paid in full an amount equal to One Hundred ($100) Dollars per share, together with any accrued dividends, before anything shall be paid to the holders of the issued and outstanding common shares.

On such liquidation, dissolution, or winding up of the affairs of this corporation, after the holders of the is-

137575

RMC014

sued and outstanding preferred shares shall have been paid in full the amount to which they are and shall be entitled hereunder, the holders of the issued and outstanding common shares shall be entitled to receive and to have paid to them the entire residue of the assets of this corporation in proportion to the number of shares held by them respectively.

SIXTH: The total number of shares which have been actually subscribed is five (5) of the preferred shares.

That the names of the subscribers, number of shares subscribed, and the amounts to be paid by them for such shares, respectively, are as follows:

Richard S. Rheem	1 share	$100
Donald L. Rheem	1 share	$100
William K. Rheem	1 share	$100
Frank Sutcliffe	1 share	$100
Herbert E. Hall	1 share	$100

SEVENTH: That the number of Directors of this corporation is five (5), and the names and places of residence of those who are appointed to act until the first annual meeting of the shareholders or until the selection and qualification of their successors, are as follows:

Richard S. Rheem	Oakland, California
Donald L. Rheem	Oakland, California
William K. Rheem	Oakland, California
Frank Sutcliffe	Toronto, Canada
Herbert E. Hall	Piedmont, California

EIGHTH: That the Directors of this corporation shall have the power to levy assessments upon the shares of this corporation, and may collect the same by action against

137575

RMC015

any shareholder whose shares may become delinquent to pay any such assessment.

IN WITNESS WHEREOF, we have hereunto set our hands this 15th day of January, 1930.

Richard S. Rheem

Donald L. Rheem

F. R. Rheem

Frank Sutcliffe

Cecil E. Hall

137575

RMC016

STATE OF CALIFORNIA,)
) ss:
County of Alameda.)

On this 15th day of January, 1930, before me, William E. Zander, a Notary Public in and for the said County of Alameda, State of California, personally appeared RICHARD S. RHEEM, DONALD L. RHEEM, WILLIAM K. RHEEM, FRANK SUTCLIFFE, and HERBERT E. HALL, known to me to be the persons whose names are subscribed to the foregoing instrument, and they severally duly acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County of Alameda, the day and year first above written.

William E. Zander
Notary Public,
In and for the County of Alameda,
State of California.

137575

RMC017

a report for the investor...

RHEEM MANUFACTURING COMPANY

BLYTH & CO., INC.

March 24, 1954

RMC018

Proposed Acquisition of United States Spring & Bumper Co.

On February 4, 1954 Rheem Manufacturing Company entered into an agreement for the acquisition of United States Spring & Bumper Co. of Los Angeles, through the exchange of 44/100 of a share of Rheem common stock for each share of U.S. Spring common. The offer has been approved by the California Commissioner of Corporations and is contingent upon acceptance by the holders of 85% of U.S. Spring common, and a ruling must be obtained from the Bureau of Internal Revenue that the exchange will not be taxable.

Based upon current market quotations, the proposed acquisition involves the equivalent of approximately $4,700,000. There are 380,000 shares of U.S. Spring common outstanding, approximately 75% of which is owned by members of the Rauen family. There are also outstanding 20,321 shares of 4½% Cumulative Convertible Preferred Stock which it is planned will be redeemed at $52 a share.

If the purchase is consummated, it is planned to operate U.S. Spring as a Rheem subsidiary, with John B. Rauen, Sr., continuing as president and the remainder of the present management will be retained. In announcing the agreement, the Rheem management stated, "The reason for the offer is to further broaden the diversification of our company's product. At the present time Rheem manufactures a line of fabricated metal products primarily made of steel, with substantial distribution to the oil, chemical, food and building industries, but with no substantial distribution in the automotive field. We want to share in the tremendous growth in the automotive activity, which shows every sign of continuing indefinitely in Southern California and the Western states."

In its fiscal year ended August 31, 1953, U.S. Spring had net sales of $19,500,000 and net earnings of $700,550, which after preferred dividends, amounted to $1.72 a share on the common stock. Incorporated in 1913, U.S. Spring manufactures automotive leaf and coil springs and bumpers, farm tools, metal highway safety guards and road-center dividers. Springs and bumpers, which are the most important products, are supplied as original equipment to the major passenger automobile assembly plants on the Pacific Coast.

RMC019

EXHIBIT "A"
6/27/55

WRITTEN CONSENT OF SHAREHOLDER OF UNITED STATES SPRING & BUMPER CO. TO VOLUNTARY DISSOLUTION

WHEREAS, by resolution, a certified copy of which is attached hereto as Exhibit 1, the Board of Directors of Rheem Manufacturing Company, a California corporation, have voted that it is to the best interest of said Rheem Manufacturing Company that the United States Spring & Bumper Co., a California corporation, wind up its affairs and voluntarily dissolve.

NOW, THEREFORE, the undersigned, Rheem Manufacturing Company, holding of record 380,550 shares of the 380,630 shares outstanding of the Common Stock of the United States Spring & Bumper Co., said holding representing 99.98% of the voting power thereof, does hereby elect to wind up the affairs of said United States Spring & Bumper Co. and voluntarily dissolve it, and does hereby consent to the winding up of the affairs of said United States Spring & Bumper Co. and to its voluntary dissolution.

The undersigned, Rheem Manufacturing Company, does hereby further direct the officers and directors of said United States Spring &

RMC020

Bumper Co. to take such further action as may be necessary or proper to wind up the affairs of said United States Spring & Bumper Co. and to dissolve it.

IN WITNESS WHEREOF, this instrument has been signed by Rheem Manufacturing Company on this 27th day of June, 1955.

RHEEM MANUFACTURING COMPANY

By /s/ G. M. Greenwood
(Vice) President

ATTEST:

/s/ F. F. Lind
(Assistant) Secretary

RMC021

EXHIBIT 1

Certified Copy of Resolution

WHEREAS, this Company owns approximately 99.98% of the Common Stock of United States Spring & Bumper Co., a California corporation, and

WHEREAS, it is believed to be in the best interests of this Company and in the best interests of United States Spring & Bumper Co. that the latter corporation be dissolved and cease its corporate existence; now, therefore, be it

RESOLVED, That the President, or any Vice President, of this Company be, and he hereby is, authorized, empowered and directed to execute, on behalf of this Company as the holder of 380,550 shares of the 380,630 shares outstanding of the Common Stock o United States Spring & Bumper Co., the attached Written Consent of Shareholder of United States Spring & Bumper Co. to Voluntary Dissolution, which written consent is attached hereto as Exhibit "A" and incorporated herein; and be it further

RESOLVED, That the President or any Vice President, of this Company be, and he hereby is, authorized and directed to forward said written consent to the directors of United States Spring & Bumper Co. with the request that appropriate action be taken by said directors in proceeding to wind up the affairs of that corporation; and be it further

RESOLVED, That the President, or any Vice President, of this Company be, and he hereby is, empowered and directed to consent and approve the plan of dissolution or any amendment thereto that shall be adopted by the aforesaid directors of United States Spring & Bumper Co., and to take such other action, and to execute such other documents on behalf of this Company as may be required to effect the aforesaid voluntary dissolution of United States Spring & Bumper Co.; and be it further

RESOLVED, that in the event of a dissolution of the United States Spring & Bumper Co., this Company shall assume any and all indebtednesses and obligations of the United States Spring & Bumper Co. which are unpaid at the time of distribution of the assets of that corporation, and to answer and pay any judgments or executions which may hereafter be levied as a result of any claims against said corporation.

I, F. F. LIND, Assistant Secretary of RHEEM MANUFACTURING COMPANY, a corporation, hereby certify the foregoing to be a full, true and correct copy of a resolution duly adopted by said corporation at a regular meeting of the Board of Directors thereof on June 27, 1955; that said meeting was regularly called and held; that a quorum was present and acted throughout said meeting; that said resolution was unanimously adopted, and ever since has been, and now is, in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said corporation, this 27th day of June, 1955.

F. F. Lind

Assistant Secretary of
RHEEM MANUFACTURING COMPANY

CERTIFICATE OF ELECTION OF

UNITED STATES SPRING & BUMPER COMPANY

TO WIND UP AND DISSOLVE.

The undersigned, Frank G. Fisher and John L. Mechem, do hereby certify that they are and have been at all times herein mentioned, respectively, the duly elected and acting vice president and secretary of United States Spring & Bumper Company, a California corporation; and they do hereby further certify and state:

(1) That said corporation has elected to wind up and dissolve; and

(2) That Rheem Manufacturing Company, as holder of 380,550 shares representing 99.98% of the voting power of said corporation, has elected by written consent that United States Spring & Bumper Company shall wind up its affairs and voluntarily dissolve; that attached hereto marked Exhibit "A" and made a part hereof is a full, true and correct copy of the form of such written consent; and

(3) That the total number of issued and outstanding shares of said corporation entitled to vote is 380,630.

IN WITNESS WHEREOF, the undersigned have executed this certificate this 7th day of September, 1955.

UNITED STATES SPRING & BUMPER COMPANY

By Frank G. Fisher
Vice President

By John Mechem
Secretary

RMC024

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

FRANK G. FISHER, being first duly sworn, deposes and says that he is the Vice President of United States Spring & Bumper Co., a California corporation; that he has read the foregoing Certificate, knows the contents thereof and the same is true of his own knowledge.

Frank G. Fisher
Vice President of
United States Spring & Bumper Co.

Subscribed and sworn to before me
this 26th day of September, 1955.

Linda S. Grigl
Notary Public in and for said
County and State.
My Commission Expires Oct. 19, 1958

STATE OF CALIFORNIA)
) ss.
COUNTY OF CONTRA COSTA)

JOHN MECHEM, being first duly sworn, deposes and says that he is the Secretary of United States Spring & Bumper Co., a California corporation; that he has read the foregoing Certificate, knows the contents thereof and the same is true of his own knowledge.

John Mechem
Secretary of
United States Spring & Bumper Co.

Subscribed and sworn to before me
this 27th day of September, 1955.

[illegible]
Notary Public in and for said
County and State.
My Commission Expires January 13, 1958

RMC025

USSB Dissolution

WHEREAS, United States Spring & Bumper Co., a wholly owned subsidiary of this Company, has heretofore filed with the Secretary of State of California a Certificate of Election to Wind Up and Dissolve; and

WHEREAS, pursuant thereto, a distribution of the properties of said company was made as of December 31, 1955, and said company has been wound up and dissolved; and

WHEREAS, it is the desire of this Board that, commencing with January 1, 1956, the business formerly carried on by said United States Spring & Bumper Co. shall be continued to be operated as a division of this Company under the fictitious name and style of "Rheem Automotive Company"; now, therefore, be it

RESOLVED, That, effective January 1, 1956, the business operations formerly carried on by said United States Spring & Bumper Co. shall be operated as a division of Rheem Manufacturing Company under the fictitious name and style of "Rheem Automotive Company" and the President or any Vice President and the Secretary or any Assistant Secretary of this Company are hereby authorized and directed to cause the preparation and execution of and the filing, recording and publishing of any and all public notices or documents required by law to evidence and disclose the foregoing action; and be it

FURTHER RESOLVED, That the said Rheem Automotive Company shall be managed by employees of this Company who shall have the following titles:

Vice President and General Manager of Rheem Automotive Company

Vice President of Rheem Automotive Company

Vice President in Charge of Sales of Rheem Automotive Company;

and be it

FURTHER RESOLVED, That any Vice President of said Rheem Automotive Company is hereby authorized on behalf of this Company to enter into and execute any contract of purchase and sale of goods in the normal course of business, any distributorship or dealer agreement or any other contract or commitment required in the normal course of business of said Rheem Automotive Company at such prices and upon such terms and conditions as said officers may deem for the best interests of this Company; provided, however, that no fixed asset of this Company whose then value is in excess of $250.00 or a cost value of $1,000.00 or more, shall be sold or otherwise disposed of without the prior consent and approval of the Treasurer of this Company and provided, further, that no fixed asset in excess of $500.00 shall be purchased without the prior consent of the Treasurer of this Company; provided, further, that procedures set forth in the Rheem Standard Procedures Basic Policy Manual, as from time to time amended, shall be followed; provided further that any agreement

with a collective bargaining agent acting on behalf of the employees of Rheem Automotive Company concerning his wages, hours, working conditions and employment benefits shall be subject to the approval of this Board; and provided further that all borrowings, guarantees and surety obligations other than as specifically set forth in these resolutions shall be subject to the prior approval of said Board; and be it

FURTHER RESOLVED, That any Vice President of said Rheem Automotive Company may, commencing January 1, 1956, open such accounts in the name of Rheem Automotive Company in such banks as may be selected by the Treasurer of this Company, and checks may be drawn on any such banks in accordance with resolutions from time to time adopted; and be it

FURTHER RESOLVED, That any Vice President of Rheem Automotive Company may, on behalf of this Company, execute all necessary bonds and surety agreements for the performance of bids, proposals or contracts as may be required in the normal course of business of said Rheem Automotive Company; and be it

FURTHER RESOLVED, That any Vice President of Rheem Automotive Company is hereby authorized on behalf of this Company to make any offer, bid or proposal to or to enter into and execute any contract with the United States Government or any state government or any county or municipal government or any department or subdivision thereof for the sale of any products at such prices and upon such terms and conditions as they may deem for the best interests of this Company, provided, however, that in the event any such offer, bid or proposal would entail an increase in assets, including accounts receivable, inventories and pre-production expense, in an amount greater than 5% of the current level of assets of Rheem Automotive Company, approval must be received from the General Manager and Treasurer of this Company prior to submission of the bid, and provided further that the procedures set forth in the Rheem Standard Procedures Basic Policy Manual, as from time to time amended, shall be followed.

PLAN OF DISSOLUTION

United States Spring & Bumper Company, hereinafter called the "Corporation", is a corporation duly organized and existing under the laws of the State of California with a principal office therein in Los Angeles County. It has outstanding a total of 380,630 shares of its common stock, which is the only class of stock presently outstanding.

Rheem Manufacturing Company, a California corporation, is the owner of 380,550 shares of said common stock, representing 99.98% of the total outstanding stock of the Corporation. Rheem Manufacturing Company will continue to hold all of such shares until dissolution of the Corporation.

By resolution of its Board of Directors and by consent of its principal shareholder, the Corporation elected to wind up its affairs and dissolve and pursuant to the laws of the State of California, notice of such election was duly filed in the Office of the Secretary of State of California on or about September 29, 1955 and in the Office of the County Clerk of Los Angeles County, California, on or about October 7, 1955.

It is contemplated by the Board of Directors of the Company that as of December 31, 1955 the affairs of the corporation will be wound up and terminated by the following transactions:

1. Transfer of all of the assets of the Corporation, subject to its liabilities, to Rheem Manufacturing Company.

2. Surrender by Rheem Manufacturing Company, for cancellation, of all the shares of stock which it owns in the Corporation.

3. Assumption by Rheem Manufacturing Company of all liabilities of the Corporation, actual or contingent.

4. Creation of a fund determined by the Board of Directors to be the fair value of the 80 shares not owned by Rheem Manufacturing Company for payment to such shareholders for surrender of their shares.

The undersigned, JOHN MECHEM, hereby certifies: that he is the Secretary of United States Spring & Bumper Company, a California corporation; that the foregoing is a full, true and correct copy of the Plan of Dissolution duly adopted by the Board of Directors of said Corporation at a meeting thereof duly held on September 15, 1955, at which meeting a quorum of said Board was at all times present and acting; and that said Plan of Dissolution has not been modified or rescinded and is at the date of this certificate in full force and effect.

IN WITNESS WHEREOF, the undersigned has executed this certificate and affixed the corporate seal of said Corporation this 8th day of November, 1955.

John Mechem

John Mechem, Secretary

RMC029

FT-170

USSB
Taxes
General

STATE OF CALIFORNIA

OFFICE OF

Franchise Tax Board

SACRAMENTO

February 28, 1956

United States Spring & Bumper Co.
c/o Rheem Manufacturing Company
80 Chesley Avenue
Richmond 4, California

Attention: Walter S. Lewis,
Assistant General Attorney

UNITED STATES SPRING & BUMPER CO.

No. 75134

a corporation

Tax Clearance Certificate

THIS IS TO CERTIFY That all taxes imposed on the above-named corporation under the Bank and Corporation Tax Law have been paid or are secured by bonds, deposit or otherwise, for the period up to and including June 30 19 56. This certificate expires on July 13 19 56.

FRANCHISE TAX BOARD
John J. Campbell
Executive Officer

By J. R. Morgan
Chief, Franchise Tax Division

UNLESS DISSOLUTION OR WITHDRAWAL PROCEEDINGS ARE COMPLETED PRIOR TO THE DATE THIS CERTIFICATE EXPIRES, ADDITIONAL TAX MAY ACCRUE AND RETURNS MAY BE REQUIRED.

Such proceedings are handled by the office of the Secretary of State, Sacramento, California. A copy of this tax clearance certificate has been sent to the Secretary of State by this Board. The original may be retained for the files of the corporation.

The issuance of this certificate does not relieve the taxpayer, or any person liable at law or in equity, for any liability accrued prior to the effective date of dissolution or withdrawal as recorded by the Secretary of State.

REM:bm

RMC030

23462 9-55 3M QUAD ② SPO

Endorsed - Filed
In the Office of the Secretary of State
of the State of California
April 4, 1956
Frank M. Jordan, Secretary of State

CERTIFICATE OF WINDING UP AND DISSOLUTION

OF

UNITED STATES SPRING & BUMPER COMPANY,

A CALIFORNIA CORPORATION.

The undersigned do hereby certify that they are a majority of the directors of UNITED STATES SPRING & BUMPER COMPANY, a California corporation, and they do further hereby certify and state:

ONE: That on the 29th day of September, 1955, a certificate, signed, acknowledged and verified in accordance with Section 4603 of the California Corporations Code, was filed with the California Secretary of State stating that said corporation had elected to wind up and dissolve; that a copy of said certificate, duly certified by the Secretary of State, was thereafter on the 10th day of October, 1955, filed in the Office of the County Clerk of Los Angeles County, California, being the county in which the principal office of said corporation is located.

TWO: That the directors of said corporation have heretofore caused written notice of the commencement of the proceeding for the winding up of said corporation to be given by mail to all its shareholders and to all its known creditors and claimants whose addresses appear on the records of the corporation, in accordance with Section 4605 of the California Corporations Code.

THREE: That (a) Said corporation has been completely wound up.

(b) Said corporation's known debts and liabilities have been actually paid or adequately provided for by the assumption of all such unpaid debts and liabilities by Rheem Manufacturing Company, a California corporation, the address of the principal office of which is 801 Chesley Avenue, Richmond 4, California, pursuant to an agreement dated December 31, 1955 between said corporation and Rheem Manufacturing

Company, by virtue of which the said Rheem Manufacturing Company assumed and became responsible for all of the debts and liabilities of said corporation remaining unpaid as of December 31, 1955 and said corporation has paid all its franchise taxes due unto the Bank and Corporation Franchise Tax law as indicated by the tax clearance signed by the California Franchise Tax Commissioner dated , 1956, attached hereto as Exhibit "A"; and

(c) All known assets of said corporation have been distributed.

IN WITNESS WHEREOF, the undersigned have executed this certificate this day of 1956.

G. M. Greenwood

L. W. Evans

W. E. Zander

Frank G. Fisher

A Majority of Directors of
United States Spring & Bumper Company

RMC032

STATE OF CALIFORNIA)
) ss.
COUNTY OF CONTRA COSTA)

G. M. GREENWOOD and L. W. EVANS, being first duly sworn, depose and say that they are Directors of United States Spring & Bumper Company, a California corporation; that they have read the foregoing Certificate, know the contents thereof and the same is true of their own knowledge.

G. M. Greenwood

L. W. Evans

Subscribed and sworn to before me
this ____ day of _____, 1956.

Notary Public in and for said
County and State.

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

W. E. ZANDER, being first duly sworn, deposes and says that he is a Director of United States Spring & Bumper Company, a California corporation; that he has read the foregoing Certificate, knows the contents thereof and the same is true of his own knowledge

W. E. Zander

Subscribed and sworn to before me
this ____ day of _____, 1956.

Notary Public in and for said
County and State.

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

FRANK G. FISHER, being first duly sworn, deposes and says that he is a Director of United States Spring & Bumper Company, a California corporation; that he has read the foregoing Certificate, knows the contents thereof and the same is true of his own knowledge.

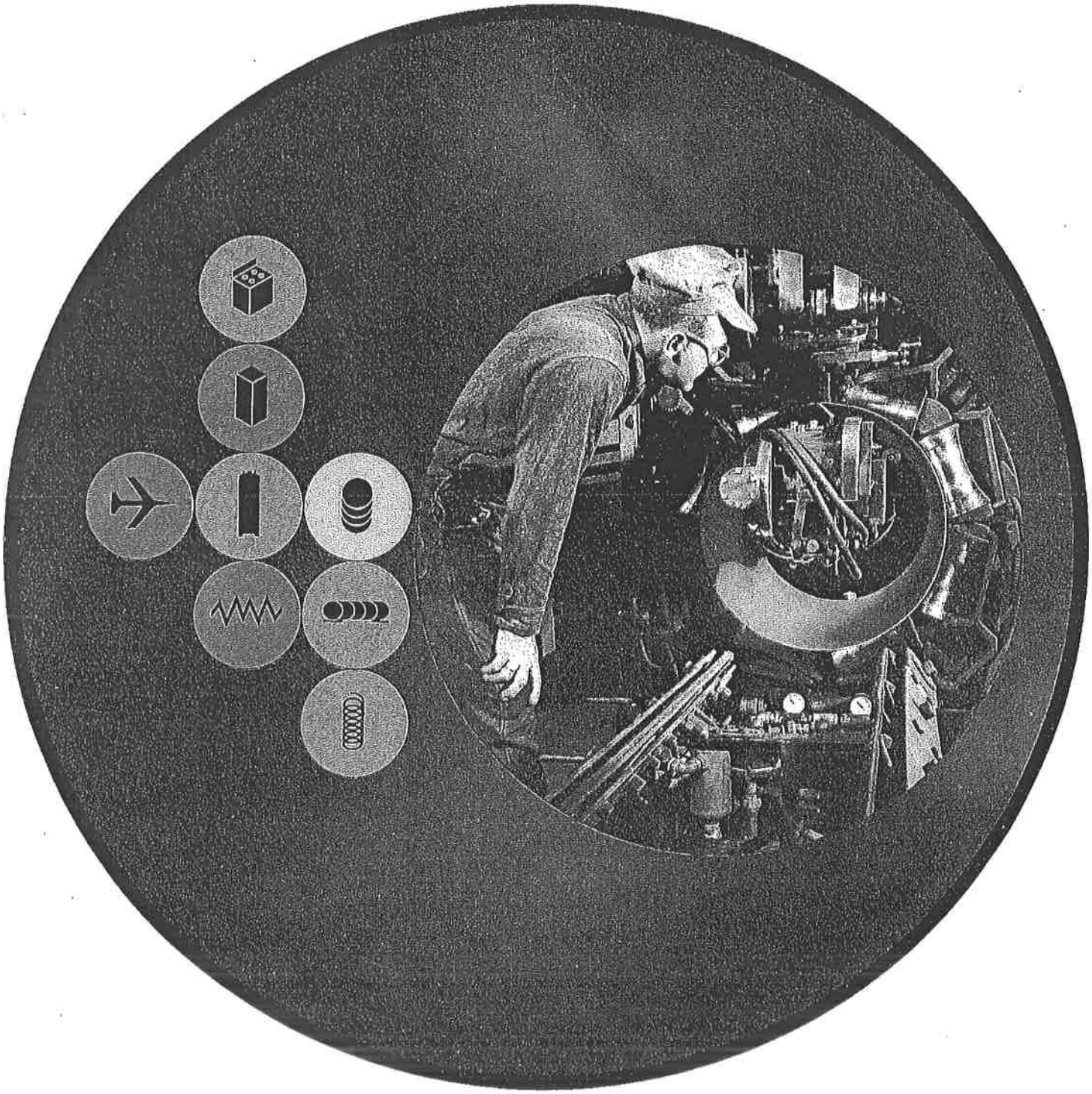
Frank G. Fisher

Subscribed and sworn to before me
this ____ day of _____, 1956.

Notary Public in and for said
County and State.

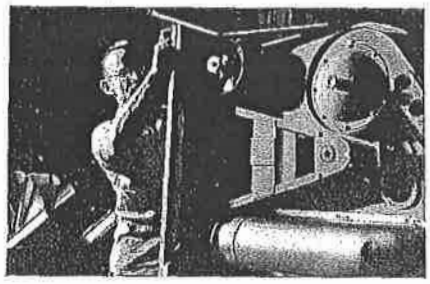
PERMANENT RETENTION 1955
R. Tonitto

RHEEM MANUFACTURING COMPANY | ANNUAL REPORT | 1955



RMC035

Appliances



Sales of appliances increased by 9 per cent in 1955, and a further increase of 20 per cent is expected for 1956.

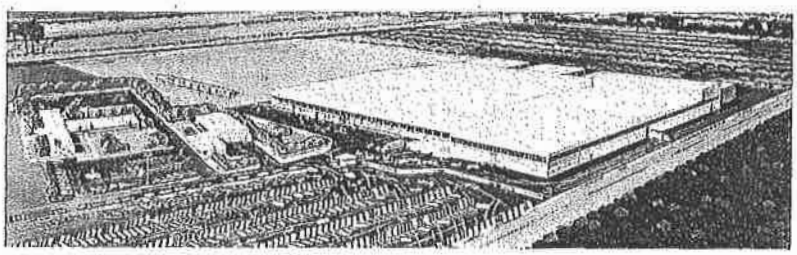
As a forerunner of our plans for national distribution, a pattern was developed to extend sales of Rheem's Wedgewood gas ranges east of the Rocky Mountains. The entire product line has been redesigned, incorporating many new features which will give greater impetus to our merchandising programs. A new popular-price range has been added, improving the company's competitive position.

Manufacturing economies resulted from the redesign of the product line and from major improvements in production facilities at the Newark, California, plant.

Early in the summer of 1955, production of the unique Rheem-Wedgewood clothes dryer was moved from South Gate to our Chicago plant. This brought the site of manufacture of this important item closer to the huge Midwestern and Eastern markets. As a result of this move, we anticipate that our 1956 dryer sales will be almost double the sales for 1955.

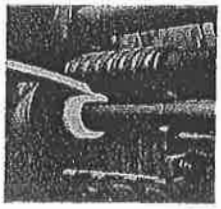
Automotive

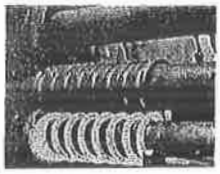
The substantial increase in sales attained by this division in 1955 attests to its effective penetration of the Western market. During 1956, we will start filling the first order for business outside that market, a sizable order for bumpers received last year from the Ford Motor Company plant at Dallas.



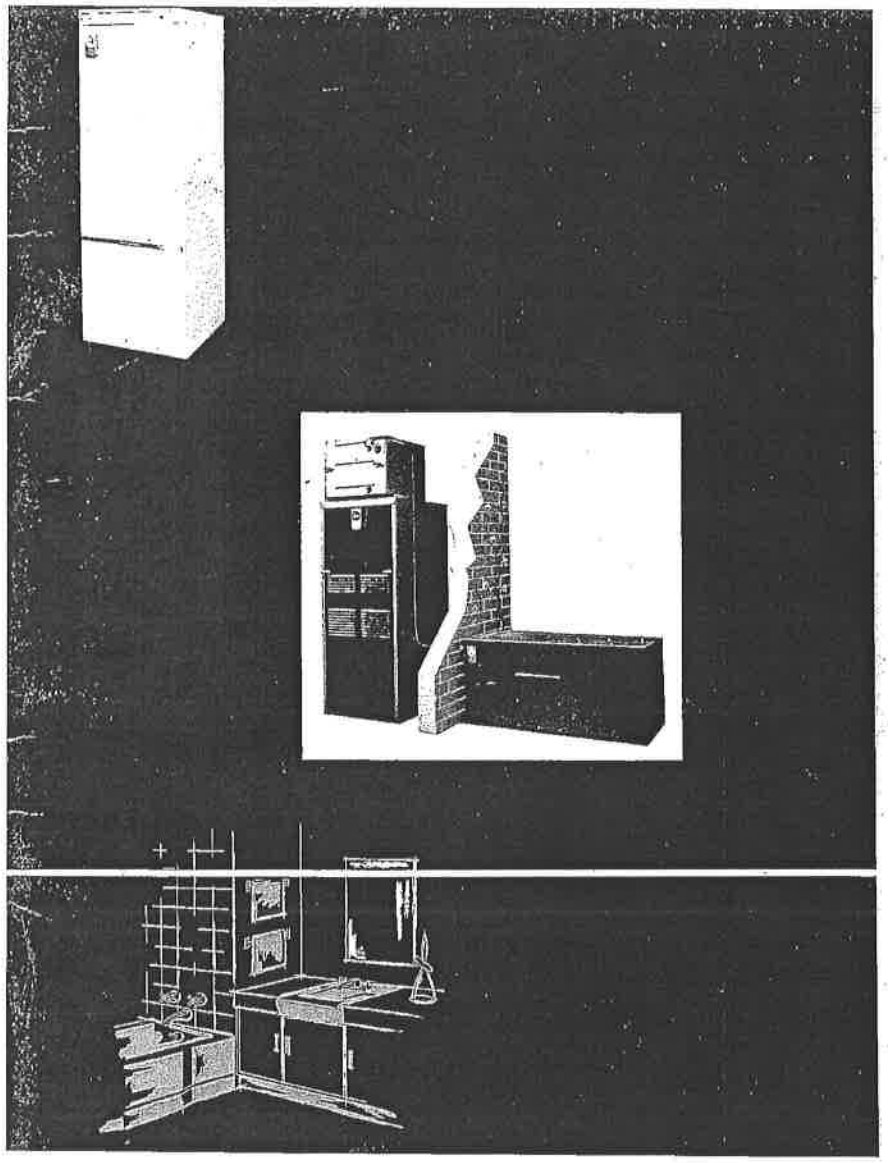
The expansion of this division required entirely new manufacturing facilities. We are now constructing a new plant at Fullerton which will provide modern, automated, high-volume production lines. This facility will be in operation within a few months.

Utilizing the modern manufacturing methods made possible by its new plant, the Automotive Division will redesign and expand its line of farm tools, and anticipates a material increase in the sales of these products.





RMC036



RHEEM MANUFACTURING COMPANY

annual report **1956**

RMC037

Mergers and Other Changes in Facilities

Effective March 30, 1956, a merger of Richmond Radiator Company, announced in last year's annual report, was carried out on the basis of exchanging four shares of Richmond common stock for one share of Rheem common stock. Richmond manufactures a line of quality plumbing fixtures and has contributed earnings to the Company. Its headquarters is at Metuchen, New Jersey.

On October 17, 1956, your Company acquired as a wholly-owned subsidiary Standard Enameling Company, Culver City, Calif. — manufacturer of Western-Holly and Blue Bonnet cooking ranges, with plants at Culver City and McGregor, Tex. The transaction calls for an issuance of Rheem stock over a five-year period in amounts primarily determined by future profits of Standard Enameling Company. Subsequently, the Company closed its Major Appliance Division plant at Newark, Calif., for manufacturing Wedgewood gas ranges and transferred that production to Culver City. It moved its heating equipment operations to Chicago. The new subsidiary has contributed earnings to the Company.

Unprofitable facilities were disposed of during the year by closing down operations at Cambridge, Mass.; Newark, Calif.; Seattle, Wash.; and Vernon, Calif. In February, 1957, we sold our plant at Uniontown, Penna. These steps were in accord with your management's planned program to close down and sell plants not essential to the Company's sound growth; to eliminate from our product lines those products which consistently show losses or are unimportant to our product structure and to consolidate production facilities in order to provide greater output per dollar of investment.

A government-owned ordnance plant at Burlington, N. J., operated by the Company, has been placed on stand-by.

A modern plant was opened in October, 1956, at Fullerton, Calif., replacing inadequate automotive parts production facilities at Vernon. In January, 1957, electronics engineering and manufacturing operations were moved from Downey, Calif., to a larger and more suitable plant at Rivera, Calif. These are new plants and are under long-term leases.

Research and Development

Work was continued during the year to expand our Rheemaire line of central air conditioners. Operating protoypes of a highly-advanced, gas-operated air conditioner embodying patentable principles of design followed intensive development work.

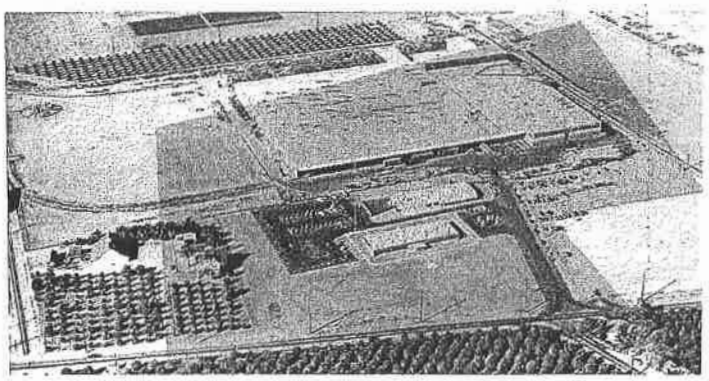
Research and development in aircraft and electronics, for both commercial and military use, are expanding rapidly. Significant projects concern guided missile control systems and their components, electro-mechanical jet fighter gunnery trainers and aircraft monitoring systems.

Techniques and equipment for applying interior linings in steel containers were installed and placed in production last year.

Continuing research and development projects for all Rheem product divisions have been budgeted for the current year.

International Operations

Sales by associated and licensed companies totaled $32,200,000 in 1956, a 19 per cent increase over the previous year. These sales are not included in the Company's consolidated profit and loss statements. Export sales of Rheem's domestic



PLANT COMPLETED IN 1956 AT FULLERTON, CALIF., TO PRODUCE SPRINGS, BUMPERS AND OTHER AUTO PARTS.

RMC038

CAREFUL INSPECTION OF BUMPERS IS NEEDED EVEN IN AUTOMATED PLANTS.

AUTOMOTIVE

division

SOME OF 1957 CARS FOR WHICH MHEEM PRODUCES PARTS.

PLANT MOVED FOR INCREASED OUTPUT

An important move within the Company in 1956 was the transfer of the Automotive Division from Vernon, Calif., to nearby Fullerton.

The division had its integrated, automated new plant in full operation last October, less than 12 months after breaking ground on a 56-acre site. The move was completed without interrupting deliveries.

The 500,000-square-foot factory at Fullerton is especially designed to manufacture a variety of automobile parts. It is equipped to handle all our product lines for this year's cars. It is constructed to permit future expansion.

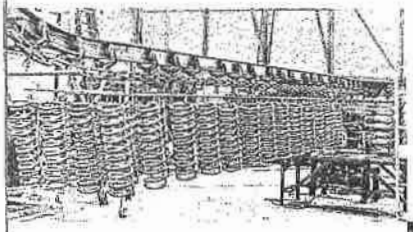
Producing parts for all automobile assembly plants in the western United States, chiefly springs and bumpers, is under way at accelerated rates. Studies of related product lines that meet the division's manufacturing and sales potentialities are also being made.

The Fullerton plant employs about 1,000 people. In the move to the new plant location, which was selected with employee preference in mind, approximately 95 per cent of Automotive Division personnel stayed with the Company.

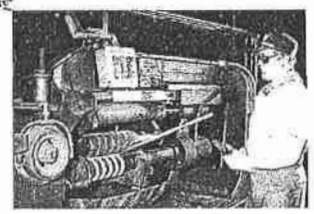
The plant was dedicated in December in ceremonies attended by employees' families, civic leaders, customers and officers and directors of the Company.

F. C. FISHER
Vice President
and
General Manager

As a top officer of a leading supplier of automotive parts, Mr. Fisher had gained extensive experience before joining Rheem in 1956.



COIL SPRINGS BEING CONVEYED TO SHIPPING AREA.



RED-HOT STEEL ROD BECOMES AUTO SPRING.

RMC039

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is entered into on November, ~~18~~ 19, 1959, by and between RHEEM MANUFACTURING COMPANY, a corporation (hereinafter referred to as "Seller"), and S & S FINANCIAL ENTERPRISES, a partnership consisting of Henry J. Siegel and Bernard J. Sanburg (hereinafter referred to as "Buyer").

THIS AGREEMENT is entered into with reference to the following facts and circumstances:

A. Seller is the owner of that certain improved and unimproved real property consisting of 14.29 acres, more or less, in the City of Vernon, bounded on the south by 50th Street, on the east by Alcoa Street, on the north partially by Leonis Boulevard and partially by Los Angeles Junction Railway property, and on the west by Boyle Avenue, together with improvements thereon and more fully described in that certain preliminary title report No. 5011299 dated September 16, 1959, issued by Title Insurance and Trust Company, Los Angeles, California.

B. Buyer is a general partnership consisting of Henry J. Siegel and Bernard J. Sanburg. Buyer has recorded its Statement of Partnership on December 3, 1958, in Book M170, Page 622 of Official Records of Los Angeles County, California, and has filed its Certificate of Fictitious Firm Name with the clerk of Los Angeles County, California, on December 16, 1958, and has published its Certificate of Business under Fictitious Firm Name as required by law.

C. Buyer desires to purchase said improved and unimproved real property from Seller for the sum of $1,095,000.00 in accordance with the terms and conditions hereinafter set forth.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. SALE AND PURCHASE.

A. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller said real property, and all buildings, structures and improvements thereon, and all cranes, furnances, heaters, coolers, air conditioners, electric and other lighting fixtures, machinery, apparatus and other equipment contained in, on, or about said real property or used in connection with the operation of said real property, all of which are hereinafter referred to as the "industrial tract" and all of the personal property owned by Seller and situated in, on, or about said industrial tract.

B. Prior to close of escrow, Seller shall prepare and deliver to Buyer an inventory of all of the following items installed by Seller or belonging to Seller, and the location thereof, which items are being sold to Buyer pursuant to this agreement: All cranes, furnaces, heaters, coolers, air conditioners, electric and lighting fixtures, machinery, apparatus and other equipment and all personal property contained in, on, or about said industrial tract, or used in connection therewith.

2. ESCROW.

A. The parties shall open an escrow for the consummation of this transaction with Title Insurance and Trust Company, 433 South Spring Street, Los Angeles, California, within five business days, Saturday and Sunday not being business days, after execution of this agreement.

RMC041

B. The parties shall execute the escrow instructions in the form attached hereto and incorporated herein by reference, as Exhibit "A". Said escrow instructions shall be deemed to be a part of this purchase and sale agreement, and the parties agree to be bound by each and all of the terms of said Exhibit "A" as though said terms were repeated in full in this agreement.

C. It is agreed that Buyer shall have complied with the provisions of said Exhibit "A" requiring Buyer to deposit in escrow the sum of $50,000.00 upon the opening thereof by the deposit by Cliff Wolfe and Associates, real estate broker, of buyer's check in the amount of $50,000.00 made payable to said Title Insurance and Trust Company. Said check was delivered by Buyer to said Cliff Wolfe and Associates on or about September 10, 1959.

3. ASSIGNMENT OF LEASES.

A. Concurrently with the execution of this agreement, Seller shall execute an assignment of all leases of buildings situated on said industrial tract in the exact form and substance as more fully set forth in Exhibit "B" attached hereto and incorporated herein by reference, to be effective as of the date of close of escrow.

B. From and after close of escrow Buyer shall assume all of Seller's obligations and liabilities under said leases. From and after close of escrow Buyer shall protect, indemnify, defend, and hold harmless Seller from and against any and all liabilities, obligations, loss, damage, costs or expense, including, but not limited to, attorneys' fees and court costs, resulting from or arising out of Seller's obligation under said leases, and accruing from and after the date of close of escrow.

RMC042

4. SELLER'S WARRANTIES.

A. Seller hereby warrants the following to Buyer for the purpose of inducing Buyer to enter into this Agreement and to consummate the sale and purchase of said industrial tract:

(1) The owners of any or all petroleum, gas and other mineral rights located in, on, or under said industrial tract have no right of surface entry onto said industrial tract.

(2) There have been no claims, notices, orders or directives, made or delivered to, or served upon, Seller or its agents, issued by any department or agency of any government, alleging or pertaining to any violation of law or ordinance affecting said industrial tract or any part thereof. Any such claims, notices, orders or directives heretofore made or delivered to, or served upon, Seller or Seller's predecessors in interest in said industrial tract have been complied with.

(3) No proceedings are pending or threatened before any legal or administrative agency having jurisdiction thereof with respect to any increase, adjustment or decrease of real estate taxes on said industrial tract or with respect to any eminent domain proceedings of said industrial tract or any portion thereof.

(4) Seller has knowledge of no chattel mortgages, conditional sales contracts, installment contracts, or other liens, charges or encumbrances in existence with respect to the air conditioning equipment installed in

RMC043

Harandy's Restaurant or the crane referred to in the Standard Steel Company lease, (except as may be asserted in the litigation referred to in Paragraph 5 hereof, with respect to said crane) or with respect to any real or personal property situated in, on, or about said industrial tract.

(5) The maker is not in default under the terms of the Promissory Note in favor of Seller and more fully described in Paragraph 15 hereof.

(6) There have been no assignments, liens, encumbrances, charges or other hypothecations of any of the leases on the buildings situated on said industrial tract and assigned or to be assigned by Seller to Buyer under the terms of this agreement or of any of the rents or deposits due or paid thereunder.

(7) The rentals set forth in each of the leases itemized in Exhibit "B" are the rentals actually collected from each tenant named in said leases without offset, rebate, or concession; the written leases itemized in said Exhibit "B" are the only leases in effect covering any portion of said industrial tract; and there are no agreements (oral or written) or other writings with respect to such written leases, except as appears in said written leases. No other persons have a right to occupy any of the space in said industrial tract except the tenants named in said written leases.

RMC044

(8) The leases itemized in Exhibit "B" are all of the leases and tenancies now in effect on said industrial tract; all of said leases are in full force and effect according to their terms; and the date stated under each of said leases as the commencement date thereof is correct.

(9) No options on said industrial tract, any improvement thereon, or any portion thereof, have been given to any person. There are no rents currently due and payable in default. There are no concessions in favor of any tenants of said industrial tract except as set forth in said written leases.

(10) Seller has fully and faithfully observed and performed all of the covenants, conditions and obligations required of Seller under each of said leases to and including the date hereof. Any and all obligations to be performed by Seller prior to close of escrow under the terms of said written leases in favor of tenants has been or will be performed by Seller at Seller's own expense prior to close of escrow, and if not performed at the time of close of escrow, Seller shall perform sale at Seller's sole expense upon written demand of Buyer.

(11) Seller has completed those certain improvements required to be completed by Seller at Seller's cost under the terms of the written lease entered into between Seller as lessor, and Standard Steel Company as lessee, and there is no further obligation on the part of the lessor under said lease with respect to said improvements.

RMC045

(12) The parcel leased to Pacific Telephone and Telegraph Company as lessee, by Seller as lessor, has been separately assessed by the Los Angeles County Tax Assessor and the taxes apportioned to the leased premises have been separately determined.

B. Each and all of the warranties set forth in this agreement shall survive the closing of escrow and the transfer of title to Buyer. Each and all of said warranties shall be continuing warranties from the date hereof to the date of close of escrow and Seller warrants that the facts warranted in this paragraph 4 hereof shall remain unchanged to and including the date of close of escrow.

5. INDEMNIFICATION OF SELLER.

Seller shall protect, indemnify, defend and hold harmless Buyer, and its successors and assigns, from and against any and all liabilities, obligations, loss, damage, costs, or expense, including but not limited to attorney's fees and court costs, resulting from or arising out of any or all of the following:

A. Any failure or breach of any of Seller's warranties as set forth in paragraph 4 hereof.

B. Any claim on the part of Frost Rebuilding Company, Incorporated, that said corporation is relieved from paying rent for any March or April during the remaining term of its lease.

C. Any claim for rent collected by Seller or R. F. Allen, receiver, which may be made by Crendorff

RMC046

Manufacturing Company, a California corporation, under paragraph 27 of its lease.

D. That certain legal action commenced by Seller against United States of America, Consolidated Rock Products Company, a corporation, et al., to quiet title to said industrial tract, said action bearing No. 700,345 in the Superior Court of the State of California, in and for the County of Los Angeles.

E. Any and all mechanic's liens heretofore filed on said industrial tract or any portion thereof and any and all actions brought to foreclose any of said mechanic's liens.

F. That certain action entitled "E. E. Friedman, v. Rheem Manufacturing Company, a corporation, et al." to quiet title, bearing No. 725,009 on the records of the Superior Court of the State of California, in and for the County of Los Angeles.

G. Section 13.7 of that lease with Standard Steel Corporation, a California corporation, as tenant and obligating Seller with respect to an overhead movable crane located in the leased premises.

H. Any claims under any alleged agreement of Seller to pay a real estate broker's commission in connection with any sale of said industrial tract.

I. Any claims under any of said leases by any tenant for a credit to any tenant for rent theretofore paid for any period after commencement of said tenant's lease.

RMC047

J. Any actions affecting said industrial tract or title thereto arising out of any act or omission of Seller occurring prior to the date of close of escrow.

6. LITIGATION.

A. With reference to the litigation referred to in paragraphs 5D, 5E, 5F and 5J hereof, Seller shall from and after the date hereof promptly advise Buyer in writing of any and all settlements, judgments, appeals in said litigation and shall deliver to Buyer copies of all pleadings, briefs and all other documents filed in each of said actions. Seller shall maintain and defend each of said matters at its sole expense with counsel mutually agreeable to Buyer and Seller and shall not change such counsel without the prior consent of Buyer. All attorneys' fees, costs and other expenses incurred in connection with said litigation shall be borne solely by Seller.

B. In the event that Buyer is joined as a party in any of said actions, Seller shall pay to Buyer such reasonable sums as are expended by Buyer on account of attorneys' fees, costs or expenses incurred in connection with each of said actions. Seller shall have the right to approve the selection of Buyer's attorneys in such event.

7. TRUST DEED AND PROMISSORY NOTE.

Buyer shall execute and deposit in escrow prior to the close thereof its promissory note in favor of Seller in the exact form and substance as attached hereto as Exhibit "C" and a deed of trust in the exact form and substance as attached hereto as Exhibit "D".

RMC048

8. RIGHT OF FIRST REFUSAL.

A. Before there can be a valid voluntary or involuntary sale, transfer, assignment, hypothecation, or alienation (all of said types of transfer shall be for convenience hereinafter referred to in this paragraph 8 as "sale") of any interest of Seller in said $600,000.00 purchase money promissory note, attached hereto as Exhibit "C", without the prior written consent of Buyer, Seller shall first give notice in writing to Buyer of its intention to sell and shall grant to Buyer an option to purchase same. Said notice shall specify the interest in said promissory note to be sold, and the price and terms upon which the sale is to be made. Within ~~thirty (30)~~ ten (10) days after receipt of said notice, Buyer shall deliver by mail, or otherwise personally deliver to Seller, written notice of Buyer's exercise or non-exercise of said option. In the event that Buyer does not deliver said notice to Seller in the manner and within the period specified herein, it shall be conclusively presumed that Buyer does not desire to exercise, and shall be forever barred from exercising, said option. If the option is exercised by Buyer, the purchase by a buyer of said promissory note shall be consummated in accordance with the terms of the original notice submitted by Seller to Buyer. If Buyer does not desire to purchase the interest of Seller, Seller may sell the interest in said promissory note referred to in the original notice to any person or persons it may desire, provided, however, that this sale shall be consummated within ~~three~~ four months of the date of the original notice to Buyer, and on the precise terms and for the price specified in said notice.

10 days

RMC049

B. Said option in favor of Buyer shall arise not only in the case of a voluntary sale, but also in the event of an involuntary sale, including, but not limited to, a sale pursuant to an attachment or execution, a foreclosure or trust deed sale, a tax lien sale, a sale by any trustee in bankruptcy, executor, guardian, successor corporation or any other person or corporation who may succeed by operation of law to the interest of Seller. In the event of any such sale, notice shall be given and all steps taken as provided herein for a voluntary sale, the intention being to give Buyer the right to acquire the interest of Seller being forceably sold, on the same terms and conditions at which the successful bidder at the forced sale has offered to purchase the interest.

C. After delivery of a notice of intention to sell, if the option is not exercised and a sale is not consummated within said ~~three~~ four-month period, Seller cannot sell said promissory note without first again complying with the procedures set forth in this paragraph 8. The option conferred hereunder to Buyer shall remain in effect for all subsequent sales, even though not exercised at any previous intended sale as hereinabove provided.

4

9. FREE RENT.

Buyer hereby acknowledges that the following leases contain provisions for free rent to the tenants named therein. Buyer hereby agrees that said tenants are entitled

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to the free rent set forth in said leases and that Seller has no obligation therefor: Laisco, a California corporation; Orendorff Manufacturing Company, a California corproation; and Quality Transportation, a California corporation.

10. OPERATIONS DURING ESCROW.

A. Until close of escrow, Seller shall not cancel, surrender, modify, or renew any existing leases in said industrial tract or enter into and execute any new leases of any buildings in said industrial tract, without first securing the prior written consent of Buyer, except that Buyer hereby acknowledges that Seller is presently negotiating a new lease with Standard Steel Corporation, a California corporation. Buyer hereby approves Seller's entering into of said new lease with Standard Steel Corporation. All real estate commissions, if any, due in connection with said lease shall be paid by Seller.

B. Until close of escrow, Seller shall not cancel, reduce, or otherwise modify any of the existing insurance policies held by Buyer on said industrial tract or any part thereof, without the written consent of Buyer.

C. Until close of escrow, Seller shall promptly report to Buyer in writing any default of any tenant under said leases, any default in payment of rent by any tenant, commencement of any condemnation or other action affecting said

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industrial tract or any part thereof, any claimed violation of law or ordinance pertaining to said tract or any part thereof, any attempts to modify or alter the existing easements or licenses across, on or through said industrial tract, and any other unusual event pertaining to the ownership or operation of said industrial tract, of which it has notice.

D. Until close of escrow, Seller will perform each and all of its obligations under all of the respective leases entered into with the tenants of said industrial tract.

11. DESTRUCTION OF PREMISES.

A. In the event that prior to close of escrow, any of the buildings on said industrial tract are so destroyed by fire, earthquake or other casualty to the extent that the reasonable cost of restoration by reason thereof is in excess of $150,000.00, then Buyer shall have the right to terminate this agreement and shall be entitled to return from said Title Insurance and Trust Company, as escrow holder, of all funds and documents theretofore deposited by Buyer.

B. In the event that the reasonable cost of restoration does not exceed $150,000.00 or in the event that Buyer does not exercise the option conferred under paragraph 11A hereof, then Seller shall perform each and all of the obligations under any lease with respect to restoring the destroyed property in conformance with its lease obligations

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and shall pay to Buyer the proceeds of all insurance funds payable by reason of such loss or destruction, less such amount actually spent by Seller in restoring the destroyed premises.

C. In the event that Seller is not obligated by the provisions of any lease to restore the destroyed premises, then Seller shall not restore same without first securing the written consent of Buyer, and Buyer shall have the right and option to receive the insurance proceeds therefor without restoration of said premises.

D. In the event that Seller restores any destroyed premises after compliance with the terms of this paragraph 11, Buyer shall have the right to approve the plans and specifications, contractor and contract price involved in such restoration.

E. In the event that Buyer exercises its election to terminate this agreement under this paragraph 11, then Buyer shall pay one-half of all escrow expenses and shall be relieved of all obligation to pay any other expenses or damages resulting from the termination of this agreement.

12. TIME.

Time is of the essence.

13. JURISDICTION.

A. This agreement is made under and pursuant to, shall be construed under, and the rights, duties and obligations of the parties shall be determined and enforced in accordance with, the laws of the State of California.

RMC053

B. In the event of litigation between the parties arising out of this agreement or pertaining to or arising out of the transaction or transactions involved herein, the parties agree that said litigation may be commenced in the Superior Court of the State of California, in and for the County of Los Angeles, or the Municipal Court of the Beverly Hills Judicial District, and that said Superior Court or Municipal Court shall be deemed to have jurisdiction of said litigation, whether or not any of the parties reside in said Los Angeles County or Beverly Hills Judicial District, have its principal place of business therein, or are engaged in doing business therein.

14. RAILROAD LICENSE.

Seller will obtain from Central Manufacturing District, Inc., the owner thereof, a license over, along and across the following described parcels:

Parcel A

The East 212 feet of the South 17 feet of the North 495.47 feet of Lot 26 of the 500 Acre Tract of the Los Angeles Fruit Land Association.

Parcel B

The West 80 feet of the East 350 feet of the South 17 feet of the North 495.47 feet of said Lot 26.

to use the same for the purpose of passage over, along and across said parcels subject to the right of Los Angeles Junction Railway Company to use said parcels in the performance

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of its duties as a common carrier. Such license shall terminate as to Parcels A and B not sooner than March 15, 1968 without written approval of Buyer. Such license shall require, among other things, a monthly payment by the licensee of not to exceed $35.00 and shall inure to Buyer. Such license shall also inure to Buyer's successors and assigns, subject to the written consent of licensor. Such license further provides that upon the expiration thereof, the licensee shall remove at its own expense the asphaltic concrete from the licensed parcels.

15. HARANDY NOTE.

On or about January 9, 1959, Harandy's Inc., made its promissory note in the amount of $21,876.00 in favor of Seller. On or about February 25, 1959, Seller sold said promissory note to Rheem Acceptance Corporation, wherein Seller agreed to repurchase said note from said Rheem Acceptance Corporation for the outstanding amount thereof, less unearned interest, upon the continuation of any default by the maker of said note for a period of ninety (90) days. Buyer agrees to assume the obligations of Seller to Rheem Acceptance Corporation under said agreement of February 25, 1959, and Buyer agrees to repurchase said promissory note from said Rheem Acceptance Corporation for the outstanding amount thereof, less unearned interest, upon the continuation of any default by the maker of said note for a period of ninety (90) days. Rheem Acceptance Corporation shall immediately notify Buyer in writing in the event of any default in payment of said promissory note. Buyer waives the exhaustion of legal

RMC055

remedies against the maker in the event of default, although Rheem Acceptance Corporation agrees to use its best efforts to collect said note during any such default. Rheem Acceptance Corporation shall have a direct cause of action against Buyer for enforcement of this paragraph 15 of this agreement.

16. DEFAULT.

In the event that either party fails to perform under the terms of this agreement or otherwise defaults, the other party shall have the right to specific performance and damages, plus all other rights reserved in law or in equity.

17. EXECUTION OF INSTRUMENTS.

Each of the parties agrees, when and if requested by the other party, to execute and deliver to such other party, any and all deeds, trust deeds or other writings necessary to show title to the industrial tract vested in accordance with the terms of this agreement, and to carry out the terms of this agreement.

18. NOTICES.

A. Any and all notices or demands shall be in writing. They shall be served either personally or by certified mail or by telegraph. If served personally, service shall be conclusively deemed made at the time of service. If served by certified mail, service shall be conclusively deemed made forty-eight hours after the deposit thereof in the United States Mail, postage prepaid, addressed to the party to whom

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such notice or demand is to be given, as hereinafter provided. If served by telegraph, service shall be conclusively deemed made at the time that the telegraphic agency shall confirm to the sender delivery thereof to the addressee.

B. Any notice or demand to Buyer shall be given to it at 434 North Rodeo Drive, Beverly Hills, California.

C. Any notice or demand to Seller shall be given to it at Equitable Life Building, San Francisco 4, California.

19. ATTORNEY'S FEES.

In the event that suit is brought by any party as a result of the default hereunder of the other party, the court shall award the prevailing party in such suit a reasonable sum as attorney's fees.

20. PERSONS BOUND.

This agreement is binding upon the parties hereto and their respective assignees, heirs, successors, administrators, and executors.

IN WITNESS WHEREOF, the parties have executed this agreement the day and year first above written.

RHEEM MANUFACTURING COMPANY,
a corporation

By _____
VICE PRESIDENT

By _____
ASSISTANT SECRETARY

S & S FINANCIAL ENTERPRISES,
a partnership

By _____

By /s/ Henry J. Siegel

APPROVED, ACCEPTED and AGREED TO with reference to the provisions of paragraph 15 hereof:

RHEEM ACCEPTANCE CORPORATION

By _____

By _____

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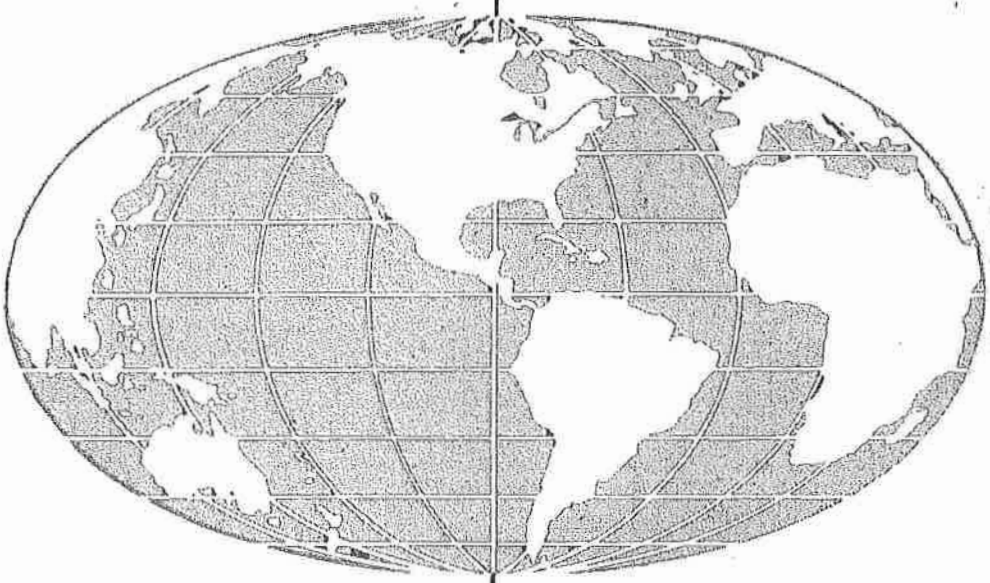
ANNUAL REPORT 1959



RHEEM
MANUFACTURING
COMPANY

RMC058

Rheem PRODUCTS AND SERVICES

AUTOMOTIVE DIVISION 601 S. Placentia Ave., Fullerton, Calif. O. W. Carrico, vice president and general manager Plants at Fullerton and Los Angeles, Calif.	Bumpers, leaf springs, coil springs, torsion bars, bumper support bars, hot and cold formed stampings, other automotive parts
CONTAINER DIVISION 1701 W. Edgar Road, Linden, N. J. E. F. Paquette, vice president and general manager Plants at Linden, N. J.; Chicago; Freeport and Houston, Texas; New Orleans, La.; Richmond and South Gate, Calif.; Tacoma, Wash.	Steel and fiber shipping containers
ELECTRONICS DIVISION 5200 W. 104th St., Los Angeles 45, Calif. Dr. W. C. Leone, vice president and general manager	Automation systems and equipment, including controls for machine tools, inventory management, scheduling and other production processes
HOME PRODUCTS DIVISION 7600 S. Kedzie Ave., Chicago 52, Ill. V. J. Heinis, vice president and general manager Plants at Chicago; Sparrows Point, Md.; Houston, Texas; New Castle, Del.; New Orleans, La.; Richmond and South Gate, Calif.	Automatic storage water heaters, central heating and air conditioning equipment, tanks, water softeners
RICHMOND PLUMBING FIXTURES DIVISION P. O. Box 111, Metuchen, N. J. M. H. Temple, vice president and general manager Plants at Metuchen, N. J. and Monaca, Pa.	Vitreous china and cast iron enameled bathroom and other plumbing fixtures, central heating equipment
INTERNATIONAL DIVISION 400 Park Ave., New York 22, N. Y. Mario Capelli, vice president and general manager	Direction and coordination of Company's international activities
ORENDORFF MANUFACTURING COMPANY, subsidiary 4915 Alcoa Ave., Los Angeles 58 (Vernon), Calif. M. C. Orendorff, president Plant at Vernon, Calif.	Cultivating and other earth-engaging tools for agriculture and industry
RHEEM ACCEPTANCE CORPORATION, subsidiary Rheem Center, Rheem, Calif. R. S. Greenwood, president Offices also at Los Angeles, Oakland, and Hayward, Calif.	Dealer and consumer financing
RHEEM CALIFONE CORPORATION, subsidiary 1020 N. La Brea Ave., Los Angeles 38, Calif. Dr. W. C. Leone, vice president and general manager Plant at Los Angeles, Calif.	Teaching machines, language laboratories and sound systems for schools and industry
RHEEM SEMICONDUCTOR CORPORATION, subsidiary 350 Ellis St., Mountain View, Calif. Dr. E. M. Baldwin, vice president and general manager Plant at Mountain View, Calif.	Transistors, diodes and other semiconductor devices
RUUD MANUFACTURING COMPANY, subsidiary 2025 Factory St., Kalamazoo, Mich. V. J. Heinis, president Plants at Kalamazoo, Mich. and Mimico, Canada	Automatic storage water heaters, central heating equipment
THERMOVAC, INC., subsidiary 816 East Hazelton Ave., Stockton, Calif. F. A. Bellato, president Plant at Stockton, Calif.	Food processing and handling equipment

ring income from real estate transactions had the net effect of reducing before-tax profit by $250,010.

The Company's financial statements consolidate the results of newly acquired domestic operating subsidiaries. These subsidiaries, Rheem Semiconductor Corporation, Rheem Califone Corporation and Thermovac, Inc., reported losses due to start-up expenses of new plants and introduction of new product lines.

The Company's financial position was strengthened in many respects. Aggressive programs to increase profits and to dispose of unprofitable operations contributed to an increase in working capital to $37,109,640 at the end of 1959, compared with $33,908,375 at December 31, 1958. Ratio of current assets to current liabilities was 3.3 at the end of 1959, approximately the same as at the previous year end.

Management continued its policy of strict inventory control in the interests of efficient use of assets, and a satisfactory ratio of inventory turnover to sales averaged higher than six throughout the year. Cash generated by the sale of the assets of the Defense and Technical Products Division was a major factor in increasing financial strength and liquidity.

Promising acquisitions pursued

The Company's greater and more liquid resources supported its program of growth and development through acquisition of companies offering profit opportunities.

On January 21, 1960 Ruud Manufacturing Company, Kalamazoo, Mich., was acquired for approximately $2,450,000, consisting of cash and 50,000 shares of newly issued Rheem common stock.

Rheem acquired a majority interest on November 13, 1959 in Califone Corporation, Los Angeles, now Rheem Califone Corporation.

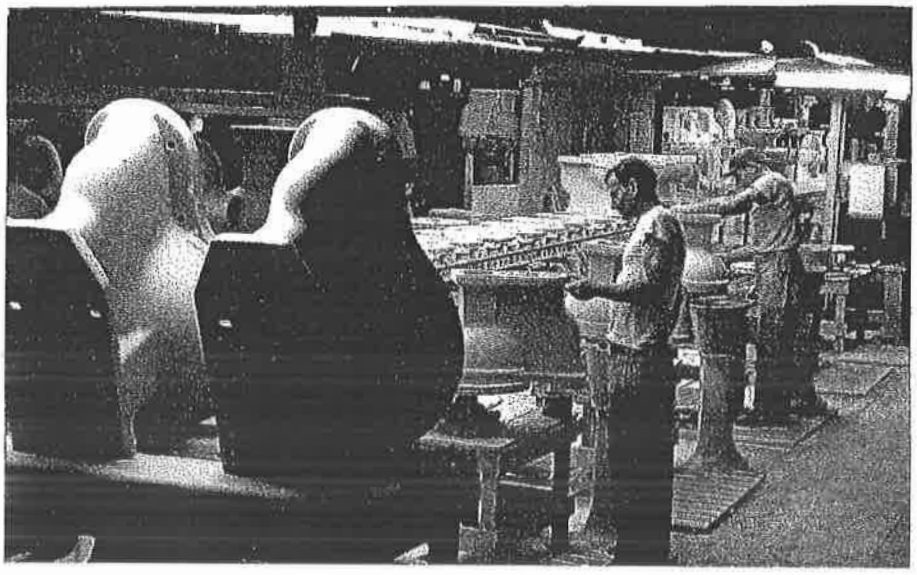
Substantial open credit lines were continued with leading banks in New York, Chicago and San Francisco, and overseas through Rheem subsidiary and affiliated companies.

Total term debt was reduced from 29.1 million dollars at the end of 1958 to 26.2 million at the end of 1959. This figure comprised 20.4 million in 3⅞ per cent debentures due in 1975 and 5.8 million in a five-year term bank loan now entering its third year.

Capital expenditures

Capital expenditures totaled $3,150,153 in 1959, as compared with $1,823,095 the previous year. The outlay in 1959 was $356,310 less than provision for depreciation. Net property, plant and equipment were valued at $28,904,906 at December 31, 1959, reduced from $34,757,976 at the end of 1958 primarily as a result of sale of the assets of the Defense and Technical Products Division. In January, 1960 the Company sold for more than $1,000,000 a 14-acre site and buildings at Vernon, Calif., which had been surplus since the Automotive Division's move to new facilities.

FIFTEEN HUNDRED varieties of vitreous china and enameled cast iron bathroom, kitchen and laundry fixtures are made by Richmond Plumbing Fixtures Division for homes and other buildings.



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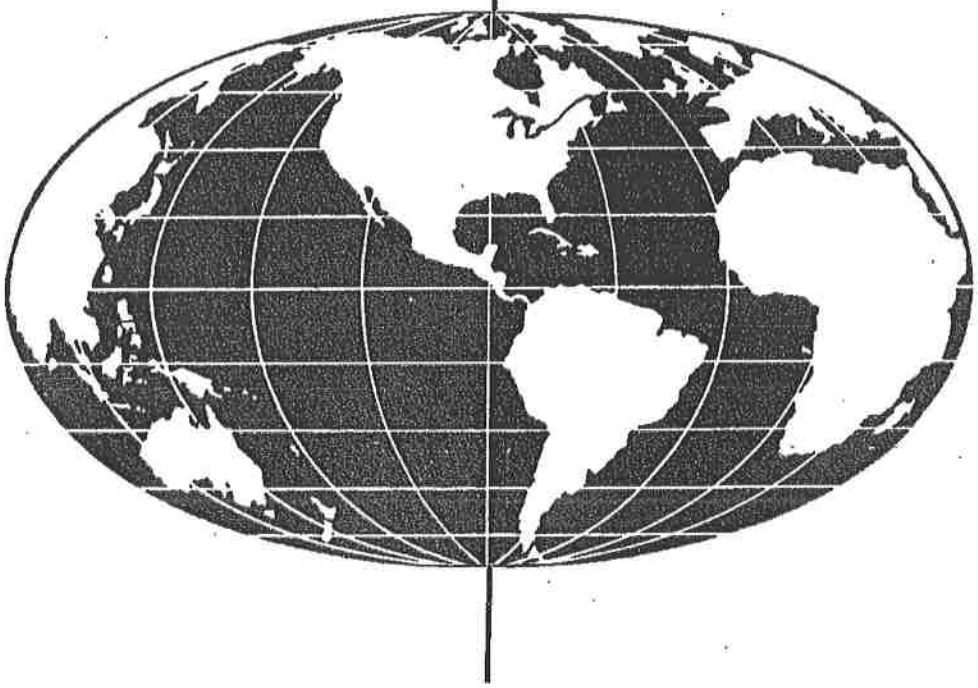
PERMANENT RETENTION

Annual Report 1961



RHEEM MANUFACTURING COMPANY

RMC061

best use of the existing and added facilities.

After the consolidation has been fully effected, the Home Products Group will be operating eight plants in the United States and Canada. These plants will be highly efficient, and Rheem will be making a greater volume of products for homes and other buildings than ever before.

Increased sales should result because the consolidation has been undertaken in keeping with new distribution plans involving additional key warehousing centers around the country which will improve our service to customers. We shall be able to offer customers carload or truckload lots of various types of merchandise on short notice. This consolidation program will thereby concentrate production in highly specialized plants and will provide customers better service.

Intensive cost-cutting is not a new fact of our business life. In the last five years the Company has disposed of more than a score of plants and other properties. By turning those assets into cash, we cut debt $32 million and provided a more efficient investment base for the world-wide organization that Rheem has become. The Company now has 17 plants in the United States, and 49 subsidiary and affiliated plants in 20 nations abroad. Domestic sales, averaged among total Company personnel in the United States, were twice what they were 15 years earlier. These latest moves should further increase efficiency.

3. We closed our automotive parts plant at Fullerton, California in January this year. The market for this production had declined mainly because of the recently growing practice of the automobile industry to make more of its own parts and accessories, and the growing popularity of compact cars, particularly on the West Coast. We leased the plant to another company and sold the production equipment.

In the process of improving our operating structure, a non-recurring charge of $7,108,304 has been taken for the year 1961, as detailed in the financial statements on pages 6A and 7A. This amount, not related to the ordinary operations of our businesses, has been charged directly to retained earnings. It covers consolidation costs, gains and losses on sale and closing of facilities, and revaluation of certain assets. It includes expenses incurred in 1961 and provisions for estimated future expenses – to be incurred beyond 1961 – in completing the cost-reducing consolidation program.

Losses by Rheem domestic subsidiaries for certain years prior to January 1, 1962 may be available as tax deductions in 1962 and later years, if these subsidiaries return profits or are merged into the parent company. These loss carryovers could amount to approximately $13,100,000.

Progress recorded abroad

The year 1961 was an excellent one for our International Division. Sales by Rheem's subsidiary and affiliated companies abroad reached the record high level of $69,700,000, an increase of 12 per cent over 1960 sales of $62,100,000. (These figures are not included in the domestic sales total reported above.) Total earnings of these companies before local and U. S. income taxes amounted to $5,100,000.

In certain countries, notably Belgium, Brazil, Italy, Mexico and New Zealand, the operating results of Rheem affiliates far exceeded expectations. Despite political uncertainty and inflation in Brazil, our subsidiaries there enjoyed the most successful year of their history.

In addition to remitting $1,332,945 in dividends and management fees to Rheem U. S. in 1961, overseas subsidiaries and affiliates retained a large portion of their earnings for further development, thus increasing the value of Rheem shareholders' equity. At December 31, 1961, Rheem investments in enterprises abroad totaled $5,816,197 at cost, but Rheem equity in the underlying net assets of those companies was estimated at $11,639,914, or $1,802,719 more than at the end of 1960.

In 1961 Rheem continued its policy of international expansion. In France, together with the leading French manufacturer of instantaneous water heaters, we established a jointly owned company to introduce Rheem storage-type water heaters. In Greece we purchased a 40 per cent interest in ISOLA, the leading electrical appliance manufacturer. This investment was financed mostly by a long term loan in local currency.

In addition to increasing sales of existing products, a number of Rheem affiliates have entered several promising new fields. In Italy our new company, Rheem Safim Tubi, at Palermo, Sicily, began producing medium-diameter longitudinally welded steel pipe. Within two months after start-up, the company received the American Petroleum Institute Certificate of Quality, which enhances sales prospects to the petroleum and

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CERTIFICATE OF INCORPORATION

OF

CIVESTCO INC.

* * * * *

1. The name of the corporation is CIVESTCO INC.

2. The address of its registered office in the State of Delaware is No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock which the corporation shall have authority to issue is one thousand (1,000); all of such shares shall be without par value.

5. The name and mailing address of each incorporator is as follows:

NAME	MAILING ADDRESS
B. A. Pennington	100 West Tenth Street Wilmington, Delaware 19801
W. J. Reif	100 West Tenth Street Wilmington, Delaware 19801
R. F. Andrews	100 West Tenth Street Wilmington, Delaware 19801

6. The corporation is to have perpetual existence.

7. The corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is our act and deed and the facts herein stated are true, and accordingly have hereunto set our hands this 26th day of September, 1974.

B. C. Pennington

W. J. Rey

R. F. Andrews

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AGREEMENT AND PLAN OF MERGER

Between

CIVESTCO INC.
A Delaware Corporation
(The Surviving Corporation)

and

RHEEM MANUFACTURING COMPANY
A California Corporation
(The Merging Corporation)

AGREEMENT entered into as of June 26, 1975, by and between CIVESTCO INC., a Delaware corporation (hereinafter sometimes called "Civestco" and sometimes called the "Surviving Corporation"), and RHEEM MANUFACTURING COMPANY, a California corporation (hereinafter sometimes called "Rheem" and sometimes called the "Merging Corporation"), which two corporations are hereinafter sometimes called the "Constituent Corporations". Civestco is validly organized, existing, and in good standing under the General Corporation Law of the State of Delaware. Its certificate of incorporation was filed in the office of the Secretary of State on September 26, 1974 and recorded in the office of the Recorder of Deeds for New Castle County on the same day. Rheem is validly organized, existing and in good standing under the California Corporation Code, its articles of incorporation having been filed on January 22, 1930.

Civestco has an authorized capital of 1,000 shares of capital stock without par value, 100 shares of which were issued and outstanding on June 26, 1975. Rheem has an authorized capital of 5,000,000 shares of common stock, $1.00 par value, 1000 shares of which were issued and outstanding on June 26, 1975, and 150,000 shares of preferred stock, $100.00 par value, none of which were outstanding on June 26, 1975.

The directors of the Constituent Corporations deem it advisable and in the best interests of their respective corporations and stockholder that Rheem merge with and into Civestco in accordance with the provisions of the applicable statutes of both the State of Delaware and the State of California which permit such merger.

NOW, THEREFORE, the Constituent Corporations agree, each with the other, to merge into a single corporation, which shall be Civestco, pursuant to the laws of both the State of Delaware and the State of California, and agree upon and prescribe the terms and conditions of such a merger, the mode of carrying it into effect and the manner and basis of converting and exchanging the Rheem shares into shares of Civestco.

1. The Merger. On the effective date of the merger, Rheem shall be merged with and into Civestco and the separate existence of Rheem shall cease; the Constituent Corporations shall become a single corporation named "CIVESTCO INC.", a Delaware corporation, which shall be the Surviving Corporation.

2. Certificate of Incorporation. The Certificate of Incorporation of Civestco is hereby amended by striking out Article 1 in its entirety and substituting in lieu thereof a new Article 1 reading as follows:

> "1. The name of the corporation is RHEEM MANUFACTURING COMPANY"

The Certificate of Incorporation of Civestco as hereinabove amended shall constitute the Certificate of Incorporation of the Surviving Corporation until further amended in accordance with the General Corporation Law of the State of Delaware.

3. By-Laws. The by-laws of Civestco, in effect immediately prior to the effective date of the merger, shall continue to be the by-laws of the Surviving Corporation until altered or repealed in the manner provided by such by-laws and the General Corporation Law of the State of Delaware.

4. Directors. The directors of Rheem, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the directors of the Surviving Corporation and shall continue to hold office for a term specified in the by-laws of the Surviving Corporation.

5. Officers. The officers of Rheem, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the officers of the Surviving Corporation until the Board of Directors of the Surviving Corporation shall otherwise determine.

6. Effect of Merger. When the merger becomes effective, the Surviving Corporation shall possess all the rights, privileges, powers and franchises, of a public as well as of a private nature, and shall be subject to all the restrictions, disabilities, and duties of each of the Constituent Corporations; and the rights, privileges, powers and franchises of the Constituent Corporations, and all property, real and personal, including all patents, applications for patents, trademarks, copyrights, and applications for registration of copyrights, together with the good-will of the business in connection with which said patents, marks and copyrights are used, and all debts due to each of the Constituent Corporations on whatever account shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and

franchises, and all and every other interest shall be thereafter as effectively the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in each of the Constituent Corporations shall not revert or be in any way impaired; but all rights of creditors and all liens upon any property of each of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted for by it.

7. Manner and Basis of Conversion and Exchange of Shares. The manner of converting the outstanding shares of the capital stock of each of the Constituent Corporations into the shares of the Surviving Corporation shall be as follows:

(a) Each share of common stock of the Surviving Corporation, which shall be issued and outstanding on the effective date of the merger, shall remain issued and outstanding.

(b) Each share of common stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into 9/10 of a share of common stock of the Surviving Corporation.

(c) After the effective date of the merger the holder of the outstanding certificate representing shares of common stock of the Merging Corporation shall surrender the same to Surviving Corporation and such holder shall

DB016

RMC068

be entitled upon such surrender to receive the number of shares of common stock of the Surviving Corporation on the basis provided herein. Until so surrendered the outstanding shares of the stock of the Merging Corporation to be converted into the stock of the Surviving Corporation as provided herein, may be treated by the Surviving Corporation for all corporate purposes as evidencing the ownership of shares of the Surviving Corporation as though said surrender and exchange had taken place.

8. Filing of Agreement and Plan of Merger. This Agreement and Plan of Merger has been approved by the Board of Directors of each of the Constituent Corporations and shall be submitted for consideration and the requisite vote by the stockholder of Civestco and Rheem at meetings thereof duly called for that purpose or by unanimous written consent as provided by applicable law. This Agreement and Plan of Merger, when duly adopted by the stockholder of Civestco and Rheem, shall be certified as to this fact by the Secretary or Assistant Secretary of Civestco and Rheem, respectively, under the seals thereof, and shall be acknowledged on behalf of each of the Constituent Corporations by the respective president or vice president and secretary or assistant secretary thereof. This Agreement and Plan of Merger, when adopted, certified and acknowledged, shall be filed for record in the office of the Secretary of State of the State of Delaware and recorded in the office of the Recorder of Deeds of New Castle County, State of Delaware, all in accordance with the applicable provisions of

the General Corporation Law of the State of Delaware, and shall be filed for record in the office of the Secretary of State of the State of California in accordance with the applicable provisions of the California Corporations Code; and the officers of each of the Constituent Corporations shall execute all such other documents and shall take all such other action as may be necessary or advisable to make this Agreement and Plan of Merger effective. Notwithstanding the foregoing, this Agreement and Plan of Merger and the merger herein provided for may, at any time before it becomes effective, be terminated and abandoned pursuant to any agreement then in effect between the Constituent Corporations.

9. Further Assurance. If at any time the Surviving Corporation shall consider or be advised that any further assignment or assurance in law is necessary or desirable, to vest in the Surviving Corporation the title to any property or rights of the Merging Corporation, the officers and directors of the Merging Corporation shall and will execute and make all such proper assignments and assurances in law and do all things necessary or proper to vest such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement and Plan of Merger.

10. Effective Date of Merger. The effective date of the merger shall be the date on which the last act required to complete such a merger under the respective laws of the State of Delaware and the State of California is performed.

11. Termination and Amendment. Notwithstanding the approval of the stockholder of Civestco and Rheem, this Agreement

and Plan of Merger may be terminated and the merger abandoned prior to the filing hereof, as provided for in Section 8 hereof, by mutual consent of the Boards of Directors of both Constituent Corporations.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed by the duly authorized and designated officers of Civestco and Rheem, and the respective corporate seals of the Constituent Corporations have been affixed hereto, all as of the day and year first above written.

CIVESTCO INC.,
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

Timothy P. Reames
Assistant Secretary

By
David Fain Brown
Vice President

RHEEM MANUFACTURING COMPANY
a California Corporation
(The Merging Corporation)

ATTEST:

Vincent Debo
Assistant Secretary

By
Daniel H. Brown
Vice President

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 26th day of June, 1975, personally came before me, a Notary Public in and for the County and State aforesaid, David Fain Brown and Timothy P. Raines, Vice President and Assistant Secretary, respectively, of GIVESCO INC., a corporation of the State of Delaware, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year aforesaid.

RITA TONITTO NOTARY PUBLIC STATE OF NEW YORK

NOTARY PUBLIC

My commission expires:

RITA TONITTO
NOTARY PUBLIC, State of New York
No. 31-[illegible]
Qualified in New York County
Commission Expires March 30, 1977

# # # # # # # #

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 26th day of June, 1975, personally came before me, a Notary Public in and for the County and State aforesaid, Daniel H. Brown and Vincent Debo, Vice President and Assistant Secretary, respectively, of RHEEM MANUFACTURING COMPANY, a corporation of the State of California, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal office the day and year aforesaid.

RITA TONITTO NOTARY PUBLIC STATE OF NEW YORK (SEAL)

NOTARY PUBLIC

My commission expires:

RITA TONITTO
NOTARY PUBLIC, State of New York
No. 31-[illegible]
Qualified in New York County
Commission Expires March 30, 1977

RMC072

I, Daniel H. Brown, Secretary of CIVESTCO INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been duly signed on behalf of the said corporation and having been signed on behalf of Rheem Manufacturing Company, a corporation of the State of California, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the unanimous written consent of the stockholder holding 100 shares of the capital stock of the corporation, she being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stockholder of CIVESTCO INC. and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 26th day of June, 1975.

Daniel H. Brown

Secretary

RMC073

I, Daniel H. Brown, Secretary of RHEEM MANUFACTURING COMPANY, a corporation organized and existing under the laws of the State of California, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, was duly adopted pursuant to Section 2239 of the Corporations Code of the State of California by the unanimous written consent of the stockholder holding 1000 shares of the common stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stockholder of RHEEM MANUFACTURING COMPANY and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 26th day of June, 1975.

Secretary

THE ABOVE AGREEMENT OF MERGER, having been executed upon behalf of and having been adopted separately by each corporate party thereto in accordance with the provisions of the General Corporation Law of the State of Delaware, and that fact having been certified on said Agreement of Merger by a Vice President and an Assistant Secretary of each corporate party thereto, the respective Vice President of each corporate party hereto does now execute the said Agreement of Merger and respective Assistant Secretary of each corporate party thereto does now hereby attest the said Agreement of Merger, as the respective act, deed and agreement of each of said corporations, on this 26 day of June, 1975.

CIVESTCO INC.
A Delaware corporation
(The Surviving Corporation)

ATTEST:

Timothy P. Reames
Timothy P. Reames
Assistant Secretary

By
David Fain Brown
Vice President

RHEEM MANUFACTURING COMPANY
A California corporation
(The Merging Corporation)

ATTEST:

Vincent J. Debo
Vincent J. Debo
Assistant Secretary

By
Daniel H. Brown
Vice President

RMC075

Certificate of Agreement of Merger of the "RHEEM MANUFACTURING COMPANY",
a corporation organized and existing under the laws of the State of California,
merging with and into the "CIVESTCO INC.",
a corporation organized and existing under the laws of the State of Delaware,
under the name of "RHEEM MANUFACTURING COMPANY",
as received and filed in this office the thirtieth day of June,
A.D. 1975, at 10 o'clock A.M.

And I do hereby further certify that the aforesaid Corporation
shall be governed by the laws of the State of Delaware.

00016

BOOK V 88 PAGE 311

14355

State of Delaware

Office of Secretary of State

I, GLENN C. KENTON, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF N.R., INC. FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF SEPTEMBER, A.D. 1984, AT 9 O'CLOCK A.M.

RECEIVED FOR RECORD
Sept. 25 A.D. 1984
Robert J. Donaway
RECORDER

Glenn C. Kenton
Glenn C. Kenton, Secretary of State

AUTHENTICATION: M. Toon

DATE: 09/25/1984

842680108

RMC077

BOOK V 88 PAGE 312

FILED

SEP 24 1984

SECRETARY OF STATE

CERTIFICATE OF INCORPORATION

OF

N.R., INC.

1. The name of this corporation is:

N.R., INC.

2. The address of its registered office in the State of Delaware is 306 South State Street in the City of Dover, County of Kent. The name of its registered agent at such address is United States Corporation Company.

3. The nature of business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock which the corporation shall have authority to issue is one thousand (1,000); and the par value of each share shall be one dollar ($1.00) amounting in the aggregate to one thousand dollars ($1,000).

5. The name and mailing address of the incorporator is:

Cheryl A. King
Latham & Watkins
6900 Sears Tower
Chicago, Illinois 60606

RMC078

6. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-Laws of the corporation.

7. Election of directors need not be by written ballot unless the By-Laws of the corporation shall so provide.

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, herein declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 21st day of September, 1984.

Cheryl A. King
Incorporator

RMC079

BOOK V 88 PAGE 305

14353

State of Delaware

Office of Secretary of State

I, GLENN C. KENTON, SECRETARY OF STATE OF THE STATE OF DEALAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF MANUFACTURING ACQUISITION COMPANY, INC. - I FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF SEPTEMBER, A.D. 1984, AT 9 O'CLOCK A.M.

RECEIVED FOR RECORD
Sept. 25 A.D. 1984
Robert J. Donaway
RECORDER

Glenn C. Kenton
Glenn C. Kenton, Secretary of State

AUTHENTICATION: M. Toon

DATE: 09/25/1984

842680111

RMC080

BOOK V. 88 PAGE 306

FILED

SEP 24 1984

9AM

SECRETARY OF STATE

CERTIFICATE OF INCORPORATION

OF

MANUFACTURING ACQUISITION COMPANY, INC. - I

1. The name of this corporation is:

MANUFACTURING ACQUISITION COMPANY, INC. - I

2. The address of its registered office in the State of Delaware is 306 South State Street in the City of Dover, County of Kent. The name of its registered agent at such address is United States Corporation Company.

3. The nature of business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock which the corporation shall have authority to issue is one thousand (1,000); and the par value of each share shall be one dollar ($1.00) amounting in the aggregate to one thousand dollars ($1,000).

5. The name and mailing address of the incorporator is:

Cheryl A. King
Latham & Watkins
6900 Sears Tower
Chicago, Illinois 60606

RMC081

6. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-Laws of the corporation.

7. Election of directors need not be by written ballot unless the By-Laws of the corporation shall so provide.

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, herein declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 21st day of September, 1984.

Cheryl A. King
Incorporator

RMC082

State of Delaware

Office of Secretary of State

I, GLENN C. KENTON, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF INCORPORATION OF MANUFACTURING ACQUISITION COMPANY, INC. - I FILED IN THIS OFFICE ON THE THIRD DAY OF DECEMBER, A.D. 1984, AT 12 O'CLOCK P.M.

| | | | | | | | | | |

RECEIVED FOR RECORD
Dec. 4 A.D. 1984
Robert J. Donaway
RECORDER

Glenn C. Kenton
Glenn C. Kenton, Secretary of State

AUTHENTICATION: 10384438

DATE: 12/04/1984

843380235

FILED
DEC 3 1984
12 Noon

RESTATED CERTIFICATE OF INCORPORATION

OF

MANUFACTURING ACQUISITION COMPANY, INC. - I

Under Section 245 of the General
Corporation Law of the State of Delaware

The undersigned, being a Vice President and an Assistant Secretary of Manufacturing Acquisition Company, Inc. - I (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, do hereby certify as follows:

FIRST: The name of the Corporation is Manufacturing Acquisition Company, Inc. - I. The Corporation was incorporated in Delaware on September 24, 1984.

SECOND: This Restated Certificate of Incorporation and the amendments set forth herein have been duly adopted in accordance with the provisions of Sections 242 & 245 of the General Corporation Law of the State of Delaware and by the unanimous written consent of the holder of all outstanding shares entitled to vote.

THIRD: The text of the Certificate of Incorporation of the Corporation, as amended or

supplemented, is hereby restated, in full, to read as follows:

1. The name of this corporation is:

PACE Group, Inc.

2. The address of its registered office in the State of Delaware is 306 South State Street in the City of Dover, County of Kent. The name of its registered agent at such address is United States Corporation Company.

3. The nature of business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of Common Stock which the corporation shall have authority to issue is one thousand (1,000); and the par value of each share shall be one dollar ($1.00) amounting in the aggregate to one thousand dollars ($1,000).

5. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to make, alter or repeal the By-Laws of the corporation.

6. Election of directors need not be by written

RMC085

ballot unless the By-Laws of the corporation shall so provide.

IN WITNESS WHEREOF, we have signed this Certificate this 30th day of November, 1984.

R. Theodore Ammon
Vice President

ATTEST:

Robert K. Burgess
Assistant Secretary

RMC086

State of Delaware

Office of Secretary of State

I, GLENN C. KENTON, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER OF 'RHEEM MANUFACTURING COMPANY" MERGING WITH AND INTO "N.R., INC." UNDER THE NAME OF "RHEEM MANUFACTURING COMPANY" AS RECEIVED AND FILED IN THIS OFFICE THE THIRTEENTH DAY OF DECEMBER, A.D. 1984, AT 3 O'CLOCK P.M.

Glenn C. Kenton

Glenn C. Kenton, Secretary of State

AUTHENTICATION: 10395467

843480387

DATE: 12/13/1984

CERTIFICATE OF MERGER

OF

RHEEM MANUFACTURING COMPANY

WITH AND INTO

N.R., INC.

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY that:

FIRST: The name and state of incorporation of each of the constituent corporations of the merger are as follows:

Name	State of Incorporation
Rheem Manufacturing Company	Delaware
N.R., Inc.	Delaware

SECOND: An agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations to such merger in accordance with the requirements of subsection (a) of Section 228 and subsection (c) of Section 251 of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving corporation of the merger is N.R., Inc., which name shall herewith be changed to "Rheem Manufacturing Company."

FOURTH: The only amendment to or change in the Certificate of Incorporation of the surviving corporation, N.R., INC. that is to be effected by the merger is that Paragraph 1 of such Certificate of Incorporation is hereby amended to read in its entirety as follows:

"1. The name of this corporation is: Rheem Manufacturing Company."

FIFTH: The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is 59 Maiden Lane, New York, New York 10038.

SIXTH: A copy of the agreement of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of either constituent corporation.

Dated: December 13, 1984

N.R., INC.

By: _____
R. Theodore Ammon
Vice President

Attest:

By: Robert K. Burgess
Robert K. Burgess
Assistant Secretary

RMC089

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "RHEEM MANUFACTURING COMPANY" AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE SIXTH DAY OF DECEMBER, A.D. 2005, AT 5:19 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "NEW RHEEM, INC." TO "RHEEM MANUFACTURING COMPANY", FILED THE TWENTY-THIRD DAY OF DECEMBER, A.D. 2005, AT 5:59 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 2005, AT 11:59 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION, "RHEEM MANUFACTURING COMPANY".

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

4072112 8100H

AUTHENTICATION: 6966189

081116562

DATE: 11-14-08

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:21 PM 12/06/2005
FILED 05:19 PM 12/06/2005
SRV 050991790 - 4072112 FILE

CERTIFICATE OF INCORPORATION

OF

NEW RHEEM, INC.

THE UNDERSIGNED, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the General Corporation Law of the State of Delaware, does hereby certify as follows:

FIRST. The name of the Corporation shall be:

NEW RHEEM, INC.

SECOND. The registered office of the Corporation is to be located at 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, in the State of Delaware. The name of its registered agent at such address is CORPORATION SERVICE COMPANY.

TH IRD. The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of stock which the Corporation is authorized to issue is one thousand (1,000) all of which are classified as Common Stock without par value.

FIFTH. The name and address of the incorporator is as follows:

Name	Address
Peter T. Gelfman	405 Lexington Avenue 22nd Floor New York, NY 10174-0307

SIXTH. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(1) The number of directors of the Corporation shall be such as from time to time shall be fixed by, or in the manner provided in, the by-laws. Election of directors need not be by ballot unless the by-laws so provide.

(2) The Board of Directors shall have power without the assent or vote of the stockholders to make, alter, amend, change, add to or repeal the by-laws of the Corporation; to fix and vary the amount to be reserved for any proper purpose; to authorize and cause to be executed mortgages and liens upon all or any part of the property of the Corporation; to determine the use and disposition of any surplus or net profits; and to fix the times for the declaration and payment of dividends.

(3) The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interest, or for any other reason.

(4) In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Certificate, and to any by-laws from time to time made by the stockholders; provided, however, that no by-laws so made shall invalidate any prior act of the directors which would have been valid if such bylaw had not been made.

SEVENTH. No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law, (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, has executed, signed and acknowledged this certificate of incorporation this 6th day of December 2005

Peter T. Gelfman (L.S.)
Peter T. Gelfman
Incorporator

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:56 PM 12/23/2005
FILED 05:59 PM 12/23/2005
SRV 051059668 - 4072112 FILE

NEW RHEEM, INC.

CERTIFICATE OF AMENDMENT OF

CERTIFICATE OF INCORPORATION

(Pursuant to Section 242 of the General
Corporation Law of the State of Delaware)

JAN J. HOYNACKI, a Vice President of NEW RHEEM, INC., a Corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

I. The name of the Corporation is NEW RHEEM, INC. NEW RHEEM, INC. was incorporated in Delaware on December 6, 2005.

II. The Certificate of Incorporation of NEW RHEEM, INC. is amended by deleting the existing paragraphs FIRST and SEVENTH and replacing them with the following:

"FIRST. The name of this Corporation is Rheem Manufacturing Company.

SEVENTH. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director of the Corporation, or is or was serving at

the request of the Corporation as a director of another corporation, joint venture, trust or other enterprise, to the fullest extent permitted by law.

(b) No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit."

III. The foregoing Amendments have been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IV. That, in lieu of a meeting and vote of stockholders, the sole stockholder has given written consent to said amendments, in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

V. The effective time of the amendment herein certified shall be 11:59 P. M. December 31, 2005.

IN WITNESS WHEREOF, this Certificate has been made under the seal of NEW RHEEM, INC. and has been signed by the undersigned JAN J. HOYNACKI, a Vice President of NEW RHEEM, INC., this 23rd day of December, 2005.

/s/ Jan J. Hoynacki
Jan J. Hoynacki
Vice President

Attest:

/s/ Peter T. Gelfman
Peter T. Gelfman
Assistant Secretary

STATE OF NEW YORK)
: ss:
COUNTY OF NEW YORK)

BE IT REMEMBERED THAT on this 23rd day of December, 2005, personally came before me, a Notary Public, in and for the County and State aforesaid, JAN J. HOYNACKI, a Vice President of NEW RHEEM, INC., a Corporation organized and existing under the laws of the State of Delaware, the Corporation described in and which executed this foregoing Certificate, known to me personally to be such; and he, the said JAN J. HOYNACKI, as such Vice President, acknowledged said Certificate to be his act and deed and the act and deed of said Corporation; that the signatures of said Vice President and of the Assistant Secretary of said Corporation, respectively, to said Certificate are in their own proper handwriting; that the seal affixed to said Certificate is the corporate seal of said Corporation; and that said corporate seal was duly affixed and said Certificate was duly signed by said officers by authority of the Board of Directors and of the stockholder of said Corporation.

Given under my hand and seal of office the day and year aforesaid.

/s/ Robert J. Wolpert
Notary Public

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:56 PM 12/23/2005
FILED 05:58 PM 12/23/2005
SRV 051059661 - 2044854 FILE

CERTIFICATE OF MERGER

OF

PACE GROUP, INC.

WITH AND INTO

RHEEM MANUFACTURING COMPANY

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY that:

FIRST: The name and state of incorporation of each of the constituent corporations of the merger are as follows:

Name	State of Incorporation
PACE Group, Inc.	Delaware
Rheem Manufacturing Company	Delaware

SECOND: An agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations to such merger in accordance with the requirements of subsection (a) of Section 228 and subsection (c) of Section 251 of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving corporation of the merger is Rheem Manufacturing Company which name shall herewith be changed to "PI. US Holding, Inc.".

FOURTH: The two amendments to or changes in the Certificate of Incorporation of the surviving corporation, Rheem Manufacturing Company, that are to be effected by the merger is that Paragraphs 1 and 4 of such Certificate of Incorporation are hereby amended to read in their entirety as follows:

"1. The name of this corporation is: PI.US Holding, Inc.".

"4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or

distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or

of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

FIFTH: No cash or assets will be exchanged by either party as consideration for, or to facilitate, the merger. All of the accumulated earned surplus, if any, of the merging corporation (PACE Group, Inc.) will be combined with the accumulated earned surplus, if any, of the surviving corporation (Rheem Manufacturing Company).

SIXTH: The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is 405 Lexington Avenue, New York, New York 10174-0307.

SEVENTH:: A copy of the agreement of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of either constituent corporation. A Conformed Copy of the Agreement and Plan of Merger is attached hereto as Exhibit A.

EIGHTH: The effective date of the merger shall be 11:45 P. M. on December 31, 2005.

Dated: December 12, 2005

RHEEM MANUFACTURING COMPANY

By: /s/ Scott D. Martin
Scott D. Martin
President

Attest:

By: /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

EXHIBIT A CONFORMED COPY

AGREEMENT AND PLAN OF MERGER

Between

RHEEM MANUFACTURING COMPANY
A Delaware Corporation
(The Surviving Corporation)

and

PACE GROUP, INC.
A Delaware Corporation
(The Merging Corporation)

AGREEMENT entered into as of December 12, 2005, by and between RHEEM MANUFACTURING COMPANY, a Delaware corporation (hereinafter sometimes called "RMC" and sometimes called the" Surviving Corporation"), and PACE GROUP, INC., a Delaware corporation (hereinafter sometimes called "PGI" and sometimes called the "Merging Corporation"), which two corporations are hereinafter sometimes called the "Constituent Corporations". RMC is validly organized, existing, and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on September 24, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day. PGI is validly organized, existing and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on September 24, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day.

RMC has an authorized capital of 300 shares of capital stock ($1.00 par value), 300 shares of which were issued and outstanding on December 12, 2005. PGI has an authorized capital of 1,000 shares of common stock, ($1.00 par value), 1,000 shares of which were issued and outstanding on December 12, 2005. As of the effective date of the merger, PGI will have authorized capital, shares of which are issued and outstanding as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The directors of the Constituent Corporations deem it advisable and in the best interests of their respective corporations and stockholders that PGI merge with and into RMC in accordance with the provisions of the applicable statutes of the State of Delaware.

NOW, THEREFORE, the Constituent Corporations agree, each with the other, to merge into a single corporation, which shall be RMC, pursuant to the laws of the State of Delaware, and agree upon and prescribe the terms and conditions of such a merger,

the mode of carrying it into effect and the manner and basis of converting and exchanging the PGI shares into shares of RMC.

1. The Merger. On the effective date of the merger, PGI shall be merged with and into RMC and the separate existence of PGI shall cease; the Constituent Corporations shall become a single corporation named "RHEEM MANUFACTURING COMPANY", a Delaware corporation, which shall be the Surviving Corporation.

2. Certificate of Incorporation. The Certificate of Incorporation of RMC is hereby amended by striking out Articles 1 and 4 in their entirety and substituting in lieu thereof a new Article 1 and Article 4 reading as follows:

"1. The name of this corporation is PI. US HOLDING, INC.".

"4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

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E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

The Certificate of Incorporation of RMC as amended shall constitute the Certificate of Incorporation of the Surviving Corporation until further amended in accordance with the General Corporation Law of the State of Delaware.

3. By-Laws. The by-laws of RMC, in effect immediately prior to the effective date of the merger, shall continue to be the by-laws of the Surviving Corporation until altered or repealed in the manner provided by such by-laws and the General Corporation Law of the state of Delaware.

4. Directors. The directors of RMC, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the directors of the Surviving Corporation and shall continue to hold office for a term specified in the by-laws of the Surviving Corporation.

5. Officers. The officers of RMC, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the officers of the Surviving Corporation until the Board of Directors of the Surviving Corporation shall otherwise determine.

6. Effect of Merger. When the merger becomes effective, the Surviving Corporation shall possess all the rights, privileges powers and franchises, of a public as well as of a

private nature, and shall be subject to all the restrictions, disabilities, and duties of each of the Constituent Corporations; and the rights, privileges, powers and franchises of the Constituent Corporations, and all property, real and personal, including all patents, applications for patents, trademarks, copyrights, and applications for registration of copyrights, together with the goodwill of the business in connection with which said patents, marks and copyrights are used, and all debts due to each of the Constituent Corporations on whatever account shall be vested in the Surviving Corporation and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectively the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in each of the Constituent Corporations shall not revert or be in any way impaired; but all rights of creditors and all liens upon any property of each of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted for by it.

7. Manner and Basis of Conversion and Exchange of Shares. The manner of converting the outstanding shares of the capital stock of each of the Constituent Corporations into the shares of the Surviving Corporation shall be as follows:

(a) Each share of common stock of the Surviving Corporation, which shall be issued and outstanding on the effective date of the merger, shall be canceled.

(b) Each share of common stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of common stock of the Surviving Corporation.

(c) Each share of Series A preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series A preferred stock of the Surviving Corporation.

(d) Each share of Series B preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series B preferred stock of the Surviving Corporation.

(e) After the effective date of the merger the holder of the outstanding certificates representing shares of stock of the Merging Corporation shall surrender the same to Surviving Corporation and such holder shall be entitled upon such surrender to receive the number of shares of common stock, Series A preferred stock and Series B preferred stock of the Surviving Corporation on the basis provided herein. Until so surrendered the outstanding shares of the stock of the Merging Corporation to be converted into the stock of the Surviving Corporation, as provided herein,

may be treated by the Surviving Corporation for all corporate purposes as evidencing the ownership of shares of the Surviving Corporation as though said surrender and exchange had taken place.

8. Filing of Agreement and Plan of Merger. This Agreement and Plan of Merger has been approved by the Board of Directors of each of the Constituent Corporations and shall be submitted for consideration and the requisite vote by the stockholders of RMC and PGI at meetings thereof duly called for that purpose or by unanimous written consent as provided by applicable law. This Agreement and Plan of Merger, when duly adopted by the stockholders of RMC and PGI, shall be certified as to this fact by the Secretary or Assistant Secretary of RMC and PGI, respectively, under the seals thereof, and shall be acknowledged on behalf of each of the Constituent Corporations by the respective president or vice president and secretary or assistant secretary thereof. This Agreement and Plan of Merger, when adopted, certified and acknowledged, shall be filed for record in the office of the Secretary of State of the State of Delaware and recorded in the office of the Recorder of Deeds of New Castle County, State of Delaware, all in accordance with the applicable provisions of the General Corporation Law of the State of Delaware; and the officers of each of the Constituent Corporations shall execute all such other documents and shall take all such other action as may be necessary or advisable to make this Agreement and Plan of Merger effective. Notwithstanding the foregoing, this Agreement and Plan of Merger and the merger herein provided for may, at any time before it becomes effective, be terminated and abandoned pursuant to any agreement then in effect between the Constituent Corporations.

9. Further Assurance. If at any time the Surviving Corporation shall consider or be advised that any further assignment or assurance in law is necessary or desirable, to vest in the Surviving Corporation the title to any property or rights of the Merging Corporation, the officers and directors of the Merging Corporation shall and will execute and make all such proper assignments and assurances in law and do all things necessary or proper to vest such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement and Plan of Merger.

10. Effective Date of Merger. The effective date of the merger shall be 11:45 P. M. on December 31, 2005.

11. Termination and Amendment. Notwithstanding the approval of the stockholders of RMC and PGI, this Agreement and Plan of Merger may be terminated and the merger abandoned prior to the filing hereof, as provided for in Section 8 hereof, by mutual consent of the Boards of Directors of both Constituent Corporations.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed by the duly authorized and designated officers of RMC and PGI, and the respective corporate seals of the Constituent Corporations have been affixed hereto, all as of the day and year first above written.

RHEEM MANUFACTURING COMPANY,
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PACE GROUP, INC.
a Delaware Corporation
(The Merging Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

STATE: OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 12th day of December, 2005, personally came before me, a Notary Public in and for the County and State aforesaid, Scott D. Martin and Jan J. Hoynacki, President and Secretary, respectively, of PACE GROUP, INC., a corporation of the State of Delaware, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement; and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(SEAL)

/s/ Peter T. Gelfman
NOTARY PUBLIC

STATE: OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 12th day of December, 2005, personally came before me, a Notary Public in and for the County and State aforesaid, Scott D. Martin and Jan J. Hoynacki, President and Secretary, respectively, of RHEEM MANUFACTURING COMPANY, a corporation of the State of Delaware, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement; and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(SEAL)

/s/ Peter T. Gelfman
NOTARY PUBLIC

I, Jan J. Hoynacki, Secretary of RHEEM MANUFACTURING COMPANY, a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of the said corporation and having been signed on behalf of RHEEM MANUFACTURING COMPANY, a corporation of the State of Delaware, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the written consent of the sole stockholder holding all shares of the capital stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stockholder of RHEEM MANUFACTURING COMPANY and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 12th day of December, 2005.

/s/ Jan J. Hoynacki
Secretary

I, Jan J. Hoynacki, Secretary of PACE GROUP, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of PACE GROUP, INC., a corporation of the State of Delaware, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the written consent of the stockholders holding all of the shares of the stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stock holder of PACE GROUP, INC. and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 12th day of December, 2005.

/s/ Jan J. Hoynacki
Secretary

THE ABOVE AGREEMENT OF MERGER, having been executed upon behalf of and having been adopted separately by each corporate party thereto in accordance with the provisions of the General Corporation Law of the State of Delaware, and that fact having been certified on said Agreement of Merger by an Officer and the Secretary of each corporate party thereto, the respective Officer of each corporate party hereto does now execute the said Agreement of Merger and respective Secretary of each corporate party thereto does now hereby attest the said Agreement of Merger, as the respective act, deed and agreement of each of said corporations, as of the 12th day of December, 2005.

RHEEM MANUFACTURING COMPANY,
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PACE GROUP, INC.
a Delaware Corporation
(The Merging Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of December 31, 2005 and effective as of 11:50 P. M. the 31st day of December, 2005, between NEW RHEEM, INC. ("RHEEM") and PI. US HOLDING, INC. ("PIUS").

W I T N E S S E T H:

WHEREAS, RHEEM and PIUS desire that PIUS assign to RHEEM all of PIUS' right, title and interest in and to certain real property, certain tangible personal property and certain other assets and liabilities as are set forth herein (hereinafter collectively referred to as the "Assets" and "Liabilities", respectively) owned by PIUS and that RHEEM assume any and all obligations or liabilities of PIUS associated with the Assets and Liabilities, on the terms and conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements hereinafter set forth, together with other good and valuable consideration, receipt whereof is hereby acknowledged by each party, the parties hereto covenant and agree, each with the other, as follows:

1. The Shareholders and the Directors of PIUS have approved and authorized the assignment and transfer of the Assets and Liabilities by PIUS to RHEEM as of the Effective Date, such assignment and transfer of the Assets and Liabilities constituting a capital contribution by PIUS to RHEEM. Therefore, as of the Effective Date, PIUS assigns and transfers to RHEEM all of its right, title and interest in and to each of the Assets and Liabilities which are listed in Schedule A annexed hereto (hereinafter referred to as the "Transferred Assets and Transferred Liabilities"), subject to such consents or approvals as may be required.

2. RHEEM hereby accepts such transfer and assignment of the Transferred Assets and Transferred Liabilities and agrees that, from and after the date hereof, it assumes and agrees to pay, perform, observe and discharge all liabilities, obligations, covenants and agreements of PIUS due or to become due under or with respect to any and all of the Transferred Assets and Transferred Liabilities assigned to RHEEM hereunder or referred to herein, all to the same extent as if RHEEM had been the original party thereto or owner thereof. RHEEM further agrees to defend PIUS and hold PIUS harmless from and against any and all costs, liabilities, actions, proceedings, suits or demands at any time or from time to time instituted or made against PIUS with respect to the Transferred Assets and Transferred Liabilities assigned to RHEEM hereunder whether incurred or arising before or after the date of this Agreement.

3. PIUS agrees that it will do, execute and deliver or will cause to be done, executed and delivered all such further acts, deliveries, endorsements, transfers, assignments, conveyances, assurances, notices, powers or other instruments as may be required to implement the transfers and assignments herein contemplated and for the better assuring, conveying and confirming unto RHEEM, its successors and assigns, all

and singular the Transferred Assets and Transferred Liabilities as RHEEM, its successors and assigns, shall reasonably require.

4. This Assignment and Assumption Agreement and the covenants and agreements herein contained shall inure to the benefit of and bind PIUS and RHEEM and their respective successors and assigns.

5. This Agreement shall be deemed to be effective as of 11:50 P. M. on the 31st day of December, 2005 (the "Effective Date").

6. This Assignment and Assumption Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, RHEEM and PIUS have each caused this Assignment and Assumption Agreement to be signed by their respective officers or persons thereunto duly authorized and their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

NEW RHEEM, INC.

By: Scott D. Martin
Scott D. Martin
President

PI. US HOLDING, INC.

By: Toshihiro Kobayashi
NAME Toshihiro Kobayashi
TITLE President

RHEEM MANUFACTURING COMPANY HISTORICAL TIME LINE

1920's

1925 Richard S. and Donald L. Rheem with financial help from brother William K. Rheem formed a co-partnership and the Pacific Galvanizing Company to galvanize steel drums and other metal products on June 20, 1925, in Emeryville, California.

The plant was enlarged to house Rheem Manufacturing Company, a second co-partnership, and began manufacturing steel drums.

1930s

1930 Rheem Manufacturing Company was incorporated on January 22, 1930, acquiring the assets of the two co-partnerships, as well as those of the Republic Steel Package Company of California. This purchase gave the company a plant in Richmond, California, and a broader product line including boilers and tanks.

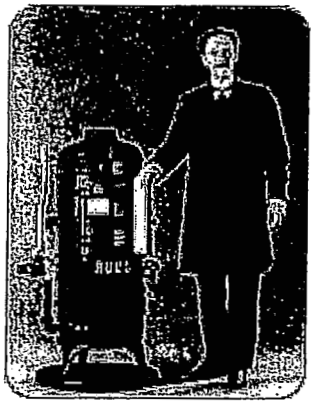
1931 Rheem entered a second field through its acquisition of the John Wood Manufacturing Company of California and began manufacturing automatic gas storage water heaters.

The company built the South Gate plant, near Los Angeles, California.

1933 Rheem moved the Emeryville operations to Richmond and the following year sold the Emeryville plant. The Richmond plant was headquarters for Rheem Manufacturing Company for many years.

1937 For the first time Rheem offered its common stock to the public through a syndicate headed by Blyth & Co., Inc., and Greenwood- Raggio & Co. Until then the company was owned entirely by the original founders.

The company built a plant in Houston, Texas, for manufacturing water heaters, boilers and tanks. It leased a drum plant from National Steel Barrel Company of Cleveland, Ohio, and purchased the business and drum plant of Meurer Steel Barrel Company in Newark, New Jersey.



Rheem opened its first plant overseas in Sydney, Australia manufacturing shipping containers and household appliances.

The company opened executive and sales offices in the RCA building in New York City.

Rheem purchased the 34th Street drum plant in Chicago, Illinois, replacing the Cleveland plant and leased the plant from the Southern Steel Barrel Company in New Orleans, Louisiana.

1940s

1940-41 Rheem built three plants and a Research Laboratory at Sparrows Point, Maryland. The plants manufactured water heaters, boilers, tanks, stamping and Navy ammunition boxes. The laboratory focused primarily on improving protective coatings and linings for steel containers and other metal products.

1954 Rheem developed "glass-lining" which was the bonding of porcelain lining to the inner surface of the water heater tank. It was the greatest boon in the industry to extending water heater tank life.

Rheem acquired U. S. Spring and Bumper Company to enter the automotive parts business. The Automotive Division produced chiefly springs and bumpers for all automobile assembly plants, such as Ford and General Motors, in the western United States.

The company started the Value Analysis Program, a team- approach for developing ideas to increase productivity, cut costs and eliminate waste.

The company's Galvanizing Dept. in Chicago received the National Safety Council Award for operating nine years without a loss time accident--an exceptional record where men worked with molten zinc and caustic solutions.

The company introduced a company stock purchase plan to employees.

Rheem began participating in the Junior Achievement program, "American Teens," which gave local teens, working with Rheem advisors, an opportunity to learn how to start and run their own business.

1955 Rheem purchased the patent rights to the air conditioning process from Ultrasonic Corp. of Cambridge, Massachusetts, signaling a significant step in this field.

1956 Rheem was the largest manufacturer of steel shipping containers in the world.

Rheem moved its headquarters office from Richmond, California, to 400 Park Avenue, New York City.

Rheem added a quality line of bathroom and kitchen plumbing fixtures through its acquisition of Richmond Radiator Company in Metuchen, New Jersey.

Rheem added the Blue Bonnet and Western-Holly line of built-in and free-standing gas ranges to its appliances through the purchase of Standard Enameling Company.

The company introduced the "Rheemaire" central air conditioning and heating system for homes with the exclusive patented Air-Film principle making it the most efficient unit available at the time.

Rheem was featured in a special section of Finish magazine as the number one user of steel in the metal products field, outside of the automotive industry, and as a manufacturer of a broad group of fabricated metal products including several major home appliances.

Rheem and a group of the nation's leading scientists and engineers in the semiconductor field formed Rheem Semiconductor Corporation to develop transistors, diodes and other semiconductors.

Richard Rheem became chairman of the board of Rheem Manufacturing Company in September 1956, replacing Donald Rheem who had held the position since January 1956. Donald Rheem became vice chairman of the board in September 1956. A. Lightfoot Walker succeeded Richard Rheem as president and chief executive officer of Rheem Manufacturing Company. Clifford V. Coons was elected Executive Vice President of the company.

1961 Rheem acquired Orendorff Manufacturing Company which made earth-engaging tools for agriculture, road-building and industrial machinery .

1962 Rheem developed the "Fusioncote" process for shipping products which fused protective plastic to interior surfaces of large steel containers for aggressive chemicals, cleaning compounds, foods and other products that formerly required more expensive containers.

Rheem introduced the "Demand-O-Matic" water heater with a special thermostat that automatically increased BTU input as hot water demand increased.

1963 Rheem was the first manufacturer to offer decorated bathroom fixtures in pastel shades and floral designs, created by Mrs. Ellen McCluskey, noted interior designer.

Rheem International, Inc., was established.

1965 Rheem diversified into oil exploration with its purchase of Superior Tank and Construction Company, Los Angeles, California, and Vulcan Steel Tank Corp., Tulsa, Oklahoma, forming the Rheem Superior Division. The division made custom-engineered products and systems for the oil and gas industries.

Rheem purchased Dudley Steel Corp., Paramount, California, combining it with its existing Rheemetal Building Division to form Rheem-Dudley Building Division. This acquisition gave the company a broader product line, expertise at producing pre-engineered metal buildings and components, and nationwide penetration.

Rheem purchased Tipper Tie, Inc. of Union, New Jersey, and San Leandro, California, and began making metal closures and processing equipment for packaging in the food and chemical industries.

1967 A. Lightfoot Walker became chairman of the board of Rheem Manufacturing Company and Clifford V. Coons became president of the company.

1968 Rheem introduced its "Imperial" gas furnace with solid state controls. It could heat, cool, humidify, dehumidify and purify the air.

Rheem Manufacturing Company was bought by City Investing Company of New York.

1969 Rheem acquired Aragon Products, Inc., of Newark, New Jersey, a manufacturer of unique vertical plastic extruders and expanded its capabilities in manufacturing plastic containers.

Rheem purchased the National Heater Company in St. Paul, Minnesota, strengthening its commercial line of heating and cooling units.

Rheem purchased New York Pressing Companies, with plants in New York City and Paterson, New Jersey, forming Rheem Textile Systems, which made pressing and cleaning equipment for the clothing and dry cleaning industries.

1970s

1970 Rheem acquired Acme Industries, Jackson, Michigan, giving it entry into commercial markets for its central air conditioning equipment.

J/ acquisitions

DATES ON WHICH RHEEM ACQUIRED FOLLOWING COMPANIES

General Data

Pacific Galvanizing Co.	
(Rheem predecessor) founded in Emeryville, Calif.	June 20, 1925
Rheem Manufacturing Company	
Incorporated	Jan. 22, 1930
Rheem Australia	
Incorporated	Nov. 26, 1936
Tacoma Plant	Production started approx.- Nov. 22, 1957
Rheem Semiconductor Corp.	
Incorporated	Mar. 5, 1959
Operation	Mar. 15, 1959
Freeport Plant	
Hired First Employee	July 12, 1960
Production started	July 28 or 29, 1960
Thermovac, Inc.	
Incorporated	Jan. 1, 1961
Changed to Sterilpac, Inc.	Jan. 9, 1963
Sterilpac Dissolved	Jan. 1, 1964
Ruud Employees transferred to Rheem payroll	
Other than Sales and Service	Jan. 1, 1962
Sales and Service	Jan. 1, 1963
Rheem International, Inc.	
Incorporated	July 1, 1963
Califone/Roberts	
Became operating Division	Jan. 1, 1964
Rhebo	
Incorporated	Dec. 14, 1959
Dissolved and assets transferred to Rheem Mfg. Co.	Jul. 31, 1963
Rheem Semiconductor	
Incorporated	Mar. 5, 1959
Assets sold to Raytheon	Nov. 30, 1961
Corporation merged with Rheem Mfg. Co.	Dec. 31, 1963

DATES ON WHICH RHEEM ACQUIRED FOLLOWING COMPANIES

Republic Steel Package Co. (Richmond)	Jan. 1, 1930
John Wood Company (Los Angeles)	Jan. 1, 1931
National Steel Barrel Co. (Cleveland)	July 1, 1937
Muerer Steel Barrel Co. (Newark, N.J.)	Aug. 1, 1937
Wachman Welded Ware Co. (Houston)	Jan. 1, 1938
Southern Steel Barrel Co. (New Orleans)	Dec. 10, 1938
Valley Machine & Tool Works (Stockton)	Jan. 1, 1941
Atlas Steel Barrel (Bayonne)	July 1, 1944
Stokermatic (Salt Lake City)	Sept. 1, 1944
Fraser Furnace Co. (Stockton) [illegible]	Feb. 1, 1947
[illegible]	
Jas. Graham Mfg. Co. (Newark, Calif.) Sold Newark, Calif property Dec. 1956	Sept. 15, 1951
U.S. S. & B. (Vernon) (also see Orendorff)	Apr. 12, 1954 (Subsidiary) Jan. 1, 1956 (Division)
Ultrasonic (Cambridge)	Dec. 1, 1955
Richmond Radiator Co. (Metuchen, et al)	Mar. 30, 1956
① Orendorff Mfg. Co. (Farm Tool Div. of U.S.S.&B. sold to Max Orendorff c/o 9/1/56)	Nov. 4, 1957 (Subsidiary)
Califone Corporation	Nov. 13, 1959
Ruud Mfg. Co.	Jan. 21, 1960
Calcor	Nov. 30, 1960
Roberts Electronics	Oct. 9, 1963
J. & L. (Atlanta Plant)	Feb. 1, 1964
Tipper-Tie, Inc.	Apr. 26, 1965
Superior Tank & Construction Co.	May 1, 1965
Vulcan Steel Tank Corp.	Oct. 1, 1965
Dudley Steel Corp.	Nov. 9, 1965

① Orendorff Mfg Company → merged into Rheem c/o close of business 12/31/66.
Paramount Industrial Development Co.

RMC120

AWH's copy

PLANTS CLOSED

	Year
Cambridge, Mass.	1956
Seattle, Wash.	1957
Downey, Calif.	1959
Rivera, Calif.	1958
Riverside, Calif.	1959
Newark, Calif.	1956
Culver City, Calif.	1958
McGregor, Tex.	1958
Vernon, Calif.	1956
Uniontown, Pa.	1957
San Pablo, Calif.	1958
Philadelphia, Pa.	1959
Burlington, N. J.	1959

PLANTS, PROPERTY SOLD

Seattle	1956-57
Uniontown	1957
Downey	1959
Riverside	1959
Newark	1956
McGregor	1960
Vernon	1956
San Pablo	1958
Berkeley	1959
Chicago	1959
Duck Club	1961

OFFICES CLOSED

Los Angeles	1957
Washington	1957
San Francisco (reduced)	1958

PRODUCT LINES DISCONTINUED

		Year
Fibre Drums -	Richmond	1956
	Chicago	1956
	Linden	1956
Gas Ranges -	Newark	1956
	Culver City	1958
	McGregor	1958
Military Electronics -	Philadelphia	1959
	Rivera	1958
Aircraft Parts-	Downey	1959
Engine Parts-	Downey	1959
Explosive Loading -	Riverside	1959
Ammunitions-	San Pablo	1958
	Burlington	1959
	Sparrows Point	1957

PRODUCT LINES MOVED

Pail Lines:	South Gate to Linden	1957
	Sparrows Pt. to Chicago	1959
Drums:	Sparrows Point to Linden	1959
Water Heaters:	Houston to Chgo.	1959
Air Conditioning:	Cambridge to Chgo.	1956

Chgo to Kalamazoo

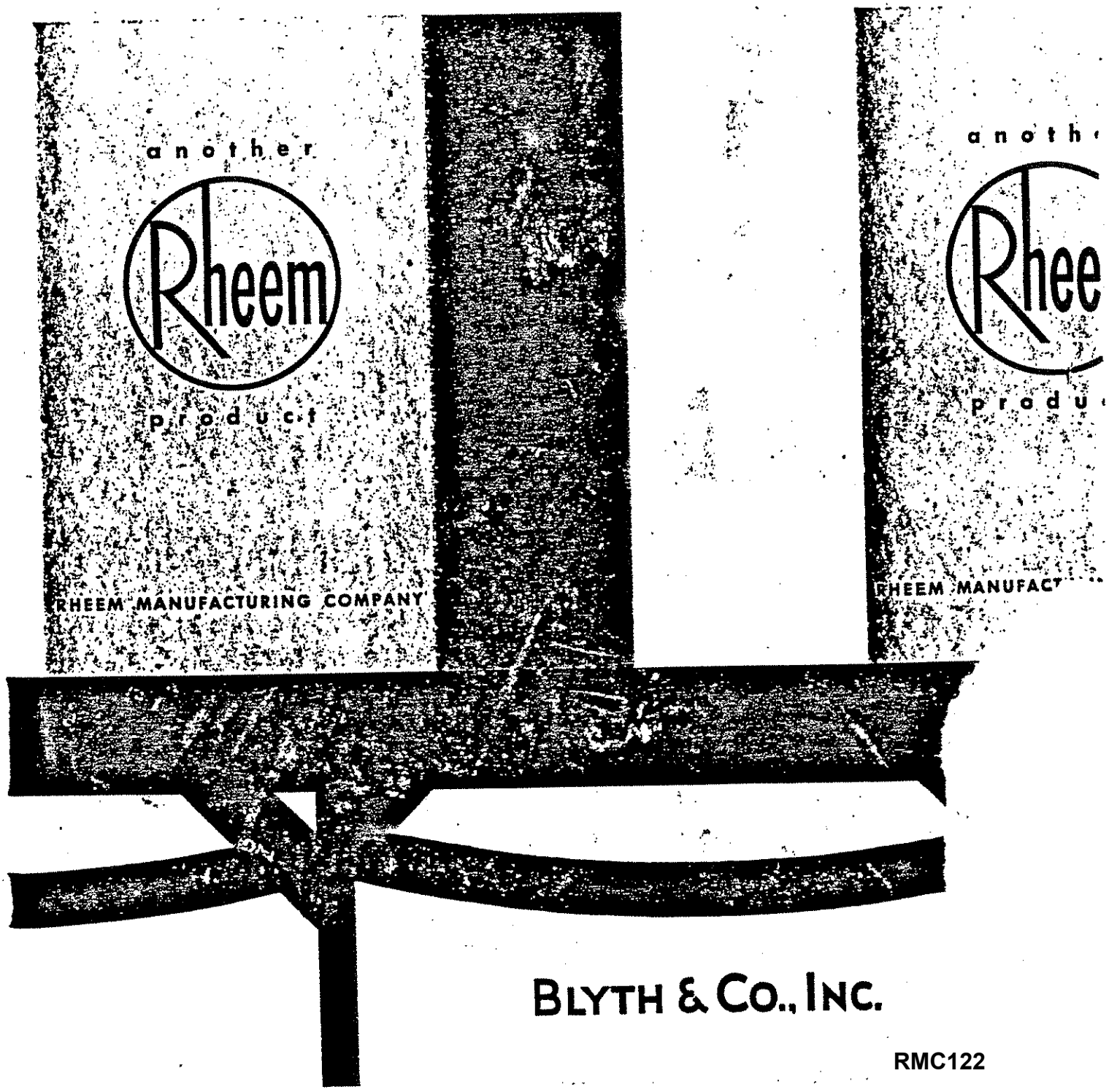
The above information was presented by AWH to the EMC and BD meetings held in Mexico City on September 7-8, 1960.

9/28/60

Romulus, Mich sold to United Brass Mfgs. April 1984

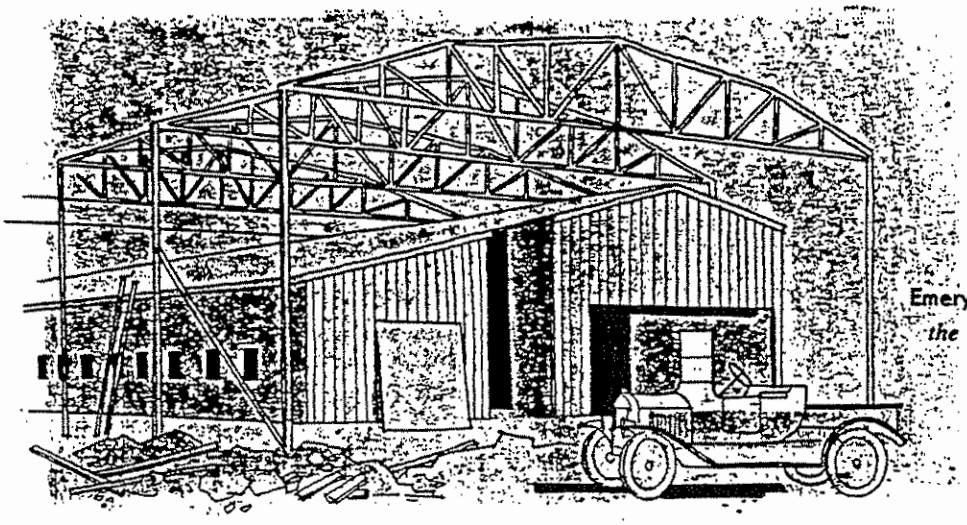
RMC121

a report for the investor...



BLYTH & CO., INC.

RMC122



Emeryville 1925
the beginning

RHEEM MANUFACTURING COMPANY

A Story of Growth

There are two factors that are present in most "growth stories." First, management must be imbued with the irresistible urge to expand. Second, management must select fields of endeavor that in themselves have a natural growth potential. These factors, to a high degree, have been behind the phenomenal growth of Rheem Manufacturing Company.

The story of Rheem starts in 1925 in Emeryville, California. Richard S. and Donald L. Rheem, with financial help from a third brother, William K. Rheem, formed a co-partnership to galvanize steel drums and other metal products. The following year, a second co-partnership was formed to fabricate steel drums.

The gross volume of business the first year was less than $100,000. For 1953, Rheem Manufacturing Company's net sales exceeded $188,000,000.

Today, Rheem is a compactly managed company and is a major factor in four distinct fields:

1. It is one of the nation's leading manufacturers of steel shipping containers, chiefly drums and pails. With its associated companies abroad, it ranks as the world's largest maker of these essential packages.

2. Rheem is the world's largest manufacturer of automatic gas and electric water heaters and is an important maker of warm-air furnaces of all types, gas and electric clothes dryers, gas ranges, water softeners, boilers and tanks, and related products.

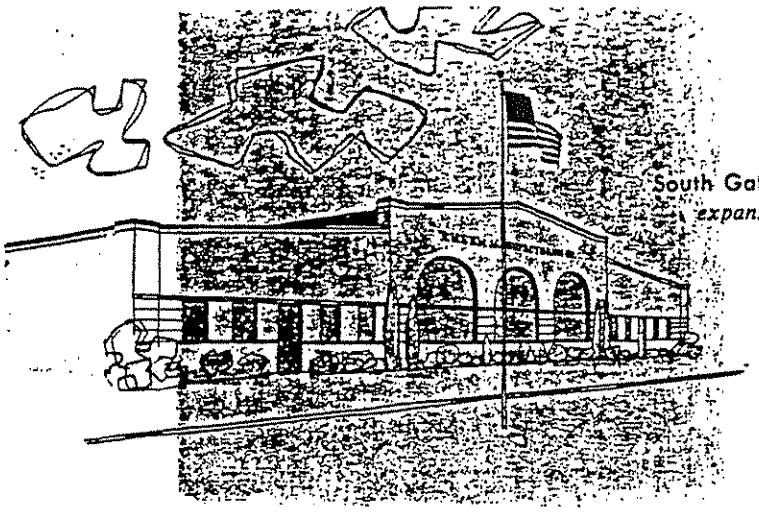
3. Rheem's Downey (California) Plant is set up as a separate operating division manufacturing aircraft assemblies and parts. This facility has become an integral part of the aircraft industry of Southern California and supplies components to Northrop, Lockheed, Douglas and other major manufacturers.

4. Capitalizing upon experience gained in World War II, Rheem is an important producer of artillery shells and cartridge cases, mortar shells, aircraft engine containers and other military materials.

Rheem went into World War II with annual sales running at the rate of approximately $10,000,000 a year, 78% of which represented steel shipping containers and 22% water heaters and other household appliances. The first post-war year, 1946, Rheem reported sales of some $39,000,000, of which 42% was containers and 58% appliances. By 1951 non-military sales exceeded $80,000,000, and have averaged about $75,000,000 for the past three years. In 1953, Rheem's container and appliance sales amounted to approximately $80,000,000, of which 44% represented containers and 56% appliances.

Top management at Rheem is still in the hands of its founders. Under them is a young, vigorous management team, schooled in the philosophy that a company either grows or falls behind, but never stands still. Approximately an eight-fold increase in sales of non-military items in the past 15 years is eloquent proof that Rheem set a wise course in becoming a dominant factor in the container and appliance fields.

RMC123



South Gate 1931
expansion

History

Rheem Manufacturing Company (herein for convenience sometimes referred to as the "Company") began its corporate existence January 22, 1930, acquiring the assets of the two original co-partnerships as well as those of Republic Steel Package Company of California. Acquisition of the latter corporation gave the Company a second plant in nearby Richmond and additional drum-making equipment, as well as facilities for the manufacture of steel tanks and allied products. In 1932 this plant was completely remodeled, Emeryville operations were moved to Richmond and in the following year the Emeryville Plant was sold.

Depression or no depression, the Company was ready to expand. Since steel drums and pails must be shipped to their users empty, it is uneconomical for the manufacturer to ship them any great distance. That meant only one thing to the Company—decentralization—the factory must go to the market. The only means of tapping the Southern California market was to build a plant in that area. Property was acquired in South Gate, in the fast growing industrial section of Los Angeles County and the plant began making drums in 1931. At this time, the Company decided to enter a second field. By purchasing the business of the John Wood Manufacturing Company of California, Rheem went into the manufacture of automatic, gas-fired water heaters.

For the next six years, Rheem concentrated on building up its sales of containers and water heaters. Gas-fired floor furnaces and other warm air space-heating equipment and other related products were added to its lines. The growing use of natural gas in California created a vast market for appliances. The Company made advantageous sales contracts with large distributors, which helped it to build volume and cut costs, so that by 1936 $2,200,000 of container sales were supplemented by almost $1,000,000 of appliance sales.

The year 1937 was memorable in many respects. The depression-born Company decided on further expansion . . . the unusual way . . . from West to East. That year the Company ceased to be completely family-owned. Through a syndicate headed by Blyth & Co., Inc. and Greenwood-Raggio & Co., common stock was sold to the public. A plant built at Houston, Texas, began the manufacture of water heaters to serve the fast-growing Southwestern natural gas area. In locating this plant, Rheem adhered to its basic formula—follow the potential market, but assure a favorable steel supply by locating plants on tidewater, for water-borne delivery, or where steel is made. In 1937 the Company moved into the container markets of the East Coast and Middle West by the purchase of existing drum plants in Cleveland, Ohio and Newark, New Jersey. This same year marked the Company's first expansion abroad. An Australian subsidiary opened its first plant at Sydney to make steel shipping containers and household appliances.

The expansion of 1937 was continued in 1938. A steel drum business in Texas was purchased and moved into the Houston Plant. To improve service to the highly industrialized Middle West, the Company acquired a building in Chicago. The Cleveland plant, which occupied leased premises, was given up and the drum-making equipment moved to Chicago. The year ended with the purchase of still another drum company, this time in New Orleans.

In seven short years, Rheem had spanned the continent. With two plants on the Pacific Coast, two on the Gulf, one on the Atlantic near the heavy oil refining centers and one in the Midwest, the Company was serving every major steel container market. In 1939 sales of containers were just under $6,900,000, while appliance sales had grown to $2,200,000, for a total of $9,100,000.

For the next two years—except for building a plant just outside Baltimore, at Sparrows Point, Maryland—Rheem concentrated on increasing the output of existing factories. Automatic gas and electric water heaters became increasingly popular in the Midwest and East, as they supplanted the

RMC124

familiar furnace-coil which delivered hot water in the winter, and the old-fashioned, copper-coil, side-arm water heater and range boiler combination which was needed for year-round hot water. Equipment to make water heaters, boilers and tanks was installed in Newark, Chicago and Sparrows Point.

As a result of this continued expansion, by the end of 1940, and though virtually unknown outside of California, Rheem had become the country's largest manufacturer of steel shipping containers, and the following year, of automatic water heaters as well.

In the fall of 1940 peacetime plans were put aside and the Company jumped into military production. Months before Pearl Harbor, the Chicago Plant was so jammed with production lines for bomb-fins and practice bombs, that a second plant was built nearby to house the drum, heater and boiler and tank lines. Production of ordnance items required such a volume of tools, jigs, dies and special equipment that a special plant for their manufacture was purchased in Stockton, California in 1941. A new building was constructed in New Orleans; the old leased premises were given up and the drum and pail lines moved to the new plant. New Orleans also began machining 105-millimeter artillery shells.

In 1942 a plant was purchased in Birmingham, Alabama, and was equipped to forge and machine 105-millimeter shells. That same year, a drum plant was built at Portland, Oregon. At Danville, Pennsylvania, a plant was leased from the Government to machine ship-shafting for destroyer escorts and landing craft. In 1943 two more plants were leased —one at Stockton, California, for the reconditioning of steel drums returned from the Pacific and another at Maywood, California, to specialize in aircraft components.

Most of the foregoing wartime expansion was made possible by government financing and bank loans which were amortized as accelerated depreciation was taken under Certificates of Necessity. By 1943 sales had grown to approximately $55,000,000, of which $22,000,000 represented containers, $4,000,000 appliances and $29,000,000 ordnance and aircraft items. Working capital to finance this six-fold increase in sales since 1939 was sorely needed. The condition of the securities market made public offering of common stock inadvisable. Bethlehem Steel Corporation had offered to purchase Rheem, but instead, Bethlehem purchased 230,000 shares of Rheem common stock, constituting approximately a 35% interest. At the end of 1943, there were approximately 643,000 shares of Rheem common outstanding, of which members of the Rheem family and others close to the management held approximately 200,000 shares. Bethlehem held 230,000 shares and the public 213,000 shares.

In 1944 Rheem purchased Bethlehem Steel Corporation's Atlas Steel Barrel Division. This gave the Company a plant at Bayonne, New Jersey, and replaced the Newark Plant, which had been sold in 1942 and its production moved to Sparrows Point. A plant was leased at Williamsport, Pennsylvania, for the machining of 8" artillery shells. The last wartime facility, a leased plant at Las Vegas, Nevada, began the manufacture of 5" rocket projectiles and 81-millimeter mortar shells in 1945.

By the end of World War II, Rheem was operating 17 plants; sales had gone from $10,000,000 a year in 1940 to over $90,000,000 in 1945. Seven plants had received Army and Navy "E" awards for outstanding production. The Richmond, California, and Newark, New Jersey, plants jointly received their first "E" awards on December 31, 1941, to become the first plant in the San Francisco area and the first in the city of Newark to be so honored.

The cancellation of military contracts following V-J Day had been fully anticipated by Rheem. Comprehensive plans for reconversion were put into effect. Leased plants at Danville, Williamsport, Las Vegas, Stockton and Maywood were given up.

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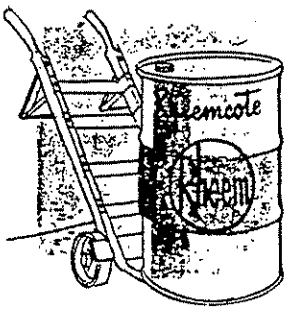
The Portland Plant, which had been constructed as a wartime measure under a Certificate of Necessity, was sold. Government additions to several of the Company's permanent plants were purchased. At the end of 1945 Rheem was operating 11 plants with a total manufacturing area of 1,286,000 square feet, as compared with seven plants with 533,000 square feet at the end of 1940 and, during the same period, employees had increased from 1,440 to 4,267.

The end of World War II and the termination of Government raw material priorities forced Rheem to set up its own system of allocating containers and appliances to its customers. Sales for 1946 were $39,300,000, of which 42% represented containers and 58% appliances.



LITHOGRAPHED DRUM

Industry allocation of steel in 1947 held sales to a monthly level of about $5,000,000, so that total sales were just over $60,000,000, with containers accounting for 37% and appliances 62% and military approximately 1%. This division of sales did not exactly reflect potential demand, but was governed by the tonnage of the various gauges of steel which the Company was allotted.

During 1946 and 1947 Rheem spent approximately $6,000,000 to bring its manufacturing operations to a high level of efficiency. Automatic galvanizing equipment was installed at Sparrows Point, Chicago, Birmingham and South Gate. This process, unique with Rheem, replaced the conventional hand-operated pickling and hot-dip galvanizing method. Turning out a superior product at less cost than formerly, these installations have given Rheem a dominant position in the manufacture of galvanized boilers and tanks. Early in 1947 Rheem acquired the Fraser line of warm-air heating equipment. For twenty-five years this Stockton, California, company had been a recognized leader in the gas furnace business and its acquisition greatly strengthened Rheem's position in this important and growing field.

Operations in 1948 leveled off – $2,000,000, spent for capital improvements, completed the post-war conversion program. Sales were $58,700,000, with containers accounting for 44% and appliances 55% and military approximately 1%. In anticipation of a return to competitive selling, a broad program to "streamline" the Company's operation was put into effect. The original Chicago Plant, the Birmingham Plant and the Stockton Tool and Die Plant were sold, and their equipment and activities moved to other plants. A substantial profit was realized from the sale of these plants, which largely offset the cost of relocating their activities.

The anticipated return of competitive selling characterized operations in 1949, when sales dropped 15% to just under $50,000,000. Containers contributed 56%, appliances 40% and military approximately 4%. During the last quarter of 1948 and the first quarter of 1949, home-building dropped to the lowest point since full-scale, post-war resumption. The reverse was true in the latter part of the year so the upward trend of sales was then resumed.

Early in 1950 the New Orleans Plant began the manufacture of the now well-known "Rheemcote" fully-lithographed and inner-roller coated 55-gallon steel drums. Fabricated on a new high-speed line and using the world's largest metal-decorating lithography press, "Rheemcote" drums were so well-received that additional installations were ordered and installed at Richmond, Sparrows Point, Chicago and Houston. Largely as a result of these additions, capital expenditures during 1950 totalled nearly $6,000,000.

Rheem celebrated its twenty-fifth year of business in 1950 by reporting record sales of $74,400,000, a 49% gain over 1949 and the largest net earnings in history – $4,800,000, or $4.75 a share, after preferred dividends, on 1,000,000 shares of common stock. Containers accounted for 45% of sales, appliances 52%, and defense materials 3%. During World War II, peacetime production

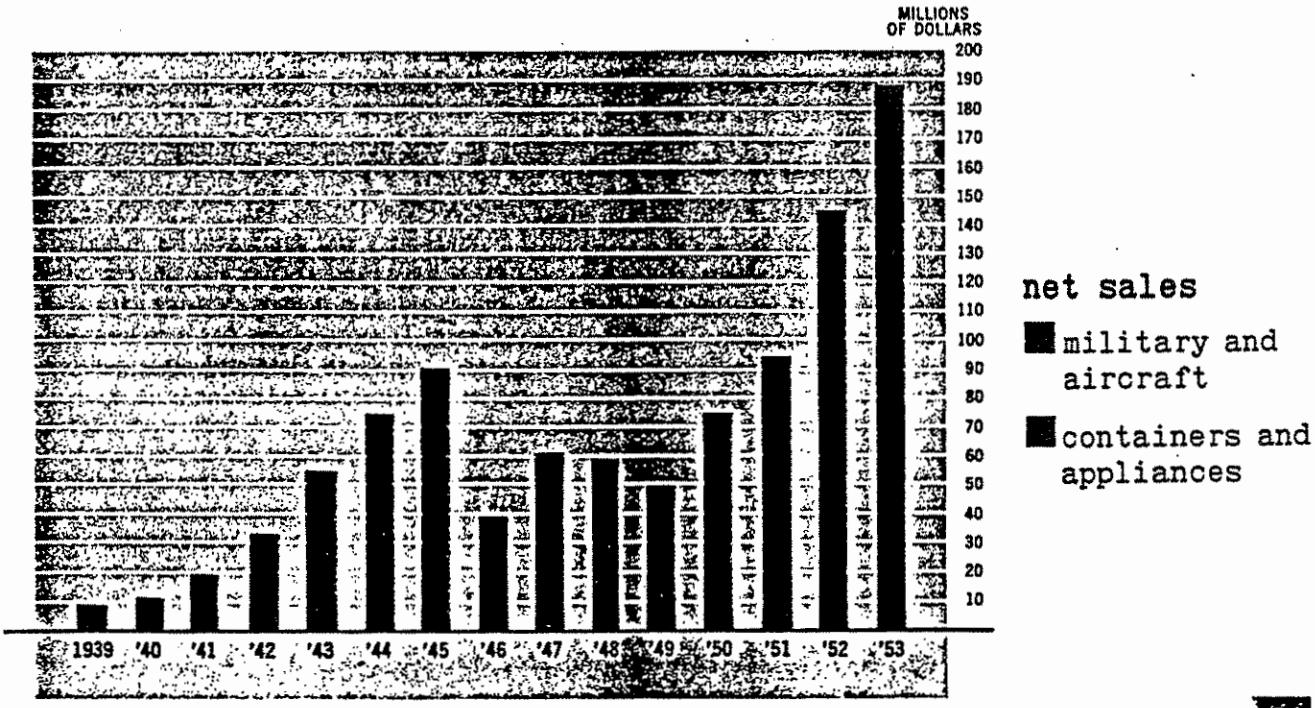
RMC126

lines were torn out to make way for military production, necessitating costly reconversion. Rheem management in 1950 made the decision to provide additional special facilities for the resumption of ordnance and aircraft work, thereby keeping non-military production lines intact. Two new California plants, one at San Pablo for ordnance work and one at Downey for aircraft work, and major plant additions for ordnance work at New Orleans and Houston were begun. A site was also purchased at Linden, New Jersey, for a building to replace the Bayonne Plant, which had become inadequate and did not lend itself to expansion. The latter plant was subsequently sold.

By 1951 Rheem was not only back in military production on a large scale, but sales of containers and appliances reached nearly $82,000,000, of which containers accounted for 52% and appliances 48%. Sales of military items amounted to about $12,000,000, bringing the total to a new high of $94,000,000, passing the $90,000,000 reported for 1945, when military items accounted for $62,000,000. Earnings in 1951 were held down by the cost of bringing the three new plants, San Pablo, Downey and Linden, into operation and the expected heavy start-up expense in connection with ordnance and aircraft contracts. The extent of the expansion required to reach the expected sales volume is best visualized by comparing manufacturing area. At the beginning of 1951 manufacturing area totalled 1,590,000 square feet—at the year-end it was more than 2,900,000 square feet. During the year $14,600,000 was spent for capital additions and improvements, $5,100,000 of which was granted accelerated amortization under Certificates of Necessity.

During 1951 Rheem entered the gas range field with the purchase of the James Graham Manufacturing Company of Newark, California. Makers of the popular "Wedgewood" line of quality ranges, the Graham Company had pioneered the manufacture of gas ranges on the West Coast. To consolidate and improve manufacturing, the Stockton Furnace Plant was closed and manufacturing moved to Newark.

In recognition of Rheem's outstanding production record during World War II, contracts for depth charge cases, artillery and mortar shells,



RMC127

artillery cartridge cases and aircraft components poured in. By the end of 1951 the backlog was over $100,000,000 and by the middle of the next year, totalled $150,000,000. Rheem was one of three companies selected by Army Ordnance each to operate a permanent artillery ammunition plant. This facility, located at Burlington, New Jersey, is engaged in the manufacture of artillery cartridge cases and, when not in production, will be kept on a standby basis ready for immediate resumption of production.

In 1952 deliveries of military products totalled almost $69,000,000, up from $12,000,000 in 1951 and ahead of the 1945 previous high of $62,000,000. Sales of non-military items were $75,000,000, of which containers accounted for 47% and appliances 53%, bringing total sales to $144,000,000, up 53% from the previous year.

Quoting from the Company's 1952 annual report to share owners, "The attainment of 1952's record output of military products carried its attending heavy start-up expenses, including the abnormal cost of assimilating sufficient new employees so that the working staff increased from 6,950 at the beginning of 1952 to 10,822 at the year-end . . . Of lesser importance, but still material factors which limited earnings, were (1) the cost of moving the New Jersey operations from Bayonne to the new Linden Plant and the Stockton furnace production lines to the Wedgewood Plant at Newark, California, (2) the steel strike in the second quarter which closed four of our plants and also restricted supplies of steel during the year, and (3) lower volume and more competitive prices for some of our non-military products.

". . . Capital expenditures, which hit a peak of $14,594,438 in 1951 in preparation for the heavily increased production which followed, dropped to $4,821,919 in 1952." Two more "Rheemcote" lines, at Linden and South Gate, were put into production during 1952.

The year 1953 has been named by Rheem management as a year of transition. While delivering a total of $108,000,000 of military and aircraft items, future planning was concentrated on peacetime products. Sales of non-military items in 1953 were $80,000,000, with containers accounting for 44% and appliances 56%. Total sales in 1953 of $188,000,000 are not expected to be equalled in 1954, with ordnance production being curtailed. Aircraft work, however, continues at a high level.

During 1953 there were several developments strengthening the outlook for sales of non-military products. The new "Rheemlined" drum, using an impervious lining of "Saran," offers an entirely new solution to the packaging problems of corrosion and spoilage. In May, Rheem purchased the water heater business of Seidelhuber Iron and Bronze Works, Inc. of Seattle, Washington. These facilities will be used to manufacture containers and appliances for the Northwest. For further expansion in this area, a 15-acre factory site near Tacoma, Washington, was purchased. Another acquisition was the business of Pacific Steel-fiber Drums, Inc. and Pacific All-fiber Drums, Inc. The purchase included all machinery and equipment for manufacturing fiber and steel and all-fiber shipping containers, as well as valuable patents covering exclusive design features. This equipment has been installed in Richmond and South Gate and plans call for similar facilities to be installed nation-wide.

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Proposed Acquisition of United States Spring & Bumper Co.

On February 4, 1954 Rheem Manufacturing Company entered into an agreement for the acquisition of United States Spring & Bumper Co. of Los Angeles, through the exchange of 44/100 of a share of Rheem common stock for each share of U.S. Spring common. The offer has been approved by the California Commissioner of Corporations and is contingent upon acceptance by the holders of 85% of U.S. Spring common, and a ruling must be obtained from the Bureau of Internal Revenue that the exchange will not be taxable.

Based upon current market quotations, the proposed acquisition involves the equivalent of approximately $4,700,000. There are 380,000 shares of U.S. Spring common outstanding, approximately 75% of which is owned by members of the Rauen family. There are also outstanding 20,321 shares of 4½% Cumulative Convertible Preferred Stock which it is planned will be redeemed at $52 a share.

If the purchase is consummated, it is planned to operate U.S. Spring as a Rheem subsidiary, with John B. Rauen, Sr., continuing as president and the remainder of the present management will be retained. In announcing the agreement, the Rheem management stated, "The reason for the offer is to further broaden the diversification of our company's product. At the present time Rheem manufactures a line of fabricated metal products primarily made of steel, with substantial distribution to the oil, chemical, food and building industries, but with no substantial distribution in the automotive field. We want to share in the tremendous growth in the automotive activity, which shows every sign of continuing indefinitely in Southern California and the Western states."

In its fiscal year ended August 31, 1953, U.S. Spring had net sales of $19,500,000 and net earnings of $700,550, which after preferred dividends, amounted to $1.72 a share on the common stock. Incorporated in 1913, U.S. Spring manufactures automotive leaf and coil springs and bumpers, farm tools, metal highway safety guards and road-center dividers. Springs and bumpers, which are the most important products, are supplied as original equipment to the major passenger automobile assembly plants on the Pacific Coast.

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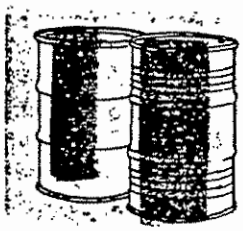
Description of Business

Although (1) steel shipping containers and (2) home appliances and boilers and tanks are divergent, both as to product type and user, the principal part of their manufacture is the fabrication of sheet steel. Therefore, items that are manufactured at all of the various Rheem plants depend upon marketing and raw material considerations. Where both containers and appliance items are manufactured at a single plant, they are produced by separate departments, but under a single plant administration. It is only at the level of sales and product development, that containers and appliance activities are administered as separate divisions.

Containers



DRUMS

Steel shipping containers fall into two general classifications—drums, which normally range in capacity from 15 to 58 gallons; and pails, which are customarily from 1½ to 5 gallons in capacity. They are sold directly by the Company to the manufacturers or processors of petroleum products, chemicals, paints, foods, beverages and a wide variety of wet and dry products that require the protection, durability or other features of a steel container for transportation and storage. For liquid products, both drums and pails are made with tight-heads and various types of filling and pouring outlets. For semi-solid products, they are made with fully removable heads. Where products that are corrosive to steel are to be packaged, the containers are lined with various types of resistant lacquers, and Rheem has recently introduced drums lined with "Saran," a plastic that will not support bacterial growth.

For years pails, because of their small sizes, were the only steel shipping containers available with a decorated lithographed exterior. Rheem, with its large metal decorating presses in seven container plants, now offers the same decorated exterior for drums up to 58-gallon capacity. Known as "Rheemcote," this exclusive with Rheem process produces a drum lithographed in as many colors and carrying as much of a sales or instruction message as the user desires.

RETURNABLE DRUMS

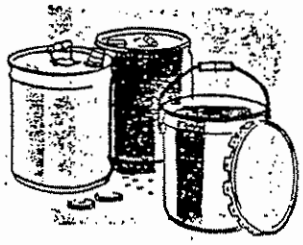
Drums traditionally fall into three classes:

1. Single trip containers. This is by far the most important classification. The designation is actually a misnomer. While they may make one trip with their original products, actually they can be reconditioned for additional trips or be re-used without reconditioning for commodities not requiring a clean interior. This class of drum, which varies in thickness of metal from 16 to 19 gauge and in the 15-gallon size as light as 20 gauge, may make as many as five or more trips. Rheem has developed a new type of single trip container with a light-gauge body, strengthened with a fiber wrapping. If the cost of this container can be brought low enough, reconditioning of standard single-trip drums will become inadvisable, which factor should broaden the market for this new type of drum.

2. Returnable containers. These 55-gallon, 14 and 16 gauge containers, are designed for re-usage and normally remain the property of the product supplier. They are frequently hot-dipped galvanized and in most cases reinforced with heavy rolling-hoops.

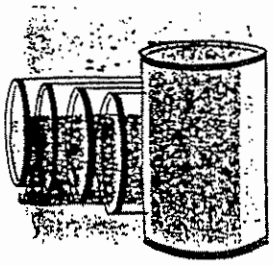
3. Lightweight containers. These vary in size from 15 to 55 gallons and are made from 20 to as light as 28 gauge steel. They are popularly used to ship and store asphalt, lime, dusts, flakes, and powdered or granular material that does not require the protection of a heavier container.

RMC130



PAILS

Pails fall into two general categories (1) tight-head, with screw-cap openings or pouring spouts for all types of liquids and (2) crimp-cover, for semi-solids, where the cover must be removable. They are widely used for paints, lubricants, chemicals and a great variety of industrial products.



FIBER CONTAINERS

Last June Rheem acquired the business of Pacific Steel-fiber Drums, Inc. and Pacific All-fiber Drums, Inc. because it believes that complete lines of steel and fiber, and all-fiber containers should prove to be a valuable addition to its all-steel shipping container lines.

Appliances

Rheem home appliances can be classified as:

(a) Automatic storage-type water heaters for all types of gas (natural, manufactured, mixed and liquefied petroleum) and for electricity.

(b) Space heating equipment for all types of gas and for oil. Rheem describes its central heating, forced-air furnaces as "Winter Air Conditioners." Its oil-burning models can be readily converted to gas-firing by simply changing the burner unit. The gas heating equipment line includes gravity furnaces, floor furnaces, recessed wall-heaters and console heaters.

(c) Space cooling equipment. This classification consists of evaporative air-coolers, together with a line of mechanical room air-conditioners which the Company purchases and distributes under the Rheem name.

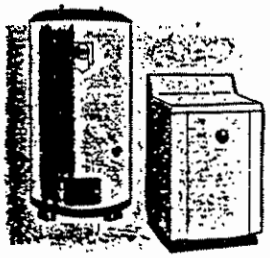
(d) Water softeners. Rheem manufactures a complete line of automatic and manually operated water softeners.

(e) Boilers and tanks. This classification includes range boilers, expansion tanks, hydro-pneumatic tanks for household water systems, and underground storage and septic tanks.

(f) Gas ranges and electric and gas clothes dryers. These are called Rheem-Wedgewood appliances to capitalize on the acceptance of both names and are sold principally on the West Coast at present.

Prior to World War II, most of the Company's output of water heaters and space heating equipment was sold under brand names other than Rheem. At the present time, the reverse is true and the major portion of all types of appliances is sold under the Rheem name.

In general, water heaters, space heating equipment, evaporative and room coolers, and boilers and tanks are distributed through the plumbing and heating jobbers and wholesalers. These firms supply the retail plumbing and heating dealers. Water softeners are generally sold through distributors, who are given an exclusive territorial franchise. To assist the retail dealer to move Rheem merchandise, the Company furnishes comprehensive sales promotional assistance and backs up local radio, television and newspaper advertising with national advertising in such magazines as *Life, Saturday Evening Post, Better Homes & Gardens, American Home* and *House Beautiful.*



WATER HEATERS

Besides being the world's largest manufacturer of automatic storage water heaters, Rheem has a

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complete and diversified line. It has low-priced models for installation in large scale home-building projects. It has high-quality heaters for the replacement market and the individual home-builder. In many sections of the country where there are corrosive water conditions, ordinary galvanized steel water heater tanks will corrode and fail in a few years. To meet this, Rheem has developed and successfully introduced the first popular-priced water heater with a non-ferrous tank, the "Coppermatic." A tank of solid copper is encased within a steel tank, which results in a laminated long-life tank with the corrosion resistance of copper and strength of steel. The wide variety of Rheem water heaters is exemplified by the following summary of the line:

1. "Coppermatic" heaters carry a five-year guarantee and a ten-year pro-rata usage guarantee "protection plan." They are available for gas in 30, 40 and 50 gallon capacities and for electricity in 30, 52 and 82 gallon capacities.

2. Designed for economical modernization and the low-cost new home, the "Arrowhead" (1-year "protection plan") and the "Warrior" (3-year "protection plan") gas water heaters, have steel tanks, welded and galvanized by Rheem's patented process and are available in 20, 30 and 40 gallon capacities.

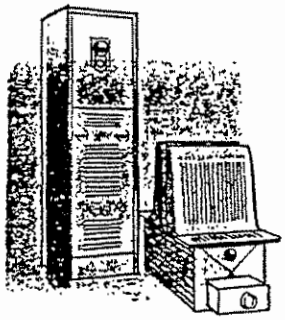
3. The "Custom" gas water heater is medium-priced, carries a 5-year "protection plan" and is available in 20, 30 and 40 gallon capacities.

4. The "Imperial" gas water heater is designed for better-class home construction and modernization, is covered by a 10-year "protection plan" and is available in 20, 30, 40, 50 and 75 gallon capacities.

5. The Rheem "Booster" gas water heater is a heavy-duty, circulating-type and is commonly used with an accompanying storage tank for hotels, hospitals, apartments, commercial garages, industrial buildings, etc. It is also used to heat swimming pools, carries a 1-year "protection plan" and is in three capacities; 100, 150 and 200 gallons per hour recovery (60 degree rise in temperature).

6. The "Standard" electric water heaters carry a 1-year "protection plan" and are available in the usual cylindrical style in 12, 20, 30, 40, 52, 66 and 82 gallon capacities, and in the table-top style in 30 and 40 gallon capacities.

7. The "Imperial" electric water heaters carry a 10-year "protection plan," and are available in the cylindrical style in 30, 40, 52, 66 and 82 gallon capacities, and in the table-top style in 30 and 40 gallon capacities.



SPACE HEATERS

The introduction of natural gas to many areas of the United States has tremendously broadened the market for gas-fired space heating equipment of all kinds. In new construction, the installation of central or other heating equipment offers no problems, but in modernization there are numerous problems as to space, and location of ducts. The Rheem heating line is completely diversified and offers a product to meet all types of requirements and problems of installation (all heating equipment carries a 10-year warranty against burn-out or rust-out):

1. *Winter Air Conditioner.* This classification covers four series of gas-fired and two of oil-fired furnaces which can be converted to gas by replacing the burner assembly. These furnaces can be equipped with an automatic humidifier and their input varies from as little as 60,000 to as much as 350,000 BTU per hour. For installation in closets, alcoves, utility rooms and in basements where there is limited clearance, certain types are specially insulated and built for "zero clearance."

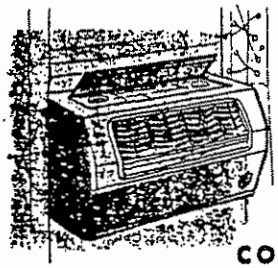
2. *Gas Horizontal Forced Air Furnaces.* This series, engineered for installation in attics and in shallow basements, delivers maximum output with a minimum of installation space and is available in three sizes: 60,000, 80,000 and 100,000 BTU input per hour.

3. *Gas Gravity Furnaces.* These furnaces provide an economical installation in smaller, compact houses with basements. They embody many of the design improvements of the forced air furnaces and are available in three sizes: 77,000, 95,000 and 112,000 BTU input per hour.

4. *Floor Furnaces.* Rheem has long been a leader in the design and manufacture of floor furnaces. The standard series is available with a flat floor register, or with dual wall registers, and with input capacities of from 25,000 to 50,000 BTU per hour.

5. *Gas Recessed Wall Heaters.* Designed for homes, apartments, offices and motels, these units are economical and easy to install. They do not project below the floor level and are available in two models: dual, which circulates heat from both sides of the wall heating two rooms; and single, which circulates heat from one side only. Both are available in 28,000 and 50,000 BTU input per hour capacities.

6. *Gas Console Heaters.* Available in three sizes: 25,000, 35,000 and 50,000 BTU input per hour, these attractively styled unit heaters can be easily and inexpensively installed and can be equipped with fully-automatic controls if desired.

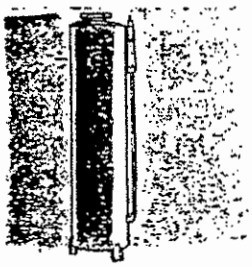


SPACE COOLING EQUIPMENT

The Rheem line includes two types of space cooling equipment:

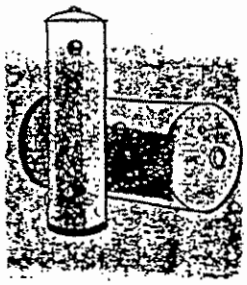
1. *Evaporative Coolers.* These are widely used in hot and arid climates, and consist of a cabinet housing a motor driven fan, which pulls air through a fibrous pad which is kept saturated with water. Installed in a window or special opening, these inexpensive cooling units have wide usage in the Southwest and in desert areas.

2. *Room Air Conditioners.* These units are purchased by Rheem to supplement the appliance line. They are easily installed in a window and provide the following: cooling, ventilating, exhausting, dehumidification, cooling and ventilating, cooling and exhausting, heating. There are three sizes with cooling capacities of 6,300, 9,100 and 11,200 BTU per hour; all three have a heating capacity of 4,300 BTU per hour.



WATER SOFTENING

Rheem makes two general types of water softeners: (1) manually controlled, and (2) semi-automatic. The latter is available with a separate brine tank to speed regeneration. Both models carry a 10-year "protection plan."



BOILERS AND TANKS

With the exception of underground storage tanks which are largely sold to oil companies and other distributors of petroleum products, users of petroleum products, and building contractors, the products in this classification are generally sold through plumbing jobbers and wholesalers:

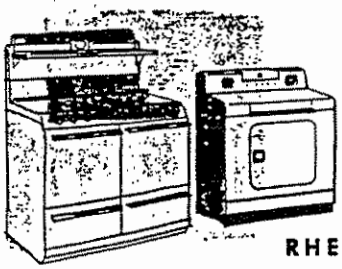
1. *Range Boilers.* This business is largely concentrated in the East and Midwest and, at present, is largely to satisfy the replacement market. Range boilers are made in four weights: standard, heavy, double-extra heavy and triple-extra heavy. They vary in size from 15 to 120 gallons.

2. *Expansion Tanks.* These units are for use in domestic circulating hot-water heating systems. For closed systems they are galvanized and for open systems, painted. They vary in size from 15 to 120 gallons.

3. *Hydro-pneumatic Tanks.* In the past few years, more and more rural and suburban households not served by public water systems have been putting in their own pumping and running water systems. Most of these require a pressurized water storage tank to keep an even flow. These are made in various weights and in capacities from 18 to 525 gallons.

4. *Underground Storage Tanks.* These are either painted, in capacities of from 120 to 10,000 gallons, or galvanized, in capacities of from 120 to 1,000 gallons.

5. *Septic Tanks.* These are painted and vary in capacity from 200 to 1,000 gallons.



RHEEM-WEDGEWOOD

Two products are distributed under the Rheem-Wedgewood brand—the complete line of Rheem-Wedgewood gas ranges and the new Rheem-Wedgewood clothes dryer for gas or electricity. These products are sold by a separate sales organization, directly to the retail dealer.

The Wedgewood name has long been synonymous with the highest quality of gas range made on the Pacific Coast. Presently, there are ten models to fit all requirements and price levels. The featured range is the high-level broiler model, with such other features as a warming-serving shelf that warms dishes, keeps food hot and adds 50% more work space to the range, a chrome griddle with heat indicator, and one-piece oven with rounded corners for easy cleaning. The complete line is made for all types of gases, including liquefied petroleum.

The Rheem-Wedgewood Clothes Dryer was developed after extensive market analysis and design research. Introduced in the fall of 1953, it has been very well received. An important selling feature is the unique "Clothes Saver," a separate compartment in which delicate fabrics can be dried without danger of damage from tumbling action or excessive heat.

Military

The military items manufactured by Rheem fall generally into two classifications (1) ordnance and (2) aircraft. While the output of ordnance components depends upon the current rate of their consumption or stockpiling, the volume of aircraft work has more of an element of continuity. Included in the aircraft work, though not a product of the Aircraft Division, is the Company's substantial output of steel containers for the shipping and storing of piston and jet aircraft engines. This product was originally designed by Rheem, working in close cooperation with the Air Force. The advantage of steel over wooden aircraft engine containers has been so clearly proven that this item can no longer be considered as a wartime requirement and has definite peacetime potential for commercial as well as military usage.

Between August 7, 1953 and February 1, 1954, the Company purchased a total of 42,000 shares of common stock of Northrop Aircraft Corporation at prices prices ranging from a low of $14 per share to a high of $18. Such purchase is intended by the Company to provide an opportunity to further its activities in the aircraft business and to maintain a closer relationship with developments in prime contracts in this field. A director of the Company, Mr. A. E. Ponting, has been elected to the board of directors of Northrop. It is believed by the Company that the operations of its Downey Plant will have a permanent role in the field of aircraft production and, more particularly, in the field of guided missile production in Southern California, where the aircraft industry plays a major part in the economy of the area.

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Properties

Rheem management has long followed a policy of disposing of obsolete or inadequate plants and of taking full advantage of building new plants under Certificates of Necessity. Almost without exception, all plants are either of recent construction or have been modernized. Indicative of the building and modernization since World War II is the following comparison of the property accounts before depreciation.

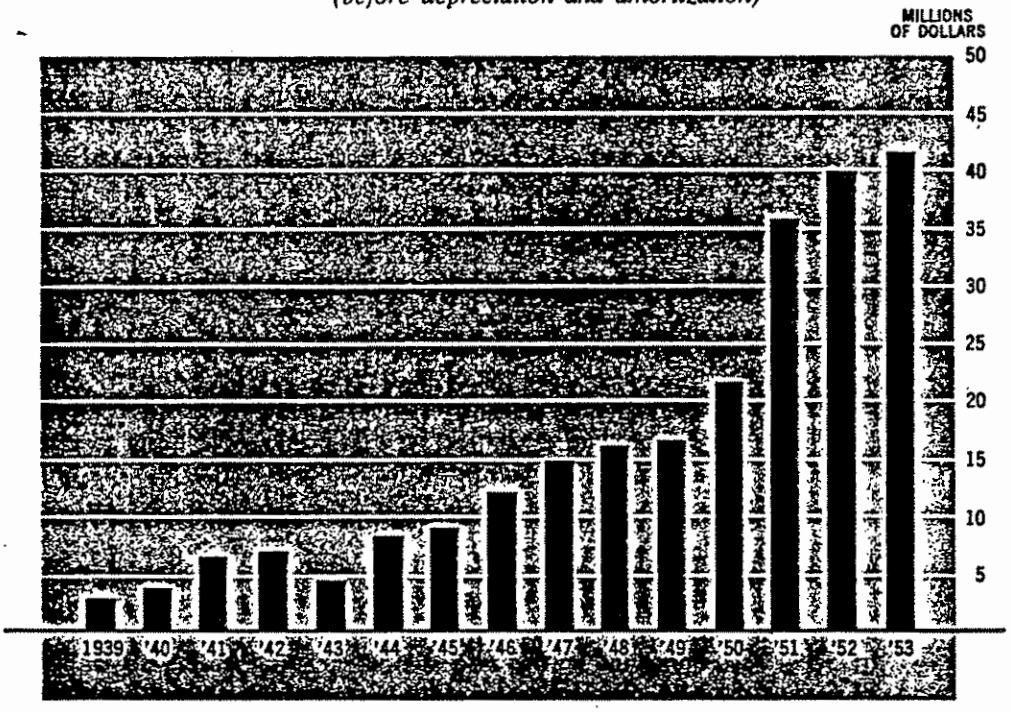
	12/31/45	12/31/53
Buildings	$2,772,000	$15,717,000
Machinery and Equipment	$5,885,000	$24,320,000
Total	$8,657,000	$40,037,000

The Company's machinery and equipment compares most favorably with any in related fields. Rheem's automatic galvanizing lines and special welding equipment and techniques produce water heater tanks, range boilers, hydro-pneumatic and other tanks that are noted for their uniformity and quality. In the container field, the Company's rate of production of both drum and pail lines is above the average for the industry. Furthermore, Rheem has the only metal decorating presses capable of lithographing drum sheets.

Manufacturing area on December 31, 1945 totalled 1,286,000 square feet and five years later it stood at 1,590,000 square feet. In one year, 1951, it jumped to more than 2,900,000 square feet, and at December 31, 1953 totalled 3,736,000 square feet.

Investment in property, plant and equipment

(before depreciation and amortization)



RMC135

Plants

RICHMOND, CALIFORNIA

SITE	18.3 ACRES
USEABLE FLOOR AREA	250,330 SQ. FT.
NUMBER OF EMPLOYEES	443

This plant is located in close proximity to the large oil refineries of Standard, Union, Shell and Associated. It has been the Company's largest producer of steel drums and pails. During World War II, five drum lines were operated and it was the Nation's largest producer. The products of this plant include drums and pails, steel and fiber and all-fiber shipping containers, galvanized boilers and tanks, and underground storage and septic tanks.

SOUTH GATE, CALIFORNIA

SITE	16.4 ACRES
USEABLE FLOOR AREA	284,987 SQ. FT.
NUMBER OF EMPLOYEES	510

Located in the industrial section of Los Angeles County, this plant is a heavy producer of appliances, with drums being second in importance. Its products include steel drums, fiber drums, gas water heaters, water softeners, clothes dryers, galvanized boilers and tanks, underground storage and septic tanks.

HOUSTON, TEXAS

SITE	12.5 ACRES
USEABLE FLOOR AREA	244,745 SQ. FT.
NUMBER OF EMPLOYEES	489

An 80,000 sq. ft. addition to this plant was completed in 1951 for the manufacture of 4.2" mortar shells. Its normal products include drums, gas water heaters, evaporative coolers, galvanized boilers and tanks, and underground storage and septic tanks.

CHICAGO, ILLINOIS

SITE	55.0 ACRES
USEABLE FLOOR AREA	547,000 SQ. FT.
NUMBER OF EMPLOYEES	1,207

This is the largest of all Rheem plants. Its products include drums, gas and electric water heaters, galvanized boilers and tanks, warm-air heating equipment, water softeners and aircraft engine containers.

NEW ORLEANS, LOUISIANA

SITE	17.2 ACRES
USEABLE FLOOR AREA	217,250 SQ. FT.
NUMBER OF EMPLOYEES	887

The initial "Rheemcote" drum facilities were installed and brought into production in New Orleans early in 1950. In 1951 this plant was enlarged by approximately 100,000 sq .ft. to provide space for the forging and machining of 105 MM shells and the drawing of 90 MM cartridge cases. Its normal products are drums and pails, with Houston taking care of appliance requirements for the Southern territory.

SPARROWS POINT, MARYLAND

SITE	29.3 ACRES
USEABLE FLOOR AREA	410,840 SQ. FT.
NUMBER OF EMPLOYEES	1,174

This plant is located just outside Baltimore and adjacent to the Sparrows Point Mill of Bethlehem Steel Corporation. In 1952 this plant was highly-praised by Army Ordnance for developing and putting into production spiral-wrapped steel 105 MM cartridge cases, which were badly needed at that time. Its products include drums and pails, gas and electric water heaters (including the "Coppermatic" models), galvanized boilers and tanks, and aircraft engine containers.

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SAN PABLO, CALIFORNIA

SITE	47.4 ACRES
USEABLE FLOOR AREA	328,000 SQ. FT.
NUMBER OF EMPLOYEES	1,212

Located about two miles north of the Richmond Plant, this plant began operations in 1951, strictly as an ordnance operation. First in production were 81 MM mortar shells, then Navy 5" and 3" steel cartridge cases, and finally 155 MM shells. Rheem's contract to forge and machine 155 MM shells was the first for a component of this size ever awarded to the West.

DOWNEY, CALIFORNIA

SITE	49.4 ACRES
USEABLE FLOOR AREA	467,475 SQ. FT.
NUMBER OF EMPLOYEES	2,334

Operating as the Aircraft Division, this plant went into production in 1951 making aircraft parts and assemblies. The initial output consisted of components for Lockheed's jet-trainer and all-weather fighter. This was later supplemented by parts for Lockheed's patrol bomber and Northrop's all-weather interceptor. A recent contract calls for the manufacture of complete after-burner units for Westinghouse jet engines.

LINDEN, NEW JERSEY

SITE	30.6 ACRES
USEABLE FLOOR AREA	171,000 SQ. FT.
NUMBER OF EMPLOYEES	416

This plant was put into operation in 1951 and took over the drum production formerly handled at the nearby Bayonne Plant, which was sold. This plant also was equipped to manufacture 81 MM mortar shells by the process developed at San Pablo.

NEWARK, CALIFORNIA

SITE	20.8 ACRES
USEABLE FLOOR AREA	257,885 SQ. FT.
NUMBER OF EMPLOYEES	661

This plant, formerly operated by the James Graham Company, was acquired in July of 1951. Founded in its present location on the Southeastern shore of San Francisco Bay in 1882, this plant pioneered the manufacture of gas ranges on the Pacific Coast. Besides manufacturing the Rheem-Wedgewood line of ranges, this plant was enlarged in 1952 to take over the manufacture of the warm-air heating equipment formerly made in leased premises in Stockton, California.

SEATTLE, WASHINGTON

SITE	6.7 ACRES
USEABLE FLOOR AREA	45,000 SQ. FT.
NUMBER OF EMPLOYEES	42

Formerly owned by the Seidelhuber Iron and Bronze Works, Inc., this plant was purchased and possession was taken July 1, 1953. This plant will initially be used to manufacture water heaters and later steel drums and other Rheem products.

TACOMA, WASHINGTON

To provide for expansion in the Northwest, in September of 1953 the Company purchased a 15-acre plant site in the industrial section of Tacoma.

BURLINGTON, NEW JERSEY

SITE	Leased
USEABLE FLOOR AREA	415,779 SQ. FT.
NUMBER OF EMPLOYEES	1,185

This plant is government-owned and was formerly a wartime aluminum plant. It is operated under lease as a permanent ordnance plant and is now manufacturing artillery cartridge cases.

PHILADELPHIA, PENNSYLVANIA

SITE	Leased
USEABLE FLOOR AREA	95,616 SQ. FT.
NUMBER OF EMPLOYEES	317

This plant is the Eastern research and development department on Government projects.

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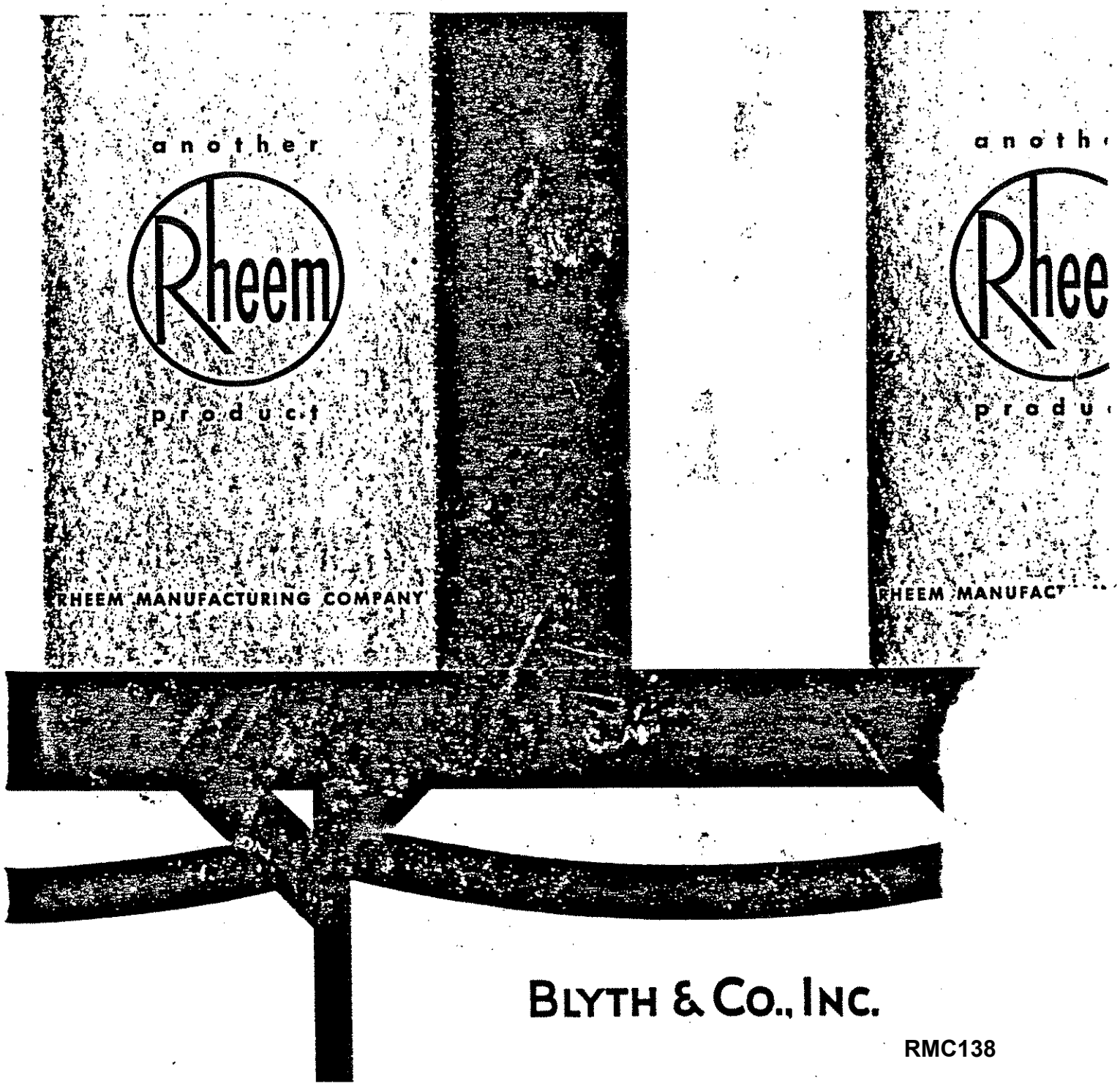
a report for the investor...



BLYTH & CO., INC.

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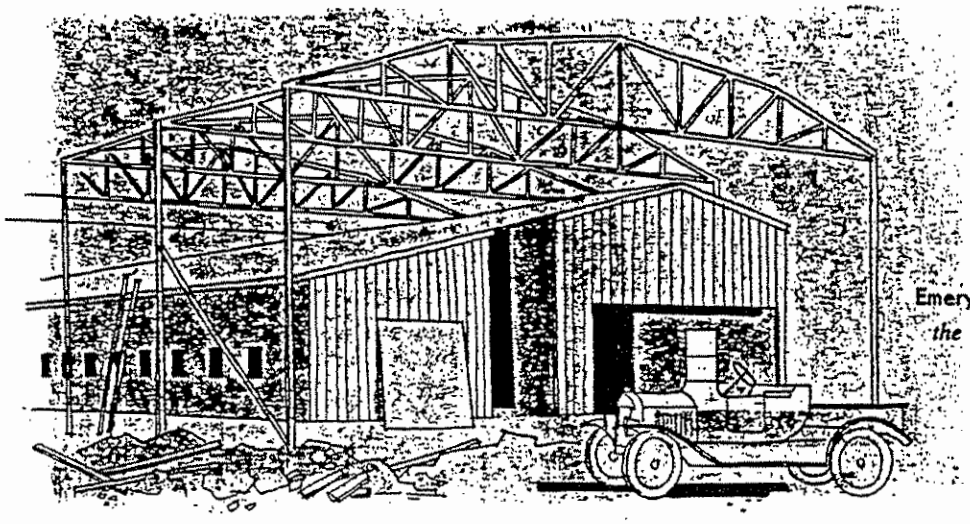


Emeryville 1925
the beginning

RHEEM MANUFACTURING COMPANY

A Story of Growth

There are two factors that are present in most "growth stories." First, management must be imbued with the irresistible urge to expand. Second, management must select fields of endeavor that in themselves have a natural growth potential. These factors, to a high degree, have been behind the phenomenal growth of Rheem Manufacturing Company.

The story of Rheem starts in 1925 in Emeryville, California. Richard S. and Donald L. Rheem, with financial help from a third brother, William K. Rheem, formed a co-partnership to galvanize steel drums and other metal products. The following year, a second co-partnership was formed to fabricate steel drums.

The gross volume of business the first year was less than $100,000. For 1953, Rheem Manufacturing Company's net sales exceeded $188,000,000.

Today, Rheem is a compactly managed company and is a major factor in four distinct fields:

1. It is one of the nation's leading manufacturers of steel shipping containers, chiefly drums and pails. With its associated companies abroad, it ranks as the world's largest maker of these essential packages.

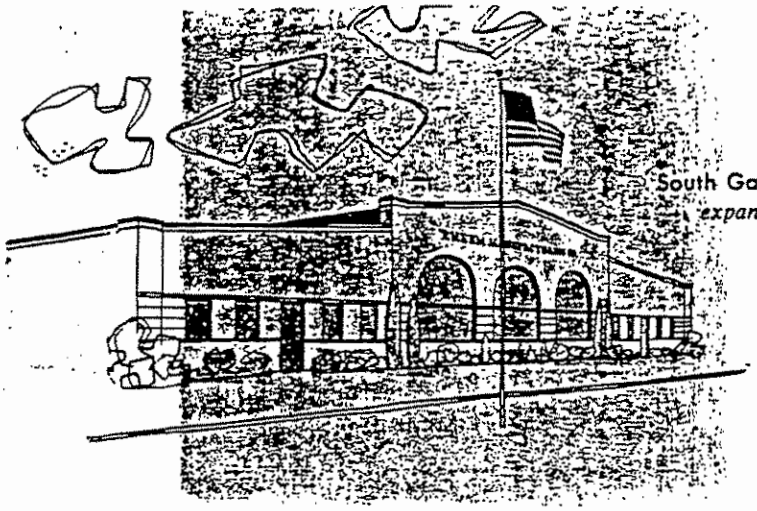
2. Rheem is the world's largest manufacturer of automatic gas and electric water heaters and is an important maker of warm-air furnaces of all types, gas and electric clothes dryers, gas ranges, water softeners, boilers and tanks, and related products.

3. Rheem's Downey (California) Plant is set up as a separate operating division manufacturing aircraft assemblies and parts. This facility has become an integral part of the aircraft industry of Southern California and supplies components to Northrop, Lockheed, Douglas and other major manufacturers.

4. Capitalizing upon experience gained in World War II, Rheem is an important producer of artillery shells and cartridge cases, mortar shells, aircraft engine containers and other military materials.

Rheem went into World War II with annual sales running at the rate of approximately $10,000,000 a year, 78% of which represented steel shipping containers and 22% water heaters and other household appliances. The first post-war year, 1946, Rheem reported sales of some $39,000,000, of which 42% was containers and 58% appliances. By 1951 non-military sales exceeded $80,000,000, and have averaged about $75,000,000 for the past three years. In 1953 Rheem's container and appliance sales amounted to approximately $80,000,000, of which 44% represented containers and 56% appliances.

Top management at Rheem is still in the hands of its founders. Under them is a young, vigorous management team, schooled in the philosophy that a company either grows or falls behind, but never stands still. Approximately an eight-fold increase in sales of non-military items in the past 15 years is eloquent proof that Rheem set a wise course in becoming a dominant factor in the container and appliance fields.



South Gate 1931
expansion

History

Rheem Manufacturing Company (herein for convenience sometimes referred to as the "Company") began its corporate existence January 22, 1930, acquiring the assets of the two original co-partnerships as well as those of Republic Steel Package Company of California. Acquisition of the latter corporation gave the Company a second plant in nearby Richmond and additional drum-making equipment, as well as facilities for the manufacture of steel tanks and allied products. In 1932 this plant was completely remodeled, Emeryville operations were moved to Richmond and in the following year the Emeryville Plant was sold.

Depression or no depression, the Company was ready to expand. Since steel drums and pails must be shipped to their users empty, it is uneconomical for the manufacturer to ship them any great distance. That meant only one thing to the Company—decentralization—the factory must go to the market. The only means of tapping the Southern California market was to build a plant in that area. Property was acquired in South Gate, in the fast growing industrial section of Los Angeles County and the plant began making drums in 1931. At this time, the Company decided to enter a second field. By purchasing the business of the John Wood Manufacturing Company of California, Rheem went into the manufacture of automatic, gas-fired water heaters.

For the next six years, Rheem concentrated on building up its sales of containers and water heaters. Gas-fired floor furnaces and other warm air space-heating equipment and other related products were added to its lines. The growing use of natural gas in California created a vast market for appliances. The Company made advantageous sales contracts with large distributors, which helped it to build volume and cut costs, so that by 1936 $2,200,000 of container sales were supplemented by almost $1,000,000 of appliance sales.

The year 1937 was memorable in many respects. The depression-born Company decided on further expansion . . . the unusual way . . . from West to East. That year the Company ceased to be completely family-owned. Through a syndicate headed by Blyth & Co., Inc. and Greenwood-Raggio & Co., common stock was sold to the public. A plant built at Houston, Texas, began the manufacture of water heaters to serve the fast-growing Southwestern natural gas area. In locating this plant, Rheem adhered to its basic formula—follow the potential market, but assure a favorable steel supply by locating plants on tidewater, for water-borne delivery, or where steel is made. In 1937 the Company moved into the container markets of the East Coast and Middle West by the purchase of existing drum plants in Cleveland, Ohio and Newark, New Jersey. This same year marked the Company's first expansion abroad. An Australian subsidiary opened its first plant at Sydney to make steel shipping containers and household appliances.

The expansion of 1937 was continued in 1938. A steel drum business in Texas was purchased and moved into the Houston Plant. To improve service to the highly industrialized Middle West, the Company acquired a building in Chicago. The Cleveland plant, which occupied leased premises, was given up and the drum-making equipment moved to Chicago. The year ended with the purchase of still another drum company, this time in New Orleans.

In seven short years, Rheem had spanned the continent. With two plants on the Pacific Coast, two on the Gulf, one on the Atlantic near the heavy oil refining centers and one in the Midwest, the Company was serving every major steel container market. In 1939 sales of containers were just under $6,900,000, while appliance sales had grown to $2,200,000, for a total of $9,100,000.

For the next two years—except for building a plant just outside Baltimore, at Sparrows Point, Maryland—Rheem concentrated on increasing the output of existing factories. Automatic gas and electric water heaters became increasingly popular in the Midwest and East, as they supplanted the

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familiar furnace-coil which delivered hot water in the winter, and the old-fashioned, copper-coil, side-arm water heater and range boiler combination which was needed for year-round hot water. Equipment to make water heaters, boilers and tanks was installed in Newark, Chicago and Sparrows Point.

As a result of this continued expansion, by the end of 1940, and though virtually unknown outside of California, Rheem had become the country's largest manufacturer of steel shipping containers, and the following year, of automatic water heaters as well.

In the fall of 1940 peacetime plans were put aside and the Company jumped into military production. Months before Pearl Harbor, the Chicago Plant was so jammed with production lines for bomb-fins and practice bombs, that a second plant was built nearby to house the drum, heater and boiler and tank lines. Production of ordnance items required such a volume of tools, jigs, dies and special equipment that a special plant for their manufacture was purchased in Stockton, California in 1941. A new building was constructed in New Orleans; the old leased premises were given up and the drum and pail lines moved to the new plant. New Orleans also began machining 105-millimeter artillery shells.

In 1942 a plant was purchased in Birmingham, Alabama, and was equipped to forge and machine 105-millimeter shells. That same year, a drum plant was built at Portland, Oregon. At Danville, Pennsylvania, a plant was leased from the Government to machine ship-shafting for destroyer escorts and landing craft. In 1943 two more plants were leased —one at Stockton, California, for the reconditioning of steel drums returned from the Pacific and another at Maywood, California, to specialize in aircraft components.

Most of the foregoing wartime expansion was made possible by government financing and bank loans which were amortized as accelerated depreciation was taken under Certificates of Necessity. By 1943 sales had grown to approximately $55,000,000, of which $22,000,000 represented containers, $4,000,000 appliances and $29,000,000 ordnance and aircraft items. Working capital to finance this six-fold increase in sales since 1939 was sorely needed. The condition of the securities market made public offering of common stock inadvisable. Bethlehem Steel Corporation had offered to purchase Rheem, but instead, Bethlehem purchased 230,000 shares of Rheem common stock, constituting approximately a 35% interest. At the end of 1943, there were approximately 643,000 shares of Rheem common outstanding, of which members of the Rheem family and others close to the management held approximately 200,000 shares. Bethlehem held 230,000 shares and the public 213,000 shares.

In 1944 Rheem purchased Bethlehem Steel Corporation's Atlas Steel Barrel Division. This gave the Company a plant at Bayonne, New Jersey, and replaced the Newark Plant, which had been sold in 1942 and its production moved to Sparrows Point. A plant was leased at Williamsport, Pennsylvania, for the machining of 8" artillery shells. The last wartime facility, a leased plant at Las Vegas, Nevada, began the manufacture of 5" rocket projectiles and 81-millimeter mortar shells in 1945.

By the end of World War II, Rheem was operating 17 plants; sales had gone from $10,000,000 a year in 1940 to over $90,000,000 in 1945. Seven plants had received Army and Navy "E" awards for outstanding production. The Richmond, California, and Newark, New Jersey, plants jointly received their first "E" awards on December 31, 1941, to become the first plant in the San Francisco area and the first in the city of Newark to be so honored.

The cancellation of military contracts following V-J Day had been fully anticipated by Rheem. Comprehensive plans for reconversion were put into effect. Leased plants at Danville, Williamsport, Las Vegas, Stockton and Maywood were given up.

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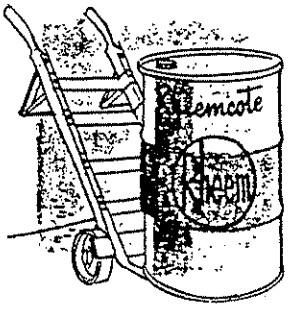
The Portland Plant, which had been constructed as a wartime measure under a Certificate of Necessity, was sold. Government additions to several of the Company's permanent plants were purchased. At the end of 1945 Rheem was operating 11 plants with a total manufacturing area of 1,286,000 square feet, as compared with seven plants with 533,000 square feet at the end of 1940 and, during the same period, employees had increased from 1,440 to 4,267.

The end of World War II and the termination of Government raw material priorities forced Rheem to set up its own system of allocating containers and appliances to its customers. Sales for 1946 were $39,300,000, of which 42% represented containers and 58% appliances.



LITHOGRAPHED DRUM

Industry allocation of steel in 1947 held sales to a monthly level of about $5,000,000, so that total sales were just over $60,000,000, with containers accounting for 37% and appliances 62% and military approximately 1%. This division of sales did not exactly reflect potential demand, but was governed by the tonnage of the various gauges of steel which the Company was allotted.

During 1946 and 1947 Rheem spent approximately $6,000,000 to bring its manufacturing operations to a high level of efficiency. Automatic galvanizing equipment was installed at Sparrows Point, Chicago, Birmingham and South Gate. This process, unique with Rheem, replaced the conventional hand-operated pickling and hot-dip galvanizing method. Turning out a superior product at less cost than formerly, these installations have given Rheem a dominant position in the manufacture of galvanized boilers and tanks. Early in 1947 Rheem acquired the Fraser line of warm-air heating equipment. For twenty-five years this Stockton, California, company had been a recognized leader in the gas furnace business and its acquisition greatly strengthened Rheem's position in this important and growing field.

Operations in 1948 leveled off – $2,000,000, spent for capital improvements, completed the post-war conversion program. Sales were $58,700,000, with containers accounting for 44% and appliances 55% and military approximately 1%. In anticipation of a return to competitive selling, a broad program to "streamline" the Company's operation was put into effect. The original Chicago Plant, the Birmingham Plant and the Stockton Tool and Die Plant were sold, and their equipment and activities moved to other plants. A substantial profit was realized from the sale of these plants, which largely offset the cost of relocating their activities.

The anticipated return of competitive selling characterized operations in 1949, when sales dropped 15% to just under $50,000,000. Containers contributed 56%, appliances 40% and military approximately 4%. During the last quarter of 1948 and the first quarter of 1949, home-building dropped to the lowest point since full-scale, post-war resumption. The reverse was true in the latter part of the year so the upward trend of sales was then resumed.

Early in 1950 the New Orleans Plant began the manufacture of the now well-known "Rheemcote" fully-lithographed and inner-roller coated 55-gallon steel drums. Fabricated on a new high-speed line and using the world's largest metal-decorating lithography press, "Rheemcote" drums were so well-received that additional installations were ordered and installed at Richmond, Sparrows Point, Chicago and Houston. Largely as a result of these additions, capital expenditures during 1950 totalled nearly $6,000,000.

Rheem celebrated its twenty-fifth year of business in 1950 by reporting record sales of $74,400,000, a 49% gain over 1949 and the largest net earnings in history – $4,800,000, or $4.75 a share, after preferred dividends, on 1,000,000 shares of common stock. Containers accounted for 45% of sales, appliances 52%, and defense materials 3%. During World War II, peacetime production

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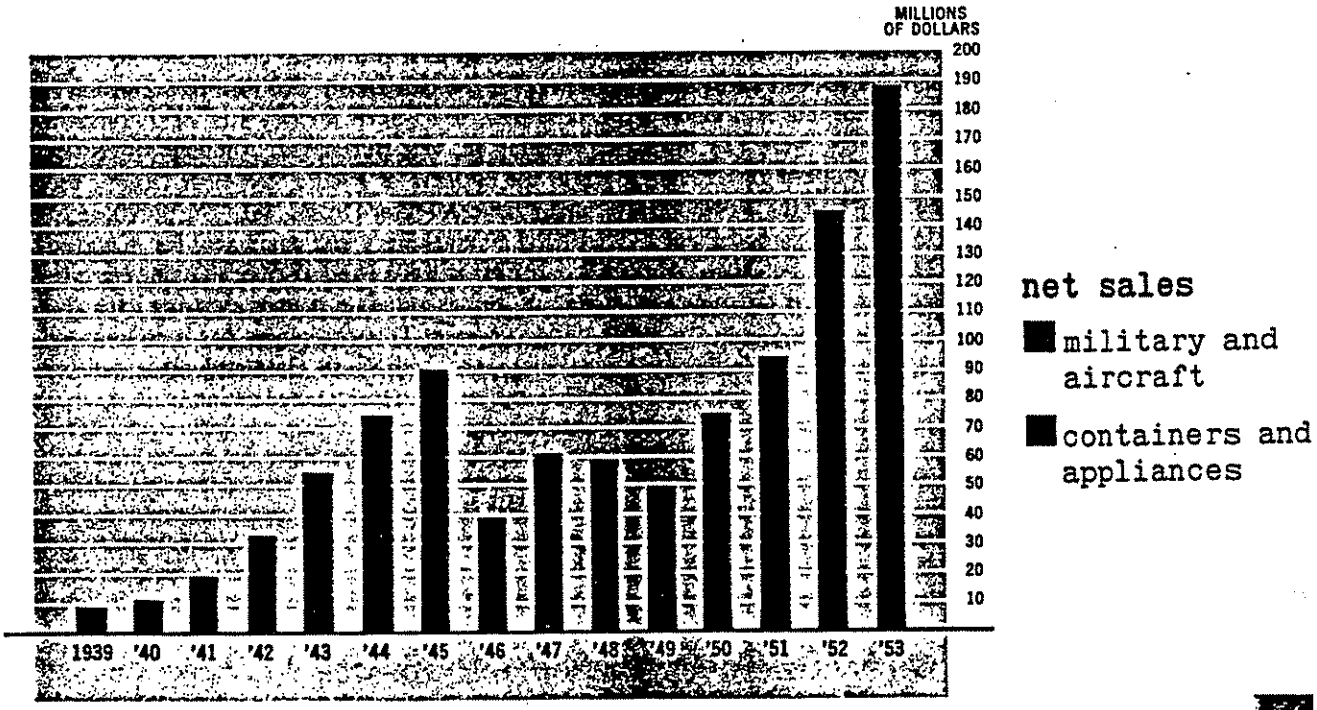
lines were torn out to make way for military production, necessitating costly reconversion. Rheem management in 1950 made the decision to provide additional special facilities for the resumption of ordnance and aircraft work, thereby keeping non-military production lines intact. Two new California plants, one at San Pablo for ordnance work and one at Downey for aircraft work, and major plant additions for ordnance work at New Orleans and Houston were begun. A site was also purchased at Linden, New Jersey, for a building to replace the Bayonne Plant, which had become inadequate and did not lend itself to expansion. The latter plant was subsequently sold.

By 1951 Rheem was not only back in military production on a large scale, but sales of containers and appliances reached nearly $82,000,000, of which containers accounted for 52% and appliances 48%. Sales of military items amounted to about $12,000,000, bringing the total to a new high of $94,000,000, passing the $90,000,000 reported for 1945, when military items accounted for $62,000,000. Earnings in 1951 were held down by the cost of bringing the three new plants, San Pablo, Downey and Linden, into operation and the expected heavy start-up expense in connection with ordnance and aircraft contracts. The extent of the expansion required to reach the expected sales volume is best visualized by comparing manufacturing area. At the beginning of 1951 manufacturing area totalled 1,590,000 square feet—at the year-end it was more than 2,900,000 square feet. During the year $14,600,000 was spent for capital additions and improvements, $5,100,000 of which was granted accelerated amortization under Certificates of Necessity.

During 1951 Rheem entered the gas range field with the purchase of the James Graham Manufacturing Company of Newark, California. Makers of the popular "Wedgewood" line of quality ranges, the Graham Company had pioneered the manufacture of gas ranges on the West Coast. To consolidate and improve manufacturing, the Stockton Furnace Plant was closed and manufacturing moved to Newark.

In recognition of Rheem's outstanding production record during World War II, contracts for depth charge cases, artillery and mortar shells,



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artillery cartridge cases and aircraft components poured in. By the end of 1951 the backlog was over $100,000,000 and by the middle of the next year, totalled $150,000,000. Rheem was one of three companies selected by Army Ordnance each to operate a permanent artillery ammunition plant. This facility, located at Burlington, New Jersey, is engaged in the manufacture of artillery cartridge cases and, when not in production, will be kept on a standby basis ready for immediate resumption of production.

In 1952 deliveries of military products totalled almost $69,000,000, up from $12,000,000 in 1951 and ahead of the 1945 previous high of $62,000,000. Sales of non-military items were $75,000,000, of which containers accounted for 47% and appliances 53%, bringing total sales to $144,000,000, up 53% from the previous year.

Quoting from the Company's 1952 annual report to share owners, "The attainment of 1952's record output of military products carried its attending heavy start-up expenses, including the abnormal cost of assimilating sufficient new employees so that the working staff increased from 6,950 at the beginning of 1952 to 10,822 at the year-end . . . Of lesser importance, but still material factors which limited earnings, were (1) the cost of moving the New Jersey operations from Bayonne to the new Linden Plant and the Stockton furnace production lines to the Wedgewood Plant at Newark, California, (2) the steel strike in the second quarter which closed four of our plants and also restricted supplies of steel during the year, and (3) lower volume and more competitive prices for some of our non-military products.

". . . Capital expenditures, which hit a peak of $14,594,438 in 1951 in preparation for the heavily increased production which followed, dropped to $4,821,919 in 1952." Two more "Rheemcote" lines, at Linden and South Gate, were put into production during 1952.

The year 1953 has been named by Rheem management as a year of transition. While delivering a total of $108,000,000 of military and aircraft items, future planning was concentrated on peacetime products. Sales of non-military items in 1953 were $80,000,000, with containers accounting for 44% and appliances 56%. Total sales in 1953 of $188,000,000 are not expected to be equalled in 1954, with ordnance production being curtailed. Aircraft work, however, continues at a high level.

During 1953 there were several developments strengthening the outlook for sales of non-military products. The new "Rheemlined" drum, using an impervious lining of "Saran," offers an entirely new solution to the packaging problems of corrosion and spoilage. In May, Rheem purchased the water heater business of Seidelhuber Iron and Bronze Works, Inc. of Seattle, Washington. These facilities will be used to manufacture containers and appliances for the Northwest. For further expansion in this area, a 15-acre factory site near Tacoma, Washington, was purchased. Another acquisition was the business of Pacific Steel-fiber Drums, Inc. and Pacific All-fiber Drums, Inc. The purchase included all machinery and equipment for manufacturing fiber and steel and all-fiber shipping containers, as well as valuable patents covering exclusive design features. This equipment has been installed in Richmond and South Gate and plans call for similar facilities to be installed nation-wide.

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Proposed Acquisition of United States Spring & Bumper Co.

On February 4, 1954 Rheem Manufacturing Company entered into an agreement for the acquisition of United States Spring & Bumper Co. of Los Angeles, through the exchange of 44/100 of a share of Rheem common stock for each share of U.S. Spring common. The offer has been approved by the California Commissioner of Corporations and is contingent upon acceptance by the holders of 85% of U.S. Spring common, and a ruling must be obtained from the Bureau of Internal Revenue that the exchange will not be taxable.

Based upon current market quotations, the proposed acquisition involves the equivalent of approximately $4,700,000. There are 380,000 shares of U.S. Spring common outstanding, approximately 75% of which is owned by members of the Rauen family. There are also outstanding 20,321 shares of 4½% Cumulative Convertible Preferred Stock which it is planned will be redeemed at $52 a share.

If the purchase is consummated, it is planned to operate U.S. Spring as a Rheem subsidiary, with John B. Rauen, Sr., continuing as president and the remainder of the present management will be retained. In announcing the agreement, the Rheem management stated, "The reason for the offer is to further broaden the diversification of our company's product. At the present time Rheem manufactures a line of fabricated metal products primarily made of steel, with substantial distribution to the oil, chemical, food and building industries, but with no substantial distribution in the automotive field. We want to share in the tremendous growth in the automotive activity, which shows every sign of continuing indefinitely in Southern California and the Western states."

In its fiscal year ended August 31, 1953, U.S. Spring had net sales of $19,500,000 and net earnings of $700,550, which after preferred dividends, amounted to $1.72 a share on the common stock. Incorporated in 1913, U.S. Spring manufactures automotive leaf and coil springs and bumpers, farm tools, metal highway safety guards and road-center dividers. Springs and bumpers, which are the most important products, are supplied as original equipment to the major passenger automobile assembly plants on the Pacific Coast.

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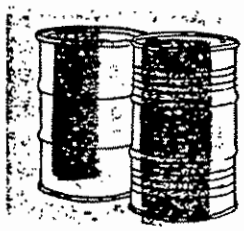
Description of Business

Although (1) steel shipping containers and (2) home appliances and boilers and tanks are divergent, both as to product type and user, the principal part of their manufacture is the fabrication of sheet steel. Therefore, items that are manufactured at all of the various Rheem plants depend upon marketing and raw material considerations. Where both containers and appliance items are manufactured at a single plant, they are produced by separate departments, but under a single plant administration. It is only at the level of sales and product development, that containers and appliance activities are administered as separate divisions.

Containers



DRUMS

Steel shipping containers fall into two general classifications—drums, which normally range in capacity from 15 to 58 gallons; and pails, which are customarily from 1½ to 5 gallons in capacity. They are sold directly by the Company to the manufacturers or processors of petroleum products, chemicals, paints, foods, beverages and a wide variety of wet and dry products that require the protection, durability or other features of a steel container for transportation and storage. For liquid products, both drums and pails are made with tight-heads and various types of filling and pouring outlets. For semi-solid products, they are made with fully removable heads. Where products that are corrosive to steel are to be packaged, the containers are lined with various types of resistant lacquers, and Rheem has recently introduced drums lined with "Saran," a plastic that will not support bacterial growth.

For years pails, because of their small sizes, were the only steel shipping containers available with a decorated lithographed exterior. Rheem, with its large metal decorating presses in seven container plants, now offers the same decorated exterior for drums up to 58-gallon capacity. Known as "Rheemcote," this exclusive with Rheem process produces a drum lithographed in as many colors and carrying as much of a sales or instruction message as the user desires.

RETURNABLE DRUMS

Drums traditionally fall into three classes:

1. Single trip containers. This is by far the most important classification. The designation is actually a misnomer. While they may make one trip with their original products, actually they can be reconditioned for additional trips or be re-used without reconditioning for commodities not requiring a clean interior. This class of drum, which varies in thickness of metal from 16 to 19 gauge and in the 15-gallon size as light as 20 gauge, may make as many as five or more trips. Rheem has developed a new type of single trip container with a light-gauge body, strengthened with a fiber wrapping. If the cost of this container can be brought low enough, reconditioning of standard single-trip drums will become inadvisable, which factor should broaden the market for this new type of drum.

2. Returnable containers. These 55-gallon, 14 and 16 gauge containers, are designed for re-usage and normally remain the property of the product supplier. They are frequently hot-dipped galvanized and in most cases reinforced with heavy rolling-hoops.

3. Lightweight containers. These vary in size from 15 to 55 gallons and are made from 20 to as light as 28 gauge steel. They are popularly used to ship and store asphalt, lime, dusts, flakes, and powdered or granular material that does not require the protection of a heavier container.

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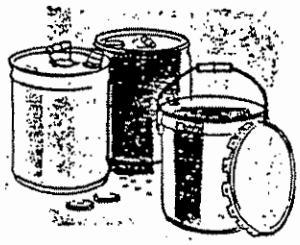
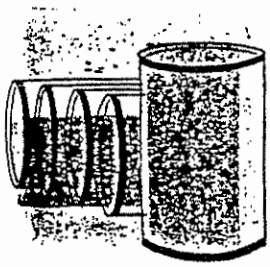


PAILS

Pails fall into two general categories (1) tight-head, with screw-cap openings or pouring spouts for all types of liquids and (2) crimp-cover, for semi-solids, where the cover must be removable. They are widely used for paints, lubricants, chemicals and a great variety of industrial products.



FIBER CONTAINERS

Last June Rheem acquired the business of Pacific Steel-fiber Drums, Inc. and Pacific All-fiber Drums, Inc. because it believes that complete lines of steel and fiber, and all-fiber containers should prove to be a valuable addition to its all-steel shipping container lines.

Appliances

Rheem home appliances can be classified as:

(a) Automatic storage-type water heaters for all types of gas (natural, manufactured, mixed and liquefied petroleum) and for electricity.

(b) Space heating equipment for all types of gas and for oil. Rheem describes its central heating, forced-air furnaces as "Winter Air Conditioners." Its oil-burning models can be readily converted to gas-firing by simply changing the burner unit. The gas heating equipment line includes gravity furnaces, floor furnaces, recessed wall-heaters and console heaters.

(c) Space cooling equipment. This classification consists of evaporative air-coolers, together with a line of mechanical room air-conditioners which the Company purchases and distributes under the Rheem name.

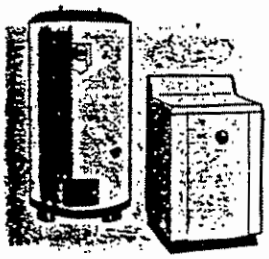
(d) Water softeners. Rheem manufactures a complete line of automatic and manually operated water softeners.

(e) Boilers and tanks. This classification includes range boilers, expansion tanks, hydro-pneumatic tanks for household water systems, and underground storage and septic tanks.

(f) Gas ranges and electric and gas clothes dryers. These are called Rheem-Wedgewood appliances to capitalize on the acceptance of both names and are sold principally on the West Coast at present.

Prior to World War II, most of the Company's output of water heaters and space heating equipment was sold under brand names other than Rheem. At the present time, the reverse is true and the major portion of all types of appliances is sold under the Rheem name.

In general, water heaters, space heating equipment, evaporative and room coolers, and boilers and tanks are distributed through the plumbing and heating jobbers and wholesalers. These firms supply the retail plumbing and heating dealers. Water softeners are generally sold through distributors, who are given an exclusive territorial franchise. To assist the retail dealer to move Rheem merchandise, the Company furnishes comprehensive sales promotional assistance and backs up local radio, television and newspaper advertising with national advertising in such magazines as *Life, Saturday Evening Post, Better Homes & Gardens, American Home* and *House Beautiful.*



WATER HEATERS

Besides being the world's largest manufacturer of automatic storage water heaters, Rheem has a

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complete and diversified line. It has low-priced models for installation in large scale home-building projects. It has high-quality heaters for the replacement market and the individual home-builder. In many sections of the country where there are corrosive water conditions, ordinary galvanized steel water heater tanks will corrode and fail in a few years. To meet this, Rheem has developed and successfully introduced the first popular-priced water heater with a non-ferrous tank, the "Coppermatic." A tank of solid copper is encased within a steel tank, which results in a laminated long-life tank with the corrosion resistance of copper and strength of steel. The wide variety of Rheem water heaters is exemplified by the following summary of the line:

1. "Coppermatic" heaters carry a five-year guarantee and a ten-year pro-rata usage guarantee "protection plan." They are available for gas in 30, 40 and 50 gallon capacities and for electricity in 30, 52 and 82 gallon capacities.

2. Designed for economical modernization and the low-cost new home, the "Arrowhead" (1-year "protection plan") and the "Warrior" (3-year "protection plan") gas water heaters, have steel tanks, welded and galvanized by Rheem's patented process and are available in 20, 30 and 40 gallon capacities.

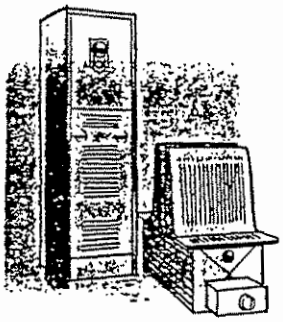
3. The "Custom" gas water heater is medium-priced, carries a 5-year "protection plan" and is available in 20, 30 and 40 gallon capacities.

4. The "Imperial" gas water heater is designed for better-class home construction and modernization, is covered by a 10-year "protection plan" and is available in 20, 30, 40, 50 and 75 gallon capacities.

5. The Rheem "Booster" gas water heater is a heavy-duty, circulating-type and is commonly used with an accompanying storage tank for hotels, hospitals, apartments, commercial garages, industrial buildings, etc. It is also used to heat swimming pools, carries a 1-year "protection plan" and is in three capacities; 100, 150 and 200 gallons per hour recovery (60 degree rise in temperature).

6. The "Standard" electric water heaters carry a 1-year "protection plan" and are available in the usual cylindrical style in 12, 20, 30, 40, 52, 66 and 82 gallon capacities, and in the table-top style in 30 and 40 gallon capacities.

7. The "Imperial" electric water heaters carry a 10-year "protection plan," and are available in the cylindrical style in 30, 40, 52, 66 and 82 gallon capacities, and in the table-top style in 30 and 40 gallon capacities.



SPACE HEATERS

The introduction of natural gas to many areas of the United States has tremendously broadened the market for gas-fired space heating equipment of all kinds. In new construction, the installation of central or other heating equipment offers no problems, but in modernization there are numerous problems as to space, and location of ducts. The Rheem heating line is completely diversified and offers a product to meet all types of requirements and problems of installation (all heating equipment carries a 10-year warranty against burn-out or rust-out):

1. *Winter Air Conditioner.* This classification covers four series of gas-fired and two of oil-fired furnaces which can be converted to gas by replacing the burner assembly. These furnaces can be equipped with an automatic humidifier and their input varies from as little as 60,000 to as much as 350,000 BTU per hour. For installation in closets, alcoves, utility rooms and in basements where there is limited clearance, certain types are specially insulated and built for "zero clearance."

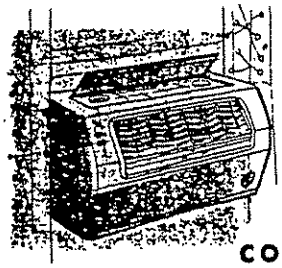
2. *Gas Horizontal Forced Air Furnaces.* This series, engineered for installation in attics and in shallow basements, delivers maximum output with a minimum of installation space and is available in three sizes: 60,000, 80,000 and 100,000 BTU input per hour.

3. *Gas Gravity Furnaces.* These furnaces provide an economical installation in smaller, compact houses with basements. They embody many of the design improvements of the forced air furnaces and are available in three sizes: 77,000, 95,000 and 112,000 BTU input per hour.

4. *Floor Furnaces.* Rheem has long been a leader in the design and manufacture of floor furnaces. The standard series is available with a flat floor register, or with dual wall registers, and with input capacities of from 25,000 to 50,000 BTU per hour.

5. *Gas Recessed Wall Heaters.* Designed for homes, apartments, offices and motels, these units are economical and easy to install. They do not project below the floor level and are available in two models: dual, which circulates heat from both sides of the wall heating two rooms; and single, which circulates heat from one side only. Both are available in 28,000 and 50,000 BTU input per hour capacities.

6. *Gas Console Heaters.* Available in three sizes: 25,000, 35,000 and 50,000 BTU input per hour, these attractively styled unit heaters can be easily and inexpensively installed and can be equipped with fully-automatic controls if desired.

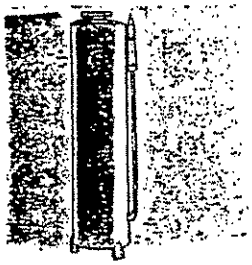


SPACE COOLING EQUIPMENT

The Rheem line includes two types of space cooling equipment:

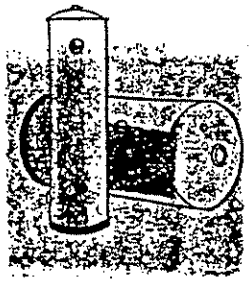
1. *Evaporative Coolers.* These are widely used in hot and arid climates, and consist of a cabinet housing a motor driven fan, which pulls air through a fibrous pad which is kept saturated with water. Installed in a window or special opening, these inexpensive cooling units have wide usage in the Southwest and in desert areas.

2. *Room Air Conditioners.* These units are purchased by Rheem to supplement the appliance line. They are easily installed in a window and provide the following: cooling, ventilating, exhausting, dehumidification, cooling and ventilating, cooling and exhausting, heating. There are three sizes with cooling capacities of 6,300, 9,100 and 11,200 BTU per hour; all three have a heating capacity of 4,300 BTU per hour.



WATER SOFTENING

Rheem makes two general types of water softeners: (1) manually controlled, and (2) semi-automatic. The latter is available with a separate brine tank to speed regeneration. Both models carry a 10-year "protection plan."



BOILERS AND TANKS

With the exception of underground storage tanks which are largely sold to oil companies and other distributors of petroleum products, users of petroleum products, and building contractors, the products in this classification are generally sold through plumbing jobbers and wholesalers:

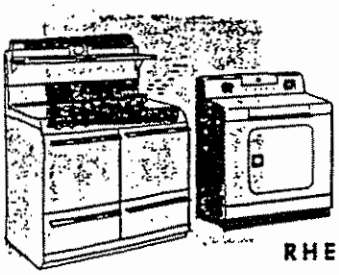
1. *Range Boilers.* This business is largely concentrated in the East and Midwest and, at present, is largely to satisfy the replacement market. Range boilers are made in four weights: standard, heavy, double-extra heavy and triple-extra heavy. They vary in size from 15 to 120 gallons.

2. *Expansion Tanks.* These units are for use in domestic circulating hot-water heating systems. For closed systems they are galvanized and for open systems, painted. They vary in size from 15 to 120 gallons.

3. *Hydro-pneumatic Tanks.* In the past few years, more and more rural and suburban households not served by public water systems have been putting in their own pumping and running water systems. Most of these require a pressurized water storage tank to keep an even flow. These are made in various weights and in capacities from 18 to 525 gallons.

4. *Underground Storage Tanks.* These are either painted, in capacities of from 120 to 10,000 gallons, or galvanized, in capacities of from 120 to 1,000 gallons.

5. *Septic Tanks.* These are painted and vary in capacity from 200 to 1,000 gallons.



RHEEM-WEDGEWOOD

Two products are distributed under the Rheem-Wedgewood brand—the complete line of Rheem-Wedgewood gas ranges and the new Rheem-Wedgewood clothes dryer for gas or electricity. These products are sold by a separate sales organization, directly to the retail dealer.

The Wedgewood name has long been synonymous with the highest quality of gas range made on the Pacific Coast. Presently, there are ten models to fit all requirements and price levels. The featured range is the high-level broiler model, with such other features as a warming-serving shelf that warms dishes, keeps food hot and adds 50% more work space to the range, a chrome griddle with heat indicator, and one-piece oven with rounded corners for easy cleaning. The complete line is made for all types of gases, including liquefied petroleum.

The Rheem-Wedgewood Clothes Dryer was developed after extensive market analysis and design research. Introduced in the fall of 1953, it has been very well received. An important selling feature is the unique "Clothes Saver," a separate compartment in which delicate fabrics can be dried without danger of damage from tumbling action or excessive heat.

Military

The military items manufactured by Rheem fall generally into two classifications (1) ordnance and (2) aircraft. While the output of ordnance components depends upon the current rate of their consumption or stockpiling, the volume of aircraft work has more of an element of continuity. Included in the aircraft work, though not a product of the Aircraft Division, is the Company's substantial output of steel containers for the shipping and storing of piston and jet aircraft engines. This product was originally designed by Rheem, working in close cooperation with the Air Force. The advantage of steel over wooden aircraft engine containers has been so clearly proven that this item can no longer be considered as a wartime requirement and has definite peacetime potential for commercial as well as military usage.

Between August 7, 1953 and February 1, 1954, the Company purchased a total of 42,000 shares of common stock of Northrop Aircraft Corporation at prices prices ranging from a low of $14 per share to a high of $18. Such purchase is intended by the Company to provide an opportunity to further its activities in the aircraft business and to maintain a closer relationship with developments in prime contracts in this field. A director of the Company, Mr. A. E. Ponting, has been elected to the board of directors of Northrop. It is believed by the Company that the operations of its Downey Plant will have a permanent role in the field of aircraft production and, more particularly, in the field of guided missile production in Southern California, where the aircraft industry plays a major part in the economy of the area.

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Properties

Rheem management has long followed a policy of disposing of obsolete or inadequate plants and of taking full advantage of building new plants under Certificates of Necessity. Almost without exception, all plants are either of recent construction or have been modernized. Indicative of the building and modernization since World War II is the following comparison of the property accounts before depreciation.

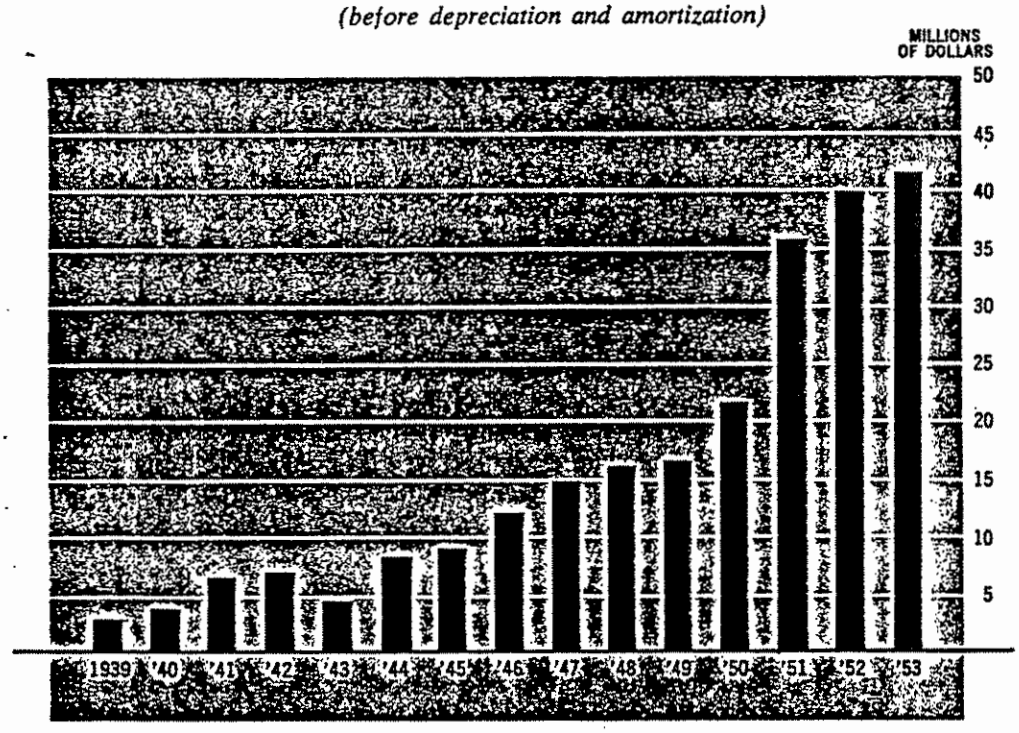
	12/31/45	12/31/53
Buildings	$2,772,000	$15,717,000
Machinery and Equipment	$5,885,000	$24,320,000
Total	$8,657,000	$40,037,000

The Company's machinery and equipment compares most favorably with any in related fields. Rheem's automatic galvanizing lines and special welding equipment and techniques produce water heater tanks, range boilers, hydro-pneumatic and other tanks that are noted for their uniformity and quality. In the container field, the Company's rate of production of both drum and pail lines is above the average for the industry. Furthermore, Rheem has the only metal decorating presses capable of lithographing drum sheets.

Manufacturing area on December 31, 1945 totalled 1,286,000 square feet and five years later it stood at 1,590,000 square feet. In one year, 1951, it jumped to more than 2,900,000 square feet, and at December 31, 1953 totalled 3,736,000 square feet.

Investment in property, plant and equipment

(before depreciation and amortization)



RMC151

Plants

RICHMOND, CALIFORNIA

SITE	18.3 ACRES
USEABLE FLOOR AREA	250,330 SQ. FT.
NUMBER OF EMPLOYEES	443

This plant is located in close proximity to the large oil refineries of Standard, Union, Shell and Associated. It has been the Company's largest producer of steel drums and pails. During World War II, five drum lines were operated and it was the Nation's largest producer. The products of this plant include drums and pails, steel and fiber and all-fiber shipping containers, galvanized boilers and tanks, and underground storage and septic tanks.

SOUTH GATE, CALIFORNIA

SITE	16.4 ACRES
USEABLE FLOOR AREA	284,987 SQ. FT.
NUMBER OF EMPLOYEES	510

Located in the industrial section of Los Angeles County, this plant is a heavy producer of appliances, with drums being second in importance. Its products include steel drums, fiber drums, gas water heaters, water softeners, clothes dryers, galvanized boilers and tanks, underground storage and septic tanks.

HOUSTON, TEXAS

SITE	12.5 ACRES
USEABLE FLOOR AREA	244,745 SQ. FT.
NUMBER OF EMPLOYEES	489

An 80,000 sq. ft. addition to this plant was completed in 1951 for the manufacture of 4.2" mortar shells. Its normal products include drums, gas water heaters, evaporative coolers, galvanized boilers and tanks, and underground storage and septic tanks.

CHICAGO, ILLINOIS

SITE	55.0 ACRES
USEABLE FLOOR AREA	547,000 SQ. FT.
NUMBER OF EMPLOYEES	1,207

This is the largest of all Rheem plants. Its products include drums, gas and electric water heaters, galvanized boilers and tanks, warm-air heating equipment, water softeners and aircraft engine containers.

NEW ORLEANS, LOUISIANA

SITE	17.2 ACRES
USEABLE FLOOR AREA	217,250 SQ. FT.
NUMBER OF EMPLOYEES	887

The initial "Rheemcote" drum facilities were installed and brought into production in New Orleans early in 1950. In 1951 this plant was enlarged by approximately 100,000 sq .ft. to provide space for the forging and machining of 105 MM shells and the drawing of 90 MM cartridge cases. Its normal products are drums and pails, with Houston taking care of appliance requirements for the Southern territory.

SPARROWS POINT, MARYLAND

SITE	29.3 ACRES
USEABLE FLOOR AREA	410,840 SQ. FT.
NUMBER OF EMPLOYEES	1,174

This plant is located just outside Baltimore and adjacent to the Sparrows Point Mill of Bethlehem Steel Corporation. In 1952 this plant was highly-praised by Army Ordnance for developing and putting into production spiral-wrapped steel 105 MM cartridge cases, which were badly needed at that time. Its products include drums and pails, gas and electric water heaters (including the "Coppermatic" models), galvanized boilers and tanks, and aircraft engine containers.

RMC152

SAN PABLO, CALIFORNIA

SITE	47.4 ACRES
USEABLE FLOOR AREA	328,000 SQ. FT.
NUMBER OF EMPLOYEES	1,212

Located about two miles north of the Richmond Plant, this plant began operations in 1951, strictly as an ordnance operation. First in production were 81 MM mortar shells, then Navy 5" and 3" steel cartridge cases, and finally 155 MM shells. Rheem's contract to forge and machine 155 MM shells was the first for a component of this size ever awarded to the West.

DOWNEY, CALIFORNIA

SITE	49.4 ACRES
USEABLE FLOOR AREA	467,475 SQ. FT.
NUMBER OF EMPLOYEES	2,334

Operating as the Aircraft Division, this plant went into production in 1951 making aircraft parts and assemblies. The initial output consisted of components for Lockheed's jet-trainer and all-weather fighter. This was later supplemented by parts for Lockheed's patrol bomber and Northrop's all-weather interceptor. A recent contract calls for the manufacture of complete after-burner units for Westinghouse jet engines.

LINDEN, NEW JERSEY

SITE	30.6 ACRES
USEABLE FLOOR AREA	171,000 SQ. FT.
NUMBER OF EMPLOYEES	416

This plant was put into operation in 1951 and took over the drum production formerly handled at the nearby Bayonne Plant, which was sold. This plant also was equipped to manufacture 81 MM mortar shells by the process developed at San Pablo.

NEWARK, CALIFORNIA

SITE	20.8 ACRES
USEABLE FLOOR AREA	257,885 SQ. FT.
NUMBER OF EMPLOYEES	661

This plant, formerly operated by the James Graham Company, was acquired in July of 1951. Founded in its present location on the Southeastern shore of San Francisco Bay in 1882, this plant pioneered the manufacture of gas ranges on the Pacific Coast. Besides manufacturing the Rheem-Wedgewood line of ranges, this plant was enlarged in 1952 to take over the manufacture of the warm-air heating equipment formerly made in leased premises in Stockton, California.

SEATTLE, WASHINGTON

SITE	6.1 ACRES
USEABLE FLOOR AREA	45,000 SQ. FT.
NUMBER OF EMPLOYEES	42

Formerly owned by the Seidelhuber Iron and Bronze Works, Inc., this plant was purchased and possession was taken July 1, 1953. This plant will initially be used to manufacture water heaters and later steel drums and other Rheem products.

TACOMA, WASHINGTON

To provide for expansion in the Northwest, in September of 1953 the Company purchased a 15-acre plant site in the industrial section of Tacoma.

BURLINGTON, NEW JERSEY

SITE	Leased
USEABLE FLOOR AREA	415,779 SQ. FT.
NUMBER OF EMPLOYEES	1,185

This plant is government-owned and was formerly a wartime aluminum plant. It is operated under lease as a permanent ordnance plant and is now manufacturing artillery cartridge cases.

PHILADELPHIA, PENNSYLVANIA

SITE	Leased
USEABLE FLOOR AREA	95,616 SQ. FT.
NUMBER OF EMPLOYEES	317

This plant is the Eastern research and development department on Government projects.

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Rheem International

Operating under the supervision of Rheem International Division of Rheem Manufacturing Company are the eight foreign affiliated and associated companies set forth below.

In establishing these companies, Rheem has followed the basic policy of requiring the participation of foreign capital and management. Only the Peruvian company now lacks the participation of local capital.

While the sales volume of these foreign affiliated and associated companies, which totalled approximately $15,000,000 in 1953, suffers by comparison with the parent company's volume, such companies have an important part in over-all Rheem operations. The petroleum industry, which is by far the largest user of steel shipping containers, is today more than ever world-wide in scope. Motorized transportation has spread to the most remote regions of the globe and, where trucks, cars and jeeps, tractors and stationary internal combustion engines go, drums of gasoline and lubricants must follow. Among American drum manufacturers only Rheem is in a position to offer the large oil companies such world-wide facilities.

Rheem International Division, which is headquartered in New York City, also has the responsibility for the Company's export sales. Since steel shipping containers rarely enter the export market empty, the export volume is substantially all in appliances and has been growing steadily.

	Percentage Owned	Founded
Rheem-Australia Pty. Limited, Sydney, Brisbane, Melbourne, Fremantle, Adelaide	50%	1936
Rheem Metalurgica S. A., Rio de Janeiro	70%	1945
Rheem-Hume (Far East) Limited, Singapore	50%	1947
Rheem Canada Limited, Hamilton, Ontario	30%	1947
S. A. Industrial y Comercial Aceros Rheem, Buenos Aires	40%	1948
Rheem Peruana S. A., Lima	100%	1949
Rheem Lysaght Limited, Bristol, England	40%	1950
Rheem of the Philippines, Inc.	42%	1952

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General Information

Management

The directors and officers of the Company are listed below:

DIRECTORS

R. S. Rheem	D. L. Rheem
W. K. Rheem	Herbert E. Hall
W. E. Zander	G. M. Greenwood
A. E. Ponting	C. V. Coons

OFFICERS

R. S. Rheem	*President*
D. L. Rheem	*Executive Vice President*
W. E. Zander	*Senior Vice President*
G. M. Greenwood	*Vice President and Treasurer*
C. V. Coons	*Vice President*
L. W. Evans	*Vice President*
A. Lightfoot Walker	*Vice President*
Clarence R. Graham, Sr.	*Vice President*
R. P. Williams, Jr.	*Vice President*
Gordon W. Mallatratt	*Secretary*
C. B. Huestis	*Comptroller*
J. F. West	*Assistant Comptroller*
R. S. Greenwood	*Assistant Treasurer*
F. F. Lind	*Assistant Secretary*
J. Davis	*Assistant Secretary*
C. T. Miller	*Assistant Secretary*

Employees

On December 31, 1953, the Company had approximately 10,800 employees upon its payroll. Rheem maintains a well-rounded program of employee benefits including vacations with pay, paid holidays, pensions, group insurance, and similar benefits which are in line with or above those prevailing in the industry. The base wage rates and average earnings of the employees compare favorably with those of other companies in the industry.

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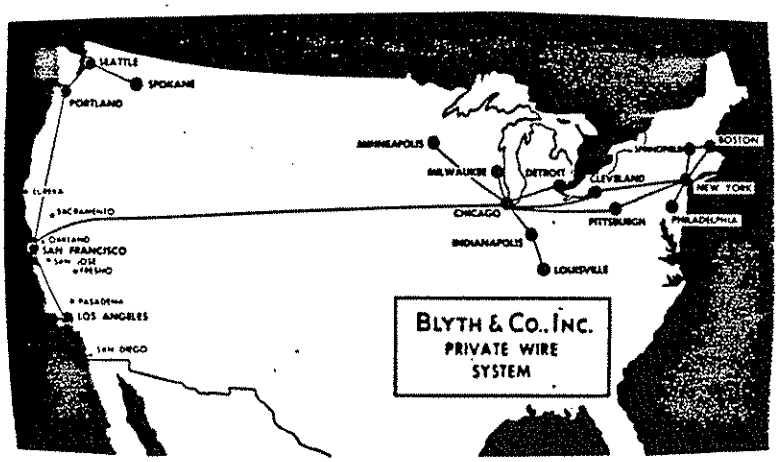
Underwriters and Distributors of Securities—Nationwide



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A substantial service is rendered to investors who, for one reason or another, desire to dispose of blocks of securities, both unlisted and listed, of all classes—bank stocks, insurance stocks, bonds and stocks of industrial, utility and railroad corporations, as well as state and municipal obligations.

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EUREKA • SAN JOSE • PASADENA • SAN DIEGO

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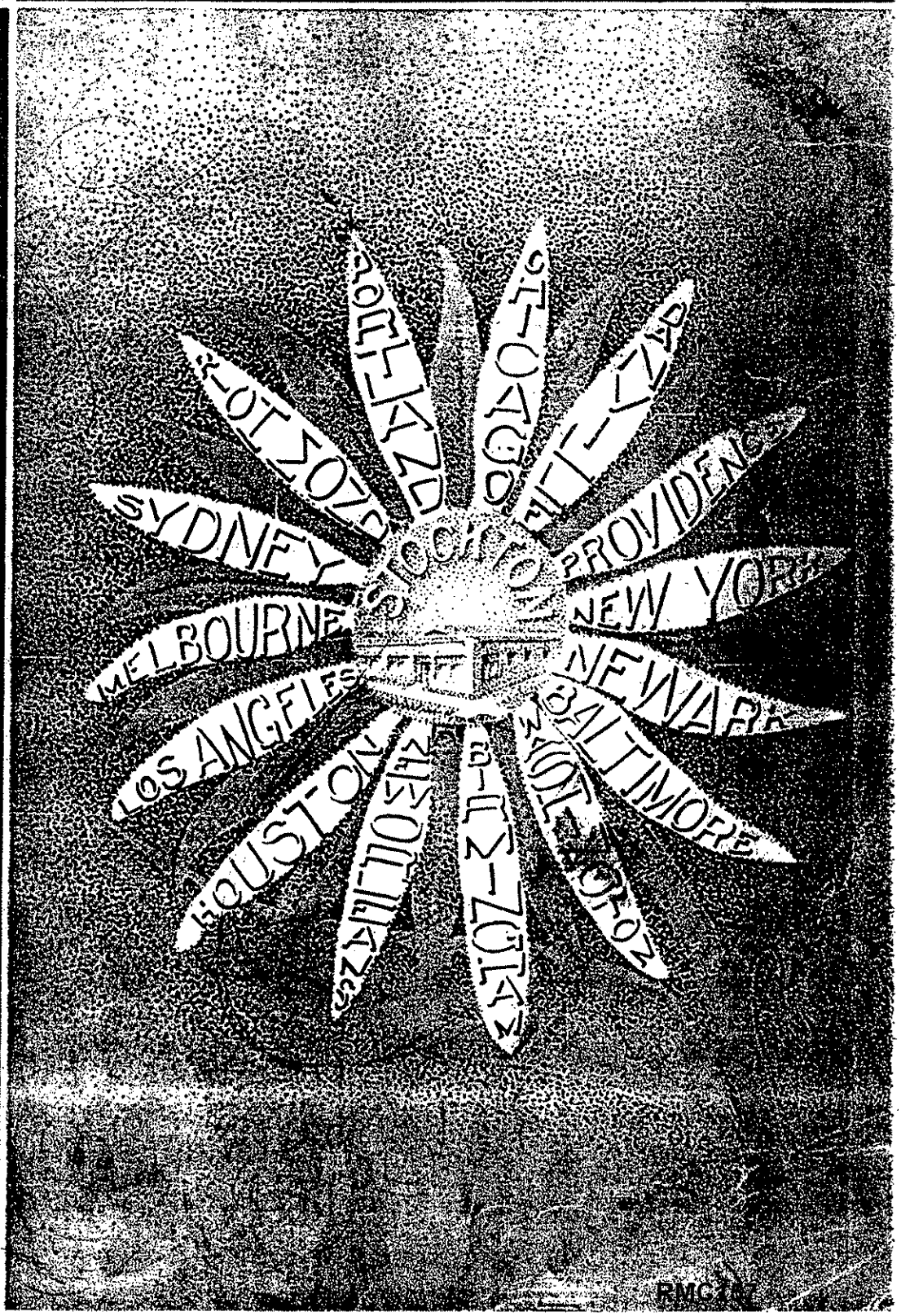
Rheeminder

MAY★ 1942

STOCKTON

Where the Die is Cast



RMC 187

Honor Roll

Lindup, Joseph John

MEN OF RHEEM IN THE ARMED SERVICES OF THEIR COUNTRY

Abromitis, A.
Alsop, Thurston
Antonino, P. J.
Amundson, A.
Arndt, Albert H.
Ball, Russell W.
Belmonte, R.
Bergen, E. C.
Bjes, Paul
Bjork, L.
Bixby, Harvey B.
Bogdan, Joseph
Bordelon, Lee
Briggs, Clarence A.
Brooks, W. C., Jr.
Brown, Harold J.
Brown, Howard J.
Burckert, George
Burger, William H.
Burton, Richard J.
Bautsch, Charles E.
Briggs, Louis H.
Broadwater, C. L.
Camp, Cecil
Campbell, Upton S.
Coons, Thomas
Choney, Harold
Choney, Vaughn
Cerney, B.
Chilson, M. O.
Christ, E.
Davis, A.
DeMare, George
DeNardo, Ralph
DiMartino, John
Douglas, James M.
Dziekowski, E.
Demerta, John
Davis, Sheldon
Dubois, John V.
Eckels, Allan
Elrod, William J.
Fanning, William J.
Gumienny, Andrew
Hammontree, Dale
Hanby, J. E.
Hanby, Richard G.
Hannigan, Samuel W.
Harrison, Wilbur
Hilkie, J.
Holley, John M.
Hresko, Joe
Hunter, Leo S.
Jacklin, A.
Jacklin, Charles
Johnson, Lester
Johnston, Frederick
Johnston, J.
Kolwalski, Victor
Kelly, Carl
Kilgore, Earl
Kissell, W.
Klemek, J.
Kolodiezj, J.
Kowalski, Cletus
La Hiff, Russell
Loksa, Joseph
Long, James
Lewis, George
Lidy, Ray
Lloyd, J.
Madden, John
Marino, Dominic
Martin, L.
Masterson, Harris
Maynor, C.
Maynor, Chasey
McGinnis, Paul
Merrill, Ulish
Means, Wesley
Michlik, Mike
Milligan, R. H.
Minter, A. C.
Mobley, Ralph
Molesky, Dan
Mote, Axel
Neer, Donald G.
Nemeth, Joseph
O'Rourke, Henry
Ortolano, Anthony J.
Patterson, J. A.
Patterson, W. S.
Phillips, R.
Pierce, Charles
Rachuk, J.
Rafael, T.
Resko, Joe
Rhoades, Orville F.
Rizzo, Sam
Rizzo, Tommy
Rogers, Archie
Rosenberger, Elmer
Rozhon, C.
Ryan, W.
Sacks, H.
Savage, P. S.
Schrieber, Bill
Sczeck, A.
Sevening, R.
Sherwood, Byrne
Skubich, Julius
Skubik, J.
Smith, Howard
Sponseller, J. F.
Stude, William
Sweeney, Eugene
Szott, Edward
Trezzo, James
Tullock, J. W.
Turcsik, Walter
Upton, S. Campbell
Vanderford, Gordon J.
Van Horn, F. M.
Van Wagoner, Joseph
Veal, Vernon H.
Vernon, Everett
Ware, Malcolm
Warner, R. E.
Wells, LeRoy
White, J.
Whittier, F. W.
Wilson, F. W.
Wilson, R. W.
Woodin, Thurlow
Wright, Paul A.
Wysocki, Henry
Yons, Edward
Yurkiewitz, Walter

ARE YOU SUPPORTING THEM WITH WAR BONDS?

RMC158

THE RHEEMINDER

Published monthly by and for the personnel of The Rheem Manufacturing Company
Editorial Office: Room 1302, Standard Oil Building, Baltimore, Md.

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VOLUME 1 MAY 1942 NUMBER 10

DANVILLE—ANOTHER RHEEM OFFENSE PLANT

The Rheem Company will strike at the enemy from still another location. This one is Danville, Pa., about 50 miles North of Harrisburg.

The plant until recently operated by Bethlehem Steel Co. for other purposes, will be managed by Rheemite W. B. Long, formerly at Washington. The plant is 660 feet long and 200 feet wide and about 500 men will be employed. The production will be one vital to the war effort. Preparations are being rushed and production will commence this summer.

Flanked by rolling hills, Danville is on the banks of the beautiful Susquehanna River, famous in song and fiction. It has a population of around 7,000. In step with the times it has no houses for rent and very few for sale.

Bill Long, in spite of his residence in a hotel due to the housing shortage, is a staunch supporter and loyal citizen already. He speaks with pride about the low crime rate necessitating only two city policemen. On a drive through the city he pointed proudly to "our" park with bold statues, "our" very famous Geisinger Hospital, and "our" splendid schools.

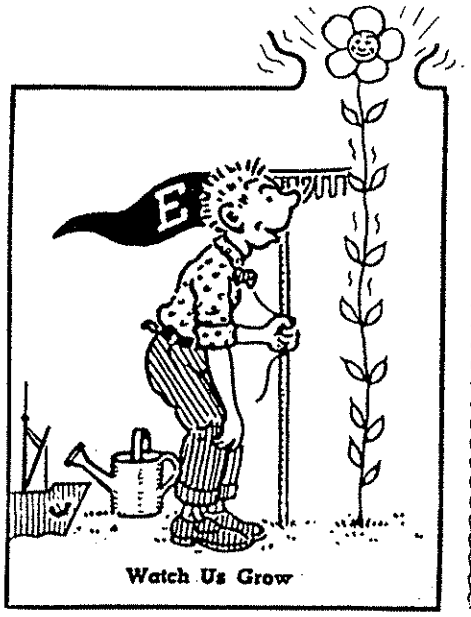
The town folk on their front porches in the evenings look like very good citizens to Bill and Mrs. Long and they both look forward to making friends in the community.

In, and a part of, the community —that's Bill Long's idea of the new

Continued on page 16

"SOME DAMN JAP IS GOING TO SUFFER—"

The following appeared in a letter from a lad who joined the Marines in which he described the kind of training he was getting: "Our outfit has never received a kind word, or a moment's leave in the two months we've been here, but we're still glad we picked the Marines and all our wrath is being reserved for the enemy. The height of luxury is a 15 minute nap on a concrete floor. The most repeated phrase you'd hear around the tent as we stagger out at 4:00 a. m. to start our 16 hour shift is, 'Some damn Jap is going to suffer for this'."



Watch Us Grow

ARE YOU MAD?

"Have you clenched your fists, impatient to get at the Japanese for what they did at Pearl Harbor? How many MacArthurs does it take to make you mad? Doesn't your blood run faster as you read of the undersea raiders operating within a torpedo's length of our shores?

"If these things have left you indifferent: if these things have not brought you to your feet alert and mad, determined that they shall stop and that those who inflict this bloodshed upon us shall be destroyed, then you are not worthy to be called American.

"But I know that most of you are mad. So, I ask you to put that heat and that indignation—that fight—into that job of yours, whatever the job may be. It doesn't matter whether you tend a lathe, boss a production line or manage the plant. If you, every one of you, start tomorrow putting that extra bit of drive; that extra head of steam; that extra measure of determination into the job at hand, we can win with minimum loss of blood and treasure.

"What we do in 1942 is all-important. It is no use for us to talk about the great production we are going to have in 1943, '44, or '45 if we don't first meet the goals set for 1942."—Donald M. Nelson, Chairman, War Production Board.

Are we mad? Sure we're mad! And our answer is to "Give 'em Hell on the production line."

Let's Go!

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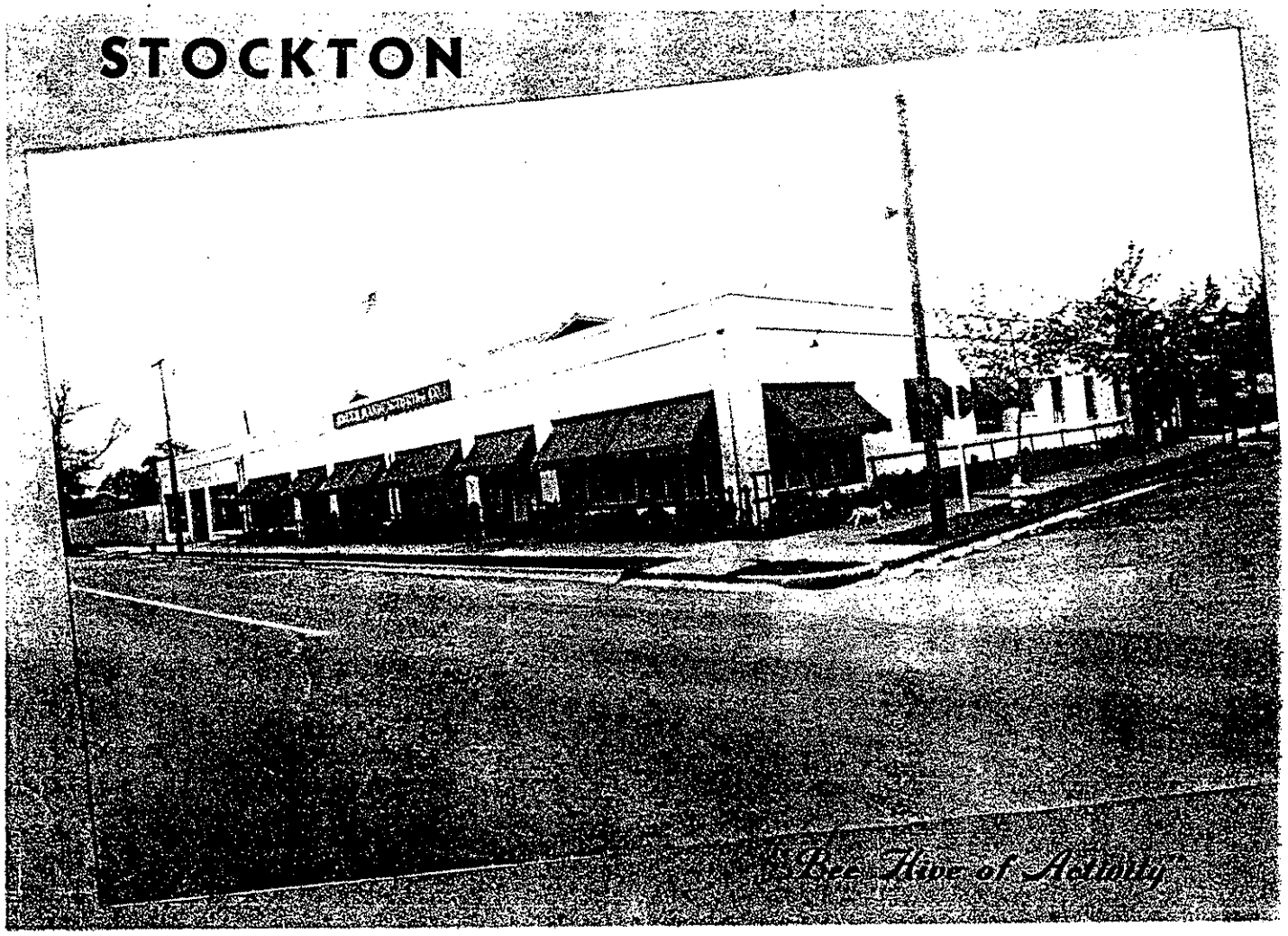
STOCKTON



Where is a well equipped tool and die shop?

Which location is most desirable?

How about expansion facilities?

Who's now running such a shop?

These were questions to be answered in December, 1940, when the plan of a central tool and die shop of our own was brought out by R. S. Rheem and D. L. Rheem.

Experience recommended such a move. In June, 1940, company management was directing its interest to the Nation's vital preparedness program, which was rapidly getting underway. Estimates were completed at the Richmond plant office to cover full die and equipment demands for producing an important military product. But this first contract opportunity was lost because company facilities at the time could not produce the dies and equipment at the necessary cost.

But in August an opportunity arose on another product and this time we were fortunate in securing the award from the Ordnance Department.

This activity still being centered in the Richmond plant headquarters, the immediate problem was where to have this work done—satisfactorily, economically and on time to meet the required delivery date.

So—as the peacock spreads his feathers, we had to spread our program out over many shops, with one feather reaching out of the Bay District clear up to Stockton where the Valley Machine & Tool Works was located.

In view of these widespread locations, our problems seemed at times almost impossible to overcome. There was the lack of necessary personnel and adequate supervision, the routing of materials to the right place—checking each stage of the work regardless of location—inspection, and testing of all items upon their completion, to mention but a few of our difficulties.

Although the program was completed on schedule and delivery made to the Chicago plant, as a result of the manner in which the work had to be executed we paid a very large penalty on a good portion of the equipment.

Following the job set up at Chicago, operations proceeded satisfactorily and many of the aforementioned trials and tribulations were overlooked for the time being, but not forgotten. To forget is at times a loss of valuable experience.

Government officials paid us many compliments on this first contract. This encouraged us and we welcomed the opportunity to quote on another award covering tools, dies and equipment in December, 1940.

While estimates were being pre-

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pared, with past difficulties fresh in mind, a careful review was made of the problem of obtaining outside facilities.

Why not a shop of our own?

In looking over our many programs, which we had been forced to have produced in outside shops, the circle narrowed down to Max Paul, owner and operator of the Valley Machine & Tool Works at Stockton. We had enjoyed a very satisfactory association with him on many programs. Among these jobs notable mention must be made of the Tru-Pour spout and also the sink-cabinet job, each of which presented no end of intricate and complicated problems—all of which, however, were handled in a very practical and satisfactory manner.

During each of these programs one of our old timers, J. H. (Barney) Hurlburt, was dispatched from the Los Angeles plant to Stockton to add his valuable assistance.

As all lines of thought seemed to concentrate on the Valley Machine & Tool Works as the logical location from all viewpoints of personnel, receiving of material, pattern shops, foundries, labor and shipping facilities for our finished tools, dies and equipment, the decision was made and in January, 1941, we secured the above named shop and equipment — also the adjoining property—giving us a total ground area of one-half block. We were thus better equipped to handle the second major government award which we received.

All through the foregoing progressive stages, in which Mr. L. W. (Duke) Evans was very active, he was also building his engineering and labor foundation with which to start all tools, dies and equipment, not only for our own production needs but also for any and all government contracts upon which we should be fortunate to receive the award.

So with the first phases of the plant and personnel off his hands, Duke started the ball rolling on the tools, dies and equipment for this new award and under his very efficient management, the program was completed, shipped and assembled at the Chicago plant in record time and from notations in past issues of The Rheeminder, it should be known with what satisfaction this contract is being filled.

As this work was under way there were also many plans for production items of our own making, and while our plant might be small in size, it was at that time, and still is, one big bee hive of activity.

Dovetailing in with the above

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plant activity here, was another award which gives us no small feeling of pride. We produced the equipment here with which both the Richmond and Newark plants established a production record, for which they received the coveted Navy "E."

Further important war production awards which cannot be specified herein, made increases in personnel and equipment necessary. More space was required so an addition was made, increasing the plant from 100 feet square to 100 by 150 feet. This leaves an open ground area of 150 by 150 feet for still further expansion if required.

Many new lines initiating at Stockton are now in production at the various Rheem plants.

We are on the double quick relative to plant production, included in which is equipment for Australia. We are also proceeding with plans for the new Portland plant.

In reviewing the full degree of activity which has taken place here since the starting of our Stockton plant a little over one year ago, high praise is due to the very efficient manner in which Duke Evans most ably managed and directed all office and plant work, being duly assisted by Roy Bowman, Assistant Manager; Max Paul, Plant Superintendent; and Walter Gyr, Assistant Superintendent. Then, of course, there was the full and vital co-operation of the office, engineering staff, and shop personnel.

We are continuing to enjoy the turmoil of shop completion and office alterations, hoping we don't miss the doors where they are instead of where they were.

We are of unanimous opinion that the Stockton plant has more than proven its value, and we are all proud to have the privilege of being members of this plant's personnel. From a company viewpoint, in having profited by the experience many of the larger manufacturers have had in separating their engineering and development headquarters from any and all production centers, the acquisition of the Stockton plant has worked out very satisfactorily for all parties.

In the midst of all the activity within its tool and die shop, the Stockton plant is fast establishing itself as the "Grand Central Station of Rheemland."

Witness: Engineers and mechanics leave this spot for all places North, South, East and West via plane, train, car and bus. On the other hand, Rheemites arrive here by the same means of transportation, many times merely stopping to say "hello" while enroute to another locality in Rheemland. All we need now is a station master to call the arrivals and departures on our busy schedule. TICKETS READY, PLEASE!

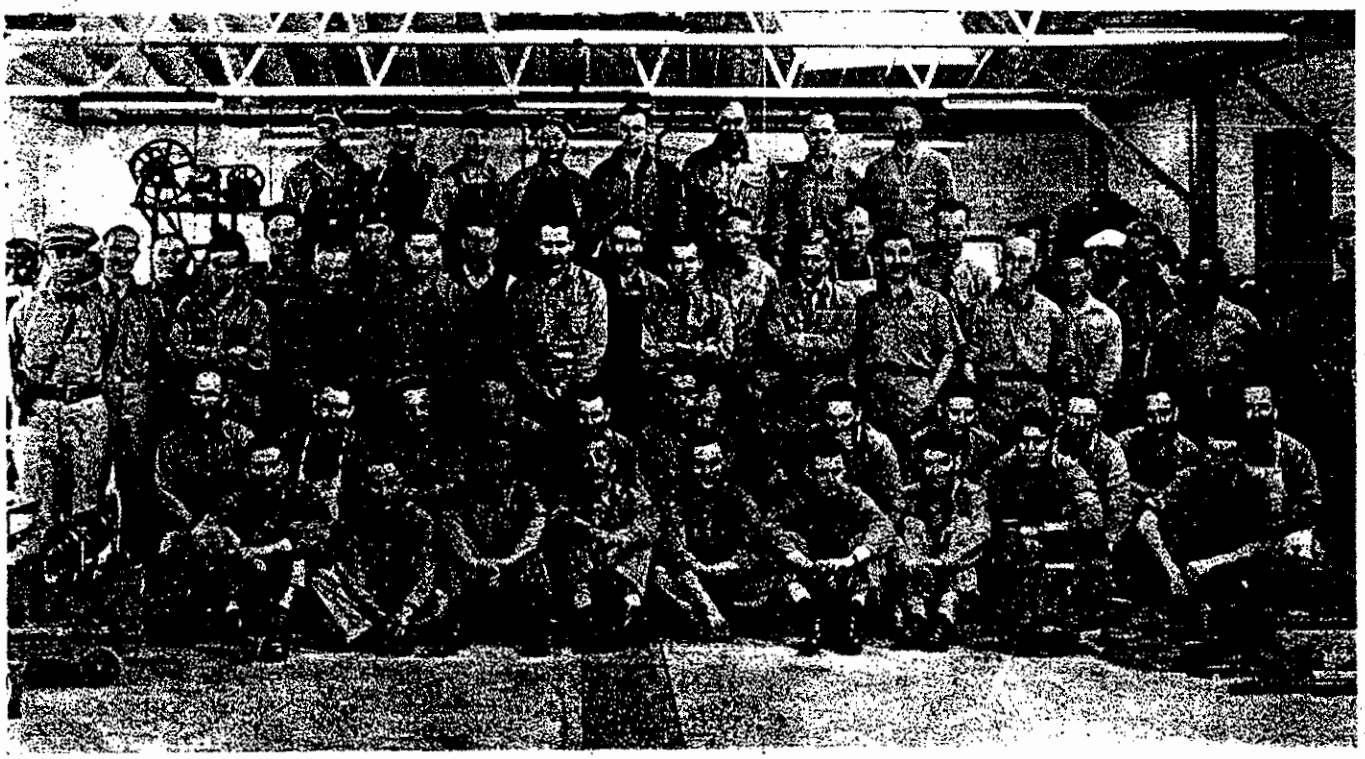
VISITORS' ROLL CALL

Mr. R. S. Rheem and Mr. W. E. Zander stopped over on their way from Los Angeles to Richmond. While their stay was of short duration, we enjoyed their time here and appreciated their comments on the new plant.

Bob Trezevant was with us a few days following which he departed for Richmond, from which he is scheduled for Danville, Pa.

George Stoltz has made several appearances here in connection with the tool, die and equipment program for the new Portland plant.

Visitors from Richmond also include Price Hoppin (who has been in several times for conferences with



Our day and night crew, also two of our Plant Police.

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Top left: L. W. (Duke) Evans, Manager of Stockton Plant. Top right: Roy N. Bowman, Assistant Manager. Center left: A. D. (Ash) Shaw, Office Manager and Head of Purchasing Department. Center right: Max Paul, Plant Superintendent. Lower left: Office, l. to r.: Alice Marlette, Switchboard; Gertrude McElhinnie, Timekeeping; Edith Roberts, Secretary. Lower right: Ernie Carpino, C. H. (Jack) Bower, and Roy Schenone, according to New Orleans, the three terrible barbers, according to Stockton, three grand guys.

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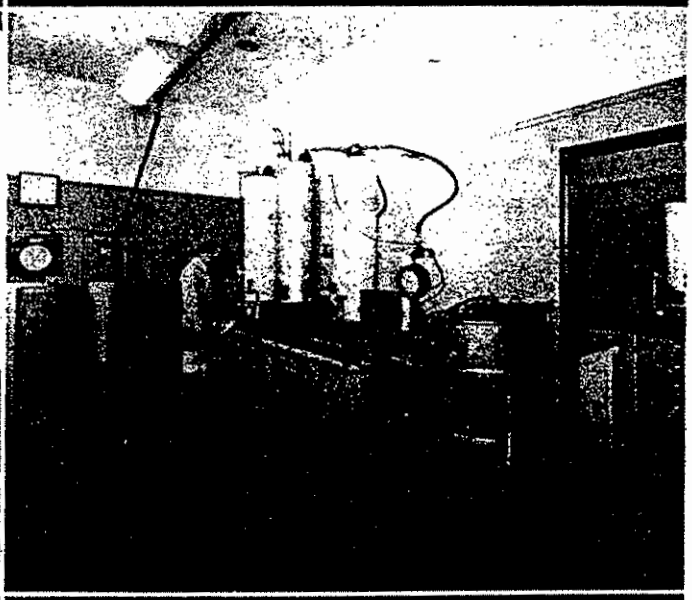
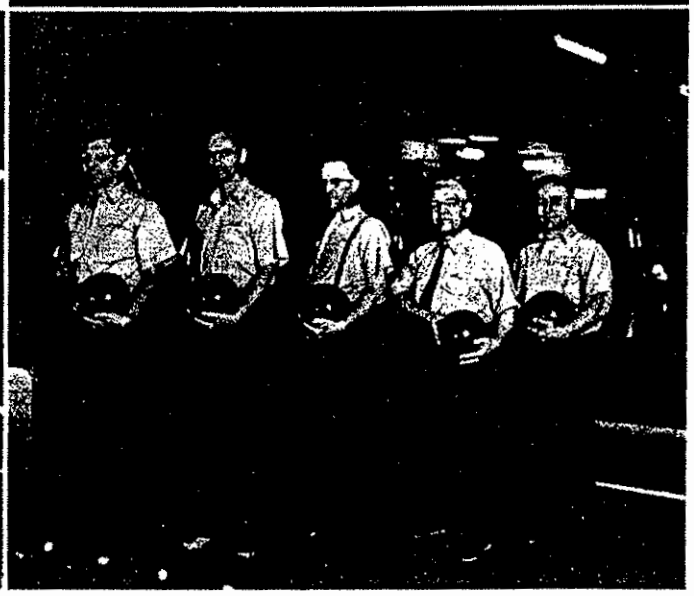




Top left: Richard (Dick) Salmon, Assistant to Ash Shaw and W. A. (Bill) Pentecost, in charge of estimating and die design. Top right, the new Drafting Room with personnel, l. to r.: William Starrett, E. S. Jackson W. L. Hawk, Max Paul, J. H. Hurlbut, William Thomas, Wilbur Choy, T. W. Smith, J. Murphy and A. Koch. Center left: Gas Appliance Chemical Laboratory with Ralph Minor, our deputy sheriff who has charge of Plant Police, Personnel Records and is Plant Safety Engineer. Center right: Gas Appliance Testing Laboratory with Tom Davidson in Charge, whose duties also include fingerprinting and identification records. Lower left: Rheem No. 1 Team, Stockton, l. to r.: Jim Carpino, Leo Hugi, Earl Southard, Gene Williford, and Frank Musto. Lower right: Rheem No. 2 Team, Stockton, l. to r.: Roy Bowman, Ralph Minor, Tom Davidson, Max Paul, and Ray Boss.

RMC164

Duke), Howard Angell, and C. H. Tenney.

Stockton is contemplating an extension to their front door to accommodate the new plants. Welcome, to all our new plants—Providence, Birmingham, Portland, and Danville—may your growth be rapid and successful.

Stan Yarbrough, one of Stockton's traveling engineers, at present on loan to Baltimore and/or Chicago.

NOTICE: Lonesome Club organizers may cease their efforts, at least on behalf of Frank (Dunnie) Musto, as the reproduction of favors at a recent gathering will tell without any further ado. Best wishes to both!

Fishermen Take Note: Information on good trout fishing may be obtained from Earl Southard. He has covered the canyon route by car—the shoe leather route by miles, has even tried both sides of the lake, also top and bottom and believe it or not—at the close of a very enjoyable and NON-tiring trip, he was rewarded with a catch of FIVE—ITTY BITTY FISHES.

Wilfred Roy, member of the Stockton Engineering Staff.

A very pleasant report from the Carpino families is to the effect that the little "Carps" are progressing quite satisfactorily and we are all glad for the news.

BOWLING CHAMPS

The two bowling teams pictured in this issue were entered in the Stockton Mercantile League made up of 30 weeks of bowling. The team consisting of Jim Carpino, Earl Southard, Frank Musto, Leo Hugi and Gene Williford won first place honors in the League with a total of 76 points against a possible 120.

The other team, known as Rheem No. 2, consisting of Tom Davidson, Ralph Minor, Roy Bowman, Ray Boss and Max Paul, finished in a tie for fourth place with a win of 57 points. It will be recalled that this team held the cellar position for some time during the first of the season, slipping from third place to fourth place on the final night.

The high light of the season came when the two Rheem teams bowled it out against each other. The No. 2 team was able to break even on one occasion and win in another of the four encounters. Amid much kidding of players, these matches more or less took the spotlight from an enthusiasm angle.

Our Mercantile League is now closed but the teams were held together to take on the first two teams

Make 'em sorry they started it!

of the Richmond plant the weekend of May 2. The result of this meet was the first team won two out of three and the second team lost by the same score.

P. S. "Never Quit" Max will keep going all summer!

SNAPS OF PERSONALITIES

Dick Salmon rushing through the door at noon and again at night. Why? A certain young lady, age 8 weeks, waiting for his fatherly attention.

—o—

Who has more fun during and after a bowling match with Richmond than Max Paul?

—o—

Sunburn season has arrived. For proof—slap Ash Shaw on the back.

—o—

Roy Poulsen was seen leaving the shop at the end of the day shift Saturday loaded down with fishing paraphernalia. He is back at work, but—we've seen no fish!

—o—

A. Y. Ensely has nearly worn his whistle out trying to make more noise than the machinery. Should we take up a collection and buy him a new one, or let well enough alone?

—o—

Wilfred Roy, who is supervising work being done for us at the Geiger Iron Works, is so in the habit of dialing the plant number that he almost gave a full dinner menu to the girl at the switchboard before he realized he wasn't talking to his home.

—o—

For information on how to take pictures of celebrated persons, please contact Roy Bowman. Results not guaranteed!

—o—

We are wondering why Bud Smith, our ski expert, after many hours spent on the high peaks of the Sierras without a tumble, suffered quite a tumble on the local ice rink,

Continued on page 16

RMC165

RICHMOND

Of interest to many Rheemites are the pictures at the bottom of the page of the old Galvanizing Company in Emeryville, Calif. Boilers and barrels were galvanized in this plant before Rheem started making them.

Some of the men with Rheem then and now are Bill Moller, Lyle Bechter, Carl Johnson, Oren Howard, Jim Hamby, and Bill Zander in charge of the C. O. D. And, by the way, we are glad to have Bill Moller here with us now in Richmond. Bill knows it's going all right and by golly it's going to keep on going. There was quite a twinkle in his eye the other day when he saw us dunking 200-18 '55 barrel shells an hour.

IN AND AROUND THE GALVANIZING SHOP

Everything is running full steam ahead nowadays. Seems as though Carl Johnson (sol man) overworked his end of the kettle—it sprung a leak right where he braces his knee against it—too much pressure, or all the work in one spot, but that didn't stop us. We threw a cold patch on the puncture and kept rolling right along.

—o—

Construction is well under way on our new galvanizing department. Foundations and forms have been placed and within a short time we should be running galvanizing at a new rate of speed. This addition is very welcome as we are in urgent need of the extra space and facilities for maximum production of government contracts. Our tank shop has been changed, leaving only a small portion for the production of tanks. However, we feel that this is a very wise move as we will have additional room for our increased production. At the present time we are organizing our production for the increased delivery of government items and expect to be in full production when this goes to press. When production gets under way it will be "All Out for Uncle Sam." We feel that our efforts will satisfy those who rely on our production for their success.

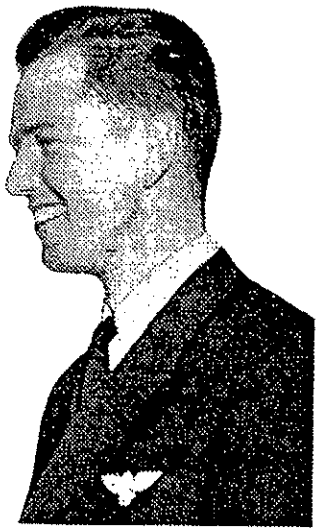
Let's not be over confident. Let's get to work!

If Mel Davis does half as good a job on this new contract as he did on the last one it sure will be swell to work with him.

That also goes for Sam Jennings and Al Pellett. It will be swell to get the old force back together again. Our boys in the service are in need of our products and we need the men to make them, so let's all get together and work hard and give those fighting men all we possibly can. They are doing a grand job over there and we want them to know that we are doing the same over here.

Charlie Kroger has been commuting regularly between the Richmond plant and the Portland plant now under construction. Wayne Patterson will be manager of the Portland office and David W. Curtis will be the plant superintendent.

We wish them success in their new venture and offer our condolances for the wear and tear on their tires on the 800 mile trip to Portland.



Rheemite John M. Holley of Piedmont has been commissioned an Ensign and will have duty as flying officer with the Navy's Air Arm.

Plant Foreman to Applicant for a Job: "Are you a clock watcher?"

Applicant: "No. I don't like inside work. I'm a whistle listener."

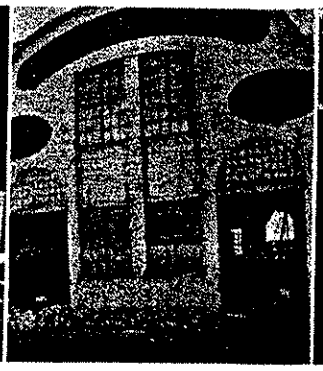
—o—

Don Gorman: "Notice any improvement since last year?"

Caddy: "Had your clubs shined, didn't you, sir."

CLASSIFIED AD

WANTED:—Men and women who take their work easy and are not concerned over the war; who let the other fellow do the work and buy the bonds; who tell friends it doesn't really matter who wins. If you fit these qualifications you belong in my company.—A. HITLER & CO.



RMC166

NEWARK

The early part of the month saw genial Rheeminder Editor Al Whittell of the order department bid a fond farewell to Newark and join Plant Manager Mel Young at the Rheem offices in the Nation's capital.

Bill Cuozzi on taking over the editor's chair, said, "With this migration, the enjoyable job of writing The Rheeminder copy was left in my questionable hands. I hope that my material will be as readable as that written by my predecessor."

SAFETY

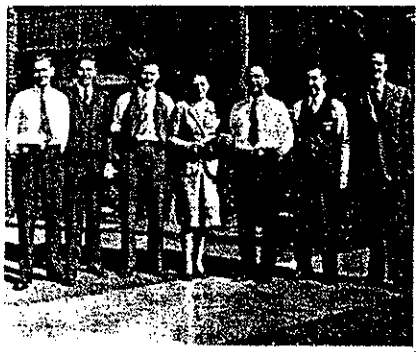
The importance of safety in the Newark plant was stressed with renewed vigor this month, when a plant slogan, "Safety Time is All the Time," was adopted and a new weekly safety bulletin was issued for the first time. Steve Skrob's Safety Committee has now expanded to fourteen employees, all of whom are taking an active part in enforcing the safety rules and offering safety suggestions. The presence of a new First Aid Room has also detracted from our lost-time accidents risk. Safety is really the keynote in Newark.

And speaking of our First Aid Room—Orchids to our new nurse—

Mrs. Hildegarde Holstein, R.N., for completely setting up and equipping Newark's attractive infirmary.

An alumnae of the local St. Barnabas Hospital, where she was a student supervisor, Mrs. Holstein is new to industrial nursing. However, her possession of a surprisingly adequate knowledge of medicine, coupled with a vigorous willingness to perform her duties well, has made her a valuable asset to the Newark plant.

There must be sweat and action on the production line to match the blood and action on the battle line.



The Manufacturing Committee at Newark, l. to r.: Al Lees, Howard Manchon, Steve Skrob, Dorothy Bennett, Mel Young, plant manager; Fred Johnson, who has since been drafted, and Bill Ward.

BOWLERS WIN TITLE

The usually conservative sport pages of the Newark Evening News have been praising the bowling of Larry Amato's Rheemites in no uncertain terms this month. The Newark bowling team annexed the Ironbound Manufacturer's League bowling title with comparative ease against strong competition from eight other aggregations. The team, which is captained by Larry, also includes Herman Harms, Charlie Hettinger, Johnny Kobular, Joe Olko, and Steve Tarnow.

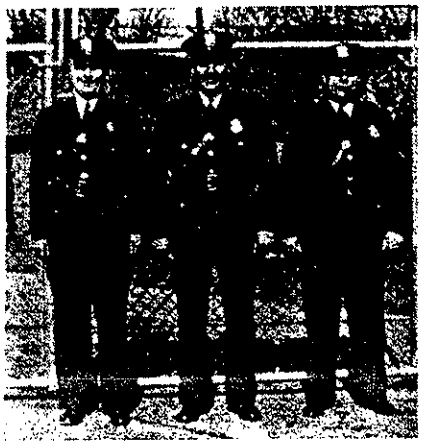
In marked contrast to the all-winning plant bowling team, is the record of the all-losing office softball team. The group, which has now lost a total of four straight games, is co-captained by Bob Crosby, who is sometimes known as the Joe McCarthy of the Newark office, and Howard Manchon, who once played with Basset of the B-State League, where he batted a cool .022. Their lineup is bolstered by the hard-hitting duet of Charlie Hettinger, maintenance foreman, and Frank "Bambino" Sawica, our plant engineer.

FIRST AID

The Red Cross First Aid Class, which had been the recipient of ten Saturday instruction periods, terminated on May 9 with the presentation of a $25.00 Defense Bond to Red Cross instructor E. J. McCrudden. The presentation was made by Mrs. Hildegarde Holstein, R.N., on behalf of the ten members of the group. First Aid Certificates were presented to George Wirtz, Walter Holtgren, Jack Byrne, Earle Courter, Eddie Skrob, Stanley Skrob, Peter Kensy, John Pelusio, Nat Curtis, and Nurse Hildegarde Holstein.

HANDS OFF!

The Newark plant is fortunate to have as guards of the grounds and building, three men who are well experienced in police work. They are Walter Holtgren and Charles Duerrler, both former Deputy Sheriffs, and John Pelusio, a former special policeman. Their neatness and appearance is well exhibited in the accompanying photograph.



Newark's Guards, l. to r.: Walter Holtgren, John Pelusio and Charles Duerrler.

RMC167

CHICAGO

AMONG THE BLITZ CANS

On the hottest day of April while passing by the paint baking oven one of the girls was overheard to say that she wished she were making "Schlitz" cans instead of blitz cans.

Ray Gann decided that Chicago was too cold so he left for the New Orleans plant. It's O. K. to come back now, Ray, the birds are singing in the trees again.

BEN 'N LOUIE, MILLION BARREL BROTHERS

Masters of flash welding are Ben and Louie Tramba. Louie runs it and Ben fixes it when it breaks down. The Tramba boys started with us at the beginning of June, 1938, and are part of that gang of old-timers that now forms the backbone of our plant personnel.

Ben worked his way up through the ranks until he became foreman of the barrel department. Later his intimate knowledge of barrel machinery was recognized and he was made a maintenance man. His experience makes him invaluable in the responsible job of keeping the wheels turning.

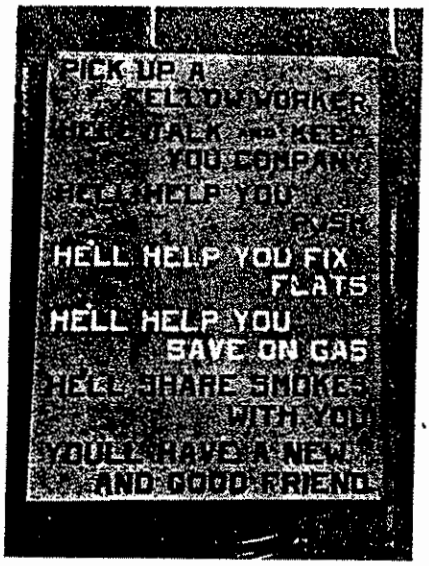
Louie has also had a great deal of experience throughout the plant and is now one of the key men of the barrel line.

The showdown will be whether Hitler can drive his people to work harder than we Americans are willing to work. There is no one to drive us. We must drive ourselves.

THIS WINS WARS

Bill Domrese, assistant barrel department foreman, announced a new production record in his department for one shift recently.

SHARE YOUR CAR



DRIVING CLUB FORMS AS TIRES SMILE

Ed Mendum, our new personnel man, and Ted Davis, chief draftsman, are working hard to organize a driving club for the conservation of tires. Ted has a large map of Chicago on which he has plotted the residence of every employee. Ed designed the interesting sign pictured herein, to stimulate co-operation in the transportation problem.

BOWLING LEAGUE FINAL STANDINGS

The bowling league at this plant has just finished a very succesful season during which time over 100 shop and office employees took part in the competition. From plant executives on down, Thursday night has been an important date each week for several months.

Listed below are the team and individual standings at the close of the season:

MEN

High team average (3 games) ... Boiler Dept.
High single game .....Barrel Dept.
High individual average (3 games) S. Janezcko. 599
High single game ..... J. Burks. 259
High individual average for season L. Terry. 176

WOMEN

High team average (3 games) ... Assemblers
High single game ..... Packers
High individual average (3 games) A. Stroup. 464
High single game .....J. Tebelskis. 193
High individual average for season J. Tebelskis. 122

Left to right: Leo Terry, high individual average for the season, and John Burks, high single game. "Jack" Tebelskis, high single game in women's league. Million Barrel Brothers Ben and Louie Tramba. Bill Domrese, Assistant Foreman of Barrel Department.

RMC168

LOS ANGELES

IN THE ARMED FORCES

The numbers of Paul McGinnis and Dominic Marino, both of the boiler department, came up in the last drawing and they are reporting for duty in the Army early in May.

Ensign G. J. Vanderford.

Word has been received that Ensign G. J. Vanderford, who was in the boiler department for two years prior to his enlistment, is now in the Hawaiian Islands in the U. S. Navy Patrol Squadron.

—o—

We would like to introduce some of our tiny folk who are an important though unseen part of our Los Angeles personnel.

First, Judith Ann, the daughter of Ned Bartlett, our handsome office manager, is only nine months old yet has learned how to get what she wants.

And this is William Scott Goodfellow, Jr., at the age of two months. We managed to salvage this snapshot before Daddy Bill had it worn out—whipping it out of his pocket whenever the subject of babies was mentioned. Bill, Sr., says he would rather have him a water boy at California than an all-American at Stanford.

William Scott Goodfellow.

And then Ruth Ann Zuerner, whose daddy is Jim Zuerner in the service department.

And that's all for this time. We hope to show you some more of this beauty parade next time.

Judith Ann Bartlett.

Ruth Ann Zuerner.

—o—

Walter Grant, formerly with the Ohio Corrugating Company, has joined the sales force at Los Angeles. His knowledge and experience in the container industry will be of great value to us.

Lyle Bechter is back again at his job in the galvanizing department after spending six months in the eastern plants. The kettle had to be reset to allow for Beck's added girth. They may be stream lining plants in the East but apparently they haven't found time yet to give individuals this attention.

—o—

Shorty Flora and Jack Davis blossomed forth in Victory suits sans vest and cuffs on the trousers. They protested it was not an effort to set the style but because of a real need.

—o—

Roy Collord has just returned from New Orleans after a stay of several months—without a Southern accent and without sleep, says he. The entertainment committee must have been on deck and really showed Roy the town.

—o—

The Los Angeles plant Foremen's Club played host to 60 office and plant employes at the Rio Hondo Country Club at a farewell party for Dave Curtis and Dutch Farmer who will leave shortly for the Portland plant. Dave to be plant superintendent and Dutch to be barrel and press foreman.

Jim Armstrong was M. C.

Following the dinner and speeches, Dave Bisbee presented fishing tackle to Dave Curtis and Dutch. W. E. Zander provided the entertainment by showing his movies of the Los Angeles plant, the Navy "E" presentation at Richmond and his last trip to Australia.

SHOP WINS GAME OFFICE WINS BAG

The first hotly contested baseball game of the season was lost by the muscle-bound office boys who had for several weeks vaunted their ability as baseball players. The shop brawnies bested them by a score of 19 to 7.

RMC169

BALTIMORE

As the list of our fellow workers in the armed services increases, we who are left behind realize more and more the importance of keeping them supplied with the necessary implements of war.

Our company, and all of its employees, have pledged an all-out war production schedule.

We are certain that everyone considers it a privilege to put his shoulder to the wheel and get top production for the war effort. To obtain this end caution in operating the various machinery throughout our plant is a prime factor. Carelessness causes breakdowns and personal injury which impedes the smooth flow of our country's much needed war equipment.

The fate of U. S. rests in our hands!

Let's all be safety conscious and eliminate accidents. Remember Pearl Harbor, and Keep 'em Rolling!

—o—

Shirley Jane, seven year old daughter of Cliff Beaver—shipping department—paid her Dad a visit recently, all the way from Salisbury, N. C.

That din in the heater department the other day was only the boys and girls of that department going over the top on production—201 Arrowheads in an eight hour shift.

Rheemites greet daughter and son-inlaw of Mr. and Mrs. Jess James at reception at the parents home following the wedding.

Pat Leone and his favorite size stogie which Bromo Seltzer helps to keep burning.

"THE MARRIAGE MILL"

John Hubbard, galvanizing department, to Grace Elaine Buckalew, ammunition box department.

Ben Matyzak, ammunition box department, to Loretta Backill, press department.

Miss Kay McClelland, general office, to Mr. Robert Harrison.

Also, two more of Mike's boys about to say, "I do"—Reuben Taylor and Paul Pannebroker.

Mr. and Mrs. Jess James are pleased to use The Rheeminder to announce to the Rheem gang the marriage of their daughter, Jennie, to David C. Maison of Hollywood, Calif.

Galvanizing Department. Top row, l. to r.: Walter Pnakovich, James Hubbard, Slim Harbin, William Jameson, John Kaskie, Wendall Childress, and Emory Williams. Bottom row: Art Beattie, Hicks Coleman, William Duncan, Gordon Bangs, Albert Skrutt, Murvie Grimes, and Bedford Taylor.

Galvanizing Department. Top row, l. to r.: Reuben Taylor, James Gunn, William Wray, Virgil Taylor, James Feathers, William Lindemon, Don Bennett, and Carl Colin. Bottom row: William Tallow, William Bushall, Paul Pannebaker, Russell Bassler, and Harmon Spece.

RMC170

BIRMINGHAM

Dear Ed:

Here at the Birmingham plant we realize we have a tremendous job ahead of us. A big plant, completely bare, a personnel of only six (when we need a thousand soon) are but two of the problems weighing heavily on us.

But one thing is certain, Mr. Ed., those of us who have been "in the family" for a long while, and those of us who are new to the company have a single thought. That is to aim high and keep our feet on the ground.

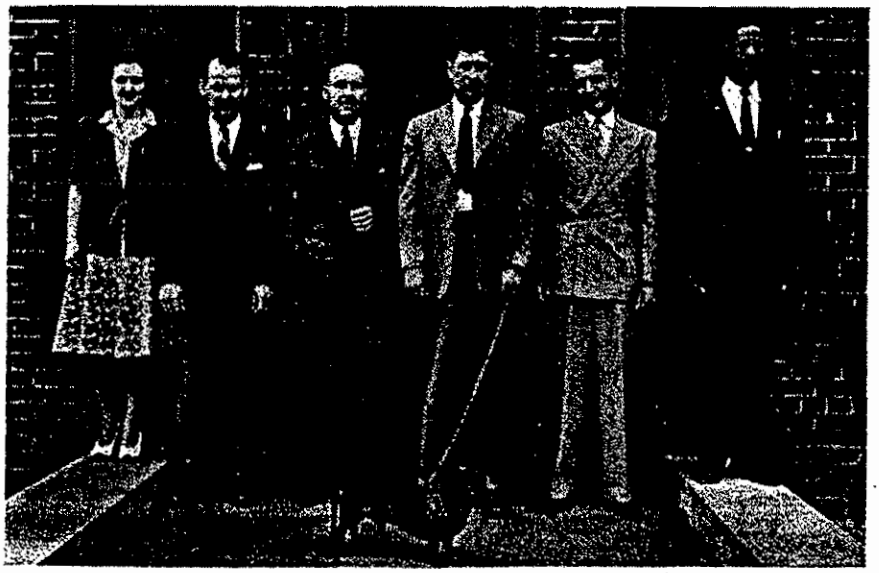
We know what a fine company we are in. We know that Rheem is tops. And we know that we must hurry because our time is so short.

So, may we promise **the will to do the job the best we can, the desire to become good "Rheemites." the yen to lick Hell out of the Japs, Eyties and Huns who rear their ugly heads against us.**

Count on us, Ed. We're in for the duration.

BIRMINGHAM.

The Rheeminder and all members of the Rheem family, young and old, welcome Birmingham and join 100% in the sincere and challenging sentiments above. Such letters are very welcome.



The Birmingham Gang. Back row, l. to r.: Martha (Dixie) Wood, Earl (pass the order forms Pappy) Beason, W. E. (Bill) Curran, L. H. (Mack) McBride, Robert R. (Bob) Jones, William (Reverend) Shaw. Front row, l. to r.: Young "Kelly" McBride, Super-sleuth Dan Dunn, Watchman.

The Rheem family's lusty new infant in Birmingham is a bee-hive of activity these days. Already contractors are busily engaged in turning the old shell that was once the American Radiator Company building into a humming, bustling Arsenal for Democracy.

As you already know, the Birmingham plant will be engaged in the manufacture of [redacted] for the U. S. [redacted] and will turn out more than [redacted] in each [redacted] period for the purpose of [redacted] the Japs, Italians and Germans.

With L. H. McBride at the reins and W. E. Curran in the driver's seat beside him, the work goes forward from early morn until the wee small hours in order that production can be started as soon as possible.

Miss Martha Wood (local gal) is the only femme around now, but she's due for company soon. She answers the phones, does the secretarial duties, is receiving department, etc.

Robert Jones, likewise local, is personnel director, timekeeper and paymaster.

Then Pooch, Mack's purp, is watchman deluxe and receptionist.

"**Lost ground can be regained, lost** Time never."—**President Roosevelt.**

Earl Beason landed from Houston to take over as office manager. Here is a running account of his first few hours in Birmingham:

8:00 A. M. Arrived in Birmingham, registered in hotel, set family up to breakfast and arrived at plant.

9:00 A. M. Talked to 396 salesmen who had waited eight days in his office for appointments.

9:40 A. M. Called real estate agent to get home when he knew no homes were available in booming Birmingham.

9:41 A. M. Secured home in Roebuck community, which is too, too desirable.

9:41½ A. M. Passed out cold.

—o—

The only trouble with Mack's dog is that he's a fly-helper. He takes so long going through doors.

RMC171

NEW ORLEANS

COMMERCIAL PLANT GOSSIP

Guy Pisciotta's prompt refusal to join a fishing party and distressful behavior last week end was completely accounted for Monday morning with cigars and a Happy Pappy smile. It's a seven pound boy for "proud-pappy" Pisciotta.

"Happy Pappy" Guy Pisciotta.

Hoot Baron (alias Blinky) is always doing something to get in this column and he'll stop at nothing to do it.

Hoot "Blinky" Baron and Nurse Bernie Ricaud.

To say nothing of "eye winking" mischiefs (March Rheeminder) after winning a bowling ball (for attendance) and "Chief of Auxiliary Police" appointment for Civilian Defense, we are compelled to believe the old boy has "winning" on the brain. His latest victory was the winning of an election.

"Hoot threw his hat in the political ring last month and was elected "Alderman" of his home village of Harahan (population 1,100) with a count of 226 votes.

—o—

When Gene Anderson makes out his time slips he makes them out precisely. When the power was cut off he accounted for his time with this entry: "Power failure ½ hour."

NOTES ON THIS AND THAT

P. F. C. Wm. J. Fanning and Private Harold Brown dropped in for another visit. The lads were called to the colors before the new plant was finished and drop in whenever in town to see how we've

Get in step—Buy War Bonds.

expanded in personnel and show us how they've expanded (around the chest). We suspect the addition of girls to all departments since their last visit was responsible for the boys' tarrying about the plant longer than usual.

Staff Sergeant and Mrs. Peter DiMartino, who were recently married. The bride was the former Miss Izola Mele, daughter of Mr. and Mrs. William E. Mele.

—o—

This month's sportlight is focused on Al Donnells of the ordnance department. Al recently copped three bowling prizes for scattering 267 pins which took the highest single game honors in the Suburban Sweepstakes Tournament. Al threw the missle against 91 entries, each rolling nine games, and was presented with a handsome trophy, a diamond studded gold ring and a gold pencil. Some rolling!

Al Donnels.

The pretty five foot two with eyes of blue, addition to the timekeeping department is Jane Beyer, comptometer operator. Welcome, Gal!

Private First Class William J. Fanning.

RMC172

WASHINGTON

The Washington office has finally acquired "living space." The front half of the fourth floor of the Normandy Building is now filled with the old members, plus some new ones, including M. W. Young who is dividing his time between Washington and Newark. Hunt Conrad recently transferred from Chicago. Al Whittell who has moved down from Newark, and Miss Doris Schroeder, a new secretary.

We noticed in the paper the other day that a psychiatrist advised nervous girls against coming to Washington because of the small proportion of men to women here. We gather that our secretaries are either not nervous, or have been unaffected by the dearth of males.

Some of the visitors to the madhouse that we are pleased to call the Washington office, have been Frank Nugent and Kenny Sims in from the St. Louis Ordnance District, Bromo Seltzer from Sparrows Point, S. S. Johns, a recent addition to the Baltimore engineering office, Milt Heffernan from Sparrows Point, who will help Bill Long line up the machine tools for Danville, C. T. Nichols on his way to Providence, W. E. Curran who is assistant manager at the Birmingham plant, and last but not least, L. H. McBride, Birmingham plant manager.

Do without something and buy War Bonds.

—o—

FULL SPEED AHEAD AND DAMN THE TORPEDOES

The following brief ship to shore message was picked up from Providence:

The Providence Shipbuilding Divisions moved into permanent quarters on May 11th, administration building practically completed, mold-loft building is 700 feet long and ready for occupancy May 14th. From all indications, we will start ship fabrication on May 26th—another accomplishment for Rheem, two months after the contract was signed, we strike the first blow, the actual building of a ship.

Warren Innis has turned construction engineer. You can see him supervising the building of the yard with his sleeves rolled up, his shirt unbuttoned, directing this and directing that, and when the day is over, the yard has changed complexion.

Every weapon this year is worth ten next year.

Woolsey, the man of many headaches, is trying to buy everything from soup to nuts to build our ships —Van is a professional globe trotter these days only it is being done by telephone. One minute he is calling California for a pair of rollers and the next thing it is Bridgeport for a lathe or a shaper. Van is doing a swell job and buying everything from pencils, pen points, desks, revolvers, rifles, steel, fire engines in the course of a day's time. KEEP YOUR EYES ON PROVIDENCE. We will lay our first keel on July 4th, and from then on WATCH OUR SMOKE.

NEW YORK

The recent transfer of Al Whittell from our Newark office to our Washington office has given Frank Conforti an opportunity in our Newark order department. Frank has spent several days in the New York office learning the rudiments of an order clerk. Keep up the good work, Frank.

—o—

Doni Yasunas has moved, bag and baggage, from New Jersey to New York. After "moving day" Peter Kensey and Harold Jakes of our Newark plant who acted as "movers" were asking such questions as "I wonder how many years it took to collect all those things," and, "We are now full fledged piano movers," etc.

—o—

Recent visitors include L. B. Keplinger from Washington, A. E. Holley and Al Lees from Newark, Jess James and Pat Riley from Sparrows Point, and Comptroller Sherman M. Wyman from Providence.

HOW GENERAL MACARTHUR USES 'EM !

PHOTOGRAPH FROM PRESS ASSOCIATION, INC.

RMC173

RHEEM MANUFACTURING COMPANY

ANNUAL REPORT 1958

RMC174

RHEEM PRODUCTS and SERVICES

They Build Progress at Home and Abroad

AUTOMOTIVE DIVISION Fullerton, Calif. O. W. Carrico, vice president and general manager Plants at Fullerton and Vernon, Calif.	Bumpers, springs, and other automotive parts
CONTAINER DIVISION Linden, New Jersey E. F. Paquette, vice president and general manager Plants at Linden, N. J.; New Orleans, La.; Houston, Texas; Chicago, Ill.; Tacoma, Wash.; Richmond, Calif.; South Gate, Calif.	Steel and fibre shipping containers
DEFENSE AND TECHNICAL PRODUCTS DIVISION Downey, Calif. L. M. Limbach, vice president and general manager Plants at Downey and Riverside, Calif.	Propulsion and missile systems, ordnance, drone aircraft, pressure vessels, military electronics, optics, training devices, research
ELECTRONICS DIVISION Downey, Calif. A. G. Handschumacher, vice president and general manager Plant at Downey, Calif.	Visual training devices; data recording, reproducing and processing systems and components; industrial test equipment; automatic processing equipment
HOME PRODUCTS DIVISION Chicago, Ill. V. J. Heinis, vice president and general manager Plants at Chicago, Ill.; Sparrows Point, Md.; New Castle, Del.; New Orleans, La.; Houston, Texas; South Gate, Calif.; Richmond, Calif.	Automatic storage water heaters, central heating and air-conditioning equipment, tanks, water softeners
RICHMOND PLUMBING FIXTURES DIVISION Metuchen, New Jersey M. H. Temple, vice president and general manager Plants at Metuchen, N. J. and Monaca, Pa.	Vitreous china and cast iron enameled bathroom and other plumbing fixtures for residential, commercial, industrial and institutional use
INTERNATIONAL DIVISION New York, N. Y. Mario Capelli, vice president and general manager	Directs and coordinates Company's international activities
ORENDORFF MANUFACTURING CO. Subsidiary Company Vernon, Calif. M. C. Orendorff, president Plant at Vernon, Calif.	Cultivating and earth-engaging tools for the farm
RHEEM ACCEPTANCE CORPORATION Subsidiary Company Rheem, Calif. R. S. Greenwood, president	Finances consumer sales
THERMOVAC, INC. Subsidiary Company Stockton, Calif. F. A. Bellato, president Plant at Stockton, Calif.	Food processing and handling equipment

RHEEM AROUND THE WORLD—

See inside back cover for map of plant locations.

RHEEM MANUFACTURING COMPANY

CORPORATE HEADQUARTERS—400 PARK AVENUE, NEW YORK 22

ANNUAL REPORT 1958

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FINANCIAL HIGHLIGHTS

	1958	1957
Total net sales	$151,312,416	$188,580,607
Commercial products	115,062,919	130,597,537
Government products	36,249,497	57,983,070
Earnings before taxes	131,673	3,436,916
Federal income taxes (tax credits)	(170,000)	1,468,000
Net earnings after taxes	301,673	1,968,916
Earnings per common share	$.12	$.97
Dividends paid per common share	$.10	$.10
Number of common shares outstanding	1,951,538	1,951,538
Number of common shareholders	12,702	13,798
Wages and salaries paid	$ 49,449,062	$ 60,807,494

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DIRECTORS

C. V. Coons
G. M. Greenwood
Herbert E. Hall
John J. Hall
Earle M. Jorgensen
Gordon W. Mallatratt
N. Loyall McLaren
A. E. Ponting
R. S. Rheem
Thomas J. Ross
A. Lightfoot Walker

EXECUTIVE MANAGEMENT COMMITTEE

A. Lightfoot Walker, *Chairman*
C. V. Coons, *Vice Chairman*
G. M. Greenwood
John J. Hall
Gordon W. Mallatratt
E. S. Ronk
Thomas J. Ross

OFFICERS

A. Lightfoot Walker ..... *President and Chief Executive Officer*
C. V. Coons ..... *Executive Vice President*
L. W. Evans ..... *Vice President*
G. M. Greenwood ..... *Vice President*
John J. Hall ..... *Vice President*
Gordon W. Mallatratt ..... *Vice President and Treasurer*
E. S. Ronk ..... *Vice President*
Andrew W. Hughes ..... *Comptroller*
Walter S. Lewis ..... *Secretary*
R. T. Stroup ..... *Assistant Treasurer*
F. R. Grant ..... *Assistant Comptroller*
W. H. Campbell ..... *Assistant Secretary*
H. L. Fledderman ..... *Assistant Secretary*
F. F. Lind ..... *Assistant Secretary*
D. S. Perley ..... *Assistant Secretary*

TRANSFER AGENTS — *Common Stock*

American Trust Company, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

REGISTRARS — *Common Stock*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
First National City Trust Company, New York, N. Y.

TRANSFER AGENTS — *Cumulative Preferred Stock, 4½% Convertible Series*

American Trust Company, San Francisco, Calif.
The First National City Bank of New York, New York, N. Y.

REGISTRARS — *Cumulative Preferred Stock, 4½% Convertible Series*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
Chemical Corn Exchange Bank, New York, N. Y.

GENERAL COUNSEL

Herbert E. Hall
Crocker Building
San Francisco 4, Calif.

GENERAL ATTORNEY

Walter S. Lewis
Rheem Manufacturing Company
400 Park Avenue, New York 22, N. Y.

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THE PRESIDENT'S LETTER

To Our Shareholders and Employees:

In 1958 your Company earned a small profit and ended the year in a favorable trend of operational results. After a net loss for each of the first two quarters, your Company made a profit in the third quarter and also had improving earnings during the last three months of the year.

The earnings achieved were made possible by continuation of our program to increase efficiency and reduce costs, since our sales declined 20 per cent from the record figure of 1957.

As business conditions began to improve late in the year, our profit improvement programs began to show results in increased earnings. Your Company is now in good condition to move ahead with our growing national economy.

Net income for 1958 was $301,673, amounting to 12 cents a common share after payment of preferred dividends. This compared with 1957 earnings of $1,968,916, or 97 cents a share.

Sales in 1958 amounted to $151,312,416, compared with 1957 sales of $188,580,607. The decline in sales occurred largely because of general economic conditions that, in certain markets, are not immediately overcome even by intensified selling effort. The sharp decline in sales of new automobiles in 1958 seriously affected our automotive parts business; sales of certain of our products tied to new construction of homes and buildings were down; sales of defense products were reduced because of the change in the nature of government procurement policies and the unavoidable delay in production contracts for new types of military equipment.

In our traditional product lines — especially steel shipping containers and automatic storage water heaters—we held the percentage of the market that we had previously attained.

The program to increase the financial strength of the Company was continued. Inventories were further reduced to 20.7 million dollars, from 29 million at the 1957 year end and 46.7 million at the high point of 1956. Total debt was cut to 29.1 million from 35.1 million at the end of 1957 and 59.8 million at the end of 1956. The ratio of current assets to current liabilities was improved to 3.4 from 2.9 at the end of 1957 and 1.5 at the end of 1956.

More surplus facilities were disposed of. Our San Pablo, California plant, which became idle on completion of a major ordnance contract, was sold. The plant at Rivera, California was sublet, and electronics activities transferred from that location to space that became available at our nearby Downey, California facility. The Culver City, California assets of Wedgewood-Holly Corp., a subsidiary formerly known as Standard Enameling Company, were sold. A major reason was the fact that the regional nature of its distribution of gas kitchen ranges did not fit into our plans for national growth of our major lines of products.

Programs for future growth and progress

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were intensified. A corporate Research and Development department, and a corporate Growth and Acquisition group, were established to supplement and coordinate divisional programs in these categories. A corporate policy for growth and development was disseminated throughout the Company.

In February, 1959, your Company announced that it had acquired a majority interest in Thermovac, Inc., a firm engaged in development and manufacture of food processing and handling equipment. Rheem and Thermovac have collaborated to develop a new food-packing process called "Sterile Pack," which opens new markets for our steel containers.

In March, 1959, your Company and a group of the nation's leading scientists and engineers in the semiconductor field formed Rheem Semiconductor Corporation for research, development and production in the field of semiconductors, including silicon diodes, transistors and other semiconductor devices. Rheem will hold a majority interest in the new subsidiary.

During 1958, your Company continued to expand its profitable international activities. Through association with our international partners, Rheem products were made in 20 plants in 13 countries abroad. These sales amounted to 35 million dollars, up from the 34 million of the year before. These figures are not consolidated in the Company's financial statements. New licensees were added in Belgium, Brazil and England. New companies were formed in England, Italy and New Zealand. Manufacturing facilities were installed in Canada for Rheem water heaters, and production began in June. New production lines were added to our facilities in Argentina and the Philippines. In Venezuela, a new plant began making steel shipping containers in August. All our established overseas companies continued to operate profitably.

Now that the European Common Market has been established, our affiliated companies in England and on the continent, together with other associations now being formed there, will enable your Company to take early advantage of significant new market opportunities. We consider this a vital area of new development for your Company.

Further details of the year's activities are reported in succeeding pages.

The year resulted in a stronger financial position for your Company and a more closely knit and efficient organization ready to act upon the opportunities and challenges of the future. Your management appreciates the effort, interest and support of shareholders and employees, which contributed to the Company's progress during the year.

President

New York, March 10, 1959

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ADMINISTRATION

year's principal developments

On June 5, Richard S. Rheem, one of the founders of Rheem Manufacturing Company, retired as Chairman of the Board after 28 years of service as an employee and officer of the Company. Mr. Rheem continues as a director.

On March 1, 1959, John J. Hall retired as a vice president, director and member of the Executive Management Committee.

On April 24, 1958, Thomas J. Ross, whose election to the Board of Directors on January 3, 1958, was recorded in the last annual report, was appointed to the Executive Management Committee.

O. W. Carrico, general manager of the Automotive Division, was promoted to vice president and general manager of that division March 13, 1958. M. H. Temple was promoted to vice president and general manager of the Richmond Plumbing Fixtures Division May 14, 1958. Other new non-corporate vice presidents are Robert G. Belote for industrial relations and George J. Papas for purchasing, appointed October 27, 1958; and Alexander Black, vice president for sales, Defense and Technical Products Division, appointed September 1, 1958.

In moves of major significance for the growth of the Company, a corporate Research and Development department was established on July 23, 1958, and a corporate Growth and Acquisition group on September 17, 1958. The new groups assumed direction of corporate programs in these fields and are complementing and coordinating similar activities in the divisions.

These programs are part of a policy for Growth and Development which was disseminated throughout the Company. These activities are discussed in more detail later.

Generally, labor relations were amicable. Brief work stoppages by two employee groups totaled nine days during 1958. In contract negotiations, there was keener understanding of the effect of costs and productivity on the Company's competitive position and employees' job security. The Company continued to maintain levels of pay and benefits that in general equal or exceed those of comparable industry.

FINANCIAL

significant items of improvement

During 1958, the Company had net income of $301,673, equal to 12 cents a share after provision for federal income tax credits and preferred dividend requirements. This compared with net income of $1,968,916 in 1957, or 97 cents a common share after provision for federal income taxes. Earnings before provision for federal income tax in 1958 amounted to $131,673. The corresponding figure for 1957 was $3,436,916.

Net sales in 1958 amounted to $151,312,416, compared with $188,580,607 the previous year.

A cash dividend of 10 cents a common share was paid in the fourth quarter of 1958. A similar payment had been made in 1957. Preferred dividend payments were maintained. There were 1,951,538 shares of common stock and 12,089 shares of preferred stock outstanding at December 31, 1958.

In other key areas relating to the financial strength of the Company, your management is able to report substantial continued improvement in comparison with the end of 1957 and the end of 1956.

Current ratio of assets to liabilities was 3.4

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at the end of 1958, highest since 1946. The figure compares with 2.9 for the end of 1957 and 1.5 at the end of 1956. Net working capital at the end of 1958 was $33,908,375, compared with $36,044,034 at the previous year end.

Inventories Cut

Year end 1956, 1957 and 1958 figures for inventories are 43.4 million dollars, 29 million and 20.7 million respectively. In other words, money invested in inventories during this period was cut more than 22 million dollars—more than half. Annual inventory turnover rate in 1958 increased to 7.3 times from 6.5 in 1957 and 4.0 in 1956.

At the respective year ends, total debt was 59.8 million dollars in 1956, 35.1 million in 1957 and 29.1 million in 1958—an over-all reduction of 30.7 million dollars—more than 50 per cent.

Bank borrowings were 35.8 million dollars at the end of 1956, 12.0 million at the end of 1957 and 7.6 million at the end of 1958. These borrowings are now in the form of a five-year term loan entering its second year.

The Company in 1958 went through the year without borrowing any of the $10,000,000 that was available under seasonal credit arrangements with leading banks in San Francisco, New York and Chicago. All necessary funds were generated internally. The Company has similar arrangements for 1959 at prime interest rates.

Cash and short-term securities on hand at the end of 1958 amounted to $3,895,477 as compared with $2,817,453 a year earlier.

Capital Expenditures

Domestic capital expenditures totaled $1,823,095 during the year, compared with $2,846,258 during 1957. The 1958 outlay was $2,074,676 less than the provision for depreciation.

Net property, plant and equipment was valued at $34,757,976 at the end of 1958, compared with $39,074,505 a year earlier.

OPERATIONS

traditional products hold markets

Total sales in 1958 declined, largely because of general economic conditions in certain markets. Traditional Rheem product lines maintained the percentage of the market previously achieved. This was especially true of steel shipping containers and automatic storage water heaters. Rheem began making steel shipping containers some 30 years ago and since then, it is believed, has made more than any other firm. The Company believes also that more water heaters are sold with the "Rheem" label than with any other name.

All divisions achieved further progress during the year in improving production and distribution efficiency. Certain idle, excess or marginal facilities were sold or leased. An active program to convert the remainder of these surplus facilities into cash is being continued.

In August, Rheem announced an important new container product development. Sterile Pack—a process for packing, shipping and storing fruit and vegetable concentrates in bulk without refrigeration or additives—opens a new Container Division market. The development promises improved quality and economies for the food processing industry. Initial trade reception has been enthusiastic.

Sterile Pack Described

The process culminates years of research by Rheem (1) to perfect ways to tinplate and lacquer interiors of 55-gallon drums capable of withstanding high vacuum, and (2) to fill and vacuum-seal the product under sterile conditions, for shipment and storage for indefinite periods. Rheem participated in the development with Thermovac, Inc., a Stockton, California firm engaged in development and production of food processing and handling equipment, and Thornton Canning Company, Thornton, California. Early this

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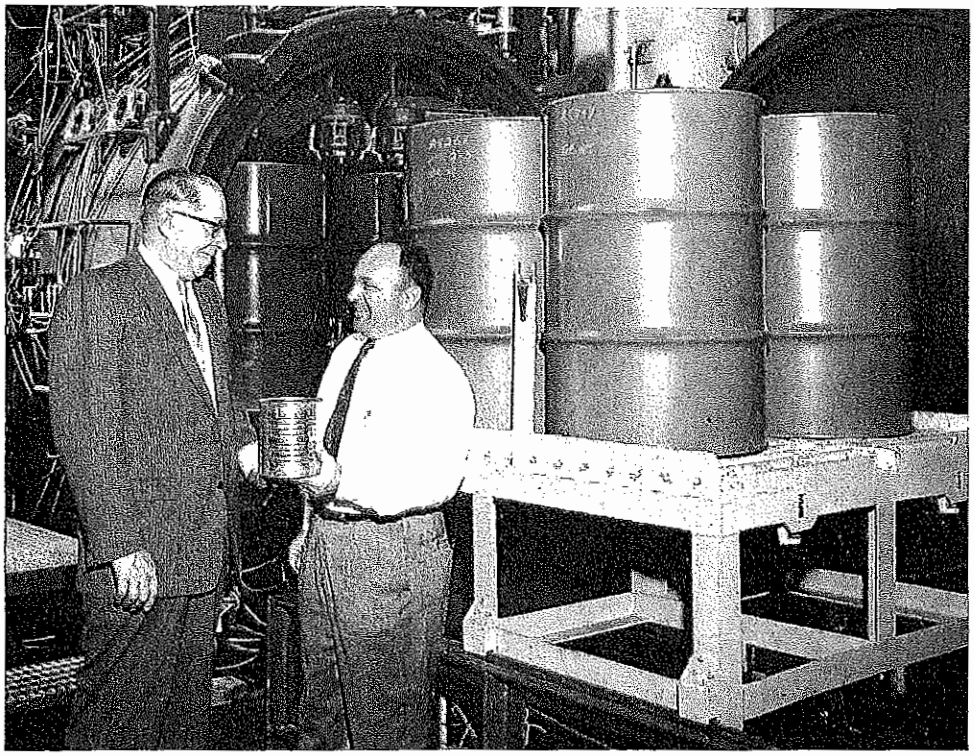

KING-SIZE CANNING is achieved by 55-gallon steel drums made by Rheem and patented process unit (background) that sterilizes drums, fills them with sterile food concentrates and seals the drums under vacuum. Opening a new container market, the process enables food concentrates to be packed, shipped and stored for indefinite periods without refrigeration or additives. Holding a conventional No. 10 can (72 of which contain only 55 gallons) are L. W. Evans (left), a Rheem vice president, and Frank A. Bellato, president of Thermovac, Rheem subsidiary, which developed the process unit.

year your Company purchased a majority interest in Thermovac, which now is a Rheem subsidiary.

In the Sterile Pack process, drums are sterilized, filled with flash-cooled processed foods and sealed under vacuum in a patented process unit built by Thermovac. Rheem makes the Sterile Pack drums at Richmond, California, closest plant to California's food growing industry. Peaches, apricots and tomatoes were shipped from Thornton Canning Company last year to some 30 food processors and canners across the nation. A steady growth in this new market for drums is anticipated.

Sterile Pack is a third major container product development by Rheem since 1950. Rheemcote lithographed drums were the first to enable users to print trade-marks or sales messages in color on 55-gallon drums. The "centrifugal spray" process for inner lining of drums, introduced in 1957, produces improved drum linings and has resulted in new business.

Container Sales

These processes have helped the Container Division to increase its sales and its share of the steel container market, which comprises the chemical, oil, food and paint industries primarily. Product improvement has been an essential element of the Container Division's successful program to strengthen continually its competitive position.

The Division continued to better its profit improvement program during 1958. To increase efficiency, a program to transfer container production at Sparrows Point, Maryland to Linden, New Jersey was undertaken late in the year. When this is completed in the near future, all East Coast container production will have been consolidated at the Linden plant, where Division headquarters are located. Improved results are anticipated.

Other Container Division plants are at Chicago, New Orleans, Houston, Richmond and South Gate, California, and Tacoma, Washington.

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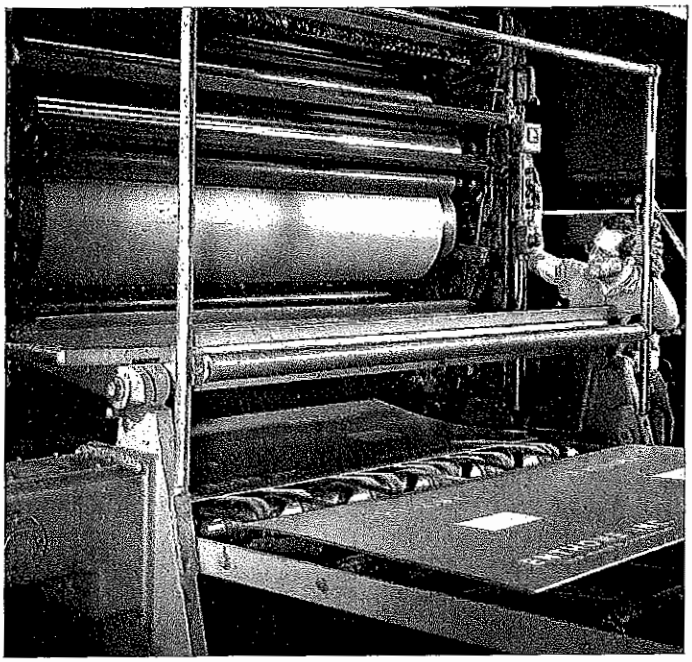
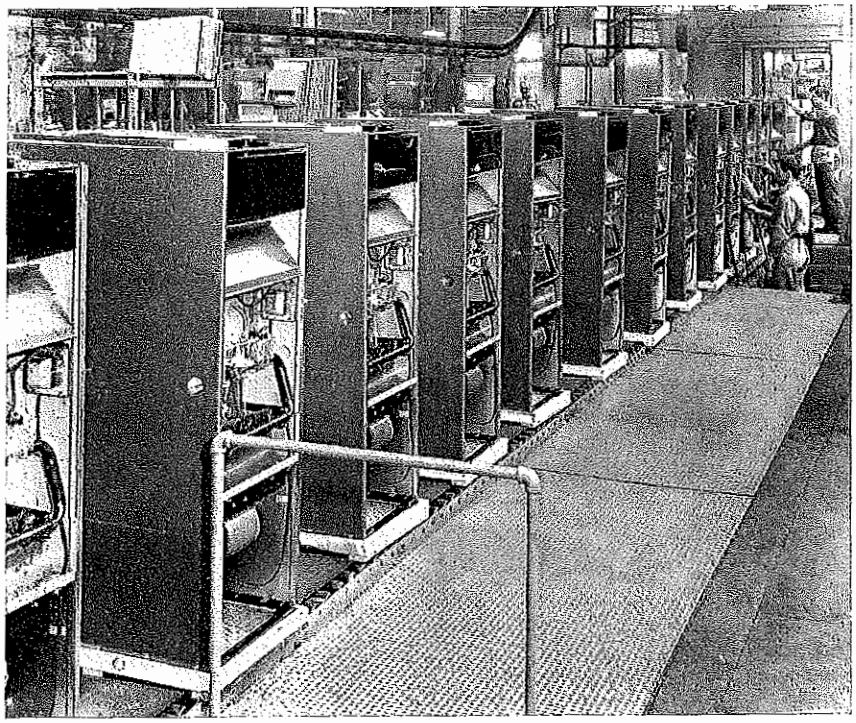


RHEEMCOTE process, developed by Rheem, was first to print trade-marks or sales messages in color on steel drums. Here employee watches sparkling bright metal sheets for containers come off the color press.

FURNACES 'FIRE TESTED'—Gas-fired warm air furnaces near completion at the Rheem Chicago plant. With burners and controls connected, each furnace is placed in full operation in "fire testing" stage of strict inspection. The furnaces are manufactured for use with or without summer air conditioning.



Home Products Results

To some extent early in 1958, sales of Rheem products for homes and buildings reflected the decline in new construction. By the end of the year, however, the Home Products Division showed a slight increase in sales volume in comparison with figures for 1957.

Substantial progress was made in furthering efficiency in the Division's production and distribution. This included installation of additional automated manufacturing processes.

At the end of the year, housing starts increased. In addition, an increased proportion of the Division's output is going into remodeling, modernization and replacement, thereby lessening reliance on new housing.

In a continuing program of merchandising, wholesalers and plumbing contractors are getting effective help in selling the Division's products. A number of wholesalers of proven capability were added for distribution of water heaters in key markets, and the Division's contract sales of various kinds of tanks reached the highest volume in the Company's history.

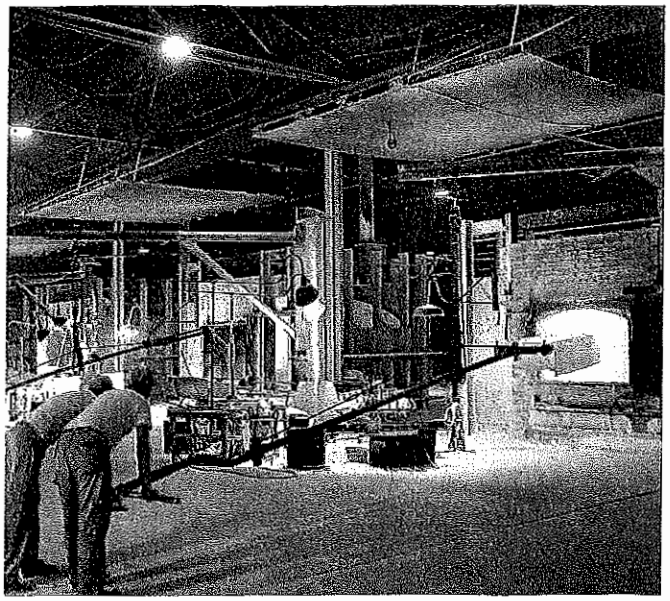
Increase in the distribution of heating equipment was greater than in any previous year, and in September the Company shipped more furnaces than in any other month in its history. Despite an unseasonably cool summer, except in the South and Southeast, there was an increase in sales of air-conditioning equipment.

New Products

New products ready by the year end included an appliance-styled gas-fired packaged boiler for use in home heating systems. This is being marketed by the Home Products and Richmond Plumbing Fixtures Divisions under the Rheem and Richmond labels.

The Company, working with its suppliers, also developed for introduction early this year the Rheem Auto-Balance System. This development utilizes a system of dampers linked to automatic controls. This system provides for highly accurate distribution of warm or cool air to different areas or rooms.

During the year the Home Products Division moved its southern region sales headquarters from Houston to Dallas. Improved



HOT BATHTUB casting is removed from 1800-degree-temperature furnace. Enamel powder is applied to hot casting, which is then returned to furnace to complete fusing of enamel to the iron. Photo was made at Richmond Plumbing Fixtures Division's modern Monaca, Pa. plant.

service to wholesalers and savings in freight and warehouse space were effected by locating in the center of the territory.

Richmond Division Sales

The decrease in new housing starts early in 1958 affected sales of the Richmond Plumbing Fixtures Division. Results improved after mid-year with the increase in new housing starts and a modest increase in prices. This in some measure eased the pressure on profit margins, which had become increasingly narrow over the last three years. Additions were made to the sales staff, and the merchandising program was intensified. New facilities were installed at the Monaca plant to enable further gains in efficiency and cost reduction.

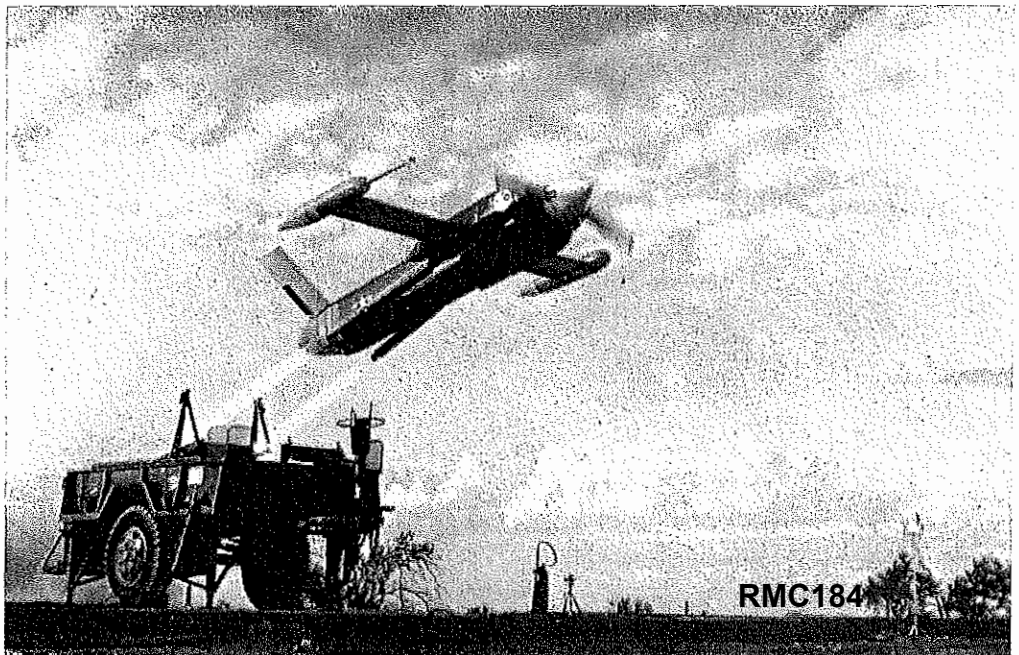
The Division designed and placed on the market several new plumbing fixtures and restyled many other vitreous china items in the Rheem-Richmond line.

Strong Defense Capability

Changes in government defense requirements, which "phased out" contracts for many manned aircraft and delayed production contracts for new types of equipment, affected the Company's sales of equipment to the Armed Forces.

During the year, however, the Company took important steps to strengthen its capability to serve as a defense contractor by adding special skills in research, engineering and production of propulsion and missile systems, electronics, drones, ordnance items and pressure vessels.

SKY 'SPY'—Test-flight photo shows high-speed take off of unmanned combat surveillance drone. Rockets assist launching from standard Army vehicle at Yuma, Ariz. Army test station. Craft was designed and built for U. S. Army Signal Corps by Rheem's Defense and Technical Products Division. Controlled from remote point on ground, drone can scout enemy positions, use photography, television or other electronic devices to send or bring back information, then land by parachute without an airport. Wing pods are for test purposes only.



Because of the growing interrelationship of electronics with other aspects of the new military weapons systems, the military part of our electronics activities was incorporated into the work of the former Aircraft Division; and this Division was renamed the Defense and Technical Products Division to describe more accurately the wide range of its capability in research, engineering and production of complex equipment for the government and other users of highly technical engineered products and systems.

Research Facilities Improved

In a major facilities improvement program, new research and test equipment was obtained, and sound-proofing, interior climate control and an outstanding lighting system were provided for an acre of engineering and research space under one roof.

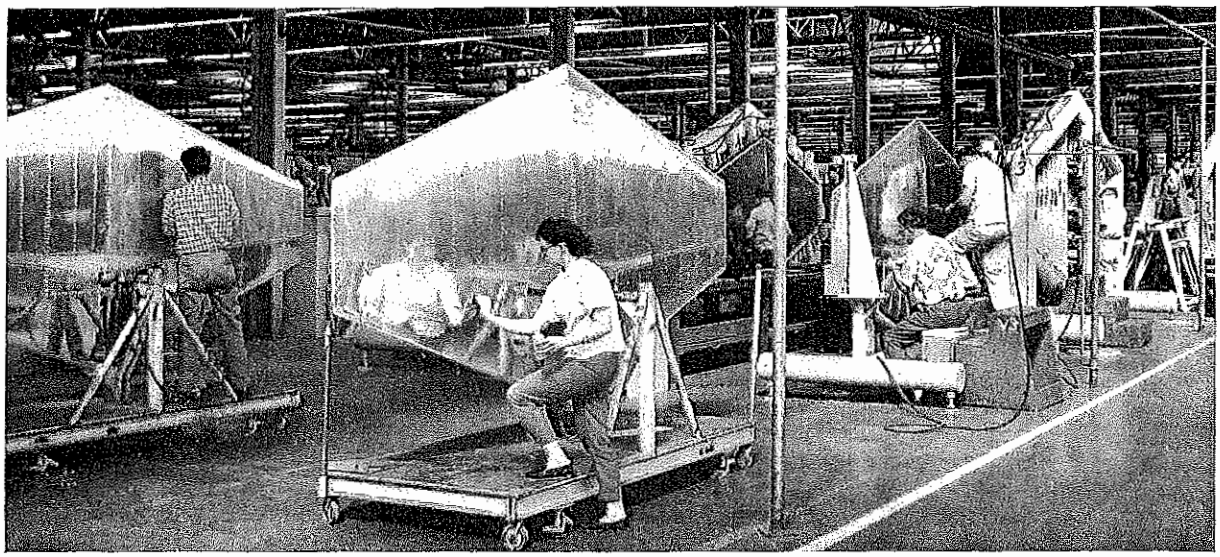
In the center of a 22-acre site at Riverside, California, the Division opened a modern plant for casting and machining ordnance items, and loading them with explosive. This work is done under contract to the armed services. The new plant strengthened the Company's capability as one of the nation's leading developers of warheads for missiles and other weapons. The facility includes a complete chemical and X-ray laboratory for analysis and inspection.

Late in the year the U. S. Army and the Company announced successful flight tests of a new combat surveillance drone. A number of these aircraft were designed, engineered and built by Rheem under contract to the U. S. Army Signal Corps. The craft had gone from drawing board to flight test in 13 months. This was considered to be rapid development for such complex new military equipment. It was anticipated that military requirements would lead to further orders.

The unmanned propeller-driven aircraft is launched with a rocket boost from a standard Army vehicle. Controlled from a remote point on the ground, the craft is designed to fly over enemy terrain and gather information by television, photography and electronic sensing devices. The plane sends or brings this information back to combat commanders. The craft lands by parachute and thus needs no airport.

The Division also scored significant technical successes in work on pressure vessels made of hard-to-work titanium and other metals. Contracts resulted for vessels to be used as fuel tanks on a top priority intercontinental ballistic missile and as air-start reservoir bottles for a commercial turbo-prop airliner. The

SHINY PERFECTION is captured in photo showing horizontal stabilizer of F-104 Lockheed Starfighter on assembly line at Rheem. Maximum of only one ten-thousandth of an inch in variation in contour is permitted.



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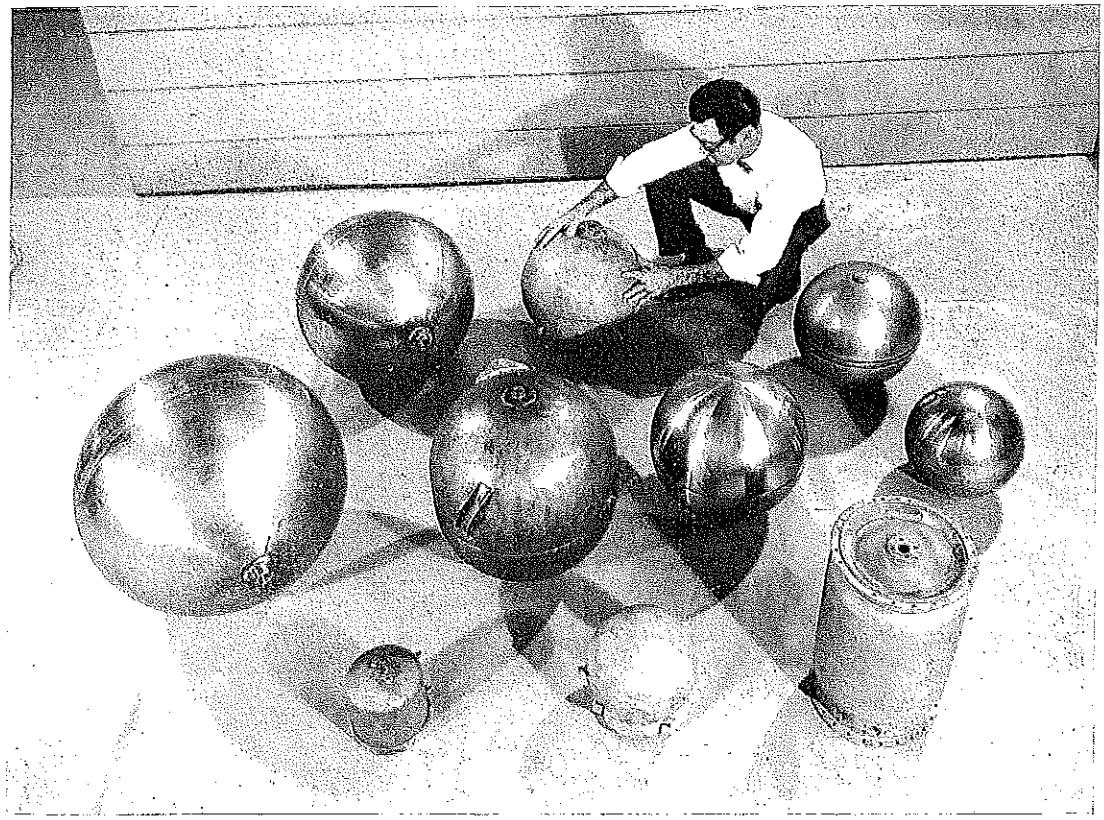


HIGH PRECISION titanium and stainless-steel pressure vessels, used as high-pressure tanks on advanced missiles and aircraft, are pictured at Rheem's Defense and Technical Products Division. A leader in the field, Division uses latest machinery and technology to shape hard-to-work new metals.

work on pressure vessels included development of titanium vessels which withstand pressure of more than 7700 pounds per square inch at extreme sub-zero temperatures. This was achieved in 120 days of research and development.

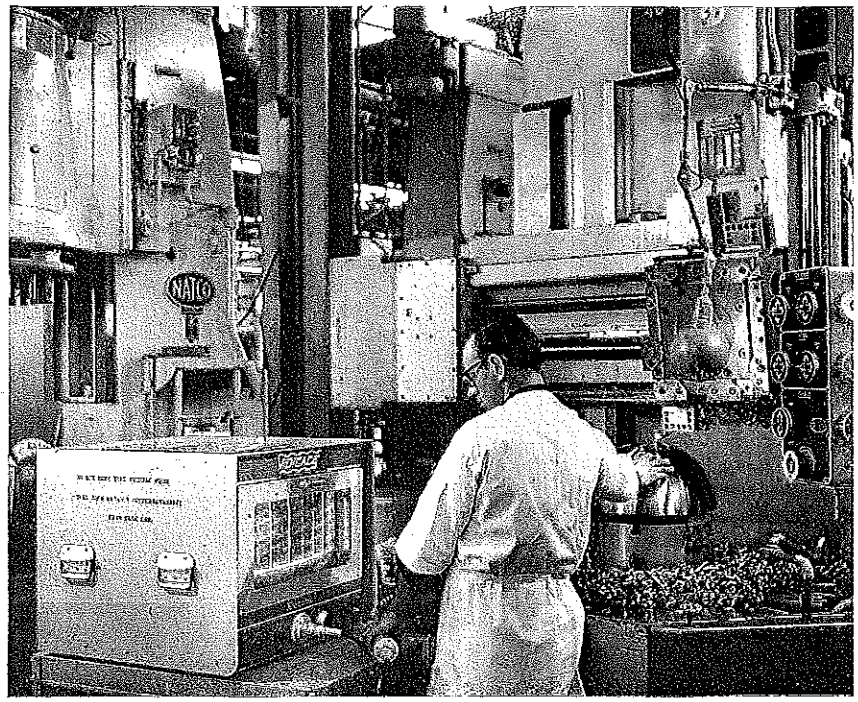
A recognized leader in the field, the Division has produced more than 26,000 airborne pressure vessels.

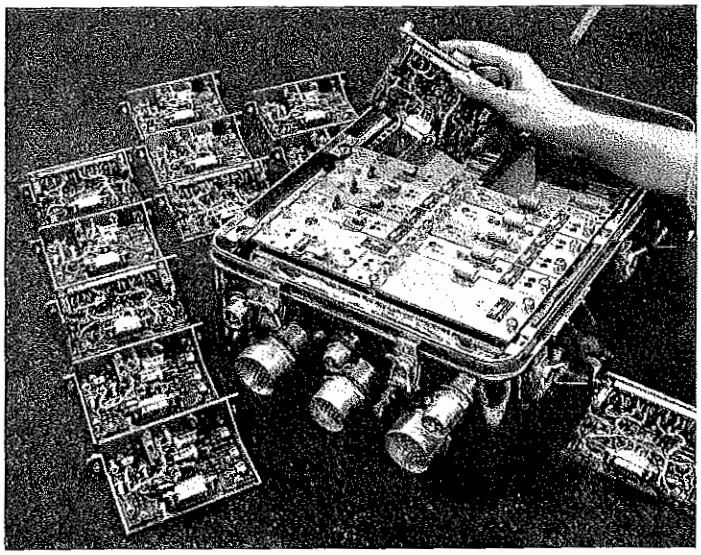
Electronic Research

In military electronics, the Division was at work under a number of contracts on projects including trainers and simulators, airborne systems, ground support equipment, airborne telemetry products, airborne static inverters and ground instrumentation. Rheem electronic equipment during late 1958 and early this year went 75,000 miles into space in a U. S. "moon shoot" and traveled in orbit as part of the Atlas "talking" satellite.

To help capitalize on the Division's increased capability as a single source for a wide variety of military and other engineered products and systems, the Division strength-

ULTRASONIC SOUND helps test machining perfection in titanium half sphere. Infinitesimal fraction of second needed for sound wave to travel through thickness of metal is translated into tiniest measurements on television-type screen. Finest consistency in machining is needed for high strength of pressure vessels, which withstand pressures of more than 7700 pounds per square inch in service as tanks on newest missiles and aircraft.





MISSILE ELECTRONICS—Advanced electronics design by Rheem is shown in this signal conditioner containing 21 compact interchangeable modules that "translate" various instrument readings on a top missile in the nation's arsenal.

ened its marketing group, both in personnel and organization. This group is headed by a new vice president for sales, Alexander Black.

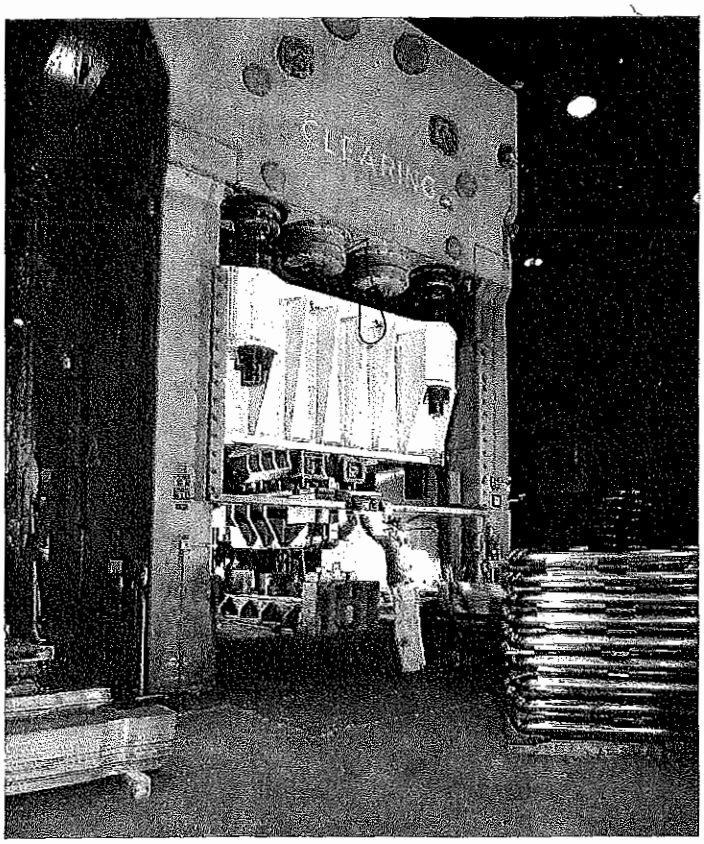
With military electronics transferred to the Defense and Technical Products Division, the Electronics Division also moved from Rivera, California to newly available space at the nearby Downey facility.

This Division is concentrating in the commercial field on continuing engineering and market development for potential new machines and systems. These include equipment for data processing, training, automation and other activities of promising use in industry, business and elsewhere. The Division also conducts research and development domestically and through facilities of Solartron-Rheem, Ltd., a jointly managed firm formed in England.

Automotive Activities

The reduced production and sales of new automobiles in 1958 affected the sales of the Automotive Division. It makes bumpers, springs and other automotive parts at its Fullerton, California plant for assembly plants in the region. As output for the new model year began in the fall, work stoppages in the automobile assembly plants slowed orders for parts from the Automotive Division.

Continued emphasis on cost reduction enabled the Division further to trim expenses substantially. This improved the break-even point in operations and the ability to bid competitively for additional business in the future. In addition, the Company's continued program for development or acquisition of new products has, as one major objective, production that would fit into the Division's manufacturing and marketing skills.



2500 TONS of pressure by huge hydraulic press perform first forming operation on acid-cleaned, polished flat steel stock that will become shiny bumper for 1959 automobile. Automotive Division, at Fullerton, Calif., turns out bumpers, springs and other parts for West Coast automobile assembly plants.

RMC187

PLAN FOR PROGRESS

growth, research programs stressed

Planning for progress was intensified during the year in keeping with the Company's policy for growth and development. A corporate department was established for Research and Development, and a corporate group for Growth and Acquisition, to coordinate and supplement division programs.

Appointed corporate director of research and development was A. G. Handschumacher, who continues also as vice president and general manager of the Electronics Division, where a number of commercial electronics projects are now in the research and development phase.

Chairman of the Growth and Acquisition group is A. Lightfoot Walker, president of the Company. Manager of the group is R. T. Stroup, assistant treasurer. Other members are Mr. Handschumacher and I. G. Davis, Jr., director of planning.

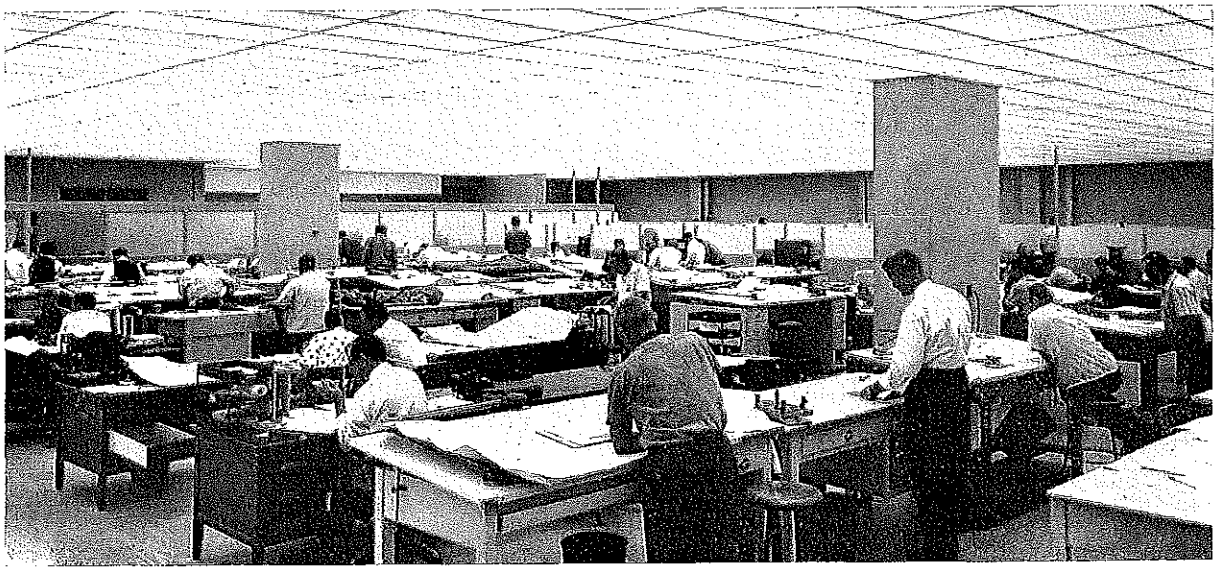
Growth and acquisition committees were established in each of the divisions to expedite division programs and liaison with the corporate group.

Goal: New Products

These activities are designed to develop new products for the Company, either through research and development, or acquisition, both in the United States and abroad, which will be compatible with Company skills in engineering, production and marketing, and which can promise a meaningful return on investment, in accordance with the policy for growth and development of the Company.

The corporate Research and Development Department is located at Downey, California. There the Defense and Technical Products Division's research and engineering group, housed in large and newly equipped engineering office space, and extensive research and engineering facilities can work in conjunction with corporate research and development projects.

ACRE OF ENGINEERS—Soundproofing, interior climate control, latest lighting system are features of acre of modern research and engineering office space, pictured in part, at Rheem facility at Downey, Calif.



RMC188

Outstanding Company development projects announced during the year included Sterile Pack, and the SD-2 surveillance drone for the U. S. Army Signal Corps. These developments in the divisions were described earlier in the operations section of this report.

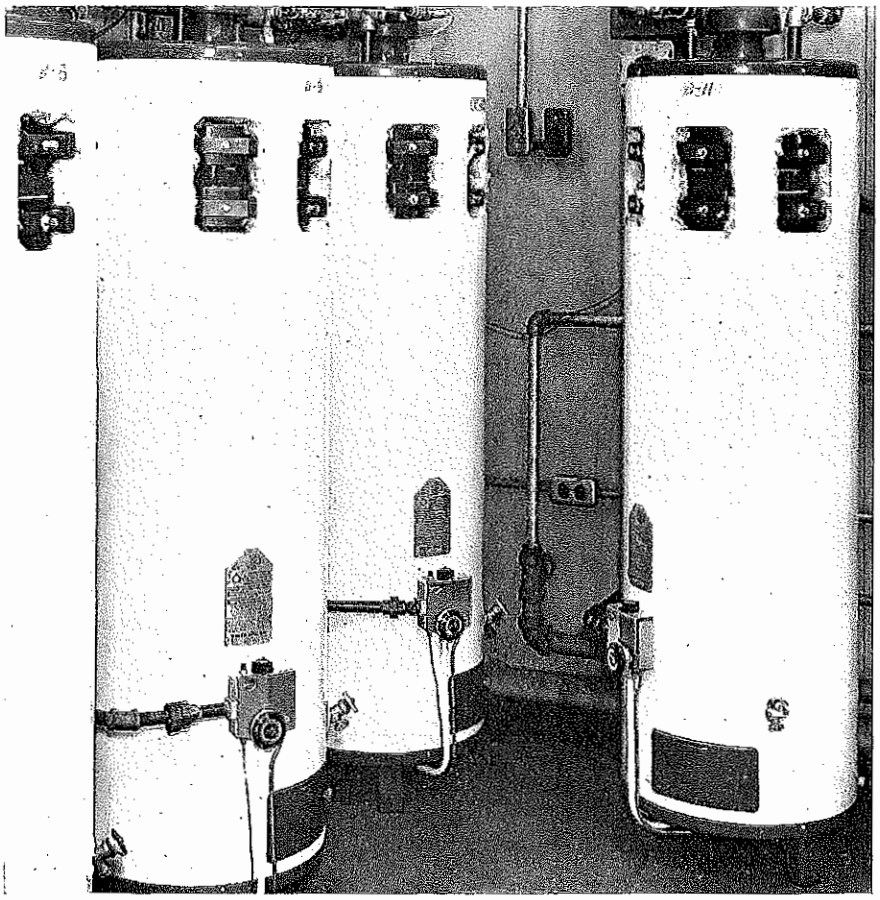
Development work on containers is continuing. This is designed to widen the range of container applications for foods, chemicals, biologicals and other products.

Other Programs

Other new products introduced during 1958 or early this year by the Home Products and Richmond Plumbing Fixtures Divisions, as reviewed earlier in this report, followed divisional development programs. These programs are continuing, both to improve existing products and to develop additional items to broaden the Company's product lines.

The engineering group in the Automotive Division is at work on projects designed to develop additional equipment items for the automotive industry and other products that would be compatible with the Division's manufacturing skills.

Electronics Division research includes work pursued through facilities of Solartron-Rheem, Ltd., joint research and development firm formed last year in England in association with The Solartron Electronic Group Ltd. This firm is engaged primarily in work in automation, computers and cybernetics, the field of advanced "thinking machines." Much of this development is concentrated on reading, teaching and learning machines, and other training devices, for which a substantial potential market exists.



CONTINUING RESEARCH in performance of glass lining formulations for automatic storage water heaters is conducted at test stands, such as this one, situated throughout the United States. Sample steel squares with glass lining formulations are clamped to typical Rheem water heaters adapted for test procedures. Effect of local water at representative locations throughout the United States can be studied for continuous product improvement.

RMC189

INTERNATIONAL

policy encourages mutual benefits

Sales of Rheem products manufactured abroad amounted to $35,000,000 in 1958, compared with $34,000,000 the previous year. These sales are not consolidated in the Company's financial statements.

Rheem policies for growth of international activities are based on encouraging mutual benefit for the Company and its associates in foreign countries. The Company seeks this goal mainly through equity participation in ventures abroad. Sometimes licensing agreements are made with a view toward later equity participation. Where there is such participation, the Company has followed a practice of reinvesting a high share of earnings in the growth of local operations. It also encourages exchanges of management, production and technical skills that can prove useful in all Company operations.

A practical result of these policies was the formation last year of Rheem Safim, a new associated company in Italy. Since 1950, Safim, an Italian manufacturing company in Milan, had been licensed by Rheem to make steel shipping containers, water heaters and highway guard rails. Under an agreement effective July 1, 1958, Rheem and Safim each will have a 50 per cent interest in the firm.

A wholly owned subsidiary company, Rheem New Zealand Ltd., was formed last year. Production of steel shipping containers is to start at a new plant in June.

Also during 1958 the Company concluded licensing agreements with companies in Belgium, Brazil and England, and a licensing agreement with Rheem Canada Ltd. was broadened to add water heaters to the products made and sold.

Under an agreement with Travail Mécanique de la Tole of Brussels, licensed for the manufacture and sale of water heaters and lined drums, production started in 1958.

Manufacturing in Brazil of Rheem warm air furnaces for central heating installations is expected to start in 1960. The Company has licensed Springer (Sociedade de Comercio e Refrigeração Springer Limitada), Brazilian home equipment maker, in a step to expand distribution of Rheem products in Brazil. Rheem Metalurgica S. A., an affiliated company with plants at Rio de Janeiro and São Paulo, makes gas kitchen ranges, steel shipping containers, steel pipes and other products.

The Venezuelan company in which Rheem has an investment began making steel shipping containers, and the Philippine and Argentine companies added facilities for production of pails.

The Company has licensed Harris Engineering Company Ltd., London, England, to manufacture certain heating equipment.

Also in England, Rheem last year formed Solartron-Rheem Ltd., a research and development firm, in association with The Solartron Electronic Group Ltd.

European Common Market

The Company is developing plans to take full advantage of opportunities for prudent expansion and investment of money, technical assistance and equipment in European Common Market countries.

The Company's associates and affiliates in Italy and Belgium are well located to serve substantial portions of this common market area, consisting of West Germany, France, Italy, Belgium, the Netherlands and Luxembourg. The Company plans to expand its operations in cooperation with its present associates, through licensing or joint ventures, to take maximum advantage of opportunities offered by the European Common Market.

Other plans for future international activity include the possibilities of new operations in Africa and the Middle East, and expanding operations in South America.

RMC190

RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEETS

December 31

ASSETS

	1958	1957
Current Assets:		
Cash	$ 2,895,477	$ 2,817,453
Short-term securities	1,000,000	—
Accounts receivable trade:		
Commercial, less allowance for doubtful accounts (1958, $225,800; 1957, $257,569)	12,354,480	12,475,042
United States Government sources	9,686,735	8,406,363
Owing by subsidiary and affiliated companies	279,168	658,529
Recoverable federal income taxes, estimated	—	432,000
Inventories, at lower of cost or market:		
Finished and in process	9,674,106	16,832,216
Raw materials and supplies	11,007,630	12,174,114
Costs allocable to future operations—insurance, taxes, rentals, etc.	1,180,225	1,407,875
	$48,077,821	$ 55,203,592
Investments:		
Capital stock of and advances to domestic subsidiary and affiliated companies	$ 2,979,253	$ 2,967,268
Capital stock of and advances to subsidiary and affiliated companies operating in foreign countries, at cost (approximate equity in underlying net assets, 1958, $6,400,000)	2,604,896	2,047,715
Real estate, long-term receivables and miscellaneous investments	1,917,073	1,254,227
Sinking fund for redemption of preferred stock	—	47,988
	$ 7,501,222	$ 6,317,198
Property, Plant and Equipment, at cost:		
Land	$ 1,129,439	$ 1,234,790
Buildings, machinery and equipment, less accumulated depreciation and amortization (1958, $24,946,826; 1957, $23,859,117)	33,628,537	37,839,715
	$34,757,976	$ 39,074,505
Unamortized Long-Term Debt Expense	$ 782,037	$ 866,466
	$91,119,056	$101,461,761

See notes to financial statements on page 19.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEETS

December 31

LIABILITIES

	1958	1957
CURRENT LIABILITIES:		
Current installment of term note	$ 875,000	$ 3,500,000
Current debenture sinking fund requirement (Note 2)	118,000	847,000
Accounts payable, trade and miscellaneous	7,110,302	7,149,569
Compensation, interest and sundry accruals	3,749,137	4,349,849
Federal income taxes, estimated (Note 3)	1,685,875	2,252,113
Contributions payable under retirement plans (Note 5)	631,132	1,061,027
	$14,169,446	$ 19,159,558
LONG-TERM INDEBTEDNESS (Note 2):		
5% term note payable to bank from 1960 to 1962	$ 6,750,000	$ 8,500,000
3⅞% sinking fund debentures due in 1975, less current sinking fund requirement and debentures held in treasury	21,400,000	22,300,000
	$28,150,000	$ 30,800,000
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	$ 1,242,000	$ 1,622,000
CAPITAL AND RETAINED EARNINGS (Note 4):		
Cumulative preferred stock, par value $100 per share; 1958 authorized 70,953 shares; 4½% convertible series, outstanding 12,089 shares	$ 1,208,900	$ 1,751,700
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding, 1,951,538 shares	1,951,538	1,951,538
Obligation to former stockholders of subsidiary (Note 1)	—	1,881,802
Capital in excess of par value of shares outstanding (increase in 1958 represents excess of par value over cost of preferred shares acquired)	32,840,226	32,773,973
Earnings retained for use in the business (Note 2)	11,556,946	11,521,190
	$47,557,610	$ 49,880,203
	$91,119,056	$101,461,761

See notes to financial statements on page 19.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1958	**1957**
INCOME:		
Net sales	$151,312,416	$188,580,607
Dividends from foreign subsidiary and affiliated companies	445,562	399,669
Miscellaneous income	183,658	285,514
	$151,941,636	$189,265,790
COSTS:		
Cost of goods sold	$137,558,553	$168,722,486
Selling, general and administrative expenses	12,998,373	15,061,589
Interest	1,293,645	2,044,799
	$151,850,571	$185,828,874
	$ 91,065	$ 3,436,916
Reduction in estimated obligation to former stockholders of subsidiary, less loss on disposition of business and assets of subsidiary (Note 1)	$ 40,608	—
	$ 131,673	$ 3,436,916
Provision for estimated federal income taxes less, in 1958, $380,000 in deferred income taxes provided in prior years	(170,000)	1,468,000
Earnings for year	$ 301,673	$ 1,968,916
Earnings retained for use in the business at the beginning of the year	11,521,190	9,828,049
	$ 11,822,863	$ 11,796,965
Dividends paid in cash:		
Preferred stock—$4.50 per share	70,763	80,621
Common stock— .10 per share	195,154	195,154
Earnings retained for use in the business at the end of the year (Note 2)	$ 11,556,946	$ 11,521,190

Provision for depreciation and amortization of plant and equipment charged to earnings: 1958—$3,897,771; 1957—$3,855,767.

See notes to financial statements on page 19.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1958

Note 1—Principles of consolidation

The consolidated financial statements include wholly-owned domestic subsidiaries except Rheem Acceptance Corporation, a company established principally to assist dealers in financing sales of Rheem products. The investment in and advances to Rheem Acceptance Corporation at December 31, 1958, were $955,291.

The statement of earnings includes the results of 1958 operations of Wedgewood-Holly Corp. (formerly Standard Enameling Company) and its subsidiary. During 1958 substantially all of the assets of Wedgewood-Holly were sold. As a result of the losses sustained in the operation and ultimate sale of the business of Wedgewood-Holly, Rheem's estimated obligation to the former stockholders of Standard Enameling Company was reduced by $1,778,145 in accordance with the agreement under which the common stock of Standard Enameling Company was acquired. This reduction exceeded the loss realized on the disposition of Wedgewood-Holly's assets by $40,608.

Investments in capital stocks of subsidiary and affiliated companies operating in foreign countries are carried at cost in the consolidated statements, and dividends from these companies are included in the accompanying statement of earnings.

Note 2—Long-term indebtedness

Under the terms of the credit agreement governing the term note payable to the bank, the Company may not, without the lender's consent, pay cash dividends on its common stock in excess of 25 per cent of its net earnings after December 31, 1957 (less preferred dividend requirements) plus $1,000,000. Retained earnings of $10,694,000 are not available for dividends under this restriction. Among other restrictions, the agreement requires the Company to maintain consolidated working capital of $28,500,000.

The indenture relating to the 3% per cent sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1958 ($782,000) may be used to satisfy part of the 1959 sinking fund requirement. The remainder of the 1959 requirement is included in current liabilities. The provisions of the indenture relating to payment of cash dividends are less restrictive than provisions of the credit agreement.

Note 3—Federal income taxes

Certain income tax matters relating to the years 1951 and 1952 are being litigated by the Company, and the Company's income tax returns for the years 1953 to 1956 are being reviewed by the Internal Revenue Service. In the opinion of management, reasonable provision has been made in the financial statements for additional taxes, but the final outcome of the issues is not presently determinable.

Note 4—Capital stock

The outstanding preferred stock is convertible into common stock until June 1, 1961, in the ratio of 2.95 shares of common for each share of preferred. The preferred stock may be redeemed by the Company at prices ranging from $104.50 at December 31, 1958 to $102.00 after June 1, 1971. Annual payments of $333,333 into a sinking fund for retirement are required, but only to the extent of the consolidated net earnings (as defined in the articles of incorporation) in the preceding year. At December 31, 1958, 1,261 shares of this preferred stock were held in the treasury; these shares may be used to meet future sinking fund requirements.

Options to purchase common stock of the Company, granted in prior years to certain officers and key employees, were surrendered during 1958. Options were granted in 1958 to certain officers and key employees to purchase 73,000 shares of common stock of the Company (at prices ranging from $10.93 to $17.81 per share—which prices were approximately 95 per cent of the market prices on the dates the options were granted). The options may be exercised two to seven years after the date granted.

At December 31, 1958, 35,663 shares of common stock were reserved for conversion of preferred stock and 117,000 shares were reserved under the stock option plan.

Note 5—Retirement plans

The Company maintains pension plans for all employees with 15 or more years of service, except for employees belonging to certain unions which do not participate in the plans. Provision for the 1958 contribution of $631,132 to the trustee was charged against earnings. This is the amount estimated on the basis of an actuarial study as the cost of benefits accruing during the year under the plans, plus the interest on the estimated unfunded potential past service cost of $5,700,000. Estimates are based on important assumptions as to future conditions (such as employee turnover, salary scales, interest rates and social security benefits) which may be subject to significant revisions from time to time.

Note 6—Long-term leases

The Company occupies some of its manufacturing and office premises under long-term leases. Minimum annual rental payments required during 1959 will be about $1,000,000. Of this amount $400,000 relates to leases expiring more than 20 years from December 31, 1958. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

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RHEEM MANUFACTURING COMPANY

	1958	1957	1956
ASSETS			
Current assets	$ 48,078	$ 55,204	$ 81,277
Investments	7,501	6,317	5,807
Property, plant and equipment—less reserves	34,758	39,075	40,79
Unamortized long-term debt expense	782	866	95
Total assets	$ 91,119	$101,462	$128,82
LIABILITIES			
Current liabilities	$ 14,169	$ 19,160	$ 55,69
Long-term indebtedness	28,150	30,800	23,26
Deferred income tax	1,242	1,622	1,59
Total liabilities	$ 43,561	$ 51,582	$ 80,55
CAPITAL AND RETAINED EARNINGS			
Preferred stock	$ 1,209	$ 1,751	$ 1,85
Common stock	1,952	1,952	1,95
Obligation to former shareholders of subsidiary	—	1,882	1,88
Capital in excess of par value	32,840	32,774	32,75
Retained earnings	11,557	11,521	9,82
Total capital and retained earnings	$ 47,558	$ 49,880	$ 48,27
INCOME			
Net sales	$151,312	$188,581	$173,90
Dividends from foreign companies	446	400	29
Miscellaneous income	184	285	9
Total income	$151,942	$189,266	$174,28
COSTS			
Costs, excluding interest	$150,516	$183,784	$188,27
Interest	1,294	2,045	1,9
Total costs	$151,810	$185,829	$190,2
EARNINGS (LOSS) BEFORE TAXES	$ 132	$ 3,437	$(15,9
FEDERAL INCOME TAXES (TAX CREDITS)	(170)	1,468	(6,7
EARNINGS (LOSS) FOR THE YEAR	$ 302	$ 1,969	$ (9,1
PREFERRED DIVIDENDS PAID	$ 71	$ 81	$
COMMON DIVIDENDS PAID	195	195	1,7
SUNDRY CHARGES	—	—	5
RETAINED EARNINGS (LOSS) FOR THE YEAR	$ 36	$ 1,693	$(11,5
EARNED (LOSS) PER SHARE OF COMMON STOCK	$ .12	$ .97	$ (4.
WORKING CAPITAL	$ 33,909	$ 36,044	$ 25,5
BOOK VALUE, COMMON STOCK	$ 23.75	$ 23.70	$ 22.
NUMBER COMMON SHAREHOLDERS	12,702	13,798	14,4

RMC195

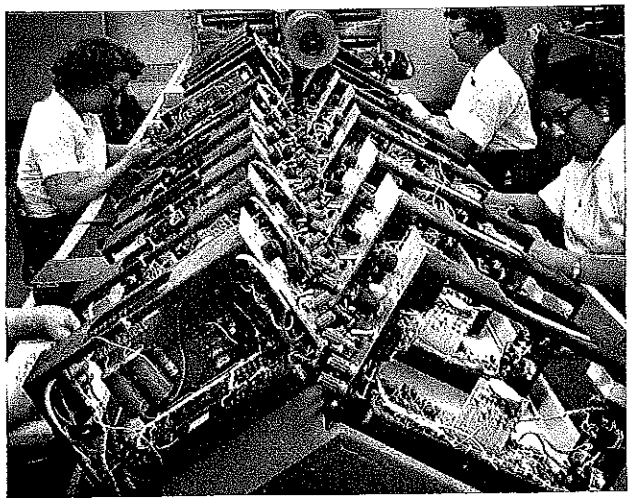
TEN-YEAR REVIEW

(000 omitted)

1955	1954	1953	1952	1951	1950	1949
$ 62,414	$ 46,371	$ 54,013	$ 50,259	$38,253	$24,222	$14,236
2,285	2,090	1,942	1,832	1,351	1,312	1,612
41,554	36,981	30,888	31,736	29,666	16,258	11,674
1,017	—	—	—	—	—	—
$107,270	$ 85,442	$ 86,843	$ 83,827	$69,270	$41,792	$27,522
$ 21,993	$ 20,254	$ 30,725	$ 29,056	$20,085	$12,079	$ 5,485
26,093	13,720	12,380	13,067	14,000	5,000	—
1,138	580	—	—	—	—	—
$ 49,224	$ 34,554	$ 43,105	$ 42,123	$34,085	$17,079	$ 5,485
$ 3,059	$ 6,010	$ 9,990	$ 9,990	$ 9,999	$ 2,370	$ 2,550
1,917	1,542	1,249	1,249	1,049	1,000	1,000
—	—	—	—	—	—	—
31,695	26,063	17,575	17,575	11,945	10,497	10,494
21,375	17,273	14,924	12,890	12,192	10,846	7,993
$ 58,046	$ 50,888	$ 43,738	$ 41,704	$35,185	$24,713	$22,037
$180,274	$163,623	$188,005	$144,524	$94,107	$74,466	$49,754
278	214	73	523	331	116	65
440	977	110	62	76	82	64
$180,992	$164,814	$188,188	$145,109	$94,514	$74,664	$49,883
$167,355	$152,911	$174,250	$137,040	$81,202	$64,345	$45,624
997	856	1,056	869	296	101	81
$168,352	$153,767	$175,306	$137,909	$81,498	$64,446	$45,705
$ 12,640	$ 11,047	$ 12,882	$ 7,200	$13,016	$10,218	$ 4,178
6,418	5,020	7,900	3,300	8,765	5,355	1,649
$ 6,222	$ 6,027	$ 4,982	$ 3,900	$ 4,251	$ 4,863	$ 2,529
$ 176	$ 366	$ 450	$ 450	$ 280	$ 110	$ 117
3,859	3,312	2,498	2,753	2,459	1,900	1,565
—	—	—	—	165	—	—
$ 2,187	$ 2,349	$ 2,034	$ 697	$ 1,347	$ 2,853	$ 847
$ 3.15	$ 3.67	$ 3.63	$ 2.76	$ 3.78	$ 4.75	$ 2.41
$ 40,421	$ 26,117	$ 23,288	$ 21,203	$18,168	$12,143	$ 8,751
$ 28.68	$ 29.11	$ 27.01	$ 25.38	$ 24.01	$ 22.34	$ 19.49
14,890	8,225	7,420	7,946	5,479	4,980	5,132

RMC196

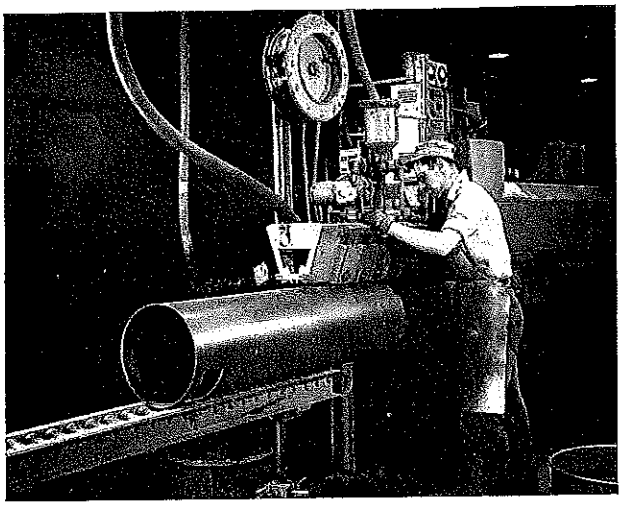
Rheem in th



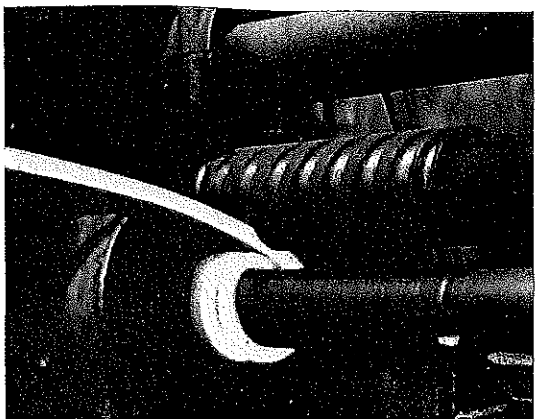
ELECTRONICS MAGIC by Defense and Technical Products Division assembly line is built into Rheem REL-120 amplifier used extensively in missile applications.

VOLUME PRODUCTION of 55-gallon steel containers for chemicals, oil, food and other growth industries rolls off the line at Linden, N. J. plant, one of seven Container Division facilities. Employee at right inspects drums under pressure for any leakage.

FORMING AND WELDING—This equipment rolls flat steel sheets into cylinders and uses submerged-arc continuous welding on the side seam in water-heater tanks turned out by the Home Products Division.

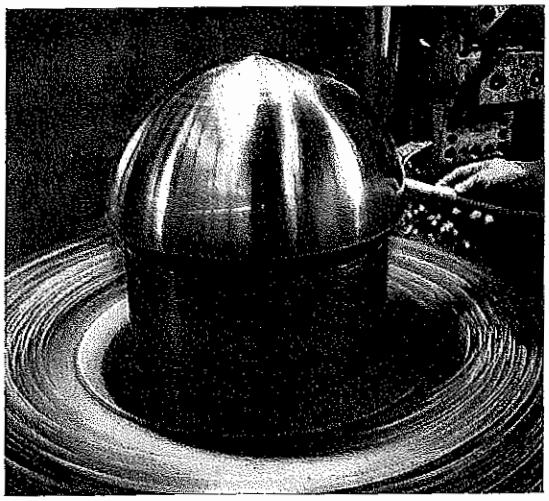


HOT STEEL bar, at 1650 degrees Fahrenheit, is fed into speeding rollers that quickly coil 100 inches of metal into automobile spring. Photo was made at Automotive Division plant at Fullerton, Calif.

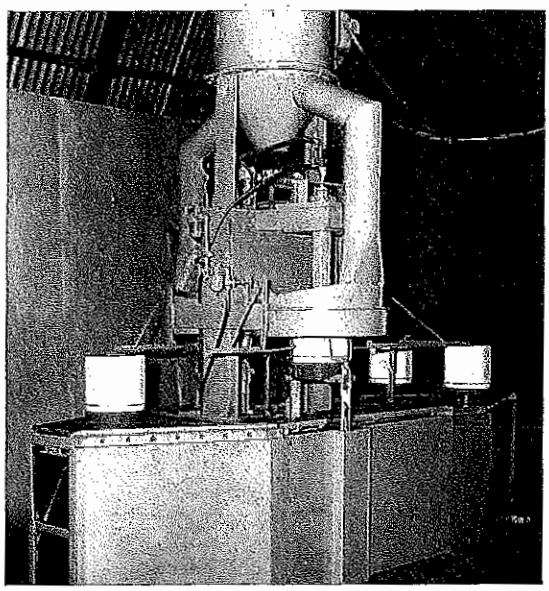


camera's eye

WARHEADS turned out by Rheem for a missile in today's U.S. arsenal are lined up in containers ready for shipment.

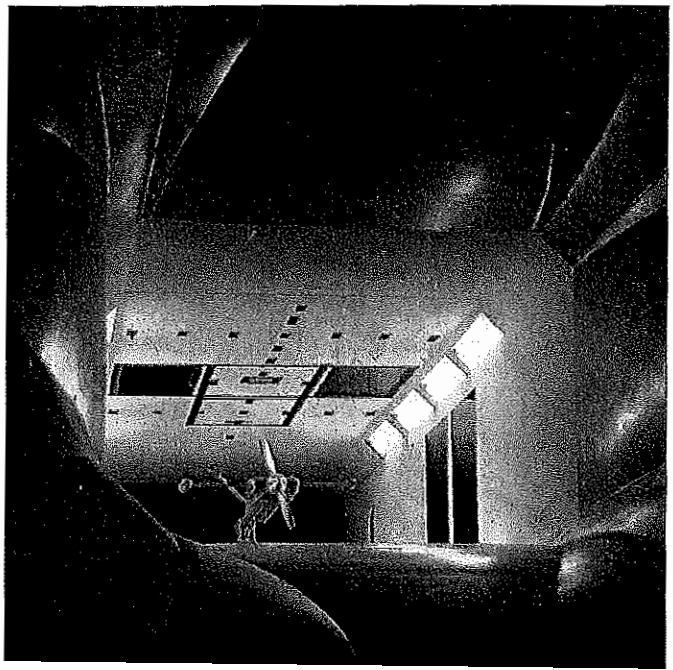


HIGH-SPEED CRAFTSMANSHIP—Photo captures motion of 4700 revolutions a minute of titanium half sphere as cutting turret shapes exterior in very high precision operation and operator applies jet of coolant to metal surface. Spherical titanium pressure vessels are made at Rheem's Downey, Calif. facility as high-pressure tanks on newest missiles and aircraft.

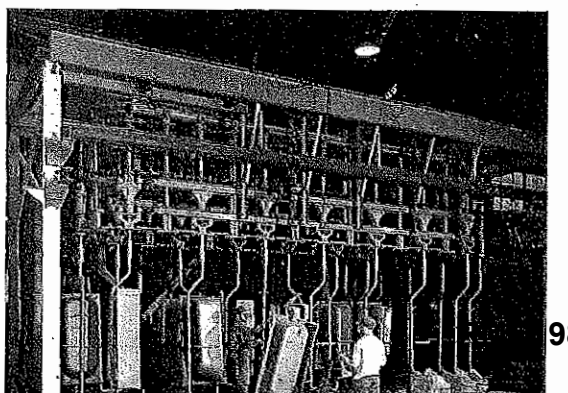


NEW PERFECTION for pail linings is achieved by this centrifugal spray equipment being installed at all Container Division pail-producing plants this spring. Centrifugal spray technology perfected and patented by Rheem for steel drums has been further developed to enable use in pail production.

SCIENTIFIC SECRETS of flight are among subjects probed at Rheem research facilities. Wind-tunnel closeup shows tiny model of combat surveillance drone mounted for study of flight characteristics.



PARADE OF BATHTUBS—Bathtub casting is taken from conveyor after automatic continuous cleaning roto-blast has removed moulding sand from castings and prepared casting surface for enamel application. Photo was made at Richmond Plumbing Fixtures Division's modern Monaca, Pa. plant.



PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET

SAN FRANCISCO 4

February 27 1959

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

RMC199

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RHEEM AROUND THE WORLD

• U. S. Plants

Downey, Calif.
Fullerton, Calif.
Richmond, Calif.
Riverside, Calif.
South Gate, Calif.
Stockton, Calif.
Vernon, Calif. (2 plants)
New Castle, Del.
Chicago, Ill.
New Orleans, La.
Sparrows Point, Md.
Linden, N. J.
Metuchen, N. J.
Monaca, Pa.
Houston, Texas
Tacoma, Wash.

★ Affiliated and Associated Companies Abroad and Plant Locations

Sociedad Anónima Industrial y Comercial de Aceros Rheem (SAIAR)
Buenos Aires, Argentina

Rheem Australia Pty. Limited
Sydney (2 plants); Brisbane; Melbourne; Fremantle; Adelaide

Rheem Metalurgica, S. A.
Rio de Janeiro and São Paulo, Brazil

Rheem Canada Limited
Hamilton, Ontario

Rheem Lysaght Limited
Bristol, England

Solartron-Rheem Limited
Thames Ditton, Surrey, England

Rheem Safim, S. p. A.
Milan, Italy

Rheem New Zealand Limited
Wellington, New Zealand

Rheem Peruana, S. A.
Lima, Peru

Rheem of the Philippines, Inc.
Manila

Rheem-Hume (Far East) Limited
Singapore

Fabricació de Envases Metálicos, S. A.
Barcelona, Spain

Rheem Elit Emballage
Dals Langed, Sweden

Industrias Venezolanas van Leer, S. A.
Punto Fijo, Venezuela

★ Licensees Abroad and Plant Locations

Travail Mécanique de la Tole, S. A.
Forest-Brussels, Belgium

The Solartron Electronic Group Limited
Thames Ditton, Surrey, England

Soc. de Comercio e Refrigeração Springer Ltda.
Porto Alegre, Rio Grande do Sul, Brazil

Harris Engineering Company Limited
London, England

RMC200

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

"PI. US HOLDING, INC.", A DELAWARE CORPORATION,

WITH AND INTO "PACE INDUSTRIES, INC." UNDER THE NAME OF "PACE INDUSTRIES, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE TWENTY-THIRD DAY OF DECEMBER, A.D. 2005, AT 5:14 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 2005, AT 11 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2042559 8100M

051059586

AUTHENTICATION: 4403830

DATE: 12-27-05

RMC201

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:56 PM 12/23/2005
FILED 05:14 PM 12/23/2005
SRV 051059586 - 2172457 FILE

CERTIFICATE OF MERGER

OF

PI. US HOLDING, INC.

WITH AND INTO

PACE INDUSTRIES, INC.

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY that:

FIRST: The name and state of incorporation of each of the constituent corporations of the merger are as follows:

Name	State of Incorporation
PI. US Holding, Inc.	Delaware
PACE Industries, Inc.	Delaware

SECOND: An agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations to such merger in accordance with the requirements of subsection (a) of Section 228 and subsection (c) of Section 251 of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving corporation of the merger is PACE Industries, Inc.

FOURTH: The only amendment to or change in the Certificate of Incorporation of the surviving corporation, PACE Industries, Inc., that is to be effected by the merger is that Paragraph 4 of such Certificate of Incorporation is amended in its entirety to read as follows:

> "4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the

holders of the Series B preferred stock and before any payment or distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or

any part of the issued and outstanding Series A preferred stock and/or of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

FIFTH: No cash or assets will be exchanged by either party as consideration for, or to facilitate, the merger. All of the accumulated earned surplus, if any, of the merging corporation (PI. US Holding, Inc.) will be combined with the accumulated earned surplus, if any, of the surviving corporation (PACE Industries, Inc.).

SIXTH: The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is 405 Lexington Avenue, New York, New York 10174-0307.

SEVENTH: A copy of the agreement of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of either constituent corporation. A Conformed Copy of the Agreement and Plan of Merger is attached hereto as Exhibit A.

EIGHTH: The effective date of the merger shall be 11:00 P. M. on December 31, 2005.

Dated: December 12, 2005

PACE INDUSTRIES, INC.

By: /s/ Scott D. Martin
Scott D. Martin
President

Attest:

By: /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

EXHIBIT A CONFORMED COPY

AGREEMENT AND PLAN OF MERGER

Between

PACE INDUSTRIES, INC.
A Delaware Corporation
(The Surviving Corporation)

and

PI. US HOLDING, INC.
A Delaware Corporation
(The Merging Corporation)

AGREEMENT entered into as of December 12, 2005, by and between PACE INDUSTRIES, INC., a Delaware corporation (hereinafter sometimes called "PII" and sometimes called the" Surviving Corporation"), and PI. US HOLDING, INC., a Delaware corporation (hereinafter sometimes called "PIUS" and sometimes called the "Merging Corporation"), which two corporations are hereinafter sometimes called the "Constituent Corporations". PII is validly organized, existing, and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on August 22, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day. PIUS is validly organized, existing and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on September 14, 1988 and recorded in the office of the Recorder of Deeds for New Castle County on the same day.

PII has an authorized capital of 100 shares of capital stock (with par value of $1.00), 100 shares of which were issued and outstanding on December 12, 2005. As of the effective date of the merger, PII will have outstanding 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value). PIUS has an authorized capital of 100 shares of common stock, ($1.00 par value), 900 shares of Series A preferred stock (no par value), and 25,000 shares of Series B preferred stock (no par value) of which 100 shares of common stock ($1.00 par value), 900 shares Series A preferred stock (no par value), and 15,000 shares Series B preferred stock (no par value) were issued and outstanding on December 12, 2005.

The directors of the Constituent Corporations deem it advisable and in the best interests of their respective corporations and stockholders that PIUS merge with and into PII in accordance with the provisions of the applicable statutes of the State of Delaware.

NOW, THEREFORE, the Constituent Corporations agree, each with the other, to merge into a single corporation, which shall be PII, pursuant to the laws of the State of Delaware, and agree upon and prescribe the terms and conditions of such a merger,

the mode of carrying it into effect and the manner and basis of converting and exchanging the PIUS shares into shares of PII.

1. The Merger. On the effective date of the merger, PIUS shall be merged with and into PII and the separate existence of PIUS shall cease; the Constituent Corporations shall become a single corporation named "PACE INDUSTRIES, INC.", a Delaware corporation, which shall be the Surviving Corporation.

2. Certificate of Incorporation. The Certificate of Incorporation of PII is hereby amended by striking out Article 4 in its entirety and substituting in lieu thereof a new Article 4 reading as follows:

> "4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).
>
> The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:
>
> A. VOTING RIGHTS
>
> (1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.
>
> (2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.
>
> (3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.
>
> B. DIVIDEND RIGHTS
>
> (1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.
>
> (2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.
>
> C. LIQUIDATION RIGHTS
>
> (1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the

Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

The Certificate of Incorporation of PII as amended shall constitute the Certificate of Incorporation of the Surviving Corporation until further amended in accordance with the General Corporation Law of the State of Delaware.

3. By-Laws. The by-laws of PII, in effect immediately prior to the effective date of the merger, shall continue to be the by-laws of the Surviving Corporation until altered or repealed in the manner provided by such by-laws and the General Corporation Law of the state of Delaware.

4. Directors. The directors of PII, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the directors of the Surviving Corporation and shall continue to hold office for a term specified in the by-laws of the Surviving Corporation.

5. Officers. The officers of PII, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the officers of the Surviving Corporation until the Board of Directors of the Surviving Corporation shall otherwise determine.

6. Effect of Merger. When the merger becomes effective, the Surviving Corporation shall possess all the rights, privileges powers and franchises, of a public as well as of a private nature, and shall be subject to all the restrictions, disabilities, and duties of each of the Constituent Corporations; and the rights, privileges, powers and franchises of the Constituent Corporations, and all property, real and personal, including all patents, applications for patents, trademarks, copyrights, and applications for registration of copyrights, together with the goodwill of the business in connection with which said patents, marks and copyrights are used, and all debts due to each of the Constituent Corporations on whatever account shall be vested in the Surviving Corporation and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectively the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in each of the Constituent Corporations shall not revert or be in any way impaired; but all

rights of creditors and all liens upon any property of each of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted for by it.

7. Manner and Basis of Conversion and Exchange of Shares. The manner of converting the outstanding shares of the capital stock of each of the Constituent Corporations into the shares of the Surviving Corporation shall be as follows:

(a) Each share of common stock of the Surviving Corporation, which shall be issued and outstanding on the effective date of the merger, shall be canceled.

(b) Each share of common stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of common stock of the Surviving Corporation.

(c) Each share of Series A preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series A preferred stock of the Surviving Corporation.

(d) Each share of Series B preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series B preferred stock of the Surviving Corporation.

(e) After the effective date of the merger the holder of the outstanding certificates representing shares of stock of the Merging Corporation shall surrender the same to Surviving Corporation and such holder shall be entitled upon such surrender to receive the number of shares of common stock, Series A preferred stock and Series B preferred stock of the Surviving Corporation on the basis provided herein. Until so surrendered the outstanding shares of the stock of the Merging Corporation to be converted into the stock of the Surviving Corporation, as provided herein, may be treated by the Surviving Corporation for all corporate purposes as evidencing the ownership of shares of the Surviving Corporation as though said surrender and exchange had taken place.

8. Filing of Agreement and Plan of Merger. This Agreement and Plan of Merger has been approved by the Board of Directors of each of the Constituent Corporations and shall be submitted for consideration and the requisite vote by the stockholders of PII and PIUS at meetings thereof duly called for that purpose or by unanimous written consent as provided by applicable law. This Agreement and Plan of Merger, when duly adopted by the stockholders of PII and PIUS, shall be certified as to this fact by the Secretary or Assistant Secretary of PII and PIUS, respectively, under the seals thereof, and shall be acknowledged on behalf of each of the Constituent Corporations by the respective president or vice president and secretary or assistant secretary thereof. This

Agreement and Plan of Merger, when adopted, certified and acknowledged, shall be filed for record in the office of the Secretary of State of the State of Delaware and recorded in the office of the Recorder of Deeds of New Castle County, State of Delaware, all in accordance with the applicable provisions of the General Corporation Law of the State of Delaware; and the officers of each of the Constituent Corporations shall execute all such other documents and shall take all such other action as may be necessary or advisable to make this Agreement and Plan of Merger effective. Notwithstanding the foregoing, this Agreement and Plan of Merger and the merger herein provided for may, at any time before it becomes effective, be terminated and abandoned pursuant to any agreement then in effect between the Constituent Corporations.

9. Further Assurance. If at any time the Surviving Corporation shall consider or be advised that any further assignment or assurance in law is necessary or desirable, to vest in the Surviving Corporation the title to any property or rights of the Merging Corporation, the officers and directors of the Merging Corporation shall and will execute and make all such proper assignments and assurances in law and do all things necessary or proper to vest such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement and Plan of Merger.

10. Effective Date of Merger. The effective date of the merger shall be 11:00 P. M. on December 31, 2005.

11. Termination and Amendment. Notwithstanding the approval of the stockholders of PII and PIUS, this Agreement and Plan of Merger may be terminated and the merger abandoned prior to the filing hereof, as provided for in Section 8 hereof, by mutual consent of the Boards of Directors of both Constituent Corporations.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed by the duly authorized and designated officers of PII and PIUS, and the respective corporate seals of the Constituent Corporations have been affixed hereto, all as of the day and year first above written.

PACE INDUSTRIES, INC.,
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

By /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PI. US HOLDING, INC.
a Delaware Corporation
(The Merging Corporation)

ATTEST:

By /s/ Toshihiro Kobayashi

NAME Toshihiro Kobayashi

TITLE President

BY /s/ Toshihiro Ikeuchi

NAME Toshihiro Ikeuchi

TITLE Secretary

STATE: OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 12th day of December, 2005, personally came before me, a Notary Public in and for the County and State aforesaid, Scott D. Martin and Jan J. Hoynacki, President and Secretary, respectively, of PACE INDUSTRIES, INC. a corporation of the state of Delaware, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement; and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(SEAL)

/s/ Peter T. Gelfman
NOTARY PUBLIC

BE IT REMEMBERED that on this 12th day of December, 2005, while located in the City of Nagoya, in the Country of Japan, that Mr. Toshihiro Kobayashi and Mr. Toshihiro Ikeuchi, who serve in the offices of President and Secretary, respectively, of PI. US. HOLDING, INC. a Delaware corporation each duly executed the foregoing Agreement and Plan of Merger and each acknowledged, under penalties of perjury under the laws of both the United States and Japan the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement and Plan of Merger is the corporate seal of said corporation.

/s/ Toshihiro Kobayashi

/s/ Toshihiro Ikeuchi

I, Jan J. Hoynacki, Secretary of PACE INDUSTRIES, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of the said corporation and having been signed on behalf of PACE INDUSTRIES, INC., a corporation of the State of Delaware, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the written consent of the sole stockholder holding all of the shares of the capital stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stockholder of PACE INDUSTRIES, INC. and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 12th day of December, 2005.

/s/ Jan J. Hoynacki
Secretary

I, Toshihiro Ikeuchi, Secretary of PI. US HOLDING, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of PI. US HOLDING, INC., a corporation of the State of Delaware, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the written consent of the two stockholders holding all of the shares of the common stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stock holder of PI. US HOLDING, INC. and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 12th day of December, 2005.

/s/ Toshihiro Ikeuchi
Toshihiro Ikeuchi
Secretary

THE ABOVE AGREEMENT OF MERGER, having been executed upon behalf of and having been adopted separately by each corporate party thereto in accordance with the provisions of the General Corporation Law of the State of Delaware, and that fact having been certified on said Agreement of Merger by an Officer and the Secretary of each corporate party thereto, the respective Officer of each corporate party hereto does now execute the said Agreement of Merger and respective Secretary of each corporate party thereto does now hereby attest the said Agreement of Merger, as the respective act, deed and agreement of each of said corporations, as of the 12th day of December, 2005.

PACE INDUSTRIES, INC.,
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PI. US HOLDING, INC.
a Delaware Corporation
(The Merging Corporation)

ATTEST:

BY /s/ Toshihiro Kobayashi

NAME Toshihiro Kobayashi

TITLE President

BY /s/ Toshihiro Ikeuchi
Toshihiro Ikeuchi
Secretary

State Of Delaware

Entity Details

12/10/2018 4:16:21PM

File Number: 2044851

Incorporation Date / Formation Date: 9/24/1984

Entity Name: PI. US HOLDING, INC.

Entity Kind: Corporation

Entity Type: General

Residency: Domestic

State: DELAWARE

Status: Good Standing

Status Date: 9/25/1984

Registered Agent Information

Name: UNITED STATES CORPORATION COMPANY

Address: 251 LITTLE FALLS DRIVE

City: WILMINGTON

Country:

State: DE

Postal Code: 19808

Phone: 302-636-5400

Tax Information

Last AnnualReport Filed: 2017

Tax Due: $ 0

Annual Tax Assessment: $335

Total Authorized Shares: 16000

Filing History (Last 5 Filings)

Seq	Description	No of Pages	Filing Date mm/dd/yyyy	Filing Time	Effective Date mm/dd/yyyy
1	Merger;Amend Stock RHEEM MANUFACTURING	16	12/23/2005	5:58 PM	12/31/2005
2	Blnkt Address - Corp	0	10/27/1989	4:30 PM	10/27/1989
3	Amendment	4	8/22/1986	9:00 AM	8/22/1986
4	Blnkt Address - Corp	0	2/14/1986	4:30 PM	2/14/1986
5	Merger N.R., INC. [Survivor]	2	12/13/1984	3:00 PM	12/13/1984

27406

State of Delaware

Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF PI. US HOLDING, INC. FILED IN THIS OFFICE ON THE FOURTEENTH DAY OF SEPTEMBER, A.D. 1988, AT 10 O'CLOCK A.M.

| | | | | | | | | | |

Michael Harkins, Secretary of State

AUTHENTICATION: 1859236

DATE: 09/14/1988

728258008

RMC219

728258008

FILED

SEP 14 1988 10 AM

SECRETARY OF STATE

CERTIFICATE OF INCORPORATION

OF

PI. US HOLDING, INC.

THE UNDERSIGNED, in order to form a corporation under and pursuant to the General Corporation Law of the State of Delaware, does hereby certify as follows:

FIRST: The name of the Corporation is PI. US HOLDING, INC.

SECOND: The registered office of the Corporation in the State of Delaware is at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801, and its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation is authorized to issue is One Hundred (100) shares of Common Stock, $1.00 par value, all of which shall be of the same class. Each holder thereof shall be entitled to one vote at all

meetings of stockholders for each share of such stock standing in his name on the books of the Corporation on the record date fixed for such meeting.

FIFTH: The name and mailing address of the Incorporator is Joseph J. Romagnoli, Esq., c/o Webster & Sheffield, 237 Park Avenue, New York, New York 10017.

SIXTH: The Board of Directors of the Corporation, without the assent or vote of the stockholders, shall have the power to make, alter, amend or repeal the By-Laws of the Corporation.

SEVENTH: A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except as otherwise provided by the Delaware General Corporation Law as the same exists or may hereafter be amended.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision set forth in this

RMC221

Certificate of Incorporation in any manner now or as hereafter prescribed by law.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 13th day of September, 1988.

Joseph J. Romagnoli, Incorporator

RMC222

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 13th day of September, 1988, personally came before me Joseph J. Romagnoli to me known to be the person described in and who executed the foregoing Certificate of Incorporation, and he duly acknowledged the execution of said Certificate to be his act and deed and that the facts stated therein are true.

Lena Cennamie
Notary Public

LENA CENNAMIE
Notary Public, State of New York
No. 41-4845521
Qualified in Queens County
Commission Expires Jan. 31, 19 90

RECEIVED FOR RECORD
SEP 15 1988
William M. Honey, Recorder

RMC223

16579

75134

Corporation Number
75134

ARTICLES OF INCORPORATION

of the

A & F SPRING COMPANY
(Copy)

FILED

NOV 15 1913

H. J. LELANDE, Clerk
By [signature]
Deputy

G. C. DeGARMO

ATTORNEY AT LAW

[redacted]

[redacted] LOS ANGELES, CAL.

836 TITLE INSURANCE BUILDING
COR. 5TH & SPRING STS.

PARKER & STONE CO. LAW PRINTERS 258 NEW HIGH ST. L.A.

FILED

in the office of the Secretary of State
OF THE STATE OF CALIFORNIA

NOV 17 1913

FRANK C. JORDAN
Secretary of State.
By [signature]
Deputy.

Recorded in Book
3 09 at page 39

RMC224

ARTICLES OF INCORPORATION

-of the-

A & F SPRING COMPANY

Under the Laws

Of The State of California

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, all of whom are citizens and residents of the State of California, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the State of California.

AND WE HEREBY CERTIFY,

First: That the name of the Corporation shall be the A & F Spring Company.

Second: That the purposes for which it is formed are to make, manufacture, buy, sell and dispose of springs of every kind and character; to do a general blacksmithing, repair and manufacturing business; to own, hold, acquire, lease, mortgage and dispose of real and personal property of every kind and description; to own, hold, acquire, sell and dispose of stock in any other corporation or partnership; and to do anything else that may be necessary, useful or advantageous in connection with said business.

Third: That the place where the principal business of said Corporation is to be transacted is the city of Los Angeles, state of California.

Fourth: That the term for which said corporation is to exist is fifty(50) years, from and after the date of its Incorporation.

Fifth: That the number of Directors or Trustees of said Corporation shall be five(5) and that the names and residences of the Directors or Trustees, who are appointed for the first year, and to serve until the election and qualification of such officers are as follows, to-wit:

RMC225

Names	Whose Residence is at
C. S. Fleming	Los Angeles, California
T. J. Wright	Los Angeles, California
Herbert Athons	Los Angeles, California
Ellwood De Garmo	Los Angeles, California
G. C. De Garmo	Los Angeles, California

Sixth: That the amount of the capital stock of said Corporation is Twenty five thousand dollars ($25,000.00), and the number of shares into which it is divided is Two hundred fifty (250) shares of the par value of One hundred dollars ($100.00) each.

Seventh: That the amount of said capital stock which has been actually subscribed is Five hundred dollars ($500.00), and the following are the names of the persons by whom the same has been subscribed, to-wit:

Names of Subscribers	No. of Shares	Amount.
C. S. Fleming	1	$100.00
T. J. Wright	1	100.00
Herbert Athons	1	100.00
Ellwood De Garmo	1	100.00
G. C. De Garmo	1	100.00

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 14th day of November nineteen hundred and thirteen.

C. S. Fleming

T. J. Wright

Herbert Athons

Ellwood De Garmo

G. C. De Garmo

RMC226

State of California, }
County of Los Angeles.} ss.

On this 14th day of November in the year nineteen hundred and thirteen, before me Eliza P. Houghton, a Notary Public in and for said County, residing therein, duly commissioned and sworn, personally appeared C. S. Fleming, T. J. Wright, Herbert Athons, Ellwood De Garmo and G. C. De Garmo known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

Witness my hand and official seal.

(Notarial Seal)

Eliza P. Houghton
Notary Public in and for said
Los Angeles County, State of
California

State of California, }
County of Los Angeles.} ss

I, Harry J. Lelande, County Clerk of the County of Los Angeles, State of California, do hereby certify the within to be a full, true and correct copy of Articles of Incorporation of the A & F Spring Company as remains on file in this office.

Witness my hand and official seal this 15 day of November, 1918.

HARRY J. LELANDE
Clerk

By W. C. Watson
Deputy Clerk

RMC227

Alex Padilla
California Secretary of State

Business Search - Entity Detail

The California Business Search is updated daily and reflects work processed through Tuesday, September 19, 2017. Please refer to document **Processing Times** for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity. Not all images are available online.

C0075134 UNITED STATES SPRING & BUMPER CO.

Registration Date:	11/17/1913
Jurisdiction:	CALIFORNIA
Entity Type:	DOMESTIC STOCK
Status:	DISSOLVED
Agent for Service of Process:	*
Entity Address:	*
Entity Mailing Address:	*

Document Type	File Date	PDF
DISSOLUTION	04/04/1956	Image unavailable. Please request paper copy.
REGISTRATION	11/17/1913	Image unavailable. Please request paper copy.

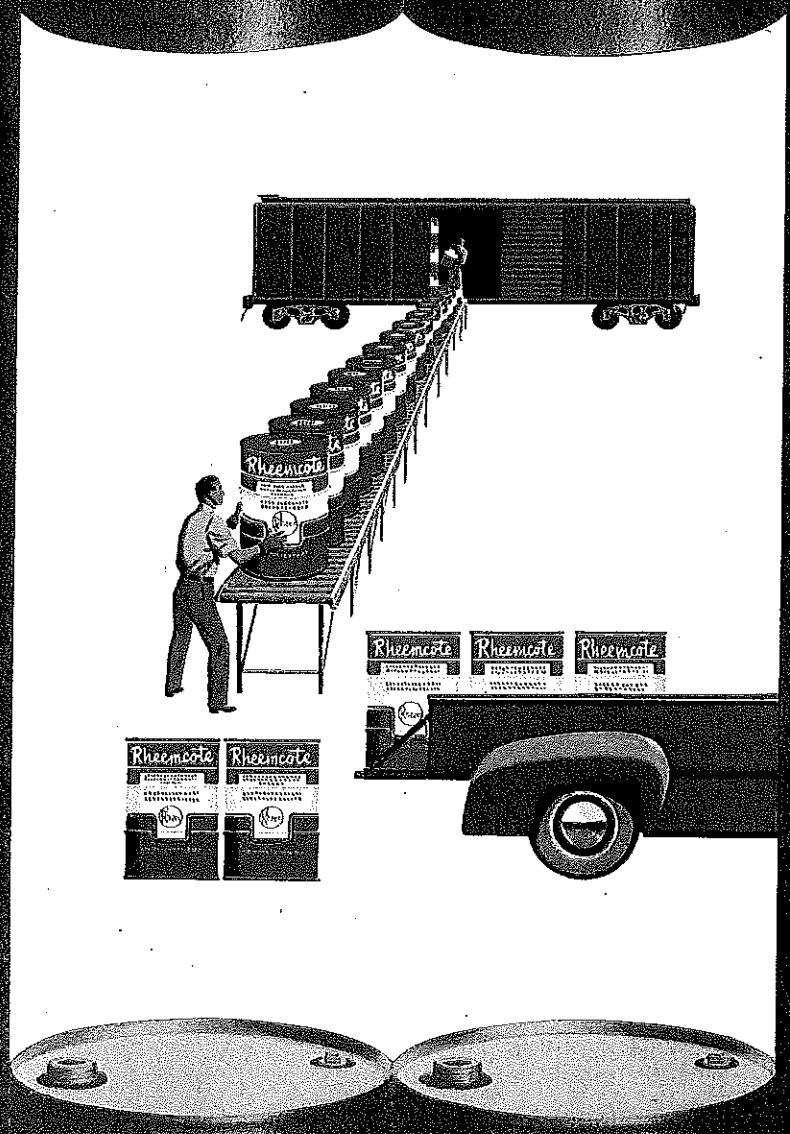
* Indicates the information is not contained in the California Secretary of State's database.

- If the status of the corporation is "Surrender," the agent for service of process is automatically revoked. Please refer to California Corporations Code **section 2114** for information relating to service upon corporations that have surrendered.
- For information on checking or reserving a name, refer to **Name Availability**.
- If the image is not available online, for information on ordering a copy refer to **Information Requests**.
- For information on ordering certificates, status reports, certified copies of documents and copies of documents not currently available in the Business Search or to request a more extensive search for records, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Frequently Asked Questions**.

Modify Search | New Search | Back to Search Results

MUST BE RETURNED TO R. Tonitto
Rheem New York Office

PERMANENT RETENTION 1954
R. Tonitto



Rheem

25TH ANNUAL REPORT

1954

RHEEM MANUFACTURING COMPANY

Firing Rheemglas water heater tanks and flues at the new facilities in our Chicago plant.

RMC230

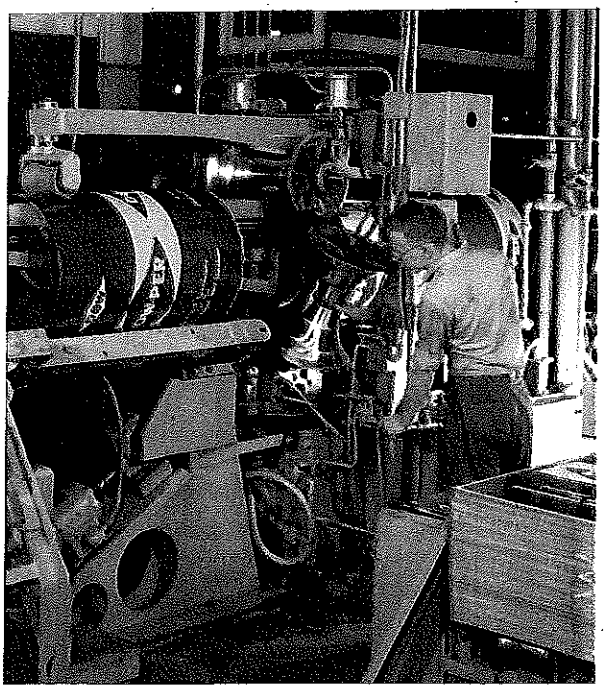
25TH ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1954	1953
NET SALES	**$163,623,302**	$188,004,665
EARNINGS BEFORE TAXES	**$11,046,852**	$12,881,876
NET EARNINGS AFTER TAXES	**$6,026,852**	$4,981,876
PREFERRED AND COMMON DIVIDENDS PAID	**$3,677,769**	$2,948,161
WAGES AND SALARIES PAID	**$48,281,472**	$55,693,095
EARNED PER COMMON SHARE	**$3.67**	$3.63
DIVIDENDS PAID PER COMMON SHARE	**$2.30**	$2.00

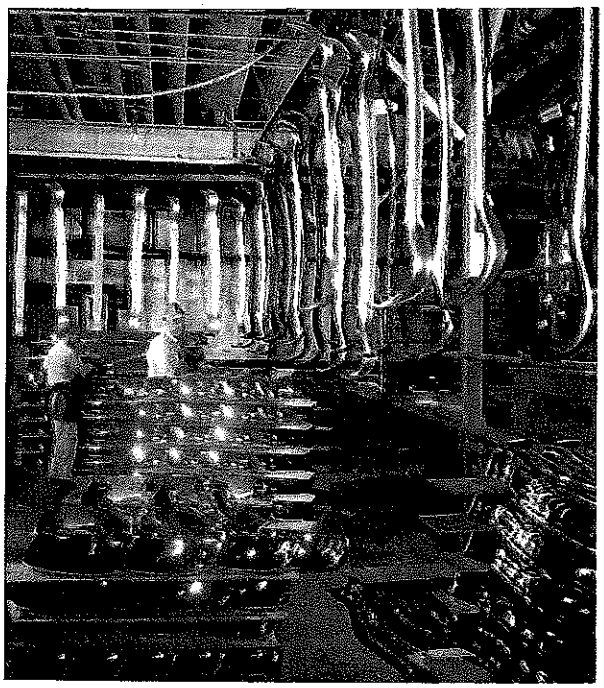
RMC231

Rheem at work

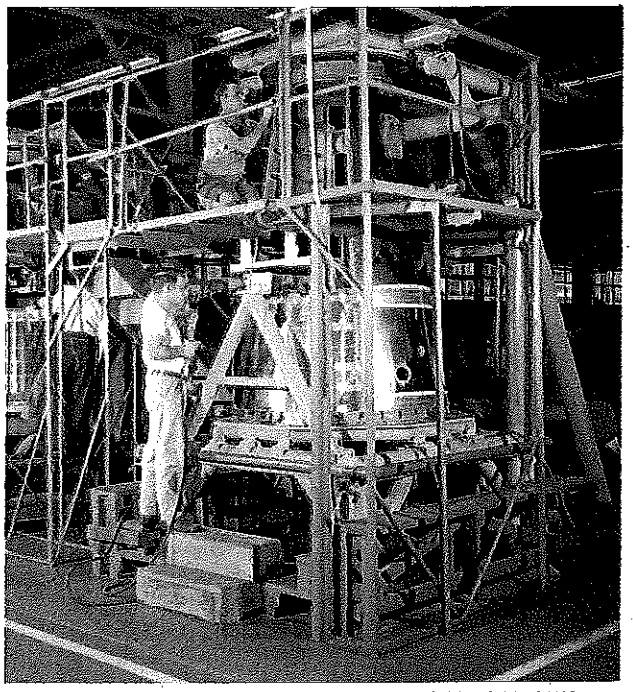


WELDING STEEL BARRELS

ASSEMBLING WATER HEATERS



MAKING AUTOMOBILE BUMPERS



FABRICATING AIRCRAFT COMPONENTS

TO THE SHAREHOLDERS AND EMPLOYEES OF RHEEM MANUFACTURING COMPANY

The year 1954 was one of the most progressive in Rheem's history. We embarked on an intensive program to expand production and sales in our diversified commercial operations. Heavy emphasis was placed on basic improvement of our products. Of outstanding importance was the development of our new RHEEMGLAS water heater—finest in the field. The latest high-speed production facilities for its manufacture have been installed in three strategic locations across the nation. A similar pattern was followed in our fiber drum operations, with production lines set up in the country's four major marketing areas. In addition, we acquired the United States Spring & Bumper Co., which established us as a supplier in the automotive industry.

Commercial products sales—backbone of our operations—showed a gain of $11,403-990 over 1953. However, curtailed defense expenditures reduced our sales of military products, resulting in total sales below our 1953 record. Development and tooling of our new products caused heavy start-up and conversion expense. Our automotive division faced changeover costs of producing automobile parts for the redesigned 1955 models. These factors forced net income from operations to drop slightly below the 1953 level. Revenue from other sources, however, brought our total net income up to $6,026,852, compared with $4,981,876 in 1953.

We have entered 1955 with an aggressive management team which is confident that it will substantially increase sales and earnings during the year. This confidence is based on the increased world-wide acceptance of our current products and the enthusiasm which has greeted our new products. These include the Rheem YEAR 'ROUNDER combination heating and air conditioning unit, and other built-in appliances for the home construction industry. In the container field, we are introducing new concepts in both bulk and equipment packaging.

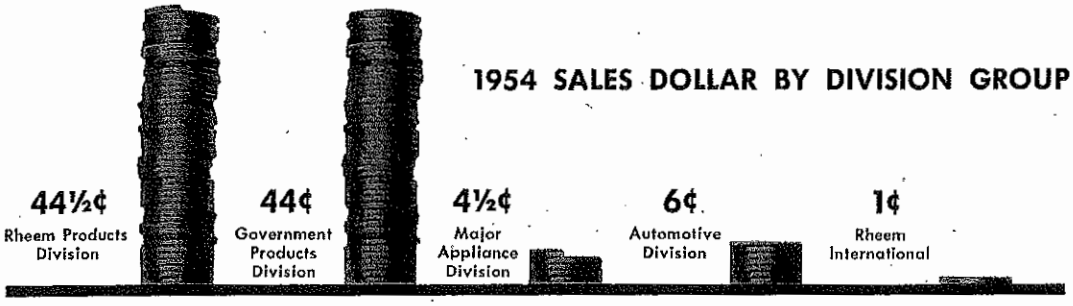
Concurrently, we expect to obtain our full quota of defense contracts. Military procurement has been directed towards new types of ammunition such as rockets, and towards high-altitude aircraft, jet engines and guided missiles. We are firmly established producers of key components in these areas, and plan to materially expand these operations during 1955. We are also proud of the significant contributions to the national defense being made in our well-integrated research and development facilities.

No summary of our accomplishments during 1954 and our prospects for 1955 would be complete without recognition of the high order of loyalty in the men and women of Rheem. They are to be commended for an outstanding performance.

R. S. Rheem
President

Financial Review

Sales

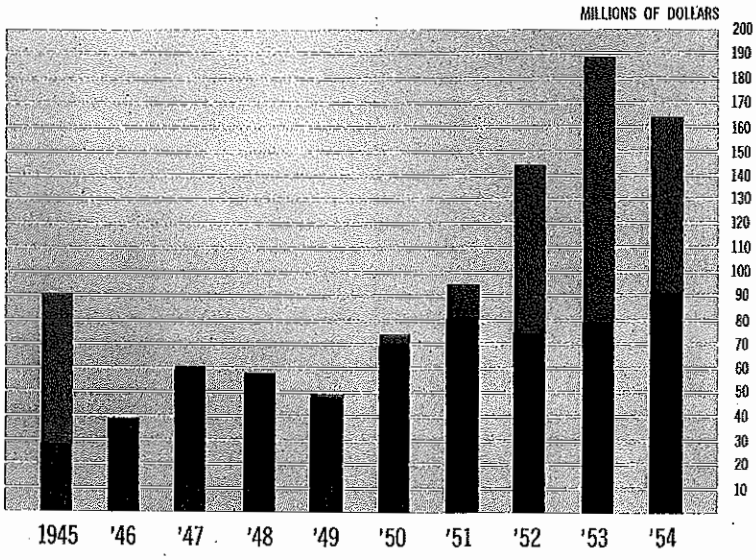


Net sales for the year ended December 31, 1954, totaled $163,623,302, compared with $188,004,665 for 1953.

Sales of commercial products reached a new high of $91,350,155. The 1953 total was $79,946,165. Sales of military products in 1954 amounted to $72,273,147, of which $39,545,189 was derived from ordnance components and $32,727,958 from equipment containers and aircraft subassemblies. This represents a decrease of $35,785,353 from the 1953 peak of $108,058,500, and reflects the national decline in military expenditures.

Our commercial products are the output of three company divisions: Rheem Products Division, manufacturing steel and fiber containers, air conditioning equipment, boilers and tanks, heating units, water softeners and water heaters; Major Appliance Division, producing gas ranges and clothes dryers; and the Automotive Division, manufacturing springs and bumpers. Export sales of many of these products are handled by the International Division.

The Company's Government Products Division includes research, development and production of ordnance, guided missiles, equipment containers, instrumentation, aircraft components, electronics and related products.



TEN YEARS OF NET SALES

Government

Commercial

RMC234

Earnings and Dividends

Net income after provision for taxes totaled $6,026,852 for 1954, compared with $4,981,876 for 1953. On the basis of 1,541,648 shares of common stock outstanding at the end of the year, total earnings amounted to $3.67. Earnings on the 1,249,308 shares of common stock outstanding at the end of 1953 were $3.63 per share.

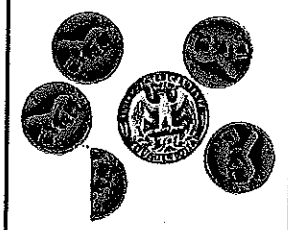
Included in total earnings was miscellaneous income, after taxes, of $672,900 from the sale of the original 42,000 shares of Northrop Aircraft Inc. common stock, which the Company had previously acquired. Excluding this unusual income, operational earnings amounted to $3.24 per share.

Prior to 1954 the Company exercised its option of amortizing over five years the cost of assets acquired under Certificates of Necessity. This was allowable for Federal income tax purposes. The Board of Directors elected to adjust depreciation rates on these assets, effective January 1, 1954. Depreciation is now computed based upon the estimated remaining lives of these assets. The Company will continue to use accelerated amortization in computing its Federal income taxes. A provision of $580,500 has been made from 1954 earnings to cover income taxes payable in future years when accelerated amortization is no longer deductible. Earnings were increased in 1954 by 35¢ per share of common stock as a result of this change.

As of the second quarter of 1954 the Board of Directors increased the quarterly common stock dividend from 50¢ to 60¢, effective with the June 10, 1954, payment. The 50¢ rate had been in effect since December 10, 1952. Total dividend payments for 1954 amounted to $2.30 per share of common stock, compared with $2.00 paid in the prior year.

BREAKDOWN OF 1954 SALES DOLLAR

64¢
Materials, supplies, replacement of plant and equipment, and other costs of doing business



29½¢
Wages and salaries

3¢
Federal Income Taxes

2¢
Dividends to stockholders

1½¢
Retained for use in the business

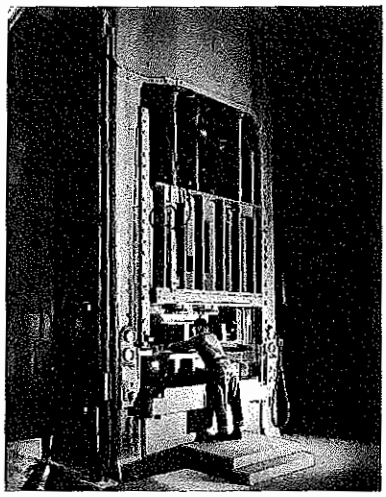
Working Capital

Working capital on December 31, 1954, was $26,116,886, compared with $23,288,944 at the beginning of the year.

In connection with the acquisition of United States Spring & Bumper Co., a long-term agreement was made with the Equitable Life Assurance Society of the United States, under which the Company borrowed $2,500,000. These funds were advanced by Rheem to the new Subsidiary for retirement of outstanding preferred stock; liquidation of long-term indebtedness; and working capital.

On December 31, 1954, the Company had outstanding $12,133,333 of 3¾% long-term debt and $2,500,000 of 3⅞% long-term debt. Installments under these notes in the amount of $1,098,333 are due in 1955. There were also outstanding 60,101 shares of $100 par value 4½% convertible, cumulative preferred stock and 1,541,648 shares of $1.00 par value common stock. Bank loans amounted to $6,000,000.

Capital Expenditures



1954 capital expenditures totaled $5,126,142 and were devoted principally to expanding commercial production facilities.

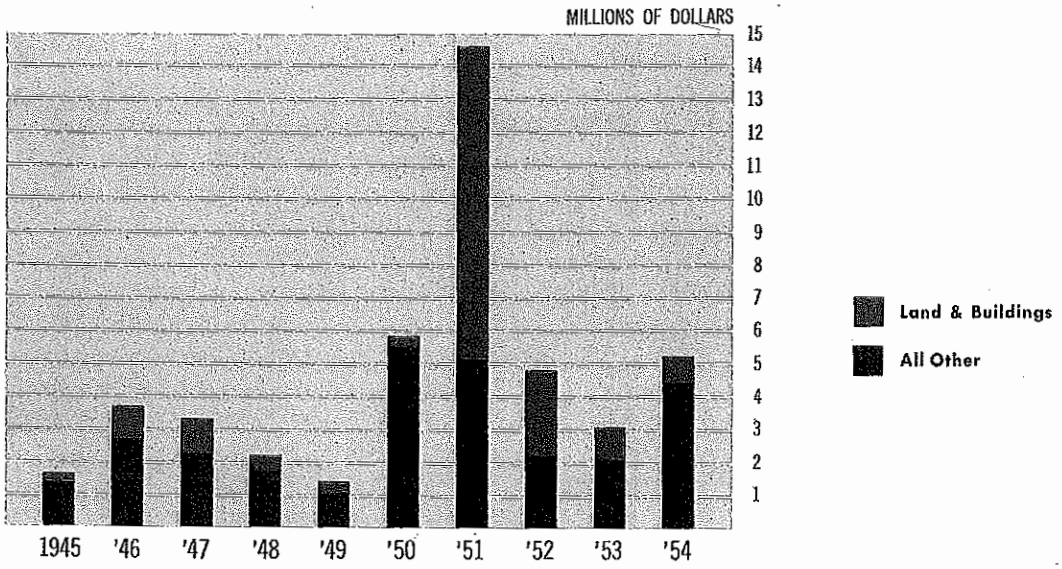
Fabricating equipment, utilizing many Rheem innovations, was installed to produce RHEEM-GLAS water heaters at our Chicago, South Gate and Sparrows Point plants. These installations are completely automatic and include high-speed glass-lining equipment.

Machinery to produce new improved fiber and fiber-metal containers was installed in our Chicago and Linden plants. In addition, a new high-speed pail line was completed at Sparrows Point and installations of new automatic high-temperature baking ovens for lacquer-lined drums were started in five container plants.

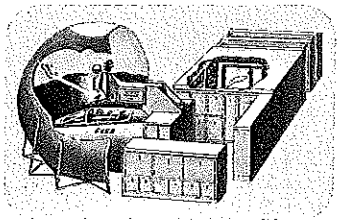
Our entry into the automotive field marked another major step toward implementing our policy of product diversification. At the end of the year our investment (including advances of $3,300,000) in United States Spring & Bumper Co., our automotive subsidiary, amounted to $8,015,757.

The Company's total net investment in property and equipment at the end of 1954 amounted to $36,980,880. It is contemplated that 1955 capital expenditures will be lower than those of 1954 and will not materially exceed the year's depreciation.

FIXED ASSET EXPENDITURES



RMC236



Research and Development

A productive research and development program was conducted during 1954. Among the projects completed were the development and field-testing of the RHEEMGLAS water heater; introduction of an oil-fired central heating furnace; development of the YEAR 'ROUNDER air-conditioning and heating unit; "built-in" home appliances, and a number of innovations in our fiber and steel containers.

Research and development also represented a significant portion of our military business. We are not permitted to report on these projects in detail, but can report that one major project, involving an electronic trainer, has been successfully carried through to the prototype stage and a production contract awarded to our Philadelphia plant.

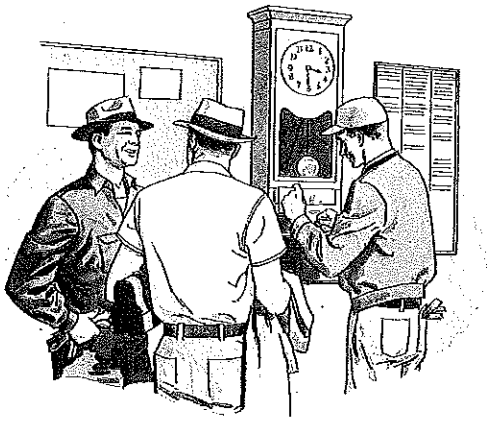
Employees

With the completion of certain government contracts, total employment was reduced from 12,000 to approximately 8,500 employees.

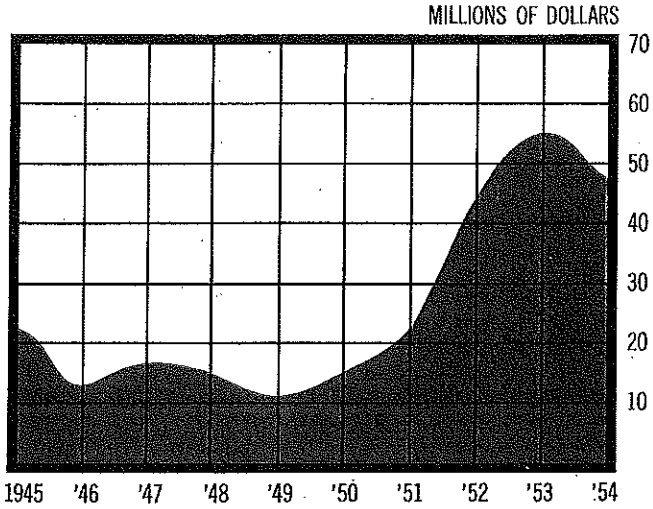
Employee relations were good during 1954. Our twenty labor agreements were amicably negotiated, except for a one-day work stoppage at three plants during contract negotiations.

A stock purchase plan was inaugurated to provide an opportunity for interested employees to purchase Rheem common stock through payroll deductions. Many employees have taken advantage of the plan.

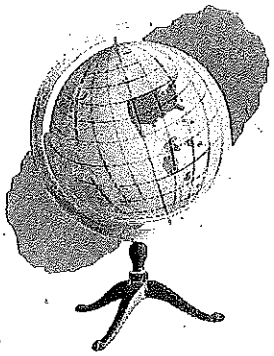
A good safety record was achieved, with the lost-time accident frequency reduced from 5.2 per one million man hours worked in 1953 to 3.0 in 1954. This was our best record since 1951. The Linden and Seattle plants each completed a year without a lost-time accident.



PAYROLLS



Rheem International



The past year showed a 53% sales increase over 1953 for our foreign associates. Combined sales of the overseas companies, converted at current rates of exchange, totaled approximately $23,898,000. Profits rose commensurately with the increase in sales.

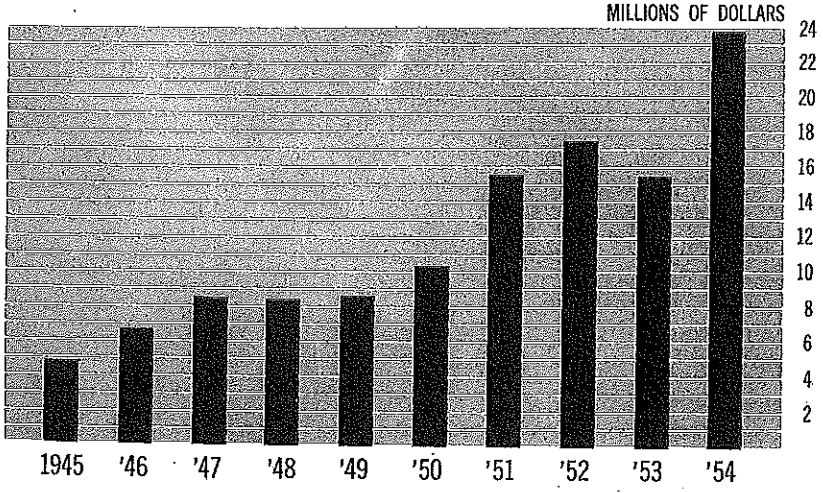
The increased export sales effort, which was launched in 1952, continued through 1954. Export sales volume increased approximately 21% over 1953.

Among the noteworthy achievements in our foreign operations was the development of plans for manufacturing gas and kerosene ranges in Argentina; a successful initial year for the new Rydalmere plant in Australia; the erection of the Sendzimir Mill for production of sheet steel in Italy; and completion of plans for operation of Rheemcote equipment in Spain. During 1954 the Company licensed Elit Emballage, A. B. in Dals Langed, Sweden, and its newly formed subsidiary, Rheem Elit Emballage, to manufacture fiber containers in Sweden.

The Company's investment in affiliated and associated foreign companies is shown below. Our equity in the underlying assets of these companies totals approximately $3,500,000.

Company	*Percent Owned*	*Investment*
Rheem-Australia Pty. Limited	50.0	$ 302,819
Rheem Metalurgica, S. A.	70.0	266,959
Rheem Canada Limited	30.0	90,000
Rheem-Hume (Far East) Limited	50.0	140,000
Rheem Peruana, S. A.	100.0	307,888
S. A. Industrial y Comercial Aceros Rheem	40.0	258,000
Rheem Lysaght Limited	40.0	392,554
Rheem of the Philippines, Inc.	42.0	194,039
Total		$1,952,259

SALES BY FOREIGN ASSOCIATES AND AFFILIATES



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Shareholders

The number of Rheem common shareholders increased by approximately 800 during the year. This resulted from the issuance and exchange of 167,408 shares of Rheem common for shares of United States Spring & Bumper Co., and the conversion of 39,797 shares of the Company's convertible preferred stock to 124,932 shares of common.

The 1,541,648 common shares outstanding on December 31, 1954, were owned by 8,225 shareholders, residing in virtually every State in the Union, United States possessions, and several foreign countries.

The 1955 annual meeting of shareholders will be held on April 22, 1955. Notice of the meeting, the proxy statement, and proxy form will be mailed to all owners of common stock on or about March 18, 1955.

Directors and Officers

Directors

R. S. Rheem

D. L. Rheem
W. K. Rheem
C. V. Coons
A. E. Ponting
N. Loyall McLaren
W. E. Zander
G. M. Greenwood
A. C. Wedemeyer
Herbert E. Hall
Frazer Bailey

Officers

R. S. Rheem	President
D. L. Rheem	Executive Vice-President
W. E. Zander	Senior Vice-President
G. M. Greenwood	Vice-President, Secretary and Treasurer
C. V. Coons	Vice-President
L. W. Evans	Vice-President
A. Lightfoot Walker	Vice-President
Clarence R. Graham, Sr.	Vice-President
R. P. Williams, Jr.	Vice-President
A. C. Wedemeyer	Vice-President
Charles B. Huestis	Comptroller
J. F. West	Assistant Comptroller
R. S. Greenwood	Assistant Treasurer
F. F. Lind	Assistant Secretary
J. Davis	Assistant Secretary
R. H. Harris	Assistant Secretary
C. R. Jones	Assistant Secretary

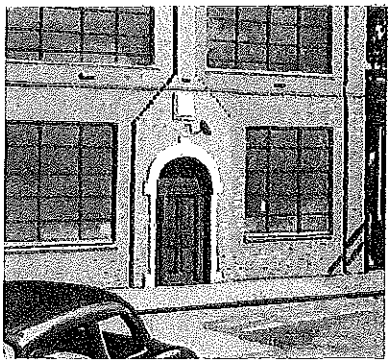
General Counsel
HERBERT E. HALL
Crocker Building, San Francisco 4, California

General Attorney
JOHN MECHEM
Rheem Manufacturing Company, Richmond, California

Rheem Manufact

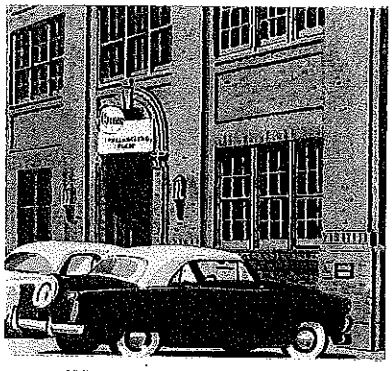
Coast to Coast 14

South Gate, California
322,987 sq. ft.
617 Employees



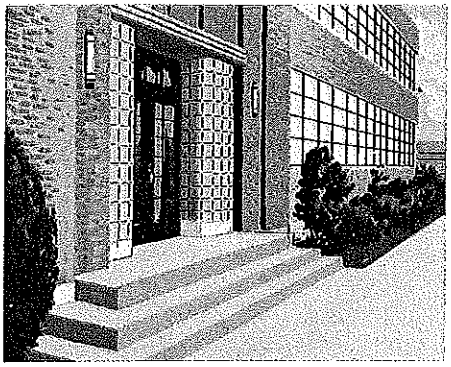
Burlington, New Jersey
(Leased) 474,866 sq. ft.
262 Employees

Richmond, California
250,330 sq. ft.
310 Employees

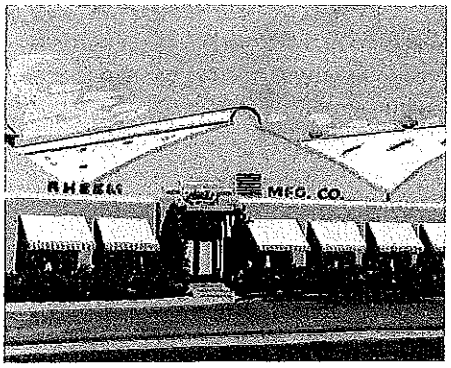


Philadelphia, Pa.
(Leased) 156,000 sq. ft.
361 Employees

Chicago, Illinois
565,240 sq. ft.
951 Employees



Sparrows Point, Md.
481,420 sq. ft.
810 Employees



New Orleans, Louisiana
234,310 sq. ft.
453 Employees

Principal Offices

Richmond, California
South Gate, California
New York, New York
Chicago, Illinois

Key Management Group

W. S. Rheem, II
General Manager

G. W. Mallatratt
General Manager
Rheem Products Division

S. S. Battles
General Manager
Major Appliance Division

J. F. Taggart
General Manager
Government Products Division

F. G. Fisher
General Manager
Automotive Division

R. G. Belote
Director of Industrial Relations

G. J. Papas
General Manager of Purchasing

E. C. Bergen
Manager of Manufacturing

H. W. Wright, Jr.
Director of Public Relations

Transfer Agents

AMERICAN TRUST COMPANY
464 California Street, San Francisco, California

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK
11 Broad Street, New York, N. Y.

THE NATIONAL CITY BANK OF NEW YORK
22 William Street, New York, N.Y.

RMC240

ıring Company Facilities

Plants - 8 States

Affiliated and Associated Foreign Companies

Rheem - Australia Pty. Limited
Sydney, Brisbane, Melbourne, Fremantle, Adelaide

Rheem Metalurgica, S. A.
Rio de Janeiro

Rheem Canada Limited
Hamilton, Ontario

Rheem - Hume (Far East) Limited
Singapore

S. A. Industrial Y Comercial Aceros Rheem
Buenos Aires

Rheem Peruana, S. A.
Lima, Peru

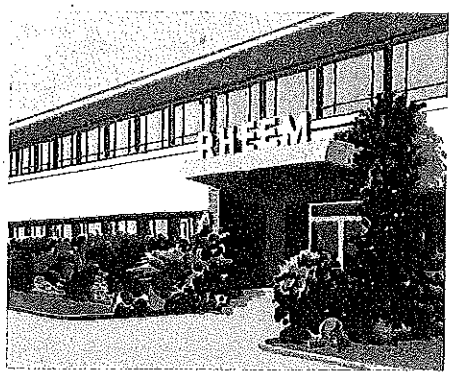
Rheem Lysaght Limited
Bristol, England

Rheem of the Philippines, Inc.
Manila

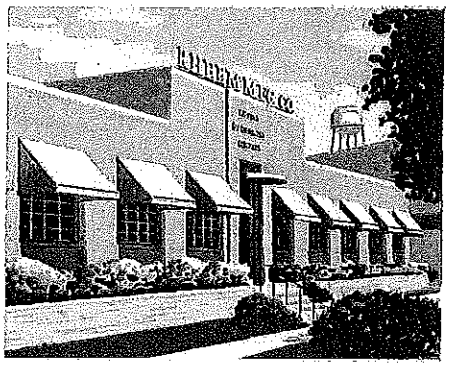
Rheem Elit Emballage
Dals Langed, Sweden

Societa Per Azioni Fusti E Imballaggi Metallici
Milan, Italy

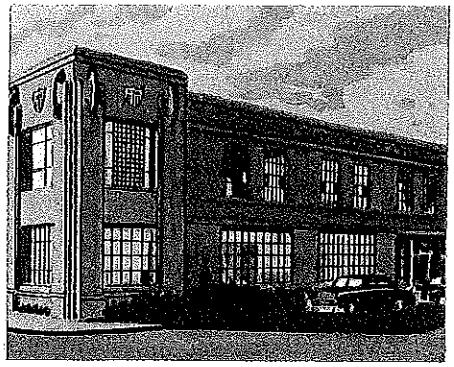
Fabricacion De Envases Metalicos, S. A.
Madrid, Spain



Downey, California
446,207 sq. ft.
2,063 Employees

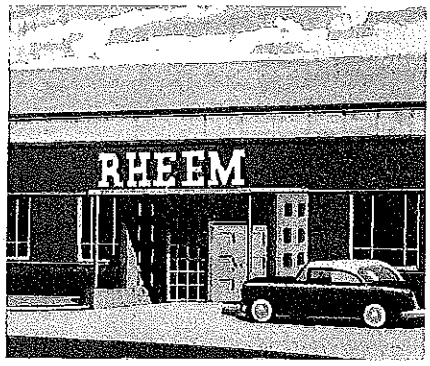


Houston, Texas
276,686 sq. ft.
332 Employees

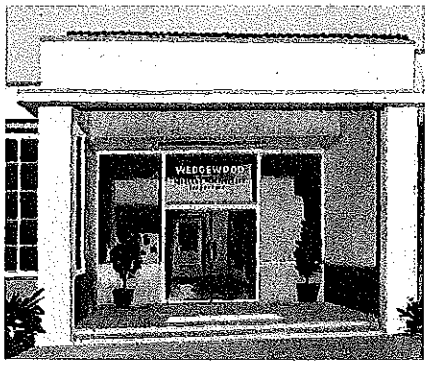


United States Spring & Bumper Co.
Vernon, California
617,295 sq. ft.
822 Employees

Linden, New Jersey
173,000 sq. ft.
282 Employees



San Pablo, California
214,424 sq. ft.
470 Employees



Newark, California
252,429 sq. ft.
616 Employees

Seattle, Washington
48,390 sq. ft.
74 Employees

Registrars

BANK OF AMERICA N. T. & S. A.
300 Montgomery Street, San Francisco, California

CITY BANK FARMERS TRUST COMPANY
22 William Street, New York, N. Y.

CHEMICAL CORN EXCHANGE BANK
30 Broad Street, New York, N. Y.

Rheem Manufacturing

and Subsidiary

Consolidated

(See notes to

Assets

	December 31 1954	1953
CURRENT ASSETS		
Cash in banks and on hand	$ 2,712,915	$ 3,313,766
Marketable securities, at cost	—	494,427
Accounts receivable, trade:		
Commercial, less allowance for doubtful accounts (1954, $198,443; 1953, $305,327)	8,982,210	6,167,057
United States Government sources	9,013,168	14,615,800
Owing by affiliated and associated companies	150,184	300,513
Inventories, at cost or less, not over market:		
Finished and in process	11,433,435	15,078,989
Raw materials and supplies	12,990,854	12,253,611
Preproduction expenses on government contracts	108,376	834,907
Costs allocable to future operations—insurance, taxes, rentals, etc.	980,265	954,491
	$46,371,407	$54,013,561
INVESTMENTS		
Capital stock of affiliated and associated companies operating in foreign countries, at cost (Note 1)	$ 1,952,259	$ 1,859,730
Cash surrender value of insurance on lives of officers (amount of policies $450,000)	138,105	82,077
	$ 2,090,364	$ 1,941,807
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 2)		
Land	$ 1,882,735	$ 1,582,320
Buildings, machinery and equipment, less accumulated depreciation and amortization (1954, $15,414,102; 1953, $10,731,797)	35,098,145	29,305,123
	$36,980,880	$30,887,443
	$85,442,651	$86,842,811

A ten-year comparison m

RMC242

Company

Company

Balance Sheet

financial statements)

Liabilities

	December 31 1954	December 31 1953
CURRENT LIABILITIES		
Notes payable	$ 7,098,333	$13,222,983
Accounts payable, trade and miscellaneous	5,836,258	7,541,669
Accrued wages	644,466	881,330
Federal taxes on income, estimated	4,969,860	8,321,808
Other accrued taxes	657,554	565,998
Contributions payable under retirement plans (Note 6)	1,048,050	190,829
	$20,254,521	$30,724,617
LONG TERM INDEBTEDNESS		
3¾% note, payable in annual installments of $933,333 from 1956 to 1965 and $1,866,667 in 1966	$11,200,000	$12,133,333
3⅞% note, payable in annual installments of $165,000 from 1956 to 1968 and $190,000 in 1969	2,335,000	—
Other notes payable	184,950	246,600
	$13,719,950	$12,379,933
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS (Note 2)	$ 580,500	—
CAPITAL AND RETAINED EARNINGS		
Cumulative preferred stock, par value $100 per share; authorized—150,000 shares; 4½% convertible series, outstanding—60,101 shares (Note 3)	$ 6,010,100	$ 9,989,800
Common stock, par value $1 per share; authorized—2,500,000 shares; outstanding—1,541,648 shares (Note 3)	1,541,648	1,249,308
Capital in excess of par value of shares outstanding (Note 4)	26,063,327	17,575,631
Earnings retained for use in business (Note 5)	17,272,605	14,923,522
	$50,887,680	$43,738,261
	$85,442,651	$86,842,811

e found on Pages 16 and 17.

Rheem Manufacturing Company
and Subsidiary Company
Statement of Earnings

(See notes to financial statements)

	Year Ended December 31	
INCOME	**1954**	**1953**
Sales, less freight, returns, allowances, discounts, etc.	$163,623,302	$188,004,665
Gain on sale of marketable securities	914,710	—
Dividends from foreign affiliated and associated companies (Note 1)	214,076	73,500
Miscellaneous income	62,328	109,652
	$164,814,416	$188,187,817
COSTS		
Cost of goods sold	$142,961,941	$165,178,814
Selling, general and administrative expenses	9,949,202	9,071,031
Interest	856,421	1,056,096
	$153,767,564	$175,305,941
	$ 11,046,852	$ 12,881,876
FEDERAL TAXES ON INCOME, ESTIMATED (Note 2)		
(1954 includes $580,500 for taxes deferred to future years; 1953, $1,400,000 for excess profits tax)	5,020,000	7,900,000
EARNINGS FOR THE YEAR	$ 6,026,852	$ 4,981,876
DIVIDENDS PAID IN CASH		
Preferred stock—$4.50 per share	$ 365,551	$ 449,545
Common stock—$2.30 per share in 1954; $2.00 per share in 1953	3,312,218	2,498,616
	$ 3,677,769	$ 2,948,161
ADDITION TO EARNINGS RETAINED FOR USE IN THE BUSINESS	$ 2,349,083	$ 2,033,715
EARNINGS FOR PAST YEARS RETAINED FOR USE IN THE BUSINESS	14,923,522	12,889,807
EARNINGS RETAINED FOR USE IN THE BUSINESS AT THE END OF YEAR (Note 5)	$ 17,272,605	$ 14,923,522

Provision for depreciation and amortization of plant and equipment charged to earnings—1954, $2,685,605; 1953, $3,070,014 (Note 2).

A ten-year comparison may be found on Pages 18 and 19.

Notes to Financial Statements

For the Year Ended December 31, 1954

NOTE 1—Principles of consolidation:

The accounts of United States Spring & Bumper Co., a wholly-owned domestic subsidiary acquired in April, 1954, have been included in the consolidated financial statements for the nine months ended December 31, 1954. Other subsidiaries of the Company operate in foreign countries and their accounts are not included in the consolidated statements.

Investments in capital stocks of subsidiary and associated companies operating in foreign countries are carried at cost; dividends received from the companies are included in income. The Company's equity in the underlying net assets of such companies, computed from the latest 1954 financial statements (unaudited) expressed in United States dollars by use of current rates of exchange totals approximately $3,500,000.

NOTE 2—Plant and equipment:

Prior to 1954, depreciation provided on the certified portion of facilities acquired under certificates of necessity was equivalent to the amortization deductible for Federal income tax purposes, in accordance with management's estimate of the probable useful lives of these properties. After reviewing the operations now utilizing these facilities, depreciation from January 1, 1954, has been provided on the basis of revised estimates of their remaining economic lives. Since the Company and its domestic subsidiary will continue to claim the allowable amortization in computing Federal income taxes, an additional provision of $580,500 has been made from earnings for the increased income taxes to be paid in future years when amortization is no longer deductible. As a result of this change, net earnings for 1954 are $535,000 greater than they would have been if depreciation had been computed under the method used prior to 1954.

NOTE 3—Capital stock:

The outstanding preferred stock is convertible into common stock in the ratio of 3.14 shares of common for each share of preferred until June 1, 1956, and thereafter at 2.88 shares of common for each share of preferred to June 1, 1961. The preferred stock may be redeemed by the Company at prices ranging from $105.50 before June 1, 1956, to $102.00 after June 1, 1971. Payments into a sinking fund, not to exceed $333,333, are required annually beginning in 1956.

During 1954 options were granted to eleven key employees of the Company to purchase a total of 28,500 shares of common stock for $31.11 per share, and 2,500 shares for $29.81 per share. These prices were 95% of the market value of the stock on the dates the options were granted. The options may be exercised two to five years after the date granted.

At December 31, 1954, 188,748 shares of unissued common stock were reserved for conversion of preferred stock and 75,000 shares were reserved for issuance under the stock option plan.

NOTE 4—Capital in excess of par value of shares outstanding:

During 1954 capital in excess of par value of shares outstanding was increased (1) by $3,853,774 representing the excess of the par value of preferred shares over the par value of 124,932 common shares issued upon conversion, (2) by $4,520,016 representing the excess of the market value over par value of 167,408 common shares issued in exchange for the common shares of United States Spring & Bumper Co., and (3) by $113,906 representing the excess of the book value of the underlying net assets of United States Spring & Bumper Co. at the date of acquisition over the cost of the Company's investment.

NOTE 5—Retained earnings:

Under provisions of the loan agreements relating to long-term indebtedness, $11,603,091 of retained earnings were not available for cash dividends on common stock.

NOTE 6—Retirement plans:

The Company maintains a pension plan for all employees with 15 or more years of service, except for employees belonging to certain unions which do not participate in the plan. The 1954 contribution of $380,766 was charged against earnings. Funds held by the trustee at December 31, 1954 were ample to meet the Company's liability to employees retired under the plan. Because of the many assumptions which would be required, it is impracticable to estimate the amount which may be paid in the future for past services of participating employees.

An incentive bonus retirement plan is maintained for employees of the Company not eligible for overtime compensation. Provision for the 1954 contribution of $1,272,284 to the trust fund was charged against earnings.

NOTE 7—Renegotiation:

Some of the business during 1953 and 1954 is subject to renegotiation. Clearance certificates have been obtained for prior years and, on the basis of determinations in respect to those years, management is of the opinion that renegotiation will not materially affect the financial statements for 1953 and 1954.

Report of Independent Public Accountants

To the Board of Directors of

Rheem Manufacturing Company:

In our opinion, the accompanying consolidated financial statements present fairly the position of Rheem Manufacturing Company and its wholly-owned domestic subsidiary at December 31, 1954, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change, which we approve, in method of computing depreciation as explained in Note 2, have been applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Certain receivables from the U. S. Government selected for test were not confirmed by direct correspondence, but we satisfied ourselves by other auditing procedures as to these items.

PRICE WATERHOUSE & CO.

February 28, 1955

San Francisco, California

Rheem Manufacturing

Consolidated

TEN YEAR COMPARISON

December 31, 1945-1954 (Restated)	1945	1946	1947	1948
ASSETS				
CURRENT ASSETS				
Cash in banks and on hand	$ 5,503,246	$ 1,808,116	$ 2,277,099	$ 1,871,131
Marketable securities	5,150,120	151,370	153,010	163,105
Accounts receivable	11,335,156	5,405,817	5,178,489	4,987,924
Inventories, at cost or less, not over market	4,446,578	8,549,161	9,405,570	9,737,129
Preproduction expenses on government contracts	—	—	—	—
Costs allocable to future operations	296,779	298,614	484,947	539,281
	$26,731,879	$16,213,078	$17,499,115	$17,298,570
INVESTMENTS	$ 373,758	$ 1,254,359	$ 935,957	$ 1,364,656
PROPERTY, PLANT AND EQUIPMENT, at cost	$ 9,118,217	$12,179,707	$15,177,426	$16,302,617
Less: Accumulated depreciation and amortization	3,321,201	3,242,442	3,793,896	4,255,826
	$ 5,797,016	$ 8,937,265	$11,383,530	$12,046,791
TOTAL ASSETS	$32,902,653	$26,404,702	$29,818,602	$30,710,017
LIABILITIES AND CAPITAL				
CURRENT LIABILITIES				
Notes payable	$10,158,987	$ —	$ —	$ —
Accounts payable, trade and miscellaneous	3,158,655	3,040,318	3,132,381	2,999,308
Accrued wages	241,850	232,288	267,619	188,436
Federal taxes on income	3,565,007	939,077	2,156,287	1,971,248
Other accrued taxes	327,772	186,537	303,912	287,735
Contributions payable under retirement plans	—	—	—	—
	$17,452,271	$ 4,398,220	$ 5,860,199	$ 5,446,727
LONG TERM INDEBTEDNESS	$ 1,850,000	$ 4,000,000	$ 4,000,000	$ 4,000,000
DEFERRED INCOME TAX	—	—	—	—
CAPITAL AND RETAINED EARNINGS	$13,600,382	$18,006,482	$19,958,403	$21,263,290
TOTAL LIABILITIES AND CAPITAL	$32,902,653	$26,404,702	$29,818,602	$30,710,017

RMC246

Company

Balance Sheets

1949	1950	1951	1952	1953	1954
$ 1,578,343	$ 3,564,556	$ 1,543,038	$ 2,653,265	$ 3,313,766	$ 2,712,915
132,140	69,266	9,607	—	494,427	—
4,832,825	9,626,799	13,644,055	23,589,435	21,083,370	18,145,562
7,472,194	10,719,483	20,925,530	21,927,594	27,332,600	24,424,289
—	—	1,517,831	1,165,900	834,907	108,376
221,048	241,463	613,257	922,594	954,491	980,265
$14,236,550	$24,221,567	$38,253,318	$ 50,258,788	$ 54,013,561	$ 46,371,407
$ 1,611,775	$ 1,311,965	$ 1,350,673	$ 1,832,448	$ 1,941,807	$ 2,090,364
$16,376,709	$21,488,242	$35,773,426	$ 40,060,374	$ 41,619,240	$ 52,394,982
4,703,194	5,229,921	6,107,123	8,324,737	10,731,797	15,414,102
$11,673,515	$16,258,321	$29,666,303	$ 31,735,637	$ 30,887,443	$ 36,980,880
$27,521,840	$41,791,853	$69,270,294	$ 83,826,873	$ 86,842,811	$ 85,442,651
$ —	$ —	$ 3,000,000	$ 13,933,333	$ 13,222,983	$ 7,098,333
2,890,027	5,276,645	5,871,156	8,619,761	7,541,669	5,836,258
195,872	472,920	532,634	1,015,765	881,330	644,466
1,964,627	5,504,983	9,556,463	3,800,107	8,321,808	4,969,860
248,164	274,312	361,207	541,716	565,998	657,554
186,085	549,888	763,388	1,144,978	190,829	1,048,050
$ 5,484,775	$12,078,748	$20,084,848	$ 29,055,660	$ 30,724,617	$ 20,254,521
—	$ 5,000,000	$14,000,000	$ 13,066,667	$ 12,379,933	$ 13,719,950
—	—	—	—	—	$ 580,500
$22,037,065	$24,713,105	$35,185,446	$ 41,704,546	$ 43,738,261	$ 50,887,680
$27,521,840	$41,791,853	$69,270,294	$ 83,826,873	$ 86,842,811	$ 85,442,651

Rheem Manufacturing

Consolidated

TEN YEAR COMPARISON

1945-1954 (Restated)	1945	1946	1947	1948
INCOME				
Net sales	$90,152,494	$39,268,335	$60,258,287	$58,744,097
Dividends from foreign companies	—	16,150	209,212	240,052
Miscellaneous income	241,947	637,070	138,031	343,631
	$90,394,441	$39,921,555	$60,605,530	$59,327,780
COSTS				
Cost of goods sold	$79,290,940	$32,124,017	$49,512,218	$47,470,812
Selling, general and administrative expenses	6,320,617	5,577,142	5,591,069	6,626,354
Interest	243,194	100,420	124,723	111,541
	$85,854,751	$37,801,579	$55,228,010	$54,208,707
EARNINGS BEFORE TAXES	$ 4,539,690	$ 2,119,976	$ 5,377,520	$ 5,119,073
FEDERAL TAXES ON INCOME	3,192,220	823,651	2,000,765	1,925,285
EARNINGS FOR THE YEAR	$ 1,347,470	$ 1,296,325	$ 3,376,755	$ 3,193,788
PREFERRED DIVIDENDS PAID	$ 41,398	$ 135,001	$ 128,437	$ 122,160
COMMON DIVIDENDS PAID	757,420	844,729	1,131,590	1,574,656
SUNDRY CHARGES	28,250	—	5,307	—
RETAINED EARNINGS FOR THE YEAR	$ 520,402	$ 316,595	$ 2,111,421	$ 1,496,972
EARNED PER SHARE OF COMMON STOCK	$ 1.63	$ 1.16	$ 3.25	$ 3.07

Consolidated Statement of

PREFERRED STOCK	$ 3,000,000	$ 3,000,000	$ 2,840,500	$ 2,638,400
COMMON STOCK $1 PAR VALUE	800,000	1,000,000	1,000,000	1,000,000
CAPITAL IN EXCESS OF PAR VALUE	6,579,865	10,469,370	10,469,370	10,479,385
RETAINED EARNINGS	3,220,517	3,537,112	5,648,533	7,145,505
TOTAL CAPITAL AND RETAINED EARNINGS	$13,600,382	$18,006,482	$19,958,403	$21,263,290
WORKING CAPITAL	$ 9,279,608	$11,814,858	$11,638,916	$11,851,843
BOOK VALUE, COMMON STOCK	$ 13.25	$ 15.01	$ 17.12	$ 18.62
NUMBER COMMON SHAREHOLDERS	3,705	5,376	4,693	5,273

RMC248

Company

Statement of Earnings

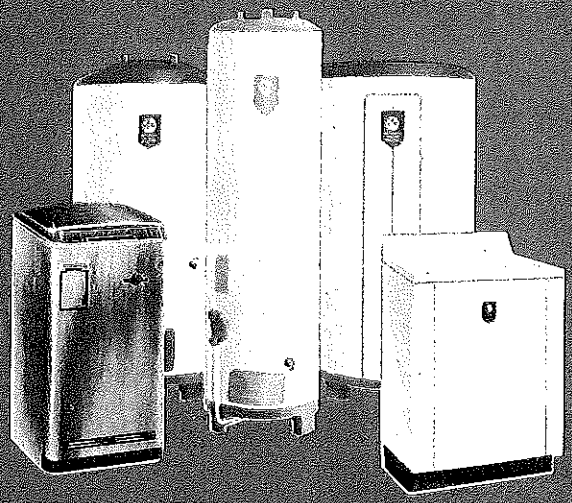
1949	1950	1951	1952	1953	1954
$49,754,531	$74,465,686	$94,106,957	$144,523,960	$188,004,665	$163,623,302
64,618	116,308	330,834	523,137	73,500	214,076
63,649	81,827	76,037	61,552	109,652	977,038
$49,882,798	$74,663,821	$94,513,828	$145,108,649	$188,187,817	$164,814,416
$41,378,757	$59,256,947	$74,624,450	$129,268,514	$165,178,814	$142,961,941
4,244,510	5,087,648	6,577,473	7,770,763	9,071,031	9,949,202
81,209	101,633	296,390	869,172	1,056,096	856,421
$45,704,476	$64,446,228	$81,498,313	$137,908,449	$175,305,941	$153,767,564
$ 4,178,322	$10,217,593	$13,015,515	$ 7,200,200	$ 12,881,876	$ 11,046,852
1,649,251	5,355,000	8,765,000	3,300,000	7,900,000	5,020,000
$ 2,529,071	$ 4,862,593	$ 4,250,515	$ 3,900,200	$ 4,981,876	$ 6,026,852
$ 116,883	$ 109,643	$ 280,364	$ 449,648	$ 449,545	$ 365,551
1,564,738	1,900,000	2,458,818	2,753,362	2,498,616	3,312,218
—	—	164,621	—	—	—
$ 847,450	$ 2,852,950	$ 1,346,712	$ 697,190	$ 2,033,715	$ 2,349,083
$ 2.41	$ 4.75	$ 3.78	$ 2.76	$ 3.63	$ 3.67

Capital and Retained Earnings

$ 2,550,100	$ 2,369,900	$ 9,999,000	$ 9,989,800	$ 9,989,800	$ 6,010,100
1,000,000	1,000,000	1,049,030	1,249,308	1,249,308	1,541,648
10,494,010	10,497,300	11,944,799	17,575,631	17,575,631	26,063,327
7,992,955	10,845,905	12,192,617	12,889,807	14,923,522	17,272,605
$22,037,065	$24,713,105	$35,185,446	$ 41,704,546	$ 43,738,261	$50,887,680
$ 8,751,775	$12,142,819	$18,168,470	$ 21,203,128	$ 23,288,944	$ 26,116,886
$ 19.49	$ 22.34	$ 24.01	$ 25.38	$ 27.01	$ 29.11
5,132	4,980	5,479	7,946	7,420	8,225

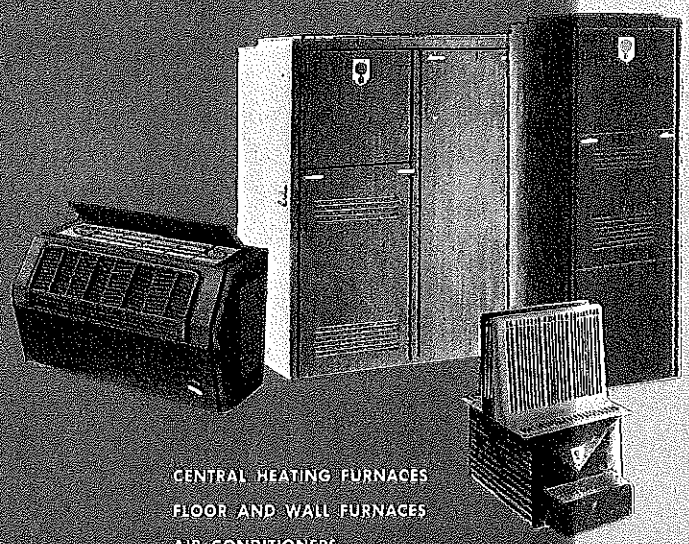
Rheem Diversification

Products for Home-Industry-Defense.



WATER HEATERS

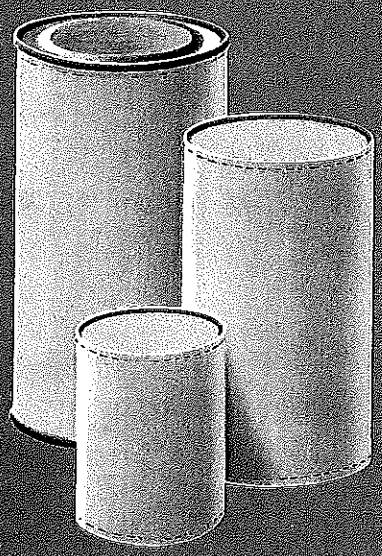
WATER SOFTENERS



CENTRAL HEATING FURNACES

FLOOR AND WALL FURNACES

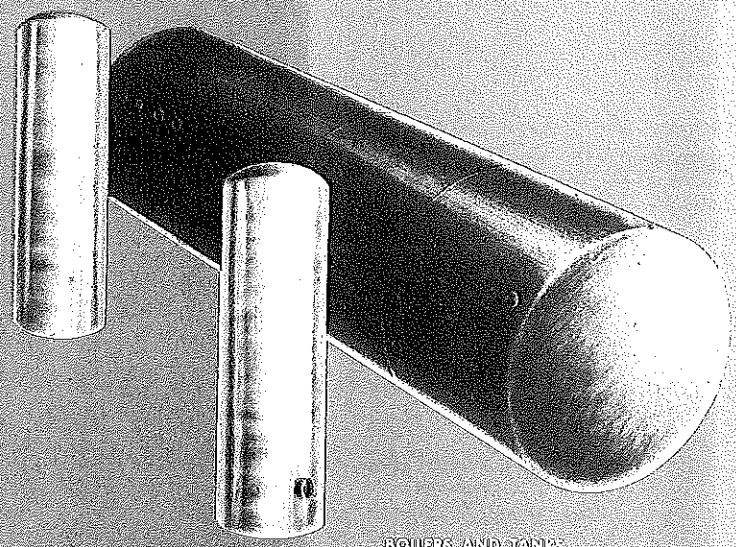
AIR CONDITIONERS



FIBER AND FIBER-METAL

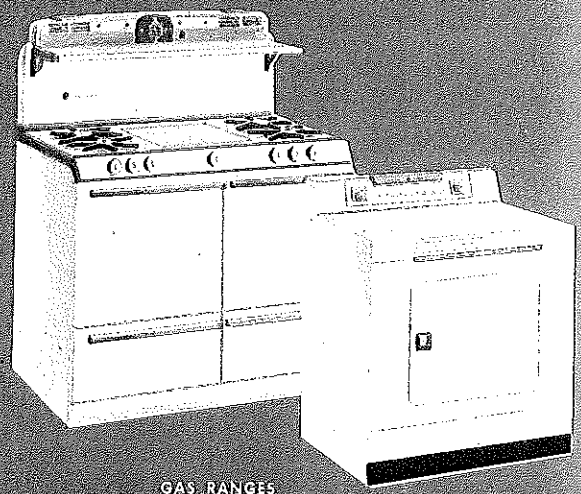
SHIPPING CONTAINERS

RMC250



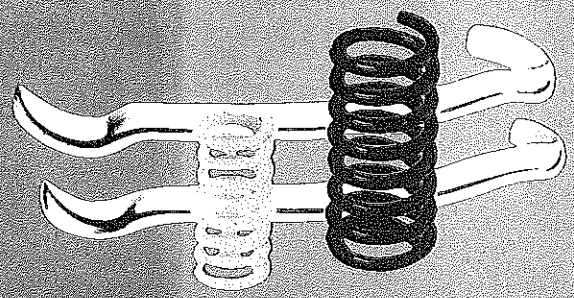
BOILERS AND TANKS

UNDERGROUND STORAGE TANKS

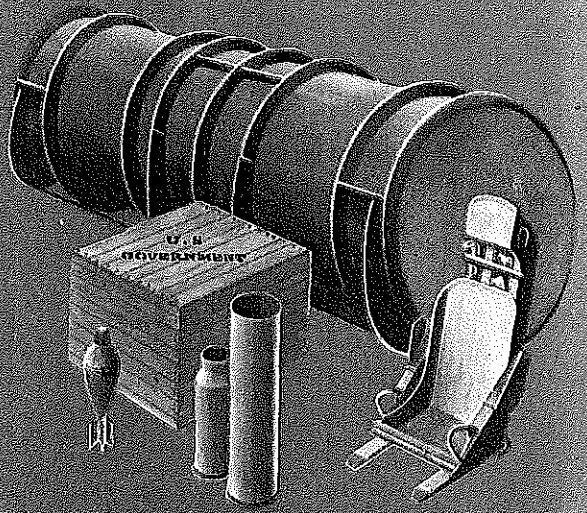


GAS RANGES

CLOTHES DRYERS



AUTOMOTIVE SPRINGS AND BUMPERS

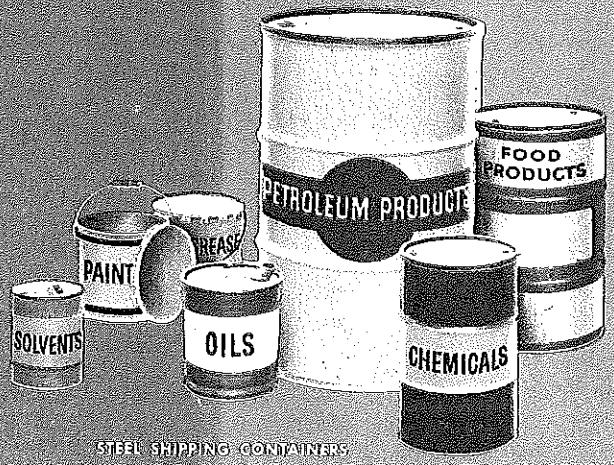


AIRCRAFT COMPONENTS

ORDNANCE COMPONENTS

EQUIPMENT CONTAINERS

RESEARCH AND DEVELOPMENT



STEEL SHIPPING CONTAINERS

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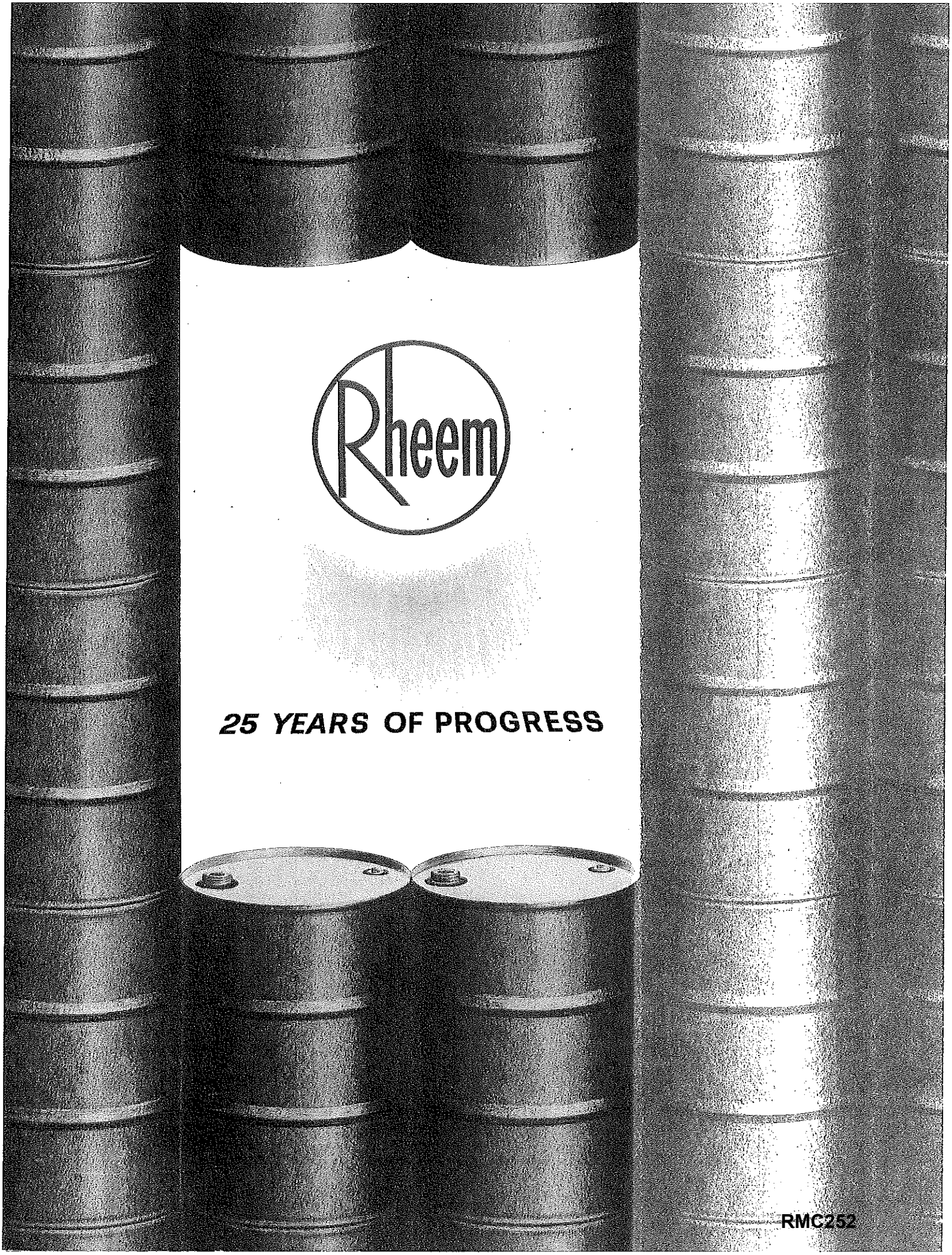
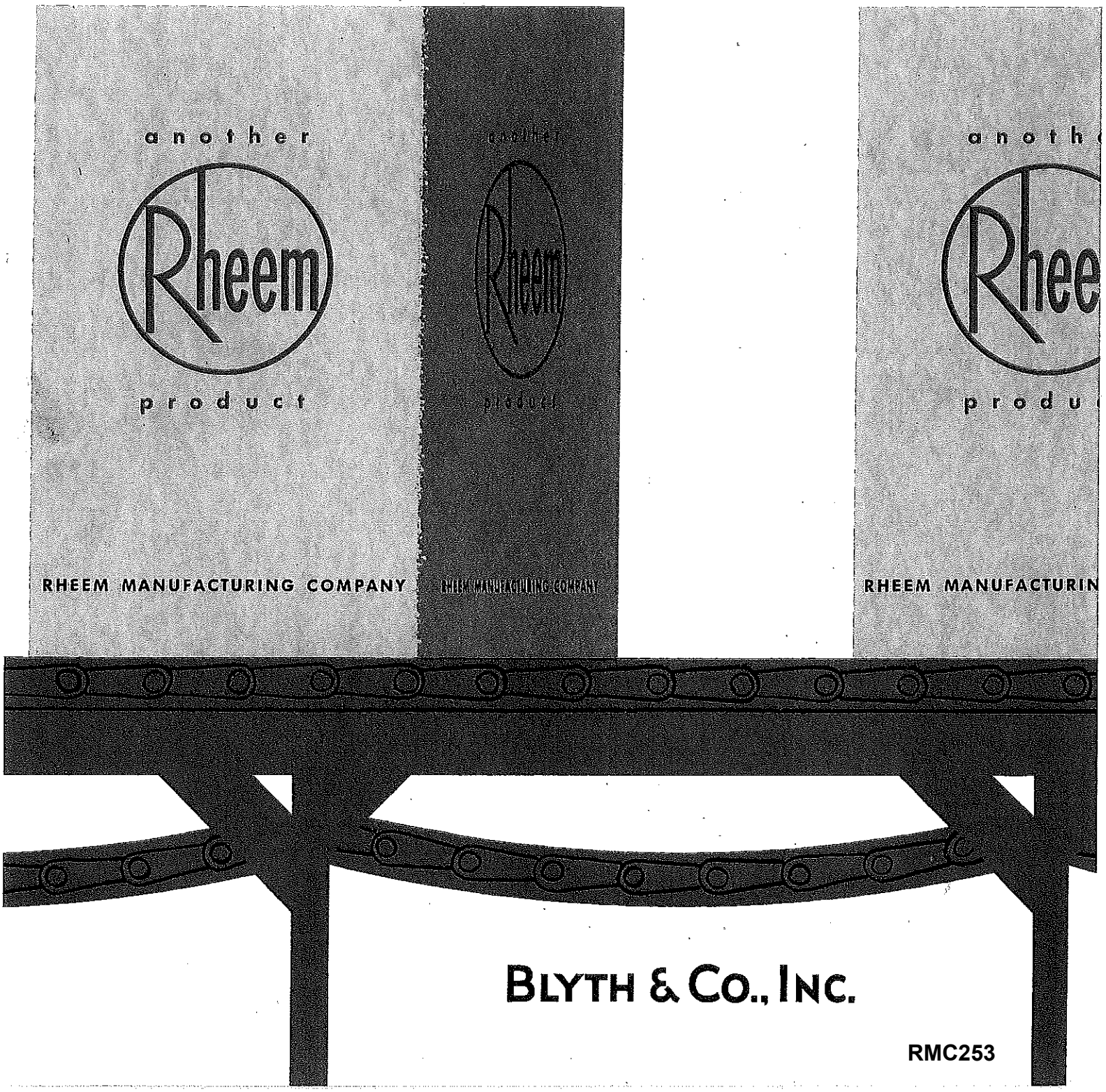

Rheem
25 YEARS OF PROGRESS
RMC252

PERMANENT RETENTION
Return to R. Tonitto
1954

a report for the investor...



BLYTH & CO., INC.

RMC253

a report for the investor...

RHEEM MANUFACTURING COMPANY

BLYTH & CO., INC.

March 24, 1954

RMC254

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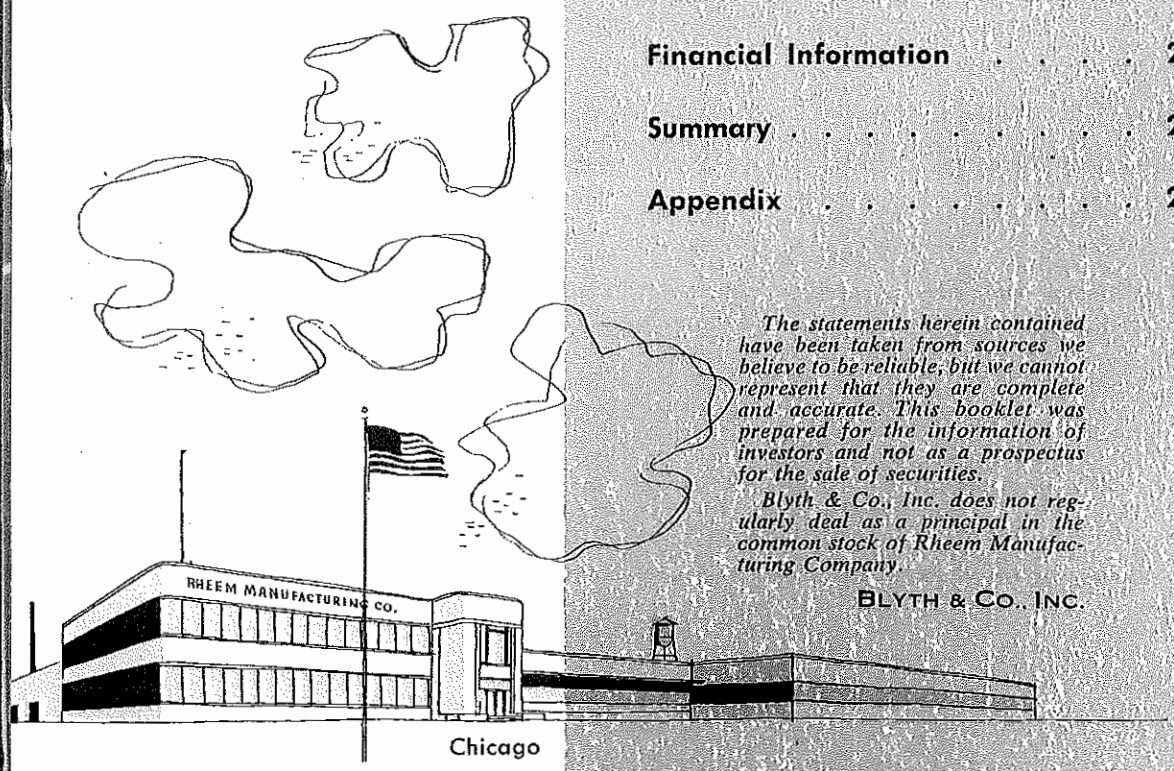
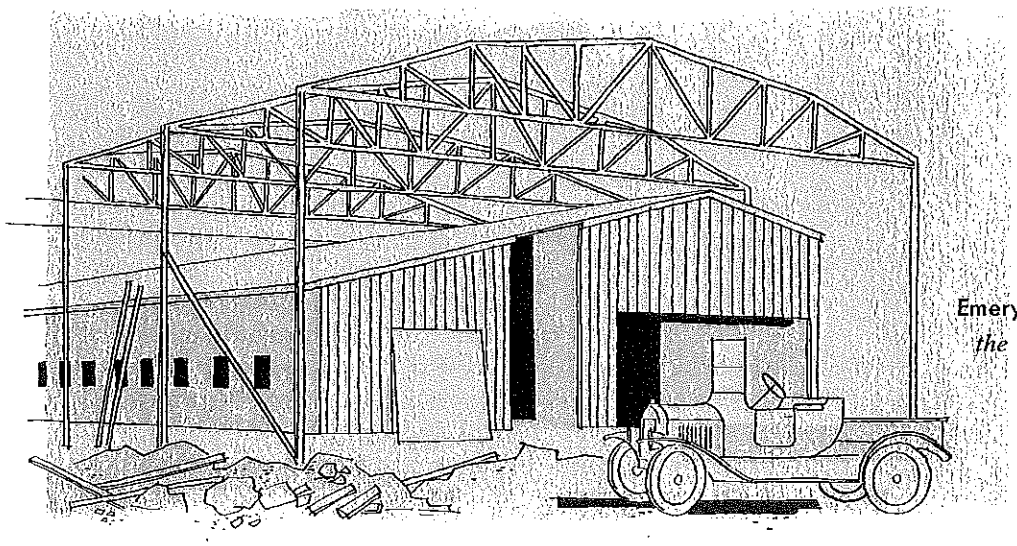
The statements herein contained have been taken from sources we believe to be reliable, but we cannot represent that they are complete and accurate. This booklet was prepared for the information of investors and not as a prospectus for the sale of securities.

Blyth & Co., Inc. does not regularly deal as a principal in the common stock of Rheem Manufacturing Company.

BLYTH & CO. INC.



Chicago



Emeryville 1925
the beginning

RHEEM MANUFACTURING COMPANY

A Story of Growth

There are two factors that are present in most "growth stories." First, management must be imbued with the irresistible urge to expand. Second, management must select fields of endeavor that in themselves have a natural growth potential. These factors, to a high degree, have been behind the phenomenal growth of Rheem Manufacturing Company.

The story of Rheem starts in 1925 in Emeryville, California. Richard S. and Donald L. Rheem, with financial help from a third brother, William K. Rheem, formed a co-partnership to galvanize steel drums and other metal products. The following year, a second co-partnership was formed to fabricate steel drums.

The gross volume of business the first year was less than $100,000. For 1953, Rheem Manufacturing Company's net sales exceeded $188,000,000.

Today, Rheem is a compactly managed company and is a major factor in four distinct fields:

1. It is one of the nation's leading manufacturers of steel shipping containers, chiefly drums and pails. With its associated companies abroad, it ranks as the world's largest maker of these essential packages.

2. Rheem is the world's largest manufacturer of automatic gas and electric water heaters and is an important maker of warm-air furnaces of all types, gas and electric clothes dryers, gas ranges, water softeners, boilers and tanks, and related products.

3. Rheem's Downey (California) Plant is set up as a separate operating division manufacturing aircraft assemblies and parts. This facility has become an integral part of the aircraft industry of Southern California and supplies components to Northrop, Lockheed, Douglas and other major manufacturers.

4. Capitalizing upon experience gained in World War II, Rheem is an important producer of artillery shells and cartridge cases, mortar shells, aircraft engine containers and other military materials.

Rheem went into World War II with annual sales running at the rate of approximately $10,000,000 a year, 78% of which represented steel shipping containers and 22% water heaters and other household appliances. The first post-war year, 1946, Rheem reported sales of some $39,000,000, of which 42% was containers and 58% appliances. By 1951 non-military sales exceeded $80,000,000, and have averaged about $75,000,000 for the past three years. In 1953 Rheem's container and appliance sales amounted to approximately $80,000,000, of which 44% represented containers and 56% appliances.

Top management at Rheem is still in the hands of its founders. Under them is a young, vigorous management team, schooled in the philosophy that a company either grows or falls behind, but never stands still. Approximately an eight-fold increase in sales of non-military items in the past 15 years is eloquent proof that Rheem set a wise course in becoming a dominant factor in the container and appliance fields.

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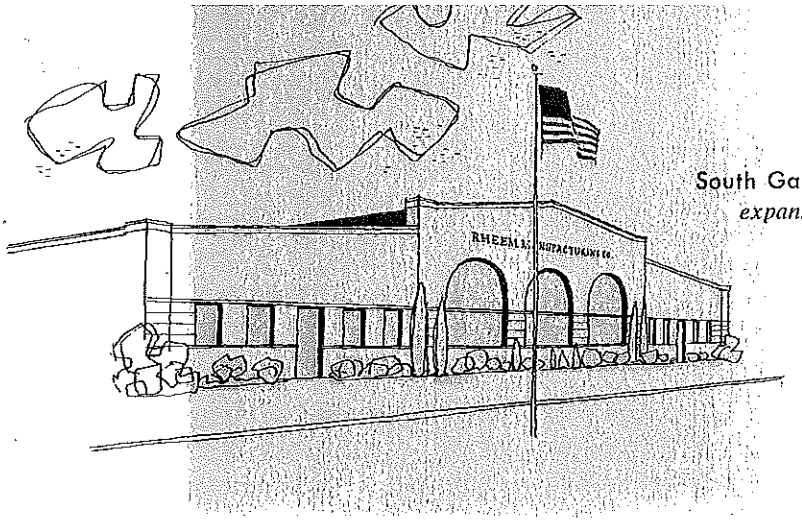


South Gate 1931
expansion

History

Rheem Manufacturing Company (herein for convenience sometimes referred to as the "Company") began its corporate existence January 22, 1930, acquiring the assets of the two original co-partnerships as well as those of Republic Steel Package Company of California. Acquisition of the latter corporation gave the Company a second plant in nearby Richmond and additional drum-making equipment, as well as facilities for the manufacture of steel tanks and allied products. In 1932 this plant was completely remodeled, Emeryville operations were moved to Richmond and in the following year the Emeryville Plant was sold.

Depression or no depression, the Company was ready to expand. Since steel drums and pails must be shipped to their users empty, it is uneconomical for the manufacturer to ship them any great distance. That meant only one thing to the Company—decentralization—the factory must go to the market. The only means of tapping the Southern California market was to build a plant in that area. Property was acquired in South Gate, in the fast growing industrial section of Los Angeles County and the plant began making drums in 1931. At this time, the Company decided to enter a second field. By purchasing the business of the John Wood Manufacturing Company of California, Rheem went into the manufacture of automatic, gas-fired water heaters.

For the next six years, Rheem concentrated on building up its sales of containers and water heaters. Gas-fired floor furnaces and other warm air space-heating equipment and other related products were added to its lines. The growing use of natural gas in California created a vast market for appliances. The Company made advantageous sales contracts with large distributors, which helped it to build volume and cut costs, so that by 1936 $2,200,000 of container sales were supplemented by almost $1,000,000 of appliance sales.

The year 1937 was memorable in many respects. The depression-born Company decided on further expansion . . . the unusual way . . . from West to East. That year the Company ceased to be completely family-owned. Through a syndicate headed by Blyth & Co., Inc. and Greenwood-Raggio & Co., common stock was sold to the public. A plant built at Houston, Texas, began the manufacture of water heaters to serve the fast-growing Southwestern natural gas area. In locating this plant, Rheem adhered to its basic formula—follow the potential market, but assure a favorable steel supply by locating plants on tidewater, for water-borne delivery, or where steel is made. In 1937 the Company moved into the container markets of the East Coast and Middle West by the purchase of existing drum plants in Cleveland, Ohio and Newark, New Jersey. This same year marked the Company's first expansion abroad. An Australian subsidiary opened its first plant at Sydney to make steel shipping containers and household appliances.

The expansion of 1937 was continued in 1938. A steel drum business in Texas was purchased and moved into the Houston Plant. To improve service to the highly industrialized Middle West, the Company acquired a building in Chicago. The Cleveland plant, which occupied leased premises, was given up and the drum-making equipment moved to Chicago. The year ended with the purchase of still another drum company, this time in New Orleans.

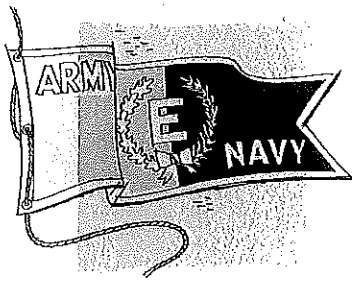
In seven short years, Rheem had spanned the continent. With two plants on the Pacific Coast, two on the Gulf, one on the Atlantic near the heavy oil refining centers and one in the Midwest, the Company was serving every major steel container market. In 1939 sales of containers were just under $6,900,000, while appliance sales had grown to $2,200,000, for a total of $9,100,000.

For the next two years—except for building a plant just outside Baltimore, at Sparrows Point, Maryland—Rheem concentrated on increasing the output of existing factories. Automatic gas and electric water heaters became increasingly popular in the Midwest and East, as they supplanted the

familiar furnace-coil which delivered hot water in the winter, and the old-fashioned, copper-coil, side-arm water heater and range boiler combination which was needed for year-round hot water. Equipment to make water heaters, boilers and tanks was installed in Newark, Chicago and Sparrows Point.

As a result of this continued expansion, by the end of 1940, and though virtually unknown outside of California, Rheem had become the country's largest manufacturer of steel shipping containers, and the following year, of automatic water heaters as well.

In the fall of 1940 peacetime plans were put aside and the Company jumped into military production. Months before Pearl Harbor, the Chicago Plant was so jammed with production lines for bomb-fins and practice bombs, that a second plant was built nearby to house the drum, heater and boiler and tank lines. Production of ordnance items required such a volume of tools, jigs, dies and special equipment that a special plant for their manufacture was purchased in Stockton, California in 1941. A new building was constructed in New Orleans; the old leased premises were given up and the drum and pail lines moved to the new plant. New Orleans also began machining 105-millimeter artillery shells.



In 1942 a plant was purchased in Birmingham, Alabama, and was equipped to forge and machine 105-millimeter shells. That same year, a drum plant was built at Portland, Oregon. At Danville, Pennsylvania, a plant was leased from the Government to machine ship-shafting for destroyer escorts and landing craft. In 1943 two more plants were leased —one at Stockton, California, for the reconditioning of steel drums returned from the Pacific and another at Maywood, California, to specialize in aircraft components.

Most of the foregoing wartime expansion was made possible by government financing and bank loans which were amortized as accelerated depreciation was taken under Certificates of Necessity. By 1943 sales had grown to approximately $55,000,000, of which $22,000,000 represented containers, $4,000,000 appliances and $29,000,000 ordnance and aircraft items. Working capital to finance this six-fold increase in sales since 1939 was sorely needed. The condition of the securities market made public offering of common stock inadvisable. Bethlehem Steel Corporation had offered to purchase Rheem, but instead, Bethlehem purchased 230,000 shares of Rheem common stock, constituting approximately a 35% interest. At the end of 1943, there were approximately 643,000 shares of Rheem common outstanding, of which members of the Rheem family and others close to the management held approximately 200,000 shares. Bethlehem held 230,000 shares and the public 213,000 shares.

In 1944 Rheem purchased Bethlehem Steel Corporation's Atlas Steel Barrel Division. This gave the Company a plant at Bayonne, New Jersey, and replaced the Newark Plant, which had been sold in 1942 and its production moved to Sparrows Point. A plant was leased at Williamsport, Pennsylvania, for the machining of 8″ artillery shells. The last wartime facility, a leased plant at Las Vegas, Nevada, began the manufacture of 5″ rocket projectiles and 81-millimeter mortar shells in 1945.

By the end of World War II, Rheem was operating 17 plants; sales had gone from $10,000,000 a year in 1940 to over $90,000,000 in 1945. Seven plants had received Army and Navy "E" awards for outstanding production. The Richmond, California, and Newark, New Jersey, plants jointly received their first "E" awards on December 31, 1941, to become the first plant in the San Francisco area and the first in the city of Newark to be so honored.

The cancellation of military contracts following V-J Day had been fully anticipated by Rheem. Comprehensive plans for reconversion were put into effect. Leased plants at Danville, Williamsport, Las Vegas, Stockton and Maywood were given up.

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The Portland Plant, which had been constructed as a wartime measure under a Certificate of Necessity, was sold. Government additions to several of the Company's permanent plants were purchased. At the end of 1945 Rheem was operating 11 plants with a total manufacturing area of 1,286,000 square feet, as compared with seven plants with 533,000 square feet at the end of 1940 and, during the same period, employees had increased from 1,440 to 4,267.

The end of World War II and the termination of Government raw material priorities forced Rheem to set up its own system of allocating containers and appliances to its customers. Sales for 1946 were $39,300,000, of which 42% represented containers and 58% appliances.

LITHOGRAPHED DRUM

Industry allocation of steel in 1947 held sales to a monthly level of about $5,000,000, so that total sales were just over $60,000,000, with containers accounting for 37% and appliances 62% and military approximately 1%. This division of sales did not exactly reflect potential demand, but was governed by the tonnage of the various gauges of steel which the Company was allotted.

During 1946 and 1947 Rheem spent approximately $6,000,000 to bring its manufacturing operations to a high level of efficiency. Automatic galvanizing equipment was installed at Sparrows Point, Chicago, Birmingham and South Gate. This process, unique with Rheem, replaced the conventional hand-operated pickling and hot-dip galvanizing method. Turning out a superior product at less cost than formerly, these installations have given Rheem a dominant position in the manufacture of galvanized boilers and tanks. Early in 1947 Rheem acquired the Fraser line of warm-air heating equipment. For twenty-five years this Stockton, California, company had been a recognized leader in the gas furnace business and its acquisition greatly strengthened Rheem's position in this important and growing field.

Operations in 1948 leveled off – $2,000,000, spent for capital improvements, completed the post-war conversion program. Sales were $58,700,000, with containers accounting for 44% and appliances 55% and military approximately 1%. In anticipation of a return to competitive selling, a broad program to "streamline" the Company's operation was put into effect. The original Chicago Plant, the Birmingham Plant and the Stockton Tool and Die Plant were sold, and their equipment and activities moved to other plants. A substantial profit was realized from the sale of these plants, which largely offset the cost of relocating their activities.

The anticipated return of competitive selling characterized operations in 1949, when sales dropped 15% to just under $50,000,000. Containers contributed 56%, appliances 40% and military approximately 4%. During the last quarter of 1948 and the first quarter of 1949, home-building dropped to the lowest point since full-scale, post-war resumption. The reverse was true in the latter part of the year so the upward trend of sales was then resumed.

Early in 1950 the New Orleans Plant began the manufacture of the now well-known "Rheemcote" fully-lithographed and inner-roller coated 55-gallon steel drums. Fabricated on a new high-speed line and using the world's largest metal-decorating lithography press, "Rheemcote" drums were so well-received that additional installations were ordered and installed at Richmond, Sparrows Point, Chicago and Houston. Largely as a result of these additions, capital expenditures during 1950 totalled nearly $6,000,000.

Rheem celebrated its twenty-fifth year of business in 1950 by reporting record sales of $74,400,000, a 49% gain over 1949 and the largest net earnings in history – $4,800,000, or $4.75 a share, after preferred dividends, on 1,000,000 shares of common stock. Containers accounted for 45% of sales, appliances 52%, and defense materials 3%. During World War II, peacetime production

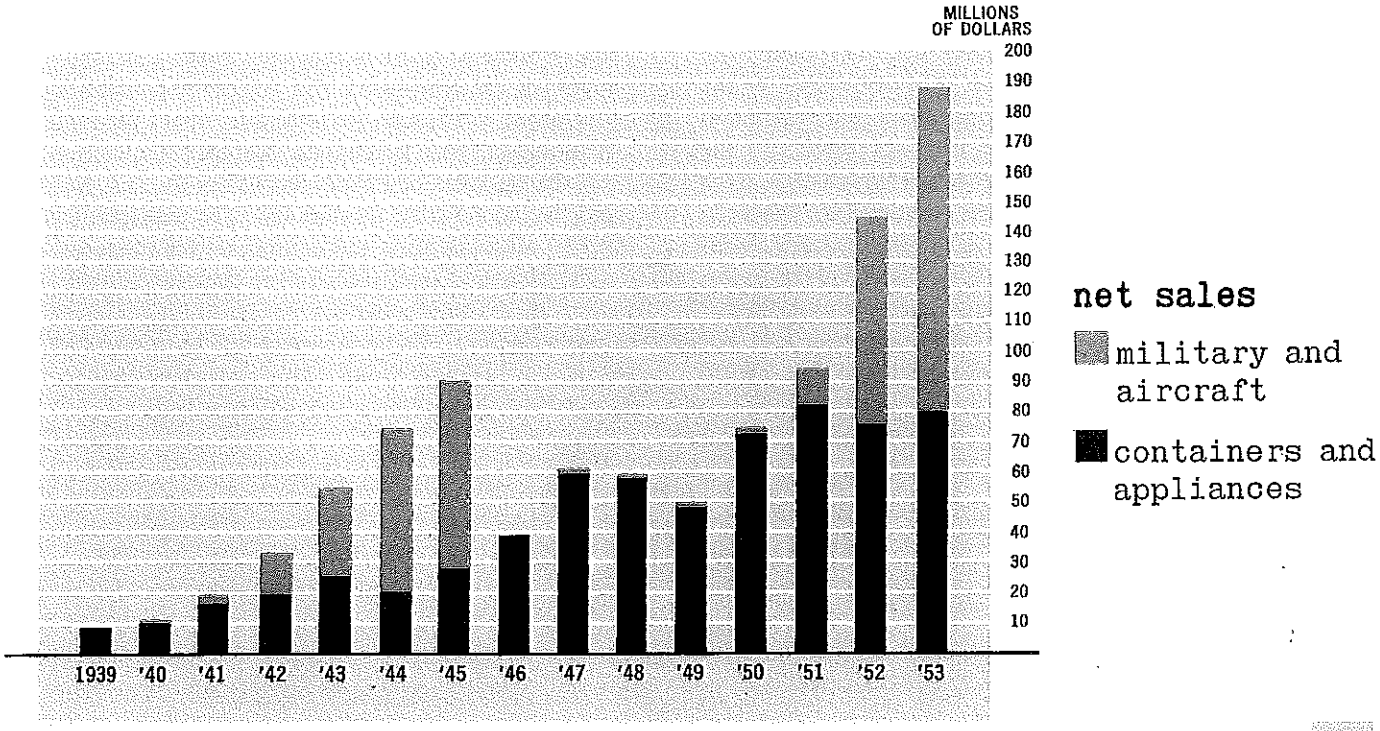
RMC259

lines were torn out to make way for military production, necessitating costly reconversion. Rheem management in 1950 made the decision to provide additional special facilities for the resumption of ordnance and aircraft work, thereby keeping non-military production lines intact. Two new California plants, one at San Pablo for ordnance work and one at Downey for aircraft work, and major plant additions for ordnance work at New Orleans and Houston were begun. A site was also purchased at Linden, New Jersey, for a building to replace the Bayonne Plant, which had become inadequate and did not lend itself to expansion. The latter plant was subsequently sold.

By 1951 Rheem was not only back in military production on a large scale, but sales of containers and appliances reached nearly $82,000,000, of which containers accounted for 52% and appliances 48%. Sales of military items amounted to about $12,000,000, bringing the total to a new high of $94,000,000, passing the $90,000,000 reported for 1945, when military items accounted for $62,000,000. Earnings in 1951 were held down by the cost of bringing the three new plants, San Pablo, Downey and Linden, into operation and the expected heavy start-up expense in connection with ordnance and aircraft contracts. The extent of the expansion required to reach the expected sales volume is best visualized by comparing manufacturing area. At the beginning of 1951 manufacturing area totalled 1,590,000 square feet—at the year-end it was more than 2,900,000 square feet. During the year $14,600,000 was spent for capital additions and improvements, $5,100,000 of which was granted accelerated amortization under Certificates of Necessity.

During 1951 Rheem entered the gas range field with the purchase of the James Graham Manufacturing Company of Newark, California. Makers of the popular "Wedgewood" line of quality ranges, the Graham Company had pioneered the manufacture of gas ranges on the West Coast. To consolidate and improve manufacturing, the Stockton Furnace Plant was closed and manufacturing moved to Newark.

In recognition of Rheem's outstanding production record during World War II, contracts for depth charge cases, artillery and mortar shells,



RMC260

artillery cartridge cases and aircraft components poured in. By the end of 1951 the backlog was over $100,000,000 and by the middle of the next year, totalled $150,000,000. Rheem was one of three companies selected by Army Ordnance each to operate a permanent artillery ammunition plant. This facility, located at Burlington, New Jersey, is engaged in the manufacture of artillery cartridge cases and, when not in production, will be kept on a standby basis ready for immediate resumption of production.

In 1952 deliveries of military products totalled almost $69,000,000, up from $12,000,000 in 1951 and ahead of the 1945 previous high of $62,000,000. Sales of non-military items were $75,000,000, of which containers accounted for 47% and appliances 53%, bringing total sales to $144,000,000, up 53% from the previous year.

Quoting from the Company's 1952 annual report to share owners, "The attainment of 1952's record output of military products carried its attending heavy start-up expenses, including the abnormal cost of assimilating sufficient new employees so that the working staff increased from 6,950 at the beginning of 1952 to 10,822 at the year-end . . . Of lesser importance, but still material factors which limited earnings, were (1) the cost of moving the New Jersey operations from Bayonne to the new Linden Plant and the Stockton furnace production lines to the Wedgewood Plant at Newark, California, (2) the steel strike in the second quarter which closed four of our plants and also restricted supplies of steel during the year, and (3) lower volume and more competitive prices for some of our non-military products.

". . . Capital expenditures, which hit a peak of $14,594,438 in 1951 in preparation for the heavily increased production which followed, dropped to $4,821,919 in 1952." Two more "Rheemcote" lines, at Linden and South Gate, were put into production during 1952.

The year 1953 has been named by Rheem management as a year of transition. While delivering a total of $108,000,000 of military and aircraft items, future planning was concentrated on peacetime products. Sales of non-military items in 1953 were $80,000,000, with containers accounting for 44% and appliances 56%. Total sales in 1953 of $188,000,000 are not expected to be equalled in 1954, with ordnance production being curtailed. Aircraft work, however, continues at a high level.

During 1953 there were several developments strengthening the outlook for sales of non-military products. The new "Rheemlined" drum, using an impervious lining of "Saran," offers an entirely new solution to the packaging problems of corrosion and spoilage. In May, Rheem purchased the water heater business of Seidelhuber Iron and Bronze Works, Inc. of Seattle, Washington. These facilities will be used to manufacture containers and appliances for the Northwest. For further expansion in this area, a 15-acre factory site near Tacoma, Washington, was purchased. Another acquisition was the business of Pacific Steel-fiber Drums, Inc. and Pacific All-fiber Drums, Inc. The purchase included all machinery and equipment for manufacturing fiber and steel and all-fiber shipping containers, as well as valuable patents covering exclusive design features. This equipment has been installed in Richmond and South Gate and plans call for similar facilities to be installed nation-wide.

RMC261

Proposed Acquisition of United States Spring & Bumper Co.

On February 4, 1954 Rheem Manufacturing Company entered into an agreement for the acquisition of United States Spring & Bumper Co. of Los Angeles, through the exchange of 44/100 of a share of Rheem common stock for each share of U.S. Spring common. The offer has been approved by the California Commissioner of Corporations and is contingent upon acceptance by the holders of 85% of U.S. Spring common, and a ruling must be obtained from the Bureau of Internal Revenue that the exchange will not be taxable.

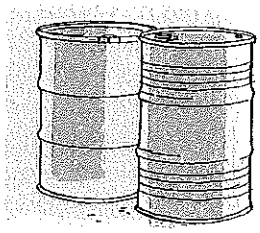
Based upon current market quotations, the proposed acquisition involves the equivalent of approximately $4,700,000. There are 380,000 shares of U.S. Spring common outstanding, approximately 75% of which is owned by members of the Rauen family. There are also outstanding 20,321 shares of 4½% Cumulative Convertible Preferred Stock which it is planned will be redeemed at $52 a share.

If the purchase is consummated, it is planned to operate U.S. Spring as a Rheem subsidiary, with John B. Rauen, Sr., continuing as president and the remainder of the present management will be retained. In announcing the agreement, the Rheem management stated, "The reason for the offer is to further broaden the diversification of our company's product. At the present time Rheem manufactures a line of fabricated metal products primarily made of steel, with substantial distribution to the oil, chemical, food and building industries, but with no substantial distribution in the automotive field. We want to share in the tremendous growth in the automotive activity, which shows every sign of continuing indefinitely in Southern California and the Western states."

In its fiscal year ended August 31, 1953, U.S. Spring had net sales of $19,500,000 and net earnings of $700,550, which after preferred dividends, amounted to $1.72 a share on the common stock. Incorporated in 1913, U.S. Spring manufactures automotive leaf and coil springs and bumpers, farm tools, metal highway safety guards and road-center dividers. Springs and bumpers, which are the most important products, are supplied as original equipment to the major passenger automobile assembly plants on the Pacific Coast.

Although (1) steel shipping containers and (2) home appliances and boilers and tanks are divergent, both as to product type and user, the principal part of their manufacture is the fabrication of sheet steel. Therefore, items that are manufactured at all of the various Rheem plants depend upon marketing and raw material considerations. Where both containers and appliance items are manufactured at a single plant, they are produced by separate departments, but under a single plant administration. It is only at the level of sales and product development, that containers and appliance activities are administered as separate divisions.

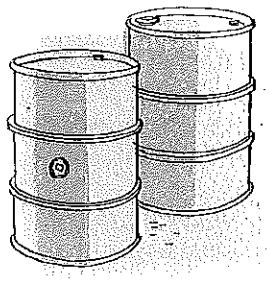
Containers



DRUMS

Steel shipping containers fall into two general classifications—drums, which normally range in capacity from 15 to 58 gallons; and pails, which are customarily from 1½ to 5 gallons in capacity. They are sold directly by the Company to the manufacturers or processors of petroleum products, chemicals, paints, foods, beverages and a wide variety of wet and dry products that require the protection, durability or other features of a steel container for transportation and storage. For liquid products, both drums and pails are made with tight-heads and various types of filling and pouring outlets. For semi-solid products, they are made with fully removable heads. Where products that are corrosive to steel are to be packaged, the containers are lined with various types of resistant laçquers, and Rheem has recently introduced drums lined with "Saran," a plastic that will not support bacterial growth.

For years pails, because of their small sizes, were the only steel shipping containers available with a decorated lithographed exterior. Rheem, with its large metal decorating presses in seven container plants, now offers the same decorated exterior for drums up to 58-gallon capacity. Known as "Rheemcote," this exclusive with Rheem process produces a drum lithographed in as many colors and carrying as much of a sales or instruction message as the user desires.



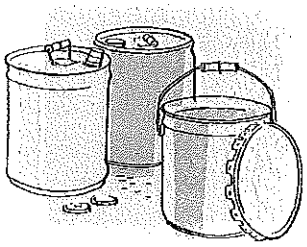
RETURNABLE DRUMS

Drums traditionally fall into three classes:

1. Single trip containers. This is by far the most important classification. The designation is actually a misnomer. While they may make one trip with their original products, actually they can be reconditioned for additional trips or be re-used without reconditioning for commodities not requiring a clean interior. This class of drum, which varies in thickness of metal from 16 to 19 gauge and in the 15-gallon size as light as 20 gauge, may make as many as five or more trips. Rheem has developed a new type of single trip container with a light-gauge body, strengthened with a fiber wrapping. If the cost of this container can be brought low enough, reconditioning of standard single-trip drums will become inadvisable, which factor should broaden the market for this new type of drum.

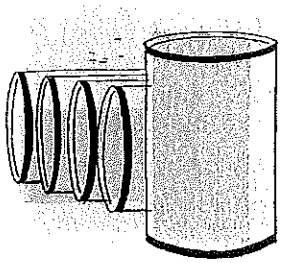
2. Returnable containers. These 55-gallon, 14 and 16 gauge containers, are designed for re-usage and normally remain the property of the product supplier. They are frequently hot-dipped galvanized and in most cases reinforced with heavy rolling-hoops.

3. Lightweight containers. These vary in size from 15 to 55 gallons and are made from 20 to as light as 28 gauge steel. They are popularly used to ship and store asphalt, lime, dusts, flakes, and powdered or granular material that does not require the protection of a heavier container.



PAILS

Pails fall into two general categories (1) tight-head, with screw-cap openings or pouring spouts for all types of liquids and (2) crimp-cover, for semi-solids, where the cover must be removable. They are widely used for paints, lubricants, chemicals and a great variety of industrial products.



FIBER CONTAINERS

Last June Rheem acquired the business of Pacific Steel-fiber Drums, Inc. and Pacific All-fiber Drums, Inc. because it believes that complete lines of steel and fiber, and all-fiber containers should prove to be a valuable addition to its all-steel shipping container lines.

Appliances

Rheem home appliances can be classified as:

(a) Automatic storage-type water heaters for all types of gas (natural, manufactured, mixed and liquefied petroleum) and for electricity.

(b) Space heating equipment for all types of gas and for oil. Rheem describes its central heating, forced-air furnaces as "Winter Air Conditioners." Its oil-burning models can be readily converted to gas-firing by simply changing the burner unit. The gas heating equipment line includes gravity furnaces, floor furnaces, recessed wall-heaters and console heaters.

(c) Space cooling equipment. This classification consists of evaporative air-coolers, together with a line of mechanical room air-conditioners which the Company purchases and distributes under the Rheem name.

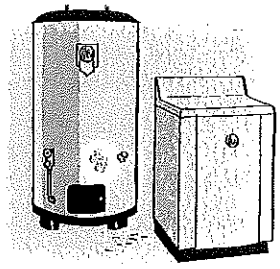
(d) Water softeners. Rheem manufactures a complete line of automatic and manually operated water softeners.

(e) Boilers and tanks. This classification includes range boilers, expansion tanks, hydro-pneumatic tanks for household water systems, and underground storage and septic tanks.

(f) Gas ranges and electric and gas clothes dryers. These are called Rheem-Wedgewood appliances to capitalize on the acceptance of both names and are sold principally on the West Coast at present.

Prior to World War II, most of the Company's output of water heaters and space heating equipment was sold under brand names other than Rheem. At the present time, the reverse is true and the major portion of all types of appliances is sold under the Rheem name.

In general, water heaters, space heating equipment, evaporative and room coolers, and boilers and tanks are distributed through the plumbing and heating jobbers and wholesalers. These firms supply the retail plumbing and heating dealers. Water softeners are generally sold through distributors, who are given an exclusive territorial franchise. To assist the retail dealer to move Rheem merchandise, the Company furnishes comprehensive sales promotional assistance and backs up local radio, television and newspaper advertising with national advertising in such magazines as *Life, Saturday Evening Post, Better Homes & Gardens, American Home* and *House Beautiful.*



WATER HEATERS

Besides being the world's largest manufacturer of automatic storage water heaters, Rheem has a

complete and diversified line. It has low-priced models for installation in large scale home-building projects. It has high-quality heaters for the replacement market and the individual home-builder. In many sections of the country where there are corrosive water conditions, ordinary galvanized steel water heater tanks will corrode and fail in a few years. To meet this, Rheem has developed and successfully introduced the first popular-priced water heater with a non-ferrous tank, the "Coppermatic." A tank of solid copper is encased within a steel tank, which results in a laminated long-life tank with the corrosion resistance of copper and strength of steel. The wide variety of Rheem water heaters is exemplified by the following summary of the line:

1. "Coppermatic" heaters carry a five-year guarantee and a ten-year pro-rata usage guarantee "protection plan." They are available for gas in 30, 40 and 50 gallon capacities and for electricity in 30, 52 and 82 gallon capacities.

2. Designed for economical modernization and the low-cost new home, the "Arrowhead" (1-year "protection plan") and the "Warrior" (3-year "protection plan") gas water heaters, have steel tanks, welded and galvanized by Rheem's patented process and are available in 20, 30 and 40 gallon capacities.

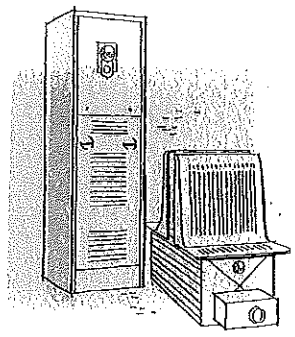
3. The "Custom" gas water heater is medium-priced, carries a 5-year "protection plan" and is available in 20, 30 and 40 gallon capacities.

4. The "Imperial" gas water heater is designed for better-class home construction and modernization, is covered by a 10-year "protection plan" and is available in 20, 30, 40, 50 and 75 gallon capacities.

5. The Rheem "Booster" gas water heater is a heavy-duty, circulating-type and is commonly used with an accompanying storage tank for hotels, hospitals, apartments, commercial garages, industrial buildings, etc. It is also used to heat swimming pools, carries a 1-year "protection plan" and is in three capacities; 100, 150 and 200 gallons per hour recovery (60 degree rise in temperature).

6. The "Standard" electric water heaters carry a 1-year "protection plan" and are available in the usual cylindrical style in 12, 20, 30, 40, 52, 66 and 82 gallon capacities, and in the table-top style in 30 and 40 gallon capacities.

7. The "Imperial" electric water heaters carry a 10-year "protection plan," and are available in the cylindrical style in 30, 40, 52, 66 and 82 gallon capacities, and in the table-top style in 30 and 40 gallon capacities.



SPACE HEATERS

The introduction of natural gas to many areas of the United States has tremendously broadened the market for gas-fired space heating equipment of all kinds. In new construction, the installation of central or other heating equipment offers no problems, but in modernization there are numerous problems as to space, and location of ducts. The Rheem heating line is completely diversified and offers a product to meet all types of requirements and problems of installation (all heating equipment carries a 10-year warranty against burn-out or rust-out):

1. *Winter Air Conditioner.* This classification covers four series of gas-fired and two of oil-fired furnaces which can be converted to gas by replacing the burner assembly. These furnaces can be equipped with an automatic humidifier and their input varies from as little as 60,000 to as much as 350,000 BTU per hour. For installation in closets, alcoves, utility rooms and in basements where there is limited clearance, certain types are specially insulated and built for "zero clearance."

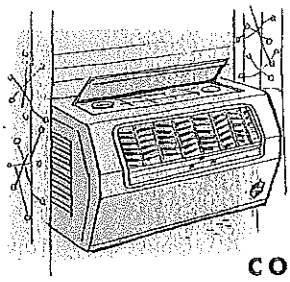
2. *Gas Horizontal Forced Air Furnaces.* This series, engineered for installation in attics and in shallow basements, delivers maximum output with a minimum of installation space and is available in three sizes: 60,000, 80,000 and 100,000 BTU input per hour.

3. *Gas Gravity Furnaces.* These furnaces provide an economical installation in smaller, compact houses with basements. They embody many of the design improvements of the forced air furnaces and are available in three sizes: 77,000, 95,000 and 112,000 BTU input per hour.

4. *Floor Furnaces.* Rheem has long been a leader in the design and manufacture of floor furnaces. The standard series is available with a flat floor register, or with dual wall registers, and with input capacities of from 25,000 to 50,000 BTU per hour.

5. *Gas Recessed Wall Heaters.* Designed for homes, apartments, offices and motels, these units are economical and easy to install. They do not project below the floor level and are available in two models: dual, which circulates heat from both sides of the wall heating two rooms; and single, which circulates heat from one side only. Both are available in 28,000 and 50,000 BTU input per hour capacities.

6. *Gas Console Heaters.* Available in three sizes: 25,000, 35,000 and 50,000 BTU input per hour, these attractively styled unit heaters can be easily and inexpensively installed and can be equipped with fully-automatic controls if desired.

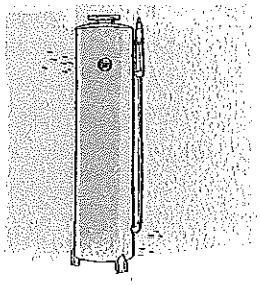


SPACE COOLING EQUIPMENT

The Rheem line includes two types of space cooling equipment:

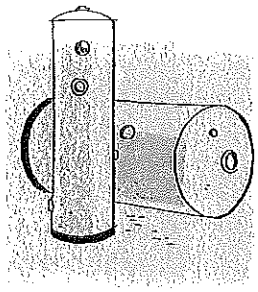
1. *Evaporative Coolers.* These are widely used in hot and arid climates, and consist of a cabinet housing a motor driven fan, which pulls air through a fibrous pad which is kept saturated with water. Installed in a window or special opening, these inexpensive cooling units have wide usage in the Southwest and in desert areas.

2. *Room Air Conditioners.* These units are purchased by Rheem to supplement the appliance line. They are easily installed in a window and provide the following: cooling, ventilating, exhausting, dehumidification, cooling and ventilating, cooling and exhausting, heating. There are three sizes with cooling capacities of 6,300, 9,100 and 11,200 BTU per hour; all three have a heating capacity of 4,300 BTU per hour.



WATER SOFTENING

Rheem makes two general types of water softeners: (1) manually controlled, and (2) semi-automatic. The latter is available with a separate brine tank to speed regeneration. Both models carry a 10-year "protection plan."



BOILERS AND TANKS

With the exception of underground storage tanks which are largely sold to oil companies and other distributors of petroleum products, users of petroleum products, and building contractors, the products in this classification are generally sold through plumbing jobbers and wholesalers:

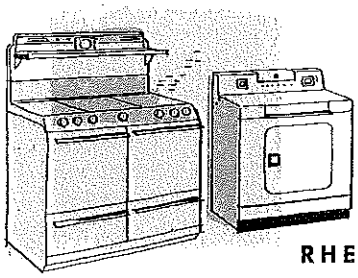
1. *Range Boilers.* This business is largely concentrated in the East and Midwest and, at present, is largely to satisfy the replacement market. Range boilers are made in four weights: standard, heavy, double-extra heavy and triple-extra heavy. They vary in size from 15 to 120 gallons.

2. *Expansion Tanks.* These units are for use in domestic circulating hot-water heating systems. For closed systems they are galvanized and for open systems, painted. They vary in size from 15 to 120 gallons.

3. *Hydro-pneumatic Tanks.* In the past few years, more and more rural and suburban households not served by public water systems have been putting in their own pumping and running water systems. Most of these require a pressurized water storage tank to keep an even flow. These are made in various weights and in capacities from 18 to 525 gallons.

4. *Underground Storage Tanks.* These are either painted, in capacities of from 120 to 10,000 gallons, or galvanized, in capacities of from 120 to 1,000 gallons.

5. *Septic Tanks.* These are painted and vary in capacity from 200 to 1,000 gallons.



RHEEM-WEDGEWOOD

Two products are distributed under the Rheem-Wedgewood brand—the complete line of Rheem-Wedgewood gas ranges and the new Rheem-Wedgewood clothes dryer for gas or electricity. These products are sold by a separate sales organization, directly to the retail dealer.

The Wedgewood name has long been synonymous with the highest quality of gas range made on the Pacific Coast. Presently, there are ten models to fit all requirements and price levels. The featured range is the high-level broiler model, with such other features as a warming-serving shelf that warms dishes, keeps food hot and adds 50% more work space to the range, a chrome griddle with heat indicator, and one-piece oven with rounded corners for easy cleaning. The complete line is made for all types of gases, including liquefied petroleum.

The Rheem-Wedgewood Clothes Dryer was developed after extensive market analysis and design research. Introduced in the fall of 1953, it has been very well received. An important selling feature is the unique "Clothes Saver," a separate compartment in which delicate fabrics can be dried without danger of damage from tumbling action or excessive heat.

Military

The military items manufactured by Rheem fall generally into two classifications (1) ordnance and (2) aircraft. While the output of ordnance components depends upon the current rate of their consumption or stockpiling, the volume of aircraft work has more of an element of continuity. Included in the aircraft work, though not a product of the Aircraft Division, is the Company's substantial output of steel containers for the shipping and storing of piston and jet aircraft engines. This product was originally designed by Rheem, working in close cooperation with the Air Force. The advantage of steel over wooden aircraft engine containers has been so clearly proven that this item can no longer be considered as a wartime requirement and has definite peacetime potential for commercial as well as military usage.

Between August 7, 1953 and February 1, 1954, the Company purchased a total of 42,000 shares of common stock of Northrop Aircraft Corporation at prices prices ranging from a low of $14 per share to a high of $18. Such purchase is intended by the Company to provide an opportunity to further its activities in the aircraft business and to maintain a closer relationship with developments in prime contracts in this field. A director of the Company, Mr. A. E. Ponting, has been elected to the board of directors of Northrop. It is believed by the Company that the operations of its Downey Plant will have a permanent role in the field of aircraft production and, more particularly, in the field of guided missile production in Southern California, where the aircraft industry plays a major part in the economy of the area.

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Properties

Rheem management has long followed a policy of disposing of obsolete or inadequate plants and of taking full advantage of building new plants under Certificates of Necessity. Almost without exception, all plants are either of recent construction or have been modernized. Indicative of the building and modernization since World War II is the following comparison of the property accounts before depreciation.

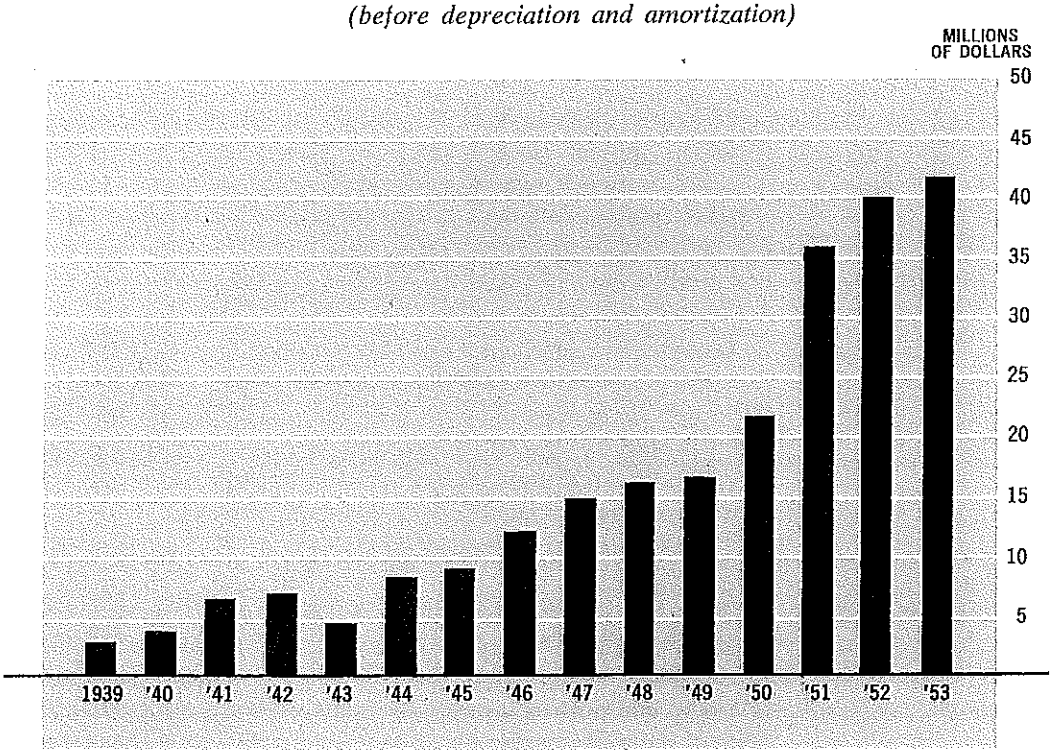
	12/31/45	12/31/53
Buildings	$2,772,000	$15,717,000
Machinery and Equipment	$5,885,000	$24,320,000
Total	$8,657,000	$40,037,000

The Company's machinery and equipment compares most favorably with any in related fields. Rheem's automatic galvanizing lines and special welding equipment and techniques produce water heater tanks, range boilers, hydro-pneumatic and other tanks that are noted for their uniformity and quality. In the container field, the Company's rate of production of both drum and pail lines is above the average for the industry. Furthermore, Rheem has the only metal decorating presses capable of lithographing drum sheets.

Manufacturing area on December 31, 1945 totalled 1,286,000 square feet and five years later it stood at 1,590,000 square feet. In one year, 1951, it jumped to more than 2,900,000 square feet, and at December 31, 1953 totalled 3,736,000 square feet.

Investment in property, plant and equipment

(before depreciation and amortization)



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Plants

RICHMOND, CALIFORNIA

SITE	18.3 ACRES
USEABLE FLOOR AREA	250,330 SQ. FT.
NUMBER OF EMPLOYEES	443

This plant is located in close proximity to the large oil refineries of Standard, Union, Shell and Associated. It has been the Company's largest producer of steel drums and pails. During World War II, five drum lines were operated and it was the Nation's largest producer. The products of this plant include drums and pails, steel and fiber and all-fiber shipping containers, galvanized boilers and tanks, and underground storage and septic tanks.

SOUTH GATE, CALIFORNIA

SITE	16.4 ACRES
USEABLE FLOOR AREA	284,987 SQ. FT.
NUMBER OF EMPLOYEES	510

Located in the industrial section of Los Angeles County, this plant is a heavy producer of appliances, with drums being second in importance. Its products include steel drums, fiber drums, gas water heaters, water softeners, clothes dryers, galvanized boilers and tanks, underground storage and septic tanks.

HOUSTON, TEXAS

SITE	12.5 ACRES
USEABLE FLOOR AREA	244,745 SQ. FT.
NUMBER OF EMPLOYEES	489

An 80,000 sq. ft. addition to this plant was completed in 1951 for the manufacture of 4.2" mortar shells. Its normal products include drums, gas water heaters, evaporative coolers, galvanized boilers and tanks, and underground storage and septic tanks.

CHICAGO, ILLINOIS

SITE	55.0 ACRES
USEABLE FLOOR AREA	547,000 SQ. FT.
NUMBER OF EMPLOYEES	1,207

This is the largest of all Rheem plants. Its products include drums, gas and electric water heaters, galvanized boilers and tanks, warm-air heating equipment, water softeners and aircraft engine containers.

NEW ORLEANS, LOUISIANA

SITE	17.2 ACRES
USEABLE FLOOR AREA	217,250 SQ. FT.
NUMBER OF EMPLOYEES	887

The initial "Rheemcote" drum facilities were installed and brought into production in New Orleans early in 1950. In 1951 this plant was enlarged by approximately 100,000 sq .ft. to provide space for the forging and machining of 105 MM shells and the drawing of 90 MM cartridge cases. Its normal products are drums and pails, with Houston taking care of appliance requirements for the Southern territory.

SPARROWS POINT, MARYLAND

SITE	29.3 ACRES
USEABLE FLOOR AREA	410,840 SQ. FT.
NUMBER OF EMPLOYEES	1,174

This plant is located just outside Baltimore and adjacent to the Sparrows Point Mill of Bethlehem Steel Corporation. In 1952 this plant was highly-praised by Army Ordnance for developing and putting into production spiral-wrapped steel 105 MM cartridge cases, which were badly needed at that time. Its products include drums and pails, gas and electric water heaters (including the "Coppermatic" models), galvanized boilers and tanks, and aircraft engine containers.

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SAN PABLO, CALIFORNIA

SITE	47.4 ACRES
USEABLE FLOOR AREA	328,000 SQ. FT.
NUMBER OF EMPLOYEES	1,212

Located about two miles north of the Richmond Plant, this plant began operations in 1951, strictly as an ordnance operation. First in production were 81 MM mortar shells, then Navy 5" and 3" steel cartridge cases, and finally 155 MM shells. Rheem's contract to forge and machine 155 MM shells was the first for a component of this size ever awarded to the West.

DOWNEY, CALIFORNIA

SITE	49.4 ACRES
USEABLE FLOOR AREA	467,475 SQ. FT.
NUMBER OF EMPLOYEES	2,334

Operating as the Aircraft Division, this plant went into production in 1951 making aircraft parts and assemblies. The initial output consisted of components for Lockheed's jet-trainer and all-weather fighter. This was later supplemented by parts for Lockheed's patrol bomber and Northrop's all-weather interceptor. A recent contract calls for the manufacture of complete after-burner units for Westinghouse jet engines.

LINDEN, NEW JERSEY

SITE	30.6 ACRES
USEABLE FLOOR AREA	171,000 SQ. FT.
NUMBER OF EMPLOYEES	416

This plant was put into operation in 1951 and took over the drum production formerly handled at the nearby Bayonne Plant, which was sold. This plant also was equipped to manufacture 81 MM mortar shells by the process developed at San Pablo.

NEWARK, CALIFORNIA

SITE	20.8 ACRES
USEABLE FLOOR AREA	257,885 SQ. FT.
NUMBER OF EMPLOYEES	661

This plant, formerly operated by the James Graham Company, was acquired in July of 1951. Founded in its present location on the Southeastern shore of San Francisco Bay in 1882, this plant pioneered the manufacture of gas ranges on the Pacific Coast. Besides manufacturing the Rheem-Wedgewood line of ranges, this plant was enlarged in 1952 to take over the manufacture of the warm-air heating equipment formerly made in leased premises in Stockton, California.

SEATTLE, WASHINGTON

SITE	6.1 ACRES
USEABLE FLOOR AREA	45,000 SQ. FT.
NUMBER OF EMPLOYEES	42

Formerly owned by the Seidelhuber Iron and Bronze Works, Inc., this plant was purchased and possession was taken July 1, 1953. This plant will initially be used to manufacture water heaters and later steel drums and other Rheem products.

TACOMA, WASHINGTON

To provide for expansion in the Northwest, in September of 1953 the Company purchased a 15-acre plant site in the industrial section of Tacoma.

BURLINGTON, NEW JERSEY

SITE	Leased
USEABLE FLOOR AREA	415,779 SQ. FT.
NUMBER OF EMPLOYEES	1,185

This plant is government-owned and was formerly a wartime aluminum plant. It is operated under lease as a permanent ordnance plant and is now manufacturing artillery cartridge cases.

PHILADELPHIA, PENNSYLVANIA

SITE	Leased
USEABLE FLOOR AREA	95,616 SQ. FT.
NUMBER OF EMPLOYEES	317

This plant is the Eastern research and development department on Government projects.

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Rheem International

Operating under the supervision of Rheem International Division of Rheem Manufacturing Company are the eight foreign affiliated and associated companies set forth below.

In establishing these companies, Rheem has followed the basic policy of requiring the participation of foreign capital and management. Only the Peruvian company now lacks the participation of local capital.

While the sales volume of these foreign affiliated and associated companies, which totalled approximately $15,000,000 in 1953, suffers by comparison with the parent company's volume, such companies have an important part in over-all Rheem operations. The petroleum industry, which is by far the largest user of steel shipping containers, is today more than ever world-wide in scope. Motorized transportation has spread to the most remote regions of the globe and, where trucks, cars and jeeps, tractors and stationary internal combustion engines go, drums of gasoline and lubricants must follow. Among American drum manufacturers only Rheem is in a position to offer the large oil companies such world-wide facilities.

Rheem International Division, which is headquartered in New York City, also has the responsibility for the Company's export sales. Since steel shipping containers rarely enter the export market empty, the export volume is substantially all in appliances and has been growing steadily.

	Percentage Owned	Founded
Rheem-Australia Pty. Limited Sydney, Brisbane, Melbourne, Fremantle, Adelaide	50%	1936
Rheem Metalurgica S. A. Rio de Janeiro	70%	1945
Rheem-Hume (Far East) Limited Singapore	50%	1947
Rheem Canada Limited, Hamilton, Ontario	30%	1947
S. A. Industrial y Comercial Aceros Rheem Buenos Aires	40%	1948
Rheem Peruana S. A., Lima	100%	1949
Rheem Lysaght Limited, Bristol, England	40%	1950
Rheem of the Philippines, Inc.	42%	1952

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General Information

Management

The directors and officers of the Company are listed below:

DIRECTORS

R. S. Rheem	D. L. Rheem
W. K. Rheem	Herbert E. Hall
W. E. Zander	G. M. Greenwood
A. E. Ponting	C. V. Coons

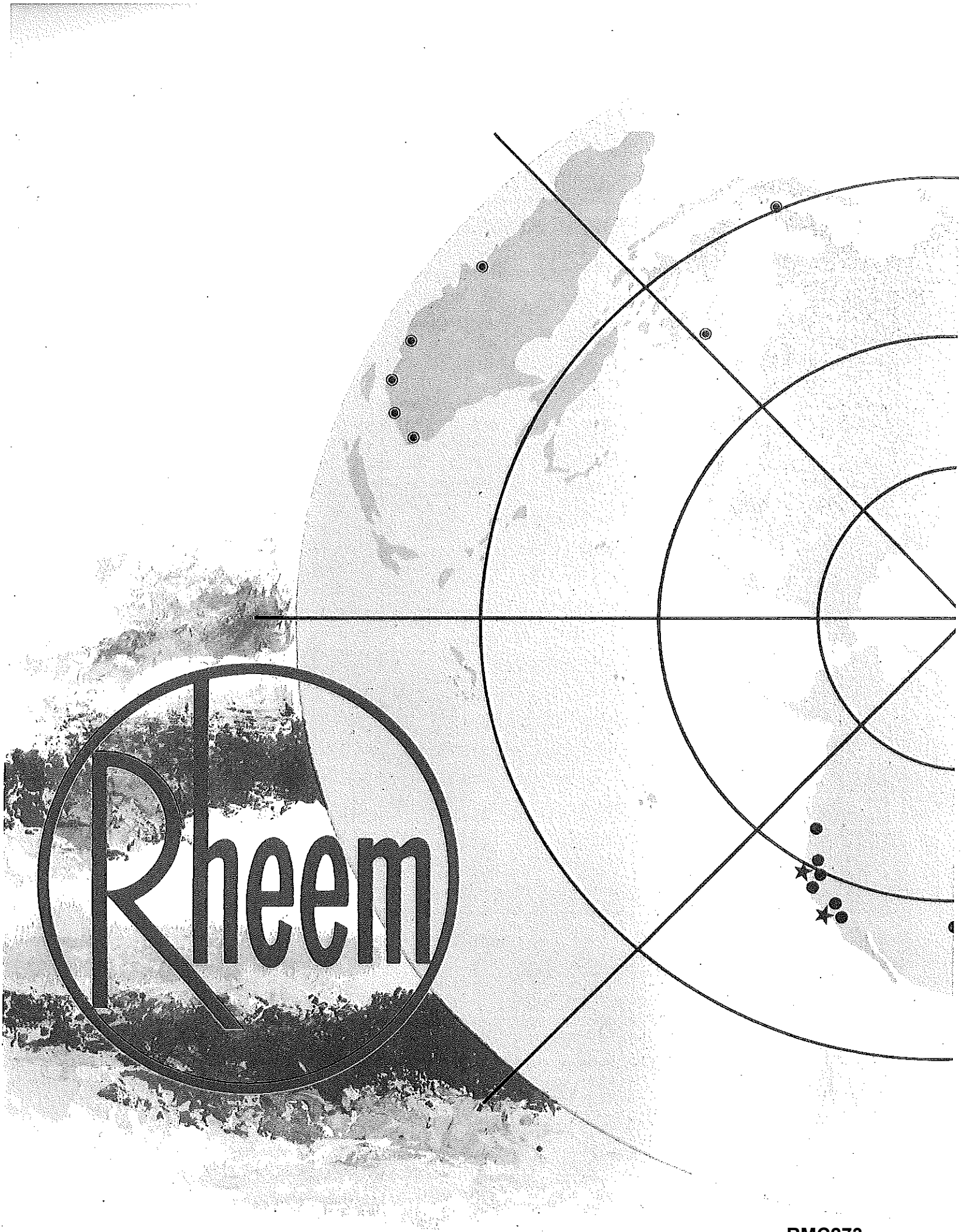
OFFICERS

R. S. Rheem	*President*
D. L. Rheem	*Executive Vice President*
W. E. Zander	*Senior Vice President*
G. M. Greenwood	*Vice President and Treasurer*
C. V. Coons	*Vice President*
L. W. Evans	*Vice President*
A. Lightfoot Walker	*Vice President*
Clarence R. Graham, Sr.	*Vice President*
R. P. Williams, Jr.	*Vice President*
Gordon W. Mallatratt	*Secretary*
C. B. Huestis	*Comptroller*
J. F. West	*Assistant Comptroller*
R. S. Greenwood	*Assistant Treasurer*
F. F. Lind	*Assistant Secretary*
J. Davis	*Assistant Secretary*
C. T. Miller	*Assistant Secretary*

Employees

On December 31, 1953, the Company had approximately 10,800 employees upon its payroll. Rheem maintains a well-rounded program of employee benefits including vacations with pay, paid holidays, pensions, group insurance, and similar benefits which are in line with or above those prevailing in the industry. The base wage rates and average earnings of the employees compare favorably with those of other companies in the industry.

RMC272



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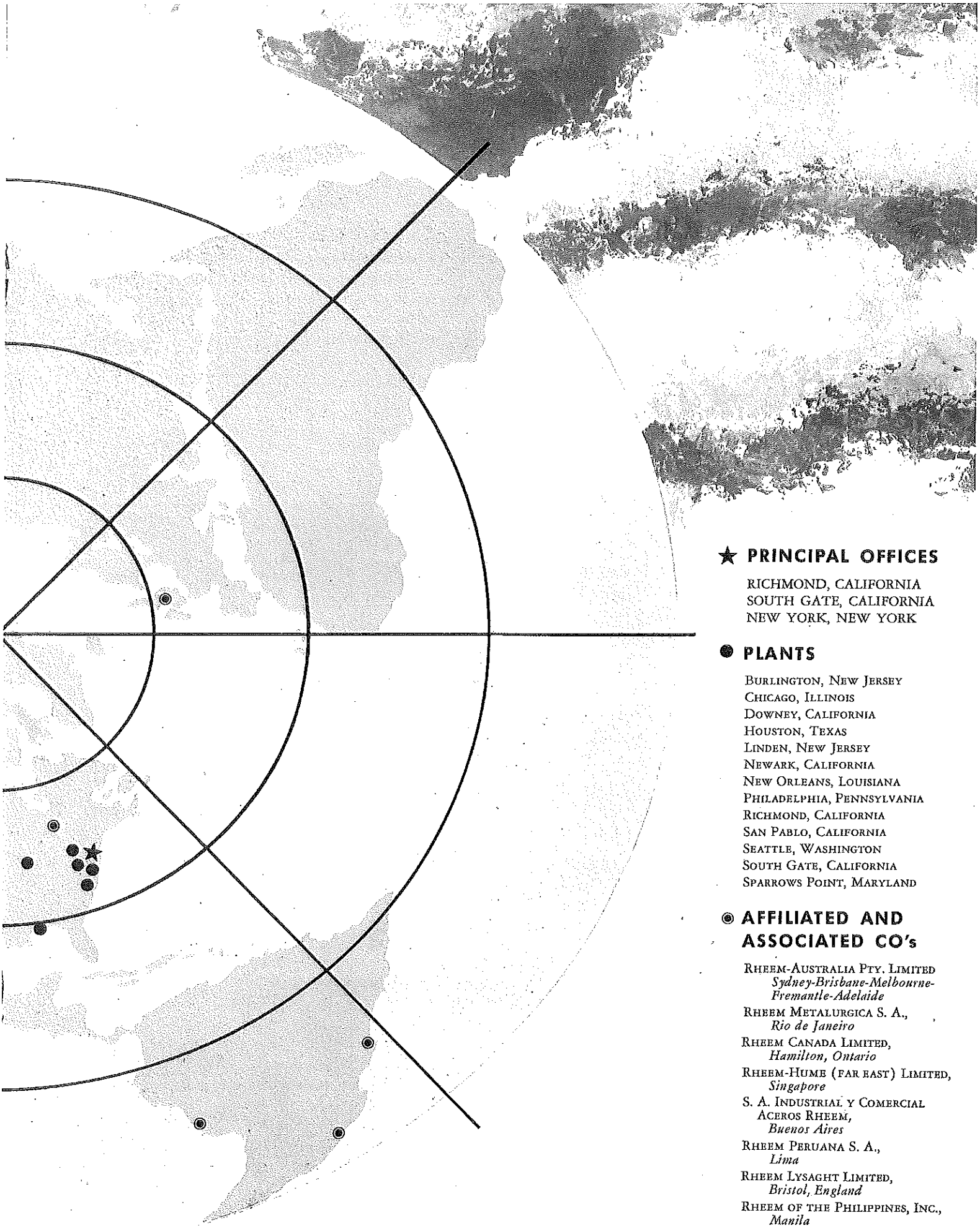

★ PRINCIPAL OFFICES

RICHMOND, CALIFORNIA
SOUTH GATE, CALIFORNIA
NEW YORK, NEW YORK

● PLANTS

BURLINGTON, NEW JERSEY
CHICAGO, ILLINOIS
DOWNEY, CALIFORNIA
HOUSTON, TEXAS
LINDEN, NEW JERSEY
NEWARK, CALIFORNIA
NEW ORLEANS, LOUISIANA
PHILADELPHIA, PENNSYLVANIA
RICHMOND, CALIFORNIA
SAN PABLO, CALIFORNIA
SEATTLE, WASHINGTON
SOUTH GATE, CALIFORNIA
SPARROWS POINT, MARYLAND

◉ AFFILIATED AND ASSOCIATED CO's

RHEEM-AUSTRALIA PTY. LIMITED
Sydney-Brisbane-Melbourne-Fremantle-Adelaide

RHEEM METALURGICA S. A.,
Rio de Janeiro

RHEEM CANADA LIMITED,
Hamilton, Ontario

RHEEM-HUME (FAR EAST) LIMITED,
Singapore

S. A. INDUSTRIAL Y COMERCIAL ACEROS RHEEM,
Buenos Aires

RHEEM PERUANA S. A.,
Lima

RHEEM LYSAGHT LIMITED,
Bristol, England

RHEEM OF THE PHILIPPINES, INC.,
Manila

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Financial Information

The Company's financial history is a story of growth in every category one wishes to subject to scrutiny. To accommodate the required expansion of investment in the tools of production and to maintain a maximum of strength in its working capital position, the Company during the last fifteen years alone has marketed publicly over $22,500,000 of its securities, in addition to which it has almost continuously drawn upon its credit with banks and insurance companies.

To underscore this growth trend, there are set forth below certain Balance Sheet and Profit and Loss accounts for selected years. In the appendix of this report may be found the detailed Balance Sheets for the Company for the calendar years 1952 and 1953, together with a detailed summary of Profit and Loss statements for each of the years 1939 to 1953, inclusive.

The following table sets forth in comparative form the long term debt, capital stock and surplus of the Company as of December 31, 1939, 1952 and 1953:

	12/31/39	12/31/52	12/31/53
	000's		
Long Term Indebtedness (1)	$1,173	$13,067	$12,380
4½% Cum. Conv. Preferred Stock (2)	—	9,990	9,990
Common Stock, $1 par value (3)	304	1,249	1,249
Paid in Surplus	1,107	17,576	17,576
Earned Surplus	804	12,890	14,923
Total	$3,388	$54,772	$56,118

(1) Long term debt in 1939 was in the form of Ten Year Sinking Fund 5% Debentures, convertible until 1943 into common stock. In 1952 the amount here shown and in 1953 a total of $12,133,333 were owed to an insurance company. Interest payable on such debt is at the rate of 3¾% and maturity is 1953-1966. Also in 1953 the Company owed $246,600 on purchase money obligations. For further details see under caption "Description of Securities."

(2) There are 150,000 shares of Cumulative Preferred Stock $100 par value authorized, of which the 4½% Cumulative Convertible shares constitute a series sold publicly in 1951. For further details see under caption "Description of Securities."

(3) Authorized, 1,750,000 shares; outstanding at December 31, 1953, 1,249,308 shares; reserved for conversion of preferred stock, 307,848 shares.

The table below sets forth the working capital position of the Company as of December 31, 1939, 1952 and 1953:

	12/31/39	12/31/52	12/31/53
	000's		
Current Assets	$2,194	$50,259	$54,014
Current Liabilities	1,070	29,056	30,725
Net Working Capital	$1,124	$21,203	$23,289
Current Ratio	2.05 to 1	1.73 to 1	1.76 to 1

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The following table reflects the spectacular percentage growth in the net investment in the Company's domestic productive facilities:

	12/31/39	12/31/52	12/31/53
	000's		
Property, Plant and Equipment (at cost)	$2,886	$40,060	$41,619
Less—Reserve for depreciation	850	8,325	10,732
Net Investment	$2,036	$31,735	$30,887
Percentage increase in net investment 1953/1939			1,417%

The investments of the Company in its several foreign associated and affiliated companies (described elsewhere in this report) are carried at cost. On December 31, 1953 such investments had a net book value exceeding such cost by $1,440,270, which excess is not reflected in the Company's balance sheet.

	12/31/39	12/31/52	12/31/53
	000's		
Foreign Associates and Affiliates	$99	$1,758	$1,860

The strong upward trend in annual net sales in the past fifteen years has resulted from several factors; namely, (1) a vigorous campaign bent upon gaining for the Company a larger share of the national and international market for home gas appliances, (2) a constantly expanding line of products, (3) a hard-hitting sales and price approach to the distribution of Rheem-made containers, (4) entry of the Company into the fabrication of products used directly and indirectly for national defense, and (5) to some extent an increasing price level. Although a detailed summary

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of the Company's statements of Profit and Loss for the years 1939 to 1953, inclusive, may be found in the appendix hereof, the following table will serve to point up the highly significant growth factor in certain selected items contained in those statements:

	Year ended December 31,			Percentage Increase	
	1939	1952	1953	1953/1939	1953/1952
	000's				
Net Sales	$9,107	$144,524	$188,005	1,964.4	30.1
Income before Taxes	722	7,200	12,882	1,684.2	78.9
Net Income	864(1)	3,900	4,982	476.6	27.7
Common Stock Equity (2)	2,216	31,715	33,748	1,422.9	6.4

(1) After including non-recurring profit from sale of one-half interest in Rheem-Australia Pty. Limited.

(2) Common stock plus paid in surplus and earned surplus.

The table below sets forth the dividends paid and the earnings per share of common stock together with the book value per share and the price range for the years 1939 to 1953, inclusive:

Year ended December 31	No. Shares Common Stock Outstanding	Earned per Share	Dividend Paid per Share	Book Value per Share at Dec. 31	Price Range on Common Stock
1939	304,286	$2.84	$1.00	$ 7.28	20¼ - 10¼
1940	314,674	1.63	1.00	8.15	19¾ - 12¼
1941	314,674	2.01	1.00	8.97	14½ - 10
1942	400,000	2.32	1.00	10.38	11⅞ - 9½
1943	643,070	1.24	1.00	11.04	14¼ - 9¾
1944	674,824	1.88	1.00	12.04	19⅛ - 13
1945	800,000	1.63	1.00	13.25	26¼ - 16½
1946	1,000,000	1.16	1.00	15.01	38 - 19
1947	1,000,000	3.25	1.15	17.12	25⅝ - 19
1948	1,000,000	3.07	1.60	18.62	24½ - 17
1949	1,000,000	2.41	1.60	19.49	21¼ - 13¼
1950	1,000,000	4.75	1.90	22.34	30 - 19
1951	1,049,030	3.78	2.40	24.01	34½ - 28
1952	1,249,308	2.76	2.30	25.38	33 - 24
1953	1,249,308	3.63	2.00	27.01	29⅞ - 22¼

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Description of Securities

The Ten-Year Sinking Fund 5% Debentures, issued in 1938 to refund the existing bank loan, were refunded in 1941 by the issuance of $1,500,000 Sinking Fund 3½% Debentures, due March 1, 1956. Under provisions of a bank credit agreement signed in 1946, the Company borrowed $4,000,000 and redeemed its 3½% Debentures, then during 1949 repaid the balance of its bank debt. In 1950 the Company created a new bank indebtedness of $5,000,000 carrying an interest rate of 3%, but liquidated such debt when in 1951 Blyth & Co., Inc., negotiated for it a $14,000,000 3¾% loan due in annual installments from 1953 to 1966. As of December 31, 1953, $13,066,667 of such loan remained outstanding. Under the subject agreement, the Company covenants (1) not to declare any dividends other than stock dividends and dividends on the Cumulative Preferred Stock 4½% Convertible Series, and (2) not to purchase or redeem any shares of capital stock, except for sinking fund, unless (a) working capital be at least $16,000,000, (b) a stipulated net working capital position be maintained, and (c) a specified amount of capital and surplus be maintained. Certain other normal covenants are made by the Company under terms of the agreement.

In March, 1941 the Company sold 80,000 shares of $25 par value 5% Cumulative Preferred Stock (convertible) to obtain needed working capital resulting from an expanded volume of sales, and in 1942 created a new series of 6% Cumulative Preferred Stock (convertible) and issued 21,221 shares thereof ($25 par). In 1943 9,268 additional shares of such stock were issued and 6,285 shares were converted into common stock. During 1944 10,938 shares of the 6% Series and 5,347 shares of the 5% Series were converted into common stock; and on February 1, 1945 all the then outstanding shares of the 6% Series and on August 1, 1945 all shares of the 5% Series were redeemed. In October, 1945, the Company sold publicly through a syndicate headed by Blyth & Co., Inc., 30,000 shares of Cumulative Preferred Stock, 4½% Series, $100 par. In 1951 such stock was redeemed and at the same time the Company sold publicly again through an underwriting syndicate managed by Blyth & Co., Inc., 100,000 shares of Cumulative Preferred Stock, 4½% Convertible Series, $100 par value. Of such stock 99,898 shares were outstanding on December 31, 1953. The Company's articles of incorporation impose, among other things, the following conditions upon the preferred stock: (1) redemption prices per share range from $105.50 before June 1, 1956, to $102 after June 1, 1971, plus accrued dividends, (2) payments into a sinking fund are required annually beginning in 1956, equivalent to the lower of $333,333 or net earnings of the preceding year less dividend requirements of the preferred stock for that year, (3) the 4½% Convertible Series is convertible into common stock before June 1, 1956 in the ratio of 3.08 shares of common stock for each share of preferred stock and from June 1, 1956 to June 1, 1961 in the ratio of 2.82 shares.

Expansion of the Company's physical facilities and the spectacular growth of its sales have resulted over the years in a substantial increase in the amount of common stock outstanding, as may be observed by reference to the table shown on page 20 hereof. As of December 31, 1953, 1,750,000 shares of $1 par value common stock were authorized, 1,249,308 shares were outstanding and 307,848 shares were reserved for conversion of the 4½% Convertible Series preferred stock. Under provisions of the loan agreement mentioned above, $9,614,617 of earnings at December 31, 1953 are not available for dividends on common stock. Other dividend restrictions are referred to above.

As of December 31, 1953, Bethlehem Steel Corporation owned 30,000 shares of the 4½% Convertible Series preferred stock and 300,000 shares of the common stock of the Company.

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Summary

Highlighted below are many of the factors elaborated upon in this report which in greater or less degree should enter into the considerations of an investor when he appraises the common stock of Rheem Manufacturing Company as a medium for investment.

1. For many years an important factor in U.S. production of steel containers, the Company now has become the world's largest maker of automatic water heaters and has experienced a rapid expansion in output of other appliance products.

2. To strengthen its economic position, the Company has diversified its product lines and expects to continue such policy. For example, in 1939 approximately 77% of Rheem's sales was of steel shipping containers, 13% water heaters, 3% furnaces (heating) and 7% boilers, tanks and allied products, while in 1953 about 19% of sales was of containers, 11% water heaters, 3% furnaces (heating), 4% boilers and tanks, 6% other appliance products, 38% ordnance, and 19% aircraft parts and assemblies.

3. A comparison of sales in 1953 ($188,004,665) with sales in 1939 ($9,106,994) shows an increase of over 1,964%, and the Company exhibits a strong growth trend by many other standards.

4. In the field of container development Rheem research has placed many "firsts" including the exclusive "Rheemcote" lithographed steel drums, sometimes approvingly referred to as "traveling billboards." Recently the Company developed the "Rheemlined" drum which is lined with "Saran," a plastic material. This container was developed especially for use by the food, chemical and pharmaceutical industries.

5. The Company in 1951 signaled its entrance into the major appliance field by the acquisition of the "Wedgewood" range plant and subsequently the development of the "Rheem-Wedgewood" Clothes Dryer.

6. To increase the size of its productive units as well as to keep modern its existing facilities, Rheem in the fifteen years 1939-1953 made net additions to capital assets equal to $38,700,000.

7. Rheem enlisted for war in 1941 and during 1945 produced over $62 millions of ordnance and aircraft products. It received many commendations from the Armed Services for efficiency and promptness. By 1950 it was producing for the defense effort and in 1953 such output exceeded $108,000,000.

8. During the years 1939 to 1953, despite a serious shortage in steel for the most part, Rheem enjoyed a relatively continuous expansion in sales of peacetime products.

9. With the establishment in 1936 of Rheem-Australia Pty. Limited, the Company adopted an aggressive attitude toward foreign markets, and since that date it has entered into an associate or affiliate relationship with seven additional foreign companies.

10. Investments of the Company in the capital stocks of associated and affiliated companies amounted, at cost, on December 31, 1953, to $1,859,730; however, the underlying equity represented by such investments amounted to $3,300,000. The excess, amounting to $1,440,270, is nowhere reflected in Rheem's financial statements.

11. Rheem is conservatively capitalized, with 22% long-term debt, 18% preferred stock, and 60% common stock and surplus.

12. The book value per share of Rheem common stock at December 31, 1953 amounted to $27.01 per share. Such value is higher by 271% than the book value of such stock at December 31, 1939.

13. In the last five years alone, earnings equivalent to $6.23 per share of common stock have been "plowed back" by Rheem.

14. The common stock of the Company was initially listed on the New York Stock Exchange on September 9, 1943, and in addition thereto is presently listed on the San Francisco Stock Exchange and the Los Angeles Stock Exchange.

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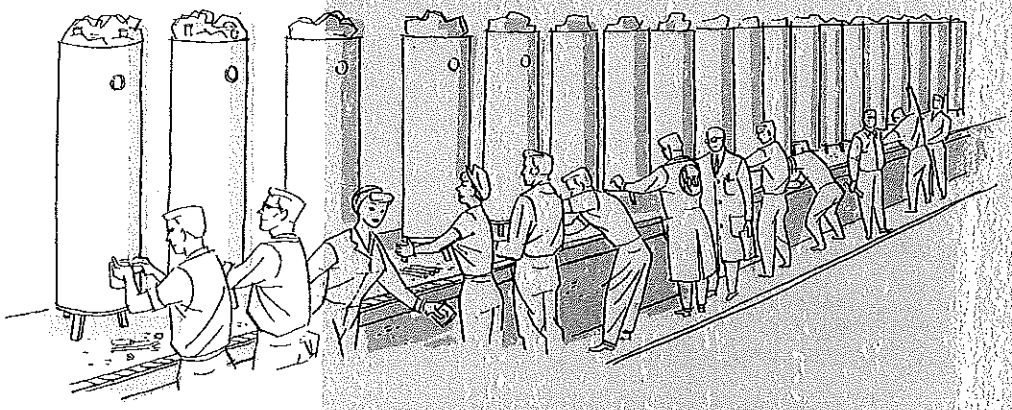
Appendix



Capital & Retained Earnings

As of Dec. 31	Working Capital	Preferred Stock	Common Stock $1 Par	Excess Paid In Over Par Value	Retained Earnings	Total Capital and Retained Earnings	Book Value Common Stock	Number Common Stock-holders
1939	$ 1,124,025		$ 304,286	$ 1,107,492	$ 804,486	$ 2,216,264	$ 7.28	951
1940	1,081,342		314,674	1,265,403	984,021	2,564,098	8.15	1,038
1941	1,647,736	$2,000,000	314,674	1,145,177	1,362,100	4,821,951	8.97	1,112
1942	1,584,364	2,530,525	400,000	1,834,017	1,917,196	6,681,738	10.38	1,783
1943	6,018,932	2,605,100	643,070	4,374,218	2,082,112	9,704,500	11.04	1,885
1944	6,454,418	2,197,975	674,824	4,748,656	2,700,115	10,321,570	12.04	2,296
1945	9,100,533	3,000,000	800,000	6,579,865	3,220,517	13,600,382	13.25	3,705
1946	11,516,244	3,000,000	1,000,000	10,469,370	3,537,112	18,006,482	15.01	5,376
1947	11,157,402	2,840,500	1,000,000	10,469,370	5,648,533	19,958,403	17.12	4,693
1948	11,117,826	2,638,400	1,000,000	10,479,385	7,145,505	21,263,290	18.62	5,273
1949	7,985,075	2,550,100	1,000,000	10,494,010	7,992,955	22,037,065	19.49	5,132
1950	11,901,355	2,369,900	1,000,000	10,497,300	10,845,905	24,713,105	22.34	4,980
1951	17,555,213	9,999,000	1,049,030	11,944,799	12,192,617	35,185,446	24.01	5,479
1952	20,280,534	9,989,800	1,249,308	17,575,631	12,889,807	41,704,546	25.38	7,946
1953	23,288,944	9,989,800	1,249,308	17,575,631	14,923,522	43,738,261	27.01	7,420

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FIFTEEN-YEAR FINANCIAL SUMMARY (1)

Sales, Earnings & Dividends

Year	Net Sales	Earnings before Provision for Fed. Inc. Taxes	Provision for Fed. Inc. Taxes	Net Earnings	Preferred Dividends Paid	Balance after Pfd. Dividends	Common Dividends Paid	Earned per Share Common
1939	$ 9,106,994	$ 1,065,732	$ 201,778	$ 863,954		$ 863,954	$ 301,479	$2.84
1940	10,351,013	773,591	262,000	511,591		511,591	314,101	1.63
1941	19,512,607	1,356,903	662,000	694,903	$ 61,965	632,938	314,674	2.01
1942	32,988,887	2,783,461	1,718,362	1,065,099	139,001	926,098	336,005	2.32
1943	54,864,828	3,948,126	3,012,215	935,911	141,225	794,686	397,962	1.24
1944	74,646,412	5,224,119	3,832,700	1,391,419	121,280	1,270,139	652,136	1.88
1945	90,152,494	4,539,690	3,192,220	1,347,470	41,398	1,306,072	757,420	1.63
1946	39,268,335	2,119,976	823,651	1,296,325	135,002	1,161,323	844,729	1.16
1947	60,258,287	5,377,520	2,000,765	3,376,755	128,437	3,248,318	1,131,590	3.25
1948	58,744,097	5,119,073	1,925,285	3,193,788	122,160	3,071,628	1,574,656	3.07
1949	49,754,531	4,178,322	1,649,251	2,529,071	116,883	2,412,188	1,564,738	2.41
1950	74,465,686	10,217,593	5,355,000	4,862,593	109,643	4,752,950	1,900,000	4.75
1951	94,106,957	13,015,515	8,765,000	4,250,515	280,364	3,970,151	2,458,818	3.78
1952	144,523,960	7,200,200	3,300,000	3,900,200	449,648	3,450,552	2,753,362	2.76
1953	188,004,665	12,881,876	7,900,000	4,981,876	449,545	4,532,331	2,498,616	3.63

(1) Adjusted to conform to amended Federal income tax returns.

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Assets

	December 31 1952	December 31 1953
CURRENT ASSETS:		
Cash in banks and on hand	$ 2,653,265	$ 3,313,766
Marketable securities, at cost (market quotations $559,000)		494,427
Accounts receivable, trade:		
Commercial, less reserve (1952, $292,580; 1953, $305,327)	6,898,852	6,167,057
United States Government sources	15,930,142	14,615,800
Owing by affiliated and associated companies	760,441	300,513
Inventories, at cost or less, not over market:		
Finished and in process	10,527,133	15,078,989
Raw materials and supplies	11,400,461	12,253,611
Preproduction expenses on Government contracts	1,165,900	834,907
Costs allocable to future operations—insurance, taxes, rentals, etc.	922,594	954,491
Total Current Assets	$50,258,788	$54,013,561
INVESTMENTS:		
Capital stock of affiliated and associated companies operating in foreign countries, at cost (Note 1)	$ 1,757,515	$ 1,859,730
Cash surrender value of insurance on lives of officers (amount of policies $350,000)	74,933	82,077
	$ 1,832,448	$ 1,941,807
PROPERTY, PLANT AND EQUIPMENT (at cost less reserves):		
Land	$1,082,657	$ 1,582,320
Buildings, machinery and equipment, less reserves for depreciation and amortization (1952, $8,324,737; 1953, $10,731,797)	30,652,980	29,305,123
	$31,735,637	$30,887,443
Total Assets	$83,826,873	$86,842,811

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BALANCE SHEET *(See notes to financial statements)*

Liabilities	December 31 1952	December 31 1953
CURRENT LIABILITIES:		
Notes payable	$13,933,333	$13,222,983
Accounts payable, trade and miscellaneous	8,619,761	7,541,669
Accrued wages	1,015,765	881,330
Federal taxes on income (estimated)	3,800,107	8,321,808
Other accrued taxes	541,716	565,998
Contributions payable under retirement plans (Note 2)	1,144,978	190,829
Total Current Liabilities	$29,055,660	$30,724,617
LONG TERM INDEBTEDNESS: (Note 3)	$13,066,667	$12,379,933
CAPITAL AND RETAINED EARNINGS:		
Cumulative preferred stock, par value $100 per share; authorized—150,000 shares; 4½% convertible series, outstanding—99,898 shares (Note 4)	$ 9,989,800	$ 9,989,800
Common stock, par value $1 per share; authorized—1,750,000 shares; outstanding—1,249,308 shares (Note 7)	1,249,308	1,249,308
Capital in excess of par value of shares outstanding	17,575,631	17,575,631
Earnings retained for use in business (Note 5)	12,889,807	14,923,522
Total Capital and Surplus	$41,704,546	$43,738,261
Total Liabilities and Capital	$83,826,873	$86,842,811

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RHEEM MANUFACTURING COMPANY

STATEMENT OF EARNINGS *(See notes to financial statements)*

	Year ended December 31 1952	Year ended December 31 1953
INCOME:		
Sales, less freight, returns, allowances, discounts, etc.	$144,523,960	$188,004,665
Dividends from foreign affiliated and associated companies (Note 1)	523,137	73,500
Miscellaneous income	61,552	109,652
	$145,108,649	$188,187,817
COSTS:		
Cost of goods sold	$129,268,514	$165,178,814
Selling, general and administrative expenses	7,770,763	9,071,031
Interest	869,172	1,056,096
	$137,908,449	$175,305,941
	$ 7,200,200	$ 12,881,876
Federal taxes on income, estimated (excess profits tax: 1952—none, but includes a reduction of $280,000 for 1951; 1953—$1,400,000)	3,300,000	7,900,000
EARNINGS FOR THE YEAR	$ 3,900,200	$ 4,981,876
DIVIDENDS PAID IN CASH:		
Preferred stock—$4.50 per share	$ 449,648	$ 449,545
Common stock—$2.30 per share in 1952; $2.00 per share in 1953	2,753,362	2,498,616
	$ 3,203,010	$ 2,948,161
ADDITION TO EARNINGS RETAINED FOR USE IN THE BUSINESS	$ 697,190	$ 2,033,715
EARNINGS FOR PAST YEARS RETAINED FOR USE IN THE BUSINESS	12,192,617	12,889,807
EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF YEAR (Note 5)	$ 12,889,807	$ 14,923,522

Provision for depreciation and amortization of plant and equipment charged to earnings: 1952—$2,532,219; 1953—$3,070,014.

RHEEM MANUFACTURING COMPANY

Notes to Financial Statements

For the year ended December 31, 1953

NOTE 1—Investment in Affiliated and Associated Companies

Investments in capital stocks of affiliated and associated companies operating in foreign countries are carried at cost; dividends received from the companies are included in income. Investments at December 31, 1953, are as follows:

Rheem-Australia Pty. Limited (50% owned)	$ 302,819
Rheem Metalurgica S. A. (70% owned)	266,959
Rheem Canada Limited (30% owned)	90,000
Rheem-Hume (Far East) Limited (50% owned)	140,000
Rheem Peruana S. A. (100% owned)	307,888
S. A. Industrial y Comercial Aceros Rheem (40% owned)	258,000
Rheem Lysaght Limited (40% owned)	322,062
Rheem of the Philippines, Inc. (42% owned)	172,002
Total	$1,859,730

The Company's equity in the underlying net assets of such companies, computed from the latest 1953 financial statements (unaudited) expressed in United States dollars by use of current rates of exchange, totals approximately $3,300,000, as compared with $4,180,000 reported in the 1952 annual report. The decrease is chiefly attributable to a decline in the Brazilian cruzeiro in relation to the United States dollar.

NOTE 2—Retirement Plans

The Company maintains a pension plan for all employees retiring at age 65 or older, who, at the date of retirement, will have been continuously employed by the Company for 15 or more years; except that the plan is not applicable to employees included in any collective bargaining unit where the appropriate union has not agreed in writing to the plan. The amounts required to fund pensions at the dates of retirement of employees will vary from year to year. On the basis of latest actuarial calculations, the Company is continuing to pay annually into a trust fund an amount equivalent to 1% of the annual earnings of the participating employees; the 1953 contribution of $463,533 was charged against income in 1953. Funds, represented by cash and investments, held by the Trustee at December 31, 1953, were ample to meet the liability of the Company under the plan. In view of possible changes in Federal Social Security benefits, uncertainties as to participation by employees and many assumptions which would be required, it is impracticable to estimate with reasonable accuracy an amount which the Company may pay in the future with respect to past services of participating employees.

An incentive bonus retirement plan is maintained for employees not eligible for overtime compensation. The plan provides for irrecoverable payments to a trustee; such payments, together with earnings of the trust fund, are allocated annually to the eligible employees. The fund so accumulated for an employee is retained for his account until termination, or retirement at age 65 or older. At December 31, 1953, cash and securities (at market) held by the trustee amounted to $3,092,823. The fund was increased in 1954 by payment of $172,297, representing the balance of the 1953 contribution payable at December 31, 1953. Provision for the 1953 contribution of $1,212,297 was charged against income in 1953.

NOTE 3—Long Term Indebtedness

This indebtedness includes $12,133,334 payable under a loan agreement with an insurance company. The loan bears interest at 3¾% per year and instalments of $933,333 are due annually from 1954 to 1966. The loan agreement provides that the Company may not (1) declare any dividends, other than stock dividends and dividends on the cumulative preferred stock 4½% convertible series, nor (2) purchase or redeem any share of capital stock, except for the sinking fund which may be set aside in accordance with terms and provisions of such preferred shares, unless:

A. Working capital shall be at least $16,000,000, and

B. After deducting from current assets and cur-

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rent liabilities an amount equal to the sum of (1) the provision for taxes measured by income or by salaries or wages, and (2) liability for amounts withheld from employees' earnings for taxes or purchasing of Federal obligations, the remaining current assets are 200% of the remaining current liabilities; provided, however, that by amendments, the provision of this subsection shall not be applicable to the declaration of quarterly dividends not in excess of $.50 per share to December 31, 1954, and

C. The sum of $2,000,000 plus net income for the period commencing January 1, 1951, to the date of declaration of dividends or purchase of capital stock is greater than the sum of dividends and purchases plus all loan installments falling due during the period.

The agreement also imposes borrowing and other restrictions; certain restrictions on borrowings are imposed by the terms and provisions of the preferred stock (Note 4).

NOTE 4—Capital Stock

The voluntary liquidation or redemption prices per share of the 4½% convertible series, cumulative preferred stock range from $105.50 before June 1, 1956, to $102 after June 1, 1971, plus accrued dividends, except that redemptions made from the sinking fund will be made at prices ranging from $103.25 at July 15, 1956, to $102 after June 1, 1971. The involuntary liquidation price is $100 plus accrued dividends. Payments into a sinking fund are required annually beginning in 1956, equivalent to the lower of $333,333 or net earnings of the preceding year less dividend requirements of this preferred stock for that year. The loan agreement (Note 3) imposes certain restrictions on redemptions other than from the sinking fund.

The 4½% convertible series, cumulative preferred stock is convertible into common stock—before June 1, 1956, in the ratio of 3.08 shares of common stock for each share of preferred stock and from June 1, 1956, to June 1, 1961, at 2.82 shares of common stock for each share of preferred stock. At December 31, 1953, 307,848 shares of unissued common stock are reserved for conversion of this preferred stock.

The articles of incorporation, as they relate to cumulative preferred stock, impose certain restrictions on borrowings and payment of dividends (Note 5).

NOTE 5—Retained Earnings

Under provisions of the loan agreement, $9,614,617 of retained earnings at December 31, 1953, were not available for dividends on common stock; however, based on the financial position at December 31, 1953, declarations of dividends are limited by provisions of the loan agreement as stated in Note 3 B.

A lesser amount ($4,478,126) was not available under restrictions imposed by the terms and provisions of the preferred stock.

NOTE 6—Contingent Liabilities

Some of the business during 1953 is subject to the Renegotiation Act of 1951, which provides for recovery by the Federal Government of excessive profits. Clearance certificates have been obtained for prior years and, on the basis of determinations in respect of those years, renegotiation for the year 1953 should not materially affect the financial statements for the year.

The Company is involved in several lawsuits and other claims, the outcome of which is not expected to have any material effect on the financial position of the Company. On January 21, 1953, the Federal Trade Commission charged Rheem and four other manufacturers of steel shipping containers — United States Steel Corporation, Jones & Laughlin Steel Corporation, Inland Steel Company and Republic Steel Corporation — with unfair trade practices, largely in connection with the pricing of steel drums. In Rheem's answer to the Commission the charges were denied.

NOTE 7 — United States Spring & Bumper Co.

On February 4, 1954, the Company entered into an agreement with United States Spring & Bumper Co. and its principal stockholders to acquire, if tendered, 80% or more of the outstanding common shares of that corporation. The proposed acquisition is subject to the satisfaction of certain legal requirements and other conditions. When these requirements and conditions are fulfilled, additional shares of common stock of the Company (not to exceed 175,000 shares) must be issued.

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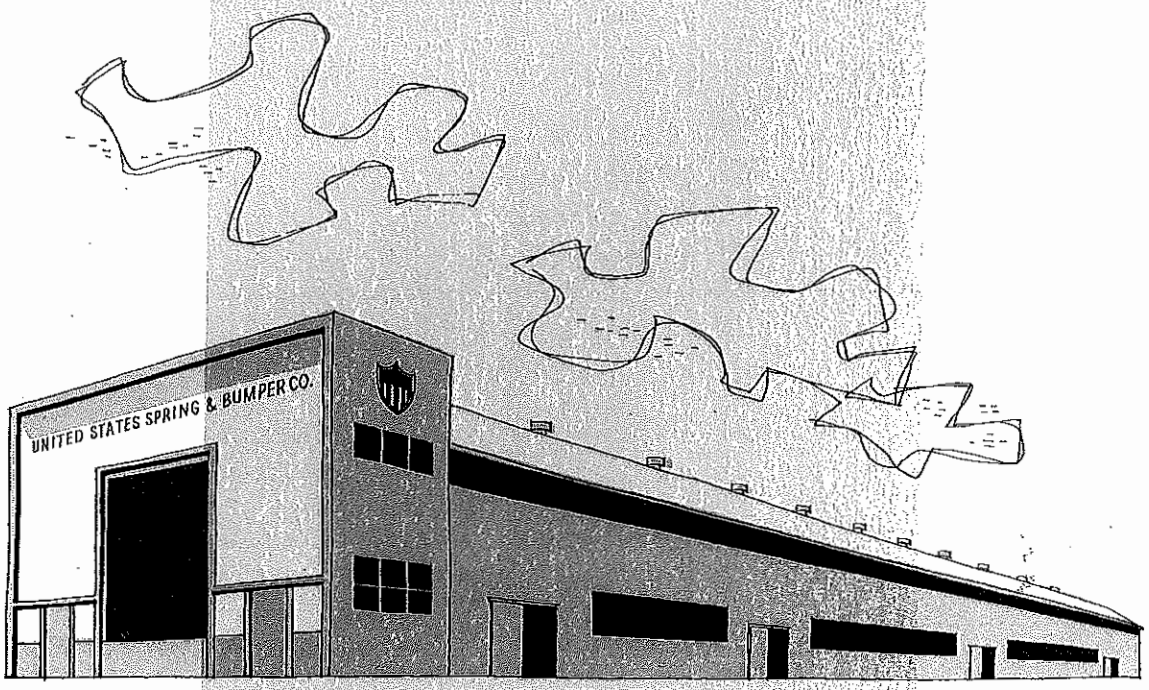
United States Spring & Bumper Co.



Vernon, California

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UNITED STATES SPRING & BUMPER CO.

as of August 31, 1953 (audited)

Assets

	August 31 1953	December 31 1953
CURRENT ASSETS:		
Cash on hand and demand deposits	$ 233,733	$ 68,547
Accounts receivable	$ 1,752,183	$1,700,225
Less: Reserve for returnable containers	21,367	28,617
	$ 1,730,816	$1,671,608
Inventories:		
Finished goods and work in process	$ 1,200,828	$1,356,041
Raw material	2,337,279	1,786,490
Supplies	310,457	335,614
	$ 3,848,564	$3,478,145
Other current assets:		
Tooling chargeable to customers	$ 209,057	$ 1,515
Patterns and dies	16,975	—
Reimbursible Government facilities	23,287	5,739
Prepaid rent, taxes and insurance	27,794	87,682
Sundry	39,918	—
	$ 317,031	$ 94,936
Total Current Assets	$ 6,130,144	$5,313,236
OTHER ASSETS:		
Cash surrender value of officers' life insurance	$ 45,500	$ 45,500
Other	151	1
	$ 45,651	$ 45,501
FIXED ASSETS:		
Property, plant and equipment	$ 6,620,163	$6,660,579
Less: Reserve for depreciation	2,741,606	2,906,531
	$ 3,878,557	$3,754,048
CONSTRUCTION AND TOOLING IN PROCESS:		
Tooling	—	$ 5,154
Facilities — regular	—	29,496
		$ 34,650
GOODWILL AND PATENTS — NET	$ 1,751	$ 1,667
DEFERRED CHARGES	$ 22,460	$ 56,168
Total Assets	$10,078,563	$9,205,270

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COMPARATIVE BALANCE SHEETS

and December 31, 1953 (unaudited)

Liabilities	August 31 1953	December 31 1953
CURRENT LIABILITIES:		
Notes payable:		
Short term unsecured	$ 1,150,000	$ 900,000
Defense term	—	200,000
Long term (current portion)	443,000	—
	$ 1,593,000	$1,100,000
Accounts payable — trade	$ 536,802	$ 460,672
Accrued liabilities	1,111,666	743,413
Other	123,580	60,014
Total Current Liabilities	$ 3,365,048	$2,422,570
LONG TERM DEBT:		
Note payable maturing after 1 year	$ 953,000	$ 853,000
OPERATING RESERVES	—	$ 86,333
CAPITAL SHARES AND SURPLUS:		
4½% cumulative convertible preferred shares — authorized 30,000 shares — $50 par	$ 1,032,800	$1,016,050
Common shares — authorized 600,000 shares — $1 par	380,000	380,000
SURPLUS:		
Paid-in surplus	580,000	580,000
Reduction surplus	700,000	700,000
Capital surplus	80,412	83,352
Earned surplus	2,987,303	3,083,965
Total Capital and Surplus	$ 5,760,515	$5,843,367
Total Liabilities and Capital	$10,078,563	$9,205,270

RMC290

UNITED STATES SPRING & BUMPER CO.
COMPARATIVE PROFIT AND LOSS STATEMENTS

Fiscal year ended August 31, 1953 (audited)
and four months ended December 31, 1953 (unaudited)

	Fiscal year ended August 31 1953	Four months ended December 31 1953
Gross sales (less returns and allowances)	$19,485,414	$5,518,209
Cost of goods sold	17,206,277	4,969,112
Gross profit	$ 2,279,137	$ 549,097
Selling and administrative expenses	805,927	244,675
Operating profit	$ 1,473,210	$ 304,422
Other income and expenses — net	46,379	32,219
Net profit before provision for Federal taxes on income	$ 1,426,831	$ 272,203
Provision for Federal taxes on income	726,281	136,045
Net profit for period transferred to Earned Surplus	$ 700,550	$ 136,158

RMC291

UNITED STATES SPRING & BUMPER CO.

Notes to Financial Statements

NOTE 1—Inventories

Finished goods and work in process are stated as standard costs which do not exceed the actual cost of materials, labor and a fair proportion of overhead and do not exceed current sales prices less cost to sell. The standard costs of direct labor and materials are currently adjusted to reflect existing conditions, and burden rates are frequently reviewed and revised where necessary.

Statistical records of the company disclose unabsorbed burden for the year which has been included in manufacturing expenses, in addition to burden absorbed in standard costs, but this had no material effect upon the valuation of inventories at August 31, 1953.

Raw materials and supplies are stated at purchase cost plus freight determined by the "first-in, first-out" method or current replacement price, whichever is lower, applied to the individual items. Adequate allowance has been made for raw materials and supplies not useable in normal production.

The inventories used in computing cost of goods sold for the fiscal year ended August 31, 1953, are stated in the manner above described, and the quantities were established by count or other physical measurement at or prior to the beginning and end of the year with appropriate adjustments for transactions during the interim between the physical inventory date and the statement date.

NOTE 2—Fixed Assets

Property, plant and equipment are stated at cost less reserves for depreciation and amortization.

Property owned by the company at August 31, 1953, acquired under Certificate of Necessity during 1942 and 1943 amounted to $120,790.86 and included land costing $37,800.00. The company, upon receipt of a Certificate of Non-necessity dated August 28, 1945, increased the related reserve for amortization to $120,790.86, which eliminated the carrying value of these properties.

Property owned by the company at August 31, 1953, acquired under current Certificates of Necessity cost $947,540.76. The certificates designated the facilities as being either 75% or 65% applicable to the defense program; therefore $668,950.24 is being amortized at an accelerated rate.

NOTE 3—Notes Payable

On January 26, 1949, the company entered into an agreement whereby it received $1,500,000.00 and issued unsecured promissory notes payable (1) in the amount of $600,000.00 bearing interest at the rate of 4% per annum and (2) in the amount of $900,000.00 bearing interest at the rate of 4½% per annum. Interest is payable quarterly commencing April 1, 1949. By subsequent agreement dated and effective December 31, 1949, the interest rate on the $900,000.00 note was reduced to 4% per annum. The agreement provides for (1) fixed principal payments of $150,000.00 on the first day of January of each year commencing January 1, 1950, as to the $600,000.00 note, and commencing January 1, 1954, as to the $900,000.00 note; and for (2) contingent amortization payments on the 20th day of January of each year commencing January 20, 1951, equal to 50% of the excess of net income, after all taxes, for the preceding fiscal year ending August 31, over (a) the amounts paid during such fiscal year as payments, including prepayments, on the principal of the notes, and (b) the amounts, not to exceed in the aggregate $336,450.00 whether paid or retained by the company during such fiscal year (1) as dividends on outstanding shares of the company's 4½% cumulative convertible preferred stock (2) for the acquisition or retirement of shares of such preferred stock, and (3) as dividends on outstanding shares of the company's common capital stock, to be applied on installments last to become due in the inverse order of their due dates in the proportion of 4/10 on the $600,000.00 note and 6/10 on the $900,000.00 note. At August 31, 1953, the $600,000.00 note has been retired and $696,000.00 remains unpaid on the $900,000.00 note of which $243,000.00 is payable in January, 1954 (including a contingent amortization payment of $93,000.00).

The agreement permits the company to make prepayments on the principal of the notes, without notice or premium, not more than fifteen months before the due date of the applicable fixed payment and provided the aggregate of such prepayments in effect at any one time is not in excess of one year's fixed principal payment. Under certain conditions the company may make further prepayments at a stipulated premium upon thirty days' notice.

As of May 15, 1951, the company entered into a

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credit agreement with the same lenders of the 1949 loan agreement whereby the company may borrow up to $500,000.00 from each lender with interest at 4% per annum for the construction and acquisition of increased facilities and equipment. The full amount has been borrowed and consolidated into a "Term Note" with principal payable $25,000.00 quarter-annually to each lender commencing March 31, 1952. At August 31, 1953, a total of $700,000.00 remains unpaid under the term notes.

Concurrently with the execution of the credit agreement, the 1949 loan agreement was amended in various respects, including the requirements relating to maintenance of net worth, current financial position, limitation on capital expenditures, etc. The payment of dividends on any class of capital stock is restricted to payments out of earnings from operations subsequent to August 31, 1948, and then only provided the net worth is not reduced to an amount less than $4,800,000.00 plus an amount for each fiscal year cumulative from August 31, 1951, equal to 30% of net earnings of the company or $150,000.00 whichever is greater. As of August 31, 1953, the amount of earned surplus not available for dividends on any class of capital stock, under the terms of the loan agreement was $2,401,706.49.

NOTE 4—Federal Income Tax

The company's income tax returns for the fiscal years ended August 31, 1949, and prior have been examined by the Treasury Department and all resulting adjustments have been recorded prior to August 31, 1950.

NOTE 5—4½% Cumulative Convertible Preferred Shares

The preferred shares are convertible into common shares at the rate of 3.5 common shares for each preferred share until June 30, 1956, and 3 to 1 from July 1, 1956, to June 30, 1961. All conversion rights of the preferred shares shall cease and terminate at the close of business on June 30, 1961.

The company is obligated to set aside annually, as a sinking fund, an amount sufficient to redeem 900 preferred shares. Against this sinking fund obligation the company may offset the redemption price of any preferred shares purchased through the use of moneys other than sinking fund moneys. The redemption value of the preferred shares is $52.00 per share ($46,800.00 for 900 shares) until June 30, 1956. Commencing July 1, 1956, the redemption value will be $51.50 per share ($46,350.00 for 900 shares), will decrease $.50 per share ($450.00 for 900 shares) every 5 year period, and will be equal to par value July 1, 1971, and thereafter plus, at any time, accrued dividends. As of August 31, 1953, 9,344 preferred shares have been retired thereby complying with the redemption provisions through the year ending August 31, 1957, in full, and for the year ending August 31, 1958, to the extent of 344 shares.

Under the Articles of Incorporation, dividends on preferred shares may be paid out of any funds legally available therefor. However, see Note 3 relative to dividend restrictions under terms of long term debt loan agreement.

NOTE 6—Common Shares

The total number of unissued common shares reserved is 72,296 held for conversion of issued preferred shares.

Under the Articles of Incorporation, dividends on common shares may be paid out of any funds legally available therefor after all accrued dividends on preferred shares at the time outstanding, including the dividend for the then quarterly dividend period, shall have been paid or declared and set apart for payment, but only out of net earnings arising subsequent to August 31, 1946. Therefore, the amount of earned surplus not available for common share dividends as at August 31, 1953, was $443,219.45. However, see Note 3 relative to dividend restrictions under terms of long term debt loan agreement.

On October 22, 1953, John B. Rauen and his wife, Agnes Earley Rauen, President and Assistant Treasurer, respectively, of the company (owners of 240,100 of the 380,000 common shares issued by the company) executed an agreement with the company waiving payment by the company of any and all dividends which may be declared and paid by the company upon its common shares between November 1, 1953, and November 1, 1955, provided, however, that the amount waived be retained by the company for working capital needs, be applied toward the payment of company debts, or used by the company for purchase of facilities or equipment needed by the company.

NOTE 7—Renegotiation and Price Redetermination

Certain of the company's business is subject to renegotiation under the applicable Federal statutes and is subject to price redetermination under specific contracts. It is the opinion of the management that the amount involved is not considered material after related tax effect.

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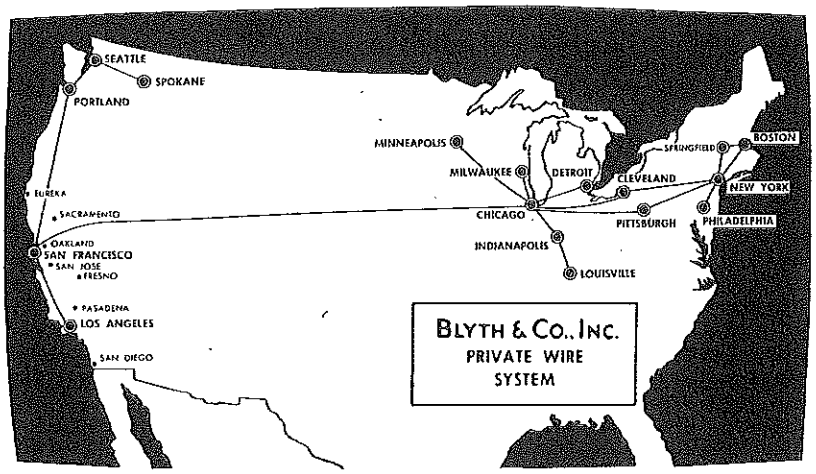
BLYTH & CO., INC.

Underwriters and Distributors of Securities—Nationwide



BLYTH & CO., INC. is engaged in underwriting and distributing investment securities. Its customers are banks, insurance companies, estates, trustees, and individual investors. All sales are for cash, and as it is not a member of any Exchange, it carries no margin accounts.

A substantial service is rendered to investors who, for one reason or another, desire to dispose of blocks of securities, both unlisted and listed, of all classes—bank stocks, insurance stocks, bonds and stocks of industrial, utility and railroad corporations, as well as state and municipal obligations.

BLYTH & CO., INC. maintains its own private wire system, national in scope, together with direct private telephone connections from its branches to banks and dealers in the principal investment markets. This provides efficiency and speed in distribution and trading.

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RMC295

PERMANENT RETENTION 1955
R. Tonitto

RHEEM MANUFACTURING COMPANY | ANNUAL REPORT | 1955

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RHEEM MANUFACTURING COMPANY

DIRECTORS

D. L. Rheem
R. S. Rheem
A. Lightfoot Walker
W. S. Rheem II
C. V. Coons
W. E. Zander
G. M. Greenwood
W. K. Rheem
A. E. Ponting
H. E. Hall
A. C. Wedemeyer

OFFICERS

D. L. Rheem, chairman of the board
R. S. Rheem, president
A. Lightfoot Walker, executive vice president
W. E. Zander, senior vice president
W. S. Rheem II, vice president and general manager
G. W. Mallatratt, vice president, secretary and treasurer
G. M. Greenwood, vice president
C. V. Coons, vice president
L. W. Evans, vice president
C. R. Graham, Sr., vice president
R. P. Williams, Jr., vice president
A. C. Wedemeyer, vice president
E. S. Ronk, vice president
L. F. Givens, comptroller
J. F. West, assistant comptroller
R. S. Greenwood, assistant treasurer
R. T. Stroup, assistant treasurer
F. F. Lind, assistant secretary
J. Davis, assistant secretary
C. R. Jones, assistant secretary
R. H. Harris, assistant secretary
W. S. Lewis, assistant secretary

GENERAL COUNSEL: Herbert E. Hall, Crocker Building, San Francisco 4, California

GENERAL ATTORNEY: John Mechem, Rheem Manufacturing Company, Richmond, California

TRANSFER AGENTS

American Trust Company, 464 California Street, San Francisco, California
The Chase National Bank of the City of New York, 11 Broad Street, New York, N. Y.
The National City Bank of New York, 22 William Street, New York, N. Y.

REGISTRARS

Bank of America N. T. & S. A., 300 Montgomery Street, San Francisco, California
City Bank Farmers Trust Company, 22 William Street, New York, N. Y.
Chemical Corn Exchange Bank, 30 Broad Street, New York, N. Y.

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Financial Highlights

	1955	1954
TOTAL NET SALES	$160,619,990	$163,623,302
Commercial Products	111,931,113	91,350,155
Government Products	48,688,877	72,273,147
EARNINGS BEFORE TAXES	10,573,580	11,046,852
FEDERAL TAXES ON INCOME	5,330,000	5,020,000
NET EARNINGS AFTER TAXES	5,243,580	6,026,852
EARNINGS PER COMMON SHARE	3.10	3.67
DIVIDENDS PAID PER COMMON SHARE	2.40	2.30
NUMBER OF COMMON SHARES OUTSTANDING	1,634,263	1,541,648
NUMBER OF COMMON SHAREHOLDERS	13,800	8,225
WAGES AND SALARIES PAID	$ 49,079,355	$ 48,281,472
NUMBER OF EMPLOYEES	8,700	8,500

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March 20, 1956

To the Shareholders and Employees of Rheem Manufacturing Company:

In this report for 1955 we decided to go beyond the conventional summary of the past year's operations and present a full-scale discussion of the company and how it operates. In part, we are doing this for the special benefit of the more than 5,000 new shareholders who acquired the Rheem shares formerly held by Bethlehem Steel Corporation and to whom we are reporting for the first time. But basically, we are attempting to give all our shareholders and employees a broader understanding of the company. Rheem has grown impressively in terms of new products and new markets. It has grown, too, in terms of internal strength and external recognition.

Before going into last year's operations and the over-all Rheem story, we wish to call your attention to certain highlights of 1955 and to comment on the company's immediate and long-range prospects.

It will be remembered that in our report last year we referred to Rheem's commercial sales as the backbone of our operations and forecast that our position in this area would improve. How this forecast was fulfilled is indicated by the fact that commercial sales for the year exceeded the 1954 level by $20,580,958. Sales of our government products, however, decreased $23,584,270. As a result, the company's net earnings for 1955 were $5,243,580, as compared with $6,026,852 for 1954.

This declining trend in sales to the government was reversed in the final months of the year, as the Government Products Division acquired several sizable contracts. The division entered 1956 with a backlog of $44,000,000.

One significant highlight of our gain in commercial sales was the introduction and energetic merchandising of our new glass-lined water heaters. These were introduced at the beginning of 1955 and already hold a dominant position in the market. Another important factor was the performance of our new Automotive Division, which almost doubled its 1954 sales record.

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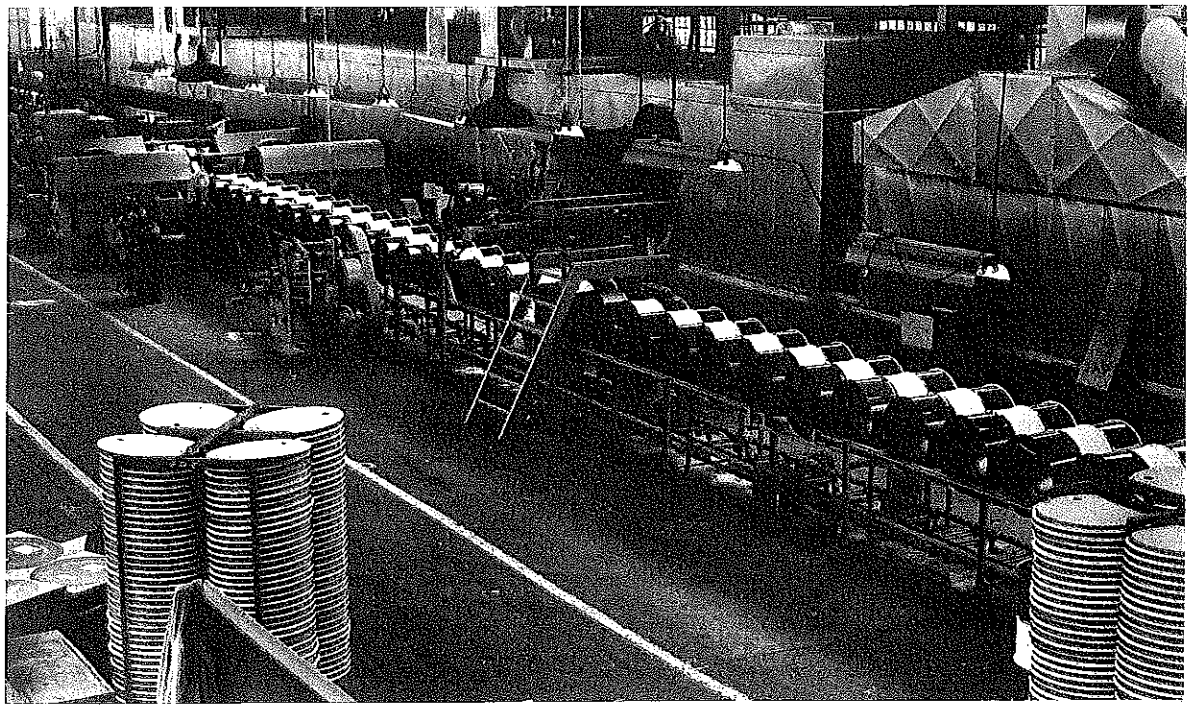


During 1956, our commercial sales activities will be accelerated. We have just introduced a revolutionary air-conditioning unit for which we expect immediate consumer acceptance. Our merger, now pending, with the Richmond Radiator Company will round out our line of plumbing products through the addition of vitreous china and cast-iron bathroom and kitchen fixtures. All of this means that fuller benefits will accrue from Rheem's solidly established distribution channels.

On the basis of our encouraging outlook in commercial sales, our expectations from Richmond Radiator, and our expanding government business, we anticipate total sales approaching $200,000,000 in 1956.

This increased sales volume will not, however, be translated immediately into increased earnings. In fact, for the first six months of 1956, the period when we will be effecting our divisional plan of operation (outlined in this report under "How Rheem Operates"), we anticipate that earnings will be less than for the first six months of 1955. While the declining sales trend in government business has been reversed, it will be some time before profits will be realized on our new backlog. Additionally, adequate profit margins on new products will not accrue until substantial production and sales volumes have been reached. The basic soundness of our growth planning, however, provides the foundation for a satisfactory level of profits in the latter part of the year.

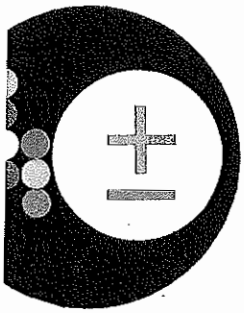
As always, our evaluation of the company's immediate and long-range future is based on the fine performance of the thousands of loyal Rheem men and women in this country and around the world.

N. L. Rheem — CHAIRMAN OF THE BOARD

R. R. Rheem — PRESIDENT

RMC300

FINANCIAL REVIEW FOR 1955



Sales

Net sales for the year ended December 31, 1955, were $160,619,990, compared with $163,623,302 for the preceding year.

Sales of commercial products, on which the company has placed its major emphasis in recent years, increased again during the past year and reached a record high of $111,931,113. The total for 1954 was $91,350,155. Increases in sales were registered by all the company's commercial product categories.

Sales of military products declined from the 1954 level of $72,273,147 to $48,688,877 for 1955.

Earnings and dividends

Net income after provision for taxes totaled $5,243,580 for 1955, compared with $6,026,852 for 1954. On the basis of 1,634,263 shares of common stock outstanding at the end of the year, this amounted to $3.10 per share after making provision for preferred dividends. In 1954, earnings per share were $3.67 on the basis of the 1,541,648 shares which were then outstanding.

Of the company's net earnings for 1955 $305,825, (after taxes) was non-recurring income derived from the sale of real property. Income from operations for the year was $4,937,755. In 1954, the company's income included $672,900 (after taxes) from the sale of investments in marketable securities. Income from operations for 1954 was $5,353,952.

Quarterly dividends on common stock at the rate of 60 cents per share were declared and paid during the year.

Working capital

Working capital on December 31, 1955, was $36,157,612, compared with $26,116,886 at the beginning of the year.

A $25,000,000, 3⅞% sinking fund debenture issue was completed in August, 1955. Funds received from this financing were applied toward liquidating existing loans from The Equitable Life

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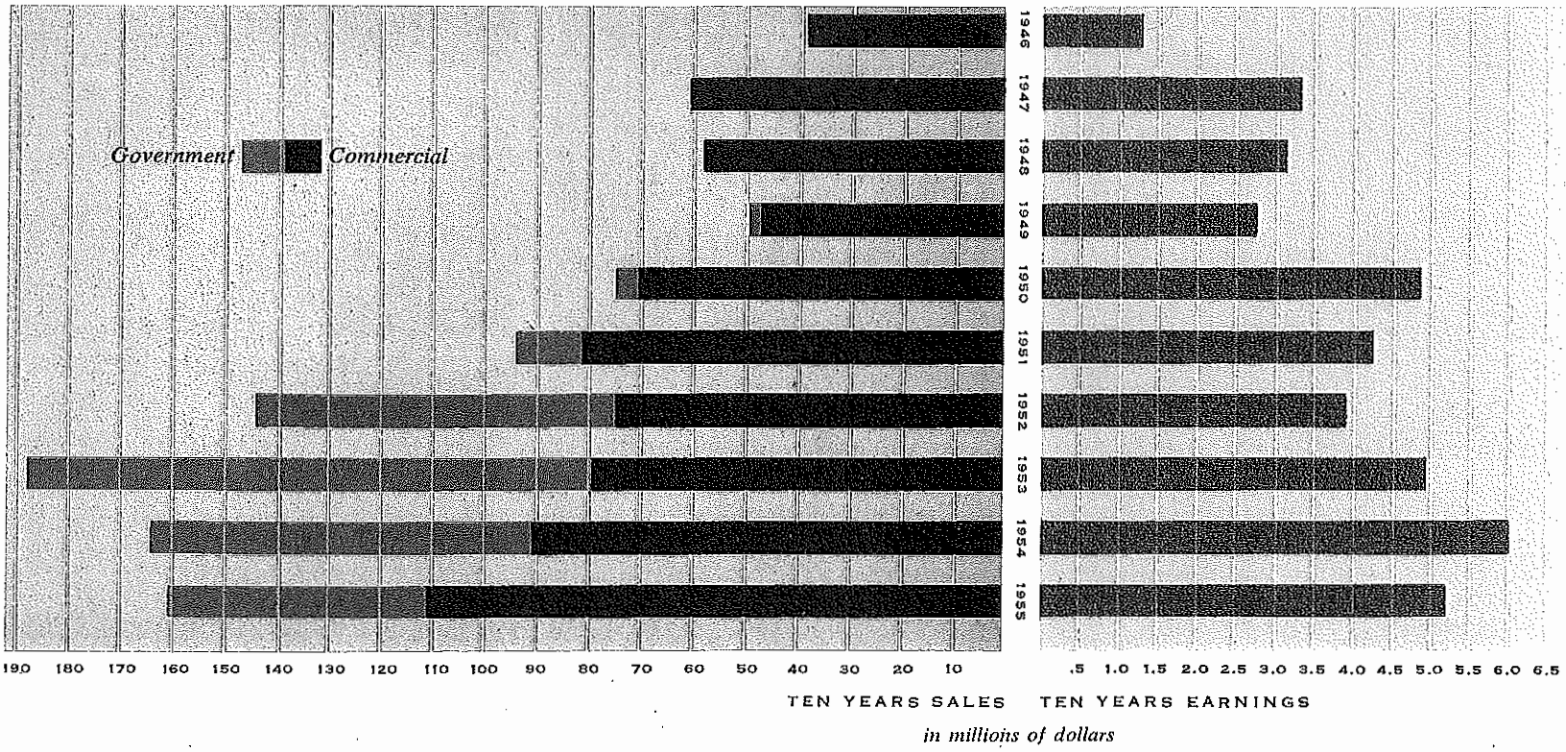

Assurance Society of the United States. The balance of funds received was applied toward working capital requirements.

On December 31, 1955, the company had outstanding current bank loans amounting to $5,000,000, compared with $6,000,000 at the end of 1954.

During the year, the company's outstanding 4½% convertible cumulative preferred stock was reduced through conversions to 30,588 shares, resulting in an increase of 92,615 shares of common stock outstanding.

Capital expenditures

Expenditures for expansion of plant facilities in 1955 amounted to $4,565,952, compared with $5,126,142 in 1954. Provision for depreciation in 1955 was $2,898,012, compared with $2,685,605 for 1954.

During the year, the company acquired the assets of Tapered Parts, Inc., a pioneer in the field of skin milling, which is a new process utilized in the manufacture of parts for supersonic aircraft.

The company acquired patent applications and important development work from Ultrasonic Corporation. On the basis of this acquisition, it is expanding its air-conditioning line. Its new air-conditioning units are being produced at the company's leased plant at Cambridge, Massachusetts.

A $6,500,000 plant is being constructed for the company's Automotive Division at Fullerton, California, for long-term lease occupancy. The present division facilities will be sold.

On December 31, 1955, the company's net investment in property, plant and equipment amounted to $37,895,023.

RMC302

THE OPERATING RECORD

1955

The Rheem product line includes steel and fibre shipping containers, gas and electric automatic storage water heaters, boilers for the company's own line of water heaters as well as for other manufacturers, underground storage and pressure tanks, central heating furnaces, floor and wall furnaces, air conditioning, water softeners, free-standing and built-in gas ranges, clothes dryers, automotive springs and bumpers, highway guard rails, farm tools, containers for military equipment, aircraft components, ordnance and missile components, jet engine components and electronic products. Rheem also fulfills research and development contracts for the government.

Major emphasis in 1955 was placed on strengthening our marketing structure in order to take maximum advantage of our worldwide sales potential. Relationships from distributor to dealer to consumer were developed and integrated with this goal in mind.

Containers

Production facilities for steel shipping containers were augmented in 1955 by the installation of new high-volume, high-bake ovens for use in the application of container linings. This has enabled us to penetrate new markets, as our containers can now be used in packaging many products which could not formerly be packaged in the standard steel unit. Our markets will be further extended by use of new film linings developed during the past year and being put into production in 1956.

Sales for steel containers were 10 per cent higher in 1955 than in 1954, and sales for fibre containers increased 75 per cent. We anticipate a 5 per cent increase in container sales in 1956.

Plumbing and heating

Sales of Rheem water heaters were increased by 9 per cent in 1955. Our newly introduced glass-lined water heater accounted for a substantial part of this increase. The sales record of this new

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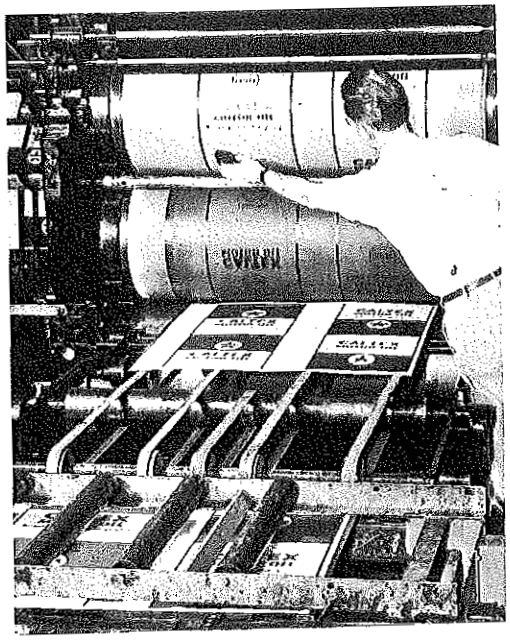

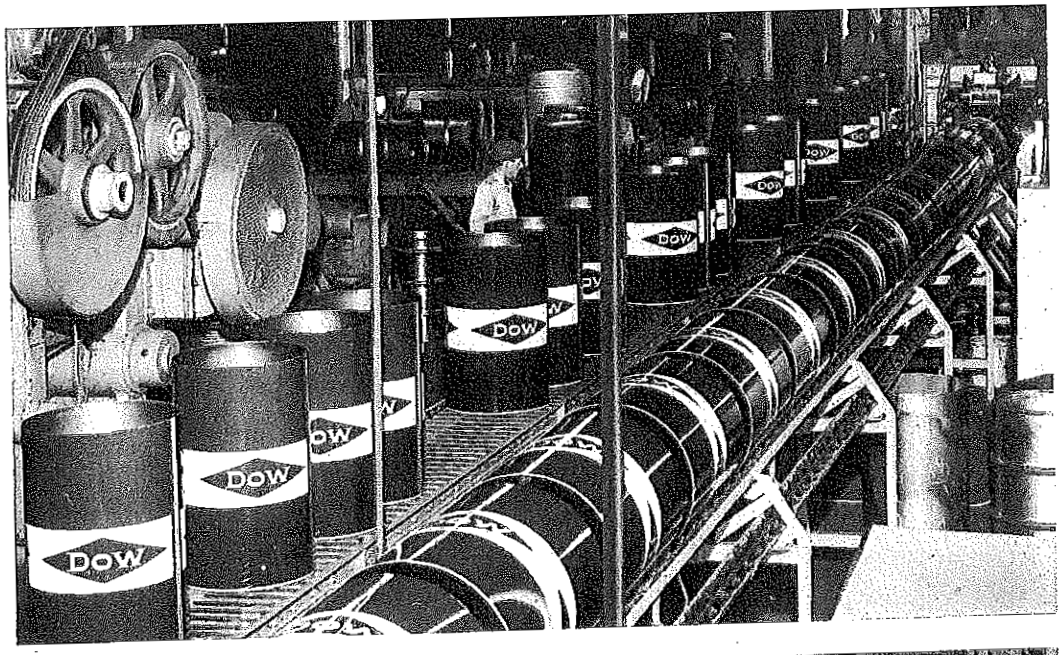

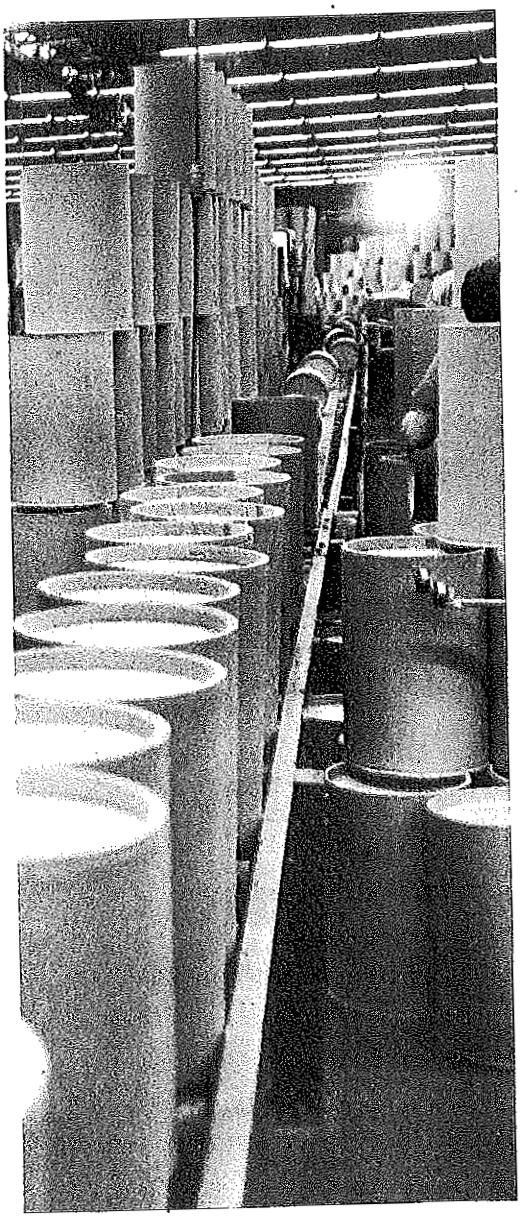

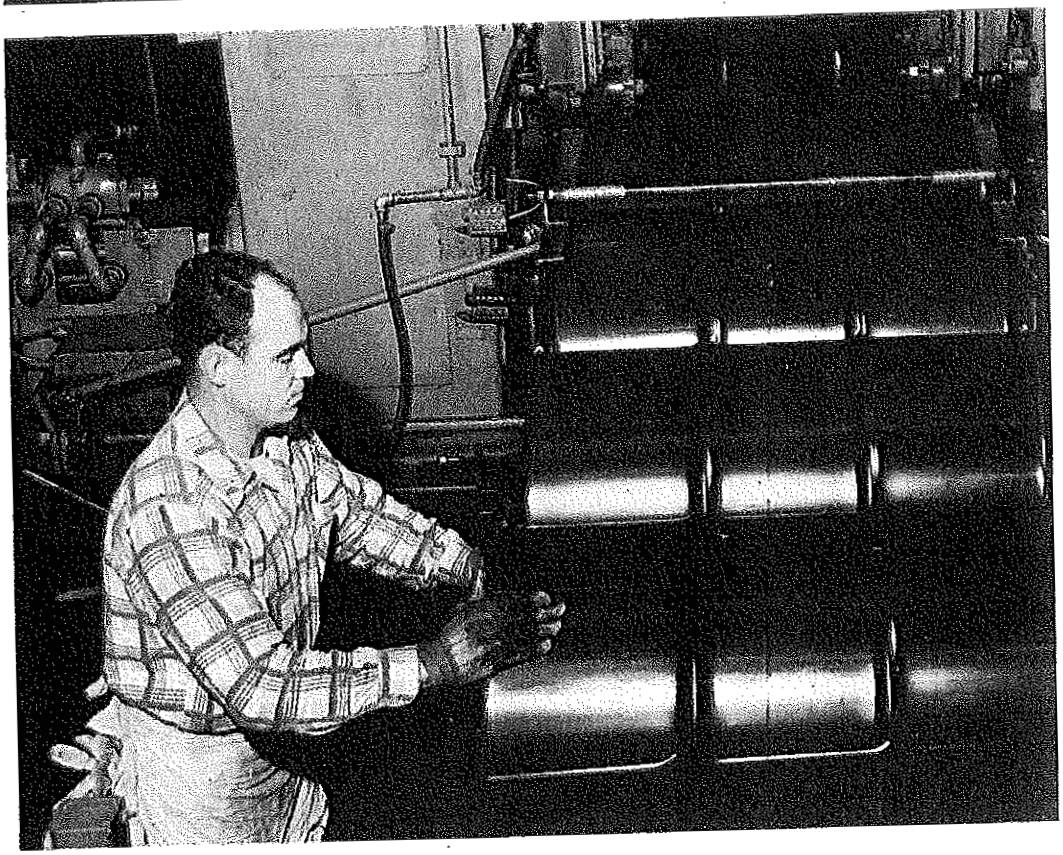

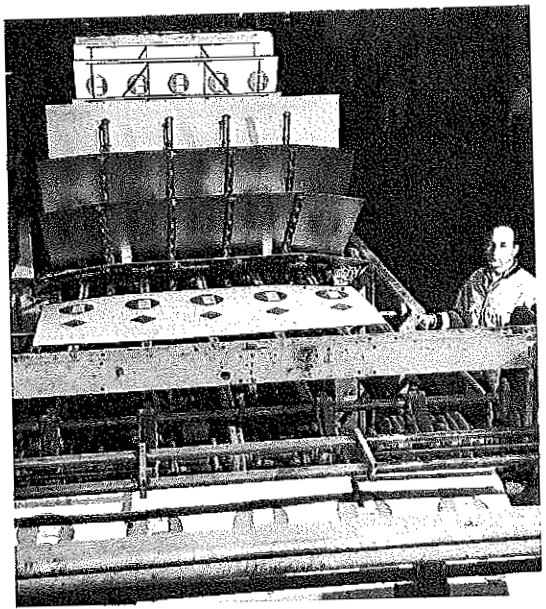

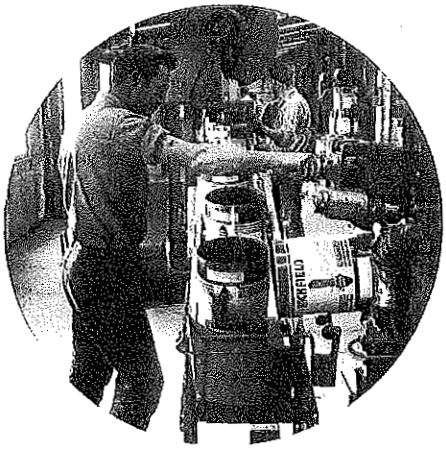

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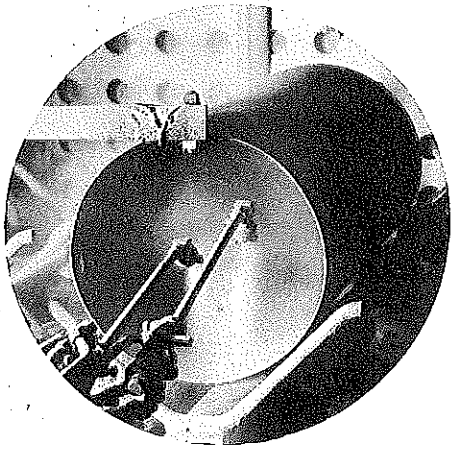

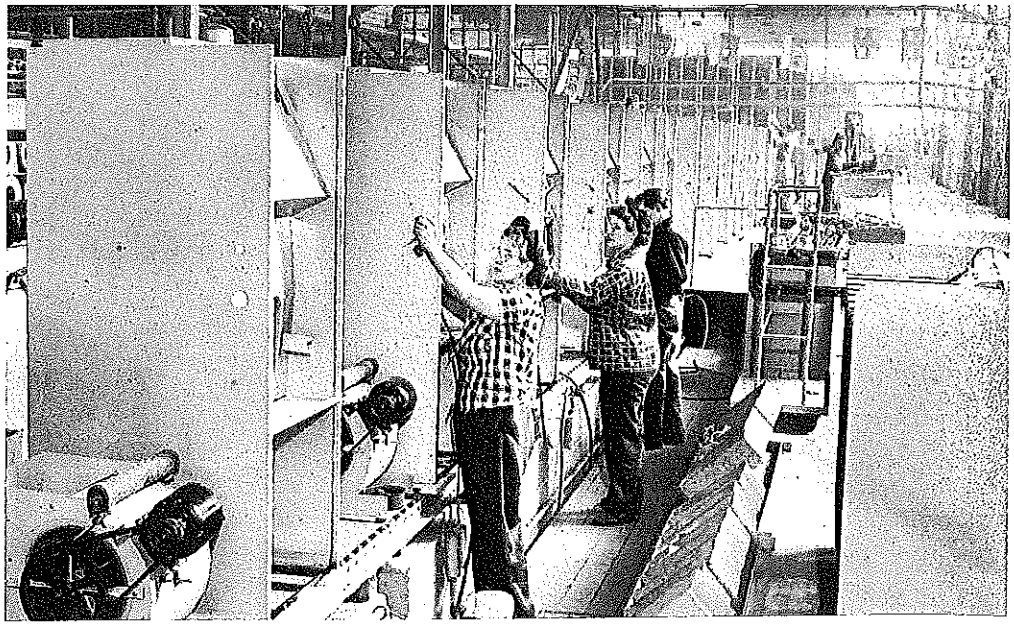

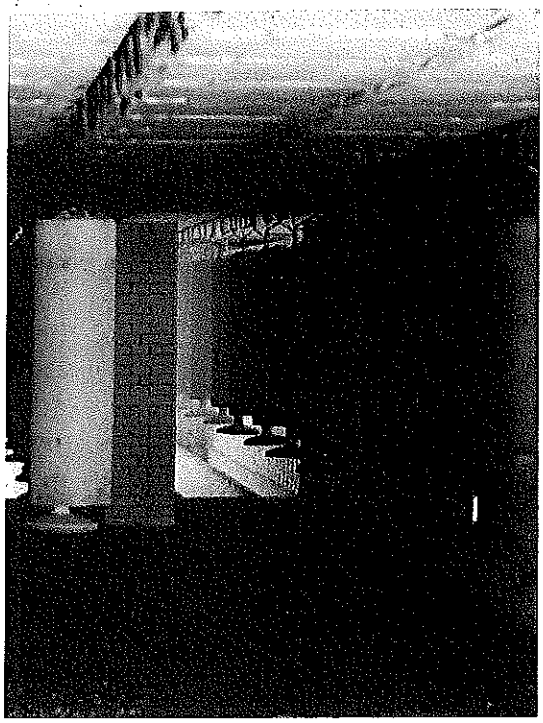

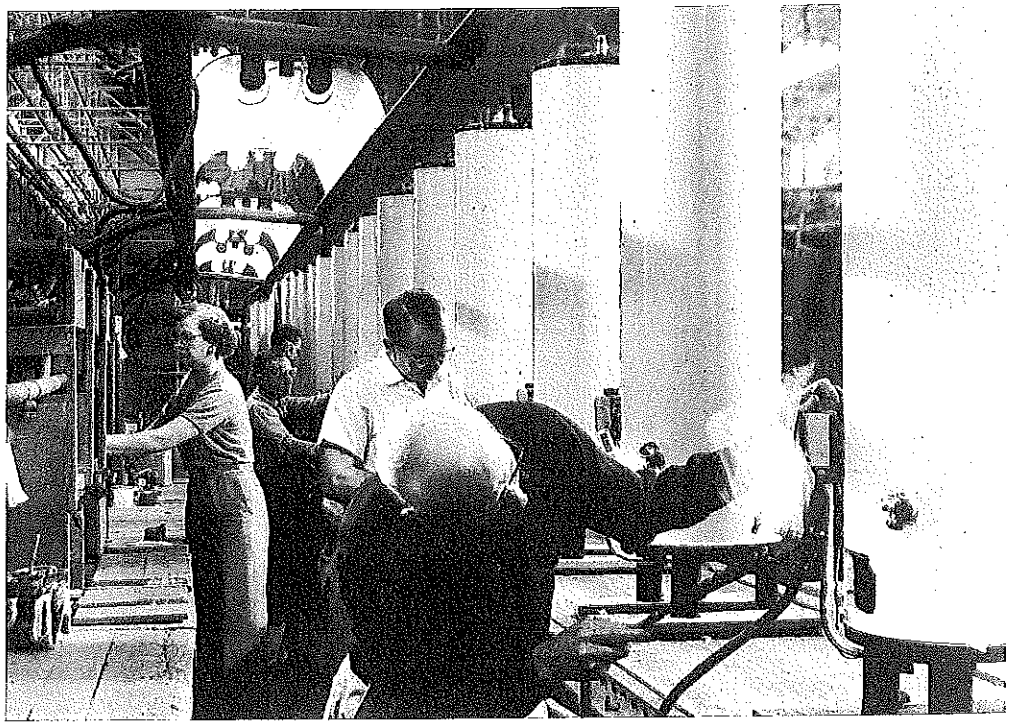

product in its initial year on the market justified our investment of nearly $3,000,000 in new facilities for its production.

The new water heater was introduced by one of the most thorough and effective merchandising programs in Rheem's marketing history. The program included dealer and distributor indoctrination meetings, and national and local consumer and trade advertising. We believe that in 1956 unit sales for the Rheemglas water heater will increase approximately 50 per cent over the 1955 level.

In the heating field, sales of our gas-fired central heating units increased 18 per cent. Other products maintained their 1954 sales level. Introduction late in 1955 of oil-fired furnaces rounded out our product line.

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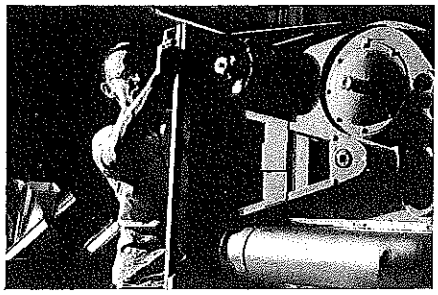
Appliances



Sales of appliances increased by 9 per cent in 1955, and a further increase of 20 per cent is expected for 1956.

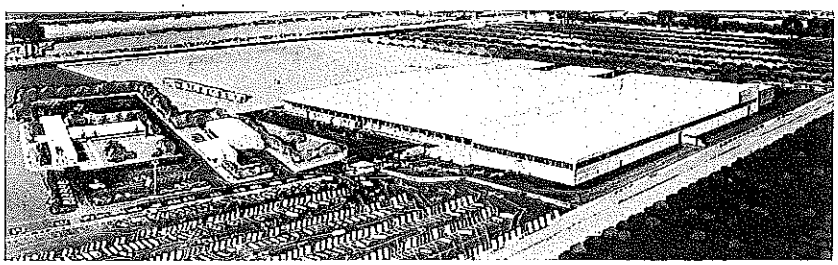
As a forerunner of our plans for national distribution, a pattern was developed to extend sales of Rheem's Wedgewood gas ranges east of the Rocky Mountains. The entire product line has been redesigned, incorporating many new features which will give greater impetus to our merchandising programs. A new popular-price range has been added, improving the company's competitive position.

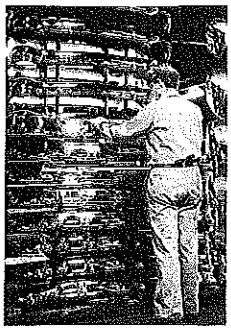
Manufacturing economies resulted from the redesign of the product line and from major improvements in production facilities at the Newark, California, plant.

Early in the summer of 1955, production of the unique Rheem-Wedgewood clothes dryer was moved from South Gate to our Chicago plant. This brought the site of manufacture of this important item closer to the huge Midwestern and Eastern markets. As a result of this move, we anticipate that our 1956 dryer sales will be almost double the sales for 1955.

Automotive

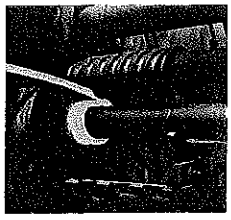
The substantial increase in sales attained by this division in 1955 attests to its effective penetration of the Western market. During 1956, we will start filling the first order for business outside that market, a sizable order for bumpers received last year from the Ford Motor Company plant at Dallas.

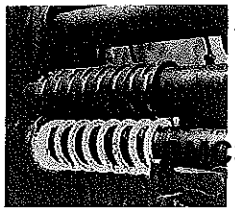




The expansion of this division required entirely new manufacturing facilities. We are now constructing a new plant at Fullerton which will provide modern, automated, high-volume production lines. This facility will be in operation within a few months.

Utilizing the modern manufacturing methods made possible by its new plant, the Automotive Division will redesign and expand its line of farm tools, and anticipates a material increase in the sales of these products.





306

Government products

Drastic reductions in the government ordnance procurement program directly affected this division. Its operations have now been successfully adjusted to keep pace with the shifted emphasis in the country's military procurement policy. This has been accomplished by strengthening its position as a supplier of components in the supersonic aircraft, jet engine and guided missile fields, and as a manufacturer of electronics products.

Contracts for aircraft components are currently being performed for North American, Lockheed, Northrop, Douglas, Boeing, and Convair, as are other contracts for jet engine components for Allison Division of General Motors, Pratt & Whitney, and Ford Motor Company. The division's research and development group is engaged in several highly classified projects in the fields of guided missiles, electronics and ordnance.

The Government Products Division has both the experience and the facilities required to produce a wide range of components for the most advanced weapons. It is located in the heart of the nation's aircraft industry. With these advantages, the division has embarked on a long-range program of expanding its operations as a major supplier of defense products.

Rheem International

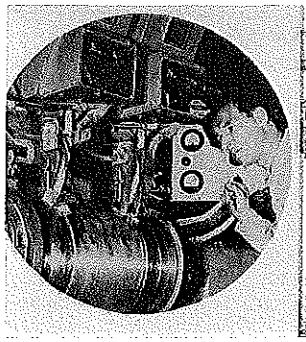
During 1955, sales by our foreign associates amounted to more than $27,000,000. These sales are in addition to the $160,619,990 sales volume from domestic operations.

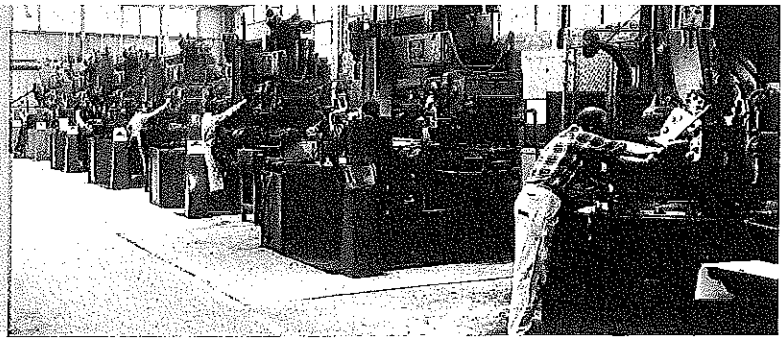
Gross export sales in 1955 (that is, Rheem products produced in this country but sold abroad) reached a total of $1,400,000, 20 per cent higher than the previous year's level.

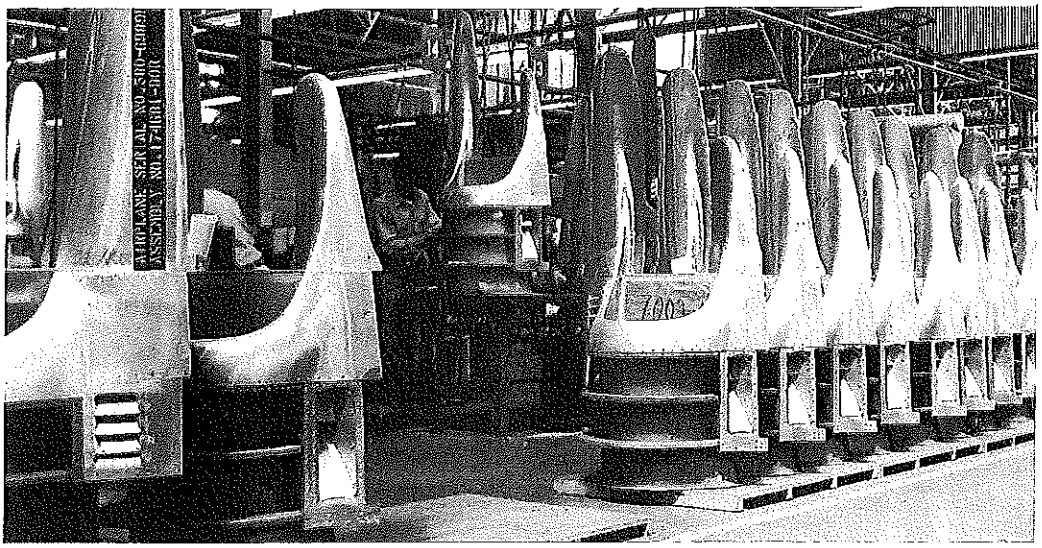
The Rheem share of profits from Rheem International's 1955 operations was more than $1,000,000, of which approximately $270,000 was remitted to the parent company in the form of dividends. These dividends, added to management and purchasing fees and the profits realized on export sales, resulted in a profit from our foreign operations of approximately $400,000 after taxes.

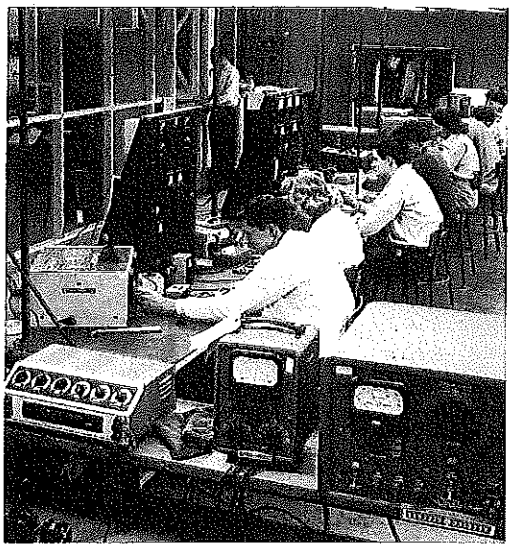
Funds for the establishment of a new drum plant in New Zealand in 1956 have already been appropriated, as has a $225,000 expenditure to enlarge the capacity of the plant in England. The addition of pail lines is under consideration for the Argentine and Philippine companies. A project for a drum factory in Santiago awaits approval of Chilean government authorities.

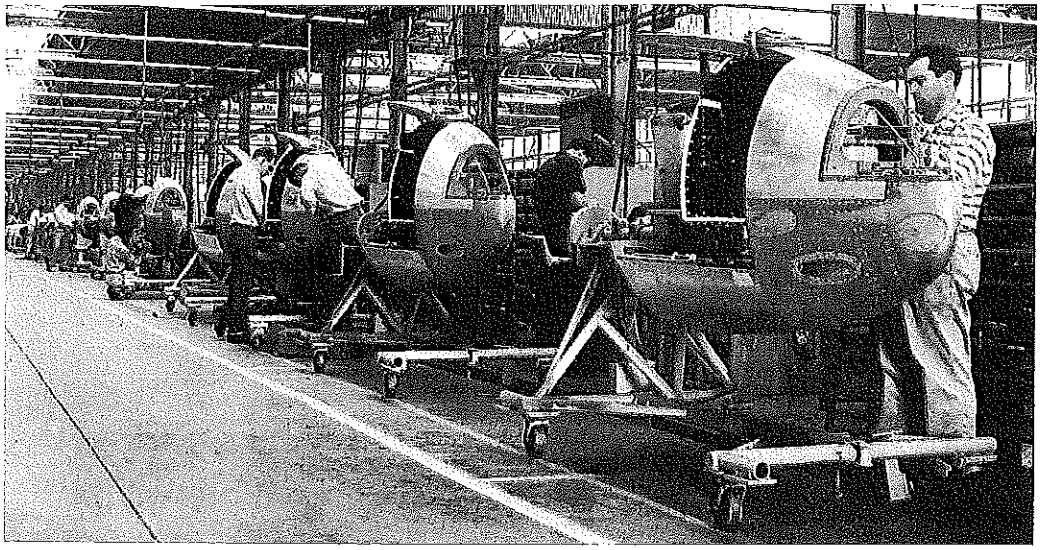
RMC307









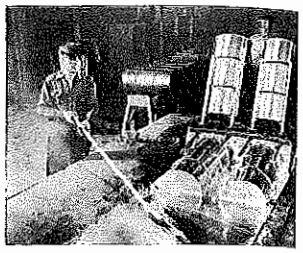


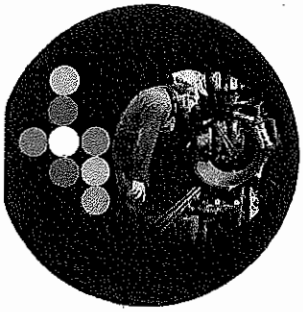
We plan to take up our option to purchase 25 per cent (the maximum allowed under Spanish law) in FEMSA, Barcelona, Spain. This will represent an investment of $350,000, and will be supplied principally in equipment to enable faster and cheaper production of drums and pails at the FEMSA, Barcelona, plant.

Rheem International has for the past several years supplied know-how, engineering advice, and technical personnel to FEMSA to enable them to build up one of the most efficient drum operations in Western Europe.

RMC308

THE RHEEM STORY





The Rheem story is a story of growth. The story started more than 30 years ago with the opening of a small galvanizing shop in Emeryville, California. In its first year in operation, the shop did less than $100,000 worth of business. Within the short span of 30 years, the company has attained its present world-wide stature, operating 16 plants in this country at an annual level of $160,000,000, and through 17 foreign plants at a level of $27,000,000.

The major factors linking the company's products are: manufacturing similarities, which enable the same equipment and skills to produce diverse products, and market relationships, through which distribution outlets developed to sell one product can be economically utilized in selling related Rheem products.

The diversification of products which the company has attained has been the outgrowth of a planned management policy. This diversification has been controlled and orderly, progressing logically from one product to another.

This expansion of the product line started in the second year of the company's history, when it branched out from galvanizing steel containers to manufacturing them. As it moved through progressive stages in the development of its product line, the company

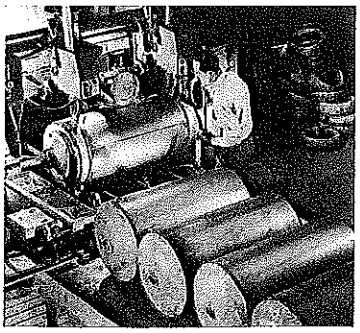
undertook the manufacture of boilers and water heaters—both variations of the steel cylinder, the basic form used for shipping containers;

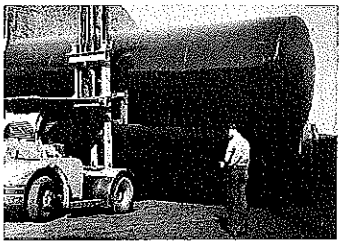
capitalized on the sales experience thus gained in the plumbing field by manufacturing and distributing heating and air conditioning equipment;

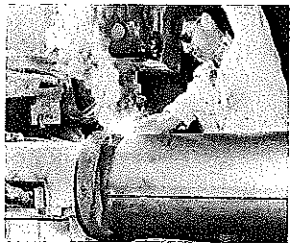
mobilized its manufacturing experience to fulfill defense contracts for World War II and the Korean conflict by modifying the basic steel cylinder into cartridge cases, depth charges, and blitz cans, and by utilizing its metal fabrication skills in the manufacture of aircraft parts;

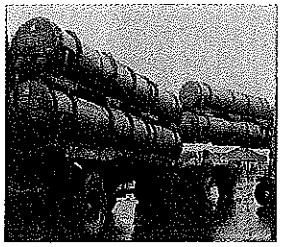
capitalized on its foothold in the gas appliance field to expand into the gas range and dryer field;

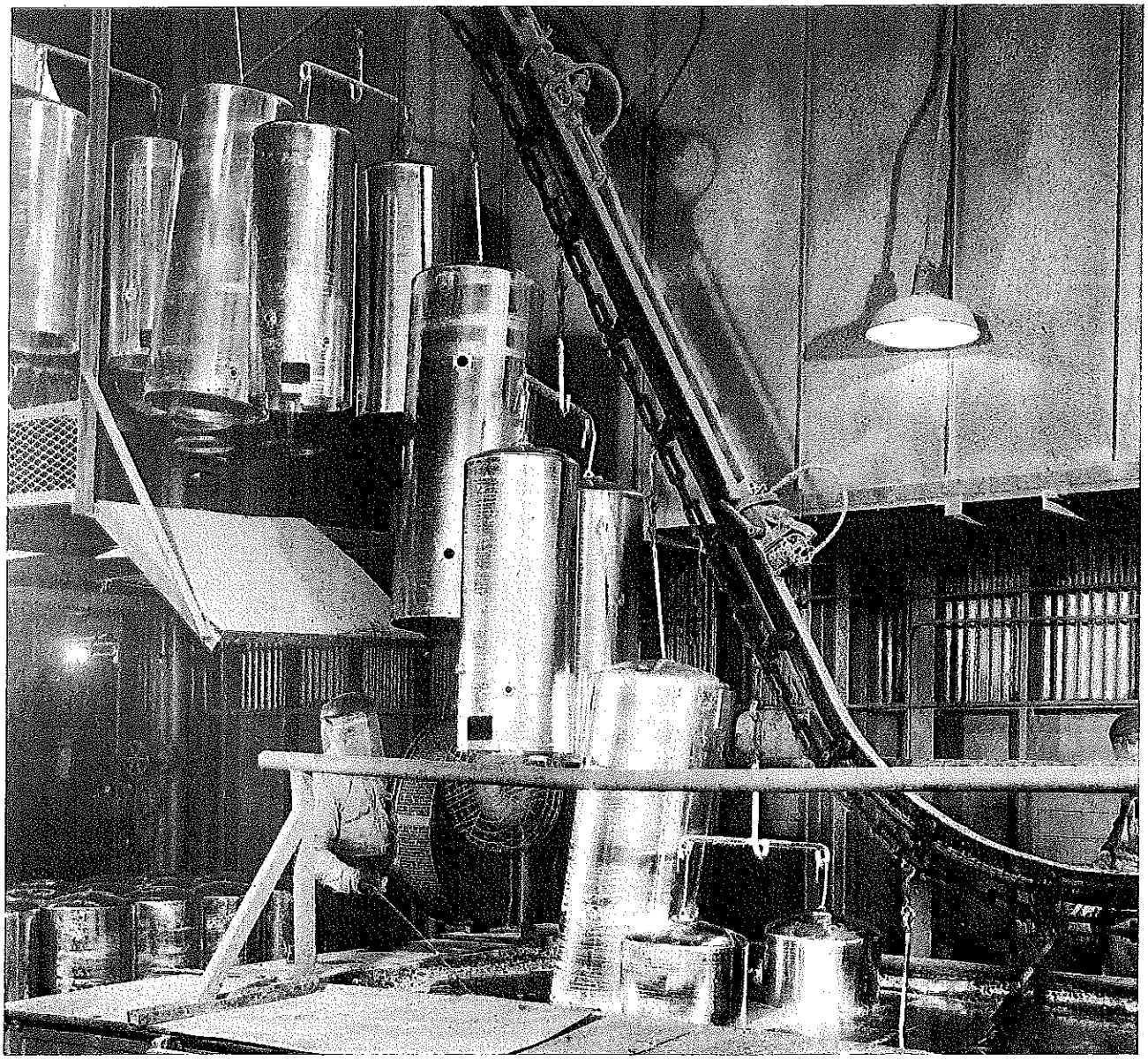
utilized its background in steel stampings and forgings to enter the automotive parts market.



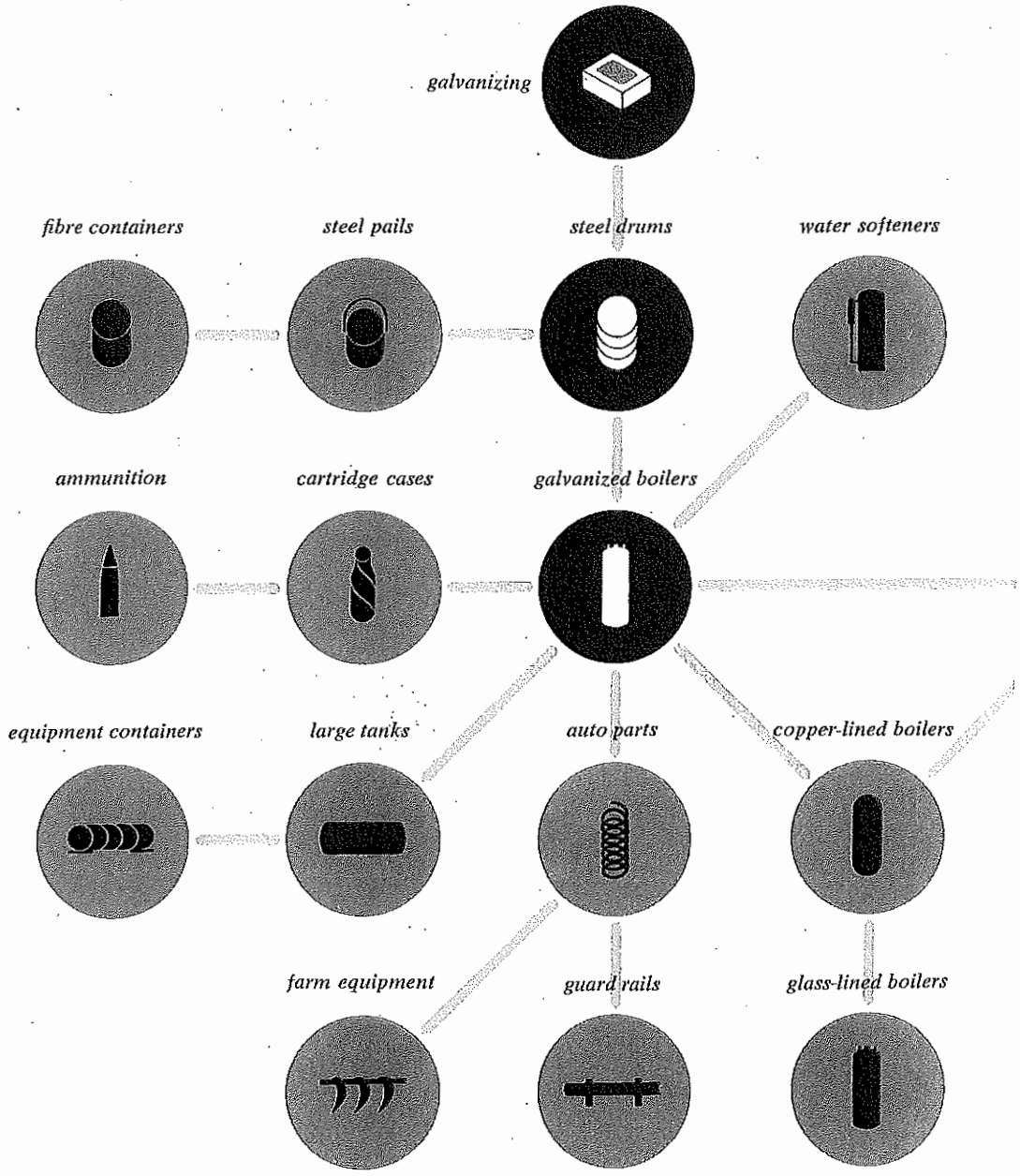




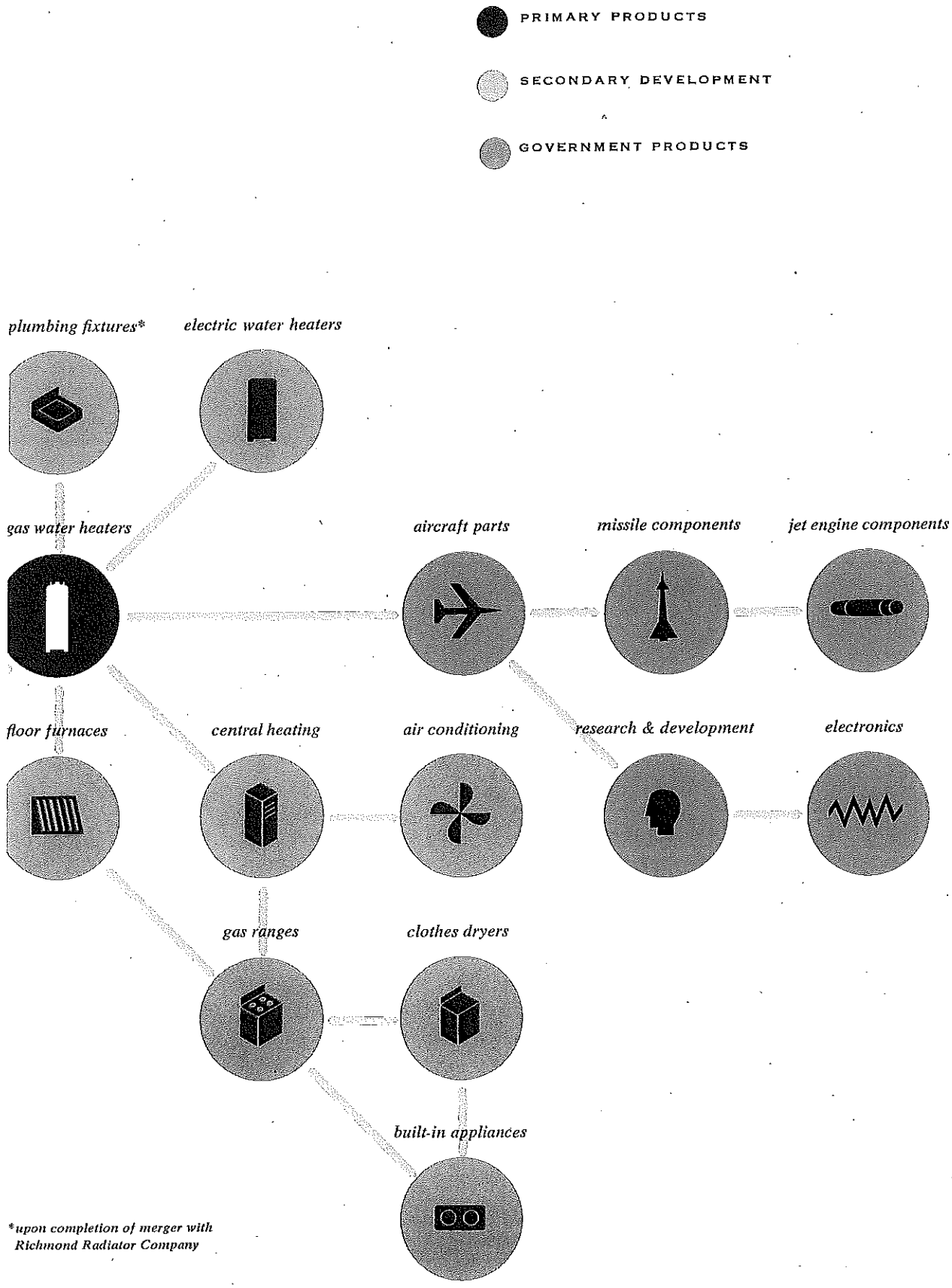




PROGRESSIVE DEVELOPMENT OF RHEEM PRODUCTS

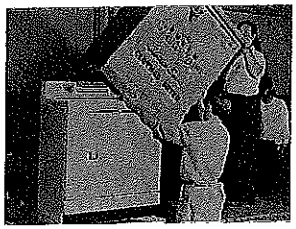


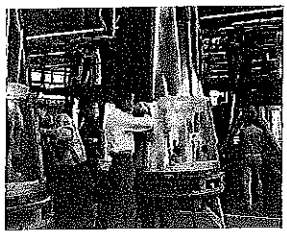
RMC311

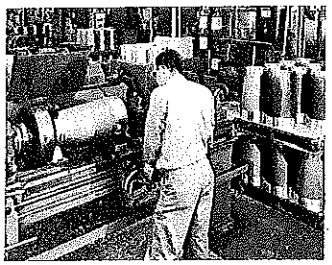


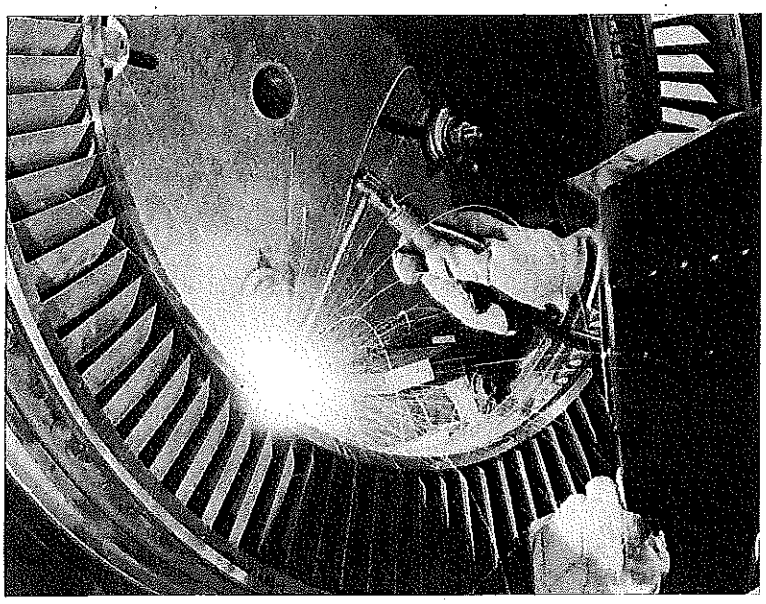
*upon completion of merger with Richmond Radiator Company

RMC312





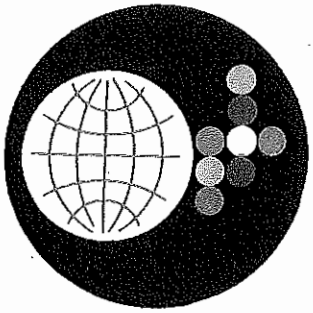




The present scope of Rheem's diversification has in part been attained through a series of advantageous acquisitions and mergers. These date back to the acquisition in 1930 of Republic Steel Package Company and extend to the pending merger with Richmond Radiator Company, which was approved in February, 1956. Significant milestones in the company's acquisition history were the purchase in 1931 of the California water heater business of John Wood Manufacturing Company, which drew Rheem into the water heater field; the acquisition in 1947 of the Fraser Furnace Company, through which the company entered the warm air heating equipment field; the purchase of the James Graham Manufacturing Company in 1951, through which Rheem acquired the Wedgewood line of gas ranges; and the acquisition in 1954 of United States Spring and Bumper Company, which has since become Rheem's Automotive Division.

RMC313

RHEEM'S WORLD-WIDE OPERATIONS



The world-wide extent of Rheem's manufacturing facilities is reflected by the map on the following page.

In the location of its plants, several factors have prompted management decisions. For example, the California and Texas locations of Rheem plants, producing steel containers, were largely dictated by the distribution pattern of the petroleum industry. As Rheem containers were developed for more widespread industrial uses, additional plants were located near key industrial centers in the Midwest and the Atlantic Seaboard.

Because much of the company's plumbing and heating equipment is gas-fired, plants for manufacturing these products were initially located near markets with an abundant supply of natural gas. As acceptance for these products grew, their manufacture was extended into the country's major marketing areas.

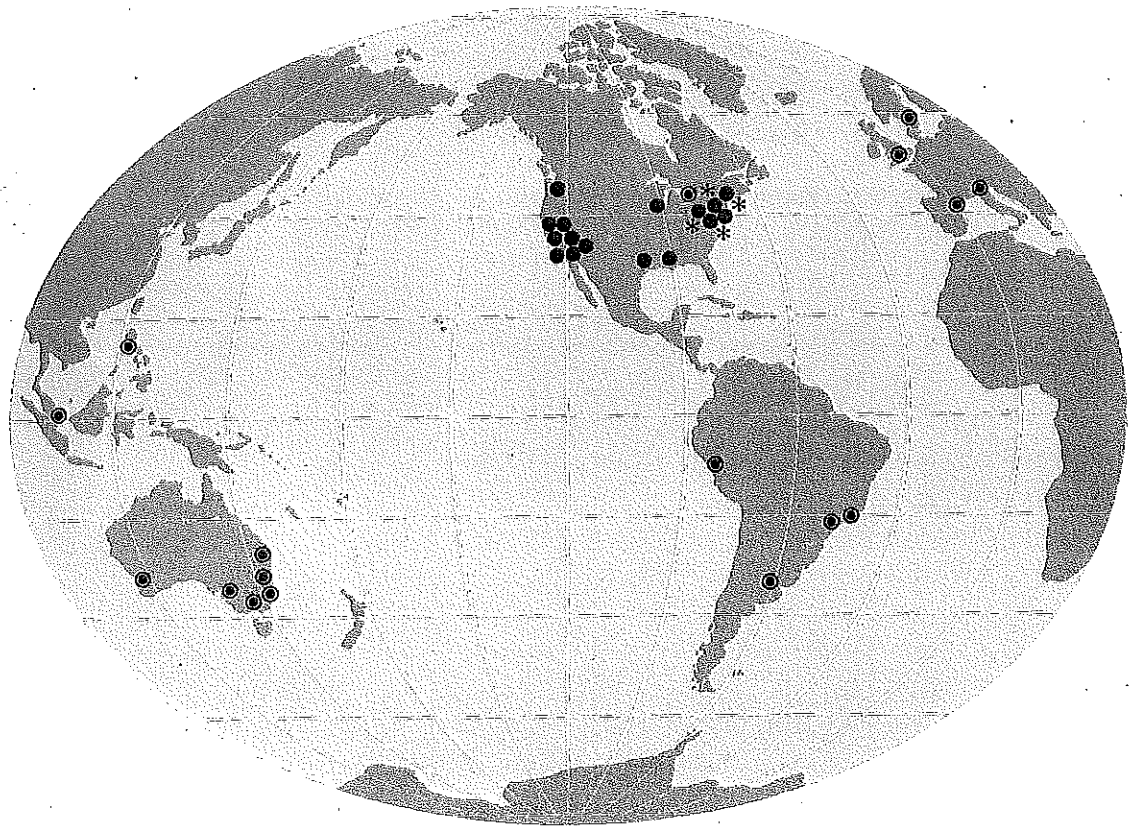
The substantial automotive assembly operations conducted on the West Coast by all major motor car manufacturers motivated the company to enter the automotive parts field with a plant located in Southern California.

Since it was not feasible to export empty steel drums to overseas points of use, the company believed that it could develop a market for its containers if it produced them near overseas distribution centers. Rheem and its associates now make containers in eleven countries outside the United States. In addition, the manufacturing and marketing skills developed by the company in its operations in the United States were put to use in entering the appliance markets of Australia and Brazil.

Our overseas operations are directed by Rheem International from its New York offices. Much of our success in penetrating the vast foreign markets has been the result of a policy to establish strong local management unhampered by problems of absentee ownership. Rheem supplies only a portion of the capital; the balance comes from carefully selected partners in each area.

RMC314

SCOPE OF RHEEM'S OPERATIONS



DOMESTIC PLANTS

Burlington, New Jersey
Cambridge, Massachusetts
Chicago, Illinois
Downey, California
Houston, Texas
Linden, New Jersey
Los Angeles, California
Newark, California
New Orleans, Louisiana
Philadelphia, Pennsylvania
Richmond, California
San Pablo, California
Seattle, Washington
South Gate, California
Sparrows Point, Maryland
*Metuchen, New Jersey**
*Monaca, Pennsylvania**
*Uniontown, Pennsylvania**
*New Castle, Delaware**

**upon completion of merger with Richmond Radiator Company*

AFFILIATED AND ASSOCIATED FOREIGN COMPANIES

S. A. Industrial Y Comercial Aceros Rheem	Buenos Aires	*Argentina*
Rheem-Australia Pty. Limited	Sydney, Brisbane, Melbourne, Fremantle, Adelaide	*Australia*
Rheem Metalurgica, S. A.	Rio de Janeiro and Sao Paulo	*Brazil*
Rheem Canada Limited	Hamilton, Ontario	*Canada*
Rheem Lysaght Limited	Bristol	*England*
Societa Per Azioni Fusti E Imballaggi Metallici	Milan	*Italy*
Rheem Peruana, S. A.	Lima	*Peru*
Rheem of the Philippines, Inc.	Manila	*Philippines*
Rheem-Hume (Far East) Limited	Singapore	*Singapore*
Fabricacion de Envases Metalicos, S. A.	Barcelona	*Spain*
A. B. Elit Emballage	Dals Langed	*Sweden*

RMC315

NUMBER OF PLANTS	STEEL DRUMS	LITHOGRAPHED DRUMS	LINED DRUMS	STEEL PAILS	FIBRE CONTAINERS	UNDERGROUND STORAGE TANKS	GALVANIZED BOILERS	GLASS-LINED BOILERS	COPPER-LINED BOILERS	WATER HEATERS	WATER SOFTENERS	HEATING EQUIPMENT	AIR CONDITIONING	EVAPORATIVE COOLERS	GAS RANGES	CLOTHES DRYERS	BUILT-IN APPLIANCES	AUTO SPRINGS	AUTO BUMPERS	FARM TOOLS	HIGHWAY GUARD RAILS	EQUIPMENT CONTAINERS	ORDNANCE COMPONENTS	MISSILE COMPONENTS	AIRCRAFT COMPONENTS	JET ENGINE PARTS	ELECTRONICS	GUNNERY TRAINER	GOVERNMENT RESEARCH	STAINLESS STEEL BARRELS	SPIRAL WELD PIPE	STRUCTURAL ANGLE IRON	VITREOUS CHINA FIXTURES	CAST-IRON FIXTURES
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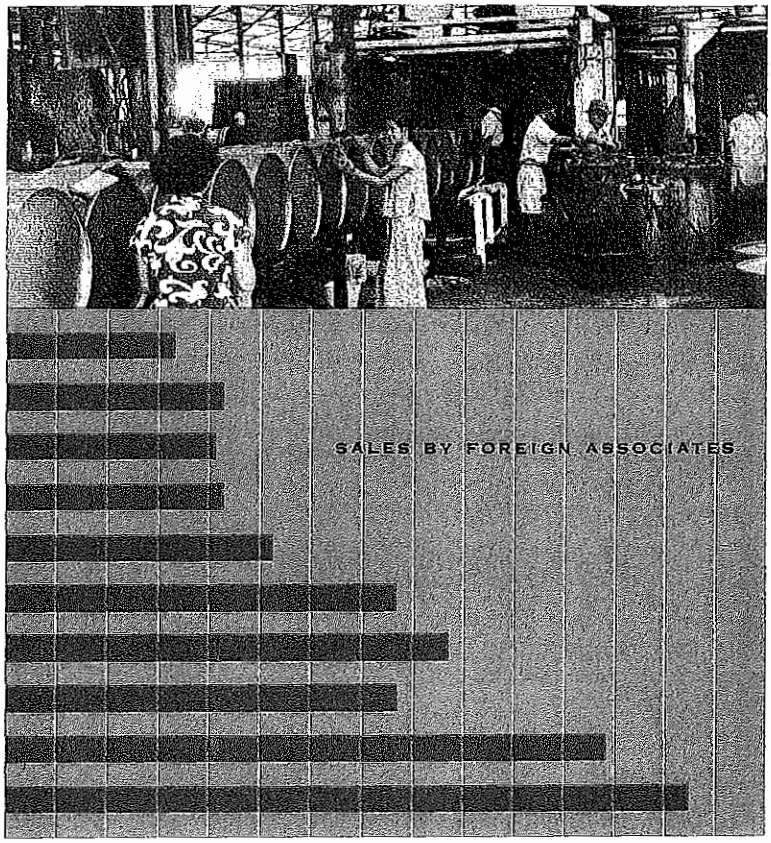


In each country, the Rheem organization is staffed with nationals at all levels, including the executive. Whenever possible, nationals in key positions are brought to this country for training in American production and administrative methods.

Rheem International adheres to the policy of reinvesting a sizable portion of its earnings in the further development of local industry, thus working for the best interests of the host country. The effect of these practices has been to make Rheem a welcome guest in any part of the world where the principles of a free economy prevail.

The total Rheem original investment in its foreign enterprises amounted to $1,960,000. This represents an equity ownership of approximately 50 per cent in companies whose gross sales in 1955 surpassed $27,000,000. The value of the Rheem equity in those enterprises now exceeds $4,000,000. Each overseas company is a separate corporate entity which reimburses the parent company on a fee basis for services performed.

RMC317

HOW RHEEM OPERATES

The domestic manufacturing and marketing activities of the company are carried out through a divisional plan of operation. There are at present five such divisions: Appliance, Automotive, Container, Government Products, and Plumbing and Heating.

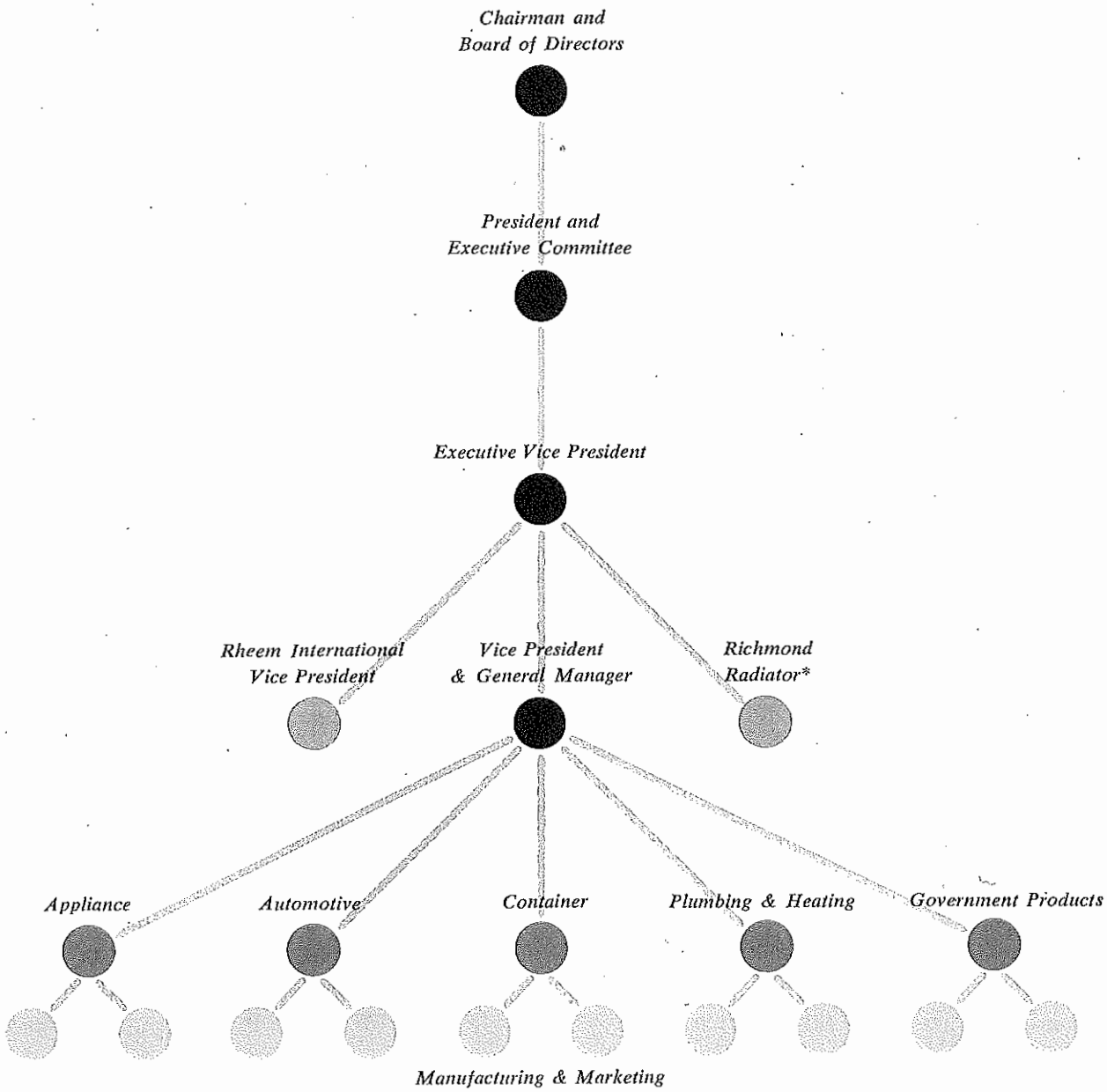
Each division has complete responsibility for manufacturing and marketing on a national scale. Each carries on its own research and product development program and schedules its own market expansion. Each division operates with a large measure of autonomy and has as much scope for intensive development as it would have if it were an individual company. Each is staffed by experts in its particular product field and can work for maximum market penetration for its output.

Central control of these divisions, where corporate matters or matters of basic policy are involved, is provided by a six-man executive committee, directly accountable to the board of directors. The committee is made up of the company's president, its executive vice president, its general manager, and three other vice presidents. It serves as the chief executive group for the company, carrying out policy as established by the board, and planning and administering the company's operations.

The concept of group management embodied in this plan of organization is considered particularly appropriate for large-scale, diversified companies. It provides the company with the advantages of broader, more comprehensive management experience and judgment, better coordination of activities and closer cooperation between operating elements.

This plan of organization, which has recently been put into effect, was evolved from a series of long-range studies and is a logical step in the company's pattern of development. It has been instituted because the management feels that it provides a sound pattern through which the company can take full advantage of its growth opportunities.

RMC318



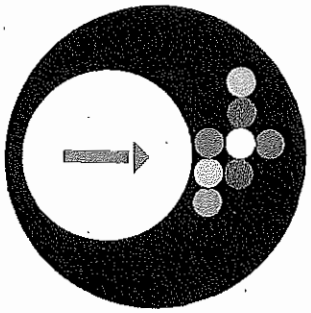
*upon completion of merger with Richmond Radiator Company

Supporting this management structure is a work force characterized by proficiency of performance and a high level of morale. The company has successfully maintained harmonious relations with its employees. During the past year, the safety record continued to improve. The number of lost-time accidents for every 1,000,000 man-hours of work was reduced from 3.0 in 1954 to 2.3 in 1955.

Rheem helps to encourage stability and security among its employee group through a program of benefits, which include a retirement plan, an incentive program and a stock purchase plan.

RMC319

WHAT LIES AHEAD FOR RHEEM



We believe that the company is in a better position than it has ever been to enjoy its full share of the business generated by the present expansive state of our economy.

Our entire range of commercial products, which account for approximately 70 per cent of our sales revenue, is tied to basic segments of the economy. We are linked to the petroleum, chemical, food and automotive industries, in which we can confidently anticipate sustained markets. An increasingly high proportion of our products is directly related to the home construction and home remodeling fields, which have enjoyed unprecedented prosperity in recent years, and for which the outlook continues to be promising.

Rheem is geared to take full advantage of these conditions. We are prepared to back all of our existing products with an integrated, nation-wide sales effort. We have succeeded in developing effective distribution systems in all of our product categories, and we are now going to make full use of those systems by strong and complete product lines. We are encouraging our research and development staff to move ahead energetically on product development programs, because we are confident that under our new plan of organization we can match any comparable company in the country in our manufacturing and marketing performances.

The company's record of growth has been an impressive one, but we believe that it is a record which will be more than equalled by the strides we are now ready to take.

RMC320

RHEEM MANUFACTURING COMPANY AND SUBSIDIARY COMPANY

Assets	*December 31* 1955	1954
CURRENT ASSETS		
Cash	$ 2,950,803	$ 2,712,915
Marketable securities, at cost (which approximates market)	1,420,393	—
Accounts receivable, trade:		
Commercial, less allowance for doubtful accounts (1955, $137,565; 1954, $198,443)	12,005,256	8,982,210
United States Government sources	6,022,224	9,013,168
Owing by affiliated and associated companies	366,716	150,184
Inventories, at lower of cost or market:		
Finished and in process	14,751,485	11,433,435
Raw materials and supplies	16,848,485	12,990,854
Costs allocable to future operations—insurance, taxes, rentals, etc.	1,143,854	1,088,641
	$55,509,216	$46,371,407
INVESTMENTS		
Capital stock of affiliated and associated companies operating in foreign countries, at cost (Note 1)	$ 1,958,220	$ 1,952,259
Other investments	326,981	138,105
	$ 2,285,201	$ 2,090,364
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	$ 1,395,984	$ 1,882,735
Buildings, machinery and equipment, less accumulated depreciation and amortization (1955, $17,233,467; 1954, $15,414,102)	36,499,039	35,098,145
	$37,895,023	$36,980,880
UNAMORTIZED LONG-TERM DEBT EXPENSE	$ 1,017,182	—
	$96,706,622	$85,442,651

RMC321

(See notes to financial statements)

CONSOLIDATED BALANCE SHEETS

Liabilities	December 31 1955	1954
CURRENT LIABILITIES		
Notes payable	$ 5,000,000	$ 7,098,333
Accounts payable, trade and miscellaneous	8,380,262	5,836,258
Accrued wages	669,285	644,466
Federal taxes on income, estimated	4,019,085	4,969,860
Other accrued taxes	646,524	657,554
Contributions payable under retirement plans (Note 4)	636,448	1,048,050
	$19,351,604	$20,254,521
LONG-TERM INDEBTEDNESS		
3⅞% sinking fund debentures due in 1975, less $1,000,000 held in treasury (Note 2)	$24,000,000	—
3¾% and 3⅞% notes, refunded in 1955	—	$13,535,000
Other	123,300	184,950
	$24,123,300	$13,719,950
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	$ 1,138,000	$ 580,500
CAPITAL AND RETAINED EARNINGS		
Cumulative preferred stock, par value $100 per share; authorized—150,000 shares; 4½% convertible series, outstanding—30,588 shares (Note 3)	$ 3,058,800	$ 6,010,100
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding—1,634,263 shares (Note 3)	1,634,263	1,541,648
Capital in excess of par value of shares outstanding (increase in 1955 represents excess of par value of preferred shares over par value of common shares issued upon conversion)	28,918,711	26,063,327
Earnings retained for use in business (Note 2)	18,481,944	17,272,605
	$52,093,718	$50,887,680
	$96,706,622	$85,442,651

A ten year comparison may be found on Page 28.

RMC322

(See notes to financial statements)

RHEEM MANUFACTURING COMPANY — STATEMENT OF EARNING

and subsidiary company

	Year Ended December 31 1955	1954
INCOME		
Net sales	$160,619,990	$163,623,302
Dividends from foreign affiliated and associated companies (Note 1)	277,537	214,076
Miscellaneous income (including, in 1955, $407,767 gain on sale of land and, in 1954, $914,710 gain on sale of marketable securities)	429,421	977,038
	$161,326,948	$164,814,416
COSTS		
Cost of goods sold	$138,149,916	$142,961,941
Selling, general and administrative expenses	11,684,441	9,949,202
Interest	919,011	856,421
	$150,753,368	$153,767,564
	$ 10,573,580	$ 11,046,852
FEDERAL TAXES ON INCOME, ESTIMATED (Including $557,500 in 1955 and $580,500 in 1954 for taxes deferred to future years)	5,330,000	5,020,000
EARNINGS FOR THE YEAR	$ 5,243,580	$ 6,026,852
DIVIDENDS PAID IN CASH		
Preferred stock—$4.50 per share	$ 175,716	$ 365,551
Common stock—$2.40 per share in 1955; $2.30 per share in 1954	3,858,525	3,312,218
	$ 4,034,241	$ 3,677,769
ADDITION TO EARNINGS RETAINED FOR USE IN THE BUSINESS	$ 1,209,339	$ 2,349,083
EARNINGS FOR PAST YEARS RETAINED FOR USE IN THE BUSINESS	17,272,605	14,923,522
EARNINGS RETAINED FOR USE IN THE BUSINESS AT THE END OF YEAR (NOTE 2)	$ 18,481,944	$ 17,272,605

Provision for depreciation and amortization of plant and equipment charged to earnings—1955, $2,898,012; 1954, $2,685,605

A ten year comparison may be found on Page 30.

RMC323

NOTES TO FINANCIAL STATEMENTS *For the Year Ended December 31, 1955*

NOTE 1: *Principles of consolidation:*

The earnings of United States Spring & Bumper Co., a wholly-owned domestic subsidiary acquired in 1954 and merged into the Parent Company at December 31, 1955, have been included in the consolidated statement of earnings; the earnings of this subsidiary from the date of acquisition are included in earnings retained for use in the business at December 31, 1955. Other subsidiaries of the Company operate in foreign countries and their accounts are not included in the consolidated statements.

Investments in capital stocks of subsidiary and associated companies operating in foreign countries are carried at cost; dividends received from the companies are included in income. The Company's equity in the underlying net assets of such companies, computed from the latest 1955 financial statements (unaudited) expressed in United States dollars by use of current rates of exchange totals approximately $4,000,000.

NOTE 2: *Long-term indebtedness:*

The Indenture relating to the 3⅞% sinking fund Debentures requires that the Company make payments to the Trustee sufficient to retire annually Debentures in the principal amount of $900,000; Debentures held in treasury at December 31, 1955, may be used to meet the 1956 sinking fund obligation. Under the provisions of the Indenture $11,690,000 of retained earnings were not available for cash dividends on common stock.

NOTE 3: *Capital stock:*

The outstanding preferred stock is convertible into common stock in the ratio of 3.14 shares of common for each share of preferred until June 1, 1956, and thereafter at 2.88 shares of common for each share of preferred to June 1, 1961. The preferred stock may be redeemed by the Company at prices ranging from $105.50 before June 1, 1956, to $102.00 after June 1, 1971. Payments into a sinking fund, not to exceed $333,333, are required annually beginning in 1956.

During 1954 and 1955 options were granted to certain officers and key employees to purchase 37,000 shares of common stock of the Company at prices ranging from $29.81 to $36.10 per share. The option prices were 95% of the market value of the stock on the dates the options were granted. The options may be exercised two to five years after the date granted.

At December 31, 1955, 96,046 shares of unissued common stock were reserved for conversion of preferred stock and 75,000 shares were reserved for issuance under the stock option plan.

NOTE 4: *Retirement plans:*

The Company maintains a pension plan for all employees with 15 or more years of service, except for employees belonging to certain unions which do not participate in the plan. The 1955 contribution of $384,250 was charged against earnings. Funds held by the Trustee at December 31, 1955, were ample to meet the Company's liability to employees retired under the plan. Because of the many assumptions which would be required, it is impracticable to estimate the amount which may be paid in the future for past services of participating employees.

An incentive bonus retirement plan is maintained for employees of the Company not eligible for overtime compensation. Provision for the 1955 contribution of $1,147,198 to the trust fund was charged against earnings.

NOTE 5: *Renegotiation:*

Some of the business during 1954 and 1955 is subject to renegotiation. Clearance certificates have been obtained for prior years and, on the basis of determination in respect to those years, management is of the opinion that renegotiation will not materially affect the financial statements for 1954 and 1955.

NOTE 6: *Richmond Radiator Company:*

Subsequent to December 31, 1955, the stockholders of the Company and of Richmond Radiator Company approved an agreement providing for the merger of Richmond into Rheem on the basis of exchanging four shares of Richmond common stock for one share of Rheem common stock. If all of the outstanding common shares of Richmond are exchanged, 283,000 shares of Rheem common stock will be issued as a result of the merger. Based on audited financial statements, the book value of the net assets of Richmond at December 31, 1955, was $5,952,000; operations for the year 1955 resulted in net sales of $19,654,000 and net income of $978,000.

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Assets — *December 31*	1946	1947	1948
CURRENT ASSETS			
Cash	$ 1,808,116	$ 2,277,099	$ 1,871,131
Marketable securities	151,370	153,010	163,105
Accounts receivable	5,405,817	5,178,489	4,987,924
Inventories, at lower of cost or market	8,549,161	9,405,570	9,737,129
Preproduction expenses on government contracts	—	—	—
Costs allocable to future operations	298,614	484,947	539,281
	$16,213,078	$17,499,115	$17,298,570
INVESTMENTS	$ 1,254,359	$ 935,957	$ 1,364,656
PROPERTY, PLANT AND EQUIPMENT, at cost	$12,179,707	$15,177,426	$16,302,617
Less: Accumulated depreciation and amortization	3,242,442	3,793,896	4,255,826
	$ 8,937,265	$11,383,530	$12,046,791
UNAMORTIZED LONG-TERM DEBT EXPENSE	—	—	—
TOTAL ASSETS	$26,404,702	$29,818,602	$30,710,017

Liabilities and Capital			
CURRENT LIABILITIES			
Notes payable	—	—	—
Accounts payable, trade and miscellaneous	$ 3,040,318	$ 3,132,381	$ 2,999,308
Accrued wages	232,288	267,619	188,436
Federal taxes on income	939,077	2,156,287	1,971,248
Other accrued taxes	186,537	303,912	287,735
Contributions payable under retirement plans	—	—	—
	$ 4,398,220	$ 5,860,199	$ 5,446,727
LONG-TERM INDEBTEDNESS	$ 4,000,000	$ 4,000,000	$ 4,000,000
DEFERRED INCOME TAX	—	—	—
CAPITAL AND RETAINED EARNINGS	$18,006,482	$19,958,403	$21,263,290
TOTAL LIABILITIES AND CAPITAL	$26,404,702	$29,818,602	$30,710,017

RMC325

ALANCE SHEETS

TEN YEAR COMPARISON

1949	1950	1951	1952	1953	1954	1955
$ 1,578,343	$ 3,564,556	$ 1,543,038	$ 2,653,265	$ 3,313,766	$ 2,712,915	$ 2,950,803
132,140	69,266	9,607	—	494,427	—	1,420,393
4,832,825	9,626,799	13,644,055	23,589,435	21,083,370	18,145,562	18,394,196
7,472,194	10,719,483	20,925,530	21,927,594	27,332,600	24,424,289	31,599,970
—	—	1,517,831	1,165,900	834,907	108,376	42,797
221,048	241,463	613,257	922,594	954,491	980,265	1,101,057
$14,236,550	$24,221,567	$38,253,318	$50,258,788	$54,013,561	$46,371,407	$55,509,216
$ 1,611,775	$ 1,311,965	$ 1,350,673	$ 1,832,448	$ 1,941,807	$ 2,090,364	$ 2,285,201
$16,376,709	$21,488,242	$35,773,426	$40,060,374	$41,619,240	$52,394,982	$55,128,490
4,703,194	5,229,921	6,107,123	8,324,737	10,731,797	15,414,102	17,233,467
$11,673,515	$16,258,321	$29,666,303	$31,735,637	$30,887,443	$36,980,880	$37,895,023
—	—	—	—	—	—	$ 1,017,182
$27,521,840	$41,791,853	$69,270,294	$83,826,873	$86,842,811	$85,442,651	$96,706,622

—	—	$ 3,000,000	$13,933,333	$13,222,983	$ 7,098,333	$ 5,000,000
$ 2,890,027	$ 5,276,645	5,871,156	8,619,761	7,541,669	5,836,258	8,380,262
195,872	472,920	532,634	1,015,765	881,330	644,466	669,285
1,964,627	5,504,983	9,556,463	3,800,107	8,321,808	4,969,860	4,019,085
248,164	274,312	361,207	541,716	565,998	657,554	646,524
186,085	549,888	763,388	1,144,978	190,829	1,048,050	636,448
$ 5,484,775	$12,078,748	$20,084,848	$29,055,660	$30,724,617	$20,254,521	$19,351,604
—	$ 5,000,000	$14,000,000	$13,066,667	$12,379,933	$13,719,950	$24,123,300
—	—	—	—	—	$ 580,500	$ 1,138,000
$22,037,065	$24,713,105	$35,185,446	$41,704,546	$43,738,261	$50,887,680	$52,093,718
$27,521,840	$41,791,853	$69,270,294	$83,826,873	$86,842,811	$85,442,651	$96,706,622

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RHEEM MANUFACTURING COMPANY

CONSOLIDATE

INCOME	1946	1947	1948
Net sales	$39,268,335	$60,258,287	$58,744,097
Dividends from foreign companies	16,150	209,212	240,052
Miscellaneous income	637,070	138,031	343,631
	$39,921,555	$60,605,530	$59,327,780
COSTS			
Cost of goods sold	$32,124,017	$49,512,218	$47,470,812
Selling, general and administrative expenses	5,577,142	5,591,069	6,626,354
Interest	100,420	124,723	111,541
	$37,801,579	$55,228,010	$54,208,707
EARNINGS BEFORE TAXES	$ 2,119,976	$ 5,377,520	$ 5,119,073
FEDERAL TAXES ON INCOME	823,651	2,000,765	1,925,285
EARNINGS FOR THE YEAR	$ 1,296,325	$ 3,376,755	$ 3,193,788
PREFERRED DIVIDENDS PAID	$ 135,001	$ 128,437	$ 122,160
COMMON DIVIDENDS PAID	844,729	1,131,590	1,574,656
SUNDRY CHARGES	-	5,307	-
RETAINED EARNINGS FOR THE YEAR	$ 316,595	$ 2,111,421	$ 1,496,972
EARNED PER SHARE OF COMMON STOCK	$ 1.16	$ 3.25	$ 3.07

CONSOLIDATED STATEMENT OF CAPITAL AND RETAINED EARNING

PREFERRED STOCK	$ 3,000,000	$ 2,840,500	$ 2,638,40(
COMMON STOCK $1 PAR VALUE	1,000,000	1,000,000	1,000,00(
CAPITAL IN EXCESS OF PAR VALUE	10,469,370	10,469,370	10,479,38!
RETAINED EARNINGS	3,537,112	5,648,533	7,145,50!
TOTAL CAPITAL AND RETAINED EARNINGS	$18,006,482	$19,958,403	$21,263,29(
WORKING CAPITAL	$11,814,858	$11,638,916	$11,851,84!
BOOK VALUE, COMMON STOCK	$ 15.01	$ 17.12	$ 18.6!
NUMBER COMMON SHAREHOLDERS	5,376	4,693	5,27!

RMC327

TATEMENT OF EARNINGS

TEN YEAR COMPARISON

1949	1950	1951	1952	1953	1954	1955
$49,754,531	$74,465,686	$94,106,957	$144,523,960	$188,004,665	$163,623,302	$160,619,990
64,618	116,308	330,834	523,137	73,500	214,076	277,537
63,649	81,827	76,037	61,552	109,652	977,038	429,421
$49,882,798	$74,663,821	$94,513,828	$145,108,649	$188,187,817	$164,814,416	$161,326,948
$41,378,757	$59,256,947	$74,624,450	$129,268,514	$165,178,814	$142,961,941	$138,149,916
4,244,510	5,087,648	6,577,473	7,770,763	9,071,031	9,949,202	11,684,441
81,209	101,633	296,390	869,172	1,056,096	856,421	919,011
$45,704,476	$64,446,228	$81,498,313	$137,908,449	$175,305,941	$153,767,564	$150,753,368
$ 4,178,322	$10,217,593	$13,015,515	$ 7,200,200	$ 12,881,876	$ 11,046,852	$ 10,573,580
1,649,251	5,355,000	8,765,000	3,300,000	7,900,000	5,020,000	5,330,000
$ 2,529,071	$ 4,862,593	$ 4,250,515	$ 3,900,200	$ 4,981,876	$ 6,026,852	$ 5,243,580
$ 116,883	$ 109,643	$ 280,364	$ 449,648	$ 449,545	$ 365,551	$ 175,716
1,564,738	1,900,000	2,458,818	2,753,362	2,498,616	3,312,218	3,858,525
-	-	164,621	-	-	-	-
$ 847,450	$ 2,852,950	$ 1,346,712	$ 697,190	$ 2,033,715	$ 2,349,083	$ 1,209,339
$ 2.41	$ 4.75	$ 3.78	$ 2.76	$ 3.63	$ 3.67	$ 3.10
$ 2,550,100	$ 2,369,900	$ 9,999,000	$ 9,989,800	$ 9,989,800	$ 6,010,100	$ 3,058,800
1,000,000	1,000,000	1,049,030	1,249,308	1,249,308	1,541,648	1,634,263
10,494,010	10,497,300	11,944,799	17,575,631	17,575,631	26,063,327	28,918,711
7,992,955	10,845,905	12,192,617	12,889,807	14,923,522	17,272,605	18,481,944
$22,037,065	$24,713,105	$35,185,446	$41,704,546	$43,738,261	$50,887,680	$52,093,718
$ 8,751,775	$12,142,819	$18,168,470	$21,203,128	$23,288,944	$26,116,886	$36,157,612
$ 19.49	$ 22.34	$ 24.01	$ 25.38	$ 27.01	$ 29.11	$ 30.00
5,132	4,980	5,479	7,946	7,420	8,225	13,800

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET

SAN FRANCISCO 4

February 24, 1956

To the Board of Directors of

Rheem Manufacturing Company:

In our opinion, the accompanying consolidated financial statements present fairly the position of Rheem Manufacturing Company and its wholly-owned domestic subsidiary at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Certain receivables from the U.S. Government selected for test were not confirmed by direct correspondence, but we satisfied ourselves by other auditing procedures as to these items.

Price Waterhouse & Co.

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RHEEM MANUFACTURING COMPANY

PRINCIPAL OFFICES

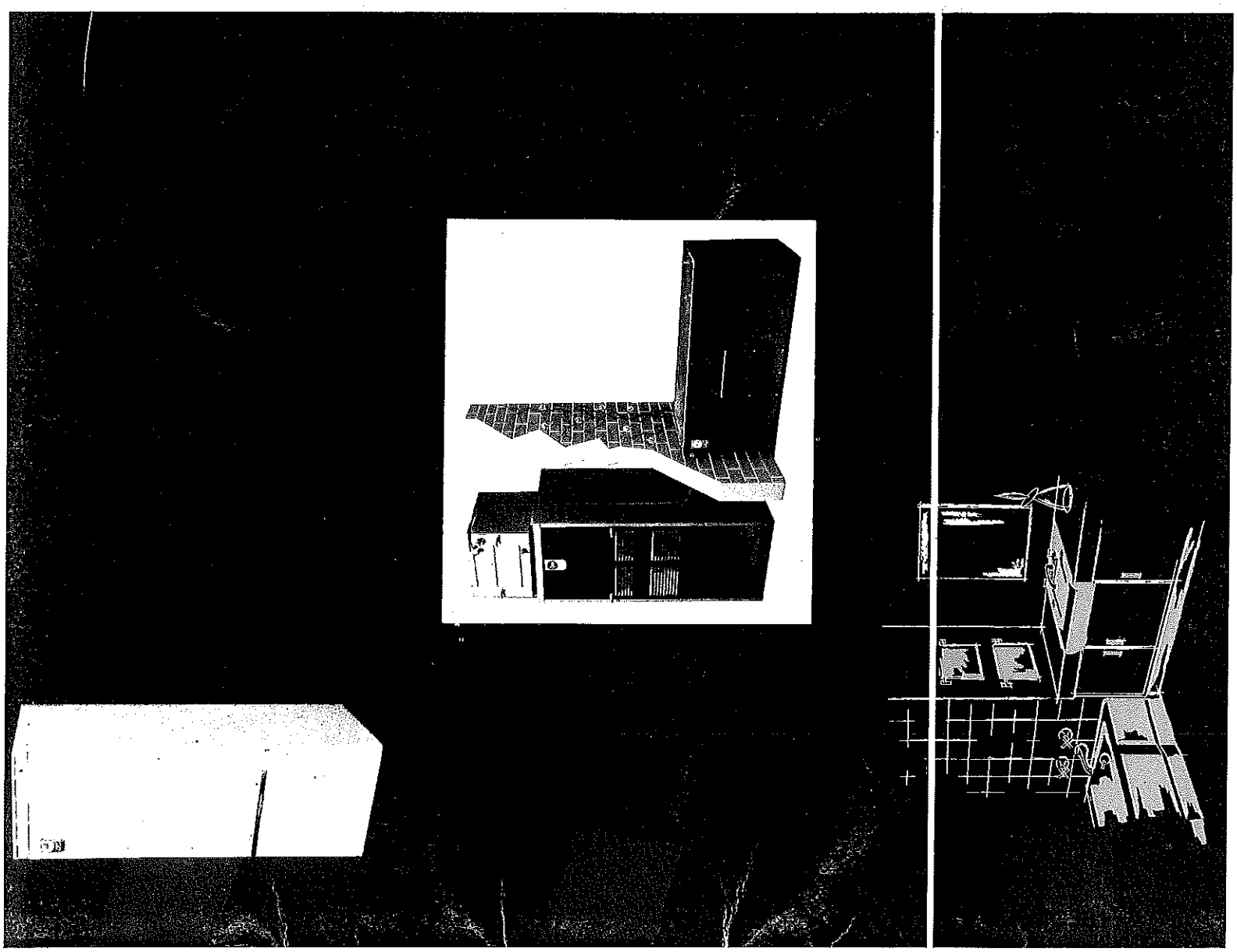
New York, New York
Chicago, Illinois
Los Angeles, California
Richmond, California

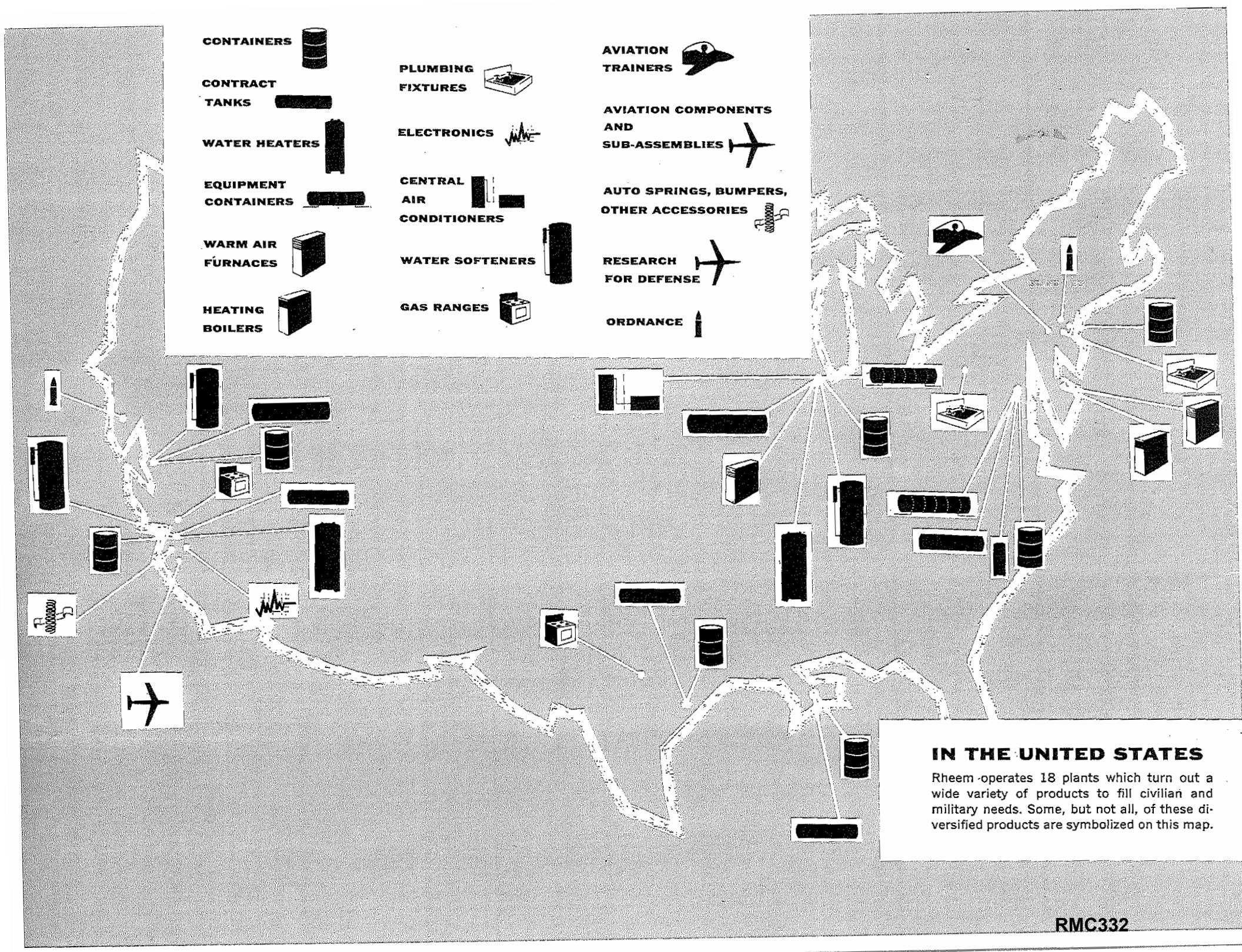
RMC330

PERMANENT RETENTION
DO NOT REMOVE
R. TONITTO 1956

RHEEM MANUFACTURING COMPANY

annual report 1956





IN THE UNITED STATES

Rheem operates 18 plants which turn out a wide variety of products to fill civilian and military needs. Some, but not all, of these diversified products are symbolized on this map.

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RHEEM MANUFACTURING COMPANY

annual report 1956

DIRECTORS

C. V. Coons
G. M. Greenwood
H. E. Hall
J. J. Hall
N. Loyall McLaren
A. E. Ponting
D. L. Rheem
R. S. Rheem
A. Lightfoot Walker

OFFICERS

A. Lightfoot Walker	President and Chief Executive Officer
C. V. Coons	Executive Vice President
R. S. Rheem	Chairman of the Board
D. L. Rheem	Vice Chairman of the Board
G. W. Mallatratt	Vice President, Secretary and Treasurer
G. M. Greenwood	Vice President
L. W. Evans	Vice President
E. S. Ronk	Vice President
J. J. Hall	Vice President
A. W. Hughes	Comptroller
F. R. Grant	Assistant Comptroller
R. T. Stroup	Assistant Treasurer
W. S. Lewis	Assistant Secretary
F. F. Lind	Assistant Secretary
R. H. Harris	Assistant Secretary
H. L. Fledderman	Assistant Secretary

a year of CHANGE *and* FORWARD PLANNING...

FRONT COVER

RHEEMGLAS 'HOLIDAY' WATER HEATER

RHEEMAIRE CENTRAL AIR CONDITIONER

RICHMOND PLUMBING FIXTURES

BACK COVER

AIRCRAFT COMPONENTS AND SUB-ASSEMBLIES

STEEL CONTAINERS FOR INDUSTRY

ELECTRONICS: MILITARY, CIVILIAN

RHEEM INTERNATIONAL

RHEEM AUTOMOTIVE

WESTERN - HOLLY 'KOOK - CENTER'

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THE PRESIDENT'S LETTER *to our shareholders and employees*

This annual report differs in two chief respects from its predecessors:

It is the first to reflect a year of financial loss in the 32 years that we have been in business.

It is the first from the present management of the Company as formed after a new president was elected by the board of directors September 21, 1956.

Change and Forward Planning

The year 1956 was one of fundamental change in executive direction and organization philosophy, as well as forward planning.

Your new management's program to reorganize the Company has affected all divisions. It is restoring the Company to a sound financial and operating position.

Financial Review

Net loss after taxes in 1956 was $9,163,000, equivalent to $4.75 a common share, on 1,951,538 shares outstanding at the year end. This compares with a net income in 1955 of $6,222,000 or $3.15 a share on 1,917,114 common shares then outstanding and after taking into consideration earnings of the Richmond Radiator Company prior to its merger with Rheem in 1956. Federal income tax refunds due under carry back provisions of the Internal Revenue Code total $8,165,000 at the end of 1956. The 1956 net loss before Federal income tax credit amounted to $15,918,000.

At year end a reserve was established for anticipated losses on Government contracts. Final results included a provision of $4,485,000 to cover this item.

The Container, Home Products, Richmond Plumbing Fixtures and International Divisions individually reported operating profits.

Operating loss of $16,025,000 before taxes occurred in the former Government Products Division, Automotive Division and the former Major Appliance Division. As explained in previous letters to shareholders, the operating losses in 1956 were brought about largely by extraordinary start-up costs and unforeseen production difficulties in the Government products and Automotive Divisions.

In addition, there were non-recurring losses of $3,843,000 before taxes. These were due mainly to sale and abandonment of certain fixed assets and to consolidating operations in more favorably located plants.

Net sales for the year totaled $173,903,000, compared to $180,274,000, including Richmond Radiator sales of $19,654,000 for 1955. Commercial product sales reached a new high of $132,743,000 as against $131,585,000 for 1955, including Richmond Radiator sales. Sales of military products were $41,179,000, compared to $48,689,000 during 1955.

Short-term loans amounted to $35,800,000 at the end of 1956, compared to $5,080,000 at the previous year end.

Working capital at December 31, 1956, was $25,586,000, compared with $40,421,000 at the end of the previous year, a decrease due principally to losses during the year.

A loan agreement dated January 31, 1957, has been executed with the Company's commercial bankers for current borrowing as estimated for this year. A program planned to reduce current borrowing is now in effect.

Dividends paid during 1956 amounted to $1.00 a common share and were paid in the first half; $2.40 a share was paid the previous year. Preferred dividend payments were maintained. Preferred shares were reduced by 12,037 through conversion and purchase for the Company's sinking fund.

Capital expenditures in 1956 were $6,701,000, and $5,563,000 in 1955. Depreciation of $3,591,000 was charged in 1956, and $3,177,000 in 1955.

Mergers and Other Changes in Facilities

Effective March 30, 1956, a merger of Richmond Radiator Company, announced in last year's annual report, was carried out on the basis of exchanging four shares of Richmond common stock for one share of Rheem common stock. Richmond manufactures a line of quality plumbing fixtures and has contributed earnings to the Company. Its headquarters is at Metuchen, New Jersey.

On October 17, 1956, your Company acquired as a wholly-owned subsidiary Standard Enameling Company, Culver City, Calif. — manufacturer of Western-Holly and Blue Bonnet cooking ranges, with plants at Culver City and McGregor, Tex. The transaction calls for an issuance of Rheem stock over a five-year period in amounts primarily determined by future profits of Standard Enameling Company. Subsequently, the Company closed its Major Appliance Division plant at Newark, Calif., for manufacturing Wedgewood gas ranges and transferred that production to Culver City. It moved its heating equipment operations to Chicago. The new subsidiary has contributed earnings to the Company.

Unprofitable facilities were disposed of during the year by closing down operations at Cambridge, Mass.; Newark, Calif.; Seattle, Wash.; and Vernon, Calif. In February, 1957, we sold our plant at Uniontown, Penna. These steps were in accord with your management's planned program to close down and sell plants not essential to the Company's sound growth; to eliminate from our product lines those products which consistently show losses or are unimportant to our product structure and to consolidate production facilities in order to provide greater output per dollar of investment.

A government-owned ordnance plant at Burlington, N. J., operated by the Company, has been placed on stand-by.

A modern plant was opened in October, 1956, at Fullerton, Calif., replacing inadequate automotive parts production facilities at Vernon. In January, 1957, electronics engineering and manufacturing operations were moved from Downey, Calif., to a larger and more suitable plant at Rivera, Calif. These are new plants and are under long-term leases.

Research and Development

Work was continued during the year to expand our Rheemaire line of central air conditioners. Operating protoypes of a highly-advanced, gas-operated air conditioner embodying patentable principles of design followed intensive development work.

Research and development in aircraft and electronics, for both commercial and military use, are expanding rapidly. Significant projects concern guided missile control systems and their components, electro-mechanical jet fighter gunnery trainers and aircraft monitoring systems.

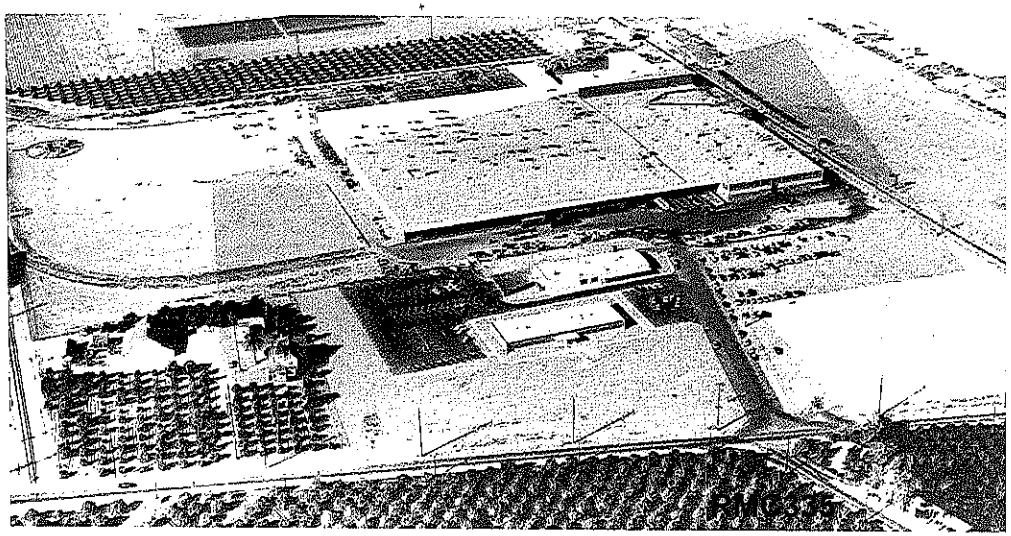
Techniques and equipment for applying interior linings in steel containers were installed and placed in production last year.

Continuing research and development projects for all Rheem product divisions have been budgeted for the current year.

International Operations

Sales by associated and licensed companies totaled $32,200,000 in 1956, a 19 per cent increase over the previous year. These sales are not included in the Company's consolidated profit and loss statements. Export sales of Rheem's domestic

PLANT COMPLETED IN 1955



products totaled $1,472,000 and are included in the Company's statements. This was a 14 per cent increase over 1955. These sales increases reflected the steady growth of our international operations. A fundamental management policy requires that a predetermined percentage of income from associated companies be reinvested in their operations. This, together with close cooperation with nationals of the host countries and reliance on strong local management, accounts in large part for the growth of associated companies and for their continuing contributions to the Company's earnings.

Directors and Officers

On September 21, A. Lightfoot Walker was elected president and chief executive officer of the Company and chairman of the executive committee. R. S. Rheem was elected chairman and D. L. Rheem, vice chairman of the board of directors. W. K. Rheem and W. S. Rheem II resigned from the board. G. M. Greenwood and J. J. Hall were appointed to the executive committee, replacing R. S. Rheem and W. S. Rheem II.

Effective October 25, C. V. Coons, vice president and director, was named executive vice president and vice chairman of the executive committee.

J. J. Hall, former president of Richmond Radiator Company, was elected a director on May 1. He was also named vice president of the Company and president and general manager of the Richmond Plumbing Fixtures Division.

E. S. Ronk, formerly a member of Stewart, Dougall and Associates, management consulting engineers, was named vice president, effective February 13.

A. C. Wedemeyer resigned as a vice president and director, effective May 1.

On November 29, W. E. Zander resigned as vice president and director and N. Loyall McLaren was elected a director. Mr. McLaren is a partner in Haskins & Sells, certified public accountants.

W. S. Rheem II resigned as vice president, effective November 29.

A. W. Hughes became comptroller July 25.

RESEARCH IS KEY IN RHEEM'S GROWTH. TRAYS ARE USED TO TEST LINING MATERIALS FOR STEEL CONTAINERS.

Division Management

Appointments of non-corporate officers at the division level have been made since the last annual report.

Effective November 6, V. J. Heinis, manager of the former Plumbing and Heating Division, was appointed vice president and general manager of the Home Products Division; E. F. Paquette, formerly regional manager, was appointed vice president and general manager of the Container Division; and Mario Capelli, formerly manager of the International Division, was appointed vice president and general manager of the International Division.

L. M. Limbach was appointed vice president and general manager of the Aircraft Division, effective December 15. Mr. Limbach was previously vice president in charge of manufacturing of Ryan Aeronautical Company.

A. G. Handschumacher was appointed vice president and general manager of the Electronics Division, effective January 15, 1957. Mr. Handschumacher had been senior vice president of Lear, Inc.

Employee Relations

Rheem employs 10,000 men and women in its domestic operations. Throughout last year these employees were kept

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informed of the Company's problems and progress. Their continuing loyalty is deeply appreciated by your management.

Illustrative of the spirit among our employees is the consistent improvement in our company-wide safety record. For the year, the accident frequency (lost-time accidents per million man-hours worked) was 2.55, in comparison with the frequency of 12.1 for the metal fabricating industry.

Relations with all unions representing our employees were satisfactory and constructive, with only one minor work stoppage in one plant during the entire year.

Quality control programs which depended upon the teamwork and enthusiasm of large numbers of our hourly-rated employees, brought gratifying results.

Organization

On the basis of a broad examination of its organization structure and the recommendation of outside consultants, the Company put into effect in 1956 a plan of organization by product divisions instead of the previous geographic division concept. Increasing benefits are expected during the current year as a result of far-reaching changes in management philosophy and organization. This is described in detail in adjoining columns.

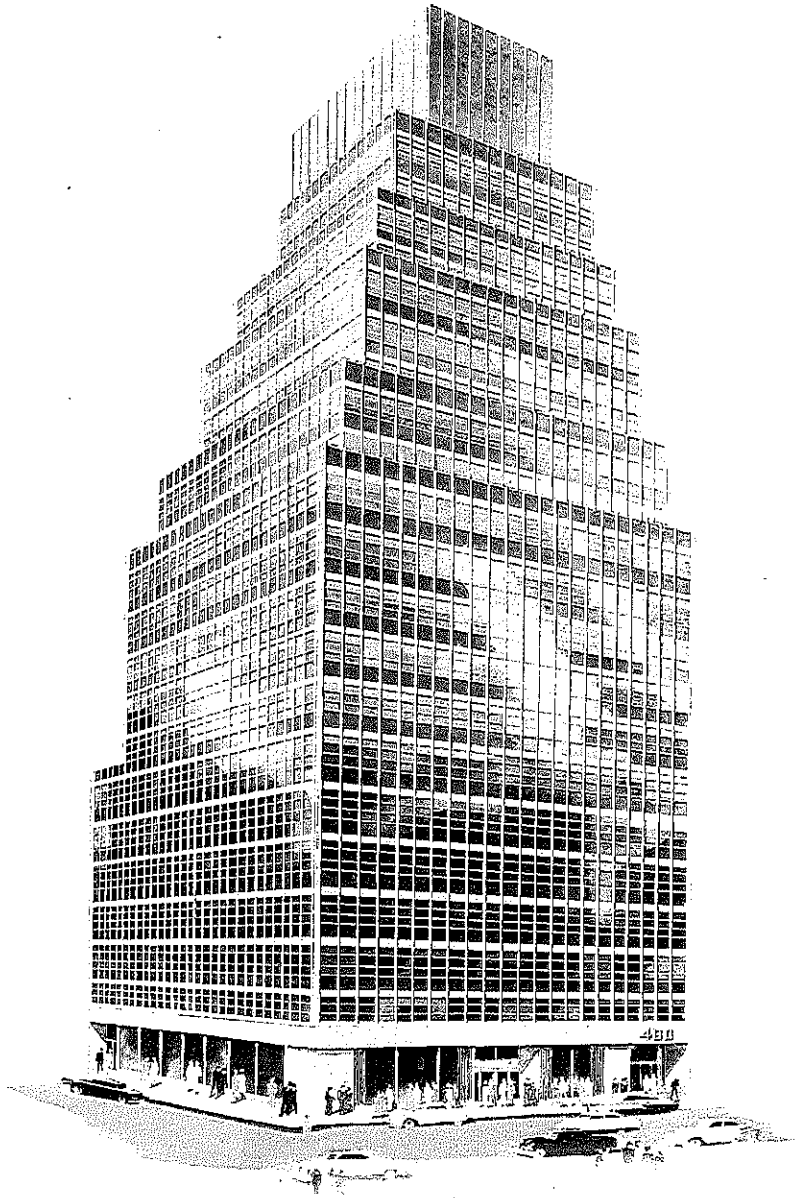
Outlook

Considerable information was sent to shareholders during the past year on the corrective steps your management had taken to put all divisions on a profitable basis.

Our objectives for the current year include:

Strengthening divisions through management development programs and delegation of increasing authority and responsibility, subject to corporate controls.

Strengthening production and distribution to yield greater return on investment.



RHEEM HEADQUARTERS WILL BE IN
400 PARK AVENUE, NEW YORK CITY, BEGINNING THIS YEAR.
ACCOMMODATIONS WILL COST LESS
PER SQUARE FOOT THAN PRESENT SPACE
AND WILL CONSOLIDATE PRINCIPAL EXECUTIVE BRANCHES.

Strengthening customer relations, particularly in the military area, with emphasis on obtaining business suited specifically to our facilities and skills.

Strengthening marketing research and product development in all divisions.

We are pleased to report that operations and sales in the first two months of 1957 indicate our program for profitable operations is progressing favorably.

* * *

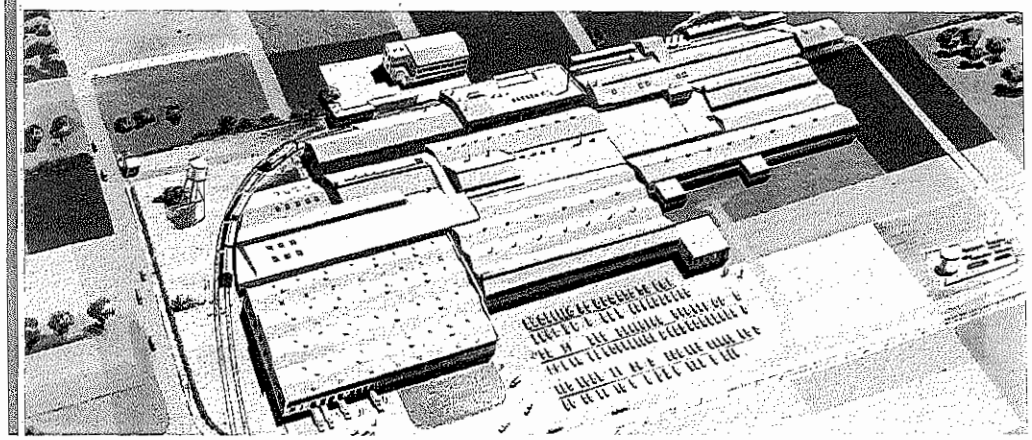
The confidence and support of both employees and shareholders during the period of transition through which the Company has passed are deeply appreciated by the board of directors and management of the Company.

Respectfully submitted,

CHAIRMAN OF THE BOARD

PRESIDENT

New York, N. Y.
March 11, 1957



PLANT AT MONACA, PENNA., ENLARGED AND MODERNIZED TO TURN OUT ENAMELED CAST-IRON FIXTURES MORE EFFICIENTLY.

OUR NEW ORGANIZATION CONCEPT

We have referred in our letters to shareholders and also in this report to the new organization concept which has been developed in our Company. The concept is not new in industry but its application to our Company is new.

Your management is keenly aware that the Company's success derives directly from its people and the way each individual fits into the organization. Our purpose has been to devise a structure fitted to the needs of our organization which will allow for expansion and which will encourage individual development.

Organizing the Company into eight product divisions has already been successfully accomplished. The benefits of this move are now being shown by increased management strength at the division level and by a greater degree of operating efficiency and profit potential in all phases of operation.

Full Job Responsibility

Your management believes that the greatest progress will result when individuals and groups have real incentives to work. Such incentives include full job responsibility, freedom to take positive action within the bounds of authority and positive leadership. With these incentives it is also necessary for management to apply appropriate corporate controls and means of communication, so that greater mutual benefits can be derived by the corporate management from the divisions and by the division management from the corporation.

This philosophy can be expressed as "Maximum autonomy with maximum control." Decision-making is simplified while the controls necessary for sound management such as forward planning, budgeting and budgetary controls are maintained.

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The Executive Committee

The key factor in the Company's organization concept is the executive committee which meets regularly and frequently at the Company's New York headquarters. This committee is, in effect, the Company's operating committee with broad powers delegated to it by the board of directors. The committee represents skill and competence in such important areas as administration, finance, production, sales, communications, purchasing and industrial relations.

Reporting directly to the executive committee are the division managers. While enjoying maximum administrative autonomy, these managers have benefit of close collaboration with the executive committee as a whole and with its members individually. The result is a reciprocal relationship between the executive committee and the division heads. The division heads provide a flow of the necessary information to the executive committee. The executive committee members, and their staffs as required, provide constant counsel and guidance to division heads in decision-making. The same relationship is found between division heads and their plant managers, and from plant managers on throughout the organization.

Your management believes that the new organization will improve the performance and effectiveness of every employee —and thus, of the Company itself.

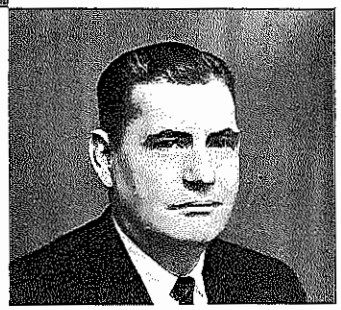
A. LIGHTFOOT WALKER
Chairman

C. V. COONS
Vice Chairman

G. W. MALLATRATT

G. M. GREENWOOD

J. J. HALL



E. S. RONK

Reports on division activities start on the next page.

CONTAINER
division

RECORD SALES IN PAILS AND DRUMS

Sales in the Container Division exceeded those of any previous year. We continued our strong leadership in manufacturing and selling containers, from one-gallon pails to 110-gallon steel drums. Our major products are five-gallon pails and 55-gallon drums.

We made substantial savings in overhead and operating costs in 1956 and expect to realize further manufacturing economies in 1957 as a result of an expanded program of industrial engineering instituted this year.

Through research and engineering the Company was able to place into effect improved techniques for applying a broad range of specification for inner linings.

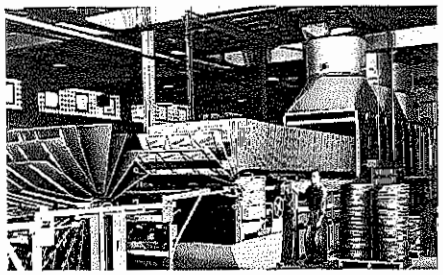
Patent applications have been made on these developments, equipment has been installed, and production of inner-lined drums using a new centrifugal spray process has been started in three of our seven container plants. Additional units are being installed in our remaining four plants in 1957.

The new container inner-lining method has promising potentials comparable to those realized from the introduction of Rheemcote, the industry's first lithography for steel barrels.

Manufacturing of fibre drums within our Linden, N.J., Richmond, Calif., and Chicago plants was discontinued but production at South Gate, Calif., presently on a profitable basis, will continue. Obsolete assets were disposed of. Prospects for profit opportunities in fibre drum manufacture are being investigated.

E. F. PAQUETTE
Vice President
and
General Manager

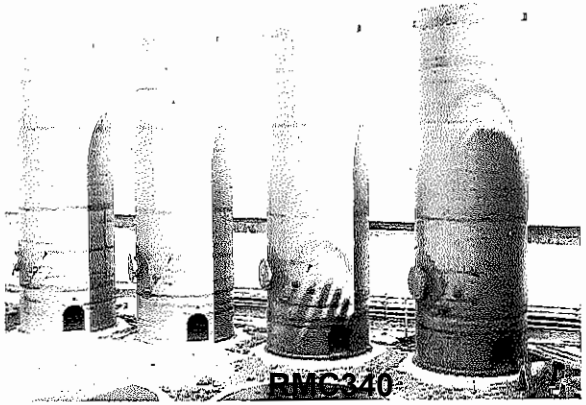
Joining Rheem in 1945, Mr. Paquette was appointed to his new post in 1956.



SHEETS OF METAL ARE TREATED BEFORE BEING SENT ON LONG JOURNEY TO BECOME RHEEMCOTE-POSTER LINED DRUMS.

CONSTANTLY SEEKING MORE EFFICIENT PRODUCTION, RHEEM NOW UTILIZES NEW METHOD (LEFT) OF SPRAYING INSIDE COAT IN DRUM RIGHT, AN ASSEMBLY LINE TECHNIQUE RHEEM USES.

STORAGE TANKS, MADE IN SOME CONTAINER DIVISION PLANTS, ARE MARKETED BY HOME PRODUCTS DIVISION.



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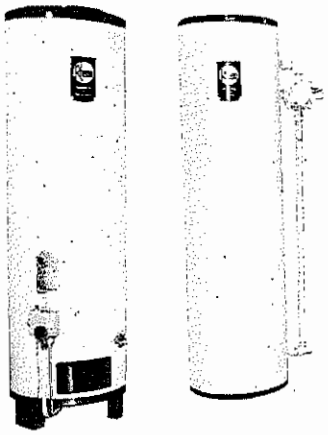
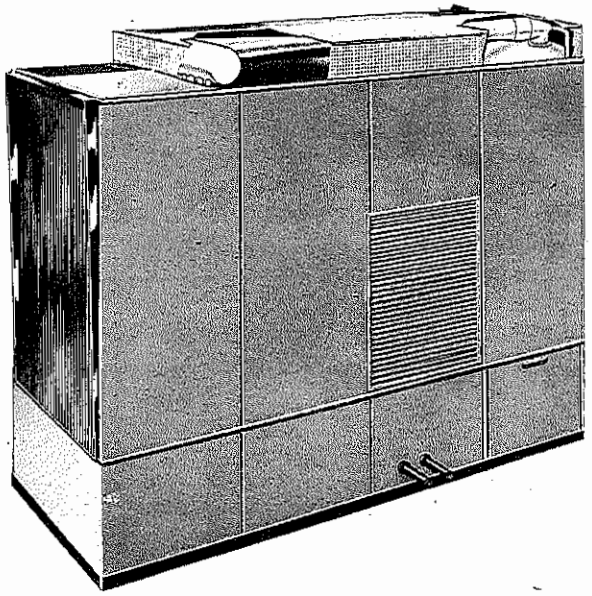
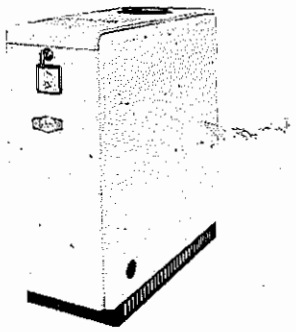
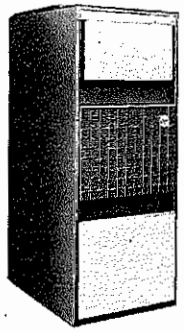


RHEEMGLAS WATER HEATER AND WATER SOFTENER, TWO OF RHEEM'S HOME COMFORT PRODUCTS.



CENTRAL GAS-OPERATED AIR CONDITIONING AND HEATING UNIT DEVELOPED IN 1956 AND BEING FIELD TESTED IN 1957.





RHEEM BOILER AND FURNACE FOR CENTRAL HOME HEATING

HOME PRODUCTS division

NEW PRODUCTS FOR BETTER LIVING

Manufacture and sale of the Company's plumbing, heating and air-conditioning products continued at approximately the same levels as in the previous year. This was achieved in the face of a declining new-home market in 1956.

Improved merchandising and sales promotion programs for water heaters followed the success of our Rheemglas water heaters in 1955.

There was a marked trend in public and trade preference for our Rheemglas water heaters in 1956. This led to consolidating production in our Sparrows Point, Md., South Gate, Calif., and Chicago plants and to closing production facilities for water heaters in Houston and Seattle.

Early in the year, the Home Products Division introduced Rheemaire central air conditioning and heating for homes. Another heating and cooling unit has been approved under local requirements in all parts of the United States. A prototype of a unique gas-operated central air-conditioning and heating unit was developed. It will shortly be field tested in cooperation with leading gas utilities.

Introduction of the Rheemglas "Holiday" appliance-styled, built-in water heater improved the Company's position as a foremost manufacturer of automatic storage water heaters.

A line of compact, highly efficient boilers was added to the division's products.

The division is working closely with Operation Home Improvement, the nation-wide effort to improve our neighborhoods. A special program is helping Rheem wholesalers and dealers direct their sales towards remodeling and modernizing.

V. J. HEINIS
Vice President
and
General Manager

Beginning at Rheem in 1946, he rose through sales and sales management to his present position in 1956.

FACILITIES IMPROVED IN OTHER COUNTRIES

In 1956 sales and profits of Rheem International's operations reached an all-time high.

Important additions which were made during the year to Rheem overseas manufacturing facilities include: a large and modern drum reconditioning plant and a new tank line at the Sydney plant of Rheem Australia, which last year celebrated its twentieth anniversary; a new high-speed drum line in the Rheem Lysaght plant in Bristol, England; additional enameling facilities at Rheem Metalurgica, Rio de Janeiro; an entirely new plant to make steel spiral-welded pipe for Senotubo in Sao Paulo, Brazil, and new interior lacquer baking facilities at Rheem-Hume, Singapore.

Plans for a drum plant in New Zealand were completed and the project now depends on the outcome of negotiations between certain oil companies and the New Zealand authorities.

Thailand, whose principal drum requirements have previously been supplied from our Singapore plant, requires local manufacture, and a study of this project has been made.

Rheem International is cooperating with the Chilean Government and local importers to develop a market for new drums in Chile by introducing bulk importation and storage of liquid fuels and edible oils. The use of local steel and exchange savings are important considerations which weigh in favor of this project. Additional expansion planned for existing plants include a new pail line for S.A.I.A.R., Buenos Aires, a pail line for Rheem of the Philippines, Inc., a modern drum reconditioning line for the Melbourne plant of Rheem Australia and a water heater line for Rheem Canada.

Further expansion in Europe by licensing agreements, establishing distributors and direct manufacture is planned by the addition of a resident European representative. Rheem International has also appointed its own sales and manufacturing representative in the Middle East with headquarters in Beirut, Lebanon.

Sales of associated and licensed companies are expected to increase in 1957. Export sales of Rheem products should also improve.

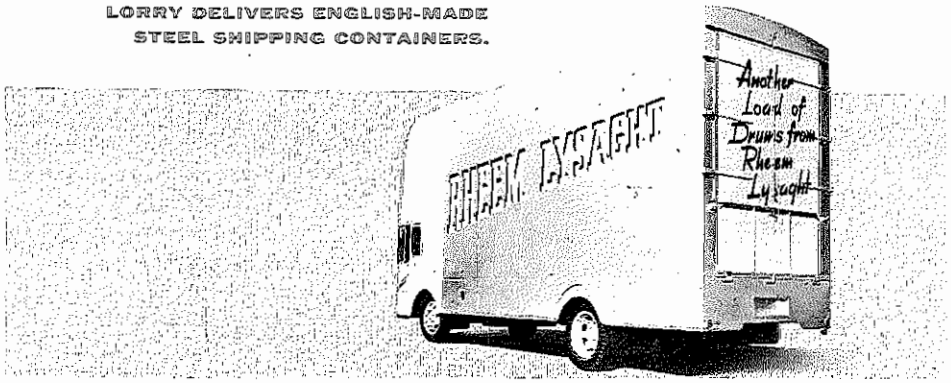
MARIO CAPELLI
Vice President
and
General Manager

Mr. Capelli has had 15 years in Rheem overseas operations, both in the New York headquarters and foreign plants.

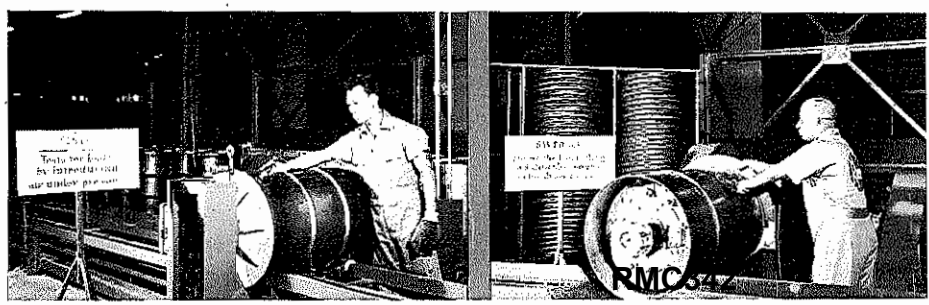
IN THE FAR EAST STEEL IS SENT ON ITS WAY TO PRODUCTION LINE.

SINGAPORE CARRIES OUT PRODUCTION OF SHIPPING CONTAINERS.

LORRY DELIVERS ENGLISH-MADE STEEL SHIPPING CONTAINERS.



DRUM OPERATIONS IN OUR MANILA FACILITY.



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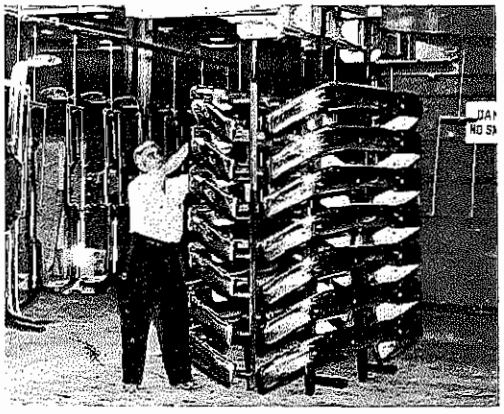
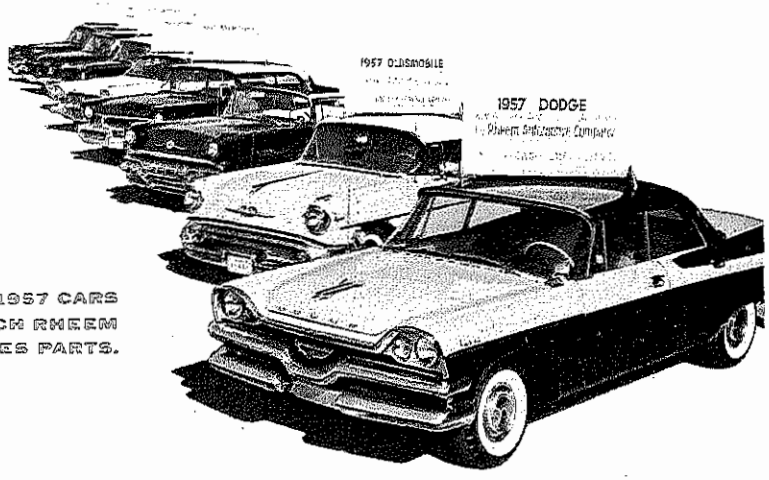
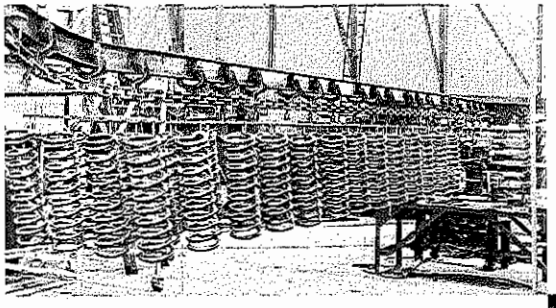


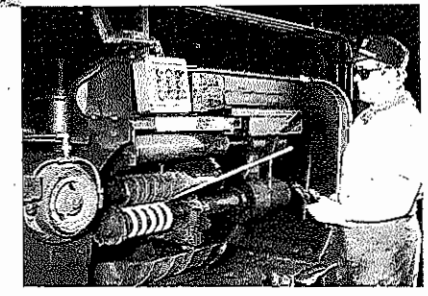
CAREFUL INSPECTION OF BUMPERS IS NEEDED EVEN IN AUTOMATED PLANTS.



SOME OF 1957 CARS FOR WHICH RHEEM PRODUCES PARTS.



COIL SPRINGS BEING CONVEYED TO SHIPPING AREA.



RED-HOT STEEL ROD BECOMES AUTO SPRING.

PLANT MOVED FOR INCREASED OUTPUT

An important move within the Company in 1956 was the transfer of the Automotive Division from Vernon, Calif., to nearby Fullerton.

The division had its integrated, automated new plant in full operation last October, less than 12 months after breaking ground on a 56-acre site. The move was completed without interrupting deliveries.

The 500,000-square-foot factory at Fullerton is especially designed to manufacture a variety of automobile parts. It is equipped to handle all our product lines for this year's cars. It is constructed to permit future expansion.

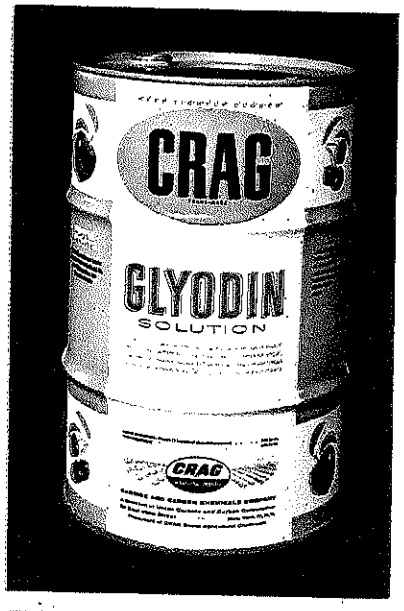
Producing parts for all automobile assembly plants in the western United States, chiefly springs and bumpers, is under way at accelerated rates. Studies of related product lines that meet the division's manufacturing and sales potentialities are also being made.

The Fullerton plant employs about 1,000 people. In the move to the new plant location, which was selected with employee preference in mind, approximately 95 per cent of Automotive Division personnel stayed with the Company.

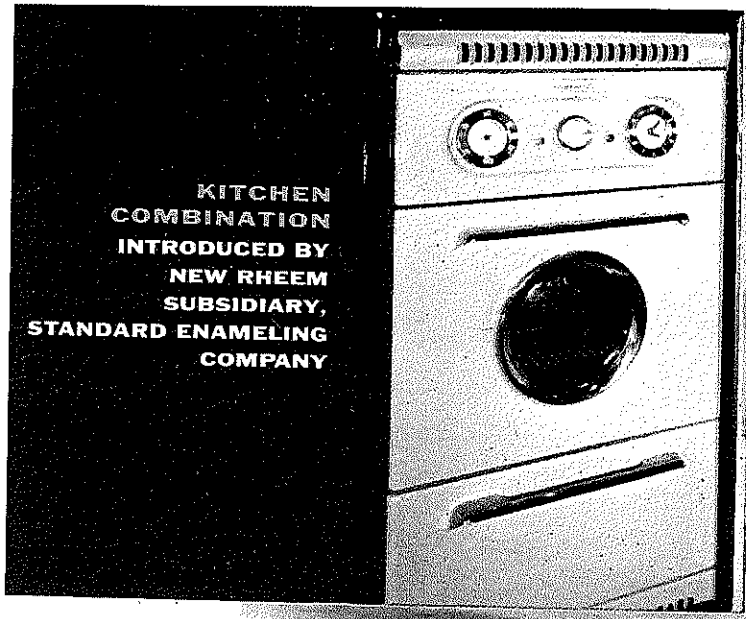
The plant was dedicated in December in ceremonies attended by employees' families, civic leaders, customers and officers and directors of the Company.

F. G. FISHER
Vice President
and
General Manager

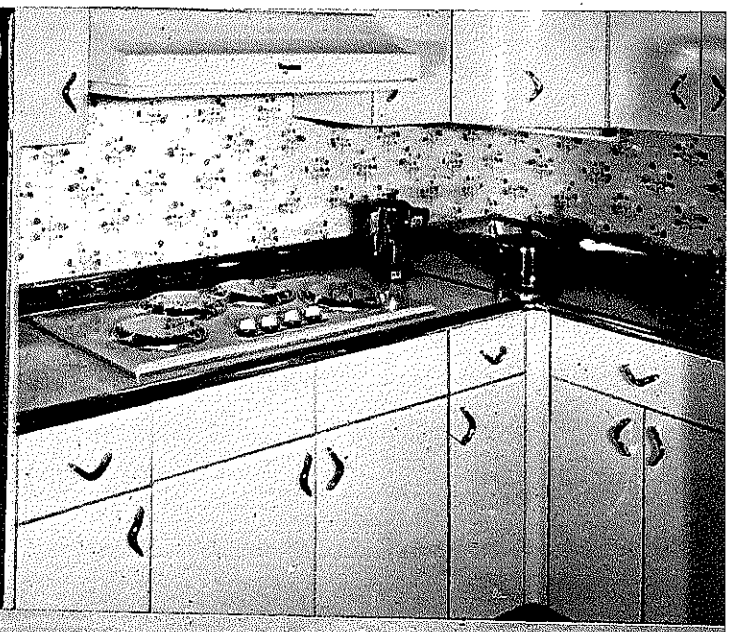
As a top officer of a leading supplier of automotive parts, Mr. Fisher had gained extensive experience before joining Rheem in 1954.

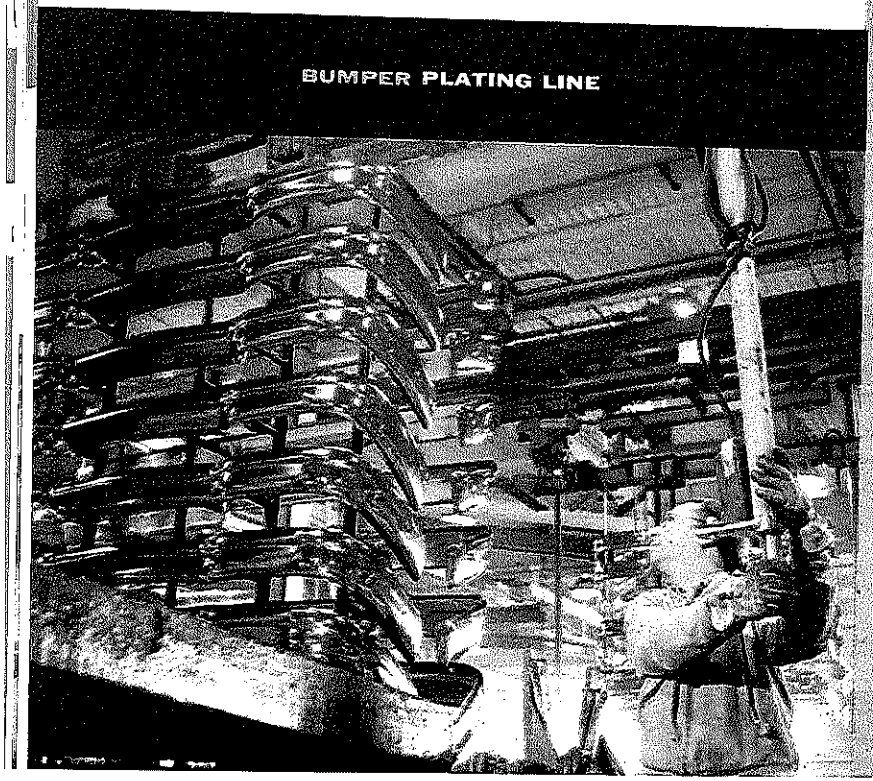


TYPICAL RHEEM STEEL DRUM
FOR INDUSTRIAL PACKAGING



KITCHEN COMBINATION INTRODUCED BY NEW RHEEM SUBSIDIARY, STANDARD ENAMELING COMPANY

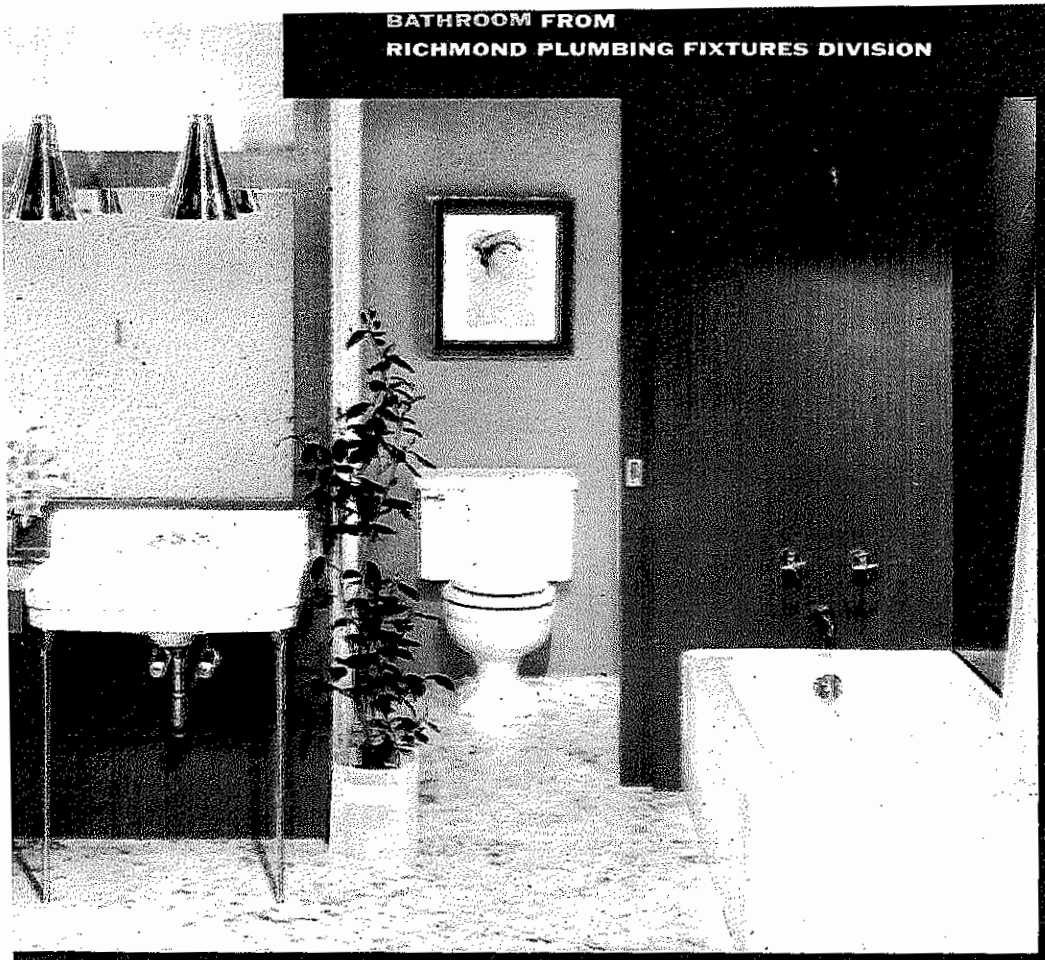




BUMPER PLATING LINE

SUB-ASSEMBLIES FOR F-104A, FASTEST SUPERSONIC JET FIGHTER

RMC344



BATHROOM FROM
RICHMOND PLUMBING FIXTURES DIVISION

RHEEM PRESENTS . . .

Diversification of Rheem product lines is a continuing program of corporate and divisional management. In this the Company seeks to make the most complete possible application of assets, manufacturing skills and marketing position for profit. On these pages are products typical of those we supply to major areas of our national economy: home building and maintenance, industrial packaging, gas kitchen ranges, automobile manufacturing, aircraft production and electronics—both military and industrial. The Company is continuing to work for sound expansion into both greater participation in present markets and in new logical markets.

RHEEMGLAS "HOLIDAY"
APPLIANCE-STYLED WATER HEATER

RMC345

RICHMOND PLUMBING FIXTURES

division

J. J. HALL
President
and
General Manager

President of Richmond Radiator Company when it merged with Rheem, Mr. Hall became a vice president of the Company as well as president and general manager of the division.

OPERATIONS STRENGTHENED BY CONSOLIDATION

With approval of shareholders of both companies, the merger of Richmond Radiator Company into Rheem Manufacturing Company became effective March 30, 1956. Highlights of Richmond activities in 1956 included:

1. Expansion at the Metuchen, N. J., vitreous-china plumbing fixture plant, started late in 1955, was completed. More than 97,000 additional square feet of floor space were constructed and a fourth kiln was installed.

2. Enlarging the facilities at the enameled cast-iron plant at Monaca, Penna., was completed in 1956. The plant can now produce more cast-iron enameled ware than previously could be made at both the Monaca and Uniontown, Penna., plants.

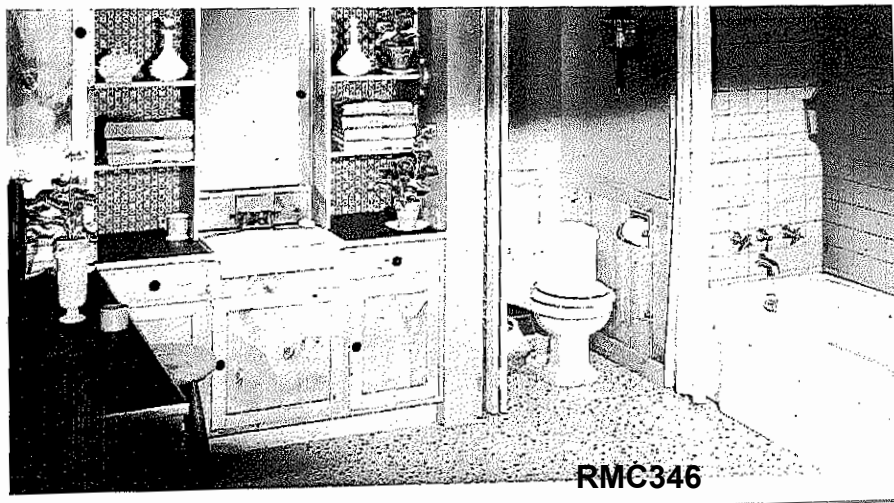
3. Consolidating all cast-iron plumbing fixture output at Monaca represents an important saving in overhead and reduction in inventory. Production at Uniontown was discontinued in December, 1956, and the plant was sold in February, 1957.

4. The heating products plant at New Castle, Del., was integrated with facilities of the Rheem Home Products Division.

Richmond's sales declined slightly as against the previous year. This reflected the decrease in new home construction. However, this was largely offset by sales of products for industrial, commercial and school buildings as well as the growing demand for two bathrooms per home.

Richmond's fixtures are now available in seven colors and a "whiter" white.

BATHROOM FIXTURES TYPICAL OF MANY TURNED OUT BY RICHMOND PLUMBING FIXTURES DIVISION, WHICH ALSO PRODUCES FIXTURES FOR KITCHEN AND FOR PUBLIC BUILDINGS.



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WEDGEWOOD FREE-STANDING GAS RANGE, NEWEST IN 75-YEAR-OLD LINE OF COOKING STOVES MADE UNDER WEDGEWOOD NAME.

GAS RANGE LINES EXPANDED AND INTEGRATED

The Company improved its position in the gas range industry in October by acquiring Standard Enameling Company as a wholly-owned subsidiary. Standard Enameling manufactures the popular Western-Holly line of built-in and free-standing gas ranges.

Combining the Company's Wedgewood free-standing ranges with the Western-Holly lines of built-in and free-standing ranges brings the advantages of improved marketing position and manufacturing economies. Operating results of Standard Enameling Company since the consolidation have been gratifying.

Production has been moved to the plant at Culver City, Calif., which now manufactures the entire Wedgewood as well as Western-Holly lines. The McGregor, Tex., plant of Standard Enameling produces Blue Bonnet, Western-Holly and Wedgewood ranges.

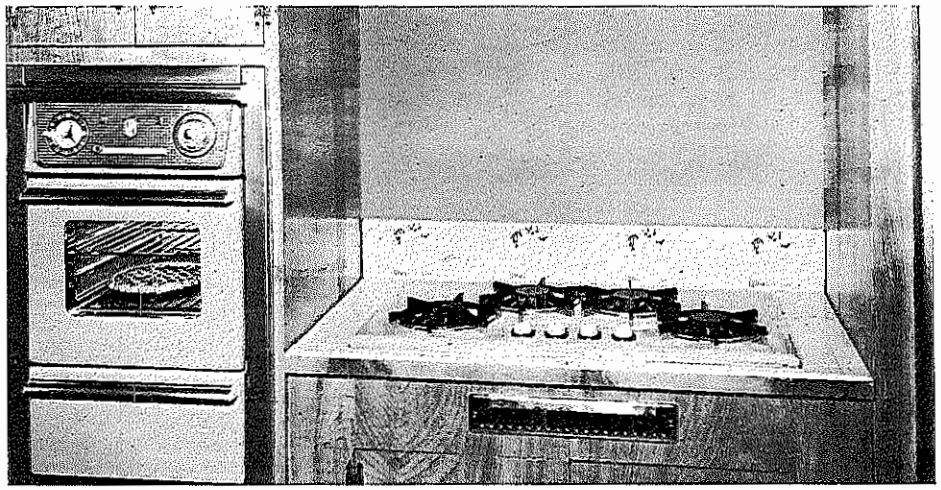
The former Wedgewood facility at Newark, Calif., has been sold. Personnel at the Newark plant were offered employment at Culver City and other Rheem plants in California.

As a result of the consolidation, Standard Enameling Company is reviewing its marketing plans in order to achieve wider distribution in the new-kitchen market.

Standard Enameling Company has introduced a new "Kook-Center" built-in gas range for a new trend in kitchen planning. The Kook-Center has received favorable acceptance in both the new-building and remodeling markets.

HENRY HONER
President
and
General Manager

Having led Standard Enameling to its dominant position, Mr. Honer remains chief executive officer of the new Rheem subsidiary.



DESIGNED TO MEET TODAY'S DEMANDS FOR MORE CONVENIENT, MORE ATTRACTIVE KITCHEN-COMBINATION ROOMS.

AIRCRAFT
division

AIRFRAME AND ENGINE PARTS ON SCHEDULE

L. M. LIMBACH
Vice President
and
General Manager

He was vice president of manufacturing at Ryan Aeronautical Co. before joining Rheem in December.

The Aircraft Division, which was established when the Government Products Division was separated into Aircraft and Electronics Divisions, is engaged in quantity production of airframe sub-assemblies for jet fighter planes and components for jet engines and guided missiles at the Downey, Calif., plant. It also manufactures shells, rocket and missile components, practice bombs and cartridge cases at the San Pablo, Calif., ordnance plant.

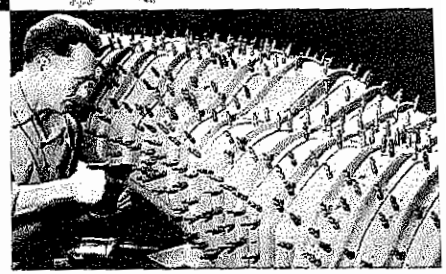
At Downey, manufacturing was realigned to embrace an airframe department and a jet engine and missile department. Extensive research and development is conducted under government contracts and a vigorous marketing group has been formed to obtain new and follow-on business.

Production difficulties encountered during the year have been largely overcome. Programs have been adopted, and in most instances completed, for setting up tooling, coordinating the flow of parts and material, establishing production controls and training personnel.

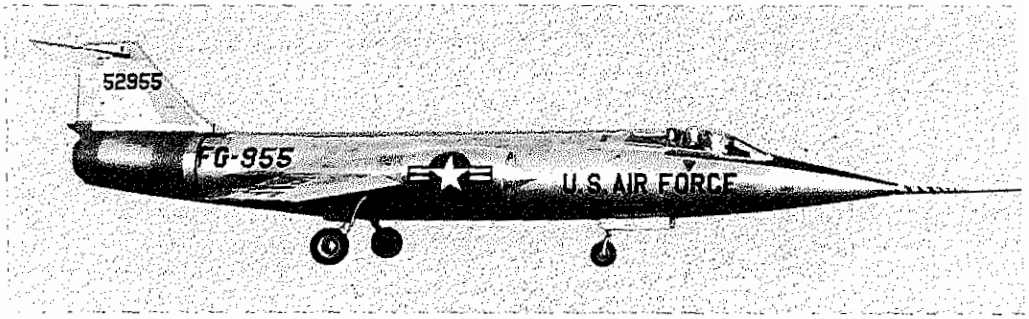
Airframe sub-assemblies are in production for Convair's F-102A interceptor; North American's F-100 Super Sabre; and Lockheed's F-104A Starfighter, T-33 Shooting Star jet trainer, Navy T2V Seastar and Navy P2V Neptune.

Production of jet engine components for engine manufacturers including Ford and Allison Division of General Motors reached required schedules in January, 1957. Output of Nike guided missile components continues as scheduled.

During 1956, employment at the Downey plant increased from about 1,100 to more than 4,300.



TWO VIEWS OF JET ENGINE AIR INTAKES PRODUCED BY RHEEM.



LOCKHEED'S STARFIGHTER FOR WHICH RHEEM MAKES TAIL ASSEMBLY.

JET PLANE NOSE ASSEMBLIES IN PRODUCTION AT DOWNEY.

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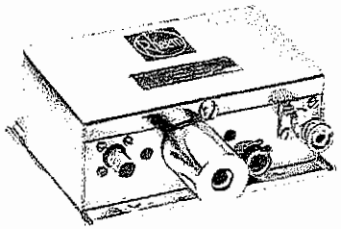
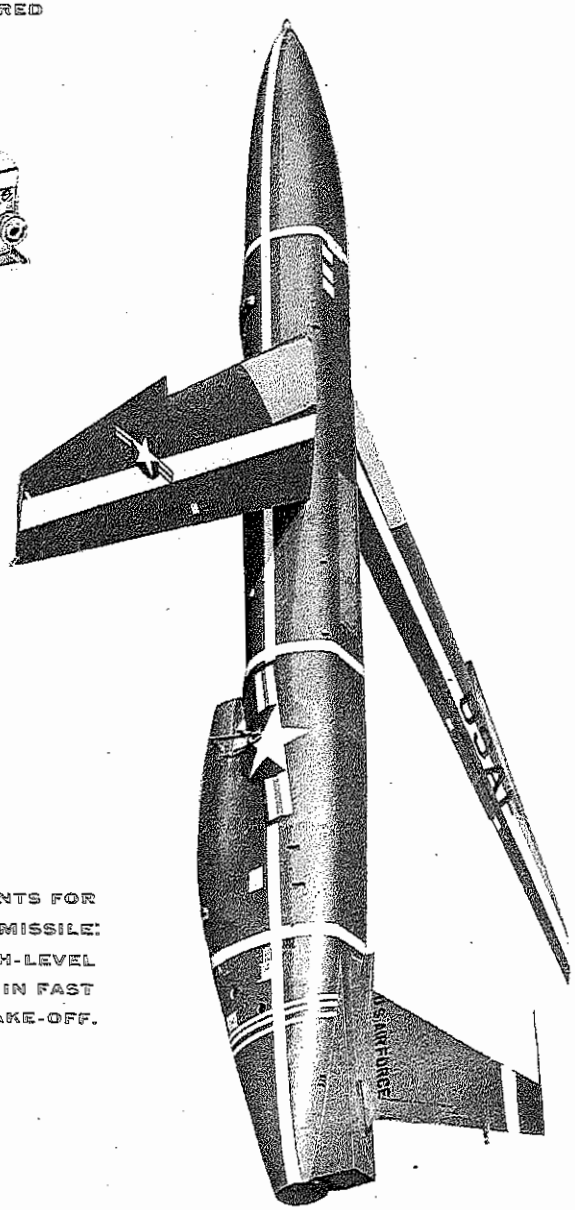
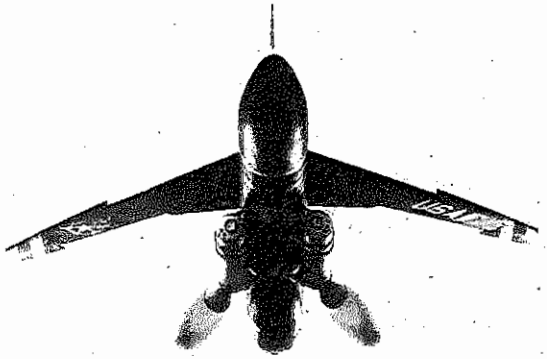
ELECTRONICS COMPONENT DESIGNED AND MANUFACTURED BY RHEEM FOR MILITARY AND CIVILIAN USE.





RHEEM MAKES COMPONENTS FOR LONG-RANGE GUIDED MISSILE: THE SNARK (RIGHT) IN HIGH-LEVEL FLIGHT AND (BELOW) IN FAST TAKE-OFF.



ELECTRONICS division

APPLIED SCIENCE FOR TODAY AND TOMORROW

To meet growing military and commercial demand for our electronics products and research and development skills, the Company created an entirely separate Electronics Division. Early in 1957, the division's operations on the West Coast were moved from Downey, Calif., to a new, more suitable plant at Rivera, Calif.

Electronics activities were expanded during 1956 both at Downey and at the division's Philadelphia plant.

Research and development contracts were received at Downey from both private industry and Government agencies last year. A significant U.S. Air Force contract covers the design, development and installation at an Air Force base, of a flight safety system for high-risk test aircraft and airplanes on routine missions. This enables ground personnel to monitor the performance of planes hundreds of miles away, forecasting danger areas or mechanical failures and contributing to safety and efficient test procedure. The first phase of this project has been completed. We anticipate further development of this project later in the year.

Several proprietary electronics products are being successfully marketed, supplementing the existing line of subminiature equipment for airborne instrumentation.

The Philadelphia plant continued production in the field of electro-mechanical visual training aids. Fixed gunnery trainers were delivered to the Air Force in 1956 and more will be completed in 1957. Study phases preparatory to prototype work on Air Force daylight and night landing trainers were proposed last year.

The division's marketing activities have been expanded and discussions are under way with commercial airlines and aircraft manufacturers in connection with adapting visual training devices for flight crew indoctrination on new high-speed jet transports, now being projected.

A. G. HANDSCHUMACHER
Vice President and General Manager

Previously senior vice president of Lear, Inc., he joined Rheem early in 1957.

RHEEM MANUFACTURING COMPANY

and Subsidiary Companies

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31 1956	December 31 1955
CURRENT ASSETS		
Cash	$ 4,077,344	$ 4,370,574
Marketable securities, at cost	—	1,420,393
Accounts receivable, trade:		
Commercial, less allowance for doubtful accounts (1956, $360,553; 1955, $220,874)	15,192,549	14,104,468
United States Government sources	8,311,739	6,022,224
Owing by affiliated and associated companies	649,023	366,716
Recoverable federal income taxes, estimated	8,165,000	—
Inventories, at lower of cost or market:		
Finished and in process	27,334,115	16,831,399
Raw materials and supplies	16,112,097	18,103,349
Costs allocable to future operations—insurance, taxes, rentals, etc.	1,434,754	1,194,785
	$ 81,276,621	$ 62,413,908
INVESTMENTS		
Capital stock of affiliated and associated companies operating in foreign countries, at cost (approximate equity in underlying net assets, 1956, $4,700,000)	$ 2,047,715	$ 1,958,220
Capital stock of and advances to other associated companies	2,273,055	—
Receivables due after one year	1,126,260	—
Sinking fund for redemption of preferred stock	135,262	—
Other investments	224,578	326,981
	$ 5,806,870	$ 2,285,201
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	$ 1,236,535	$ 1,575,351
Buildings, machinery and equipment, less accumulated depreciation and amortization (1956, $21,718,202; 1955, $21,164,692)	39,555,951	39,978,789
	$ 40,792,486	$ 41,554,140
UNAMORTIZED LONG-TERM DEBT EXPENSE	$ 950,324	$ 1,017,182
	$128,826,301	$107,270,431

See notes to financial statements on Page 21. The 1955 figures previously reported by Rheem have been revised to include Richmond Radiator Company as explained in Note 1. A ten-year comparison is on Page 23.

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RHEEM MANUFACTURING COMPANY

and Subsidiary Companies

CONSOLIDATED BALANCE SHEETS

LIABILITIES	*December 31* 1956	1955
CURRENT LIABILITIES		
Notes payable to banks	$ 35,800,000	$ 5,080,000
Current debenture sinking fund requirement (Note 4)	697,000	—
Accounts payable, trade and miscellaneous	11,880,608	9,420,899
Compensation, interest and sundry accruals	5,881,428	1,730,930
Federal taxes on income, estimated	661,394	5,125,062
Contributions payable under retirement plans (Note 7)	769,947	636,448
	$ 55,690,377	$ 21,993,339
LONG-TERM INDEBTEDNESS		
3⅞% sinking fund debentures due in 1975, less (in 1956) current sinking fund requirement and $203,000 held in treasury (Note 4)	$ 23,200,000	$ 24,000,000
Term notes payable, retired in 1956	—	1,970,000
Purchase money obligations	61,650	123,300
	$ 23,261,650	$ 26,093,300
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	$ 1,599,000	$ 1,138,000
CAPITAL AND RETAINED EARNINGS		
Cumulative preferred stock, par value $100 per share; 1956 authorized 70,953 shares; 4½% convertible series, outstanding 18,551 shares (Note 5)	$ 1,855,100	$ 3,058,800
Common stock, par value $1 per share; authorized—5,000,000 shares; outstanding, 1956—1,951,538 shares (Note 5)	1,951,538	1,917,114
Obligation to former stockholders of subsidiary (Note 1)	1,881,802	—
Capital in excess of par value of shares outstanding	32,758,785	31,694,622
Earnings retained for use in the business (Note 6)	9,828,049	21,375,256
	$ 48,275,274	$ 58,045,792
	$128,826,301	$107,270,431

See notes to financial statements on page 21. The 1955 figures previously reported by Rheem have been revised to include Richmond Radiator Company as explained in Note 1. A ten-year comparison is on Page 23.

RHEEM MANUFACTURING COMPANY

and Subsidiary Companies

STATEMENT OF EARNINGS

	Year Ended December 31 1956	1955
INCOME		
Net sales	$173,903,212	$180,273,960
Dividends from foreign affiliated and associated companies	289,971	277,537
Miscellaneous income (including, in 1955, $407,767 gain on sale of land)	90,079	439,992
	$174,283,262	$180,991,489
COSTS		
Cost of goods sold (including, in 1956, provision of $4,485,000, less future federal income tax benefits, for anticipated losses on Government contracts)	$170,857,874	$154,056,346
Selling, general and administrative expenses	13,571,281	13,298,847
Interest	1,928,889	996,593
Losses on disposition and relocation of plant facilities	3,479,920	—
Loss on sale of marketable securities	363,432	—
	$190,201,396	$168,351,786
	$(15,918,134)	$ 12,639,703
Federal income taxes recoverable by parent company, estimated	7,610,000	—
Provision for estimated federal income taxes (including $461,000 in 1956 and $557,500 in 1955 for taxes deferred to future years)	(855,000)	(6,417,724)
(Loss) or earnings for year	$ (9,163,134)	$ 6,221,979
Special charge for vacation pay applicable to prior years, arising from change in accounting practice, less related recoverable federal income taxes of $555,000 (Note 2)	518,297	—
(Loss) or earnings for year and special charge transferred to earnings retained for use in the business	$ (9,681,431)	$ 6,221,979
Provision for depreciation and amortization of plant and equipment charged to earnings—1956, $3,591,495; 1955, $3,177,037 (Note 3)		

See notes to financial statements on page 21. The 1955 figures previously reported by Rheem have been revised to include Richmond Radiator Company as explained in Note 1. A ten-year comparison is on page 24.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of Rheem Manufacturing Company and Subsidiary Companies
for the year ended December 31, 1956

Note 1—Principles of Consolidation

Richmond Radiator Company was merged into Rheem on March 30, 1956, on the basis of an exchange of 282,851 shares of Rheem common stock for 1,131,404 shares of Richmond common stock. Since this merger was considered a pooling of business interests, the consolidated statement of earnings includes the operations of Richmond and its wholly-owned subsidiary for the entire year 1956. For comparative purposes the financial statements included herein for the year 1955 have been revised to show the combined financial position and results of operations of Rheem and Richmond and their domestic subsidiaries and to give effect retroactively to the Rheem shares issued in the merger.

The Company has acquired all of the outstanding stock of Standard Enameling Company, and the accounts of this subsidiary from October 1, 1956, are included in the consolidated financial statements. The Company's remaining obligation under this transaction will be settled by issuing Rheem common shares to the former stockholders of Standard in the years 1958 to 1962. As the number of shares required will depend on the market value of Rheem's common stock and other factors, this obligation is being carried as a separate item in the capital section of the balance sheet until the shares are issued.

Other subsidiaries of the Company operate in foreign countries. Their accounts are not included in the consolidated statements.

Note 2—Vacation Pay

The Company changed its accounting practice in 1956 to accrue currently the cost of vacations earned by employees; in prior years the cost of vacations was charged against earnings when paid. The cost of vacations earned but not paid at the beginning of the year, less related federal income taxes, has been reported in the accompanying statement of earnings as a special charge against earnings retained for use in the business. This change in accounting practice had no material effect on the net loss reported for 1956.

Note 3—Depreciation

The Company has computed depreciation on plant and equipment purchased after January 1, 1956, under the "sum-of-the-years-digits" method, as permitted by the Internal Revenue Code. This change in policy increased the amount of depreciation charged to earnings in 1956 by $180,000.

Note 4—Long-Term Indebtedness

The Indenture relating to the 3⅞ per cent sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1956 ($203,000), may be used to satisfy part of the 1957 sinking fund requirement. The remainder of the 1957 requirement is included in current liabilities.

Note 5—Capital Stock

The outstanding preferred stock is convertible into common stock until June 1, 1961, in the ratio of 2.91 shares of common for each share of preferred. The preferred stock may be redeemed by the Company at prices ranging from $104.50 at December 31, 1956, to $102. after June 1, 1971. Annual payments of $333,333 into a sinking fund for retirement are required, but only to the extent of the consolidated net earnings (as defined in the Articles of Incorporation) in the preceding year.

Options to purchase common stock of the Company, granted in prior years to certain officers and key employees, were surrendered, and there were no stock options outstanding at December 31, 1956. Options were granted in January, 1957, to certain officers and key employees to purchase 59,750 shares of common stock of the Company for $20 per share, which was more than the market price on the date the options were granted. These options may be exercised two to five years after the date granted.

At December 31, 1956, 59,639 shares of common stock were reserved for conversion of preferred stock and 75,000 shares were reserved for issuance under the stock option plan.

Note 6—Retained Earnings

Under the provisions of a short-term credit agreement executed in January, 1957, the Company may not without the lender's consent pay cash dividends on its common stock in excess of 10 per cent of its net earnings during 1957.

Note 7—Retirement Plans

The Company maintains a pension plan for all employees with 15 or more years of service, except for employees belonging to certain unions which do not participate in the plan. Provision for the 1956 contribution of $769,947 to the trustee was charged against earnings. This is the amount estimated on the basis of an actuarial study as the cost of benefits accruing during the year under the plan, plus the interest on the estimated unfunded potential past service cost of $6,000,000. Because of the plan's provisions, estimates are based on important assumptions as to future conditions (such as employee turnover, salary scales, interest rates and Social Security benefits) which may be subject to significant revisions from time to time. Funds held by the trustee December 31, 1956, were ample to meet the Company's liability to employees retired under the plan.

An incentive bonus retirement plan is maintained for employees of the Company not eligible for overtime compensation. The 1956 contribution of $200,000 to the trust fund was charged against earnings.

Note 8—Long-Term Leases

The Company occupies some of its manufacturing, warehouse and office premises under long-term leases. Minimum annual rental payments required during 1957 will be about $800,000. Of this amount, $525,000 relates to leases expiring from 20 to 30 years from December 31, 1956. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET

SAN FRANCISCO 4

February 25 1957

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, the accompanying consolidated financial statements present fairly the position of Rheem Manufacturing Company and its domestic subsidiaries at December 31 1956, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent (except for the changes described in Notes 2 and 3, which we approve) with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Certain receivables from the U. S. Government selected for test were not confirmed by direct correspondence, but we satisfied ourselves by other auditing procedures as to these items.

Price Waterhouse & Co.

Transfer Agents—Common Stock
American Trust Company, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

Registrars—Common Stock
Bank of America, San Francisco, Calif.
National Trust and Savings Association, San Francisco, Calif.
City Bank Farmers Trust Company, New York, N.Y.

Transfer Agents—Cumulative Preferred Stock, 4½% Convertible Series
American Trust Company, San Francisco, Calif.
The First National City Bank of New York, New York, N.Y.

Registrars—Preferred
Bank of America, San Francisco, Calif.
National Trust and Savings Association, San Francisco, Calif.
Chemical Corn Exchange Bank, New York, N.Y.

General Counsel:
Herbert E. Hall, Crocker Building, San Francisco 4, Calif.

General Attorney:
Walter S. Lewis, Rheem Manufacturing Company, 477 Madison Ave., New York 22, N.Y.

RHEEM MANUFACTURING COMPANY

and Subsidiary Companies

Year Ended Dec. 31, 1956

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE OF SHARES OUTSTANDING

Balances, December 31, 1955, as shown in published reports:	
Rheem Manufacturing Company	$28,918,711
Richmond Radiator Company	1,926,619
Excess of par value of Richmond common stock over par value of Rheem common stock exchanged therefor in the merger	849,292
Balance, December 31, 1955, as shown in accompanying balance sheet (Note 1)	$31,694,622
Excess of par value of preferred shares over par value of common shares issued upon conversion	956,435
Excess of market value over par value of 3,518 shares of common stock issued in partial settlement of obligation arising from acquisition of common stock of Standard Enameling Company (Note 1)	96,323
Excess of par value over cost of 2,157 shares of cumulative preferred stock purchased and retired	21,142
Excess of cost over par value of shares redeemed in the merger	(9,737)
Balance, December 31, 1956	$32,758,785

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

Balances, December 31, 1955, as shown in published reports:	
Rheem Manufacturing Company	$18,481,944
Richmond Radiator Company	2,893,312
Balance, December 31, 1955, as shown in accompanying balance sheet (Note 1)	$21,375,256
Dividends paid on Rheem stock:	
Preferred—$4.50 per share	$ 97,002
Common—$1.00 per share	1,768,774
	$ 1,865,776
Loss for year and special charge, as shown in accompanying statement of earnings	9,681,431
	$11,547,207
Balance, December 31, 1956	$ 9,828,049

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RHEEM MANUFACTURING COMPANY — **CONSOLIDATED BALANCE SHEETS** — **TEN-YEAR COMPARISON**

(000 omitted)

ASSETS — December 31	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
CURRENT ASSETS										
Cash	$ 2,277	$ 1,871	$ 1,578	$ 3,565	$ 1,543	$ 2,653	$ 3,314	$ 2,713	$ 4,371	$ 4,077
Marketable securities	153	163	132	69	10	—	494	—	1,420	—
Accounts receivable	5,178	4,988	4,833	9,627	13,644	23,589	21,083	18,146	20,493	24,154
Recoverable federal income taxes, estimated	—	—	—	—	—	—	—	—	—	8,165
Inventories, at lower of cost or market	9,406	9,737	7,472	10,720	20,925	21,928	27,333	24,424	34,935	43,446
Costs allocable to future operations-insurance, taxes, rentals, etc.	485	539	221	241	2,131	2,089	1,789	1,088	1,195	1,435
	$17,499	$17,298	$14,236	$24,222	$38,253	$50,259	$54,013	$46,371	$ 62,414	$ 81,277
INVESTMENTS	$ 936	$ 1,365	$ 1,612	$ 1,312	$ 1,351	$ 1,832	$ 1,942	$ 2,090	$ 2,285	$ 5,807
PROPERTY, PLANT AND EQUIPMENT, at cost	$15,177	$16,303	$16,377	$21,488	$35,773	$40,060	$41,619	$52,395	$ 62,719	$ 62,510
Less: Accumulated depreciation and amortization	3,794	4,256	4,703	5,230	6,107	8,324	10,731	15,414	21,165	21,718
	$11,383	$12,047	$11,674	$16,258	$29,666	$31,736	$30,888	$36,981	$ 41,554	$ 40,792
UNAMORTIZED LONG-TERM DEBT EXPENSE	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,017	$ 950
TOTAL ASSETS	$29,818	$30,710	$27,522	$41,792	$69,270	$83,827	$86,843	$85,442	$107,270	$128,826

LIABILITIES AND CAPITAL										
CURRENT LIABILITIES										
Notes payable	$ —	$ —	$ —	$ —	$ 3,000	$13,933	$13,223	$ 7,098	$ 5,080	$ 35,800
Current debenture sinking fund requirement	—	—	—	—	—	—	—	—	—	697
Accounts payable, compensation and sundry accruals	3,704	3,476	3,334	6,024	6,765	10,178	8,989	7,138	11,152	17,762
Federal taxes on income	2,156	1,971	1,965	5,505	9,557	3,800	8,322	4,970	5,125	661
Contributions payable under retirement plans	—	—	186	550	763	1,145	191	1,048	636	770
	$ 5,860	$ 5,447	$ 5,485	$12,079	$20,085	$29,056	$30,725	$20,254	$ 21,993	$ 55,690
LONG-TERM INDEBTEDNESS	$ 4,000	$ 4,000	$ —	$ 5,000	$14,000	$13,067	$12,380	$13,720	$ 26,093	$ 23,262
DEFERRED INCOME TAX	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 580	$ 1,138	$ 1,599
CAPITAL AND RETAINED EARNINGS	$19,958	$21,263	$22,037	$24,713	$35,185	$41,704	$43,738	$50,888	$ 58,046	$ 48,275
TOTAL LIABILITIES AND CAPITAL	$29,818	$30,710	$27,522	$41,792	$69,270	$83,827	$86,843	$85,442	$107,270	$128,826

See notes to financial statements on page 21. The 1955 figures previously reported by Rheem have been revised to include Richmond Radiator Company as explained in Note 1.

RMC355

RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

(000 omitted)

TEN-YEAR COMPARISON

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
INCOME										
Net sales	$60,258	$58,744	$49,754	$74,466	$94,107	$144,524	$188,005	$163,623	$180,274	$173,903
Dividends from foreign companies	209	240	65	116	331	523	73	214	278	290
Miscellaneous income	138	344	64	82	76	62	110	977	440	90
	$60,605	$59,328	$49,883	$74,664	$94,514	$145,109	$188,188	$164,814	$180,992	$174,283
COSTS										
Cost of goods sold	$49,512	$47,471	$41,379	$59,257	$74,624	$129,269	$165,179	$142,962	$154,055	$174,701
Selling, general and administrative expenses	5,591	6,626	4,245	5,088	6,578	7,771	9,071	9,949	13,300	13,571
Interest	125	112	81	101	296	869	1,056	856	997	1,929
	$55,228	$54,209	$45,705	$64,446	$81,498	$137,909	$175,306	$153,767	$168,352	$190,201
EARNINGS BEFORE TAXES	$ 5,377	$ 5,119	$ 4,178	$10,218	$13,016	$ 7,200	$ 12,882	$ 11,047	$ 12,640	$(15,918)
FEDERAL TAXES ON INCOME	2,000	1,925	1,649	5,355	8,765	3,300	7,900	5,020	6,418	(6,755)
EARNINGS FOR THE YEAR	$ 3,377	$ 3,194	$ 2,529	$ 4,863	$ 4,251	$ 3,900	$ 4,982	$ 6,027	$ 6,222	$ (9,163)
PREFERRED DIVIDENDS PAID	$ 128	$ 122	$ 117	$ 110	$ 280	$ 450	$ 450	$ 366	$ 176	$ 97
COMMON DIVIDENDS PAID	1,132	1,575	1,565	1,900	2,459	2,753	2,498	3,312	3,859	1,769
SUNDRY CHARGES	5	—	—	—	165	—	—	—	—	518
RETAINED EARNINGS FOR THE YEAR	$ 2,112	$ 1,497	$ 847	$ 2,853	$ 1,347	$ 697	$ 2,034	$ 2,349	$ 2,187	$(11,547)
EARNED PER SHARE OF COMMON STOCK	$ 3.25	$ 3.07	$ 2.41	$ 4.75	$ 3.78	$ 2.76	$ 3.63	$ 3.67	$ 3.15	$ (4.75)

CONSOLIDATED STATEMENT OF CAPITAL AND RETAINED EARNINGS

PREFERRED STOCK	$ 2,840	$ 2,638	$ 2,550	$ 2,370	$ 9,999	$ 9,990	$ 9,990	$ 6,010	$ 3,059	$ 1,855
COMMON STOCK $1 PAR VALUE	1,000	1,000	1,000	1,000	1,049	1,249	1,249	1,542	1,917	1,952
OBLIGATION TO FORMER SHAREHOLDERS OF SUBSIDIARY	—	—	—	—	—	—	—	—	—	1,882
CAPITAL IN EXCESS OF PAR VALUE	10,469	10,479	10,494	10,497	11,945	17,575	17,575	26,063	31,695	32,758
RETAINED EARNINGS	5,649	7,146	7,993	10,846	12,192	12,890	14,924	17,273	21,375	9,828
TOTAL CAPITAL AND RETAINED EARNINGS	$19,958	$21,263	$22,037	$24,713	$35,185	$ 41,704	$ 43,738	$ 50,888	$ 58,046	$ 48,275
WORKING CAPITAL	$11,639	$11,851	$ 8,751	$12,143	$18,168	$ 21,203	$ 23,289	$ 26,117	$ 40,421	$ 25,587
BOOK VALUE, COMMON STOCK	$ 17.12	$ 18.62	$ 19.49	$ 22.34	$ 24.01	$ 25.38	$ 27.01	$ 29.11	$ 28.68	$ 22.82
NUMBER COMMON SHAREHOLDERS	4,693	5,273	5,132	4,980	5,479	7,946	7,420	8,225	14,890	14,491

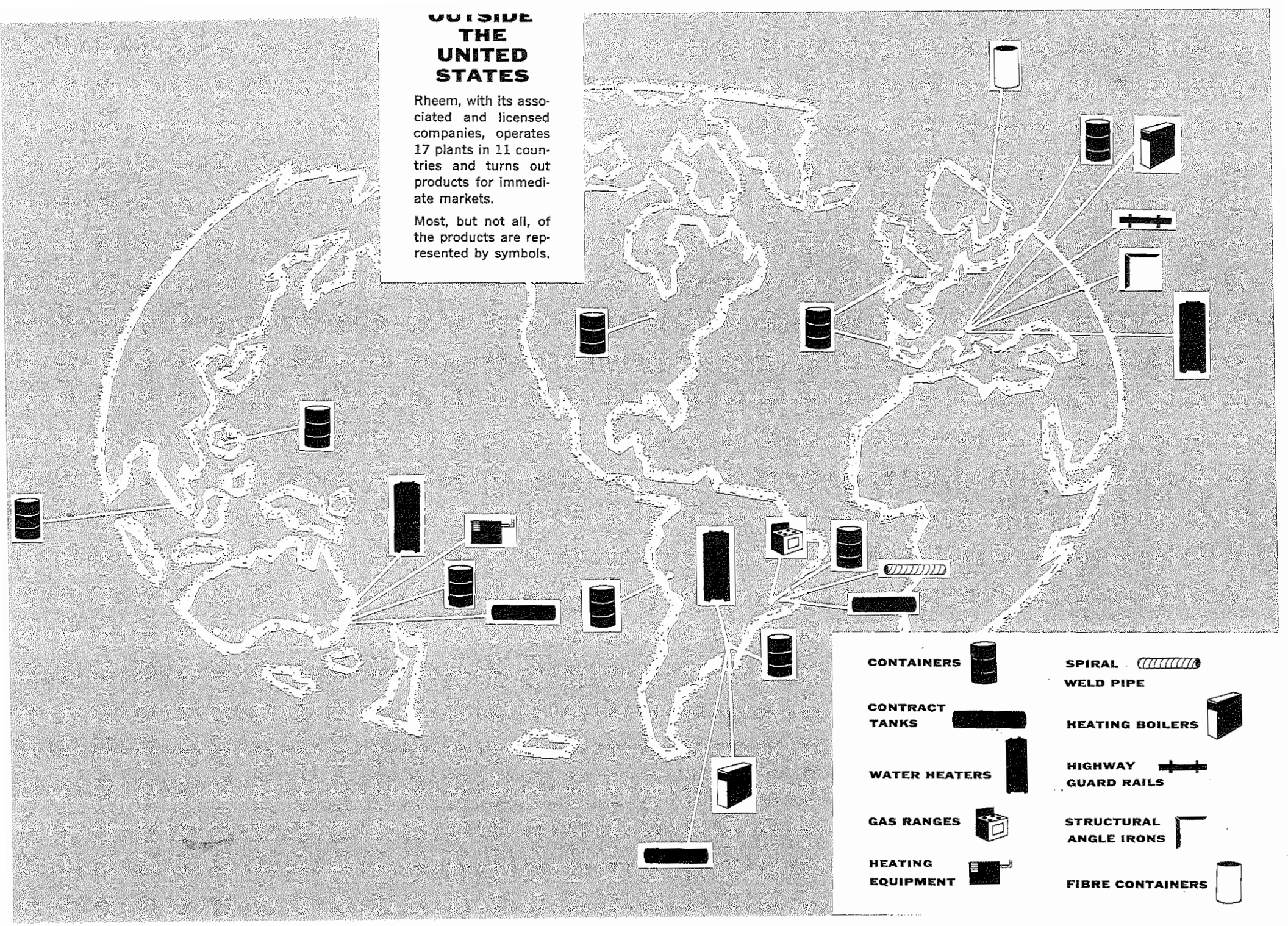
See notes to financial statements on Page 21. The 1955 figures previously reported by Rheem have been revised to include Richmond Radiator Company as explained in Note 1.

RMC356

OUTSIDE THE UNITED STATES

Rheem, with its associated and licensed companies, operates 17 plants in 11 countries and turns out products for immediate markets.

Most, but not all, of the products are represented by symbols.



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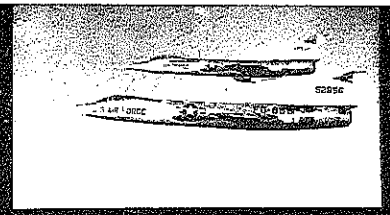
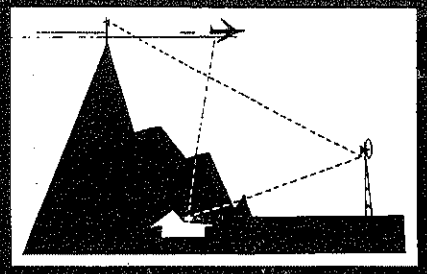
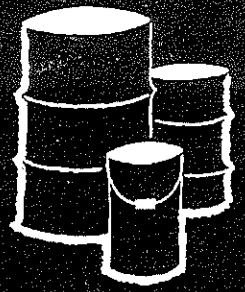
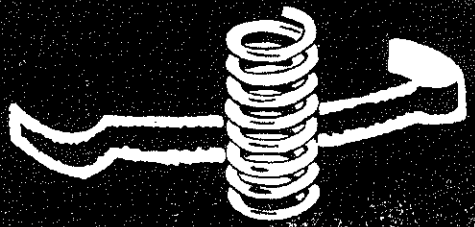




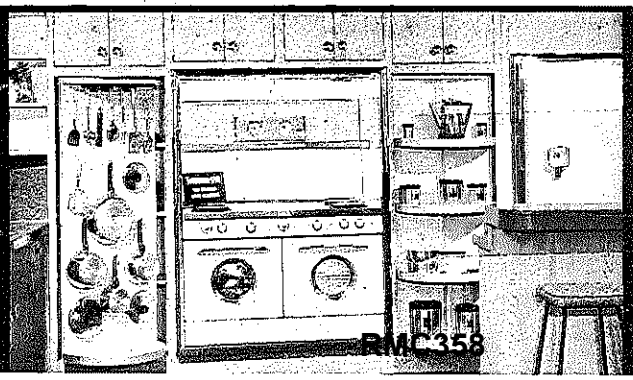




Rheem

RHEEM MANUFACTURING COMPANY

annual report 1956



RHEEM MANUFACTURING COMPANY

Annual Report

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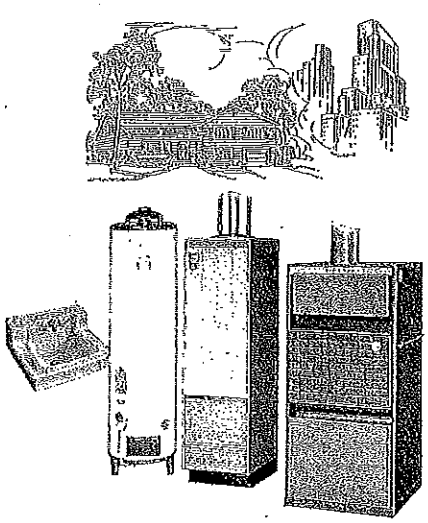
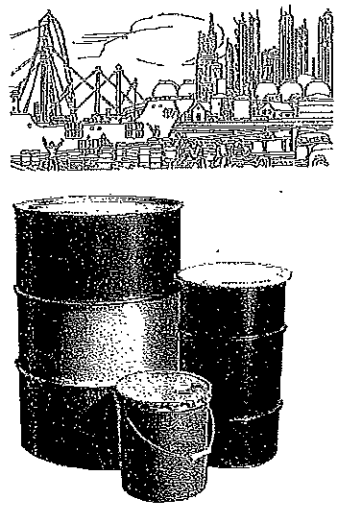
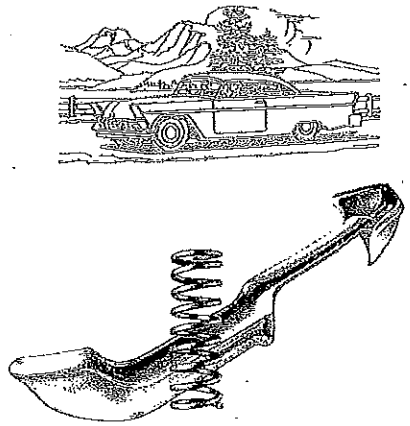
RHEEM PRODUCTS SERVE GROWTH MARKETS



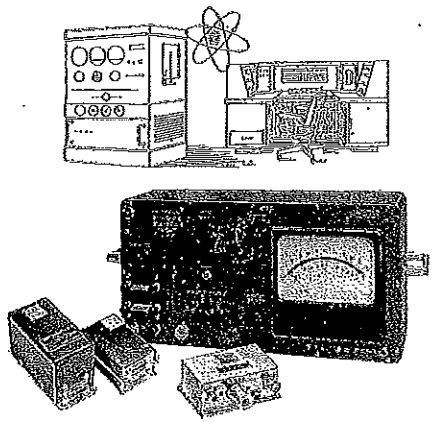
HOMES AND COMMERCIAL BUILDINGS



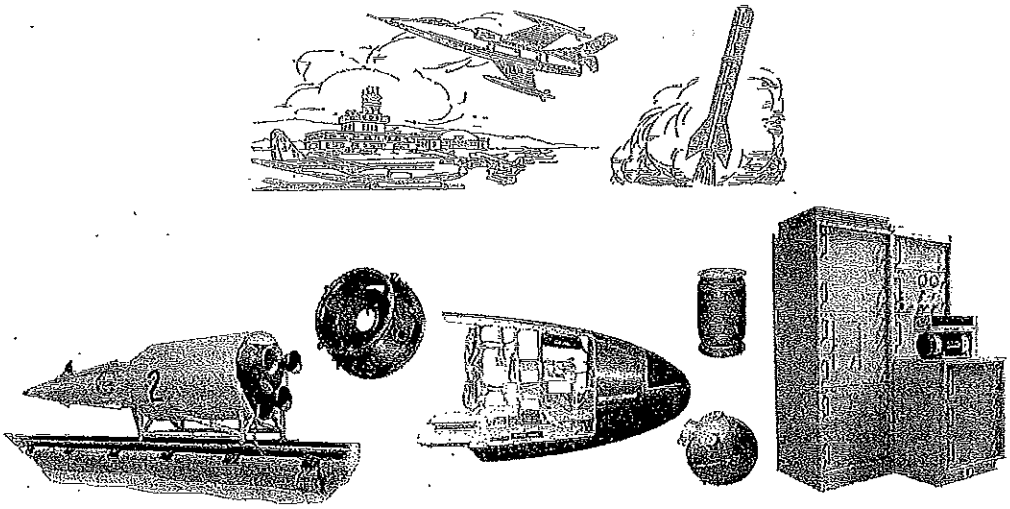
SHIPPING CONTAINERS



AUTOMOTIVE



ELECTRONICS



AIRCRAFT, ORDNANCE, MISSILES

For more nearly complete listing of Rheem product lines, see inside back cover

RHEEM MANUFACTURING COMPANY

400 PARK AVENUE, NEW YORK 22, N. Y.

Annual Report 1957

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Inside Back Cover — Rheem World Map

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FINANCIAL HIGHLIGHTS

	1957	1956
Total net sales	$188,580,607	$173,903,212
Commercial products	130,597,537	132,724,332
Government products	57,983,070	41,178,880
Earnings (loss) before taxes	3,436,916	(15,918,134)
Federal income taxes (tax credits)	1,468,000	(6,755,000)
Net earnings (loss) after taxes	1,968,916	(9,163,134)
Earnings (loss) per common share	$.97	($4.75)
Dividends paid per common share	$.10	$1.00
Number of common shares outstanding	1,951,538	1,951,538
Number of common shareholders	13,798	14,491
Wages and salaries paid	$ 60,807,494	$ 60,088,824

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THE PRESIDENT'S LETTER

To Our Shareholders and Employes:

During 1957, Rheem returned to a profit position and improved its organization and financial strength.

The company's earnings were adversely affected late in the year by the downturn in the nation's economy and disappointing results of Standard Enameling Company, a subsidiary. These were major factors in a small loss in the fourth quarter.

In spite of these factors, net income for 1957 was $1,968,916, equivalent to $.97 a common share after payment of preferred dividends. Results for 1957 represent a turnaround from net loss in 1956 of $9,163,134, or $4.75 a share.

Sales in 1957 were $188,580,607, eight per cent above 1956 sales of $173,903,212.

Important advances were made during the year in coordinating division activities under common operating standards and management controls, to take advantage of management talents in all operating areas.

During the year, our credit position and working capital were improved. Terms of our credit agreement starting in 1958 reflect the company's better financial condition.

Cost-profit improvement programs have been intensified in all company operations to help meet the impact of the adjustment in the nation's economy.

Operating efficiency has been increased and costs reduced. This has partially offset higher costs of materials and labor. Material costs alone last year increased at an annual rate of $3,200,000 over the 1956 level. In many instances, increases in direct labor costs were not accompanied by corresponding gains in productivity.

The pinch of rising costs and consumer resistance to price increases, and other factors in the nation's economic adjustment, continue to be felt in varying degrees across the range of Rheem products. Indications are that earnings early in 1958 will be lower than they were early in 1957.

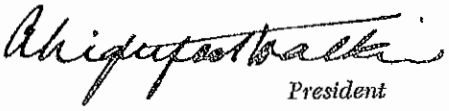
Sale of our products for homes and commercial buildings is closely tied to population growth, which is expected to provide a spur to home construction in future years. Continuing demand for principal lines of steel shipping containers is also anticipated, and the company is investigating the potential of other packaging products that might be suited to our manufacturing facilities and marketing skills.

Efforts in both our Aircraft and Electronics Divisions are being directed at increasing our military and commercial business. While competition will be keen for available business in these fields, Rheem is regarded in the industry as a reliable and efficient producer.

The outlook is influenced also by world conditions and the intensified technological race between the free world and the communist world. Here Rheem plays an important part (1) as a supplier of essential products for industry and government, including high priority missile, ordnance, aircraft and electronics equipment and (2) as a company of international scope, with investments in, and reciprocal licensing and design arrangements with, manufacturing companies in other countries.

International activities have been profitable and beneficial to Rheem and to people in those countries where our enterprises exist.

Your management wishes to thank Rheem employes and shareholders for their cooperation, support and encouragement, which greatly contributed to the progress of the company during 1957.



President

New York, March 10, 1958.

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DIRECTORS

C. V. Coons
G. M. Greenwood
Herbert E. Hall
John J. Hall
Earle M. Jorgensen
Gordon W. Mallatratt
N. Loyall McLaren
A. E. Ponting
R. S. Rheem
Thomas J. Ross
A. Lightfoot Walker

EXECUTIVE COMMITTEE

C. V. Coons, *Vice Chairman*
G. M. Greenwood
John J. Hall
Gordon W. Mallatratt
E. S. Ronk
A. Lightfoot Walker, *Chairman*

OFFICERS

A. Lightfoot Walker ..... *President and Chief Executive Officer*
C. V. Coons ..... *Executive Vice President*
R. S. Rheem ..... *Chairman of the Board*
L. W. Evans ..... *Vice President*
G. M. Greenwood ..... *Vice President*
John J. Hall ..... *Vice President*
Gordon W. Mallatratt ..... *Vice President and Treasurer*
E. S. Ronk ..... *Vice President*
Andrew W. Hughes ..... *Comptroller*
Walter S. Lewis ..... *Secretary and General Attorney*
R. T. Stroup ..... *Assistant Treasurer*
F. R. Grant ..... *Assistant Comptroller*
W. H. Campbell ..... *Assistant Secretary*
H. L. Fledderman ..... *Assistant Secretary*
F. F. Lind ..... *Assistant Secretary*
D. S. Perley ..... *Assistant Secretary*

TRANSFER AGENTS — *Common Stock*

American Trust Company, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

REGISTRARS — *Common Stock*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
City Bank Farmers Trust Company, New York, N. Y.

TRANSFER AGENTS — *Cumulative Preferred Stock, 4½% Convertible Series*

American Trust Company, San Francisco, Calif.
The First National City Bank of New York, New York, N. Y.

REGISTRARS — *Cumulative Preferred Stock, 4½% Convertible Series*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
Chemical Corn Exchange Bank, New York, N. Y.

GENERAL COUNSEL

Herbert E. Hall
Crocker Building
San Francisco 4, Calif.

GENERAL ATTORNEY

Walter S. Lewis
Rheem Manufacturing Company
400 Park Avenue
New York 22, N. Y.

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Organization

The shift in 1956 to an organization structure based on product rather than geography helped coordinate decentralized division operations under the central management of the company.

The management concept of "maximum autonomy with maximum control" has helped effect a high level of stability in management and an increasing flow of worthwhile communication between corporate and division staffs and between divisions themselves. Its effectiveness stems from broad policy lines laid down by the board of directors, to whose membership the benefits of additional skills and diversified business experience have been brought.

The key management group is the executive committee, which formulates operating policy and approves goals. Meeting at company headquarters on a daily basis, it encourages independent action with full authority and responsibility at all levels of operations, subject to appropriate corporate management controls to insure performance.

This concept of organization, it is felt, frees the company for growth over the long term. It gives people full opportunity to think and develop to their own and the company's benefit. It helps utilize individual skills, talents and experience.

Ideas flow in both directions between the executive committee and divisional managements. Division managers meet periodically with the executive committee and corporate staff personnel at company headquarters, as well as among themselves.

Relations with Employes

During 1957, relations with employes generally were cordial and progressive.

Employe benefit programs were reviewed and modifications made to assure that these programs continue to meet industry stand-

EXECUTIVE COMMITTEE comprises (clockwise, starting at lower right) A. Lightfoot Walker (chairman), John J. Hall, Gordon W. Mallatratt, C. V. Coons (vice chairman), E. S. Bonk and G. M. Greenwood.

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ards with respect to employe welfare, health, job security and retirement.

Contracts with labor unions were negotiated without serious work stoppages during the year. Relationships with unions reflected increasing awareness of a common interest in successful company competitive performance and its dependence on individual work standards and efficiency.

Although the accident frequency rate in Rheem plants of 2.9 (lost-time accidents per million man hours) represented a slight increase over that of the previous year, it was still well below the 11.0 rate in the metal fabricating industry generally.

New Directors and Officers Named

On April 26, 1957, Gordon W. Mallatratt, vice president and treasurer, was elected a director.

Earle M. Jorgensen, president of Earle M. Jorgensen Co., of Los Angeles, a leading steel distributor, was elected a director on May 29, 1957.

Thomas J. Ross, partner in the firm of Ivy Lee and T. J. Ross, public relations counsel, of New York, was elected a director on January 3, 1958. He fills a vacancy on the board of directors caused by the resignation of D. L. Rheem, one of the founders of the company, who has retired. The office of vice chairman of the board, formerly held by Mr. Rheem, has been abolished.

Walter S. Lewis, general attorney and formerly assistant secretary, was elected secretary, and William H. Campbell, assistant general attorney, was elected assistant secretary, both effective April 26, 1957.

D. S. Perley was elected assistant secretary, effective February 28, 1957.

Financial

Earnings, Sales and Dividends

Net income in 1957 amounted to $1,968,916, equal to $.97 a common share after preferred dividends. This compares with a net loss of $9,163,134 after tax credits in 1956, or $4.75 a common share. Earnings before provision for federal income taxes in 1957 amounted to $3,436,916, as against a 1956 net loss of $15,918,134 before tax credits.

Net sales last year totaled $188,580,607, highest in the company's history and about eight per cent higher than 1956 sales of $173,903,212. The 1957 total consisted of $130,597,537 in commercial product sales and $57,983,070 in sales of military products.

The company paid a cash dividend of 10 cents a common share in the fourth quarter of 1957. Dividends during 1956 amounted to $1.00 a common share. Preferred dividend payments were maintained.

Financial Position Highlights

Net working capital at the end of 1957 was $36,044,034 compared with $25,586,244 a year earlier. Ratio of current assets to current liabilities improved from 1.5 to 2.9.

Total long-term and short-term debt was reduced from $59,758,650 at December 31, 1956, to $35,147,000 a year later. Long-term indebtedness at the end of 1957 amounted to $30,800,000, and short-term debt was $4,347,000. A credit agreement dated Decem-

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ber 31, 1957, provides a five-year term loan of $10,000,000, of which $8,500,000 was included in the long-term debt reported at the year-end. Short-term debt included $1,500,000 due this year on the $10,000,000 loan.

Seasonal credit lines of $10,000,000, considered adequate to meet all 1958 requirements, were arranged with a group of leading banks in San Francisco, New York and Chicago.

The credit agreement permits payment of cash dividends up to 25 per cent of earnings plus a sum of $1,000,000 during the five-year period beginning January 1, 1958. The previous arrangement limited cash dividend payments to not more than 10 per cent of earnings in 1957.

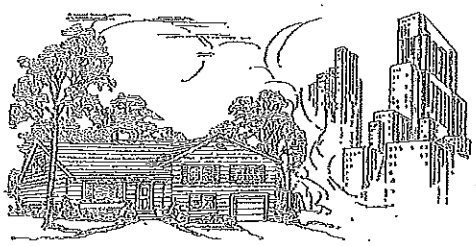
During 1957, inventories were reduced to $29,006,330 from $43,446,212. Annual inventory turnover rate increased from four times to six.

Capital expenditures totaled $2,846,258 during the year, compared with $6,701,000 in 1956. The 1957 outlay was $1,009,509 less than the provision for depreciation.

Net property, plant and equipment was $39,074,505 at the end of 1957, a decrease of $1,717,981 during the year.

Operations

To meet competitive and economic conditions that faced industry generally at the start of 1958, management continued to place major emphasis on improvement of operating efficiencies in all areas of the company. Following is an operations report by market classifications.



HOMES AND BUILDINGS

During 1957, important steps were taken toward increasing Rheem's share of the market for products in plumbing, heating and air conditioning.

Sales of products made by the Home Products and Richmond Plumbing Fixtures Divisions for homes and commercial buildings declined slightly from 1956 levels. This reflected a lower volume of new housing starts. Both divisions have maintained or increased their shares of the market for most product lines.

One of the company's important assets is its excellent and stable relationship with the foremost wholesalers in the country. This relationship extends to the dealers who retail the company's products. The company believes that its marketing philosophy, soundly conceived years ago, affords an important basis for continued growth.

New Homes Outlook

Industry estimates place 1958 housing starts at slightly over a million, about 10 per cent over last year's figures. Government

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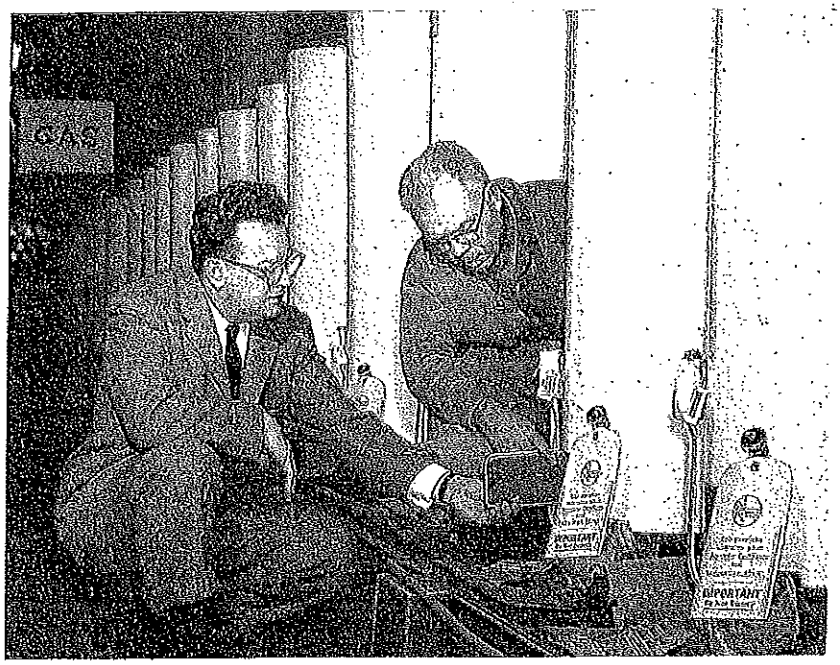


V. J. Heinis (left), vice president and general manager, Home Products Division.

credit policies are expected to encourage home building during the year.

By 1960, population factors, particularly the anticipated increase in family units, are expected to generate a large-scale demand for housing.

The Rheemglas line of automatic storage water heaters shows an increasingly high degree of public and trade preference. Rheem heating and air-conditioning lines have proved efficient and economical, although competition in this field remains intense. Product improvement programs in 1958 are aimed at standardizing and simplifying present models and introducing improved models.

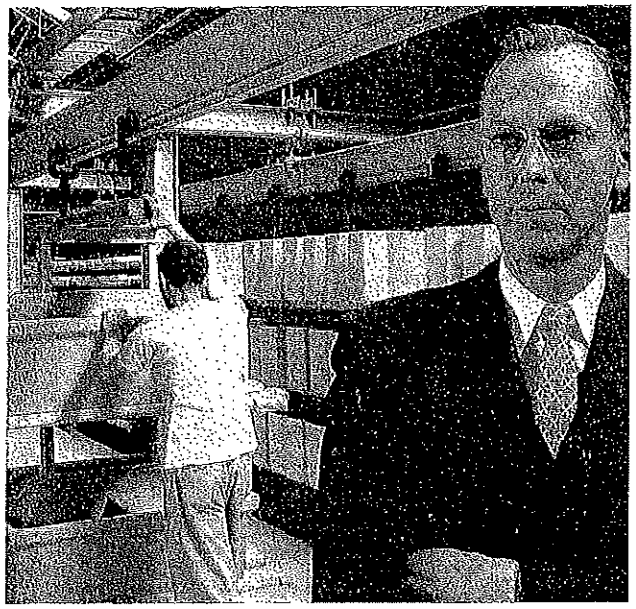
Bathroom fixtures made by the Richmond Plumbing Fixtures Division in "Whiter-White" and seven pastel shades had good market acceptance during 1957, particularly in the residential field. There was increasing acceptance also in the commercial buildings market. For example, in New York City alone the company's fixtures were selected for the Tishman building, Canada House, Bank of New York building, Roosevelt Raceway and the building at 400 Park Avenue, where Rheem's corporate headquarters are located.

Overhead Costs Reduced

Intensified cost-profit improvement programs cut overhead costs in the Home Products and Richmond Plumbing Fixtures Divisions. Idle facilities were sold or offered for sale or lease.

In February, 1957, the Uniontown, Pa. plant of the Richmond Plumbing Fixtures Division was sold after its operations were consolidated at the Monaca, Pa. plant. The division operates a plant also at Metuchen, N. J., division headquarters.

Home Products Division completed the consolidation of Seattle production lines at Chicago and transferred Houston water heater production to Chicago. These moves have resulted in more efficient production,



M. H. Temple, vice president and assistant general manager, Richmond Plumbing Fixtures Division. John J. Hall is president and general manager of the Division.

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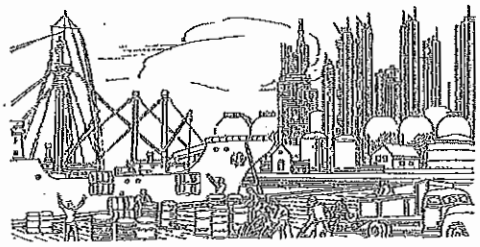
and marketing strength has been maintained. Certain Houston facilities were offered for sale or lease. Home Products Division plant operations are at Chicago, division headquarters; Sparrows Point, Md.; New Castle, Del.; New Orleans, La.; Houston, Texas; and South Gate and Richmond, Calif.

Operations of Standard Enameling Company, Culver City, Calif. and McGregor, Texas, acquired as a wholly-owned subsidiary in 1956 and consolidated with the Wedgewood operation formerly at Newark, Calif., were below expectations—reflecting the softer market for major appliances and other problems. The company makes built-in and free-standing gas cooking ranges and gas- and oil-burning heaters.



SHIPPING CONTAINERS

The principal markets for the Rheem line of steel shipping containers are the chemical, petroleum, paint and food industries. In the face of a drop of eight to 10 per cent in sales by the entire industry, Rheem Container Division sales in 1957 were only slightly below those for the previous year. This record was aided by higher sales of Rheemcote lithographed 55-gallon drums and "centrifugal-spray" inner-lined drums, which are proprietary company lines.

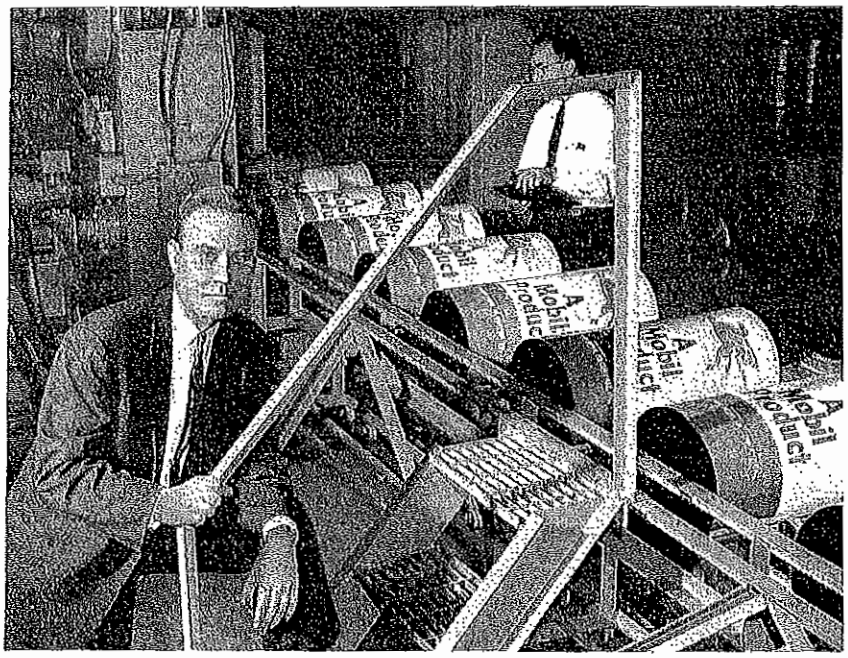
Earnings were adversely affected during the year by (1) an average rise of five per cent in the cost of steel bought by the company, (2) across-the-board wage increases in cost-of-living adjustments stipulated by labor contracts, and (3) a decline in the price of steel scrap sold by Rheem. More than eight per cent of the raw steel bought for drum and pail manufacturing operations returns to the mills as scrap.

Container Division's continuing cost-reduction programs were stepped up during the year, offsetting much of the increase in costs.

Marketing Service

Transfer of some production facilities during the year improved service by the division's eight plants to its four major marketing areas.

The Eastern market is served by plants at Linden, N. J., division headquarters; and Sparrows Point, Md. The Southern market is supplied by division facilities at New Orleans, La. and Houston, Texas. Division products in the Midwest are furnished by the Chi-



E. F. Paquette, vice president and general manager, Container Division.

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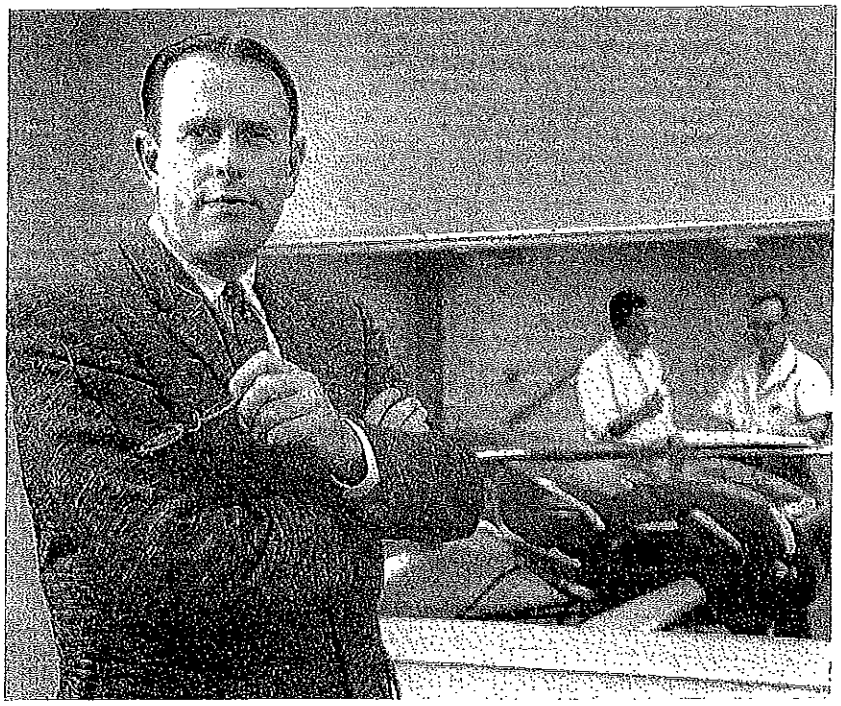
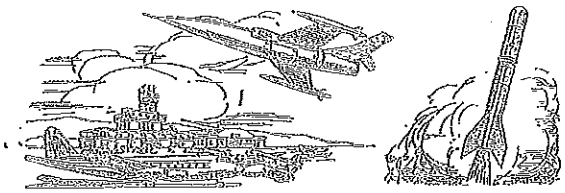
cago plant. The Western market is served by plants at Richmond and South Gate, Calif., and a new plant opened late in the year at Tacoma, Wash.

Transfer of pail production facilities from South Gate to Linden brought production nearer the major East Coast market for these items. Similarly, transfer of pail production facilities from Sparrows Point to Chicago will open the Midwest market in this field to Rheem.

Marketing plans in 1958 will stress sales of (1) Rheemcote poster-decorated drums, which have gained continually widening market acceptance since their introduction by the company in 1950 as the first lithographically printed 55-gallon drums; and (2) "centrifugal-spray" inner-lined drums, produced by a process developed and patented by Rheem, and introduced in 1957. This process produces greatly improved drum linings.



L. M. Limbach, vice president and general manager, Aircraft Division.



AIRCRAFT, ORDNANCE, MISSILES

Operational improvements and economies during 1957 have placed the Aircraft Division at Downey, Calif. in the position of an efficient, low-cost designer and producer of a wide variety of aircraft, missile and ordnance components, as well as related products of advanced design for both commercial and military application.

The Aircraft Division is making major assemblies for many of the nation's high priority aircraft and jet engines. In ordnance, the division has pioneered in development of warheads, fuzes and complete weapons systems and has attained a leading position in the field of non-nuclear weapons. For instance, Rheem has developed a warhead system for the Super Nike operational guided missile.

Marketing Team Set Up

A strong marketing team was set up early in the year to obtain prime contracts on new products and expand participation in the market for subcontracted products. The division is prepared, in terms of organization and facilities, to accept additional work on missiles, aircraft, ordnance, and jet and rocket engines.

The division was awarded a $1,600,000 contract by the U. S. Army Signal Corps

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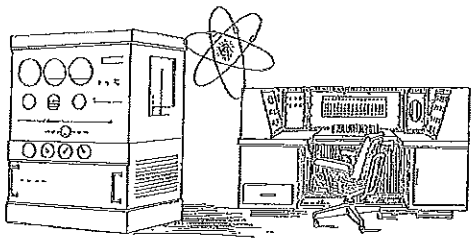
to develop a surveillance and reconnaissance drone, or pilotless aircraft. Successful development could lead to considerable quantity production. Additional production of an aerial practice bomb for the Air Force is also anticipated. Ordnance contracts at the San Pablo, Calif. plant were completed during the year. The facility now holds a Navy standby contract.



A. G. Handschumacher, vice president and general manager, Electronics Division.

ELECTRONICS

Sales by the Electronics Division showed a substantial increase in 1957. To provide additional space, the Electronics Division moved into a new plant at Rivera, Calif. in January, 1957.

Several contracts were received during the year for missile and ground test equipment. These included $2,500,000 in contracts for signal conditioning equipment for the Titan Intercontinental Ballistic Missile. The division is participating as a supplier of ground-based test and airborne instrumentation equipment for various missile programs, including the Atlas, Redstone, Bomarc, Snark, Nike and others.

A flight safety system for monitoring of the latest types of aircraft and missiles undergoing flight test is being developed for the United States Air Force. This program will enable ground observers to maintain continual surveillance of critical flight data to insure successful completion of flight test programs.

As a result of government revision of priorities, the production of gunnery training equipment for the Air Force and Navy was phased out and the Philadelphia operation consolidated at Rivera.

Production of Missile Equipment

The bulk of 1958 Electronics Division business will continue to be in airborne and missile and ground test equipment. Marketing efforts will be directed toward increasing government business and forming a distributing organization for commercial products.

Important new markets for electronics equipment are opening in quality-control instruments, scientific instruments, automatic processing equipment, nucleonics, data-proc-

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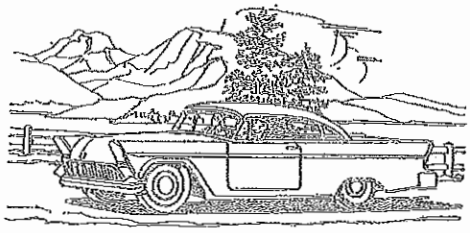
essing systems and visual training aids for military and commercial markets.

Negotiations are under way with several European electronics companies to enable Rheem to make and sell equipment of their original design to U. S. military and commercial users. A program was initiated last year with The Solartron Electronic Group, Ltd., of England, for developing an electronic reading device to be used in conjunction with American computer installations for such applications as inventory control and department store record-keeping. Solartron, on its part, is licensed to sell and manufacture visual gunnery training aids of Rheem design.

Under an agreement with Lemouzy, French electronics manufacturer, Rheem will sell and ultimately make an extra-sensitive meter of advanced design for measuring and recording electric current in laboratory work.



AUTOMOTIVE

At the end of 1957, about 12 per cent of the nation's output of automobiles was being assembled by West Coast plants. Rheem Automotive Division at Fullerton, Calif., as supplier of springs and bumpers to these

O. W. Carrico, general manager, Automotive Division.

plants, was believed to be the largest auto parts maker west of the Mississippi river.

Chief problems for the division early in 1958 were uneconomical labor costs and the market outlook, which reflected some uncertainty over the level of the nation's automobile production for the year. One major automobile firm announced it would concentrate its bumper production for 1959 models in its own plants, resulting in the loss to Rheem of a part of the division's business. However, an intensive search for new business had been under way before this development took place. Also, new products are being investigated for manufacture in the division's facilities to gain advantages of diversification and greater volume.

The division's new plant, dedicated late in 1956, received a Factory magazine award last year as one of the "Top Ten Plants" in the nation for excellence of design.

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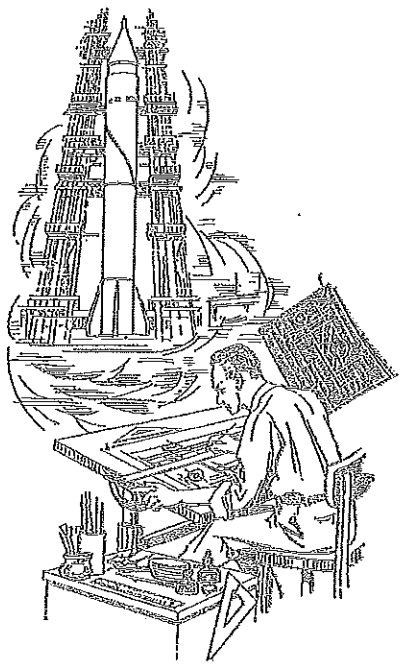
Research and Development



Planning for tomorrow is high on the priority list of Rheem management activities.

During 1957, initial field tests of seven pilot models of an advanced gas-operated central air-conditioning and heating unit were conducted by the Home Products Division in various parts of the United States. Test results were satisfactory and provided information for further development of commercially acceptable units. This product would supplement the company's present proved line of Rheemaire electric-powered units in the central air-conditioning field.

A continuing program of field testing throughout the nation has helped the company maintain leadership in constant improvement of frit, the powdered material used in production of glass lining for water heaters. Research by the Home Products Division also is engaged in a long-range program of continual improvement in design of water heaters to meet the more exacting demands of the years ahead. Another program is pushing the development of a new, expanded line of commercial water heaters.

In the Richmond Plumbing Fixtures Division, development programs emphasize continued improvement of styling and colors in vitreous china and other fixtures. The objective is to maintain a position of leadership as trends develop in modern design of plumbing fixtures for the increased convenience, health and comfort of a rapidly growing population.

The Container Division traditionally has led its field in design and development. Continuing research is aimed at developing improvements in design of steel containers and new uses for them. The division also is conducting studies of product possibilities in plastic, aluminum and fibre packaging.

The Aircraft and Electronics Divisions employ several hundred engineers, physicists and allied professional personnel in research work.

Although the two divisions are active in many non-related technological activities and are equipped to pursue them independently, they maintain close liaison on related projects such as missile work. Rheem is in an advantageous position to provide skills of both divisions often required on complex projects of the advancing electronics and space-flight era.

Division managers have also developed close ties and contacts with leading European aircraft and electronics companies, with an eye toward project developments of mutual benefit. Many skills are available in Europe, often representing imaginatively different and more economical approaches than our own.

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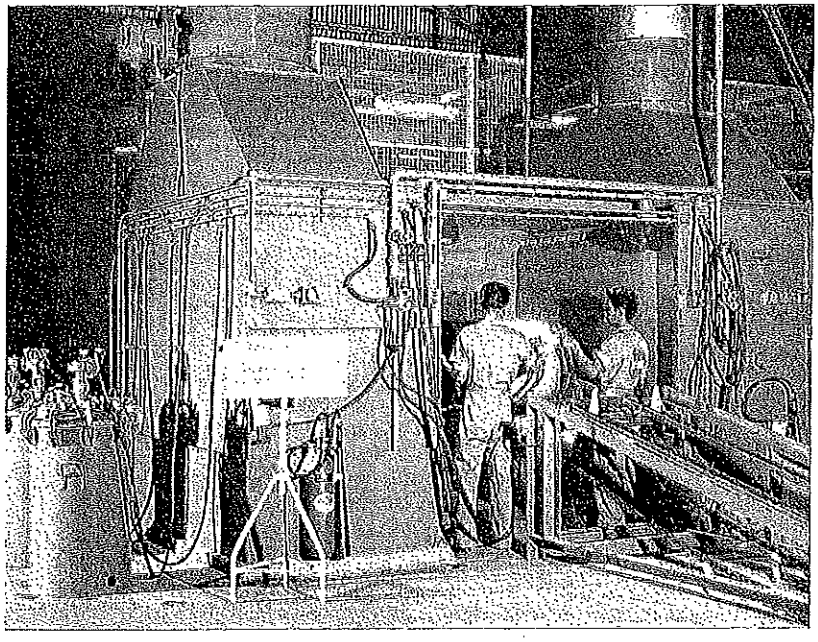
International

The purpose of Rheem's investments and licensing interests in companies in other countries is to promote the profitable manufacture and distribution of Rheem products in world markets. Also, there are available abroad important skills and facilities that can be useful in all the company's operations.



Steel barrels are spray-painted on production line at Rheem of the Philippines, Inc.

Rheem has experience dating from 1937 in utilizing this international exchange of talents and facilities. It has proved mutually beneficial to Rheem and its partners in other countries. It has produced encouraging financial results in the past and promises increased future opportunities.

During 1957, sales by foreign affiliated and associated companies of products under Rheem license and agreement amounted to $34,000,000, approximately six per cent above the previous year's $32,200,000. These sales are not consolidated in the company's financial statements.

Rheem investment in companies in other countries is more than $2,000,000. The company's equity in these facilities is estimated at $5,900,000. Average equity in affiliated companies is more than 50 per cent. Only 15 to 30 per cent of foreign earnings are received by Rheem as dividends. Retained earnings

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and local borrowings finance the growth of overseas operations.

Overseas Operations in 1958

Early in 1958, two agreements were completed for making Rheem automatic storage water heaters in Canada and Belgium.

By midyear, Rheem Canada Ltd., which has heretofore made steel shipping containers, also will make water heaters to be sold by Rheem International Ltd., a new subsidiary sales company at Toronto.

Travail Mécanique de la Tole of Brussels, one of Europe's leading metal fabricating companies, will make and sell water heaters and lined drums. This will extend the market for these products in Belgium, the Belgian Congo, the Netherlands, Luxembourg and eventually in certain other European Common Market countries. These agreements bring to 18 the number of plants making Rheem products in 12 countries abroad.

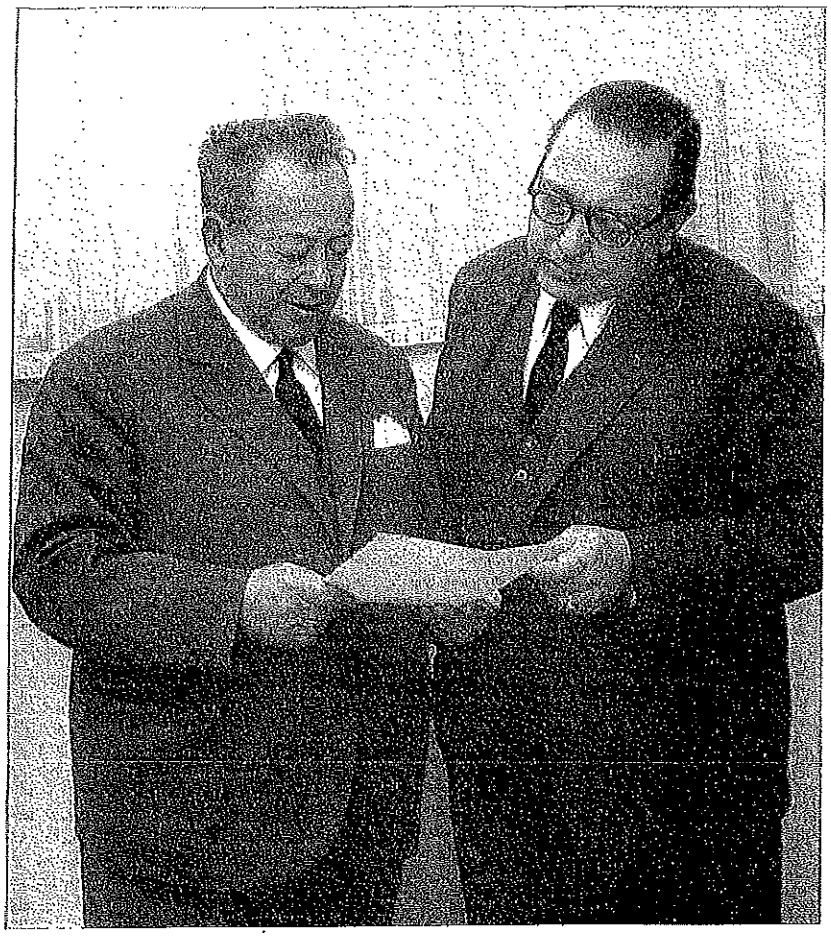
Early in 1958, the company also was making plans to invest in a plant to manufacture oil drums in Venezuela.

Rheem affiliates around the world continued to expand their facilities and product lines in 1957 and are expected to take further steps in this direction in 1958.

Rheem Metalurgica in Brazil began making auto truck rear-wheel spacer rings and porcelain architectural panels. The plant makes also Rheem gas kitchen ranges and shipping containers.

Rheem Australia, where the firm's international operations started in 1937 and where six container, heater and tank plants now are operated, started making liquefied petroleum gas cylinders last year in the Sydney plant at Rydalmere. The company opened a second drum-reconditioning plant at Melbourne.

Facilities scheduled for completion in 1958 include pail production lines in Buenos Aires, Argentina and Manila. Negotiations are under way for further expansion of Rheem activities in England, Argentina, Brazil and New Zealand.



Mario Capelli (right), vice president and general manager, International Division, with Commendatore Francesco Bonelli, president, S.A.F.I.M., Milan, Italy, which manufactures Rheem steel shipping containers, guard rails and water heaters, among other products.

Exchange of product designs and manufacturing skills among Rheem's subsidiary and affiliated companies is actively encouraged. For instance, S.A.F.I.M. of Milan, Italy, is negotiating with T.M.T. of Brussels for exchange of manufacturing rights not involving products of Rheem design.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEETS

December 31

ASSETS

	1957	1956
CURRENT ASSETS:		
Cash	$ 2,817,453	$ 4,077,344
Accounts receivable trade:		
Commercial, less allowance for doubtful accounts (1957, $257,569; 1956, $360,553)	12,475,042	15,192,549
United States Government sources	8,406,363	8,311,739
Owing by subsidiary and affiliated companies	658,529	649,023
Recoverable federal income taxes, estimated	432,000	8,165,000
Inventories, at lower of cost or market:		
Finished and in process	16,832,216	27,334,115
Raw materials and supplies	12,174,114	16,112,097
Costs allocable to future operations—insurance, taxes, rentals, etc.	1,407,875	1,434,754
	$ 55,203,592	$ 81,276,621
INVESTMENTS:		
Capital stock of and advances to domestic subsidiary and affiliated companies	$ 2,967,268	$ 2,273,055
Capital stock of subsidiary and affiliated companies operating in foreign countries, at cost (approximate equity in underlying net assets, 1957, $5,900,000)	2,047,715	2,047,715
Real estate, long-term receivables and miscellaneous investments	1,254,227	1,350,838
Sinking fund for redemption of preferred stock	47,988	135,262
	$ 6,317,198	$ 5,806,870
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	$ 1,234,790	$ 1,236,535
Buildings, machinery and equipment, less accumulated depreciation and amortization (1957, $23,859,117; 1956, $21,718,202)	37,839,715	39,555,951
	$ 39,074,505	$ 40,792,486
UNAMORTIZED LONG-TERM DEBT EXPENSE	$ 866,466	$ 950,324
	$101,461,761	$128,826,301

See notes to financial statements on page 19.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEETS

December 31

LIABILITIES

	1957	1956
CURRENT LIABILITIES:		
Notes payable to banks	$ 3,500,000	$ 35,800,000
Current debenture sinking fund requirement (Note 2)	847,000	697,000
Accounts payable, trade and miscellaneous	7,149,569	11,880,608
Compensation, interest and sundry accruals	4,349,849	5,881,428
Federal income taxes, estimated (Note 3)	2,252,113	661,394
Contributions payable under retirement plans (Note 5)	1,061,027	769,947
	$ 19,159,558	$ 55,690,377
LONG-TERM INDEBTEDNESS (Note 2):		
5½% term note payable to bank from 1959 to 1962	$ 8,500,000	$ —
3⅞% sinking fund debentures due in 1975, less current sinking fund requirement and debentures held in treasury	22,300,000	23,200,000
Purchase money obligations	—	61,650
	$ 30,800,000	$ 23,261,650
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	$ 1,622,000	$ 1,599,000
CAPITAL AND RETAINED EARNINGS (Note 4):		
Cumulative preferred stock, par value $100 per share; 1957 authorized 70,953 shares; 4½% convertible series, outstanding 17,517 shares	$ 1,751,700	$ 1,855,100
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding, 1,951,538 shares	1,951,538	1,951,538
Obligation to former stockholders of subsidiary (Note 1)	1,881,802	1,881,802
Capital in excess of par value of shares outstanding (increase in 1957 represents excess of par value over cost of preferred shares purchased and retired)	32,773,973	32,758,785
Earnings retained for use in the business (Note 2)	11,521,190	9,828,049
	$ 49,880,203	$ 48,275,274
	$101,461,761	$128,826,301

See notes to financial statements on page 19.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1957	**1956**
INCOME:		
Net sales	$188,580,607	$173,903,212
Dividends from foreign subsidiary and affiliated companies	399,669	289,971
Miscellaneous income	285,514	90,079
	$189,265,790	$174,283,262
COSTS:		
Cost of goods sold	$168,722,486	$170,857,874
Selling, general and administrative expenses	15,061,589	18,571,281
Interest	2,044,799	1,928,889
Losses on disposition and relocation of plant facilities	—	3,479,920
Loss on sale of marketable securities	—	363,432
	$185,828,874	$190,201,396
	$ 3,436,916	$(15,918,134)
Provision for estimated federal income taxes, less $432,000 recoverable by subsidiary	1,468,000	—
Estimated federal income taxes recoverable by parent company, less $394,000 payable by subsidiaries and $461,000 for taxes deferred to future years	—	6,755,000
Earnings or (loss) for year	$ 1,968,916	$ (9,163,134)
Special charge for vacation pay applicable to prior years, less related recoverable federal income taxes of $555,000	—	518,297
Earnings or (loss) for year and special charge	$ 1,968,916	$ (9,681,431)
Earnings retained for use in the business, at the beginning of the year	9,828,049	21,375,256
	$ 11,796,965	$ 11,693,825
Dividends paid in cash:		
Preferred stock—$4.50 per share	80,621	97,002
Common stock—1957, $.10 per share; 1956, $1.00 per share	195,154	1,768,774
Earnings retained for use in the business at the end of the year	$ 11,521,190	$ 9,828,049

Provision for depreciation and amortization of plant and equipment charged to earnings—1957, $3,855,767; 1956, $3,591,495.

See notes to financial statements on page 19.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1957

Note 1—Principles of Consolidation

The consolidated financial statements include wholly owned domestic subsidiaries except Rheem Acceptance Corporation, a company established principally to assist dealers in financing sales of Rheem products. The investment in and advances to Rheem Acceptance Corporation at December 31, 1957 were $773,027.

The consolidated subsidiaries include Standard Enameling Company, the outstanding capital stock of which was acquired by Rheem as of October 1, 1956. Rheem's remaining obligation under the transaction will be settled by issuing Rheem common shares to the former shareholders of Standard by 1962. As the number of shares required will depend on various factors, including the market value of Rheem's common stock at date of settlement, this stock issuance obligation is being carried at its estimated maximum amount as a separate item on the balance sheet. Because of Standard's 1957 operating loss, either Rheem or the former shareholders of Standard may elect to exercise provisions of the acquisition agreement which might result in final settlement of Rheem's obligation for less than the maximum amount.

Investments in capital stocks of subsidiary and affiliated companies operating in foreign countries are carried at cost in the consolidated statements, and dividends from these companies are included in the accompanying statement of earnings.

Note 2—Long-Term Indebtedness

Under the terms of the credit agreement governing the term note payable to the bank, the company may not, without the lender's consent, pay cash dividends on its common stock in excess of 25 per cent of its net earnings after December 31, 1957 (less preferred dividend requirements) plus $1,000,000. Among other restrictions, the agreement requires the company to maintain consolidated working capital of $28,500,000.

The indenture relating to the 3⅞ per cent sinking fund debentures requires the company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1957 ($53,000) may be used to satisfy part of the 1958 sinking fund requirement. The remainder of the 1958 requirement is included in current liabilities. The provisions of the indenture relating to payment of cash dividends are less restrictive than the credit agreement.

Note 3—Federal Income Taxes

Certain income tax matters relating to the years 1951 and 1952 are being litigated by the company, and the company's income tax returns for the years 1953 to 1956 are being reviewed by the Internal Revenue Service. In the opinion of management, adequate provision has been made in the financial statements for any additional taxes that may be payable in final settlement of the returns for these years.

Note 4—Capital Stock

The outstanding preferred stock is convertible into common stock until June 1, 1961 in the ratio of 2.91 shares of common for each share of preferred. The preferred stock may be redeemed by the company at prices ranging from $104.50 at December 31, 1957 to $102.00 after June 1, 1971. Annual payments of $333,333 into a sinking fund for retirement are required, but only to the extent of the consolidated net earnings (as defined in the articles of incorporation) in the preceding year.

Options were granted in 1957 to certain officers and key employes to purchase 59,750 shares of common stock of the company for $20 per share, which was more than the market price on the date the options were granted. At December 31, 1957, 57,250 shares were under option, options to purchase 2,500 shares having been cancelled by reason of termination of employment. The options may be exercised two to five years after the date granted.

At December 31, 1957, 59,639 shares of common stock were reserved for conversion of preferred stock and 75,000 shares were reserved under the stock option plan.

Note 5—Retirement Plans

The company maintains a pension plan for all employes with 15 or more years of service, except for employes belonging to certain unions which do not participate in the plan. Provision for the 1957 contribution of $775,179 to the trustee was charged against earnings. This is the amount estimated on the basis of an actuarial study as the cost of benefits accruing during the year under the plan, plus the interest on the estimated unfunded potential past service cost of $5,800,000. Because of the plan's provisions, estimates are based on important assumptions as to future conditions (such as employe turnover, salary scales, interest rates and social security benefits) which may be subject to significant revisions from time to time. Funds held by the trustee December 31, 1957 were ample to meet the company's liability to employes retired under the plan.

An incentive bonus retirement plan is maintained for employes of the company not eligible for overtime compensation. Provision for the 1957 contribution of $285,848 to the trust fund was charged against earnings.

Note 6—Long-Term Leases

The company occupies some of its manufacturing and office premises under long-term leases. Minimum annual rental payments required during 1958 will be about $1,100,000. Of this amount, $600,000 relates to leases expiring more than 20 years from December 31, 1957. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

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ASSETS

December 31	1957	1956	1955
CURRENT ASSETS			
Cash	$ 2,817	$ 4,077	$ 4,371
Marketable securities	—	—	1,420
Accounts receivable	21,540	24,154	20,498
Recoverable federal income taxes, estimated	432	8,165	—
Inventories, at lower of cost or market	29,007	43,446	34,935
Cost allocable to future operations—insurance, taxes, rentals, etc	1,408	1,435	1,195
	$ 55,204	$ 81,277	$ 62,414
INVESTMENTS	$ 6,317	$ 5,807	$ 2,285
PROPERTY, PLANT AND EQUIPMENT, at cost	$ 62,934	$ 62,510	$ 62,719
Less: Accumulated depreciation and amortization	23,859	21,718	21,165
	$ 39,075	$ 40,792	$ 41,554
UNAMORTIZED LONG-TERM DEBT EXPENSE	$ 866	$ 950	$ 1,017
TOTAL ASSETS	$101,462	$128,826	$107,270

LIABILITIES AND CAPITAL

CURRENT LIABILITIES			
Notes payable	$ 3,500	$ 35,800	$ 5,080
Current debenture sinking fund requirement	847	697	—
Accounts payable, compensation and sundry accruals	11,500	17,762	11,152
Federal income taxes	2,252	661	5,125
Contributions payable under retirement plans	1,061	770	636
	$ 19,160	$ 55,690	$ 21,998
LONG-TERM INDEBTEDNESS	$ 30,800	$ 23,262	$ 26,098
DEFERRED INCOME TAX	$ 1,622	$ 1,599	$ 1,138
CAPITAL AND RETAINED EARNINGS	$ 49,880	$ 48,275	$ 58,046
TOTAL LIABILITIES AND CAPITAL	$101,462	$128,826	$107,270

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BALANCE SHEETS
(000 omitted)

TEN-YEAR COMPARISON

1954	1953	1952	1951	1950	1949	1948
$ 2,713	$ 3,314	$ 2,653	$ 1,543	$ 3,565	$ 1,578	$ 1,871
—	494	—	10	69	132	163
18,146	21,083	23,589	13,644	9,627	4,833	4,988
—	—	—	—	—	—	—
24,424	27,333	21,928	20,925	10,720	7,472	9,737
1,088	1,789	2,089	2,131	241	221	539
$46,371	$54,013	$50,259	$38,253	$24,222	$14,236	$17,298
$ 2,090	$ 1,942	$ 1,832	$ 1,351	$ 1,312	$ 1,612	$ 1,365
$52,395	$41,619	$40,060	$35,773	$21,488	$16,377	$16,303
15,414	10,731	8,324	6,107	5,230	4,703	4,256
$36,981	$30,888	$31,736	$29,666	$16,258	$11,674	$12,047
$ —	$ —	$ —	$ —	$ —	$ —	$ —
$85,442	$86,843	$83,827	$69,270	$41,792	$27,522	$30,710
$ 7,098	$13,223	$13,933	$ 3,000	$ —	$ —	$ —
—	—	—	—	—	—	—
7,138	8,989	10,178	6,765	6,024	3,334	3,476
4,970	8,322	3,800	9,557	5,505	1,965	1,971
1,048	191	1,145	763	550	186	—
$20,254	$30,725	$29,056	$20,085	$12,079	$ 5,485	$ 5,447
$13,720	$12,380	$13,067	$14,000	$ 5,000	$ —	$ 4,000
$ 580	$ —	$ —	$ —	$ —	$ —	$ —
$50,888	$43,738	$41,704	$35,185	$24,713	$22,037	$21,263
$85,442	$86,843	$83,827	$69,270	$41,792	$27,522	$30,710

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED

	1957	1956	1955
INCOME			
Net sales	$188,581	$173,903	$180,27
Dividends from foreign companies	400	290	27
Miscellaneous income	285	90	44
	$189,266	$174,283	$180,99
COSTS			
Cost of goods sold	$168,722	$174,701	$154,05
Selling, general and administrative expenses	15,062	13,571	13,30
Interest	2,045	1,929	99
	$185,829	$190,201	$168,38
EARNINGS (LOSS) BEFORE TAXES	$ 3,437	$(15,918)	$ 12,64
FEDERAL INCOME TAXES (TAX CREDITS)	1,468	(6,755)	6,41
EARNINGS (LOSS) FOR THE YEAR	$ 1,969	$ (9,163)	$ 6,22
PREFERRED DIVIDENDS PAID	$ 81	$ 97	$ 17
COMMON DIVIDENDS PAID	195	1,769	3,85
SUNDRY CHARGES	—	518	
RETAINED EARNINGS (LOSS) FOR THE YEAR	$ 1,693	$(11,547)	$ 2,18
EARNED (LOSS) PER SHARE OF COMMON STOCK	$ .97	$ (4.75)	$ 3.1

CONSOLIDATED STATEMENT OF CAPITAL AND RETAINED EARNINGS

PREFERRED STOCK	$ 1,751	$ 1,855	$ 3,05
COMMON STOCK $1 PAR VALUE	1,952	1,952	1,91
OBLIGATION TO FORMER SHAREHOLDERS OF SUBSIDIARY	1,882	1,882	
CAPITAL IN EXCESS OF PAR VALUE	32,774	32,758	31,69
RETAINED EARNINGS	11,521	9,828	21,37
TOTAL CAPITAL AND RETAINED EARNINGS	$ 49,880	$ 48,275	$ 58,04
WORKING CAPITAL	$ 36,044	$ 25,587	$ 40,42
BOOK VALUE, COMMON STOCK	$ 23.70	$ 22.82	$ 28.6
NUMBER COMMON SHAREHOLDERS	13,798	14,491	14,89

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STATEMENT OF EARNINGS

(000 omitted)

TEN-YEAR COMPARISON

1954	1953	1952	1951	1950	1949	1948
$168,623	$188,005	$144,524	$94,107	$74,466	$49,754	$58,744
214	73	523	331	116	65	240
977	110	62	76	82	64	344
$164,814	$188,188	$145,109	$94,514	$74,664	$49,883	$59,328
$142,962	$165,179	$129,269	$74,624	$59,257	$41,379	$47,471
9,949	9,071	7,771	6,578	5,088	4,245	6,626
856	1,056	869	296	101	81	112
$153,767	$175,306	$137,909	$81,498	$64,446	$45,705	$54,209
$ 11,047	$ 12,882	$ 7,200	$13,016	$10,218	$ 4,178	$ 5,119
5,020	7,900	3,300	8,765	5,355	1,649	1,925
$ 6,027	$ 4,982	$ 3,900	$ 4,251	$ 4,863	$ 2,529	$ 3,194
$ 366	$ 450	$ 450	$ 280	$ 110	$ 117	$ 122
3,312	2,498	2,753	2,459	1,900	1,565	1,575
—	—	—	165	—	—	—
$ 2,349	$ 2,034	$ 697	$ 1,347	$ 2,853	$ 847	$ 1,497
$ 3.67	$ 3.63	$ 2.76	$ 3.78	$ 4.75	$ 2.41	$ 3.07
$ 6,010	$ 9,990	$ 9,990	$ 9,999	$ 2,370	$ 2,550	$ 2,638
1,542	1,249	1,249	1,049	1,000	1,000	1,000
—	—	—	—	—	—	—
26,063	17,575	17,575	11,945	10,497	10,494	10,479
17,273	14,924	12,890	12,192	10,846	7,993	7,146
$ 50,888	$ 43,738	$ 41,704	$35,185	$24,713	$22,037	$21,263
$ 26,117	$ 23,289	$ 21,203	$18,168	$12,143	$ 8,751	$11,851
$ 29.11	$ 27.01	$ 25.38	$ 24.01	$ 22.34	$ 19.49	$ 18.62
8,225	7,420	7,946	5,479	4,980	5,132	5,273

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PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET

SAN FRANCISCO 4

February 27 1958

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1957 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

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RHEEM AROUND THE WORLD

Rheem operates 17 plants in the United States. In addition, Rheem products are made by affiliated and associated companies in 18 plants in 12 countries abroad.

• Domestic Plants

Culver City, Calif.
Downey, Calif.
Fullerton, Calif.
Richmond, Calif.
Rivera, Calif.
South Gate, Calif.
Vernon, Calif.
New Castle, Del.
Chicago, Ill.
New Orleans, La.
Sparrows Point, Md.
Linden, N. J.
Metuchen, N. J.
Monaca, Pa.
Houston, Texas
McGregor, Texas
Tacoma, Wash.

★ Affiliated and Associated Foreign Companies

S. A. Industrial y Comercial de Aceros Rheem (SAIAR)
Buenos Aires, Argentina

Rheem Australia Pty. Ltd.
Sydney (2 plants), Brisbane, Melbourne, Fremantle and Adelaide, Australia

Travail Mécanique de la Tole (TMT) Brussels, Belgium

Rheem Metalurgica S. A.
Rio de Janeiro and São Paulo, Brazil

Rheem Canada Ltd.
Hamilton, Ontario

Rheem Lysaght Ltd.
Bristol, England

Societá per Azioni Fusti e Imballaggi Metallici (SAFIM)
Milan, Italy

Rheem Peruana, S. A.
Lima, Peru

Rheem of the Philippines, Inc.
Manila, Philippines

Rheem-Hume (Far East) Ltd.
Singapore

Fabricacion de Envases Metalicos, S. A. (FEMSA)
Barcelona, Spain

Rheem Elit Emballage
Dals Langed, Sweden

A partial listing of Rheem product lines includes:

Steel and fibre shipping containers — Automatic storage water heaters
Central heating and air-conditioning equipment — Plumbing fixtures
Aviation, powerplant and missile components; pilotless aircraft; ordnance devices
Airborne and ground electronic systems; instruments; data processing; test equipment; visual training aids
Automotive parts — Gas cooking ranges, heaters

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RHEEM MANUFACTURING COMPANY

ANNUAL REPORT 1958

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RHEEM PRODUCTS and SERVICES

They Build Progress at Home and Abroad

AUTOMOTIVE DIVISION Fullerton, Calif. O. W. Carrico, vice president and general manager Plants at Fullerton and Vernon, Calif.	Bumpers, springs, and other automotive parts
CONTAINER DIVISION Linden, New Jersey E. F. Paquette, vice president and general manager Plants at Linden, N. J.; New Orleans, La.; Houston, Texas; Chicago, Ill.; Tacoma, Wash.; Richmond, Calif.; South Gate, Calif.	Steel and fibre shipping containers
DEFENSE AND TECHNICAL PRODUCTS DIVISION Downey, Calif. L. M. Limbach, vice president and general manager Plants at Downey and Riverside, Calif.	Propulsion and missile systems, ordnance, drone aircraft, pressure vessels, military electronics, optics, training devices, research
ELECTRONICS DIVISION Downey, Calif. A. G. Handschumacher, vice president and general manager Plant at Downey, Calif.	Visual training devices; data recording, reproducing and processing systems and components; industrial test equipment; automatic processing equipment
HOME PRODUCTS DIVISION Chicago, Ill. V. J. Heinis, vice president and general manager Plants at Chicago, Ill.; Sparrows Point, Md.; New Castle, Del.; New Orleans, La.; Houston, Texas; South Gate, Calif.; Richmond, Calif.	Automatic storage water heaters, central heating and air-conditioning equipment, tanks, water softeners
RICHMOND PLUMBING FIXTURES DIVISION Metuchen, New Jersey M. H. Temple, vice president and general manager Plants at Metuchen, N. J. and Monaca, Pa.	Vitreous china and cast iron enameled bathroom and other plumbing fixtures for residential, commercial, industrial and institutional use
INTERNATIONAL DIVISION New York, N. Y. Mario Capelli, vice president and general manager	Directs and coordinates Company's international activities
ORENDORFF MANUFACTURING CO. Subsidiary Company Vernon, Calif. M. C. Orendorff, president Plant at Vernon, Calif.	Cultivating and earth-engaging tools for the farm
RHEEM ACCEPTANCE CORPORATION Subsidiary Company Rheem, Calif. R. S. Greenwood, president	Finances consumer sales
THERMOVAC, INC. Subsidiary Company Stockton, Calif. F. A. Bellato, president Plant at Stockton, Calif.	Food processing and handling equipment

RHEEM AROUND THE WORLD—

See inside back cover for map of plant locations.

RHEEM MANUFACTURING COMPANY

CORPORATE HEADQUARTERS—400 PARK AVENUE, NEW YORK 22

ANNUAL REPORT 1958

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FINANCIAL HIGHLIGHTS

	1958	1957
Total net sales	$151,312,416	$188,580,607
Commercial products	115,062,919	130,597,537
Government products	36,249,497	57,983,070
Earnings before taxes	131,673	3,436,916
Federal income taxes (tax credits)	(170,000)	1,468,000
Net earnings after taxes	301,673	1,968,916
Earnings per common share	$.12	$.97
Dividends paid per common share	$.10	$.10
Number of common shares outstanding	1,951,538	1,951,538
Number of common shareholders	12,702	13,798
Wages and salaries paid	$ 49,449,062	$ 60,807,494

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DIRECTORS

C. V. Coons
G. M. Greenwood
Herbert E. Hall
John J. Hall
Earle M. Jorgensen
Gordon W. Mallatratt
N. Loyall McLaren
A. E. Ponting
R. S. Rheem
Thomas J. Ross
A. Lightfoot Walker

EXECUTIVE MANAGEMENT COMMITTEE

A. Lightfoot Walker, *Chairman*
C. V. Coons, *Vice Chairman*
G. M. Greenwood
John J. Hall
Gordon W. Mallatratt
E. S. Ronk
Thomas J. Ross

OFFICERS

A. Lightfoot Walker . . . . . *President and Chief Executive Officer*
C. V. Coons . . . . . *Executive Vice President*
L. W. Evans . . . . . *Vice President*
G. M. Greenwood . . . . . *Vice President*
John J. Hall . . . . . *Vice President*
Gordon W. Mallatratt . . . . . *Vice President and Treasurer*
E. S. Ronk . . . . . *Vice President*
Andrew W. Hughes . . . . . *Comptroller*
Walter S. Lewis . . . . . *Secretary*
R. T. Stroup . . . . . *Assistant Treasurer*
F. R. Grant . . . . . *Assistant Comptroller*
W. H. Campbell . . . . . *Assistant Secretary*
H. L. Fledderman . . . . . *Assistant Secretary*
F. F. Lind . . . . . *Assistant Secretary*
D. S. Perley . . . . . *Assistant Secretary*

TRANSFER AGENTS — *Common Stock*

American Trust Company, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

REGISTRARS — *Common Stock*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
First National City Trust Company, New York, N. Y.

TRANSFER AGENTS — *Cumulative Preferred Stock, 4½% Convertible Series*

American Trust Company, San Francisco, Calif.
The First National City Bank of New York, New York, N. Y.

REGISTRARS — *Cumulative Preferred Stock, 4½% Convertible Series*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
Chemical Corn Exchange Bank, New York, N. Y.

GENERAL COUNSEL

Herbert E. Hall
Crocker Building
San Francisco 4, Calif.

GENERAL ATTORNEY

Walter S. Lewis
Rheem Manufacturing Company
400 Park Avenue, New York 22, N. Y.

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THE PRESIDENT'S LETTER

To Our Shareholders and Employees:

In 1958 your Company earned a small profit and ended the year in a favorable trend of operational results. After a net loss for each of the first two quarters, your Company made a profit in the third quarter and also had improving earnings during the last three months of the year.

The earnings achieved were made possible by continuation of our program to increase efficiency and reduce costs, since our sales declined 20 per cent from the record figure of 1957.

As business conditions began to improve late in the year, our profit improvement programs began to show results in increased earnings. Your Company is now in good condition to move ahead with our growing national economy.

Net income for 1958 was $301,673, amounting to 12 cents a common share after payment of preferred dividends. This compared with 1957 earnings of $1,968,916, or 97 cents a share.

Sales in 1958 amounted to $151,312,416, compared with 1957 sales of $188,580,607. The decline in sales occurred largely because of general economic conditions that, in certain markets, are not immediately overcome even by intensified selling effort. The sharp decline in sales of new automobiles in 1958 seriously affected our automotive parts business; sales of certain of our products tied to new construction of homes and buildings were down; sales of defense products were reduced because of the change in the nature of government procurement policies and the unavoidable delay in production contracts for new types of military equipment.

In our traditional product lines — especially steel shipping containers and automatic storage water heaters—we held the percentage of the market that we had previously attained.

The program to increase the financial strength of the Company was continued. Inventories were further reduced to 20.7 million dollars, from 29 million at the 1957 year end and 46.7 million at the high point of 1956. Total debt was cut to 29.1 million from 35.1 million at the end of 1957 and 59.8 million at the end of 1956. The ratio of current assets to current liabilities was improved to 3.4 from 2.9 at the end of 1957 and 1.5 at the end of 1956.

More surplus facilities were disposed of. Our San Pablo, California plant, which became idle on completion of a major ordnance contract, was sold. The plant at Rivera, California was sublet, and electronics activities transferred from that location to space that became available at our nearby Downey, California facility. The Culver City, California assets of Wedgewood-Holly Corp., a subsidiary formerly known as Standard Enameling Company, were sold. A major reason was the fact that the regional nature of its distribution of gas kitchen ranges did not fit into our plans for national growth of our major lines of products.

Programs for future growth and progress

RMC391

were intensified. A corporate Research and Development department, and a corporate Growth and Acquisition group, were established to supplement and coordinate divisional programs in these categories. A corporate policy for growth and development was disseminated throughout the Company.

In February, 1959, your Company announced that it had acquired a majority interest in Thermovac, Inc., a firm engaged in development and manufacture of food processing and handling equipment. Rheem and Thermovac have collaborated to develop a new food-packing process called "Sterile Pack," which opens new markets for our steel containers.

In March, 1959, your Company and a group of the nation's leading scientists and engineers in the semiconductor field formed Rheem Semiconductor Corporation for research, development and production in the field of semiconductors, including silicon diodes, transistors and other semiconductor devices. Rheem will hold a majority interest in the new subsidiary.

During 1958, your Company continued to expand its profitable international activities. Through association with our international partners, Rheem products were made in 20 plants in 13 countries abroad. These sales amounted to 35 million dollars, up from the 34 million of the year before. These figures are not consolidated in the Company's financial statements. New licensees were added in Belgium, Brazil and England. New companies were formed in England, Italy and New Zealand. Manufacturing facilities were installed in Canada for Rheem water heaters, and production began in June. New production lines were added to our facilities in Argentina and the Philippines. In Venezuela, a new plant began making steel shipping containers in August. All our established overseas companies continued to operate profitably.

Now that the European Common Market has been established, our affiliated companies in England and on the continent, together with other associations now being formed there, will enable your Company to take early advantage of significant new market opportunities. We consider this a vital area of new development for your Company.

Further details of the year's activities are reported in succeeding pages.

The year resulted in a stronger financial position for your Company and a more closely knit and efficient organization ready to act upon the opportunities and challenges of the future. Your management appreciates the effort, interest and support of shareholders and employees, which contributed to the Company's progress during the year.

President

New York, March 10, 1959

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ADMINISTRATION

year's principal developments

On June 5, Richard S. Rheem, one of the founders of Rheem Manufacturing Company, retired as Chairman of the Board after 28 years of service as an employee and officer of the Company. Mr. Rheem continues as a director.

On March 1, 1959, John J. Hall retired as a vice president, director and member of the Executive Management Committee.

On April 24, 1958, Thomas J. Ross, whose election to the Board of Directors on January 3, 1958, was recorded in the last annual report, was appointed to the Executive Management Committee.

O. W. Carrico, general manager of the Automotive Division, was promoted to vice president and general manager of that division March 13, 1958. M. H. Temple was promoted to vice president and general manager of the Richmond Plumbing Fixtures Division May 14, 1958. Other new non-corporate vice presidents are Robert G. Belote for industrial relations and George J. Papas for purchasing, appointed October 27, 1958; and Alexander Black, vice president for sales, Defense and Technical Products Division, appointed September 1, 1958.

In moves of major significance for the growth of the Company, a corporate Research and Development department was established on July 23, 1958, and a corporate Growth and Acquisition group on September 17, 1958. The new groups assumed direction of corporate programs in these fields and are complementing and coordinating similar activities in the divisions.

These programs are part of a policy for Growth and Development which was disseminated throughout the Company. These activities are discussed in more detail later.

Generally, labor relations were amicable. Brief work stoppages by two employee groups totaled nine days during 1958. In contract negotiations, there was keener understanding of the effect of costs and productivity on the Company's competitive position and employees' job security. The Company continued to maintain levels of pay and benefits that in general equal or exceed those of comparable industry.

FINANCIAL

significant items of improvement

During 1958, the Company had net income of $301,673, equal to 12 cents a share after provision for federal income tax credits and preferred dividend requirements. This compared with net income of $1,968,916 in 1957, or 97 cents a common share after provision for federal income taxes. Earnings before provision for federal income tax in 1958 amounted to $131,673. The corresponding figure for 1957 was $3,436,916.

Net sales in 1958 amounted to $151,312,416, compared with $188,580,607 the previous year.

A cash dividend of 10 cents a common share was paid in the fourth quarter of 1958. A similar payment had been made in 1957. Preferred dividend payments were maintained. There were 1,951,538 shares of common stock and 12,089 shares of preferred stock outstanding at December 31, 1958.

In other key areas relating to the financial strength of the Company, your management is able to report substantial continued improvement in comparison with the end of 1957 and the end of 1956.

Current ratio of assets to liabilities was 3.4

RMC393

at the end of 1958, highest since 1946. The figure compares with 2.9 for the end of 1957 and 1.5 at the end of 1956. Net working capital at the end of 1958 was $33,908,375, compared with $36,044,034 at the previous year end.

Inventories Cut

Year end 1956, 1957 and 1958 figures for inventories are 43.4 million dollars, 29 million and 20.7 million respectively. In other words, money invested in inventories during this period was cut more than 22 million dollars—more than half. Annual inventory turnover rate in 1958 increased to 7.3 times from 6.5 in 1957 and 4.0 in 1956.

At the respective year ends, total debt was 59.8 million dollars in 1956, 35.1 million in 1957 and 29.1 million in 1958—an over-all reduction of 30.7 million dollars—more than 50 per cent.

Bank borrowings were 35.8 million dollars at the end of 1956, 12.0 million at the end of 1957 and 7.6 million at the end of 1958. These borrowings are now in the form of a five-year term loan entering its second year.

The Company in 1958 went through the year without borrowing any of the $10,000,000 that was available under seasonal credit arrangements with leading banks in San Francisco, New York and Chicago. All necessary funds were generated internally. The Company has similar arrangements for 1959 at prime interest rates.

Cash and short-term securities on hand at the end of 1958 amounted to $3,895,477 as compared with $2,817,453 a year earlier.

Capital Expenditures

Domestic capital expenditures totaled $1,823,095 during the year, compared with $2,846,258 during 1957. The 1958 outlay was $2,074,676 less than the provision for depreciation.

Net property, plant and equipment was valued at $34,757,976 at the end of 1958, compared with $39,074,505 a year earlier.

OPERATIONS

traditional products hold markets

Total sales in 1958 declined, largely because of general economic conditions in certain markets. Traditional Rheem product lines maintained the percentage of the market previously achieved. This was especially true of steel shipping containers and automatic storage water heaters. Rheem began making steel shipping containers some 30 years ago and since then, it is believed, has made more than any other firm. The Company believes also that more water heaters are sold with the "Rheem" label than with any other name.

All divisions achieved further progress during the year in improving production and distribution efficiency. Certain idle, excess or marginal facilities were sold or leased. An active program to convert the remainder of these surplus facilities into cash is being continued.

In August, Rheem announced an important new container product development. Sterile Pack—a process for packing, shipping and storing fruit and vegetable concentrates in bulk without refrigeration or additives—opens a new Container Division market. The development promises improved quality and economies for the food processing industry. Initial trade reception has been enthusiastic.

Sterile Pack Described

The process culminates years of research by Rheem (1) to perfect ways to tinplate and lacquer interiors of 55-gallon drums capable of withstanding high vacuum, and (2) to fill and vacuum-seal the product under sterile conditions, for shipment and storage for indefinite periods. Rheem participated in the development with Thermovac, Inc., a Stockton, California firm engaged in development and production of food processing and handling equipment, and Thornton Canning Company, Thornton, California. Early this

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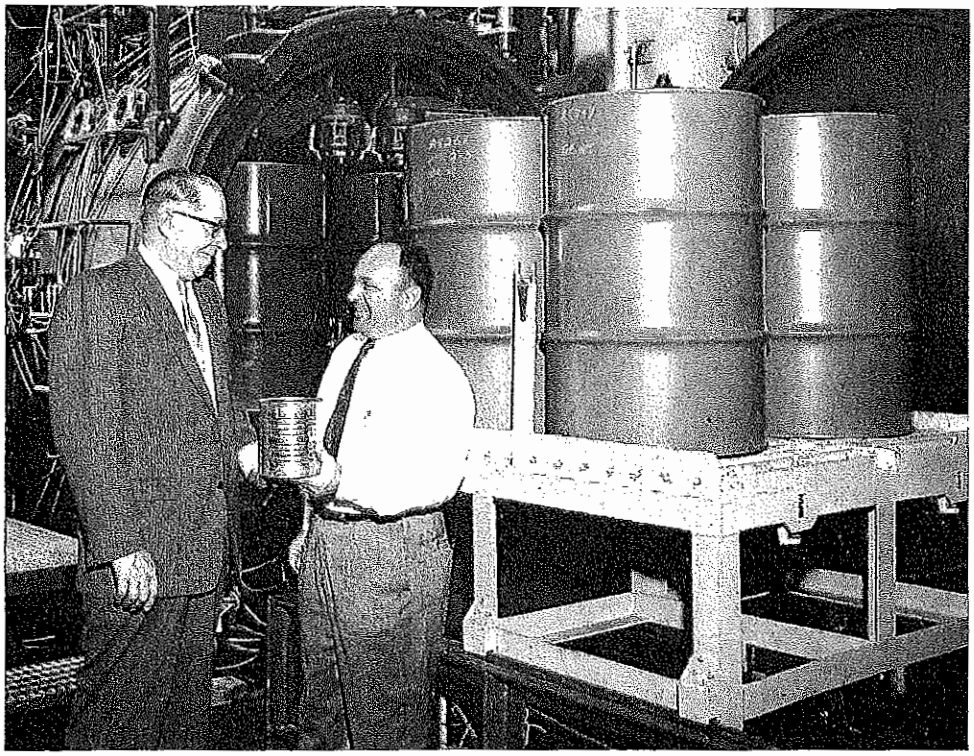

KING-SIZE CANNING is achieved by 55-gallon steel drums made by Rheem and patented process unit (background) that sterilizes drums, fills them with sterile food concentrates and seals the drums under vacuum. Opening a new container market, the process enables food concentrates to be packed, shipped and stored for indefinite periods without refrigeration or additives. Holding a conventional No. 10 can (72 of which contain only 55 gallons) are L. W. Evans (left), a Rheem vice president, and Frank A. Bellato, president of Thermovac, Rheem subsidiary, which developed the process unit.

year your Company purchased a majority interest in Thermovac, which now is a Rheem subsidiary.

In the Sterile Pack process, drums are sterilized, filled with flash-cooled processed foods and sealed under vacuum in a patented process unit built by Thermovac. Rheem makes the Sterile Pack drums at Richmond, California, closest plant to California's food growing industry. Peaches, apricots and tomatoes were shipped from Thornton Canning Company last year to some 30 food processors and canners across the nation. A steady growth in this new market for drums is anticipated.

Sterile Pack is a third major container product development by Rheem since 1950. Rheemcote lithographed drums were the first to enable users to print trade-marks or sales messages in color on 55-gallon drums. The "centrifugal spray" process for inner lining of drums, introduced in 1957, produces improved drum linings and has resulted in new business.

Container Sales

These processes have helped the Container Division to increase its sales and its share of the steel container market, which comprises the chemical, oil, food and paint industries primarily. Product improvement has been an essential element of the Container Division's successful program to strengthen continually its competitive position.

The Division continued to better its profit improvement program during 1958. To increase efficiency, a program to transfer container production at Sparrows Point, Maryland to Linden, New Jersey was undertaken late in the year. When this is completed in the near future, all East Coast container production will have been consolidated at the Linden plant, where Division headquarters are located. Improved results are anticipated.

Other Container Division plants are at Chicago, New Orleans, Houston, Richmond and South Gate, California, and Tacoma, Washington.

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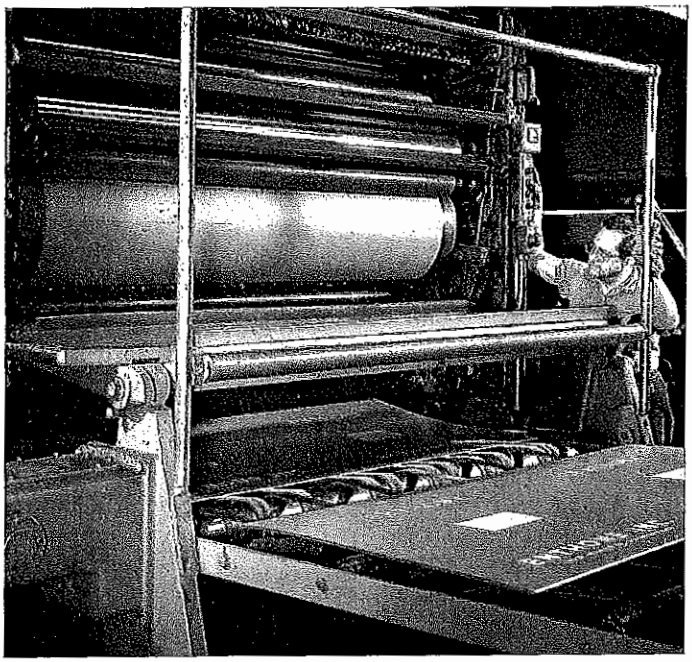
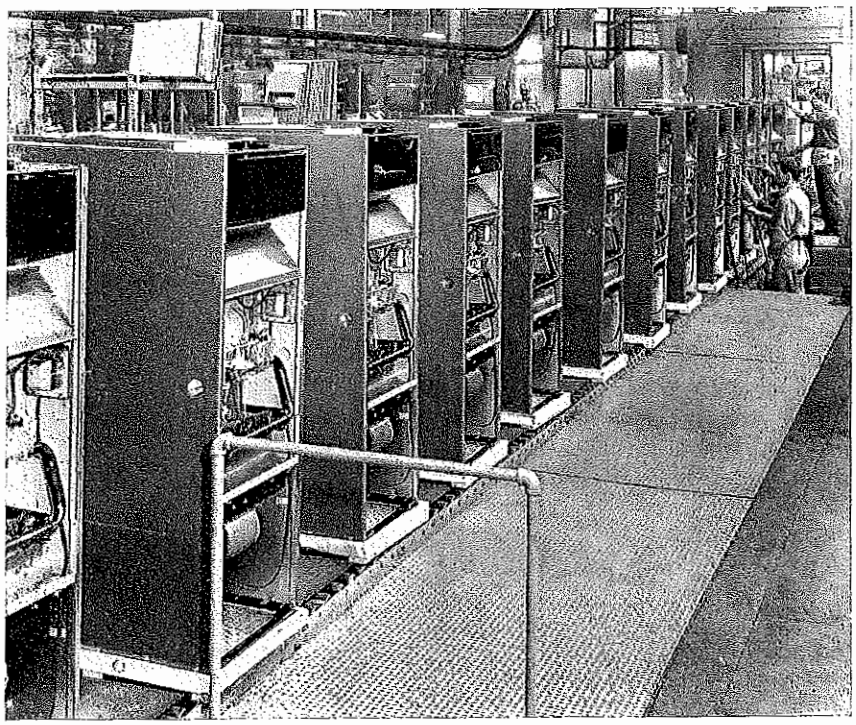


RHEEMCOTE process, developed by Rheem, was first to print trade-marks or sales messages in color on steel drums. Here employee watches sparkling bright metal sheets for containers come off the color press.

FURNACES 'FIRE TESTED'—Gas-fired warm air furnaces near completion at the Rheem Chicago plant. With burners and controls connected, each furnace is placed in full operation in "fire testing" stage of strict inspection. The furnaces are manufactured for use with or without summer air conditioning.



Home Products Results

To some extent early in 1958, sales of Rheem products for homes and buildings reflected the decline in new construction. By the end of the year, however, the Home Products Division showed a slight increase in sales volume in comparison with figures for 1957.

Substantial progress was made in furthering efficiency in the Division's production and distribution. This included installation of additional automated manufacturing processes.

At the end of the year, housing starts increased. In addition, an increased proportion of the Division's output is going into remodeling, modernization and replacement, thereby lessening reliance on new housing.

In a continuing program of merchandising, wholesalers and plumbing contractors are getting effective help in selling the Division's products. A number of wholesalers of proven capability were added for distribution of water heaters in key markets, and the Division's contract sales of various kinds of tanks reached the highest volume in the Company's history.

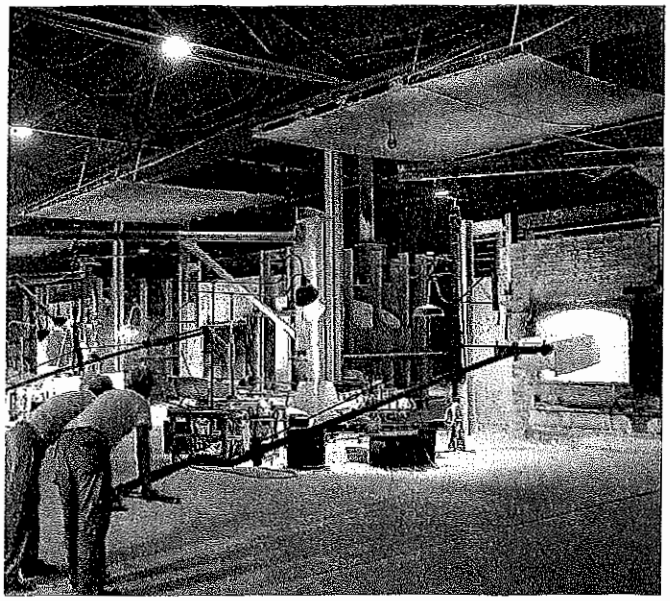
Increase in the distribution of heating equipment was greater than in any previous year, and in September the Company shipped more furnaces than in any other month in its history. Despite an unseasonably cool summer, except in the South and Southeast, there was an increase in sales of air-conditioning equipment.

New Products

New products ready by the year end included an appliance-styled gas-fired packaged boiler for use in home heating systems. This is being marketed by the Home Products and Richmond Plumbing Fixtures Divisions under the Rheem and Richmond labels.

The Company, working with its suppliers, also developed for introduction early this year the Rheem Auto-Balance System. This development utilizes a system of dampers linked to automatic controls. This system provides for highly accurate distribution of warm or cool air to different areas or rooms.

During the year the Home Products Division moved its southern region sales headquarters from Houston to Dallas. Improved



HOT BATHTUB casting is removed from 1800-degree-temperature furnace. Enamel powder is applied to hot casting, which is then returned to furnace to complete fusing of enamel to the iron. Photo was made at Richmond Plumbing Fixtures Division's modern Monaca, Pa. plant.

service to wholesalers and savings in freight and warehouse space were effected by locating in the center of the territory.

Richmond Division Sales

The decrease in new housing starts early in 1958 affected sales of the Richmond Plumbing Fixtures Division. Results improved after mid-year with the increase in new housing starts and a modest increase in prices. This in some measure eased the pressure on profit margins, which had become increasingly narrow over the last three years. Additions were made to the sales staff, and the merchandising program was intensified. New facilities were installed at the Monaca plant to enable further gains in efficiency and cost reduction.

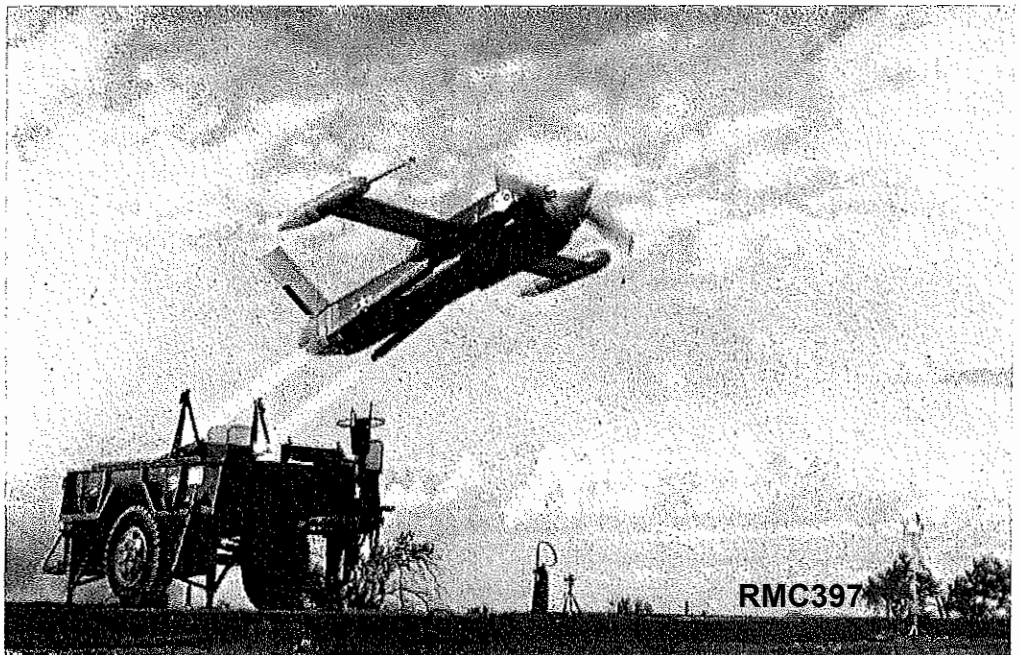
The Division designed and placed on the market several new plumbing fixtures and restyled many other vitreous china items in the Rheem-Richmond line.

Strong Defense Capability

Changes in government defense requirements, which "phased out" contracts for many manned aircraft and delayed production contracts for new types of equipment, affected the Company's sales of equipment to the Armed Forces.

During the year, however, the Company took important steps to strengthen its capability to serve as a defense contractor by adding special skills in research, engineering and production of propulsion and missile systems, electronics, drones, ordnance items and pressure vessels.

SKY 'SPY'—Test-flight photo shows high-speed take off of unmanned combat surveillance drone. Rockets assist launching from standard Army vehicle at Yuma, Ariz. Army test station. Craft was designed and built for U. S. Army Signal Corps by Rheem's Defense and Technical Products Division. Controlled from remote point on ground, drone can scout enemy positions, use photography, television or other electronic devices to send or bring back information, then land by parachute without an airport. Wing pods are for test purposes only.



Because of the growing interrelationship of electronics with other aspects of the new military weapons systems, the military part of our electronics activities was incorporated into the work of the former Aircraft Division; and this Division was renamed the Defense and Technical Products Division to describe more accurately the wide range of its capability in research, engineering and production of complex equipment for the government and other users of highly technical engineered products and systems.

Research Facilities Improved

In a major facilities improvement program, new research and test equipment was obtained, and sound-proofing, interior climate control and an outstanding lighting system were provided for an acre of engineering and research space under one roof.

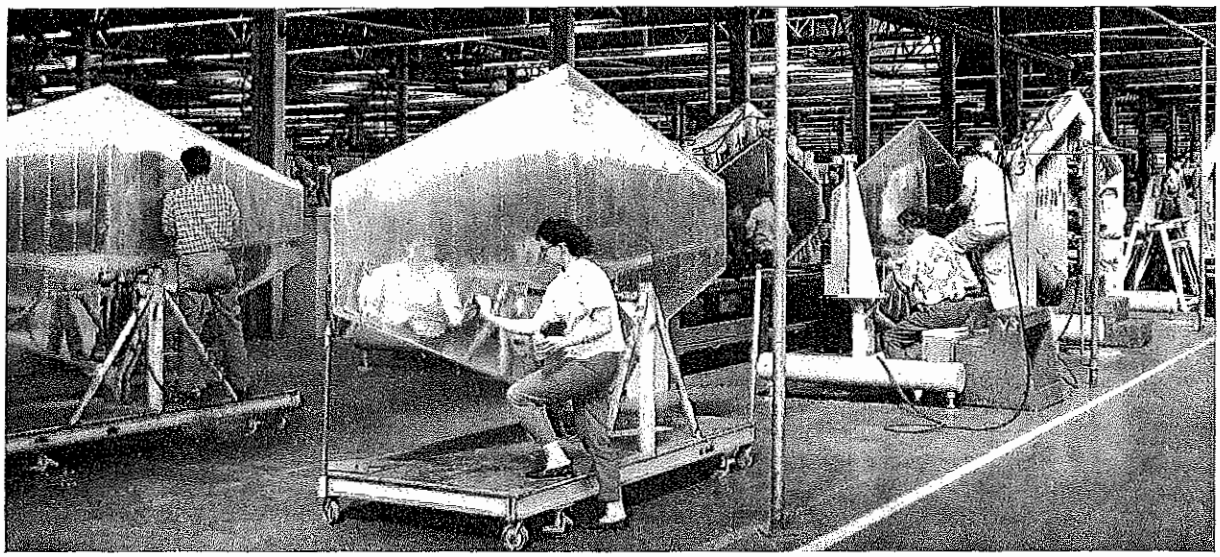
In the center of a 22-acre site at Riverside, California, the Division opened a modern plant for casting and machining ordnance items, and loading them with explosive. This work is done under contract to the armed services. The new plant strengthened the Company's capability as one of the nation's leading developers of warheads for missiles and other weapons. The facility includes a complete chemical and X-ray laboratory for analysis and inspection.

Late in the year the U. S. Army and the Company announced successful flight tests of a new combat surveillance drone. A number of these aircraft were designed, engineered and built by Rheem under contract to the U. S. Army Signal Corps. The craft had gone from drawing board to flight test in 13 months. This was considered to be rapid development for such complex new military equipment. It was anticipated that military requirements would lead to further orders.

The unmanned propeller-driven aircraft is launched with a rocket boost from a standard Army vehicle. Controlled from a remote point on the ground, the craft is designed to fly over enemy terrain and gather information by television, photography and electronic sensing devices. The plane sends or brings this information back to combat commanders. The craft lands by parachute and thus needs no airport.

The Division also scored significant technical successes in work on pressure vessels made of hard-to-work titanium and other metals. Contracts resulted for vessels to be used as fuel tanks on a top priority intercontinental ballistic missile and as air-start reservoir bottles for a commercial turbo-prop airliner. The

SHINY PERFECTION is captured in photo showing horizontal stabilizer of F-104 Lockheed Starfighter on assembly line at Rheem. Maximum of only one ten-thousandth of an inch in variation in contour is permitted.



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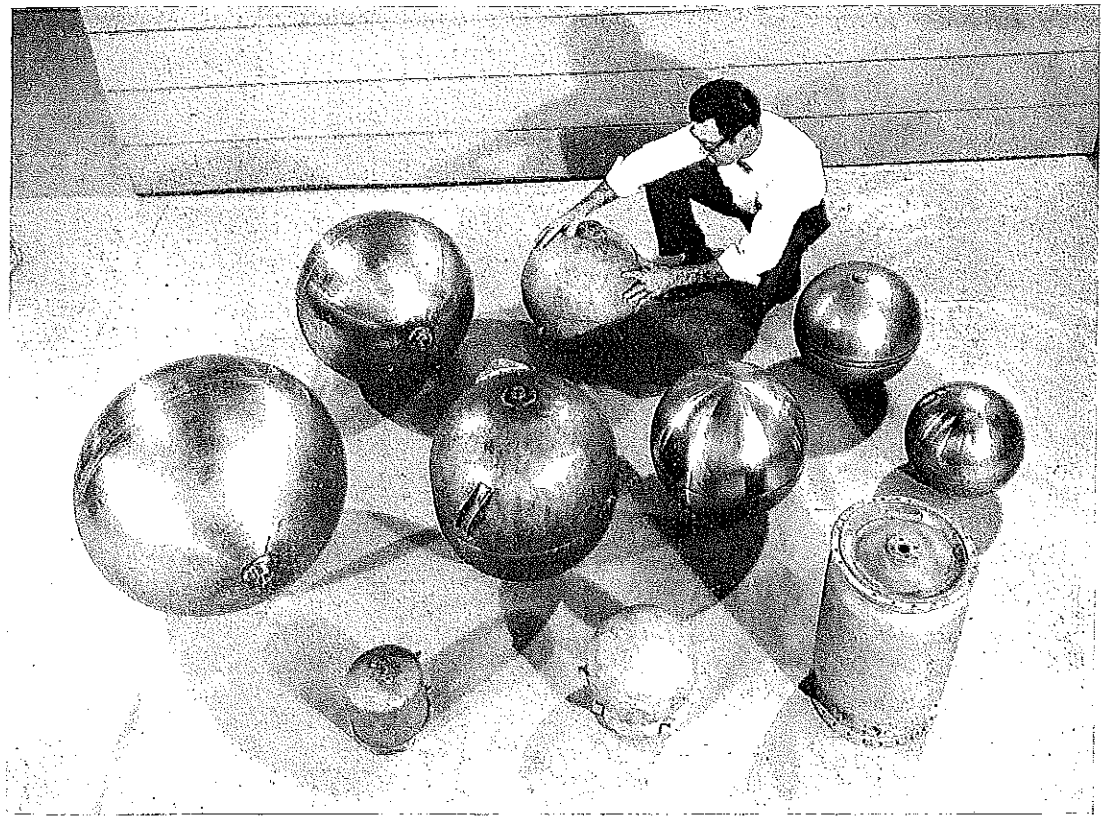


HIGH PRECISION titanium and stainless-steel pressure vessels, used as high-pressure tanks on advanced missiles and aircraft, are pictured at Rheem's Defense and Technical Products Division. A leader in the field, Division uses latest machinery and technology to shape hard-to-work new metals.

work on pressure vessels included development of titanium vessels which withstand pressure of more than 7700 pounds per square inch at extreme sub-zero temperatures. This was achieved in 120 days of research and development.

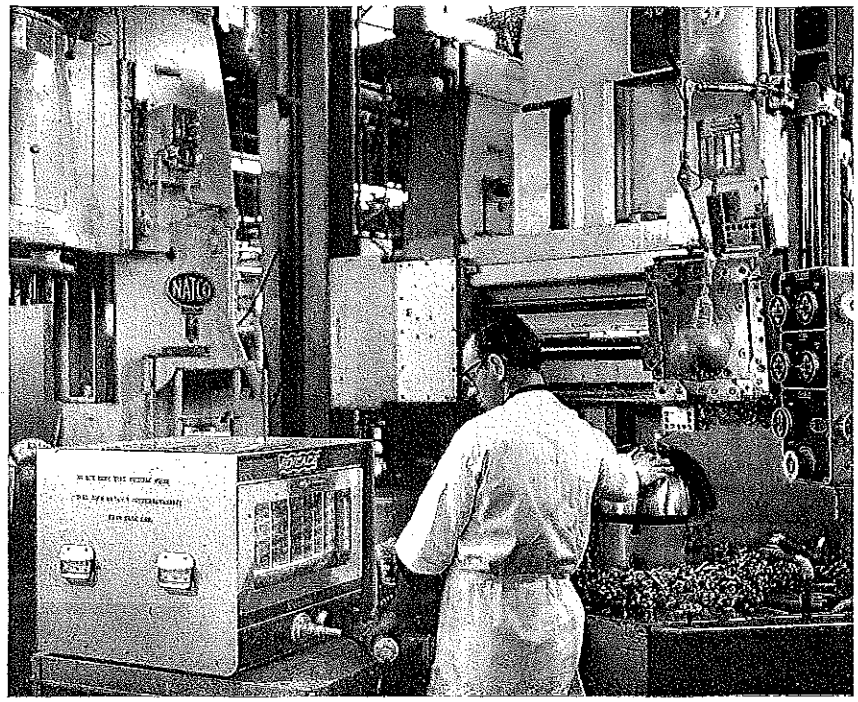
A recognized leader in the field, the Division has produced more than 26,000 airborne pressure vessels.

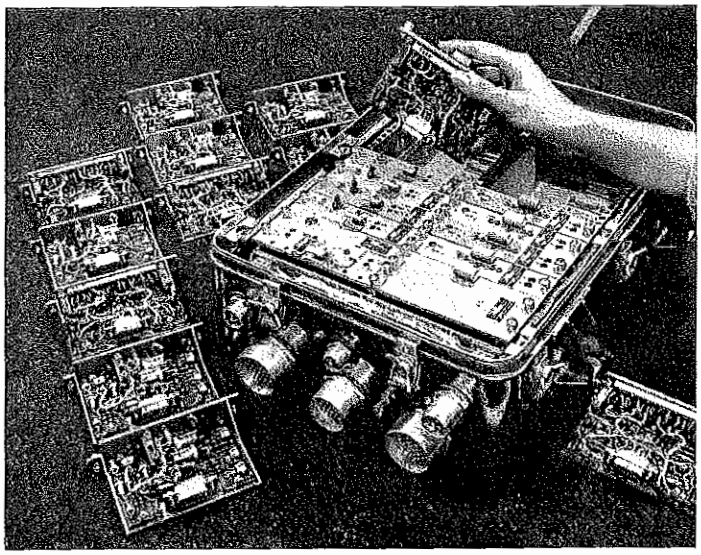
Electronic Research

In military electronics, the Division was at work under a number of contracts on projects including trainers and simulators, airborne systems, ground support equipment, airborne telemetry products, airborne static inverters and ground instrumentation. Rheem electronic equipment during late 1958 and early this year went 75,000 miles into space in a U. S. "moon shoot" and traveled in orbit as part of the Atlas "talking" satellite.

To help capitalize on the Division's increased capability as a single source for a wide variety of military and other engineered products and systems, the Division strength-

ULTRASONIC SOUND helps test machining perfection in titanium half sphere. Infinitesimal fraction of second needed for sound wave to travel through thickness of metal is translated into tiniest measurements on television-type screen. Finest consistency in machining is needed for high strength of pressure vessels, which withstand pressures of more than 7700 pounds per square inch in service as tanks on newest missiles and aircraft.





MISSILE ELECTRONICS—Advanced electronics design by Rheem is shown in this signal conditioner containing 21 compact interchangeable modules that "translate" various instrument readings on a top missile in the nation's arsenal.

ened its marketing group, both in personnel and organization. This group is headed by a new vice president for sales, Alexander Black.

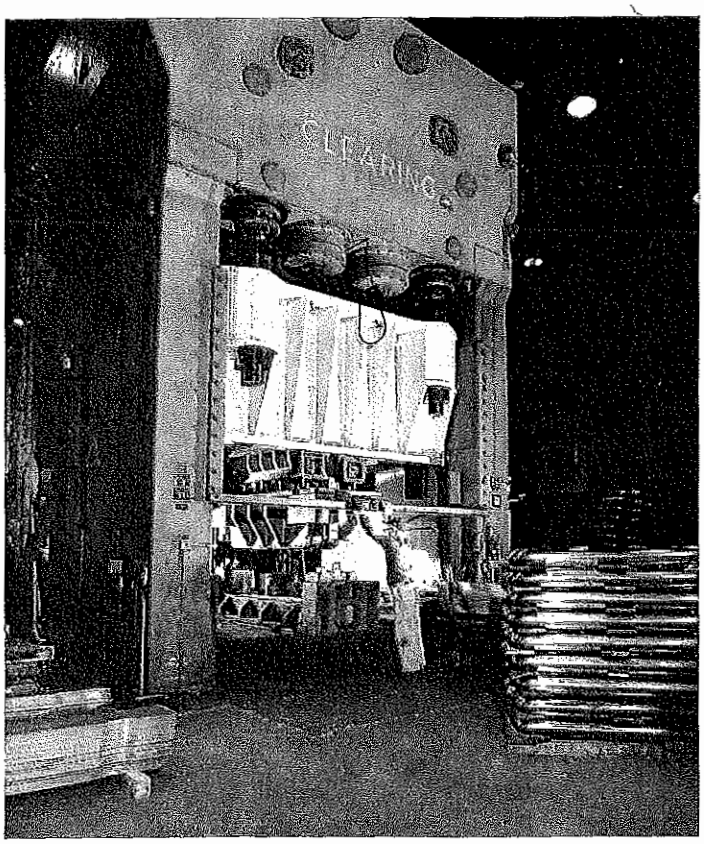
With military electronics transferred to the Defense and Technical Products Division, the Electronics Division also moved from Rivera, California to newly available space at the nearby Downey facility.

This Division is concentrating in the commercial field on continuing engineering and market development for potential new machines and systems. These include equipment for data processing, training, automation and other activities of promising use in industry, business and elsewhere. The Division also conducts research and development domestically and through facilities of Solartron-Rheem, Ltd., a jointly managed firm formed in England.

Automotive Activities

The reduced production and sales of new automobiles in 1958 affected the sales of the Automotive Division. It makes bumpers, springs and other automotive parts at its Fullerton, California plant for assembly plants in the region. As output for the new model year began in the fall, work stoppages in the automobile assembly plants slowed orders for parts from the Automotive Division.

Continued emphasis on cost reduction enabled the Division further to trim expenses substantially. This improved the break-even point in operations and the ability to bid competitively for additional business in the future. In addition, the Company's continued program for development or acquisition of new products has, as one major objective, production that would fit into the Division's manufacturing and marketing skills.



2500 TONS of pressure by huge hydraulic press perform first forming operation on acid-cleaned, polished flat steel stock that will become shiny bumper for 1959 automobile. Automotive Division, at Fullerton, Calif., turns out bumpers, springs and other parts for West Coast automobile assembly plants.

RMC400

growth, research programs stressed

Planning for progress was intensified during the year in keeping with the Company's policy for growth and development. A corporate department was established for Research and Development, and a corporate group for Growth and Acquisition, to coordinate and supplement division programs.

Appointed corporate director of research and development was A. G. Handschumacher, who continues also as vice president and general manager of the Electronics Division, where a number of commercial electronics projects are now in the research and development phase.

Chairman of the Growth and Acquisition group is A. Lightfoot Walker, president of the Company. Manager of the group is R. T. Stroup, assistant treasurer. Other members are Mr. Handschumacher and I. G. Davis, Jr., director of planning.

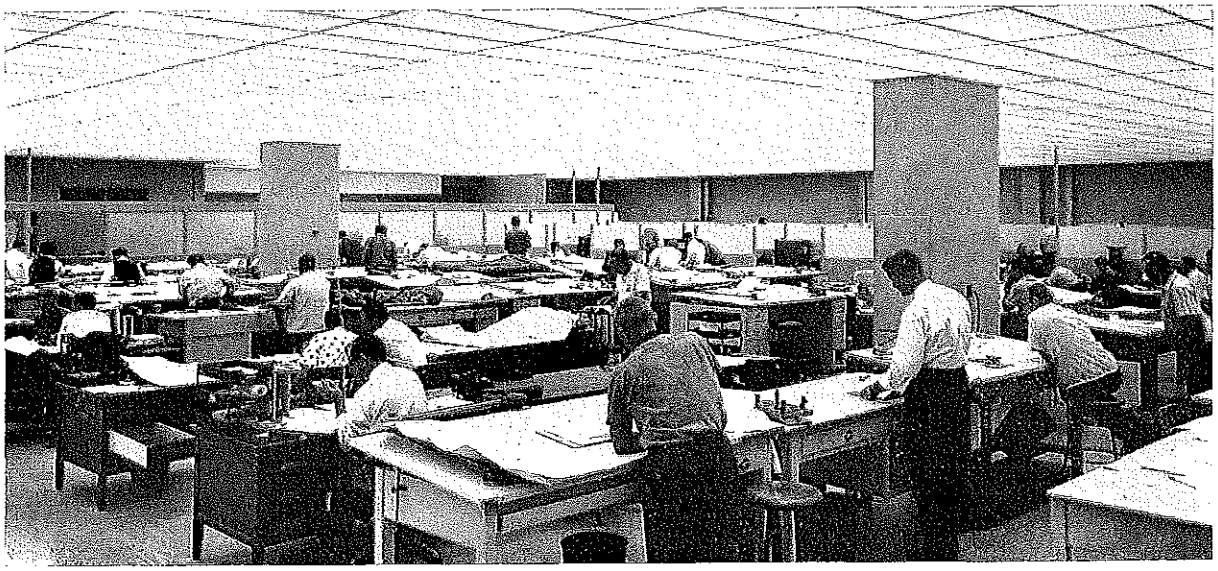
Growth and acquisition committees were established in each of the divisions to expedite division programs and liaison with the corporate group.

Goal: New Products

These activities are designed to develop new products for the Company, either through research and development, or acquisition, both in the United States and abroad, which will be compatible with Company skills in engineering, production and marketing, and which can promise a meaningful return on investment, in accordance with the policy for growth and development of the Company.

The corporate Research and Development Department is located at Downey, California. There the Defense and Technical Products Division's research and engineering group, housed in large and newly equipped engineering office space, and extensive research and engineering facilities can work in conjunction with corporate research and development projects.

ACRE OF ENGINEERS—Soundproofing, interior climate control, latest lighting system are features of acre of modern research and engineering office space, pictured in part, at Rheem facility at Downey, Calif.



RMC401

Outstanding Company development projects announced during the year included Sterile Pack, and the SD-2 surveillance drone for the U. S. Army Signal Corps. These developments in the divisions were described earlier in the operations section of this report.

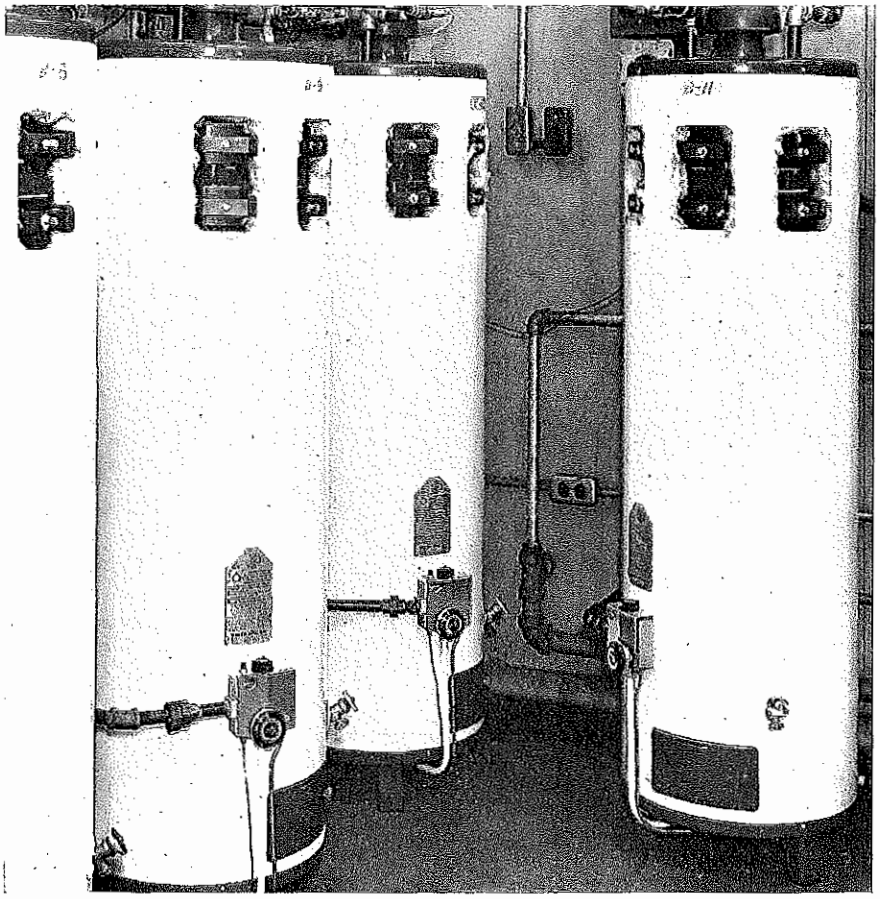
Development work on containers is continuing. This is designed to widen the range of container applications for foods, chemicals, biologicals and other products.

Other Programs

Other new products introduced during 1958 or early this year by the Home Products and Richmond Plumbing Fixtures Divisions, as reviewed earlier in this report, followed divisional development programs. These programs are continuing, both to improve existing products and to develop additional items to broaden the Company's product lines.

The engineering group in the Automotive Division is at work on projects designed to develop additional equipment items for the automotive industry and other products that would be compatible with the Division's manufacturing skills.

Electronics Division research includes work pursued through facilities of Solartron-Rheem, Ltd., joint research and development firm formed last year in England in association with The Solartron Electronic Group Ltd. This firm is engaged primarily in work in automation, computers and cybernetics, the field of advanced "thinking machines." Much of this development is concentrated on reading, teaching and learning machines, and other training devices, for which a substantial potential market exists.



CONTINUING RESEARCH in performance of glass lining formulations for automatic storage water heaters is conducted at test stands, such as this one, situated throughout the United States. Sample steel squares with glass lining formulations are clamped to typical Rheem water heaters adapted for test procedures. Effect of local water at representative locations throughout the United States can be studied for continuous product improvement.

RMC402

INTERNATIONAL

policy encourages mutual benefits

Sales of Rheem products manufactured abroad amounted to $35,000,000 in 1958, compared with $34,000,000 the previous year. These sales are not consolidated in the Company's financial statements.

Rheem policies for growth of international activities are based on encouraging mutual benefit for the Company and its associates in foreign countries. The Company seeks this goal mainly through equity participation in ventures abroad. Sometimes licensing agreements are made with a view toward later equity participation. Where there is such participation, the Company has followed a practice of reinvesting a high share of earnings in the growth of local operations. It also encourages exchanges of management, production and technical skills that can prove useful in all Company operations.

A practical result of these policies was the formation last year of Rheem Safim, a new associated company in Italy. Since 1950, Safim, an Italian manufacturing company in Milan, had been licensed by Rheem to make steel shipping containers, water heaters and highway guard rails. Under an agreement effective July 1, 1958, Rheem and Safim each will have a 50 per cent interest in the firm.

A wholly owned subsidiary company, Rheem New Zealand Ltd., was formed last year. Production of steel shipping containers is to start at a new plant in June.

Also during 1958 the Company concluded licensing agreements with companies in Belgium, Brazil and England, and a licensing agreement with Rheem Canada Ltd. was broadened to add water heaters to the products made and sold.

Under an agreement with Travail Mécanique de la Tole of Brussels, licensed for the manufacture and sale of water heaters and lined drums, production started in 1958.

Manufacturing in Brazil of Rheem warm air furnaces for central heating installations is expected to start in 1960. The Company has licensed Springer (Sociedade de Comercio e Refrigeração Springer Limitada), Brazilian home equipment maker, in a step to expand distribution of Rheem products in Brazil. Rheem Metalurgica S. A., an affiliated company with plants at Rio de Janeiro and São Paulo, makes gas kitchen ranges, steel shipping containers, steel pipes and other products.

The Venezuelan company in which Rheem has an investment began making steel shipping containers, and the Philippine and Argentine companies added facilities for production of pails.

The Company has licensed Harris Engineering Company Ltd., London, England, to manufacture certain heating equipment.

Also in England, Rheem last year formed Solartron-Rheem Ltd., a research and development firm, in association with The Solartron Electronic Group Ltd.

European Common Market

The Company is developing plans to take full advantage of opportunities for prudent expansion and investment of money, technical assistance and equipment in European Common Market countries.

The Company's associates and affiliates in Italy and Belgium are well located to serve substantial portions of this common market area, consisting of West Germany, France, Italy, Belgium, the Netherlands and Luxembourg. The Company plans to expand its operations in cooperation with its present associates, through licensing or joint ventures, to take maximum advantage of opportunities offered by the European Common Market.

Other plans for future international activity include the possibilities of new operations in Africa and the Middle East, and expanding operations in South America.

RMC403

RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEETS

December 31

ASSETS

	1958	1957
Current Assets:		
Cash	$ 2,895,477	$ 2,817,453
Short-term securities	1,000,000	—
Accounts receivable trade:		
Commercial, less allowance for doubtful accounts (1958, $225,800; 1957, $257,569)	12,354,480	12,475,042
United States Government sources	9,686,735	8,406,363
Owing by subsidiary and affiliated companies	279,168	658,529
Recoverable federal income taxes, estimated	—	432,000
Inventories, at lower of cost or market:		
Finished and in process	9,674,106	16,832,216
Raw materials and supplies	11,007,630	12,174,114
Costs allocable to future operations—insurance, taxes, rentals, etc.	1,180,225	1,407,875
	$48,077,821	$ 55,203,592
Investments:		
Capital stock of and advances to domestic subsidiary and affiliated companies	$ 2,979,253	$ 2,967,268
Capital stock of and advances to subsidiary and affiliated companies operating in foreign countries, at cost (approximate equity in underlying net assets, 1958, $6,400,000)	2,604,896	2,047,715
Real estate, long-term receivables and miscellaneous investments	1,917,073	1,254,227
Sinking fund for redemption of preferred stock	—	47,988
	$ 7,501,222	$ 6,317,198
Property, Plant and Equipment, at cost:		
Land	$ 1,129,439	$ 1,234,790
Buildings, machinery and equipment, less accumulated depreciation and amortization (1958, $24,946,826; 1957, $23,859,117)	33,628,537	37,839,715
	$34,757,976	$ 39,074,505
Unamortized Long-Term Debt Expense	$ 782,037	$ 866,466
	$91,119,056	$101,461,761

See notes to financial statements on page 19.

RMC404

RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEETS

December 31

LIABILITIES

	1958	1957
CURRENT LIABILITIES:		
Current installment of term note	$ 875,000	$ 3,500,000
Current debenture sinking fund requirement (Note 2)	118,000	847,000
Accounts payable, trade and miscellaneous	7,110,302	7,149,569
Compensation, interest and sundry accruals	3,749,137	4,349,849
Federal income taxes, estimated (Note 3)	1,685,875	2,252,113
Contributions payable under retirement plans (Note 5)	631,132	1,061,027
	$14,169,446	$ 19,159,558
LONG-TERM INDEBTEDNESS (Note 2):		
5% term note payable to bank from 1960 to 1962	$ 6,750,000	$ 8,500,000
3⅞% sinking fund debentures due in 1975, less current sinking fund requirement and debentures held in treasury	21,400,000	22,300,000
	$28,150,000	$ 30,800,000
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	$ 1,242,000	$ 1,622,000
CAPITAL AND RETAINED EARNINGS (Note 4):		
Cumulative preferred stock, par value $100 per share; 1958 authorized 70,953 shares; 4½% convertible series, outstanding 12,089 shares	$ 1,208,900	$ 1,751,700
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding, 1,951,538 shares	1,951,538	1,951,538
Obligation to former stockholders of subsidiary (Note 1)	—	1,881,802
Capital in excess of par value of shares outstanding (increase in 1958 represents excess of par value over cost of preferred shares acquired)	32,840,226	32,773,973
Earnings retained for use in the business (Note 2)	11,556,946	11,521,190
	$47,557,610	$ 49,880,203
	$91,119,056	$101,461,761

See notes to financial statements on page 19.

RMC405

RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1958	**1957**
INCOME:		
Net sales	$151,312,416	$188,580,607
Dividends from foreign subsidiary and affiliated companies	445,562	399,669
Miscellaneous income	183,658	285,514
	$151,941,636	$189,265,790
COSTS:		
Cost of goods sold	$137,558,553	$168,722,486
Selling, general and administrative expenses	12,998,373	15,061,589
Interest	1,293,645	2,044,799
	$151,850,571	$185,828,874
	$ 91,065	$ 3,436,916
Reduction in estimated obligation to former stockholders of subsidiary, less loss on disposition of business and assets of subsidiary (Note 1)	$ 40,608	—
	$ 131,673	$ 3,436,916
Provision for estimated federal income taxes less, in 1958, $380,000 in deferred income taxes provided in prior years	(170,000)	1,468,000
Earnings for year	$ 301,673	$ 1,968,916
Earnings retained for use in the business at the beginning of the year	11,521,190	9,828,049
	$ 11,822,863	$ 11,796,965
Dividends paid in cash:		
Preferred stock—$4.50 per share	70,763	80,621
Common stock— .10 per share	195,154	195,154
Earnings retained for use in the business at the end of the year (Note 2)	$ 11,556,946	$ 11,521,190

Provision for depreciation and amortization of plant and equipment charged to earnings: 1958—$3,897,771; 1957—$3,855,767.

See notes to financial statements on page 19.

RMC406

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1958

Note 1—Principles of consolidation

The consolidated financial statements include wholly-owned domestic subsidiaries except Rheem Acceptance Corporation, a company established principally to assist dealers in financing sales of Rheem products. The investment in and advances to Rheem Acceptance Corporation at December 31, 1958, were $955,291.

The statement of earnings includes the results of 1958 operations of Wedgewood-Holly Corp. (formerly Standard Enameling Company) and its subsidiary. During 1958 substantially all of the assets of Wedgewood-Holly were sold. As a result of the losses sustained in the operation and ultimate sale of the business of Wedgewood-Holly, Rheem's estimated obligation to the former stockholders of Standard Enameling Company was reduced by $1,778,145 in accordance with the agreement under which the common stock of Standard Enameling Company was acquired. This reduction exceeded the loss realized on the disposition of Wedgewood-Holly's assets by $40,608.

Investments in capital stocks of subsidiary and affiliated companies operating in foreign countries are carried at cost in the consolidated statements, and dividends from these companies are included in the accompanying statement of earnings.

Note 2—Long-term indebtedness

Under the terms of the credit agreement governing the term note payable to the bank, the Company may not, without the lender's consent, pay cash dividends on its common stock in excess of 25 per cent of its net earnings after December 31, 1957 (less preferred dividend requirements) plus $1,000,000. Retained earnings of $10,694,000 are not available for dividends under this restriction. Among other restrictions, the agreement requires the Company to maintain consolidated working capital of $28,500,000.

The indenture relating to the 3% per cent sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1958 ($782,000) may be used to satisfy part of the 1959 sinking fund requirement. The remainder of the 1959 requirement is included in current liabilities. The provisions of the indenture relating to payment of cash dividends are less restrictive than provisions of the credit agreement.

Note 3—Federal income taxes

Certain income tax matters relating to the years 1951 and 1952 are being litigated by the Company, and the Company's income tax returns for the years 1953 to 1956 are being reviewed by the Internal Revenue Service. In the opinion of management, reasonable provision has been made in the financial statements for additional taxes, but the final outcome of the issues is not presently determinable.

Note 4—Capital stock

The outstanding preferred stock is convertible into common stock until June 1, 1961, in the ratio of 2.95 shares of common for each share of preferred. The preferred stock may be redeemed by the Company at prices ranging from $104.50 at December 31, 1958 to $102.00 after June 1, 1971. Annual payments of $333,333 into a sinking fund for retirement are required, but only to the extent of the consolidated net earnings (as defined in the articles of incorporation) in the preceding year. At December 31, 1958, 1,261 shares of this preferred stock were held in the treasury; these shares may be used to meet future sinking fund requirements.

Options to purchase common stock of the Company, granted in prior years to certain officers and key employees, were surrendered during 1958. Options were granted in 1958 to certain officers and key employees to purchase 73,000 shares of common stock of the Company (at prices ranging from $10.93 to $17.81 per share—which prices were approximately 95 per cent of the market prices on the dates the options were granted). The options may be exercised two to seven years after the date granted.

At December 31, 1958, 35,663 shares of common stock were reserved for conversion of preferred stock and 117,000 shares were reserved under the stock option plan.

Note 5—Retirement plans

The Company maintains pension plans for all employees with 15 or more years of service, except for employees belonging to certain unions which do not participate in the plans. Provision for the 1958 contribution of $631,132 to the trustee was charged against earnings. This is the amount estimated on the basis of an actuarial study as the cost of benefits accruing during the year under the plans, plus the interest on the estimated unfunded potential past service cost of $5,700,000. Estimates are based on important assumptions as to future conditions (such as employee turnover, salary scales, interest rates and social security benefits) which may be subject to significant revisions from time to time.

Note 6—Long-term leases

The Company occupies some of its manufacturing and office premises under long-term leases. Minimum annual rental payments required during 1959 will be about $1,000,000. Of this amount $400,000 relates to leases expiring more than 20 years from December 31, 1958. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

RMC407

RHEEM MANUFACTURING COMPANY

	1958	1957	1956
ASSETS			
Current assets	$ 48,078	$ 55,204	$ 81,277
Investments	7,501	6,317	5,807
Property, plant and equipment—less reserves	34,758	39,075	40,79
Unamortized long-term debt expense	782	866	95
Total assets	$ 91,119	$101,462	$128,82
LIABILITIES			
Current liabilities	$ 14,169	$ 19,160	$ 55,69
Long-term indebtedness	28,150	30,800	23,26
Deferred income tax	1,242	1,622	1,59
Total liabilities	$ 43,561	$ 51,582	$ 80,55
CAPITAL AND RETAINED EARNINGS			
Preferred stock	$ 1,209	$ 1,751	$ 1,85
Common stock	1,952	1,952	1,95
Obligation to former shareholders of subsidiary	—	1,882	1,88
Capital in excess of par value	32,840	32,774	32,75
Retained earnings	11,557	11,521	9,82
Total capital and retained earnings	$ 47,558	$ 49,880	$ 48,27
INCOME			
Net sales	$151,312	$188,581	$173,90
Dividends from foreign companies	446	400	29
Miscellaneous income	184	285	9
Total income	$151,942	$189,266	$174,28
COSTS			
Costs, excluding interest	$150,516	$183,784	$188,27
Interest	1,294	2,045	1,9
Total costs	$151,810	$185,829	$190,2
EARNINGS (LOSS) BEFORE TAXES	$ 132	$ 3,437	$(15,9
FEDERAL INCOME TAXES (TAX CREDITS)	(170)	1,468	(6,7
EARNINGS (LOSS) FOR THE YEAR	$ 302	$ 1,969	$ (9,1
PREFERRED DIVIDENDS PAID	$ 71	$ 81	$
COMMON DIVIDENDS PAID	195	195	1,7
SUNDRY CHARGES	—	—	5
RETAINED EARNINGS (LOSS) FOR THE YEAR	$ 36	$ 1,693	$(11,5
EARNED (LOSS) PER SHARE OF COMMON STOCK	$ .12	$ .97	$ (4.
WORKING CAPITAL	$ 33,909	$ 36,044	$ 25,5
BOOK VALUE, COMMON STOCK	$ 23.75	$ 23.70	$ 22.
NUMBER COMMON SHAREHOLDERS	12,702	13,798	14,4

RMC408

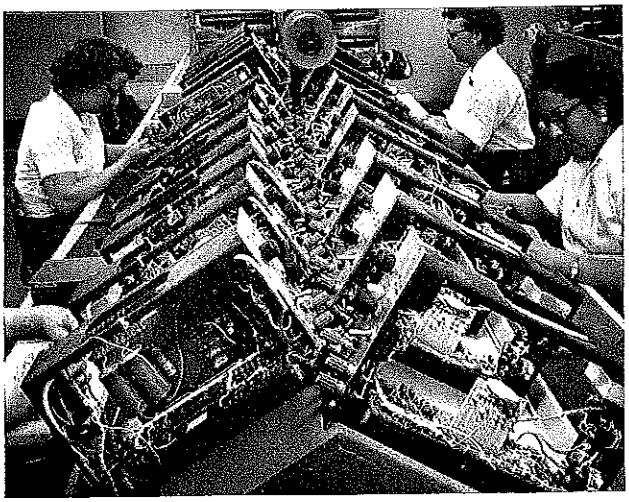
TEN-YEAR REVIEW

(000 omitted)

1955	1954	1953	1952	1951	1950	1949
$ 62,414	$ 46,371	$ 54,013	$ 50,259	$38,253	$24,222	$14,236
2,285	2,090	1,942	1,832	1,351	1,312	1,612
41,554	36,981	30,888	31,736	29,666	16,258	11,674
1,017	—	—	—	—	—	—
$107,270	$ 85,442	$ 86,843	$ 83,827	$69,270	$41,792	$27,522
$ 21,993	$ 20,254	$ 30,725	$ 29,056	$20,085	$12,079	$ 5,485
26,093	13,720	12,380	13,067	14,000	5,000	—
1,138	580	—	—	—	—	—
$ 49,224	$ 34,554	$ 43,105	$ 42,123	$34,085	$17,079	$ 5,485
$ 3,059	$ 6,010	$ 9,990	$ 9,990	$ 9,999	$ 2,370	$ 2,550
1,917	1,542	1,249	1,249	1,049	1,000	1,000
—	—	—	—	—	—	—
31,695	26,063	17,575	17,575	11,945	10,497	10,494
21,375	17,273	14,924	12,890	12,192	10,846	7,993
$ 58,046	$ 50,888	$ 43,738	$ 41,704	$35,185	$24,713	$22,037
$180,274	$163,623	$188,005	$144,524	$94,107	$74,466	$49,754
278	214	73	523	331	116	65
440	977	110	62	76	82	64
$180,992	$164,814	$188,188	$145,109	$94,514	$74,664	$49,883
$167,355	$152,911	$174,250	$137,040	$81,202	$64,345	$45,624
997	856	1,056	869	296	101	81
$168,352	$153,767	$175,306	$137,909	$81,498	$64,446	$45,705
$ 12,640	$ 11,047	$ 12,882	$ 7,200	$13,016	$10,218	$ 4,178
6,418	5,020	7,900	3,300	8,765	5,355	1,649
$ 6,222	$ 6,027	$ 4,982	$ 3,900	$ 4,251	$ 4,863	$ 2,529
$ 176	$ 366	$ 450	$ 450	$ 280	$ 110	$ 117
3,859	3,312	2,498	2,753	2,459	1,900	1,565
—	—	—	—	165	—	—
$ 2,187	$ 2,349	$ 2,034	$ 697	$ 1,347	$ 2,853	$ 847
$ 3.15	$ 3.67	$ 3.63	$ 2.76	$ 3.78	$ 4.75	$ 2.41
$ 40,421	$ 26,117	$ 23,288	$ 21,203	$18,168	$12,143	$ 8,751
$ 28.68	$ 29.11	$ 27.01	$ 25.38	$ 24.01	$ 22.34	$ 19.49
14,890	8,225	7,420	7,946	5,479	4,980	5,132

RMC409

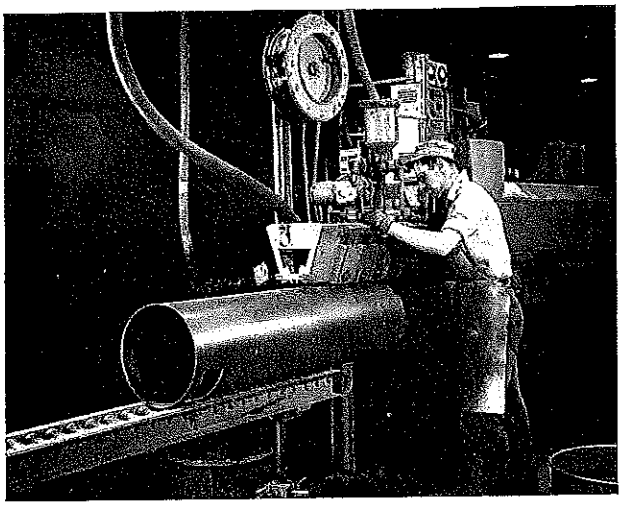
Rheem in th



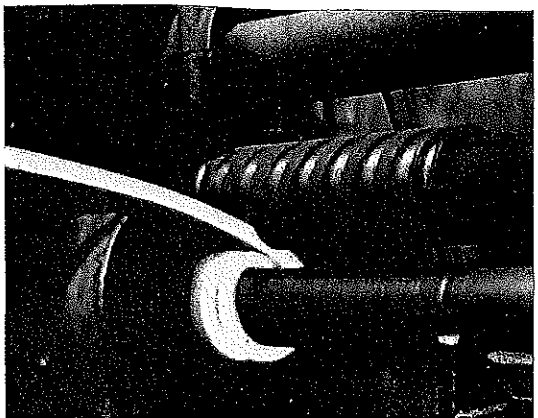
ELECTRONICS MAGIC by Defense and Technical Products Division assembly line is built into Rheem REL-120 amplifier used extensively in missile applications.

VOLUME PRODUCTION of 55-gallon steel containers for chemicals, oil, food and other growth industries rolls off the line at Linden, N. J. plant, one of seven Container Division facilities. Employee at right inspects drums under pressure for any leakage.

FORMING AND WELDING—This equipment rolls flat steel sheets into cylinders and uses submerged-arc continuous welding on the side seam in water-heater tanks turned out by the Home Products Division.

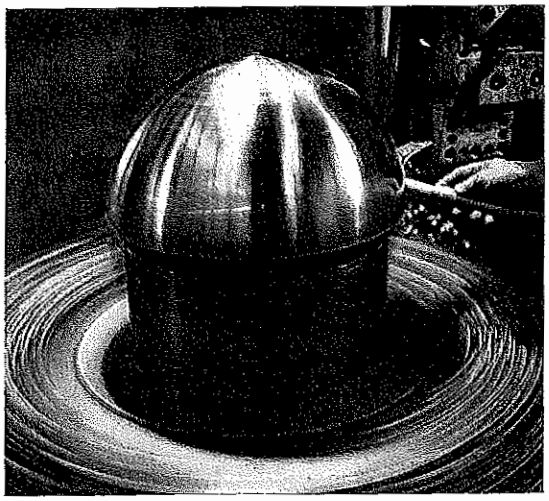


HOT STEEL bar, at 1650 degrees Fahrenheit, is fed into speeding rollers that quickly coil 100 inches of metal into automobile spring. Photo was made at Automotive Division plant at Fullerton, Calif.

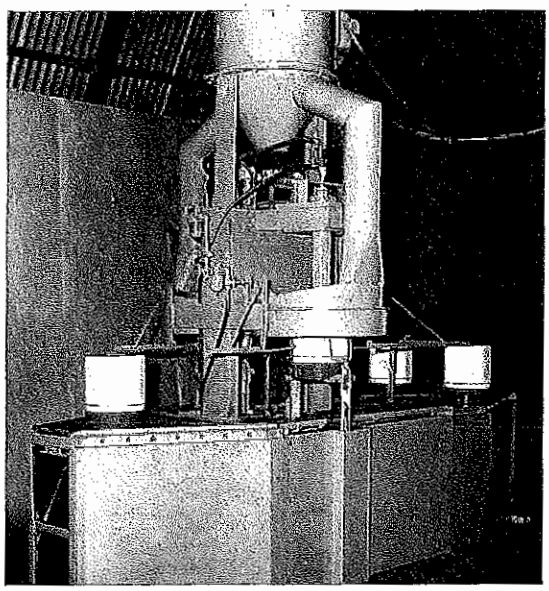


camera's eye

WARHEADS turned out by Rheem for a missile in today's U.S. arsenal are lined up in containers ready for shipment.

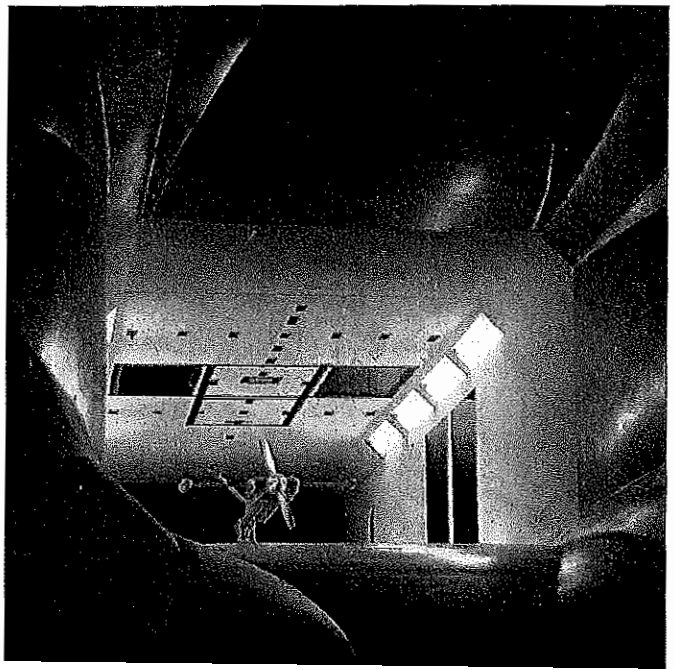


HIGH-SPEED CRAFTSMANSHIP—Photo captures motion of 4700 revolutions a minute of titanium half sphere as cutting turret shapes exterior in very high precision operation and operator applies jet of coolant to metal surface. Spherical titanium pressure vessels are made at Rheem's Downey, Calif. facility as high-pressure tanks on newest missiles and aircraft.

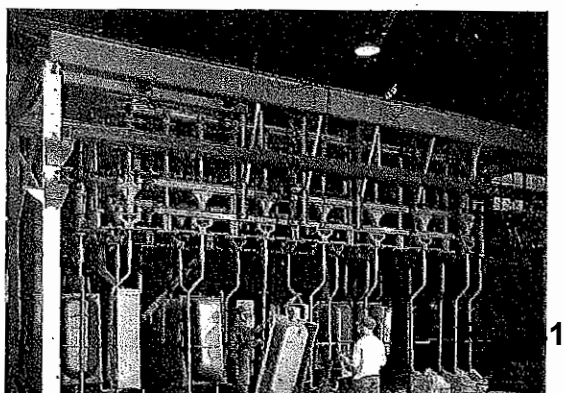


NEW PERFECTION for pail linings is achieved by this centrifugal spray equipment being installed at all Container Division pail-producing plants this spring. Centrifugal spray technology perfected and patented by Rheem for steel drums has been further developed to enable use in pail production.

SCIENTIFIC SECRETS of flight are among subjects probed at Rheem research facilities. Wind-tunnel closeup shows tiny model of combat surveillance drone mounted for study of flight characteristics.



PARADE OF BATHTUBS—Bathtub casting is taken from conveyor after automatic continuous cleaning roto-blast has removed moulding sand from castings and prepared casting surface for enamel application. Photo was made at Richmond Plumbing Fixtures Division's modern Monaca, Pa. plant.



PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET

SAN FRANCISCO 4

February 27 1959

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

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RHEEM AROUND THE WORLD

• U. S. Plants

Downey, Calif.
Fullerton, Calif.
Richmond, Calif.
Riverside, Calif.
South Gate, Calif.
Stockton, Calif.
Vernon, Calif. (2 plants)
New Castle, Del.
Chicago, Ill.
New Orleans, La.
Sparrows Point, Md.
Linden, N. J.
Metuchen, N. J.
Monaca, Pa.
Houston, Texas
Tacoma, Wash.

★ Affiliated and Associated Companies Abroad and Plant Locations

Sociedad Anónima Industrial y Comercial de Aceros Rheem (SAIAR)
Buenos Aires, Argentina

Rheem Australia Pty. Limited
Sydney (2 plants); Brisbane; Melbourne; Fremantle; Adelaide

Rheem Metalurgica, S. A.
Rio de Janeiro and São Paulo, Brazil

Rheem Canada Limited
Hamilton, Ontario

Rheem Lysaght Limited
Bristol, England

Solartron-Rheem Limited
Thames Ditton, Surrey, England

Rheem Safim, S. p. A.
Milan, Italy

Rheem New Zealand Limited
Wellington, New Zealand

Rheem Peruana, S. A.
Lima, Peru

Rheem of the Philippines, Inc.
Manila

Rheem-Hume (Far East) Limited
Singapore

Fabricació de Envases Metálicos, S. A.
Barcelona, Spain

Rheem Elit Emballage
Dals Langed, Sweden

Industrias Venezolanas van Leer, S. A.
Punto Fijo, Venezuela

★ Licensees Abroad and Plant Locations

Travail Mécanique de la Tole, S. A.
Forest-Brussels, Belgium

The Solartron Electronic Group Limited
Thames Ditton, Surrey, England

Soc. de Comercio e Refrigeração Springer Ltda.
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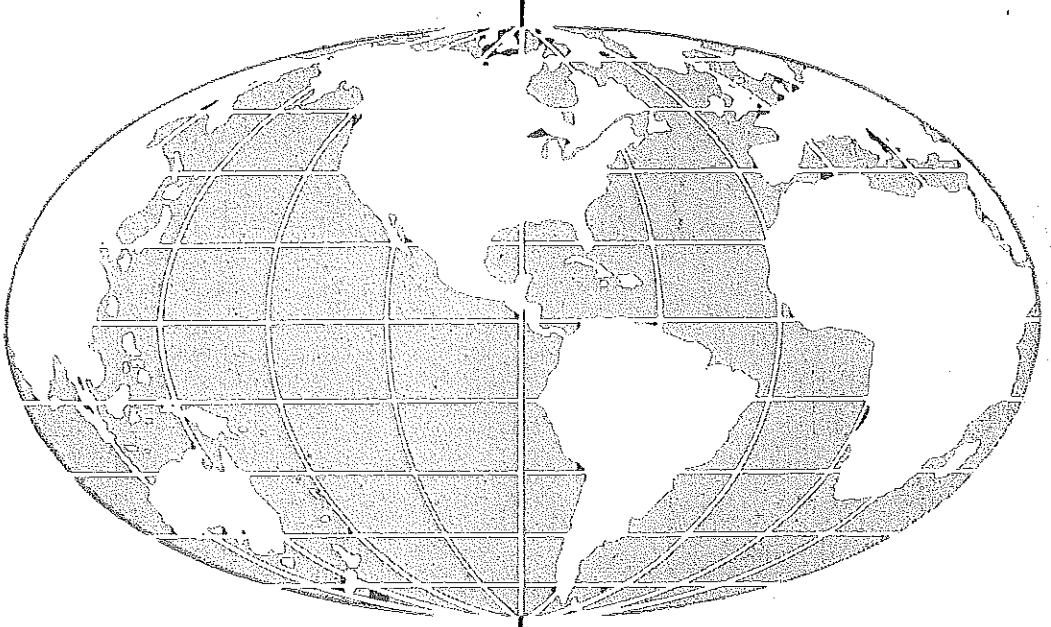
RMC413

ANNUAL REPORT 1959



RHEEM MANUFACTURING COMPANY

RMC414

Rheem PRODUCTS AND SERVICES

AUTOMOTIVE DIVISION 601 S. Placentia Ave., Fullerton, Calif. O. W. Carrico, vice president and general manager Plants at Fullerton and Los Angeles, Calif.	Bumpers, leaf springs, coil springs, torsion bars, bumper support bars, hot and cold formed stampings, other automotive parts
CONTAINER DIVISION 1701 W. Edgar Road, Linden, N. J. E. F. Paquette, vice president and general manager Plants at Linden, N. J.; Chicago; Freeport and Houston, Texas; New Orleans, La.; Richmond and South Gate, Calif.; Tacoma, Wash.	Steel and fiber shipping containers
ELECTRONICS DIVISION 5200 W. 104th St., Los Angeles 45, Calif. Dr. W. C. Leone, vice president and general manager	Automation systems and equipment, including controls for machine tools, inventory management, scheduling and other production processes
HOME PRODUCTS DIVISION 7600 S. Kedzie Ave., Chicago 52, Ill. V. J. Heinis, vice president and general manager Plants at Chicago; Sparrows Point, Md.; Houston, Texas; New Castle, Del.; New Orleans, La.; Richmond and South Gate, Calif.	Automatic storage water heaters, central heating and air conditioning equipment, tanks, water softeners
RICHMOND PLUMBING FIXTURES DIVISION P. O. Box 111, Metuchen, N. J. M. H. Temple, vice president and general manager Plants at Metuchen, N. J. and Monaca, Pa.	Vitreous china and cast iron enameled bathroom and other plumbing fixtures, central heating equipment
INTERNATIONAL DIVISION 400 Park Ave., New York 22, N. Y. Mario Capelli, vice president and general manager	Direction and coordination of Company's international activities
ORENDORFF MANUFACTURING COMPANY, subsidiary 4915 Alcoa Ave., Los Angeles 58 (Vernon), Calif. M. C. Orendorff, president Plant at Vernon, Calif.	Cultivating and other earth-engaging tools for agriculture and industry
RHEEM ACCEPTANCE CORPORATION, subsidiary Rheem Center, Rheem, Calif. R. S. Greenwood, president Offices also at Los Angeles, Oakland, and Hayward, Calif.	Dealer and consumer financing
RHEEM CALIFONE CORPORATION, subsidiary 1020 N. La Brea Ave., Los Angeles 38, Calif. Dr. W. C. Leone, vice president and general manager Plant at Los Angeles, Calif.	Teaching machines, language laboratories and sound systems for schools and industry
RHEEM SEMICONDUCTOR CORPORATION, subsidiary 350 Ellis St., Mountain View, Calif. Dr. E. M. Baldwin, vice president and general manager Plant at Mountain View, Calif.	Transistors, diodes and other semiconductor devices
RUUD MANUFACTURING COMPANY, subsidiary 2025 Factory St., Kalamazoo, Mich. V. J. Heinis, president Plants at Kalamazoo, Mich. and Mimico, Canada	Automatic storage water heaters, central heating equipment
THERMOVAC, INC., subsidiary 816 East Hazelton Ave., Stockton, Calif. F. A. Bellato, president Plant at Stockton, Calif.	Food processing and handling equipment

ANNUAL REPORT 1959

Rheem MANUFACTURING COMPANY

CORPORATE HEADQUARTERS—400 PARK AVENUE, NEW YORK 22

DIRECTORS

C. V. Coons
G. M. Greenwood
Herbert E. Hall
Earle M. Jorgensen
Gordon W. Mallatratt
N. Loyall McLaren
A. E. Ponting
R. S. Rheem
E. S. Ronk
Thomas J. Ross
A. Lightfoot Walker

EXECUTIVE MANAGEMENT COMMITTEE

A. Lightfoot Walker, *Chairman*
C. V. Coons, *Vice Chairman*
G. M. Greenwood
E. S. Ronk
Gordon W. Mallatratt
Thomas J. Ross

OFFICERS

A. Lightfoot Walker ..... *President and Chief Executive Officer*
C. V. Coons ..... *Executive Vice President*
L. W. Evans ..... *Vice President*
G. M. Greenwood ..... *Vice President*
Gordon W. Mallatratt ..... *Vice President*
E. S. Ronk ..... *Vice President*
Andrew W. Hughes ..... *Comptroller*
Walter S. Lewis ..... *Secretary*
R. T. Stroup ..... *Treasurer*
F. R. Grant ..... *Assistant Comptroller*
W. H. Campbell ..... *Assistant Secretary*
H. L. Fledderman ..... *Assistant Secretary*
F. F. Lind ..... *Assistant Secretary*
D. S. Perley ..... *Assistant Secretary*

TRANSFER AGENTS—*Common Stock*

American Trust Company, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

REGISTRARS—*Common Stock*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
First National City Trust Company, New York, N. Y.

TRANSFER AGENTS—*Cumulative Preferred Stock, 4½% Convertible Series*

American Trust Company, San Francisco, Calif.
The First National City Bank of New York, New York, N. Y.

REGISTRARS—*Cumulative Preferred Stock, 4½% Convertible Series*

Bank of America, National Trust and Savings Association, San Francisco, Calif.
Chemical Bank New York Trust Company, New York, N. Y.

GENERAL COUNSEL

Herbert E. Hall
Crocker Building
San Francisco 4, Calif.

GENERAL ATTORNEY

Walter S. Lewis
Rheem Manufacturing Company
400 Park Avenue, New York 22, N. Y.

BOARD OF DIRECTORS—In a picture taken at a meeting at Company headquarters in New York City are (clockwise from left foreground) N. Loyall McLaren, Thomas J. Ross, R. S. Rheem, Herbert E. Hall, C. V. Coons, A. Lightfoot Walker, A. E. Ponting, G. M. Greenwood, E. S. Ronk, Earle M. Jorgensen and Gordon W. Mallatratt.

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FINANCIAL HIGHLIGHTS

	1959	1958
Total net sales	$140,270,344	$151,312,416
Commercial products	125,226,550	115,062,919
Government products	15,043,794	36,249,497
Earnings before taxes	2,318,951	131,673
Federal income taxes (tax credits)	(528,000)	(170,000)
Net earnings after taxes	2,846,951	301,673
Earnings per common share	$1.44	$.12
Dividends paid per common share	$ .30	$.10
Number of common shares outstanding	1,951,538	1,951,538
Number of common shareholders	12,835	12,702
Wages and salaries paid	$ 41,068,014	$ 49,449,062

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PRESIDENT'S LETTER

To Our Shareholders and Employees:

Rheem management is pleased to report significant progress during the year 1959.

- Earnings were the highest in four years.
- Major strides were made in management's program to derive cash from properties which, with changing times, cease contributing to earnings; and to use the proceeds of these transactions to further the Company's development.
- The growth program was advanced with new products, expansion of facilities and important acquisitions in fields offering promising possibilities.

For 1959, net earnings after tax credits were $2,846,951. This is equivalent to $1.44 a common share after preferred dividend requirements. These results compare with 1958 net earnings of $301,673, equivalent to 12 cents a common share.

In the fourth quarter, with steel scarce as a result of the strike in the mills, Rheem management at all levels intensified efforts to control costs. When the steel mills resumed production, deliveries to Rheem came promptly in response to orders we had placed early in the year. These measures helped the Company make creditable gains in earnings for the year notwithstanding the serious effects of the strike.

The Company is a very substantial user of sheet steel. To keep jobs and sales going in the event of a strike, management had ordered 100,000 tons of steel—double the normal inventory. But the strike lasted much longer than anticipated, and it unfortunately was necessary to curtail operations in the fourth quarter. Earnings for the first three quarters were $1.18 a share—52 cents of this in the third quarter.

Product sales for 1959 totaled $140,270,344, compared with 1958 sales of $151,312,416. The 1958 total included results of a gas range subsidiary, which was sold December 31, 1958, and the Defense and Technical Products Division, which was sold May 29, 1959. Sales in our Container, Home Products, Richmond Plumbing Fixtures, Automotive and International divisions increased.

Sale of the assets of the Defense and Technical Products Division, at Downey and Riverside, Calif., to Aerojet-General Corporation was a significant step in the program to turn into cash those assets no longer contributing satisfactorily to earnings. These plants had been built to provide manufacturing space needed during the Korean War for volume production of aircraft subassemblies. While research and development offered some future promise for this division, it was decided that it would be more advantageous to Rheem to sell the assets at Downey and Riverside, and to have the proceeds available for use in the continuing program of growth and development.

Several important acquisitions were made, some in new fields offering attractive future potential. The Company, through its various

divisions and subsidiaries, now operates 18 plants in the United States. A 19th plant is under construction at Freeport, Texas. Through subsidiary, affiliated and associated companies abroad, Rheem products are made in 27 additional plants in 16 other countries.

Acquisition of Ruud Manufacturing Company, negotiated during 1959, was formally completed January 21 this year. Ruud will be operated as a subsidiary, and its outstanding line of water heaters for commercial establishments—added to our leadership in water heaters for the home—will strengthen our position in product sales for homes and other buildings.

Acquisition on November 13, 1959 of a majority interest in Califone Corporation is related to our development in teaching machines. Califone has been producing and selling language laboratories, record players and sound systems for schools and industry. As a subsidiary, Rheem Califone Corporation will continue to make and sell these products and to further the development of Rheem teaching machines.

Development work in automation and related activities continues to be pursued by our Electronics Division, to which were added early this year the skills of several leading engineers in this field. This Division, which brought Rheem teaching machines to their present stage, will continue to serve as an incubator for new products and systems to be developed within the Division or by other divisions or subsidiaries of the Company.

Rheem Semiconductor Corporation, which operates in another phase of the electronics field, will move this month into its new production facility of 100,000 square feet at Mountain View, Calif. This will bring its total research and production space to 135,000 square feet. The new plant, incorporating latest advances in interior climate control for most efficient production of transistors, diodes and other semiconductor devices, is on a 20-acre tract that will permit future expansion as required. This subsidiary was established with small staff and limited facilities only a year ago this month. Progress so far is gratifying.

During 1959, Rheem continued to expand profitably its operations abroad. New companies began producing in New Zealand and Chile. Rassini Rheem was formed through an investment in an existing company in Mexico. To increase our participation in the important European Common Market, another new operating company was established in Sicily, and a new sales company in Germany. Product lines were expanded at several other international operating centers. Two new holding companies were formed in Switzerland. Sales of Rheem products made abroad amounted to $42,500,000, up 21 per cent from the $35,000,000 of the year before. These figures are not consolidated in our financial statements. All our established overseas companies continued to operate at a profit.

More details on developments during the year are reported in succeeding pages.

This year marks the 35th anniversary of Rheem Manufacturing Company as a business concern. As the Company has grown, it has established and maintained leadership in steel shipping containers and products for homes and buildings, including water heaters, heating and air conditioning equipment and bathroom fixtures; it serves the automotive industry as a supplier of bumpers, springs and other parts; it has entered promising new fields—including food processing and handling equipment; teaching machines, sound systems and language laboratories for schools and industry, and semiconductors and other electronics equipment and systems.

The future offers challenge and opportunity for further growth in the interests of shareholders, employees and everyone associated with the Company. Your management appreciates your continued interest and support.

President

New York
March 10, 1960

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FINANCIAL

earnings improve

Earnings were substantially higher in 1959 than they were in 1958.

Net income for 1959 amounted to $2,846,951 after federal income tax credits, or $1.44 a common share after preferred dividend requirements. This compared with net income during 1958 of $301,673 after federal income tax credits, or 12 cents a share. Earnings before tax credits in 1959 amounted to $2,318,951, as compared with $131,673 in 1958.

A reduction of taxes resulting from an operating loss carry-forward became available when former subsidiaries, Wedgewood-Holly Corp. and Wedgewood-Holly Appliance Corp., the assets of which had been sold December 31, 1958, were liquidated during 1959. Almost all this tax carry-forward was applied to 1959 income.

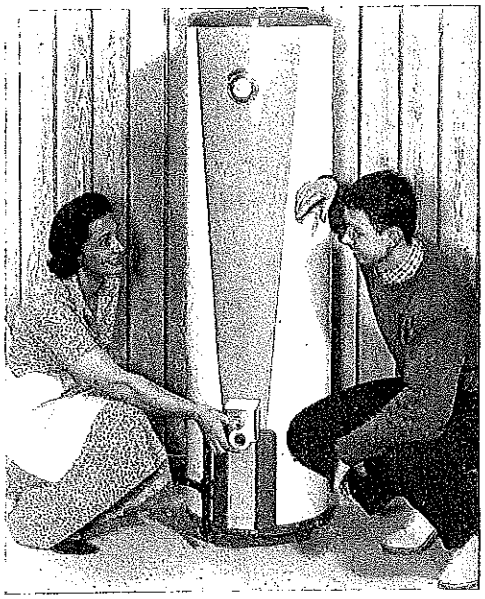
Net sales in 1959 amounted to $140,270,344, as compared with $151,312,416 for 1958. The 1959 figure of course included no Wedgewood-Holly results and only a partial year's results of the Defense and Technical Products Division, the assets of which were sold May 29, 1959.

Dividend payments increased

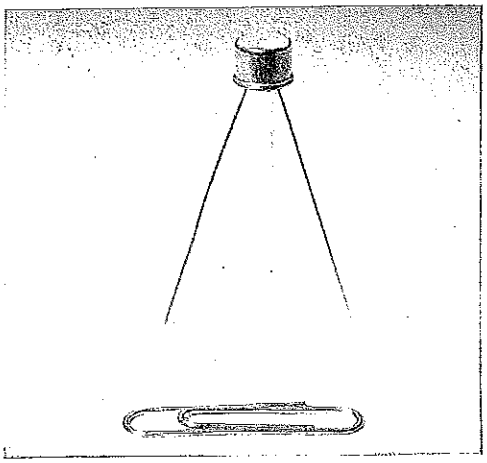
The Company paid cash dividends of 30 cents a common share during 1959, consisting of two payments of 15 cents each in the last two quarters of the year. This compared with one dividend of 10 cents a share in each of the previous two years. There were 1,951,538 common shares outstanding at the end of 1959. This was increased on January 21, 1960 by 50,000 shares issued as part of the price of acquiring Ruud Manufacturing Company.

Preferred dividend payments were maintained. The number of preferred shares outstanding was reduced by the year end to 8,167 shares, as compared with 12,089 a year earlier.

As noted in the consolidated statement of earnings on page 20, non-recurring losses from the sale of assets of the Defense and Technical Products Division and non-recur-

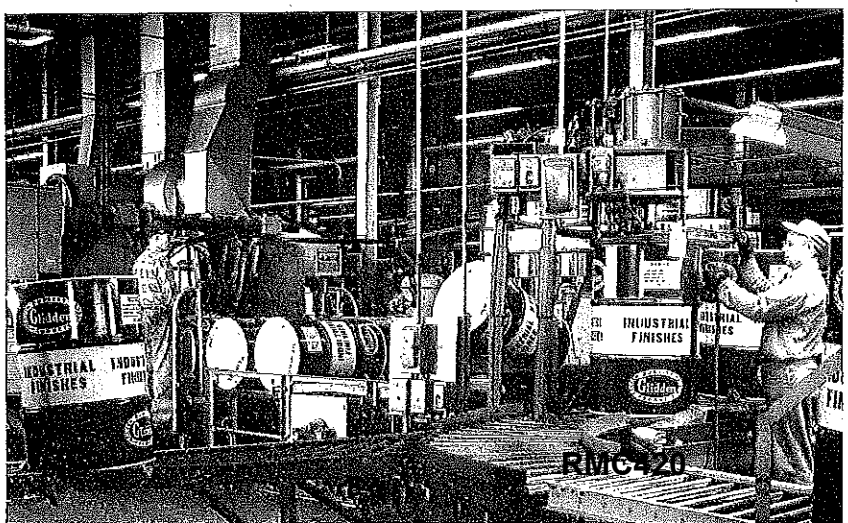


YOU CAN DIAL more hot water with Rheem '30-Plus,' new concept in automatic storage water heaters.



TINY TRANSISTOR, made by Rheem, turns electric current on or off 25 million times a second, is important in new computers, missiles, other advanced applications.

WORLD'S LARGEST maker of steel shipping containers, Rheem developed exclusive 'Rheemcote' process for printing trade-marks or sales messages in brilliant colors on large steel containers.



ring income from real estate transactions had the net effect of reducing before-tax profit by $250,010.

The Company's financial statements consolidate the results of newly acquired domestic operating subsidiaries. These subsidiaries, Rheem Semiconductor Corporation, Rheem Califone Corporation and Thermovac, Inc., reported losses due to start-up expenses of new plants and introduction of new product lines.

The Company's financial position was strengthened in many respects. Aggressive programs to increase profits and to dispose of unprofitable operations contributed to an increase in working capital to $37,109,640 at the end of 1959, compared with $33,908,375 at December 31, 1958. Ratio of current assets to current liabilities was 3.3 at the end of 1959, approximately the same as at the previous year end.

Management continued its policy of strict inventory control in the interests of efficient use of assets, and a satisfactory ratio of inventory turnover to sales averaged higher than six throughout the year. Cash generated by the sale of the assets of the Defense and Technical Products Division was a major factor in increasing financial strength and liquidity.

Promising acquisitions pursued

The Company's greater and more liquid resources supported its program of growth and development through acquisition of companies offering profit opportunities.

On January 21, 1960 Ruud Manufacturing Company, Kalamazoo, Mich., was acquired for approximately $2,450,000, consisting of cash and 50,000 shares of newly issued Rheem common stock.

Rheem acquired a majority interest on November 13, 1959 in Califone Corporation, Los Angeles, now Rheem Califone Corporation.

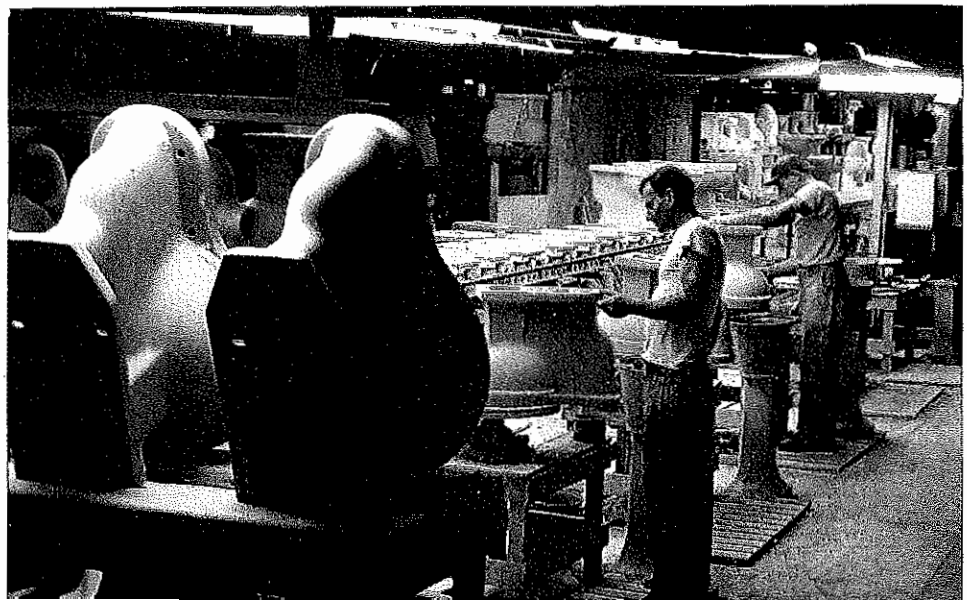
Substantial open credit lines were continued with leading banks in New York, Chicago and San Francisco, and overseas through Rheem subsidiary and affiliated companies.

Total term debt was reduced from 29.1 million dollars at the end of 1958 to 26.2 million at the end of 1959. This figure comprised 20.4 million in 3⅞ per cent debentures due in 1975 and 5.8 million in a five-year term bank loan now entering its third year.

Capital expenditures

Capital expenditures totaled $3,150,153 in 1959, as compared with $1,823,095 the previous year. The outlay in 1959 was $356,310 less than provision for depreciation. Net property, plant and equipment were valued at $28,904,906 at December 31, 1959, reduced from $34,757,976 at the end of 1958 primarily as a result of sale of the assets of the Defense and Technical Products Division. In January, 1960 the Company sold for more than $1,000,000 a 14-acre site and buildings at Vernon, Calif., which had been surplus since the Automotive Division's move to new facilities.

FIFTEEN HUNDRED varieties of vitreous china and enameled cast iron bathroom, kitchen and laundry fixtures are made by Richmond Plumbing Fixtures Division for homes and other buildings.



RMC421

divisions increase sales

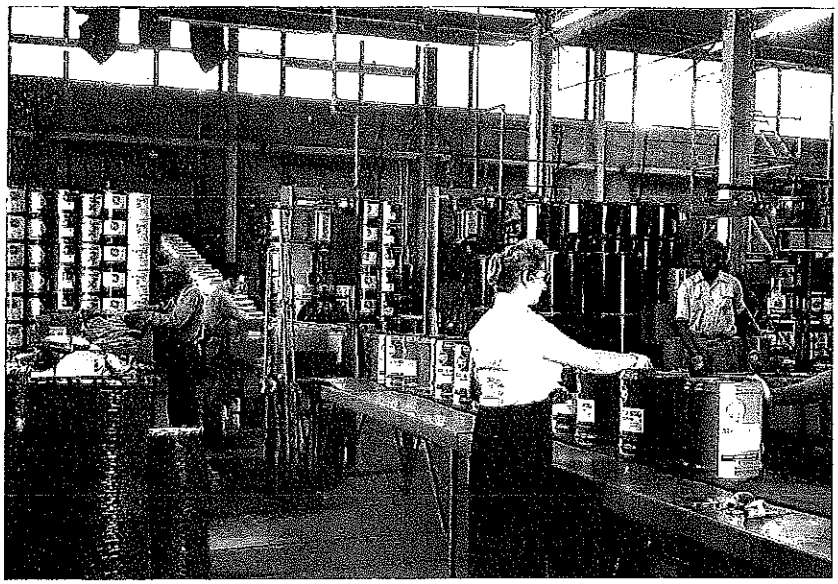
Sales by the Company's divisions were substantially higher for the first three quarters of 1959 than for the corresponding 1958 period. The effects of the national steel strike on the Company's supply of raw materials curtailed operations in the fourth quarter, but 1959 sales and earnings of present divisions exceeded those of 1958 by a considerable margin.

Container results improved

Rheem is the world's largest manufacturer of steel shipping containers, and the Container Division during the year increased its penetration of the market for steel containers used by chemical, petroleum, paint, food and other industries. Sales were higher than in 1958.

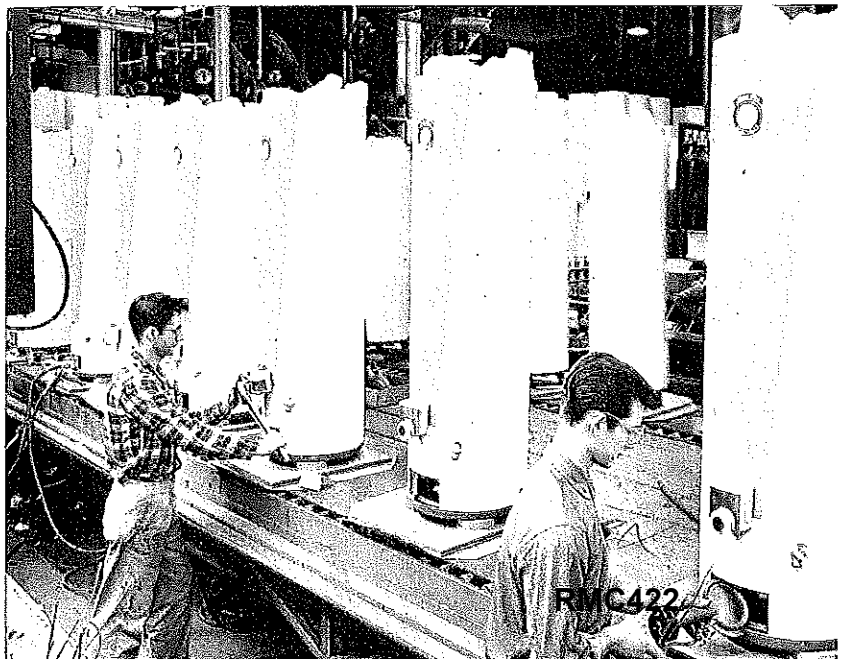
Improved results reflected continued emphasis on efficiency in operations. As part of this program, container production at the Sparrows Point, Md. plant was consolidated during the year with production at the Division's headquarters plant at Linden, N. J. The move centralized this production near major East Coast markets. The Division also announced plans to build a plant of 30,000 square feet at Freeport, Texas to improve service to customers in the Southwest.

The Division completed installing Rheem patented automatic centrifugal lining equipment at all its pail plants. The method has improved standards for lined containers and resulted in increased container business for this Division. The Rheem centrifugal lining technique was first developed by the Company in 1957 for 55-gallon drums.



BRILLIANTLY COLORED pails are made in volume at Linden, N. J. headquarters of Container Division, at other U. S. plants, many additional plants around world.

NEW DESIGN of burner, automatic control, other components makes '30-Plus' first gas-fired water heater using variable heat input to let home-owner dial amount of hot water needed. Production of new unit has been stepped up to meet increasing demand.

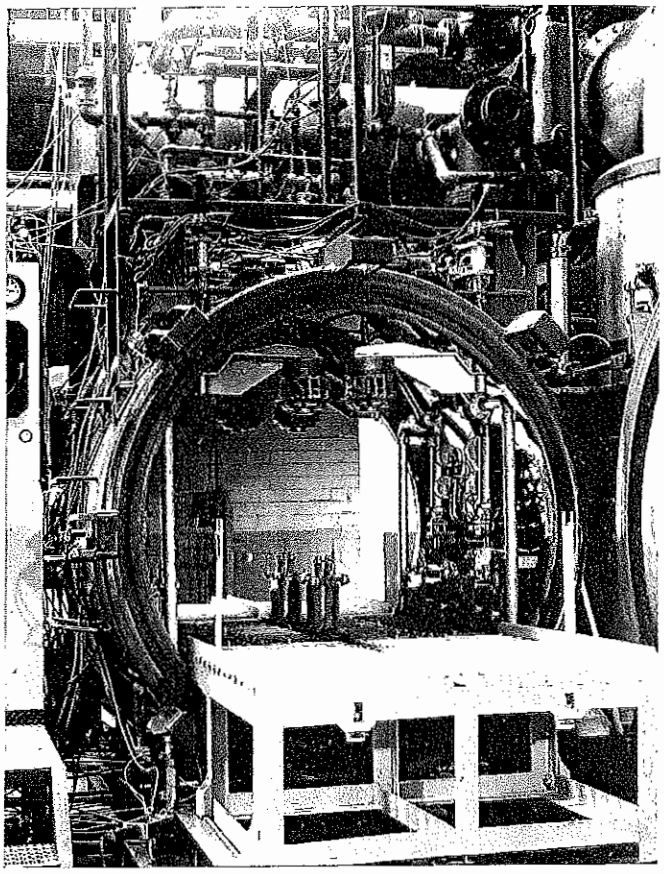


Sterilpac process advances

During the year advances were made in another exclusive Rheem steel container development announced late in 1958—the Sterilpac process which comprises pre-cooled sterile packing of food products in 55-gallon tin-lined steel shipping containers for shipment or storage without refrigeration or preservatives. Leading California food packers made or ordered additional installations of Sterilpac process equipment designed and manufactured by Thermovac, Inc., Rheem subsidiary at Stockton, Calif. acquired in January, 1959. In hermetically sealed chambers, these units sterilize, cool, fill and seal under vacuum several 55-gallon steel containers at one time.

The Sterilpac process has resulted in increased sales of special Rheem drums. These are made at the Rheem plant at Richmond, Calif., where they are finished on the world's largest production line for automatic electrolytic tin-plating of large steel containers. Further development is under way to widen the variety of food products that may be packed by the Sterilpac process.

Another major steel container improvement achieved during recent years, the "Rheemcote" lithography process, is the first to enable users to have trade-marks or sales messages printed in brilliant colors on large steel shipping containers.



FOOD-PACKING in Rheem tin-lined steel drums, for shipment and storage without refrigeration or additives, is achieved by patented 'Sterilpac' process unit (above) that sterilizes, cools, fills and seals under vacuum several 55-gallon steel containers at one time.

Home Products sales increase

In 1959 the Home Products Division increased its sales by approximately 15 per cent over sales for 1958. Rheem is one of the world's leading manufacturers of automatic storage water heaters. Sales also increased of heating and air conditioning equipment and large tanks of various types and sizes made to order for industrial and commercial users. An increasing proportion of Rheem water heaters, primarily in the higher quality glass-lined "Rheemglas" and "Coppermatic" models, is being sold for the replacement market. This independence of water heater sales from the ups and downs of new construction is of benefit to the Home Products Division's marketing results.

Early this year Rheem announced the "30-Plus," a new water heater that was received enthusiastically by trade experts as one of the outstanding developments in the history of automatic water heating for the home.

The "30-Plus" is an exclusive new product on which patents are pending. It embodies a new concept, designed to improve the convenience of home water heating by letting the home-owner set a dial to vary the capacity of the heater to deliver hot water. The "30-Plus" is a 30-gallon water heater that enables performance up to that of a 50-gallon water heater to be dialed to fit changing hot water requirements of growing families or other peak requirements in the home. The water is delivered at a constant temperature—the feature of the "30-Plus" is rapid rate of re-

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covery, which means the length of time required to heat the water to desired temperature.

New engineering developed

A new design of burner, automatic control, combustion chamber and baffles makes the "30-Plus" the first gas-fired water heater with a variable input of heat. The dial is available as a remote control in kitchen, laundry, bathroom or hall if desired.

The Home Products Division also announced the "Corsaire," a completely air-cooled central air conditioning unit. In several sizes and models, the "Corsaire" joins the "Rheemaire" in the Company's line of air conditioning equipment. The "Rheemaire" enables increased efficiency and economy of cooling operation through an exclusive process that applies a thin film of water to the patented Rheem "Air-Film" condenser which removes heat from the air.

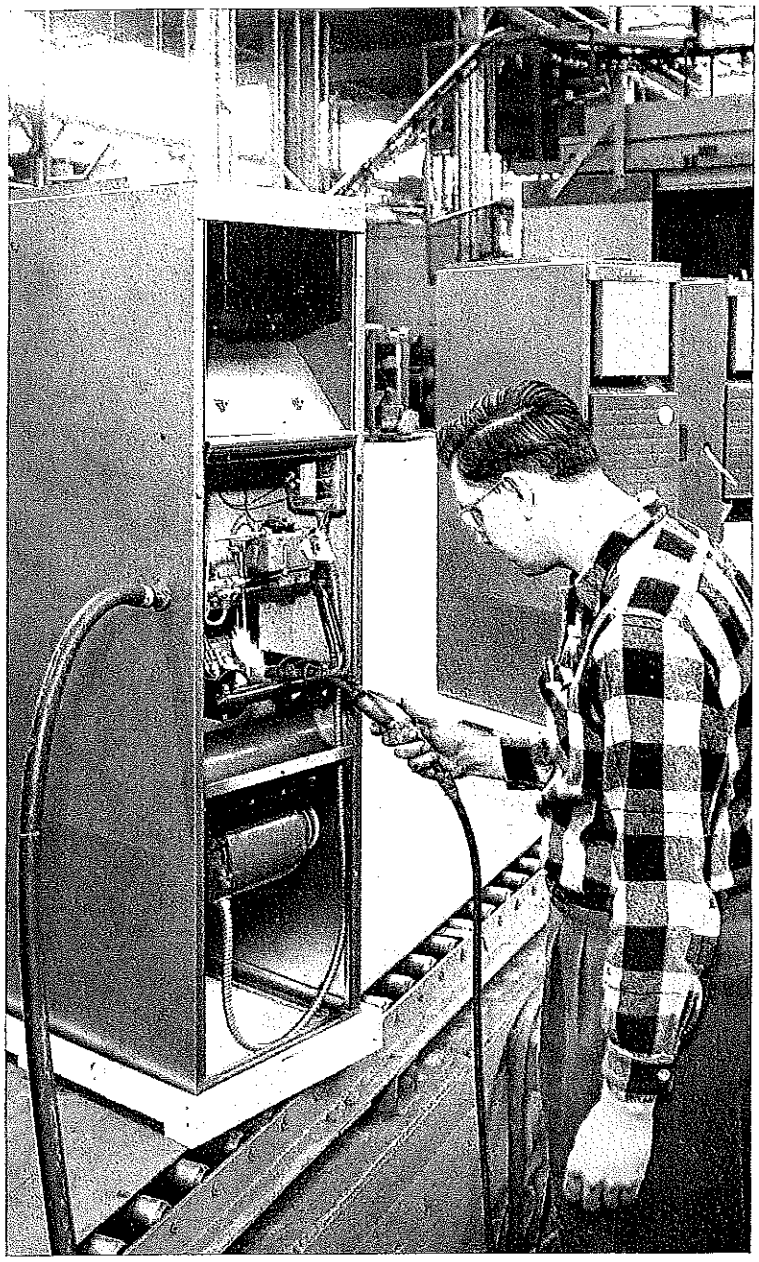
Sales of heating products increased substantially. In its first full year of being marketed, the "Rheemglas" furnace line achieved a gratifying volume of sales. These high quality furnaces have combustion chambers, heat exchangers and draft diverters coated with porcelain enamel to protect against rust and corrosion and to give long life. Distribution was increased on hydronic heating units, including a new appliance-styled package model.

Acquisition of Ruud Manufacturing Company promises to strengthen the Rheem approach to the total market for products for homes and buildings. Ruud leadership in automatic storage water heaters for use in commercial establishments complements Rheem strength in water heaters for the home.

To improve further the Rheem approach to the total market, management has instituted a program for increased marketing teamwork between the Home Products Division and the Richmond Plumbing Fixtures Division.

Sales of bathroom fixtures rise

The Richmond Plumbing Fixtures Division increased sales more than 20 per cent during 1959 as a result of an increase during the



FIRE TESTING is part of final inspection of appliance-styled furnace. In this model, the combustion chamber, heat exchangers and flue collector have surfaces of corrosion-resistant 'Rheemglas' for long life.

year in new construction of homes and buildings and the Division's more intensified sales and marketing effort.

Plants at Metuchen, N. J. and Monaca, Pa. make the Rheem-Richmond line of vitreous china and enameled cast iron bathroom, kitchen and laundry fixtures for residential, commercial, industrial and institutional installation. These products are available in a wide range of decorator colors and modern styling. The Division also markets a line of boilers and warm air heating equipment. New styling and product advances were developed during the year, and the Division installed major exhibits in the National Housing Center, Washington, D. C. and the Architects Samples Corporation Exhibit Hall, New York City.

Sales of Rheem-Richmond fixtures continue to benefit from growing product acceptance in commercial as well as home markets. A few examples of the new office structures that installed Rheem-Richmond plumbing fixtures last year are the Union Carbide Corp. and Metropolitan Life Insurance Company buildings in New York, the Blue Cross-Blue Shield building in Boston and the Prudential Insurance Company's building in Newark, N. J.

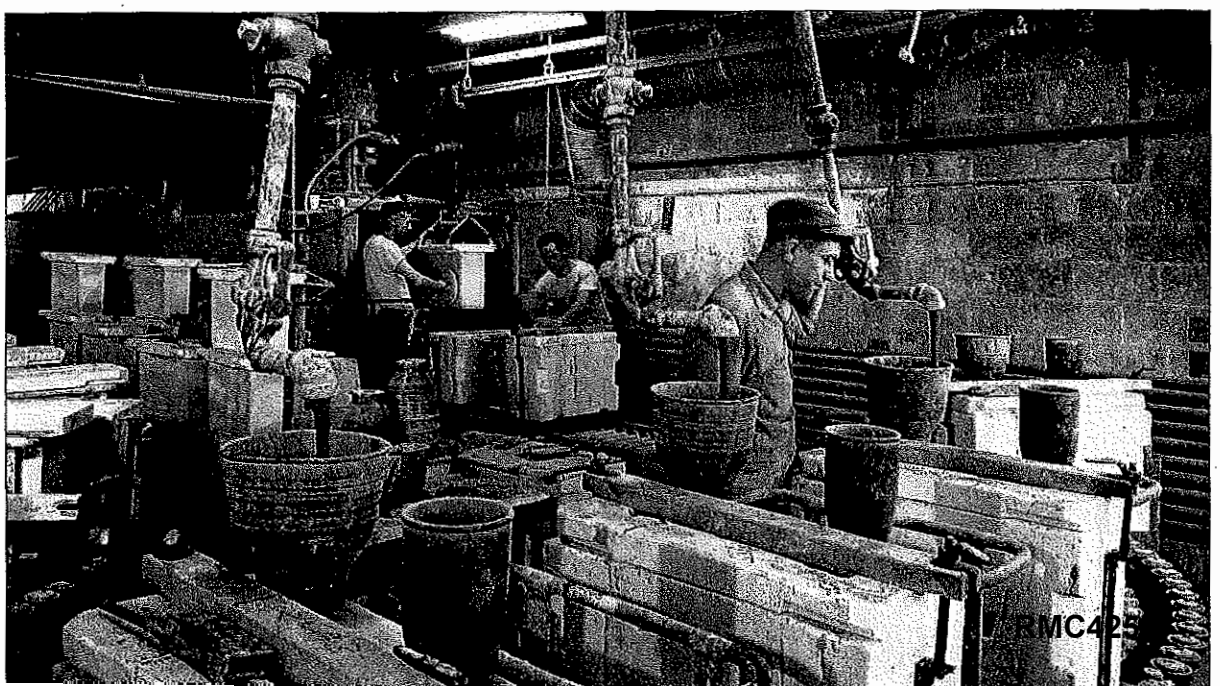
Early in 1959 new bath tub molding equipment designed by the Division was put into production at the Monaca plant for enameled cast iron fixtures. This equipment doubled the production of bath tubs with approximately the same molding work force and, it is believed, produces more bath tubs per man hour than any other in the world. After the break-in period, the Company now is realizing substantial cost savings from this equipment.

Automotive Division sales advance

The Company's Automotive Division at Fullerton, Calif., largest auto parts facility west of the Mississippi River, produced a larger volume of automotive products in 1959 than in the previous year. Rheem makes bumpers, leaf springs, coil springs, torsion bars, hot and cold formed stampings and other automotive parts. The Division's cost-improvement programs significantly strengthened its position in the West Coast automotive industry during the year.

Division results reflected both the better market for new cars and the curtailment in

SPECIAL FORMULA 'slip' is poured under pressure into water closet tank molds at Richmond Plumbing Fixtures Division. Mixture of fourteen ingredients, including imported clays, blended precisely to produce high-quality product, dries during travel along unique 1100-foot conveyor line on way to kiln.



output that was forced by the shortage of steel supplies during the closing weeks of the year.

The Division continued intensive efforts during 1959 to develop additional profitable business in order to make full use of the exceptional facilities of the Fullerton plant, which consists of 11 acres under roof. In this activity, the Company has employed the resources of the corporate Growth and Acquisition Group and the corporate Research and Development Department. A number of promising lines are being investigated.

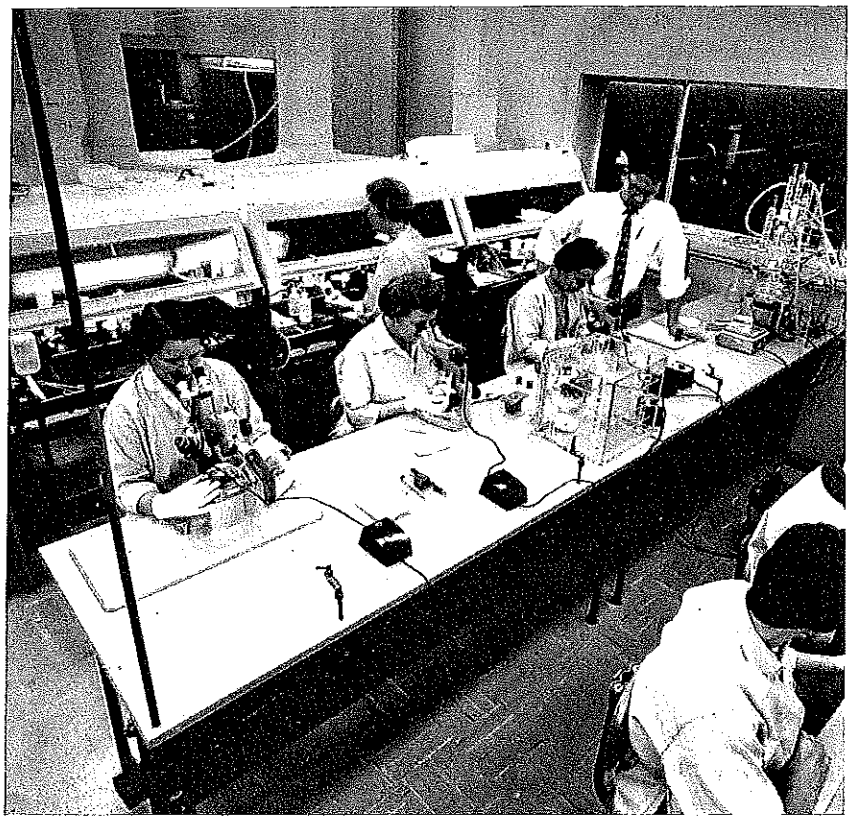
Semiconductor research, growth stressed

The initial staff of Rheem Semiconductor Corporation, comprising about a dozen leading physicists and engineers, was assembled to build this new company a year ago this month. Today the company is established in its own new plant at Mountain View, Calif., where more than 400 employees are already at work producing advanced designs of transistors, diodes and other semiconductor devices. A total of 135,000 square feet of research, engineering and production space includes a new 100,000-square-foot plant, located in a 20-acre tract to permit future growth, which incorporates latest design and methods of interior climate control to insure highest standards of semiconductor production.

Rheem investment in this new field followed many months of careful study by the Growth and Acquisition Group. Growing out of Rheem activity in the electronics field over a period of years, this study indicated a large and profitable market for semiconductor devices in the years ahead.

Transistors have become indispensable devices in new computers, missiles and other electronic applications. They weigh less, take up less space and perform better than the vacuum tubes they are rapidly replacing.

Rheem Semiconductor has developed several improved versions of transistors and diodes for advanced applications. In order to anticipate the rapid advances in this field, the Company invests heavily in research. The technical group at Rheem Semiconductor includes eight employees with Ph. D. degrees, 15 with master of science degrees and 34 with



GLOVED EMPLOYEES, in dust-free production area at Rheem Semiconductor Corporation, work on transistors under microscope to insure precision.

THOUSANDS OF BUMPERS for autos are produced daily at Automotive Division. Here bumper tips, after polishing, move on conveyor toward inspection stations in automated new plant at Fullerton, Calif.

bachelor of science degrees or their equivalent. It is believed that this group is one of the most technically qualified and experienced in the advanced semiconductor field.

Rheem Califone serves educational market

The Company's acquisition of a majority interest in Califone Corporation grew out of Electronics Division pioneering in the field of aircraft flight simulators and gunnery training devices. This led to an association with The Solartron Electronic Group in England, which, like Rheem, has been active in the field of teaching machines. Solartron-Rheem Ltd. is a jointly owned research and development firm established in 1958 to work on teaching machines and other developments in automation, computers and cybernetics, the field of advanced "thinking machines."

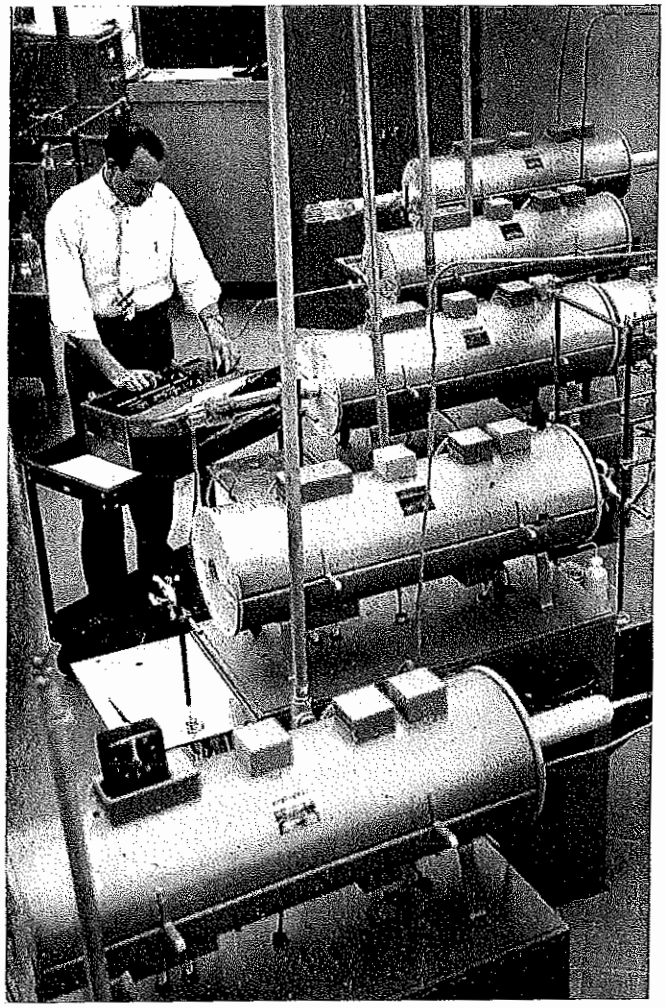
In September, 1959, Rheem Electronics Division announced a line of developmental teaching machines, including three of Rheem design for use as aids to teachers in classroom work in schools and colleges, and one Solartron machine to train operators of keypunch business machines.

Teaching machines promise to add enjoyment and motivation to many aspects of learning, from pre-kindergarten to college graduate level. By introducing beneficial principles of modern automation, these machines promise to help with routine duties and to give teachers greater opportunity to work on individual student problems and the truly professional aspects of teaching.

The corporate Growth and Acquisition Group, working closely with the Electronics Division, negotiated the purchase of a majority interest in Califone Corporation. Rheem Califone Corporation is operated as a subsidiary to make and sell the Rheem line of developmental teaching devices as well as Califone's established lines of sound systems, tape recorders and language laboratories for schools and industry. In this way the Company has established a basis for contributing to new educational methods in the nation.

Electronics Division adds strength

The Electronics Division has served as an "incubator" for developments leading to Rheem interests in both Rheem Semiconduc-



IN DIFFUSION FURNACES (above) at Rheem Semiconductor Corporation, transistor junctions are formed under precisely controlled temperatures.

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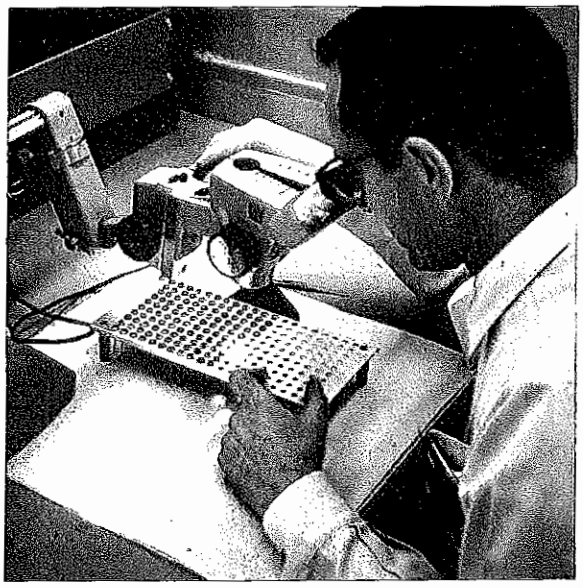
tor and Rheem Califone. The Division was strengthened during 1959 and early 1960 by the employment of additional managerial and technical personnel. It continues to work in the field of automation systems and equipment, including controls for machine tools, inventory management, scheduling and other production processes.

Programs for research and growth

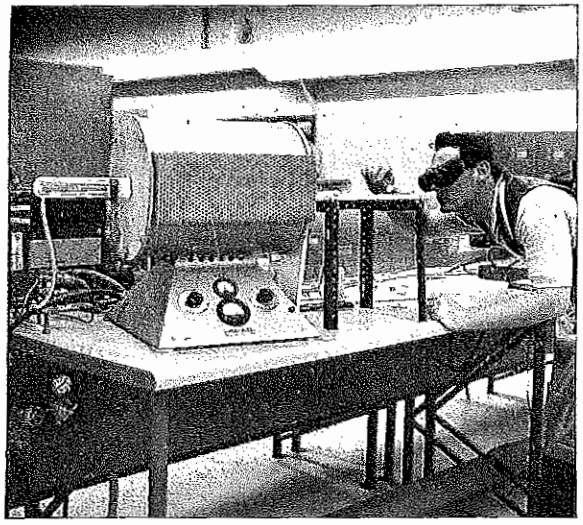
The work of divisional staffs assigned to Growth and Acquisition, and Research and Development continues to be supplemented by the programs of the corporate Growth and Acquisition Group and the Corporate Research and Development Department. The Research and Development Department coordinates research carried on by the divisions and undertakes research activities that may be outside the scope of division work.

All these groups continue to pursue active programs designed to develop—through the Company's own research or by acquisition—profitable new products or services for Rheem to sell.



STEREO MICROSCOPE enables exacting inspection of silicon mesa transistors to insure highest quality and reliability.

TEACHING MACHINE—Susan Burdorf, 5, demonstrates 'pre-verbal' teaching machine, for children who have not yet learned to read. She looks at picture under large window, presses small window over letter she associates with picture. Correct answer rewards her by turning next question into view. Machine is one of several types made by Rheem Califone Corporation.



WAFER gets careful check at high-temperature furnace that heat-treats silicon wafers for Rheem diodes.

continuing progress abroad

The Company's 23-year-old program to develop increasingly profitable world-wide operations continued to make progress. During 1959, sales abroad of products made by Rheem subsidiary and affiliated companies in other countries amounted to approximately $42,500,000, an increase of 21 per cent over the $35,000,000 of the previous year. These figures are not consolidated in the Company's financial statements.

The Company continued to encourage policies of reinvesting a high proportion of earnings in companies abroad in which it holds an equity. Rheem investments and advances to subsidiaries and affiliates abroad are $3,726,271 carried at cost in the consolidated balance sheets. However, the portion of net worth attributable to Rheem equity interests at year-end was $8,500,000, as compared with $6,400,000 at the end of 1958.

Significant advances were made in Rheem participation in growing markets during 1959, particularly in Europe and Central and South America.

New market areas

Current economic history continues to be a story of moves to expand market areas. The "Inner Six" group of the European Common Market (France, Germany, Italy, Belgium, the Netherlands and Luxembourg) is being complemented by the developing plans for another new regional free trade area, the "Outer Seven" of the European Free Trade Association (the United Kingdom, Sweden, Norway, Denmark, Switzerland, Austria and Portugal). Seven Latin American nations (Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay) recently signed a treaty for a free trade zone linking their economies. In seeking gradual removal of trade barriers between their member countries, all these

RHEEM IN AUSTRALIA—Twenty-seven plants of Rheem subsidiary, affiliated and associated companies make Rheem products in 16 countries abroad. Photo at Rydalmere, New South Wales headquarters site of Rheem Australia Pty. Limited shows new appliance plant and offices (left), drum plant (background), New South Wales container plant (right), administrative building (foreground).

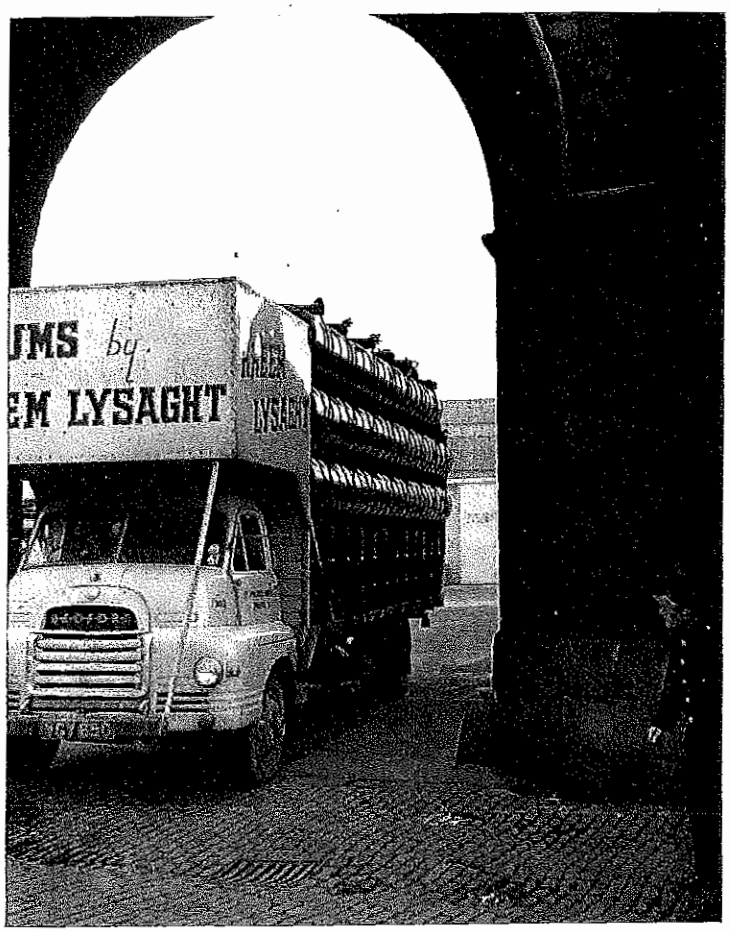
groups widen the potential market for manufacturers located strategically in those nations.

Rheem and affiliated companies already are in five of the seven nations of the Latin American common market. Rheem is well situated also to take part in the economic growth of the European Common Market and the European Free Trade Association. Affiliated companies and licensees are strategically located, and arrangements made during 1959 strengthened Rheem's position in these trading areas.

Companies were organized in Sicily and Germany to serve broader areas of the European Common Market and to complement activities of Rheem Safim, a Rheem affiliate in Milan, Italy, and Travail Mécanique de la Tôle, a Belgian company licensed to make Rheem water heaters and to apply Rheem proprietary linings to steel containers.

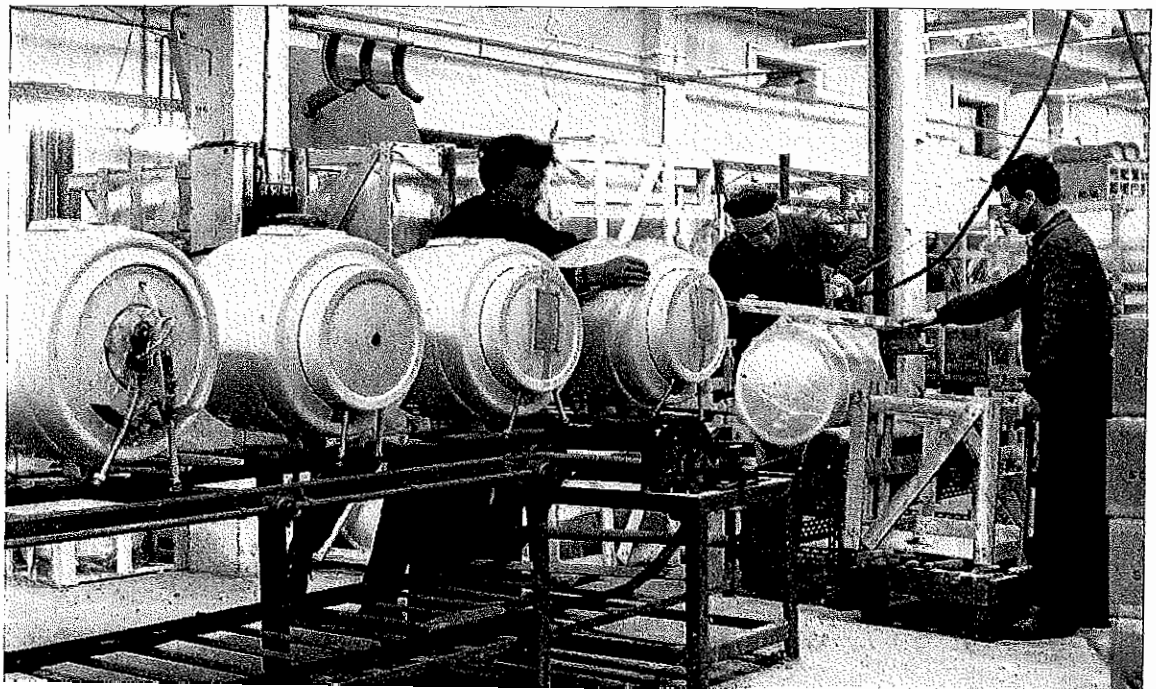
Industria Siciliana Profilati Acciaio, Palermo, Sicily, makes steel angle-irons for industrial and commercial markets in Southern Italy and other Mediterranean areas. Rheem Safim operates this plant.

Deutsche-Rheem, Frankfurt am Main, owned by Rheem interests, Rheem Safim and T. M. T., sells water heaters in West Germany made by the Italian and Belgian companies.



IN ENGLAND, a load of steel containers leaves the plant of Rheem Lysaght Ltd., Bristol.

IN ITALY—Photo shows water heater packing department at Rheem Safim S.p.A., Milan.



Air conditioners for Italy

In December, 1959, Rheem Safim obtained a license to manufacture Fedders air conditioners. Rheem Safim markets the units through 24 sales offices in Italy, including branch offices in Milan, Genoa, Padua, Rome and Turin. Rheem Safim, which is owned in equal shares by Rheem interests and Safim, also manufactures Rheem steel shipping containers and water heaters, as well as highway guard rails, kitchen cabinets, steel construction angles and concrete forms.

During the year, Rheem established two wholly owned Swiss holding companies, Rheem International, S. A. (RISA) and Rheem Overseas, S. A. (ROSA). These were formed to hold stock in certain foreign affiliates and to pursue opportunities for increased profit through reinvestment of earnings in additional international operations. Lines of credit have been established with local financial institutions in Switzerland on favorable terms.

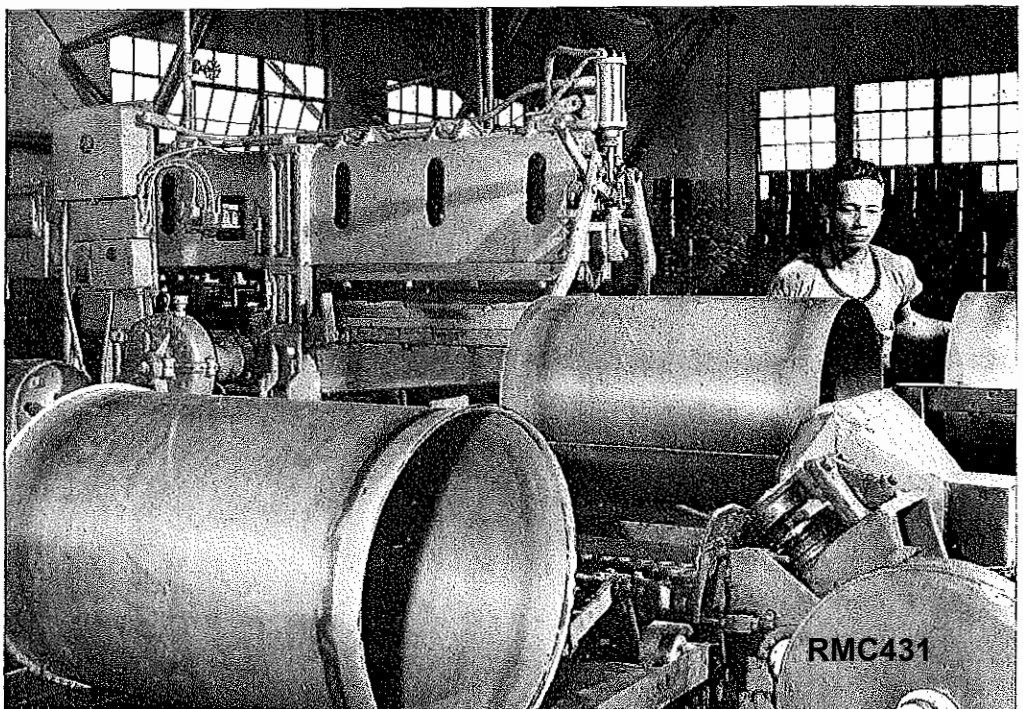
During the year Rheem also established a company in Chile, in cooperation with Chilean and other interests, to make steel shipping containers. Rheem Chilena started production of 55-gallon drums and other containers for oil companies in October.

Similarly, Rheem's decision to establish a container plant in New Zealand helped companies in that country in their program to import lubricating oils in bulk. This affords substantial foreign exchange savings for the economies of the host nations. Rheem's wholly owned New Zealand company, managed by Rheem Australia Pty. Ltd., began production in November.

Rheem also purchased a substantial interest in Rassini S. A., Mexico City, largest automotive spring manufacturer in Mexico, now known as Rassini Rheem. This company makes springs and nuts for automotive and other industries in Mexico and for export to several Latin American countries.

Production of automatic storage water heaters in Canada in 1959 tripled the previous year's figure. Plans are also being formulated to build a second container plant in Canada during 1960. This new operation will be financed and managed by Rheem Canada Ltd., Hamilton, Ontario. It will be the 28th plant operated by Rheem subsidiary, affiliated or associated companies in 16 nations abroad.

IN THE PHILIPPINES—Scene at Rheem of the Philippines, Inc., Manila, shows flanges being put on shells for steel shipping containers.



management and labor relations

Emerson S. Ronk was elected a director on April 24, 1959. He has been a vice president and member of the Executive Management Committee of the Company since 1956.

Gordon W. Mallatratt, a director and member of the Executive Management Committee, was named vice president-finance, effective January 1, 1960. He had been vice president and treasurer. Robert T. Stroup, who was assistant treasurer, was elected treasurer as of that date.

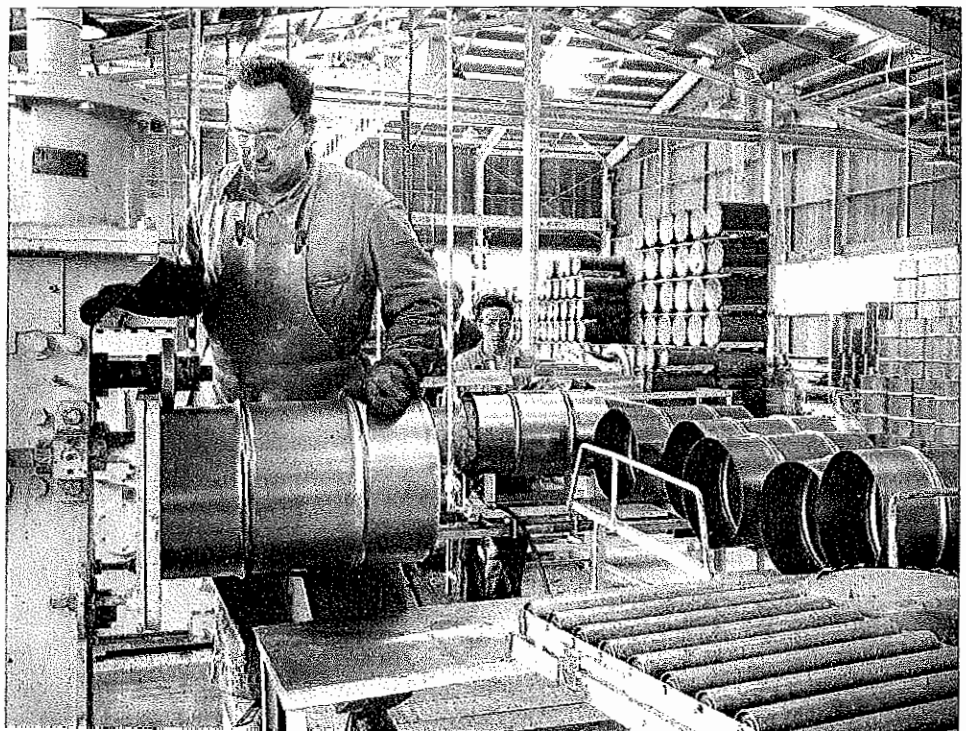
Dr. E. M. Baldwin was named vice president and general manager of Rheem Semiconductor Corporation March 5, 1959. Dr. William C. Leone was named vice president and general manager of Rheem Califone Corporation December 22, 1959. Dr. J. Robert Spraul was appointed manager of the Corporate Research and Development Department January 1, 1960. V. J. Heinis was elected president of Ruud Manufacturing Company, a subsidiary, February 26, 1960.

In 1959, the Company's relations with labor unions were based generally on mutual respect and understanding of common goals and responsibility although at one plant a seven-week strike arose during contract negotiations.

Last year the Company distributed to all employees a statement of Philosophy of Employee Relations, which is available to shareholders and others interested on request to the Industrial Relations Department. It concludes:

"It is the Company aim to extend fair, considerate and understanding treatment to all employees in order to merit and receive the same from them. Through mutual respect and understanding, all of us employed at Rheem Manufacturing Company have the means of maintaining our common purpose —a Company that serves the combined best interests of shareholders, employees and customers."

IN NEW ZEALAND—Photo shows burring operation on steel shipping containers at Rheem New Zealand, Ltd., Wellington.



RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1959	1958
CURRENT ASSETS:		
Cash	$ 653,137	$ 2,895,477
Short-term securities, at cost which approximates market	12,894,247	1,000,000
Accounts receivable trade:		
Commercial, less allowance for doubtful accounts (1959, $202,458; 1958, $225,800)	13,456,730	12,354,480
United States Government sources	4,679,251	9,686,735
Owing by subsidiary and affiliated companies	831,445	279,168
Inventories, at lower of current cost or market:		
Finished and in process	10,063,910	9,674,106
Raw materials and supplies	9,823,621	11,007,630
Costs allocable to future operations—insurance, taxes, rentals, etc.	845,321	1,180,225
	53,247,662	48,077,821
INVESTMENTS, at cost:		
Capital stock of and advances to domestic subsidiary and affiliated companies (Note 1)	2,660,178	2,979,253
Capital stock of and advances to subsidiary and affiliated companies operating in foreign countries (Note 1)	3,726,271	2,604,896
Real estate, long-term receivables and miscellaneous investments	2,212,507	1,917,073
	8,598,956	7,501,222
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	968,057	1,129,439
Buildings, machinery and equipment, less accumulated depreciation and amortization (1959, $25,175,527; 1958, $24,946,826)	27,936,849	33,628,537
	28,904,906	34,757,976
UNAMORTIZED LONG-TERM DEBT EXPENSE	701,245	782,037
	$91,452,769	$91,119,056

See notes to financial statements on pages 20-21.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET

December 31

LIABILITIES	1959	1958
CURRENT LIABILITIES:		
Notes payable to bank	$ 300,000	$ —
Current installment of long-term indebtedness	1,000,000	993,000
Accounts payable	9,758,778	7,110,302
Compensation, interest and sundry accruals	2,927,953	3,749,137
Federal income taxes, estimated (Note 2)	1,630,604	1,685,875
Retirement plans contribution payable to trustee (Note 3)	520,687	631,132
	16,138,022	14,169,446
LONG-TERM INDEBTEDNESS (Note 4):		
5% term note payable to bank in 1961 and 1962	4,750,000	6,750,000
3⅞% sinking fund debentures due in 1975, less debentures held in treasury (1959, $966,000)	20,434,000	21,400,000
	25,184,000	28,150,000
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	627,000	1,242,000
MINORITY INTEREST IN SUBSIDIARIES	100,645	—
CAPITAL AND RETAINED EARNINGS (Note 5):		
Cumulative preferred stock, par value $100 per share; 1959 authorized 70,953 shares; 4½% convertible series, outstanding 8,167 shares	816,700	1,208,900
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding, 1,951,538 shares	1,951,538	1,951,538
Capital in excess of par value of shares outstanding (increase in 1959 represents excess of par value over cost of preferred shares acquired)	32,860,728	32,840,226
Earnings retained for use in the business (Note 4)	13,774,136	11,556,946
	49,403,102	47,557,610
	$91,452,769	$91,119,056

See notes to financial statements on pages 20-21.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31

	1959	1958
INCOME:		
Net sales	$140,270,344	$151,312,416
Dividends from foreign subsidiary and affiliated companies	243,155	445,562
Miscellaneous income	409,580	183,658
	140,923,079	151,941,636
COSTS:		
Cost of goods sold	124,284,859	137,558,553
Selling, general and administrative expenses	13,185,266	12,998,373
Interest	1,101,162	1,293,645
Loss (net) on disposition of plant facilities	250,010	—
	138,821,297	151,850,571
	2,101,782	91,065
Reduction in estimated obligation to former stockholders of subsidiary, less loss on disposition of business and assets of subsidiary	—	40,608
Minority interest in losses of subsidiaries	217,169	—
Reduction in deferred income taxes provided in prior years (1959, $615,000; 1958, $380,000) less federal income taxes payable currently (Note 2)	528,000	170,000
Earnings for year	2,846,951	301,673
Earnings retained for use in the business at the beginning of the year	11,556,946	11,521,190
	14,403,897	11,822,863
Dividends paid in cash:		
Preferred stock—$4.50 per share	44,300	70,763
Common stock—1959, $.30 per share; 1958, $.10 per share	585,461	195,154
Earnings retained for use in the business at the end of the year	$ 13,774,136	$ 11,556,946

Provision for depreciation and amortization of plant and equipment charged to earnings: 1959, $3,506,463; 1958, $3,897,771.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1959

Note 1—Principles of Consolidation

The consolidated financial statements include all domestic subsidiaries except Orendorff Manufacturing Company (Rheem investment in which is not material and is included in the balance sheet in miscellaneous investments) and Rheem Acceptance Corporation. In addition to wholly-owned subsidiaries previously included, the following domestic subsidiaries formed or acquired during the year have been consolidated: Rheem Semiconductor Corporation (59 per cent owned), Rheem Califone Corporation (67 per cent owned) and Thermovac, Inc. (66 per cent owned).

The approximate equity in unconsolidated subsidiaries and in affiliated companies at December 31, 1959, and the dividends received during the year are summarized below:

	Investments and advances, at cost	Approximate equity in underlying net assets	Dividends credited to earnings in 1959
Domestic subsidiary	$ 915,110	$ 880,000	$ —
Domestic companies, 50% owned or less	1,745,068	1,730,000	—
	2,660,178	2,610,000	
Foreign subsidiaries	715,697	1,400,000	29,892
Foreign companies, 50% owned or less	3,010,574	7,100,000	213,263
	$3,726,271	$8,500,000	$243,155

The equity in foreign companies has been computed from the latest available financial statements (un-

audited in some instances) expressed in U. S. dollars by use of current rates of exchange.

Note 2—Federal Income Taxes

The provision for federal income taxes has been reduced by approximately $1,400,000 as a result of the application of net operating loss carry-forwards of two subsidiaries which were liquidated during 1959.

Certain income matters relating to the years 1951 and 1952 are being litigated by the Company, and the Company's income tax returns for the years 1953 to 1956 are being reviewed by the Internal Revenue Service. In the opinion of management, reasonable provision has been made in the financial statements for additional taxes, but the final outcome of the issues is not presently determinable.

Note 3—Retirement Plans

The Company maintains pension plans for all employees with 15 or more years of service, except for employees represented by certain unions and employees of certain subsidiaries which do not participate in the plans. Pension expense for the plans amounted to $544,777 in the year 1959. This is the amount estimated on the basis of an actuarial study as the cost of benefits accruing during the year under the plans, plus the interest on the estimated unfunded potential past service cost of $5,700,000.

Note 4—Long-Term Indebtedness

Under the terms of the credit agreement governing the term note payable to the bank, the Company may not, without the lender's consent, pay cash dividends on its common stock in excess of 25 per cent of its net earnings after December 31, 1957 (less preferred dividend requirements) plus $1,000,000. Retained earnings of $12,796,361 are not available for dividends under this restriction. Among other restrictions, the agreement requires the Company to maintain consolidated working capital of $28,500,000.

The indenture relating to the 3⅞ per cent sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1959, may be used to satisfy the 1960 sinking fund requirement. The provisions of the indenture relating to payment of cash dividends are less restrictive than provisions of the credit agreement.

Note 5—Capital Stock

The outstanding preferred stock is convertible into common stock until June 1, 1961, in the ratio of 2.95 shares of common for each share of preferred. The preferred stock may be redeemed by the Company at prices ranging from $104.50 at December 31, 1959, to $102.00 after June 1, 1971. Annual payments of $333,333 into a sinking fund for retirement are required, but only to the extent of the consolidated net earnings (as defined in the articles of incorporation) in the preceding year. At December 31, 1959, 1,850 shares of this preferred stock were held in the treasury; these shares may be used to meet future sinking fund requirements.

At December 31, 1959, options held by certain officers and key employees to purchase 34,000 shares of common stock of the Company were outstanding; such options were granted in 1958 at prices ranging from $10.93 to $17.81 per share. In addition, in 1959 options for 50,100 shares were granted at prices ranging from $18.25 to $24.50 per share pursuant to a new restricted option plan (The Restricted Stock Option Plan of Rheem Manufacturing Company and Subsidiaries) which is subject to the approval of shareholders of the Company. All options were issued at prices which were approximately, but not less than, 95 per cent of the market prices on the dates of grant. The options issued in 1958 may be exercised two to seven years after the date granted, and the options issued in 1959 may be exercised one to ten years after the date granted.

At December 31, 1959, 24,100 shares of common stock were reserved for conversion of preferred stock and 117,000 shares were reserved under the stock option plans.

Note 6—Long-Term Leases

The Company occupies some of its manufacturing and office premises under long-term leases. Minimum annual rental payments required during 1960 will be about $1,000,000. Of this amount $325,000 relates to a lease expiring more than 20 years from December 31, 1959. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

Note 7—Acquisition—Ruud Manufacturing Company

On January 21, 1960, Rheem acquired 97 per cent of the outstanding capital stock of Ruud, a manufacturer of water heaters and other products, in exchange for 50,000 shares of newly issued Rheem common stock (having an agreed value, approximating market, of $1,260,000) and cash of $1,190,139. The audited financial statements of Ruud for the year ended October 31, 1959, showed net assets of $3,634,173, sales of $11,220,409, and a net loss of $155,463.

PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET
SAN FRANCISCO 4

March 1 1960

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1959 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

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RHEEM MANUFACTURING COMPANY

	1959	1958	1957
ASSETS			
Current assets	$ 53,248	$48,078	$ 55,204
Investments	8,599	7,501	6,317
Property, plant and equipment—less reserves	28,905	34,758	39,075
Unamortized long-term debt expense	701	782	866
Total assets	91,453	91,119	101,46
LIABILITIES			
Current liabilities	16,138	14,169	19,16
Long-term indebtedness	25,184	28,150	30,80
Deferred income tax	627	1,242	1,62
Total liabilities	41,949	43,561	51,58
MINORITY INTEREST	100	—	—
CAPITAL AND RETAINED EARNINGS			
Preferred stock	817	1,209	1,75
Common stock	1,952	1,952	1,95
Obligation to former shareholders of subsidiary	—	—	1,88
Capital in excess of par value	32,861	32,840	32,77
Retained earnings	13,774	11,557	11,52
Total capital and retained earnings	$ 49,404	$ 47,558	$ 49,88
INCOME			
Net sales	$140,270	$151,312	$188,58
Dividends from foreign companies	243	446	40
Miscellaneous income	410	184	28
Total income	140,923	151,942	189,26
COSTS			
Costs, excluding interest	137,720	150,516	183,78
Interest	1,101	1,294	2,0
Total costs	138,821	151,810	185,8
INCOME (LOSS) BEFORE TAXES	2,102	132	3,4
MINORITY INTEREST	(217)	—	-
FEDERAL INCOME TAXES (TAX CREDITS)	(528)	(170)	1,4
EARNINGS (LOSS) FOR THE YEAR	2,847	302	1,9
PREFERRED DIVIDENDS PAID	44	71	
COMMON DIVIDENDS PAID	586	195	1
SUNDRY CHARGES	—	—	.
RETAINED EARNINGS (LOSS) FOR THE YEAR	$ 2,217	$ 36	$ 1,6
EARNINGS (LOSS) PER SHARE OF COMMON STOCK	$ 1.44	$ .12	$.
WORKING CAPITAL	$ 37,110	$ 33,909	$ 36,0
BOOK VALUE, COMMON STOCK	$ 24.90	$ 23.75	$ 23.
NUMBER COMMON SHAREHOLDERS	12,835	12,702	13,7

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TEN-YEAR REVIEW

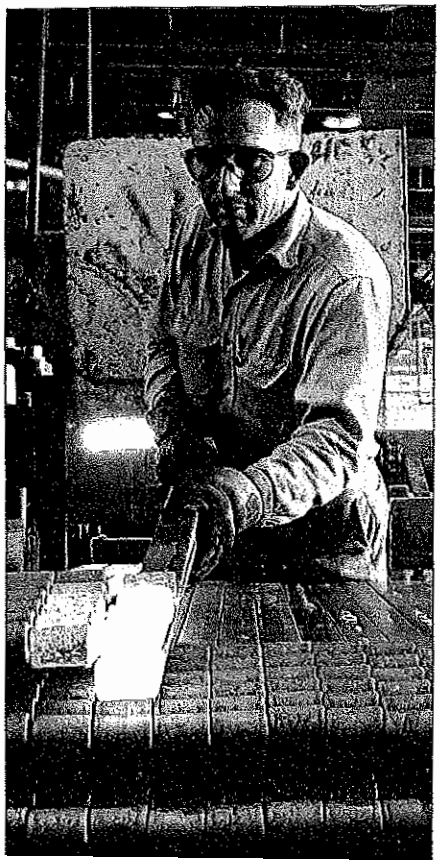
(000 omitted)

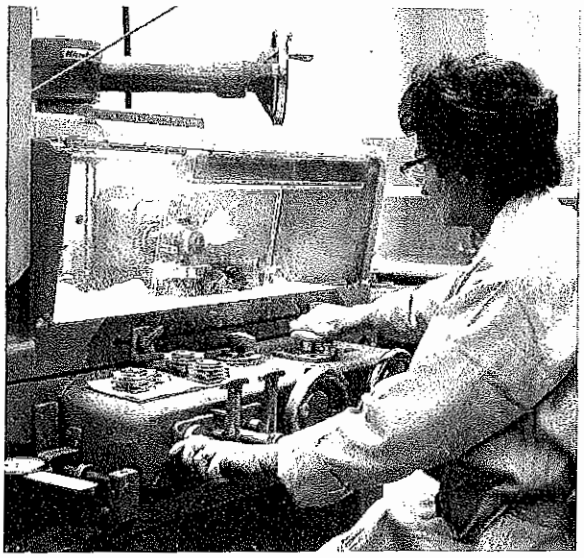
1956	1955	1954	1953	1952	1951	1950
$ 81,277	$ 62,414	$ 46,371	$ 54,013	$ 50,259	$38,253	$24,222
5,807	2,285	2,090	1,942	1,832	1,351	1,312
40,792	41,554	36,981	30,888	31,736	29,666	16,258
950	1,017	—	—	—	—	—
128,826	107,270	85,442	86,843	83,827	69,270	41,792
55,690	21,993	20,254	30,725	29,056	20,085	12,079
23,262	26,093	13,720	12,380	13,067	14,000	5,000
1,599	1,138	580	—	—	—	—
80,551	49,224	34,554	43,105	42,123	34,085	17,079
—	—	—	—	—	—	—
1,855	3,059	6,010	9,990	9,990	9,999	2,370
1,952	1,917	1,542	1,249	1,249	1,049	1,000
1,882	—	—	—	—	—	—
32,758	31,695	26,063	17,575	17,575	11,945	10,497
9,828	21,375	17,273	14,924	12,890	12,192	10,846
$ 48,275	$ 58,046	$ 50,888	$ 43,738	$ 41,704	$35,185	$24,713
$173,903	$180,274	$163,623	$188,005	$144,524	$94,107	$74,466
290	278	214	73	523	331	116
90	440	977	110	62	76	82
174,283	180,992	164,814	188,188	145,109	94,514	74,664
188,272	167,355	152,911	174,250	137,040	81,202	64,345
1,929	997	856	1,056	869	296	101
190,201	168,352	153,767	175,306	137,909	81,498	64,446
(15,918)	12,640	11,047	12,882	7,200	13,016	10,218
—	—	—	—	—	—	—
(6,755)	6,418	5,020	7,900	3,300	8,765	5,355
(9,163)	6,222	6,027	4,982	3,900	4,251	4,863
97	176	366	450	450	280	110
1,769	3,859	3,312	2,498	2,753	2,459	1,900
518	—	—	—	—	165	—
$(11,547)	$ 2,187	$ 2,349	$ 2,034	$ 697	$ 1,347	$ 2,853
$ (4.75)	$ 3.15	$ 3.67	$ 3.63	$ 2.76	$ 3.78	$ 4.75
$ 25,587	$ 40,421	$ 26,117	$ 23,288	$ 21,203	$18,168	$12,143
$ 22.82	$ 28.68	$ 29.11	$ 27.01	$ 25.38	$ 24.01	$ 22.34
14,491	14,890	8,225	7,420	7,946	5,479	4,980

in camera's eye

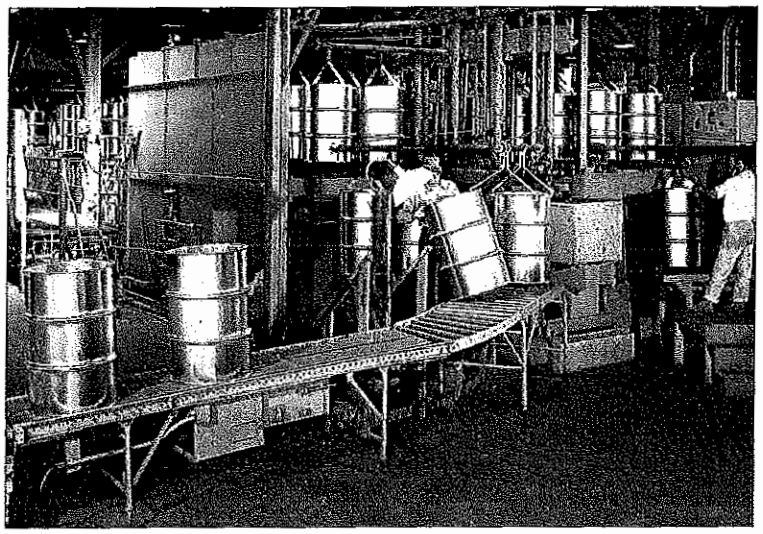
LANGUAGE LABORATORY equipment made by Rheem Califone speeds learning of foreign language. Student hears it expertly spoken on tape, records his own speech for comparison, gets as much conversation in one session as many students get in an entire semester of classroom work.

WHITE-HOT leaf springs, some of more than million made each year at Rheem Automotive, are stacked after forming.



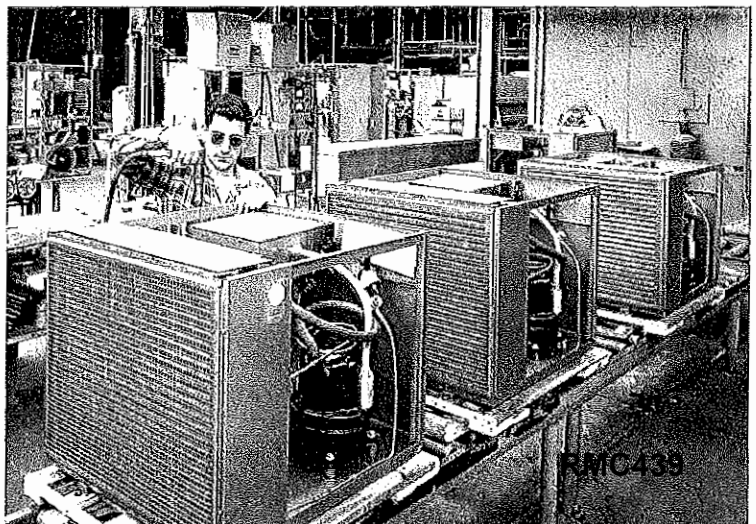


SLICING SILICON into tiny 'dice' with precise dimensions for diodes is done by special advanced equipment at Rheem Semiconductor Corporation.

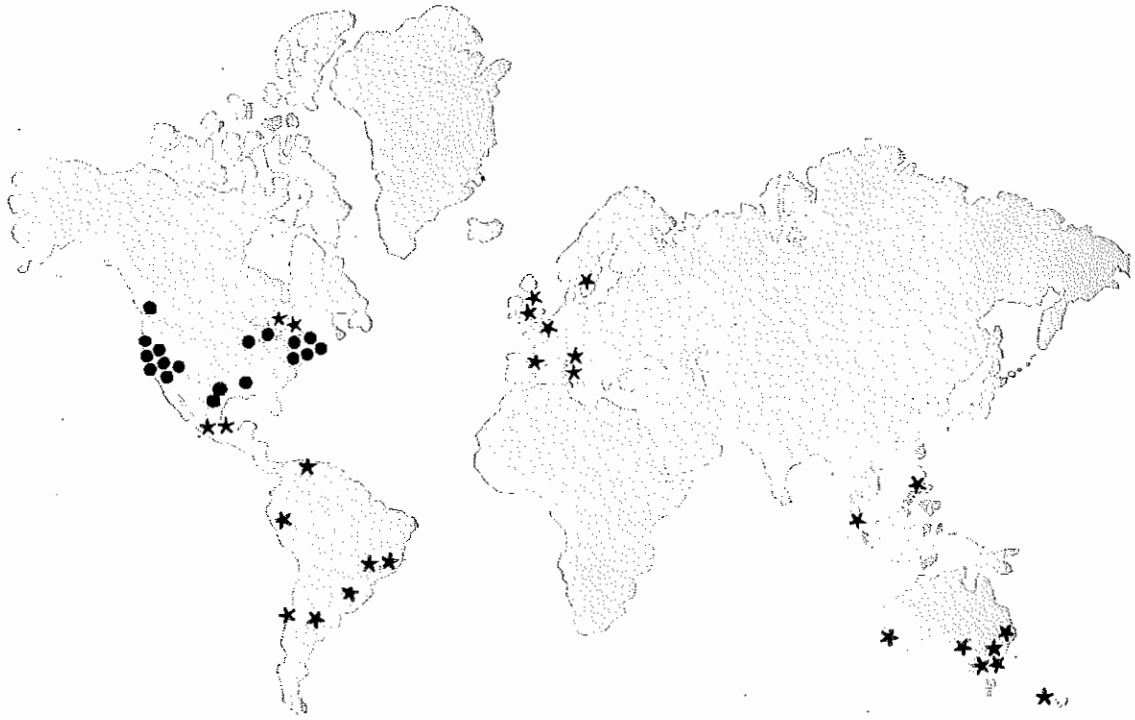


WORLD'S FIRST automatic electrolytic tin-plating drum line turns out shiny steel containers at Richmond, Calif. plant for 'Sterilpac' food-packing process and chemical industry.

NEW AIR CONDITIONER—Condensing unit of 'Corsaire' air conditioner is shown on production line. New air-cooled units join Rheem line of central air conditioners, including 'Rheemaire' models using patented 'Air-Film' condenser for greater economy of operation.



Rheem AROUND THE WORLD



● U. S. Plants

Linden and Metuchen, N. J.
New Castle, Del.
Sparrows Point, Md.
Monaca, Pa.
New Orleans, La.
Kalamazoo, Mich.
Chicago, Ill.
Freeport and Houston, Texas
Tacoma, Wash.
Fullerton, Mountain View, Richmond, South Gate, Stockton and Vernon, Calif., and two sites in Los Angeles.

★ Plants Abroad, Subsidiary and Affiliated Companies

Sociedad Anónima Industrial y Comercial de Aceros Rheem (SAIAR)
Adam D. Walger, General Manager
25 de Mayo, 122
Buenos Aires, Argentina

Rheem Australia Pty. Limited
Lynn Arnold, General Manager
P. O. Box 6
Rydalmere (Sydney), N. S. W.
Plants: Sydney (2), N. S. W.
Brisbane, Queensland
Melbourne, Victoria
Fremantle, W. Australia
Adelaide, S. Australia

Rheem Metalúrgica, S. A.
Fernando Pernambuco, Managing Director
Caixa Postal 4696
Rio de Janeiro, Brazil

Rheem-Senotubo Metalurgia Ltda.
Carlos P. Bergallo, Director-Superintendent
Caixa Postal 8624
São Paulo, Brazil

Rheem Canada Limited
Trumbull Warren, President and General Manager
128 Barton Street West
Hamilton, Ontario

Ruud Manufacturing Company
A. J. Strain, Vice President and General Manager
Portland and Windsor Streets
Mimico, Ontario

Rheem Chilena, S. A.
Rafael Budnik, President
John J. C. Herndon, Manager
Casilla 9229
Santiago, Chile

Rheem Lysaght Limited
Norman W. M. Iles, Managing Director
St. Vincent's Iron Works
Bristol, England

Solartron-Rheem Limited
J. E. Bolton, Director
Thames Ditton
Surrey, England

Deutsche Rheem G.m.b.H.
Wilhelm Blum, General Manager
Kaiserstrasse 75
Frankfurt am Main, Germany

Rheem Safim, S.p.A.
Jack O. Tebyriça, Managing Director
Gaetano Ferrara, Managing Director
Via Stephenson 75
Milan, Italy

Industria Siciliana Profilati Acciaio, S. p. A. (ISPA)
Giovanni Lorenzini, Plant Manager
Via Della Ferrovia, San Lorenzo Colli
Palermo, Italy

Rassini Rheem, S. A.
Guillermo Gotlib, General Manager
Apartado Postal No. 26711
Mexico City, Mexico

Servicio Especializado de Muelles, S. A.
Guillermo Gotlib, General Manager
Avenida de Taller, 92
Mexico City, Mexico

Rheem New Zealand Limited
R. G. Close, Manager
P. O. Box 34, Tawa
Wellington, New Zealand

Rheem Peruana, S. A.
Alfredo Larrañaga, Managing Director
Apartado 3679
Lima, Peru

Rheem of the Philippines, Inc.
Gordon Mackay, Director
P. O. Box 942
Manila

Rheem-Hume (Far East) Limited
J. Allan, Chairman
P. O. Box 297
Singapore

Fabricación de Envases Metálicos, S. A. (FEMSA)
Pedro Oller, President
Serrano, 63
Madrid, Spain

Industrias Venezolanas van Leer, S. A.
A. F. ten Wolde, Works Manager
Apartado 23
Punto Fijo, Venezuela

★ Affiliated Companies Abroad

Travail Mécanique de la Tôle, S. A.
Forest-Brussels and Ghent, Belgium

Soc. de Comercio e Refrigeração Springer, Ltda.
Porto Alegre, Rio Grande do Sul, Brazil

The Solartron Electronic Group Limited
Thames Ditton
Surrey, England

Harris Engineering Company Limited
London, England

Rheem Elit Emballage
Dals Langed, Sweden

Holding Companies

Rheem International, S. A. (RISA)
Zurich, Switzerland

Rheem Overseas, S. A. (ROSA)
Zurich, Switzerland

Participaçoẽs Metalurgicas, S. A. (PARMET)
Rio de Janeiro, Brazil

Rheem Australia Industries Pty. Ltd.
Melbourne, Australia

PRINTED IN U.S.A.
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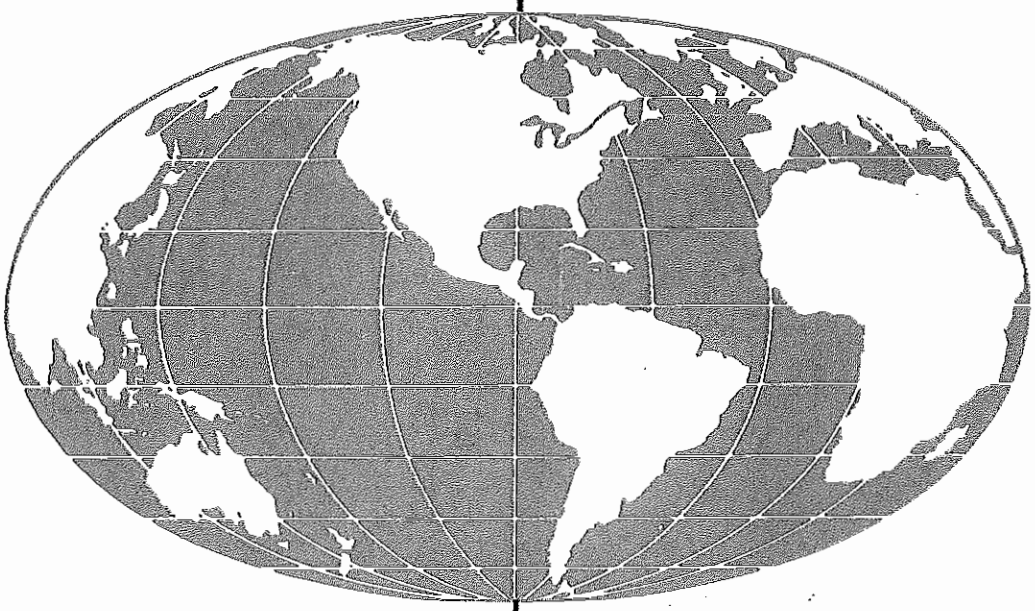
Annual Report 1960



RHEEM MANUFACTURING COMPANY

RMC442

RHEEM PRODUCTS AND SERVICES

AUTOMOTIVE DIVISION
601 S. Placentia Ave., Fullerton, Calif.
O. W. Carrico, vice president and general manager
Plants at Fullerton and Los Angeles, Calif.
Bumpers, leaf springs, coil springs, torsion bars, bumper support bars, hot and cold formed stampings, other automotive parts

CALCOR BUILDING DIVISION
3383 E. Gage Ave., Huntington Park, Calif.
Bernard Perlin, vice president and manager
Plant at Huntington Park, Calif.
Modular construction of schools, commercial and other preassembled buildings using patented insulated metal panels

CONTAINER DIVISION
1701 W. Edgar Road, Linden, N. J.
E. F. Paquette, vice president and general manager
Plants at Linden, N. J.; Chicago; Freeport and Houston, Texas; New Orleans, La.; Richmond and South Gate, Calif.; Tacoma, Wash.
Steel and fiber shipping containers

THERMOVAC, INC., subsidiary
801 Chesley Ave., Richmond, Calif.
Food processing and handling equipment

HOME PRODUCTS GROUP
7600 S. Kedzie Ave., Chicago 52, Ill.
V. J. Heinis, group vice president

HOME PRODUCTS DIVISION
Plants at Chicago; Sparrows Point, Md.; Houston, Texas; New Castle, Del.; New Orleans, La.; Richmond and South Gate, Calif.
Automatic storage water heaters, central heating and air conditioning equipment, special purpose tanks of all sizes

RICHMOND PLUMBING FIXTURES DIVISION
Plants at Metuchen, N. J. and Monaca, Pa.
Vitreous china and cast iron enameled bathroom, kitchen and laundry fixtures; central heating equipment

RUUD MANUFACTURING COMPANY, subsidiary
Plants at Kalamazoo, Mich. and Mimico, Canada
Automatic storage and commercial water heaters, central heating equipment

ELECTRONICS DIVISION
5200 W. 104 St., Los Angeles 45, Calif.
Dr. W. C. Leone, vice president and general manager
Plant at Los Angeles, Calif.
Automation systems and equipment, including controls for machine tools, inventory management, scheduling and other production processes

INTERNATIONAL DIVISION
400 Park Ave., New York 22, N. Y.
Mario Capelli, vice president and general manager
Direction of Company's international manufacturing activities and export sales

ORENDORFF MANUFACTURING COMPANY, subsidiary
4915 Alcoa Ave., Los Angeles 58 (Vernon), Calif.
M. C. Orendorff, president
Plant at Vernon, Calif.
Cultivating and other earth-engaging tools for agriculture

RHEBO CORPORATION, subsidiary
1108 W. Evelyn Ave., Sunnyvale, Calif.
Dr. R. S. Bower, president and general manager
Automatic assembly machines for electronic and other industries

RHEEM ACCEPTANCE CORPORATION, subsidiary
Rheem Center, Rheem, Calif.
R. S. Greenwood, president
Offices also at Los Angeles, Oakland and Hayward, Calif.
Dealer and consumer financing

RHEEM CALIFONE CORPORATION, subsidiary
1020 N. La Brea Ave., Los Angeles 38, Calif.
O. X. Pitney, vice president and general manager
Plant at Los Angeles, Calif.
Teaching machines, language laboratories and sound systems for schools and industry

RHEEM SEMICONDUCTOR CORPORATION, subsidiary
350 Ellis St., Mountain View, Calif.
Dr. E. M. Baldwin, vice president and general manager
Plant at Mountain View, Calif.
Transistors, diodes and other semiconductor devices

ANNUAL REPORT 1960

Rheem Manufacturing Company

CORPORATE HEADQUARTERS—400 PARK AVENUE, NEW YORK 22

Directors

C. V. Coons
G. M. Greenwood
Herbert E. Hall
Earle M. Jorgensen
Gordon W. Mallatratt
N. Loyall McLaren
A. E. Ponting
R. S. Rheem
Thomas J. Ross
A. Lightfoot Walker

Executive Management Committee

A. Lightfoot Walker, *Chairman*
C. V. Coons, *Vice Chairman*
G. M. Greenwood
Gordon W. Mallatratt
Thomas J. Ross

Officers

A. Lightfoot Walker, *President and Chief Executive Officer*
C. V. Coons, *Executive Vice President*
L. W. Evans, *Vice President*
G. M. Greenwood, *Vice President*
Gordon W. Mallatratt, *Vice President-Finance*
M. R. Swain, *Vice President*
Andrew W. Hughes, *Comptroller*
Walter S. Lewis, *Secretary*
R. T. Stroup, *Treasurer*
F. R. Grant, *Assistant Comptroller*
H. L. Fledderman, *Assistant Secretary*
W. P. Jochem, *Assistant Secretary*
F. F. Lind, *Assistant Secretary*

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RHEEM MANUFACTURING COMPANY

FINANCIAL HIGHLIGHTS

	1960	1959
Net sales	$122,556,002	$140,270,344
(Loss) earnings before taxes	(2,590,908)	2,947,046
Federal income taxes (tax credits)	140,000	(528,000)
(Loss) earnings after taxes	(2,730,908)	3,475,046
(Loss) earnings per common share	($1.38)	$1.76
Dividends paid per common share	$ .45	$ .30
Number of common shares outstanding	2,008,309	1,951,538
Number of common shareholders	13,878	12,835
Wages and salaries paid	$ 36,888,407	$ 41,068,014

TRANSFER AGENTS

Common Stock

Wells Fargo Bank American Trust Company, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

REGISTRARS

Common Stock

Bank of America, National Trust and Savings Association, San Francisco, Calif.
First National City Trust Company, New York, N. Y.

TRANSFER AGENTS

Cumulative Preferred Stock, 4½% Convertible Series

Wells Fargo Bank American Trust Company, San Francisco, Calif.
The First National City Bank of New York, New York, N. Y.

REGISTRARS

Cumulative Preferred Stock, 4½% Convertible Series

Bank of America, National Trust and Savings Association, San Francisco, Calif.
Chemical Bank New York Trust Company, New York, N. Y.

GENERAL COUNSEL

Herbert E. Hall, Crocker Building, San Francisco 4, Calif.

GENERAL ATTORNEY

Walter S. Lewis, Rheem Manufacturing Company, 400 Park Avenue, New York 22, N. Y.

RMC445

PRESIDENT'S LETTER

To our Shareholders and Employes:

For only the second year in the Company's many years of doing business, Rheem Manufacturing Company reports a loss, amounting for 1960 to $2,730,908 on sales of $122,556,002.

Two principal factors contributed to this result: (1) a general business recession that reduced volume, intensified competition and narrowed profit margins in some of our traditional volume product lines, and (2) a high level of investment in new activities designed to improve the future profitability of the Company.

It was a year in which the program to reconstitute the Company was accelerated. To diversify further our product lines and increase the Company's adaptability to cyclical economic trends, $5,700,000 was expended during the year in research, development and other preproduction costs of new products. These costs were absorbed in current operations. Many of these products are in new fields that offer promising market growth—such as teaching machines and other advanced audio-visual equipment for schools and industrial training; transistors and other semiconductors; and electronic control systems for industrial automation and machine tools.

Significant gains were achieved in other areas of Company strength. Notable among these are Rheem international operations. Sales by Rheem subsidiary and affiliated companies abroad increased 46 per cent to $62,100,000, compared with $42,500,000 for 1959. Earnings of these companies abroad also set a new high record, $3,700,000, as compared with $2,500,000 for 1959.

Prior to 1960, earnings of Rheem subsidiary and affiliated companies abroad were included in the Company's earnings statements only to the extent of the dividends actually received from these companies. To reflect more clearly our international operations' significant benefits to the shareholders in the increased value of their equity, the Company, beginning with this report for the year 1960, is including in the consolidated financial statements the Rheem share of undistributed earnings of companies abroad of which Rheem owns 50 per cent or more. The Rheem share of these earnings for 1960 is $797,997. The Rheem share of undistributed earnings of companies abroad of which Rheem owns less than 50 per cent is not included in the statement.

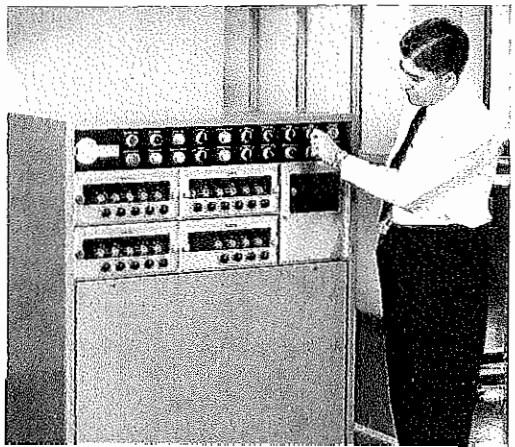
The companies abroad reinvest a major portion of their earnings in the growth of the business. This growth has resulted in increased values in shareholders' equity. At December 31, 1960, Rheem investments in enterprises abroad, and advances to those companies, totaled $4,851,353, at cost; Rheem's equity in the underlying net assets of those companies was approximately $9,837,195.

Enterprises added during 1960 bring to 42 the number of plants operated by Rheem subsidiary and affiliated companies in 19 nations abroad. Without exception, all our enterprises abroad operated at a profit in 1960.

In U. S. Department of Commerce statistics

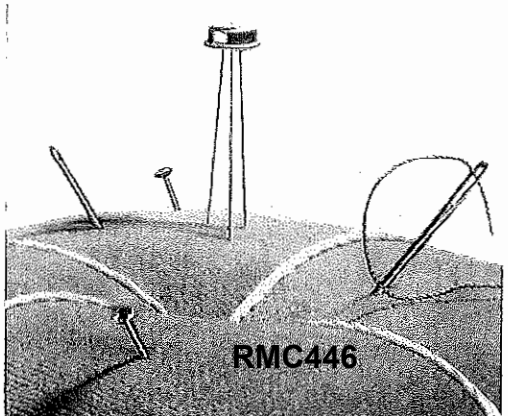
New Products

ADVANCED AUTOMATION system uses these electronic Rheem Numerical Positioning Controls to guide machine tools automatically. Accuracy is one ten-thousandth of an inch.



'DIDAK 501' teaching machine is designed for individual use to speed and 'reinforce' learning of school or industrial information presented in logical sequence of steps.

RHEEM MICROBLOC, magnified on pincushion to show tiny size, was first microminiature silicon mesa transistor with hermetic seal, which helps reliability in advanced applications.



on direct industrial investment abroad (which is defined as investment in enterprises owned at least 25 per cent by U. S. interests), a significant part of the outflow of money from the United States is represented by the value of industrial equipment made in this country, paid for here and sent abroad as investment by U. S. companies in overseas enterprises. Even so, the statistics show that direct industrial investment abroad has returned to the United States between $200 million and $1.1 billion a year in net income (inflow after outflow is deducted) in each of the years since 1950.

Thus, direct investing abroad—such as Rheem has been doing for many years—is of benefit to the U. S. international balance of payments, as well as the economies of the host nations, the U. S. economy and shareholders.

It may be noted also that these benefits are not at the expense of jobs in the United States. Our enterprises abroad are in products that do not lend themselves to manufacture here for export.

In the domestic product lines in which Rheem has been established for many years, competition intensified during 1960 to the point where many prices became unremunerative. Unit sales of steel shipping containers and automatic storage water heaters were at a high level but profit margins were greatly reduced. These products are volume items. We are important suppliers in the large replacement market for water heaters, and sales of these products therefore are not tied directly to new construction. The slower pace of home building in 1960 affected the market for some other lines of our Home Products Group, which makes also air conditioning and heating equipment, and plumbing fixtures.

Our Automotive Division sales declined last year as a result of the industry's increased production of compact cars, which require less material. The Division makes bumpers, springs and other automotive parts. To diversify the operations of this division, the Company on November 30, 1960 acquired Calcor Corporation's Building Division. Using patented insulated metal panels and modular preassembled construction in standardized sizes, this division has built more than 400 school classroom units in California in the last four years, and has a growing business in construction of shopping centers, automobile service stations, car-washing plants and other commercial buildings. The method offers advantages in speed of construction—entire schools have been completed in 90 days from award of contracts. There are advantages also in fireproofing and maintenance. Rheem plans to widen the market for this promising new building method.

Rheem Semiconductor Corporation, which moved into its new 100,000 square foot main production facility at Mountain View, California only last March, demonstrated leadership in transistors, diodes and other semiconductors by being first with announcement of a successful hermetically sealed microminiature silicon transistor (the Rheem Microbloc) and of the development of silicon transistors made by the much-heralded epitaxial deposition method.

At the important National Machine Tool Builders' Association exposition in Chicago, held once each five years, the Rheem Electronics Division showed new advances in industrial automation with a control system for machine tools, an electronic punched-tape reader and a transducer.

These new products are one result of the management program of the last four years—a program designed to strengthen the Company in a number of ways. Debt was cut $35 million, and the Company was put into a strong financial position. More efficient use was made of plant space; assets that had become surplus or unprofitable were sold, and the cash realized has been reinvested prudently in acquisition, research and development. Management's purpose has been to move affirmatively to direct the Company into promising new business areas.

The year 1960 has been difficult, but significant progress was made. The Company's leadership in its traditional historic volume lines—and its start in several new fields of potential growth—give promise of a strong future with the economic growth of our country and the world. In our Company's progress toward this goal, the creative work of the employes and the continued support of the shareholders are appreciated.

New York
March 15, 1961

President

RMC447

FINANCIAL | Year's results reported in detail

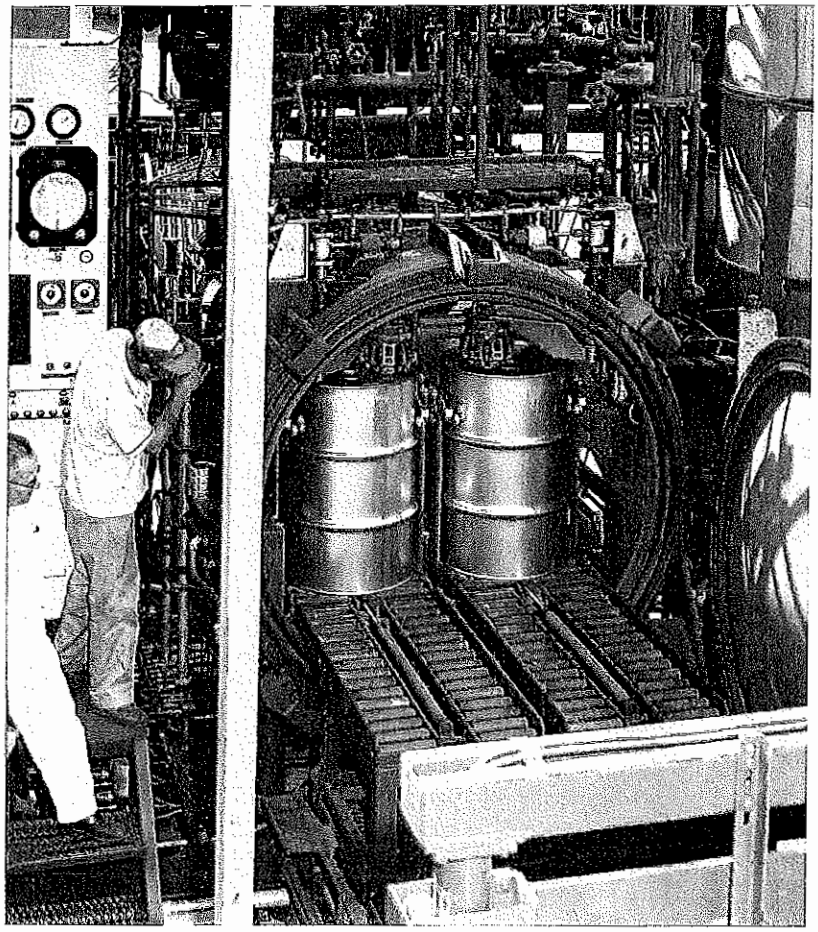
Net loss after provision for federal income taxes in 1960 was $2,730,908, equivalent after preferred dividend requirements to $1.38 a common share, on 2,008,309 shares outstanding at December 31, 1960. This compares with net income for 1959 of $3,475,046 after tax credits, or $1.76 a common share, on 1,951,538 shares. Loss before provision for federal income taxes in 1960 was $2,590,908. Earnings before tax credits in 1959 were $2,947,046.

The net results for 1960 were after expenditure of more than $5,700,000 in research, development and other preproduction costs of new product lines, including transistors and other semiconductor devices, electronic control systems for industrial automation, and teaching machines and other automatic educational equipment for schools and industry.

As explained in Note 1 in Notes to Consolidated Financial Statements, on page 16 of this report, all domestic subsidiaries except for a finance subsidiary have been consolidated. Results for 1960, and comparisons with 1959, take into consideration the effect of a change in the method of accounting from the cost method to the book value method for Rheem investments in its domestic finance subsidiary, in subsidiaries abroad and in companies in the United States and abroad of which Rheem owns 50 per cent. Such investments are carried on balance sheets for 1960 and 1959 at Rheem's equity in the underlying net assets. Rheem's share of undistributed net income of these companies is included in the Consolidated Statement of Earnings.

Rheem equity in underlying net assets of companies abroad owned 50 per cent or more amounted to $6,337,195 at the end of 1960. The Company's approximate equity in underlying net assets of companies abroad less than 50 per cent owned was $3,500,000. Total cost of all investments abroad was $4,851,353.

For purposes of comparison, the 1959 financial statements have been restated to reflect the change in accounting methods with respect to companies abroad owned 50 per cent or more; the effect of the change with respect to the domestic companies was not significant.



'STERILPAC' 55-gallon steel containers emerge from vacuum chamber of "Sterilpac" process equipment, after cold filling with tomato concentrate, at Turlock Cooperative Growers, Stockton, Calif.

Net sales at $122,556,002

Net sales for the year totaled $122,556,002, compared with $140,270,344 in 1959. These are net sales of domestic divisions and consolidated domestic subsidiaries only.

Sales abroad of products made by Rheem subsidiary and affiliated companies in other countries increased 46 per cent during 1960 to $62,100,000. They totaled $42,500,000 the previous year. Sales of companies abroad whose earnings are included in the results for 1960 amounted to $36,100,000, as compared with $29,700,000 in 1959.

RMC448

Cash dividends of 15 cents a common share were paid in each of the first three quarters of the year. This compared with payments of 15 cents in each of the last two quarters of 1959. Dividend payments were maintained on preferred shares, which were reduced to 7,165 shares outstanding at the year end, compared with 8,167 a year earlier.

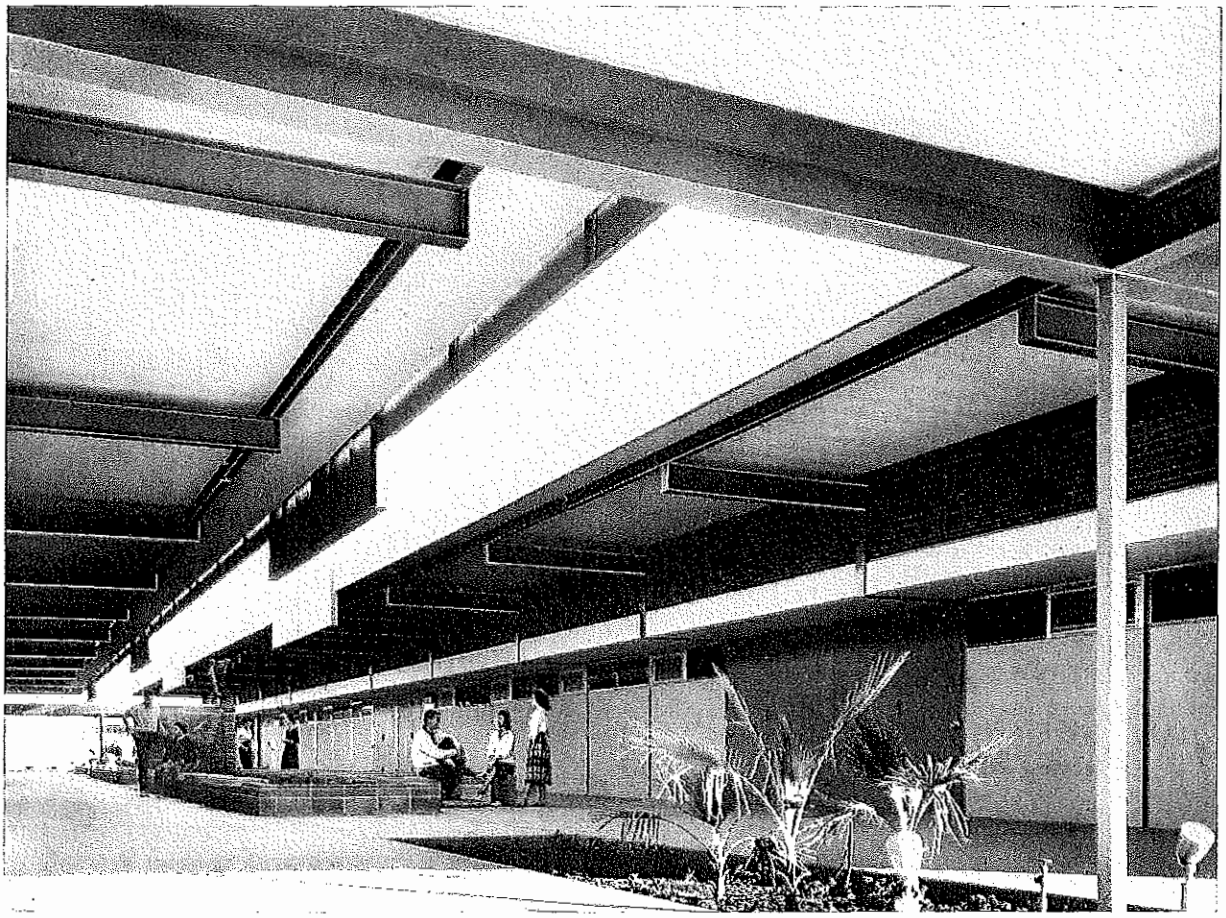
Companies acquired

As announced in the last Annual Report, on January 21, 1960 Rheem acquired Ruud Manufacturing Company, Kalamazoo, Michigan, and its line of commercial water heaters. On November 30, 1960 the Calcor Corporation's Building Division, Los Angeles, maker of patented, preassembled metal building panels, was purchased for cash.

The Company maintained adequate credit lines with banks in the United States and abroad. Term debt was reduced to $25,413,000 at December 31, 1960 from $26,184,000 at the end of 1959. The amount at the 1960 year end consisted of $20,213,000 in debentures due in 1975 and $5,200,000 in other long-term loans.

Capital expenditures of $5,847,578 in 1960 were $1,974,750 more than depreciation and compared with $3,150,153 the previous year. Net property, plant and equipment amounted to $30,447,077 at the end of 1960, compared with $28,904,906 at December 31, 1959.

Net working capital was $29,592,859 at the end of 1960, as against $37,109,640 a year previous. Ratio of current assets to current liabilities at the 1960 year end was 3.1, compared with 3.3 at December 31, 1959.



ALL-STEEL high school at Palm Springs, Calif., built by Calcor Building Division of Rheem, comprises 10 classrooms and four sanitary units, features 12-foot overhang that forms patio.

RMC449

Markets broadened; new products

In 1960, Rheem maintained its leadership in its historic volume product lines. It was necessary to contend with narrower profit margins associated with generally slack business conditions. The Company invested substantially in start-up of new product lines in growth markets that should contribute to future earnings.

Container market broadened

Rheem is the world's largest maker of steel shipping containers, and the Container Division maintained this position in the market during 1960. Steel containers of up to 55 gallons in capacity are used in chemical, petroleum, paint, food and other industries.

A continuing and intensified emphasis on efficiency in production and marketing enabled profitable operations despite a substantial general price cut instituted by competition in June and met by Rheem.

During the year production was begun at a new 30,000-square-foot plant at Freeport, Texas. The Division now operates eight plants strategically located to serve container markets throughout the country.

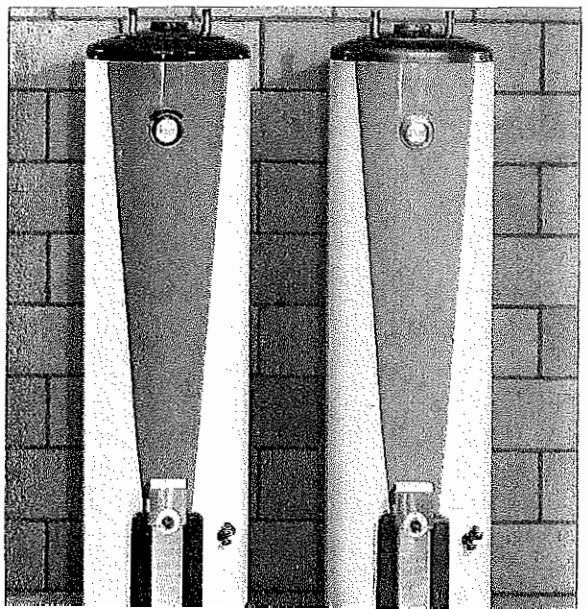
Over the years, Rheem improvements in steel containers have enhanced the Company's position in the market. Outstanding among these patented developments are the "Rheemcote" process of color lithographing sales or other customer messages on steel containers, and application of improved linings to pails and drums by the Rheem centrifugal lining process.

The Division's newer "Sterilpac" development, unique in the industry, earned increasing acceptance among food packers. In the "Sterilpac" process, special equipment packs food concentrate into 55-gallon Rheem electrolytically tin-plated steel containers in a sterile, hermetically sealed chamber and then seals the containers under vacuum. The food then may be shipped and stored indefinitely without additives—even outdoors in above freezing temperatures.

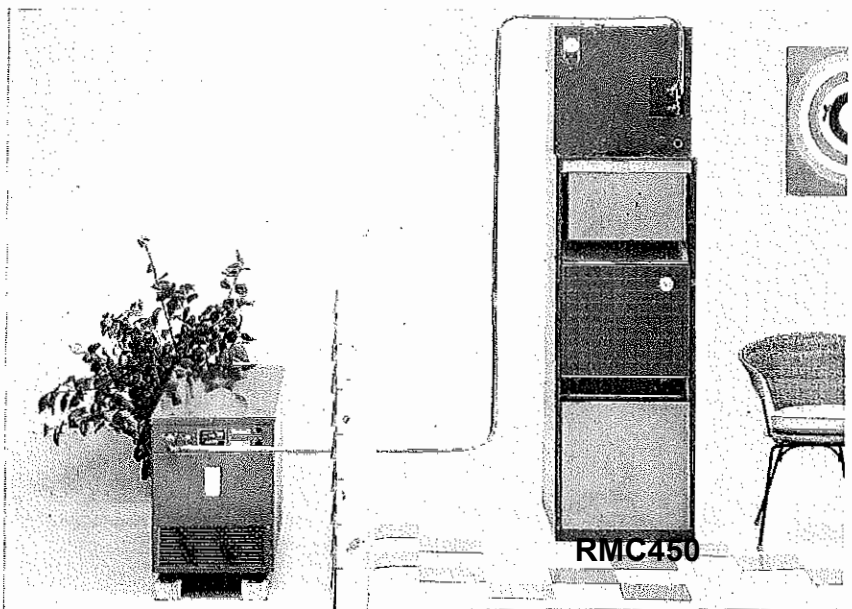
The process enables substantial savings in freight and handling costs over the conventional method of handling food concentrates in small cans known as "number ten" size. One "Sterilpac" container holds as much food concentrate as 75 number ten cans.

To further the "Sterilpac" development, Rheem entered a transaction making it sole owner of Thermovac, Inc., a subsidiary in which Rheem had held a majority interest. Rheem sold Thermovac assets unrelated to the "Sterilpac" program. Thermovac, in a joint program with Rheem, had developed the filling equipment, and now as our wholly owned subsidiary will continue to sell this equipment to food packers. Several leading food-packers in the country's important California fruit and vegetable growing areas are using

'30-PLUS' water heater allows user to select performance expected from a 30-, 40-, or 50-gallon water heater—or at any point between. It is available in Rheemglas (left) or Coppermatic.



RHEEMAIRE central air conditioning is easily added to the home. Evaporator coil, for cooling and dehumidifying, has been added to plenum of Rheemglas highboy furnace in recreation room. Condensing unit—with all moving parts of system—is outside, flanked with plantings.



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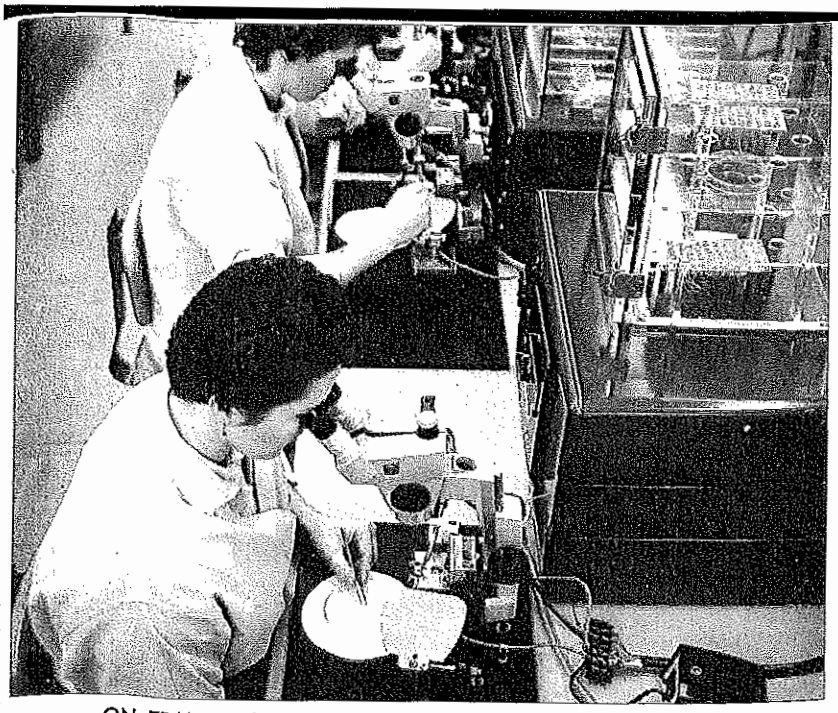


ON TRANSISTOR ASSEMBLY LINE at Rheem Semiconductor Corporation, tiny pieces of silicon are soldered to transistor headers (or bases) by employes working with microscopes.

"Sterilpac" to ship tomato, peach, apricot and other concentrates to food re-manufacturers in this country and abroad.

Home Products strengthened

During the year, the Company strengthened its leading position in the market for automatic storage water heaters and increased its sales in several other lines of products for homes and other buildings. These products include air-conditioning and heating equipment, and bathroom, kitchen and laundry fixtures for homes, schools, commercial and industrial buildings, and institutions.

A Home Products Group was established to improve coordination among the Home Products Division, the Richmond Plumbing Fixtures Division and Ruud Manufacturing Company, a separate subsidiary acquired January 21, 1960. Ruud's principal leadership in automatic storage water heaters for commercial and industrial uses complements Rheem strength in other water-heater lines.

Home Products Group results for the year were affected by greatly intensified price competition, especially in water heaters. Some of this price competition resulted from the country's slower home-building pace. Sales of plumbing fixtures and heating products tend to follow the pace of construction. In water heaters, the Home Products Group's high-volume line, the Company has taken advantage of the potentialities in the replacement market, and most water-heater dollar volume—especially in the high-quality lines—is sold in that market.

The Home Products Division increased its sales of special-purpose tanks, of all sizes and capacities up to 12,000 gallons, for a wide variety of uses.

The Home Products Group further improved operational efficiency to combat narrower profit margins. One result of the Group's research and development program is an annual saving of more than $660,000 through re-engineering of major product lines while maintaining or improving quality.

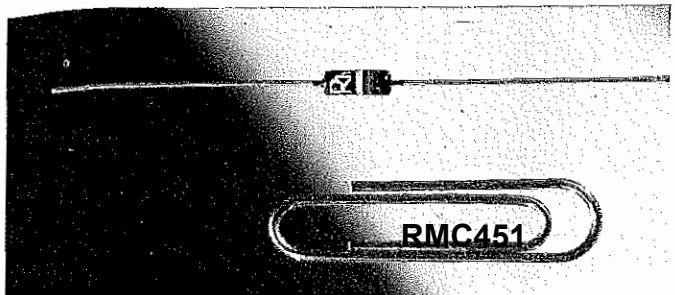
The research program also readied many new or improved products for production, including an attractive line of electric forced-warm-air furnaces to take advantage of this growing market, a complete new line of residential gas-fired furnaces, a gas-fired steel boiler, a restyled line of oil-fired furnaces, and larger capacity air-conditioning units. A new "Rheemaire" unit of 10 tons' capacity for commercial establishments will further the Company's growth in the air-conditioning market. Another new development is a "piggy back" central air-conditioner designed for economical easy addition to existing warm-air heating equipment in the home. New styling features were incorporated in a number of bathroom, kitchen and laundry fixtures.

The Home Products Group early this year announced plans to build a research center at Chicago to serve as Group headquarters for its research and development program. The building will be equipped with Rheem heating and air-conditioning equipment and plumbing fixtures, and will be constructed by Rheem's Building Division (which is described on page 11).

Semiconductor production expands

Rheem Semiconductor Corporation, subsidiary formed two years ago, expanded its initial lines of high-reliability silicon mesa transistors and silicon computer diodes to high production levels in a new 100,000-square-foot building occupied in March 1960.

DIODE replaces large vacuum tubes for many advanced electrical applications, operates basically as a check valve, allowing current to flow in one direction, blocking reverse flow. Paper clip indicates size of typical silicon diode made by Rheem Semiconductor Corporation.



Rheem Semiconductor markedly increased its sales each quarter in 1960 and obtained substantial annual supply contracts from several of the nation's largest users of semiconductors. Rheem semiconductors are used in important defense missiles and systems, such as the Atlas, Titan, Polaris, Falcon, Ballistic Missile Early Warning System, Hawk, Bomarc and many others. In addition, recurring orders are being received for semiconductors to be used in industrial computers and other commercial electronic systems.

Rheem Semiconductor's new concept of Reliability Assurance has won fast acceptance by prime contractors and military departments. It has enabled Rheem to secure military specification certificates on 18 product types—more than the number awarded any competitive product line.

After completing its top level research staff of nationally known scientists and experts in the semiconductor field, Rheem Semiconductor undertook several new research and development programs. The Company was awarded a Parts Reliability Improvement Program by AC Spark Plug, the Electronics Division of General Motors, to develop a high power silicon transistor for the Titan missile program. It is anticipated that the use of this transistor in the Titan missile will contribute to the over-all reliability of the missile. Radio Corporation of America awarded Rheem Semiconductor a contract to develop a micro-miniature transistor as a part of the over-all R. C. A. micro-module production program.

Several new Rheem products announced during 1960 included important advances in semiconductors. Rheem was first to announce a micro-miniature silicon mesa transistor (the Rheem Microbloc) that achieved the all-important hermetic seal, and first to announce availability of developmental samples of transistors made by epitaxial deposition, considered the most important advance in transistor technology in the last four years.

New automatic machines by Rhebo

Rhebo Corporation, subsidiary formed April 14, 1960, moved this year into a new plant at Sunnyvale, California, providing 20,000 square feet of floor space with modern facilities for engineering, development and production. Rhebo designs and builds precision automatic machines that rapidly assemble tiny parts into subassemblies for the electronics industry.

Early this year, Rhebo developed an automatic assembly machine capable of producing 6,000 or more transistor headers an hour. The machine inserts tiny wires 18 thousandths of an inch thick and 15 hundredths of an inch long into minute holes in one part, adds several other tiny parts and wires in a sequence of operations and then conveys the assembly to an oven for fusing as a component of a transistor. This is all accomplished without any of the parts being touched by human hands.

The machine can be adapted to many different precision operations including welding, punching and threading. It can assemble as many as 40 different kinds of parts at the same time. Tools and hoppers are easily changed to fit the requirements of a specialized assembly task.

Another Rhebo machine automatically places an aluminum wire eight thousandths of an inch thick and 18 thousandths of an inch long on the exact center of a silicon pellet four hundredths of an inch square and two thousandths of an inch thick, and holds these in place during fusing as transistor components. Production is approximately 6,000 units an hour.

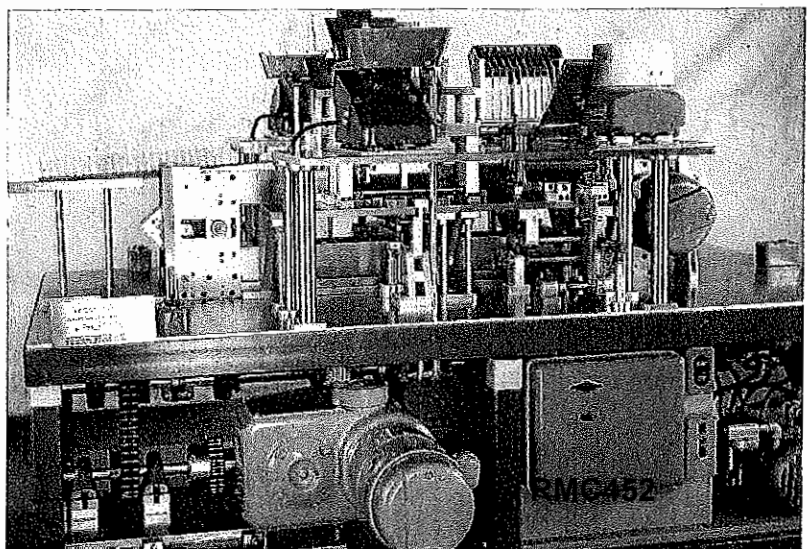
A number of other machines are under development. All machines completed or being developed are proprietary.

Rheem shows advanced automation

At the important National Machine Tool Builders' Association exposition, held once every five years, Rheem's Electronics Division exhibited three new products showing new advances in industrial automation.

A trade paper, reporting on boring machines at the exposition, said, "Numerical control, in one form or another, was employed on 13 machines, the one outstanding example being the Ex-

AT 6,000 UNITS AN HOUR, tiny transistor headers are assembled automatically by this equipment designed and built by Rhebo Corporation.



Cell-O Model 758 Numera-Trol double-end boring machine. Equipped with a Rheem Manufacturing Company four-axis tape-control system, the machine performs single-point boring operations from either end, with infinite center locations and variable bore diameters. . . . The boring bar is adjusted for the next smaller size hole diameter by tape command before the boring tool is removed."

In automatic numerical positioning control of machine tools, an electronic system "reads" punched tape to "tell" the tools what operations to perform on a part being produced. The Rheem system is believed to be the first in the automation field to achieve automatic control of bore diameter while the spindle is in motion. Under tape control, the position of the boring tool is accurate to within one ten-thousandth of an inch.

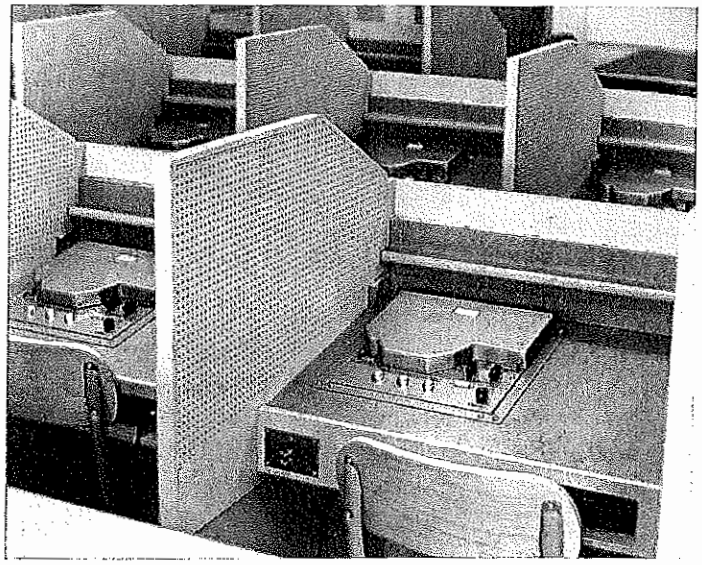
The Electronics Division announced two other new products for use in automation systems. A Rheem Transducer, which senses shaft rotation and converts this information to a digital output for measurement of linear or rotational motion, offers improved reliability and requires less space than earlier designs. A Rheem Photocell Reader for reading punched tape offers advantages in reliability, speed, precision and price.

Wide interest in teaching machines

Rheem Califone Corporation, wholly owned subsidiary, during the year increased its sales of language laboratories, phonographs and audio-visual devices for educational use, and remained in the forefront in development of teaching and training machines. These devices have drawn widespread interest in the nation's press and among educators and industrial training specialists.

The Company has produced engineering models of four teaching machines and has begun production of one, "Didak 501," which at first is expected to be used largely in research by educators and industrial training experts, primarily in developing "programs" of training material to be used in the machines.

"Didak 501," about the size of a typewriter, is a mechanical device. Other Rheem machines are electrical or electronic. "Didak 501" shows a learner some information containing a question. He writes his answer on a paper scoring tape under an open answer window. Then he moves a lever that slides a glass over the answer window and opens a shutter to let him compare his answer with the correct response. Then he advances the device to the next question.



LANGUAGE LABORATORIES made by Rheem Califone Corporation speed learning of foreign languages in schools and colleges.

The machine insures his active participation, helps him move logically through steps of learning that build on each other, tells him immediately how he is doing at any point and "reinforces" his learning as he goes. The machine frees the teacher from routine tasks of testing, drilling and grading. It lets the teacher have more time for the professional aspects of teaching.

During the recent period of increased interest in teaching machines, there have been many experiments, using varied teaching material and machines made by different groups or individuals. In one experiment, 34 eighth graders using teaching machines worked 50 minutes a day on algebra. There were no lectures, no textbooks and no homework. In less than one semester all 34 pupils completed a full year's work, and half of these eighth graders earned a ninth grade score on a standard achievement test. The rest scored average for the eighth grade or better.

In school language laboratories, a student in an individual booth hears a foreign language spoken by natives on tape or records. He hears his own imitation through headphones. For comparison, he may record the "master" and his response. He gets as much actual conversation in one laboratory session as many students get in an entire semester of conventional classroom work. A console enables the teacher to monitor, record or speak to individual students or to the whole class.

Installation of language laboratories in sec-

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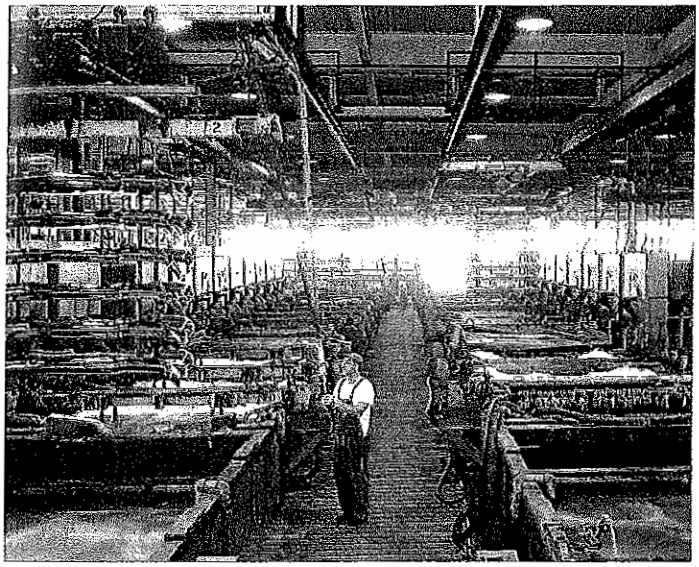


GLEAMING BUMPERS move through nickel-plating line in automated plating area at Automotive Division plant, Fullerton, Calif.

ondary schools, colleges and some primary schools has been accelerated through federal funds made available under the National Defense Education Act of 1958 to match local funds, and Rheem Califone laboratories now are in hundreds of school systems throughout the country.

Rheem Califone is scheduled to move early this year into a new 50,000-square-foot production facility at 5922 Bowcroft Avenue, Los Angeles.

Automotive and new building activities

Sales by our Automotive Division declined last year as a result of the industry's increased production of compact cars, which require less material. The Division makes bumpers, springs and other automotive parts. The Division's modern plant on a 54-acre site at Fullerton, California, comprising almost half a million square feet of space with the latest in automated facilities, is ideally suited for efficient, high-speed metal fabricating, machining, hot and cold forming, metal finishing and plating, and related production.

To expand the Division's operations into areas of additional potential growth, the Company on November 30, 1960 acquired Calcor Corporation's Building Division. Using patented, insulated steel panels and factory preassembly based on standardized modular sizes, Calcor has constructed more than 400 school classroom units in California in the last four years. There has been a growing business also in constructing all-metal shopping centers, automobile service stations, car-wash plants and other buildings.

The system offers advantages in ease of maintenance, fire-proofing, durability and speed of construction. Entire school buildings have been completed in 90 days from the award of the contract.

The preassembled panel comprises inner and outer steel sheets with gypsum board and fiberglass inside for best soundproofing and insulating qualities. This three-and-one-half-inch-thick panel has insulating qualities like those of a 12-inch masonry wall and may be given a variety of attractive paint or stucco finishes that are virtually maintenance-free.

This new activity will be operated administratively as an adjunct of the Automotive Division, and operations are continuing in a 100,000-square-foot leased site at Huntington Park, California. The Automotive Division facility is at Fullerton. Both localities are in the greater Los Angeles area.

The Company plans to extend the market for this promising new system of construction through an enlarged dealer franchise program and through the resources of Rheem plants across the country. Development of preassembled metal housing also will be accelerated.

Research and development

A corporate Research and Development Department, at South Gate, California, complements research conducted by the divisions and subsidiaries, and undertakes projects outside the scope of research in these other units of the Company. The search for marketable new products is pursued also by the corporate Growth and Acquisition Group.

Administration and management

E. S. Ronk resigned, effective September 15, 1960, as a Director and Vice President of the Company and member of the corporate Executive Management Committee.

M. R. Swain was elected a corporate Vice President of Rheem Manufacturing Company October 27, 1960. He continues as Coordinator of International Affairs.

Several non-corporate vice presidents were appointed. O. X. Pitney was appointed Vice President and General Manager of Rheem Califone Corporation, a subsidiary, May 25, 1960. On September 1, 1960 R. J. Pierson, Jr., was appointed Vice President-Marketing in the Home Products Group, and in the Automotive Division Claude E. Modesitt was appointed Vice President-Operations and Walter E. Schulz, Jr., was appointed Vice President-Controller.

RMC454

INTERNATIONAL

Sales and earnings set records

Sales and profits of Rheem subsidiary and affiliated companies abroad were at record highs in 1960.

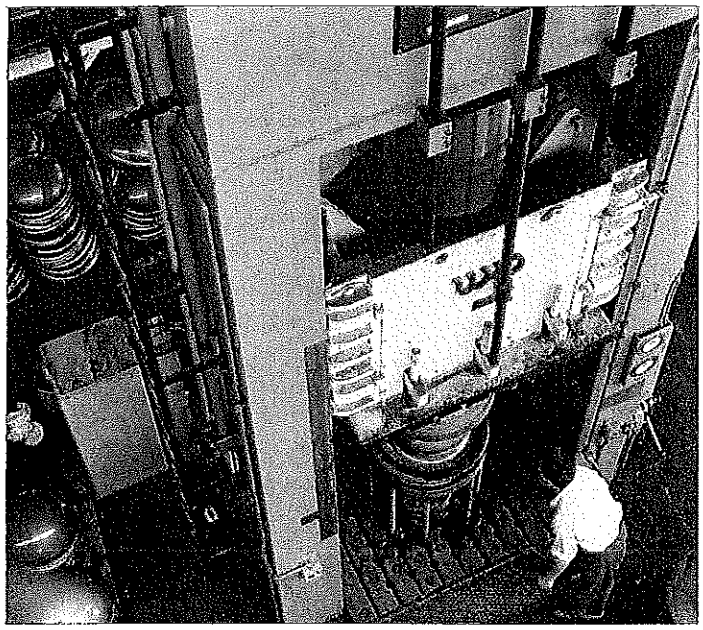
Sales of all products made by these companies amounted to $62,100,000 during the year, a 46 per cent increase over 1959 sales of $42,500,000. All subsidiaries and affiliates abroad, with 42 plants in 19 countries, operated profitably.

As noted in the financial review on page 5, the Rheem share of undistributed earnings of companies abroad of which Rheem owns 50 per cent or more is included in the consolidated statement of earnings for 1960. Investments in these companies are carried in the consolidated balance sheets at Rheem's equity in the underlying net assets. These changes in accounting methods were made to reflect the growing contribution of international operations to over-all results.

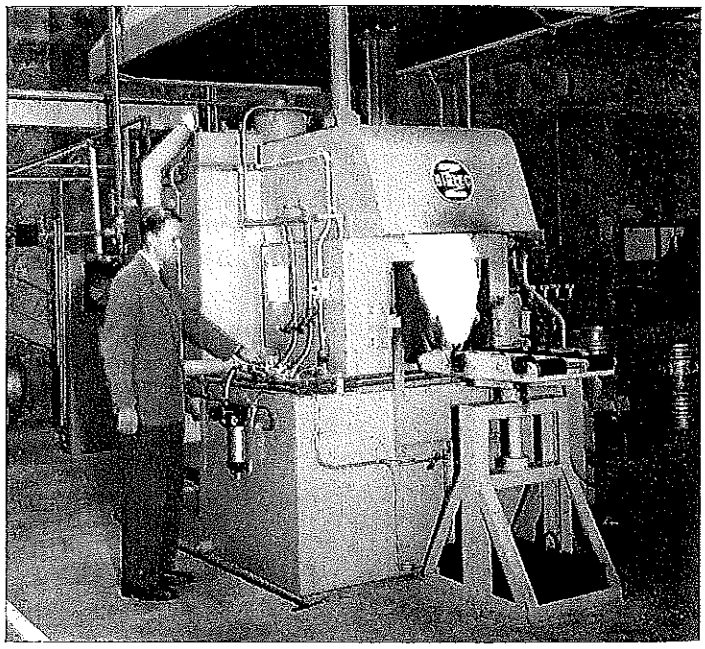
In the years of greatest Rheem growth abroad from 1947 through 1960, total dividends received from subsidiaries and affiliates abroad amounted to 92 per cent of the capital invested by Rheem. During that period, dividends were $3,918,497. As of December 31, 1960, investments and advances to subsidiaries and affiliates abroad totaled $4,851,353. The underlying equity represented by these investments has increased to approximately $9,837,195.

Growth in Australia

Rheem international activities date from 1937, when Rheem Australia, our first overseas company, was established. Today Rheem Australia operates 13 plants. During 1960 it acquired the 70-year-old business of Stuart Bros., reconditioners of steel shipping containers, with plants in Newcastle and Sydney, New South Wales; Brisbane, Queensland; and Adelaide, South Australia. Rheem Australia has other plants at Brisbane, Sydney and Adelaide, and at Melbourne, Victoria; and Fremantle, Western Australia. Early in 1961 Rheem Australia opened a new plant at Blacktown, New South Wales. The Company's products include steel shipping con-



RHEEM AUSTRALIA'S 13 plants make steel containers, appliances other products. Picture at Sydney plant shows 500-ton press doing first deep drawing operation in forming gas cylinders.



IN MEXICO CITY, this furnace in modern Rassini Rheem plant heat treats metal nuts at 850 degrees Centigrade for use by industry in Mexico and South America.

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tainers, liquid gas cylinders, a broad line of tanks, water heaters, specialized cargo containers and appliances.

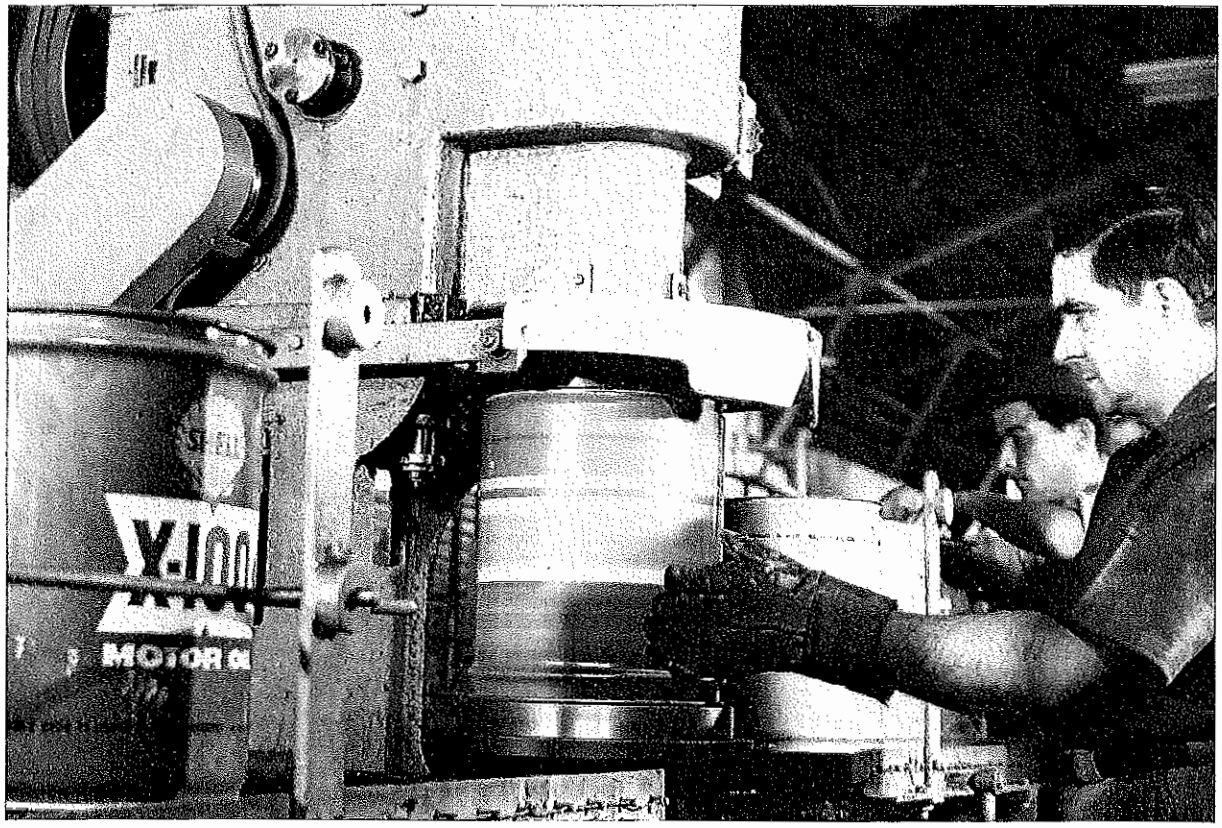
The lowering of trade barriers between certain countries, particularly in Western Europe, has created wider markets and encouraged the growth of Rheem operations. Early in 1961, the Company established a new corporation in Europe, with headquarters in Paris. The task of this organization will be to promote activities that can be carried on profitably by our subsidiaries and affiliates in the European Common Market and the European Free Trade Association.

In Common Market areas

Rheem subsidiaries and affiliates in Italy and Belgium now make products for the European Common Market countries, which include also France, Germany, the Netherlands and Luxembourg. Affiliates in the United Kingdom and Sweden serve markets opened in the European Free Trade Association, which includes also Norway, Denmark, Switzerland, Austria and Portugal.

During 1960, Rheem purchased a substantial minority interest in a Belgian company, Travail Mécanique de la Tôle, which had been licensed in 1957 to manufacture Rheem water heaters and apply Rheem linings to steel containers. T.M.T.'s plants are located at Brussels, Ghent and Ronet, Belgium, and Saint-Aubin-les-Elbœuf, France, and affiliates are at Istanbul, Turkey, and Leopoldville, the Congo. T.M.T. makes steel containers, liquid propane gas cylinders and galvanized metal products, in addition to water heaters designed by Rheem U. S. and Rheem Safim, a subsidiary in Milan, Italy.

Rheem International, S.A. and Safim Siderurgica, S. p. A. established a subsidiary company, Rheem Safim Tubi, S. p. A., to make medium-diameter welded steel pipe in a plant at Palermo, Sicily with a maximum annual production capacity of 100,000 tons. Production is scheduled to start by mid-1961.



IN ARGENTINA, latest machinery speeds production of high quality containers. Picture shows seaming operation on pails in Buenos Aires plant of S.A.I.A.R., Rheem affiliate.

RMC456

RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1960	1959
CURRENT ASSETS:		
Cash	$ 4,789,926	$ 653,137
Short-term securities, at cost which approximates market	—	12,894,247
Accounts receivable:		
Commercial, less allowance for doubtful accounts (1960, $319,056; 1959, $202,458)	12,281,636	13,456,730
United States Goverment sources	813,221	4,679,251
Unconsolidated subsidiary and affiliated companies	993,757	831,445
Inventories, at lower of current cost or market:		
Finished and in process	12,266,100	10,063,910
Raw materials and supplies	11,969,597	9,823,621
Costs allocable to future operations—insurance, taxes, rentals, etc.	786,540	845,321
	43,900,777	53,247,662
INVESTMENTS (Note 1):		
Domestic subsidiary company and 50% owned company—at equity in underlying net assets	2,644,101	2,610,178
Companies operating in foreign countries:		
Owned 50% or more—at equity in underlying net assets	6,337,195	5,208,178
Less than 50% owned—at cost (approximate equity in underlying net assets—1960, $3,500,000; 1959, $2,800,000)	3,191,862	2,397,801
	12,173,158	10,216,157
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	918,930	968,057
Buildings, machinery and equipment, less accumulated depreciation and amortization (1960, $29,412,892; 1959, $25,175,527)	29,528,147	27,936,849
	30,447,077	28,904,906
OTHER ASSETS:		
Unamortized patent costs and long-term debt expense	1,015,769	912,436
Sundry receivables, real estate, etc.	795,512	2,051,315
	1,811,281	2,963,751
	$88,332,293	$95,332,476

See notes to financial statements on pages 16-17.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET

LIABILITIES	December 31 1960	1959
Current Liabilities:		
Notes payable	$ —	$ 300,000
Current installments of long-term indebtedness	2,913,000	1,000,000
Accounts payable	5,884,929	9,758,778
Compensation, interest and sundry accruals	3,578,098	2,927,953
Federal income taxes, estimated (Note 2)	1,299,836	1,630,604
Retirement plans contribution payable to trustee (Note 3)	632,055	520,687
	14,307,918	16,138,022
Long-Term Indebtedness (Note 4):		
5% term note payable to bank in 1962	2,500,000	4,750,000
3⅝% sinking fund debentures due in 1975	19,600,000	20,434,000
4¾% notes payable, 1962-1969	400,000	—
	22,500,000	25,184,000
Federal Income Taxes Deferred to Future Years	558,000	627,000
Minority Interest in Consolidated Subsidiaries	108,143	100,645
Capital and Retained Earnings (Note 5):		
Cumulative preferred stock, par value $100 per share; 1960 authorized 70,953 shares; 4½% convertible series, outstanding 7,165 shares	716,500	816,700
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding, 2,008,309 shares	2,008,309	1,951,538
Capital in excess of par value of shares outstanding (increase in 1960 represents chiefly excess of proceeds over par value of common shares issued in acquisition of Ruud or sold under stock option plan)	34,148,139	32,860,728
Earnings retained for use in the business (Note 4)	13,985,284	17,653,843
	50,858,232	53,282,809
	$88,332,293	$95,332,476

See notes to financial statements on pages 16-17.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1960	**1959**
INCOME:		
Net sales	$122,556,002	$140,270,344
Dividends from companies operating in foreign countries	490,866	243,155
Miscellaneous income	429,235	409,580
	123,476,103	140,923,079
COSTS:		
Cost of goods sold	110,960,734	124,284,859
Selling, general and administrative expenses	14,822,641	13,185,266
Interest	1,157,253	1,101,162
Loss (net) on disposition of plant facilities	—	250,010
	126,940,628	138,821,297
	(3,464,525)	2,101,782
Minority interest in losses, net, of consolidated subsidiaries	75,620	217,169
Provision for estimated federal income taxes less deferred income taxes provided in prior years (1960, $69,000; 1959, $615,000) (Note 2)	(140,000)	528,000
	(3,528,905)	2,846,951
Share of undistributed net earnings of unconsolidated companies, 50% owned or more, operating in foreign countries (Note 1)	797,997	628,095
(Loss) earnings for year	(2,730,908)	3,475,046
Earnings retained for use in the business at the beginning of the year	17,653,843	11,556,946
Share at January 1, 1959, of undistributed net income of unconsolidated companies, 50% owned or more, operating in foreign countries (Note 1)	—	3,251,612
Dividends paid in cash:		
Preferred stock—$4.50 per share	(35,643)	(44,300)
Common stock—1960, $.45 per share; 1959, $.30 per share	(902,008)	(585,461)
Earnings retained for use in the business at the end of the year (Note 4)	$ 13,985,284	$ 17,653,843

Provision for depreciation and amortization of plant and equipment charged to earnings: 1960, $3,872,828; 1959, $3,506,463.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1960

NOTE 1 — Principles of Consolidation

All domestic subsidiaries except for a finance company have been consolidated. During 1960, Rheem changed its method of accounting for its investments in its finance subsidiary, in foreign subsidiaries and in domestic and foreign 50% owned companies from the cost method to the book value method. Under the latter method these investments are carried at Rheem's equity in the underlying net assets and the consolidated statement of earnings includes Rheem's share of undistributed net income. For purpose of comparison, the 1959 financial statements have been restated with respect to foreign companies to reflect this change; as to domestic companies, the effect of the change was insignificant.

The financial statements of companies operating in foreign countries have generally been translated to U. S. dollars by use of current rates of exchange except that as to companies 50% owned or more, property accounts and the related depreciation provisions have been translated at rates prevailing at the dates the properties were acquired.

The 1960 financial statements include the accounts of Ruud Manufacturing Company, substantially all capital stock of which was acquired in January, 1960. At the date of acquisition the underlying net assets were approximately $1,400,000 in excess of the cost of the investment. Such excess, being substantially equivalent to the estimated cost of warranties on Ruud products sold prior to 1960, has been accounted for in the ac-

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companying consolidated statements as a liability for anticipated claims at the date of acquisition.

NOTE 2 — Federal Income Taxes

Certain income tax matters relating to the years 1951 and 1952 are being litigated by the Company, and certain income tax matters for the years 1953 to 1956 are being contested by the Internal Revenue Service. In the opinion of management, reasonable provision has been made in the financial statements for income taxes, but the final outcome of the disputed issues is not presently determinable.

NOTE 3 — Retirement Plans

The Company maintains pension plans for all employees with 15 or more years of service, except for employees represented by certain unions and employees of certain subsidiaries which do not participate in the plans. Pension expense for the plans amounted to $632,055 in the year 1960. This is the amount estimated on the basis of an actuarial study as the cost of benefits accruing during the year under the plans, plus interest on the estimated unfunded past service cost of $7,200,000. Estimated unfunded past service costs increased during 1960 as a result of granting additional retirement benefits to all employees participating in the plans.

NOTE 4 — Long-Term Indebtedness

Under the terms of the credit agreement governing the term note payable to the bank, the Company may not, without the lender's consent, pay cash dividends on its common stock in excess of 25 per cent of its net earnings after December 31, 1957 (less preferred dividend requirements), plus $1,000,000. Retained earnings of $13,463,039 are not available for dividends under this restriction. Among other restrictions, the agreement requires the Company to maintain consolidated working capital of $28,500,000.

The indenture relating to the 3⅞% sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1960 ($287,000) may be used to satisfy part of the 1961 sinking fund requirement. The remainder of the 1961 requirement is included in current liabilities. The provisions of the indenture relating to payment of cash dividends are less restrictive than provisions of the credit agreement.

NOTE 5 — Capital Stock

The outstanding preferred stock is convertible into common stock until June 1, 1961, in the ratio of 2.97 shares of common for each share of preferred. The preferred stock may be redeemed by the Company at prices ranging from $104.50 at December 31, 1960, to $102 after June 1, 1971. Annual payments of $333,333 into a sinking fund for retirement are required, but only to the extent of the consolidated net earnings (as defined in the articles of incorporation) in the preceding year.

The Company has stock option incentive plans under which options may be granted to officers and key employees to purchase common stock at prices not less than 95 per cent of the fair market value at the time the options are granted. During the year 1960, options to purchase 11,750 shares were granted, options to purchase 3,000 shares were cancelled and options to purchase 5,700 shares were exercised at $10.93 per share. At December 31, 1960, there were options outstanding for 86,150 shares at prices ranging from $10.93 to $24.50 per share. Options to purchase 25,300 shares issued in 1958 may be exercised up to seven years after the date granted; options granted in 1959 and 1960 may be exercised one to ten years after the date granted.

At December 31, 1960, 21,280 shares of common stock were reserved for conversion of preferred stock and 108,300 shares were reserved under the stock option plans.

NOTE 6 — Long-Term Leases

The Company occupies some of its manufacturing and office premises under long-term leases. Minimum annual rental payments required during 1961 will be about $1,200,000. Of this amount, $320,000 relates to a lease expiring more than 20 years from December 31, 1960. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

PRICE WATERHOUSE & CO.

100 MONTGOMERY STREET
SAN FRANCISCO 4

March 6 1961

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, based on our examination and on the reports of other independent accountants as to certain companies operating in foreign countries, the accompanying statements present fairly the financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1960 and the results of their operations for the year, in conformity with generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year after giving retroactive effect to the adoption, which we approve, of the policy of carrying certain investments at the Company's equity in underlying net assets as explained in Note 1 to the financial statements. Our examination of the consolidated financial statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

RMC460

RHEEM MANUFACTURING COMPANY

	1960	1959	1958
ASSETS			
Current assets	$ 43,901	$ 53,247	$ 48,078
Investments	12,173*	10,216*	5,584
Property, plant and equipment—less reserves	30,447	28,905	34,758
Other assets	1,811	2,964	2,699
Total assets	88,332	95,332	91,119
LIABILITIES			
Current liabilities	14,308	16,138	14,169
Long-term indebtedness	22,500	25,184	28,150
Deferred income tax	558	627	1,242
Total liabilities	37,366	41,949	43,561
MINORITY INTEREST	108	100	—
CAPITAL AND RETAINED EARNINGS			
Preferred stock	717	817	1,209
Common stock	2,008	1,952	1,952
Obligation to former shareholders of subsidiary	—	—	—
Capital in excess of par value	34,148	32,860	32,840
Retained earnings	13,985	17,654	11,557
Total capital and retained earnings	$ 50,858	$ 53,283	$ 47,558
INCOME			
Net sales	$122,556	$140,270	$151,312
Dividends from foreign companies	491	243	446
Miscellaneous income	429	410	184
Total income	123,476	140,923	151,942
COSTS			
Costs, excluding interest	125,784	137,720	150,516
Interest	1,157	1,101	1,294
Total costs	126,941	138,821	151,810
INCOME (LOSS) BEFORE TAXES	(3,465)	2,102	132
MINORITY INTEREST	(76)	(217)	—
FEDERAL INCOME TAXES (TAX CREDITS)	140	(528)	(170)
EARNINGS OF UNCONSOLIDATED COMPANIES	798*	628*	
EARNINGS (LOSS) FOR THE YEAR	(2,731)	3,475	302
PREFERRED DIVIDENDS PAID	36	44	71
COMMON DIVIDENDS PAID	902	586	195
SUNDRY CHARGES	—	—	—
RETAINED EARNINGS (LOSS) FOR THE YEAR	$ (3,669)	$ 2,845	$ 36
EARNINGS (LOSS) PER SHARE OF COMMON STOCK	$ (1.38)	$ 1.76	$ .12
WORKING CAPITAL	$ 29,593	$ 37,110	$ 33,909
BOOK VALUE, COMMON STOCK	$ 24.97	$ 26.88	$ 23.75
NUMBER COMMON SHAREHOLDERS	13,878	12,835	12,702

* Amounts reflect book value method of accounting for unconsolidated companies owned 50% or more. See Note 1 on page 16.

RMC461

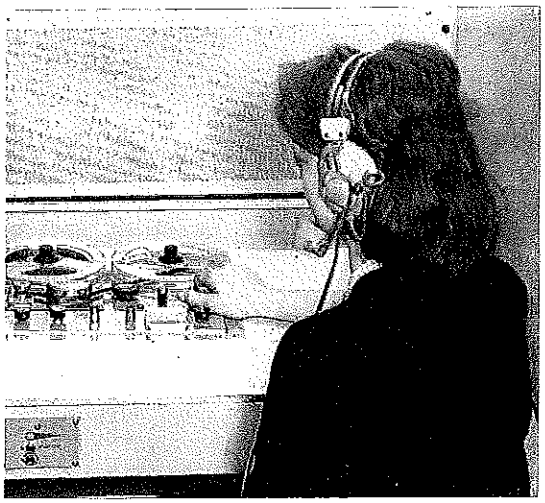
TEN-YEAR REVIEW

(000 omitted)

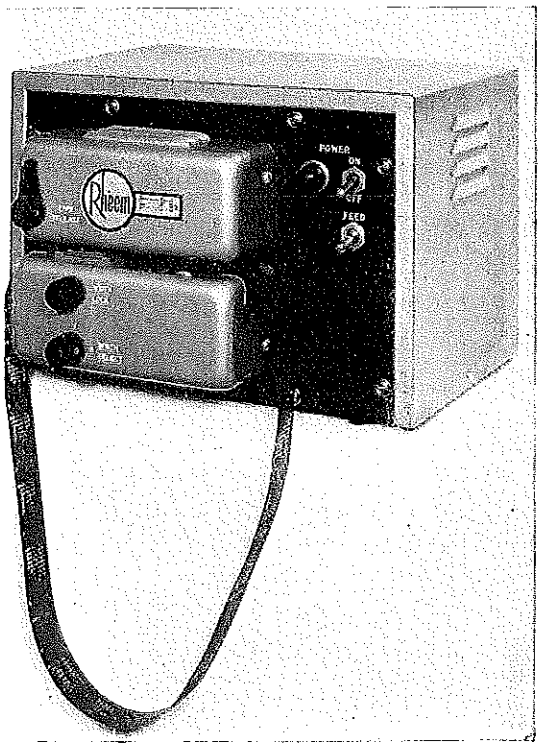
1957	1956	1955	1954	1953	1952	1951
$ 55,204	$ 81,277	$ 62,414	$ 46,371	$ 54,013	$ 50,259	$38,253
5,015	4,321	1,958	2,090	1,942	1,832	1,351
39,075	40,792	41,554	36,981	30,888	31,736	29,666
2,168	2,436	1,344	—	—	—	—
101,462	128,826	107,270	85,442	86,843	83,827	69,270
19,160	55,690	21,993	20,254	30,725	29,056	20,085
30,800	23,262	26,093	13,720	12,380	13,067	14,000
1,622	1,599	1,138	580	—	—	—
51,582	80,551	49,224	34,554	43,105	42,123	34,085
—	—	—	—	—	—	—
1,751	1,855	3,059	6,010	9,990	9,990	9,999
1,952	1,952	1,917	1,542	1,249	1,249	1,049
1,882	1,882	—	—	—	—	—
32,774	32,758	31,695	26,063	17,575	17,575	11,945
11,521	9,828	21,375	17,273	14,924	12,890	12,192
$ 49,880	$ 48,275	$ 58,046	$ 50,888	$ 43,738	$ 41,704	$35,185
$188,581	$173,903	$180,274	$163,623	$188,005	$144,524	$94,107
400	290	278	214	73	523	331
285	90	440	977	110	62	76
189,266	174,283	180,992	164,814	188,188	145,109	94,514
183,784	188,272	167,355	152,911	174,250	137,040	81,202
2,045	1,929	997	856	1,056	869	296
185,829	190,201	168,352	153,767	175,306	137,909	81,498
3,437	(15,918)	12,640	11,047	12,882	7,200	13,016
—	—	—	—	—	—	—
1,468	(6,755)	6,418	5,020	7,900	3,300	8,765
—	—	—	—	—	—	—
1,969	(9,163)	6,222	6,027	4,982	3,900	4,251
81	97	176	366	450	450	280
195	1,769	3,859	3,312	2,498	2,753	2,459
—	518	—	—	—	—	165
$ 1,693	$(11,547)	$ 2,187	$ 2,349	$ 2,034	$ 697	$ 1,347
$ .97	$ (4.75)	$ 3.15	$ 3.67	$ 3.63	$ 2.76	$ 3.78
$ 36,044	$ 25,587	$ 40,421	$ 26,117	$ 23,288	$ 21,203	$18,168
$ 23.70	$ 22.82	$ 28.68	$ 29.11	$ 27.01	$ 25.38	$ 24.01
13,798	14,491	14,890	8,225	7,420	7,946	5,479

RMC462

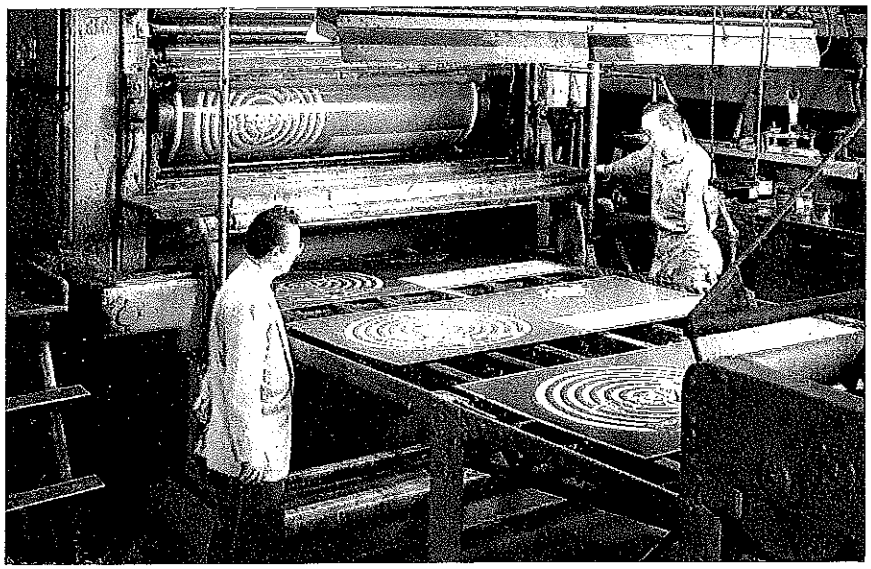
Views of Rheem



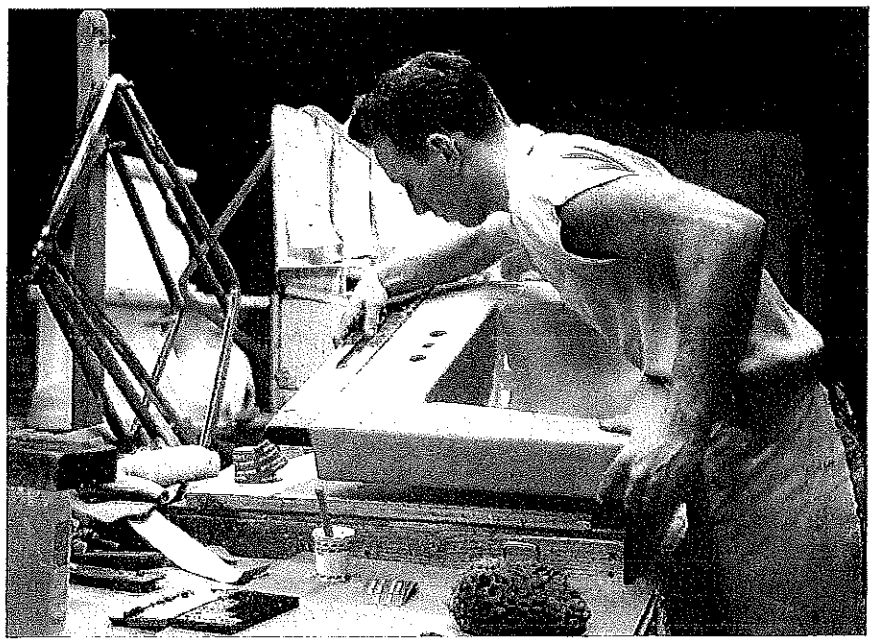
LANGUAGE LABORATORY close-up shows one type of individual student booth and equipment made by Rheem Califone.



PHOTOCELL READER electronically "reads" punched tape for automatic data processing and process control purposes.

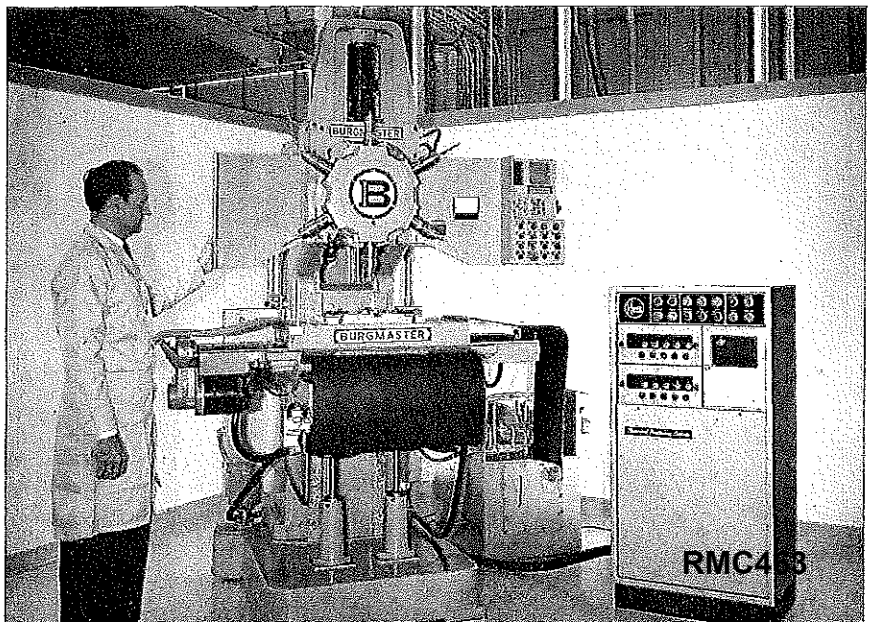


COLOR PRINTING ON STEEL helps make "Rheemcote" shipping containers.



INSPECTOR checks lavatory for proper alignment. Painstaking quality control program is production feature at Metuchen, N. J. pottery of Richmond Plumbing Fixtures Division.

RHEEM ELECTRONIC numerical positioning control system, linked to Burgmaster turret drill, "reads" punched tape "instructions," automatically guides machine's work.



AROUND THE WORLD

U.S. plants listed on inside front cover

ARGENTINA

Sociedad Anonima Industrial y Comercial de Aceros Rheem (SAIAR)
Adam D. Walger, General Manager
333 Calle Cordoba, 2°
Buenos Aires, Argentina

AUSTRALIA

Rheem Australia Industries Pty., Ltd.
Melbourne, Australia

Rheem Australia Pty., Limited
Lynn Arnold, General Manager
P. O Box 6, Rydalmere, New South Wales

Rheem Simpson Limited
533 Grand Junction Rd.
Wingfield, Adelaide, S. Australia

Plants

Blacktown, New South Wales
Newcastle, New South Wales
Rydalmere, New South Wales (2 plants)
Sydney, New South Wales (3 plants)
Brisbane, Queensland (2 plants)
Melbourne, Victoria
Fremantle, W. Australia
Adelaide, S. Australia (2 plants)

BELGIUM

Travail Mécanique de la Tôle, S.A.
Jacques Stevens, Managing Director
147 Boulevard de la IIe Armée Britannique
Forest-Brussels, Belgium

Plants

Forest-Brussels
Ghent
Ronet

BRAZIL

Participações Metalurgicas, S.A. (PARMET)
Av. Beira Mar 262, sala 703
Rio de Janeiro, Brazil

Rheem Metalurgica, S.A.
Fernando Pernambuco, Managing Director
Caixa Postal 4696, Rio de Janeiro, Brazil

Rheem-Senotubo Metalurgia, S.A.
Carlos P. Bergallo, Director-Superintendent
Caixa Postal 8624, São Paulo, Brazil

Industria Metalurgica, S.A. (INDUSA)
Mario Colnaghi, General Manager
Rua Xavier de Toledo 114
São Paulo, Brazil

CANADA

Rheem Canada Limited
Trumbull Warren, President and General Manager
128 Barton Street West, Hamilton, Ontario

Plants

Hamilton, Ontario
Edmonton, Alberta

Ruud Manufacturing Company
A. J. Strain, Vice President and General Manager
Portland and Windsor Streets
Mimico, Ontario

CHILE

Rheem Chilena, S.A.
Rafael Budnik, President and General Manager
John J. C. Herndon, Commercial Manager
Casilla 9229, Santiago, Chile

THE CONGO

Société Coloniale de la Tôle (SOCOTOLE)
Leopoldville, the Congo

Société COBEGA
Leopoldville, the Congo

ENGLAND

Rheem Lysaght Limited
Norman W. M. Iles, Managing Director
St. Vincent's Iron Works
Bristol, England

Solartron-Rheem, Ltd.
J. E. Bolton, Director
Thames Ditton, Surrey, England

W. A. Hunt, Special Representative
Rheem Manufacturing Company
16 Berkeley Street
London, W. 1, England

FRANCE

Paris office
Rheem International
242 Rue de Rivoli, Paris, France

Anciens Ets. Pelisse
St. Aubin-les-Elbœuf
Seine-Maritime, France

GERMANY

Deutsche Rheem G.m.b.H.
Kaiserstrasse 75
Frankfurt am Main, Germany

GREECE

ISOLA, S.A.
G. P. Dracos, Managing Director
40 Egheou Street, N. Faliron
Athens, Greece

ITALY

Rheem Safim, S.p.A.
Jack O. Tebyriça, Ing. Gaetano Ferrara, Managing Directors
Via Stephenson 75, Milan, Italy

Industria Siciliana Profilati Acciaio, S.p.A. (ISPA)
Giovanni Lorenzini, Plant Manager
Via Della Ferrovia, San Lorenzo Colli
Palermo, Sicily, Italy

Rheem Safim Tubi, S.p.A.
Walter Stage, Technical Manager
Via Della Ferrovia, San Lorenzo Colli
Palermo, Sicily, Italy

MEXICO

Rassini Rheem, S.A.
Guillermo Gotlib, General Manager
Apartado Postal No. 26711
Mexico City, Mexico

Servicio Especializado de Muelles, S.A.
Guillermo Gotlib, General Manager
Avenida de Taller, 92
Mexico City, Mexico

NEW ZEALAND

Rheem New Zealand, Ltd.
R. G. Close, Manager
P. O. Box 34, Tawa
Wellington, New Zealand

PERU

Rheem Peruana, S.A.
Alfredo Larrañaga, Vice Chairman
Apartado 3679, Lima, Peru

Inmobiliaria Rheem, S.A.
Avenida Industrial 525, Lima, Peru

PHILIPPINES

Rheem of the Philippines, Inc.
Gordon Mackay, Plant Manager
P. O. Box 942, Manila, Philippines

SINGAPORE

Rheem-Hume (Far East) Limited
J. Allan, Chairman and Managing Director
P. O. Box 297, Singapore

SPAIN

Fabricación de Envases Metálicos, S.A. (FEMSA)
Pedro Oller, President
Serrano 63, Madrid 6, Spain

Plant

Barcelona

Cia. Española de Petroleos
Tenerife, Canary Islands

SWEDEN

Rheem Elit Emballage
Karl J. Enderlein, Managing Director
Dals Langed, Sweden

SWITZERLAND

Rheem International, S.A. (RISA)
Jean Jacques Zweifel, Managing Director
Bahnhofstrasse 3, Zurich, Switzerland

Rheem Overseas, S.A. (ROSA)
Jean Jacques Zweifel, Managing Director
Bahnhofstrasse 3, Zurich, Switzerland

TURKEY

Türkiye Madeni Sanayi, A.S. (TURMASAN)
Emile Elagöz, General Manager
Atlantik Han, Findikli-Istanbul, Turkey

VENEZUELA

Industrias Venezolanas van Leer, C.A.
A. F. ten Wolde, Works Manager
Apartado 23, Punto Fijo, Venezuela

RMC464 Printed in U.S.A.

Rheem

RMC465

PERMANENT RETENTION

Annual Report 1961

RHEEM MANUFACTURING COMPANY

RMC466

RHEEM PRODUCTS AND SERVICES

CONTAINER DIVISION

1701 W. Edgar Road, Linden, N. J.
W. S. Goodfellow, vice president and general manager
Plants at Linden, N. J.; Chicago; Freeport and Houston, Texas; New Orleans, La.; Richmond and South Gate, Calif.; Tacoma, Wash.

Steel and fiber shipping containers

THERMOVAC, INC., subsidiary

801 Chesley Ave., Richmond, Calif.

Food processing and handling equipment

ELECTRONICS DIVISION

5200 W. 104 St., Los Angeles 45, Calif.
Dr. W. C. Leone, vice president and general manager
Plant at Los Angeles, Calif.

Automation systems and equipment, including controls for machine tools, data processing equipment, photocell tape readers, tape spoolers and other input and output devices

HOME PRODUCTS GROUP

7600 S. Kedzie Ave., Chicago 52, Ill.
V. J. Heinis, president
E. F. Paquette, executive vice president
Plants at Chicago; Houston, Texas; New Orleans, La.; Richmond, Calif.; Metuchen, N. J.; Monaca, Pa.; Kalamazoo, Mich.; and Mimico, Canada

Automatic storage water heaters, Ruud commercial water heaters, central heating and air conditioning equipment, special purpose tanks of all sizes; vitreous china and cast iron enameled bathroom, kitchen and laundry fixtures; central heating equipment

INTERNATIONAL DIVISION

400 Park Ave., New York 22, N. Y.
Mario Capelli, vice president and general manager

Direction of Company's international manufacturing activities and export sales

ORENDORFF MANUFACTURING COMPANY, subsidiary

4900 S. Boyle Ave., Los Angeles 58, Calif.
M. C. Orendorff, president
Plant at Los Angeles, Calif.

Cultivating and other earth-engaging tools for agriculture, road-building and industry

RHEEM ACCEPTANCE CORPORATION, subsidiary

538 West Grande Ave., Oakland 12, Calif.
R. S. Greenwood, president

Dealer and consumer financing

RHEEM CALIFONE CORPORATION, subsidiary

5922 Bowcroft St., Los Angeles 16, Calif.
O. X. Pitney, vice president and general manager
Plant at Los Angeles, Calif.

Teaching machines, language laboratories and sound systems for schools and industrial training

RHEEMETAL BUILDING DIVISION

3383 E. Gage Ave., Huntington Park, Calif.
O. W. Carrico, vice president and general manager
Plants at Huntington Park, Los Angeles and Sante Fe Springs, Calif.

Construction of schools and commercial and other buildings using patented insulated metal panels and factory preassembly of major components to modular sizes; torsion bars for military suspension systems; plastic and other anti-corrosive coatings for metal and other products

---

TRANSFER AGENTS	*Common Stock* Wells Fargo Bank, San Francisco, Calif. The Chase Manhattan Bank, New York, N. Y.
REGISTRARS	*Common Stock* Bank of America, National Trust and Savings Association, San Francisco, Calif. First National City Trust Company, New York, N. Y.
GENERAL COUNSEL	Herbert E. Hall, Crocker Building, San Francisco 4, Calif.
GENERAL ATTORNEY	Walter S. Lewis, Rheem Manufacturing Company, 400 Park Avenue, New York 22, N. Y.

Annual Report 1961

Rheem Manufacturing Company

CORPORATE HEADQUARTERS—400 PARK AVENUE, NEW YORK 22

Directors

C. V. Coons, *Executive Vice President*
G. M. Greenwood, *Vice President*
Herbert E. Hall, *Attorney at Law*
Earle M. Jorgensen, *President, Earle M. Jorgensen Company*
Gordon W. Mallatratt, *Group Vice President*
N. Loyall McLaren, *Member of firm of Haskins & Sells*
Duncan C. Menzies, *President, Servel, Inc.*
A. E. Ponting, *Senior Vice President, Blyth & Co., Inc.*
Thomas J. Ross, *President, T. J. Ross and Associates, Inc.*
Mark R. Sullivan, *President, Perini Land and Development Company*
A. Lightfoot Walker, *President and Chief Executive Officer*

Executive Management Committee

A. Lightfoot Walker, *Chairman*
C. V. Coons, *Vice Chairman*
G. M. Greenwood
Gordon W. Mallatratt
Duncan C. Menzies
Thomas J. Ross

Officers

A. Lightfoot Walker, *President and Chief Executive Officer*
C. V. Coons, *Executive Vice President*
Gordon W. Mallatratt, *Group Vice President*
G. M. Greenwood, *Vice President*
M. R. Swain, *Vice President*
Andrew W. Hughes, *Comptroller*
Walter S. Lewis, *Secretary*
R. T. Stroup, *Treasurer*
F. R. Grant, *Assistant Comptroller*
H. L. Fledderman, *Assistant Secretary*
W. P. Jochem, *Assistant Secretary*
F. F. Lind, *Assistant Secretary*

Contents

President's Letter reviewing 1961, and Financial Folio **Center Section**

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5 Home Products Group
7 Container Division
9 Rheem Califone Corporation
10 Electronics Division
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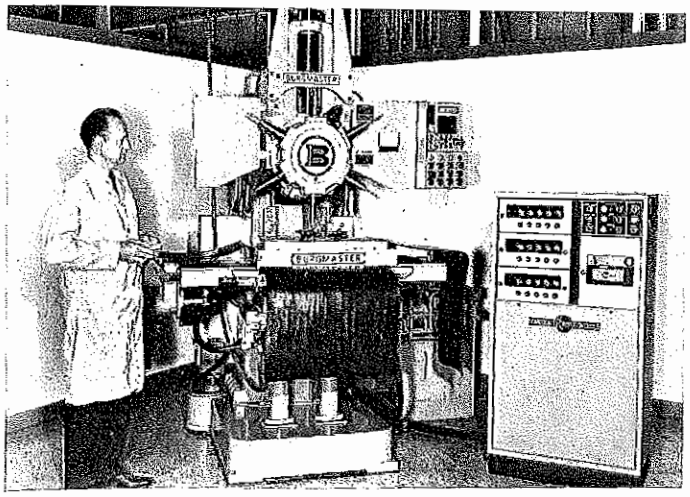
12 Orendorff Manufacturing Company
13 Research and Development
13 A Statement of Policy
14 Rheem International
16 People at Rheem

Financial Highlights

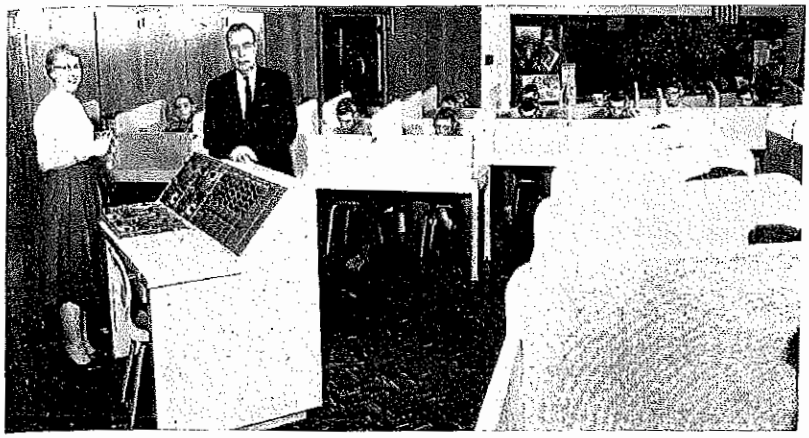
	1961	1960
Net sales	$125,175,747	$122,556,002
Loss before taxes	3,791,943	2,590,908
Federal income taxes	150,000	140,000
Loss after taxes	3,941,943	2,730,908
Loss per common share	$1.98	$1.38
Extraordinary direct charge to retained earnings	$ 7,108,304	—
Dividends paid per common share	—	$ .45
Number of common shares outstanding	2,009,309	2,008,309
Number of common shareholders	12,298	13,878
Wages and salaries paid	$ 38,464,109	$ 36,888,407

RMC468

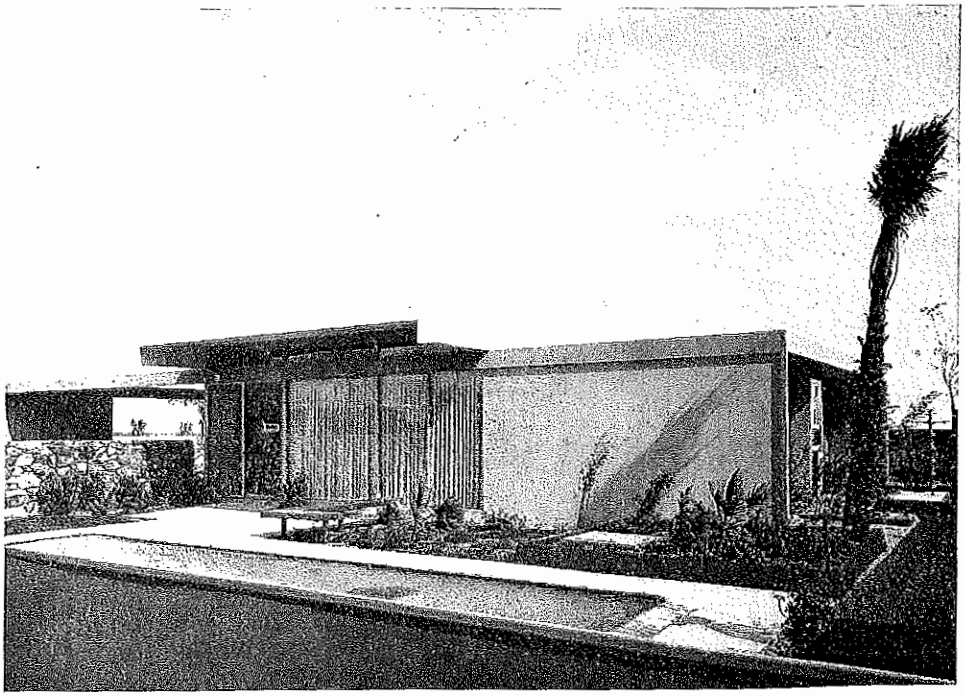
YOU CAN DIAL more hot water with Rheem '30-Plus' automatic storage water heater as changing family conditions require. Thirty-gallon heater performs like 50-gallon unit if necessary.



RHEEM ELECTRONICS three-axis numerical positioning control system, linked to Burgmaster turret drill, 'reads' punched tape instructions, automatically guides machine's work.



IN LANGUAGE LABORATORY by Rheem Califone at Blue Island, Ill., high school, students hear language spoken on tape by native, get conversational drill not possible in other teaching systems.



METAL HOME at Palm Springs, Calif. resulted from new building technology of Rheemetal Building Division. Use of patented insulated metal panels and factory preassembly of major components allowed quick construction.

IN CONTAINER RESEARCH and Technical Center, technologist inspects test cells checking preservation of quality in products exposed to various steel container linings.

RMC469

Progress Round The World

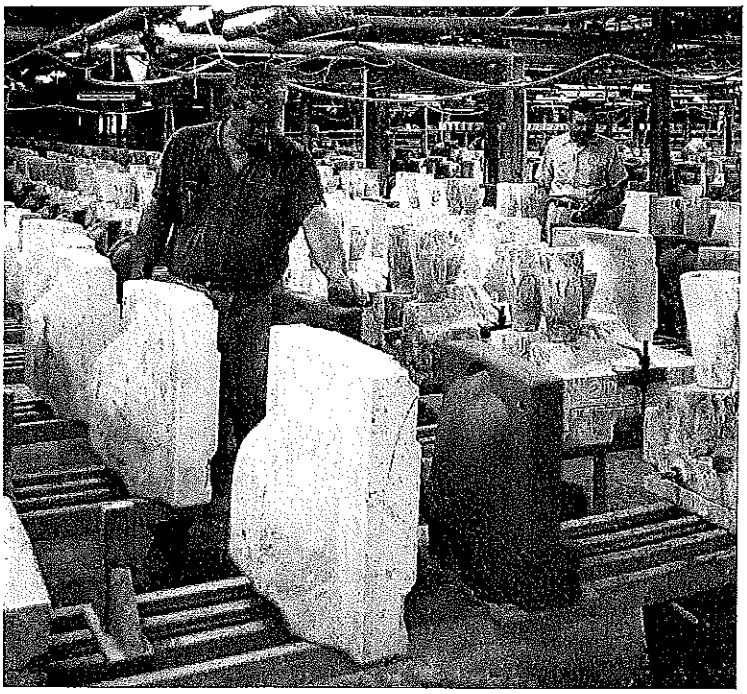
From its beginning in 1925 in a small building in Emeryville, near San Francisco, Rheem Manufacturing Company, incorporated in 1930, has grown into a world-wide organization. There are 17 plants in the United States. With partners abroad, Rheem operates 49 plants in 20 other nations.

Annual sales of more than $125 million in the United States place Rheem in the rank of the few hundred largest U. S. industrial corporations. Sales by subsidiary and affiliated plants abroad amount to another $70 million or more a year.

Rheem is the world's largest manufacturer of steel shipping containers. In the United States, these are produced by the Container Division, which also makes fiber containers.

Rheem is the foremost producer of automatic storage water heaters for homes and commercial buildings. Its related lines of central heating and air conditioning equipment, and bathroom, kitchen and laundry fixtures, enable the Rheem Home Products Group to offer one of industry's most varied lines of products for homes and other buildings.

The Electronics Division is active in a specialized segment of that growing industry. Rheem designs, engineers and makes automation systems and equipment, including controls for machine tools, data



CASTING SHOP at Metuchen, N.J. plant forms clay into shape before firing. Precisely controlled production process turns out high-quality vitreous china lavatories.

IN QUALITY TEST, employe at finish of Linden, N.J. 'Rheemcote' container line applies water to check seam for any leak as container is held under air pressure.

processing equipment, photocell readers, transducers and other input and output devices.

Rheem Califone Corporation, a subsidiary, is an important name in the growing market for educational equipment, with language laboratories, teaching machines, tape recorders and sound systems for schools and industrial training. Through a substantial minority ownership of Roberts Electronics, Inc., Rheem has an interest in the growing market for tape recorders and stereophonic sound systems in the home.

The Rheemetal Building Division is engaged in construction of schools and commercial buildings, using patented insulated metal panels and factory preassembly of major components made to exact modular sizes. New concepts of home building are being tested. A plant of this division makes torsion bars for military vehicle suspension systems. Another plant is developing a business in applying new anti-corrosive coatings to metal and other surfaces. This work is done in the plant and on installations in the field.

Orendorff Manufacturing Company, a subsidiary, makes the Ormco and Hyteco lines of earth-engaging tools for agriculture, road building and industry.

Rheem Acceptance Corporation, a subsidiary, is engaged in dealer and consumer financing.

Export sales by the domestic Company and the administration of Rheem's business interests around the world are handled by the International Division.

Rapid growth abroad has made Rheem a world-wide organization, with international skills in research, development, engineering, production and marketing, and a diversified product line.

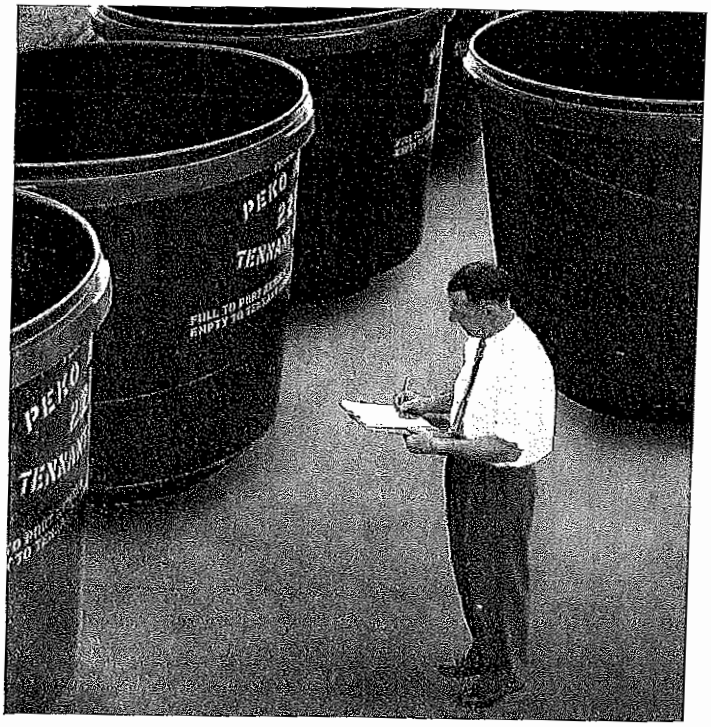
Dating from the establishment of its first overseas subsidiary, Rheem Australia Pty., Ltd., in 1937, Rheem has followed a policy that has resulted in steady growth in sales and earnings internationally. The policy is based on the mutual interest of Rheem and local business partners abroad.

Rheem policy in entering an international market is usually to set up a joint venture with an established local company. Rheem may supply cash or machinery, patents and know-how; its partner's contribution may take the form of working capital or manufacturing facilities. In some instances, Rheem enters into licensing agreements with independent companies abroad, with the intention of acquiring an equity interest when conditions are suitable.

Rheem associated companies in other countries are given a high degree of autonomy. In nearly every instance this starts with local managements who are nationals of the host country. Each overseas company is a separate corporate entity with its own board of directors, most of whose members are nationals of the host country. This emphasizes the identity of Rheem's overseas interests with those of the host economy.

The overseas companies, and Rheem U.S., benefit from exchanges of management and professional talent and technical information.

Through its international growth, Rheem has been in an ideal position to benefit from growth of the new common international markets since their beginning. Several Rheem subsidiary and affiliated companies are strategically located in countries of the European Common Market, in the countries of the European Free Trade Association and in the Latin American nations that are considering a link in their economies through a free trade zone. These plants enable Rheem and its partners abroad to benefit from the lowering of national tariff barriers to increased trade overseas.



RHEEM AUSTRALIA products include bulk cargo 'Transportainers' like these 150-cubic-foot copper ore containers that nest into each other for freight-saving return.

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Leadership in established lines; new activities in growth markets

Rheem Manufacturing Company has maintained leadership for many years in traditional product lines in which the Company became established in its early years. It has added growth in related product lines. Some of the established product lines have been important in the Company's rapid expansion abroad, although Rheem subsidiary and affiliated companies overseas also make other products suited to markets served by these companies.

In addition, the Company at home is engaged in new activities in markets of promising growth potential.

HOME PRODUCTS GROUP

Varied lines of products for homes, other buildings

The Home Products Group of Rheem Manufacturing Company offers, from a single manufacturing source, one of industry's broadest lines of products for homes and other buildings.

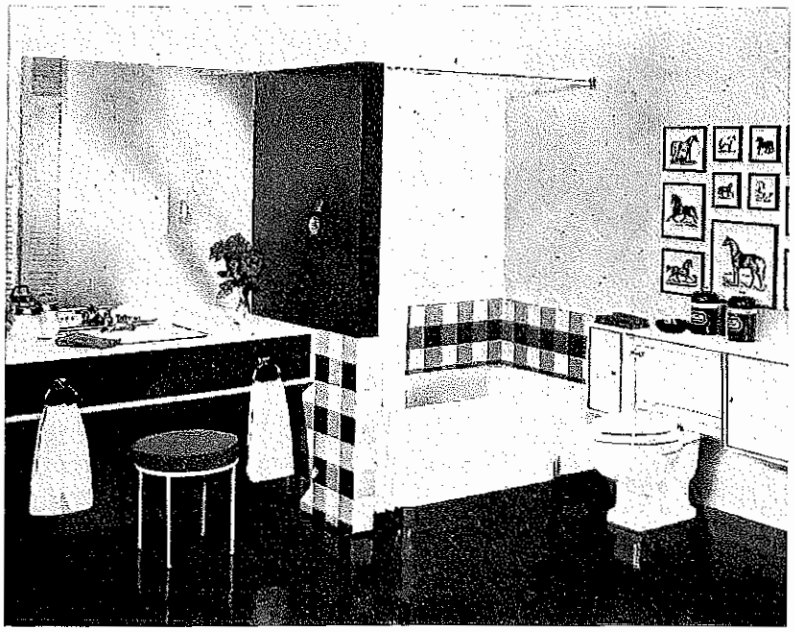
Rheem is the world's largest manufacturer of automatic storage water heaters for home and commercial use. Ruud brand water heaters, also made by Rheem, have for many years maintained an outstanding reputation in commercial applications—for restaurants, stores, apartments, office buildings, hotels and motels, schools, swimming pools, industrial plants, cleaning establishments and other similar uses.

With these lines the Home Products Group has a growing volume in central heating and air conditioning equipment, and bathroom, kitchen and laundry fixtures.

The Home Products Group also manufactures special purpose tanks of all sizes and capacities up to 12,000 gallons.

There are eight plants in the Home Products Group. Four are highly specialized production centers — Chicago, for water heaters; Kalamazoo, Mich., for heating and air conditioning equipment; Metuchen, N. J., for vitreous china plumbing fixtures; Monaca, Pa., for cast iron enameled plumbing fixtures. With a system of regional warehousing, Rheem offers its customer-wholesalers maximum flexibility and speed in delivery of mixed lots of products.

The Company offers the widest line of water heaters in the industry. There are Rheem water heaters for any fuel source — gas, oil, electricity, or "LP" (liquefied petroleum "bottle gas") — and of a wide range of capacities.



GLAMORIZED BATHROOMS use Rheem plumbing fixtures.

The Company has been a leader for many years in development of anti-corrosive tank linings. The exclusive Rheemglas, Coppermatic and Ruud Copper Sanimaster brands offer consumers high quality performance. Rheem has introduced new standards of automation in water heating by developing models with variable heating input to enable the heater to adapt capacities of performance to changing requirements of use. The same 30-gallon heater can operate as changing needs require at any capacity up to 50 gallons of water per hour supplied to predetermined temperature.

RMC472

The Company's commercial water heaters, installed alone or in multiple units linked by exclusive Ruud Equa-Flow manifolds, handle almost any type and capacity of commercial requirement. The Ruud Commercial Water Heater Manual and its Certified Sizing Guides are famous in the industry. This manual, based on extensive field research, provides an accurate method of commercial water heater sizing for a wide variety of applications.

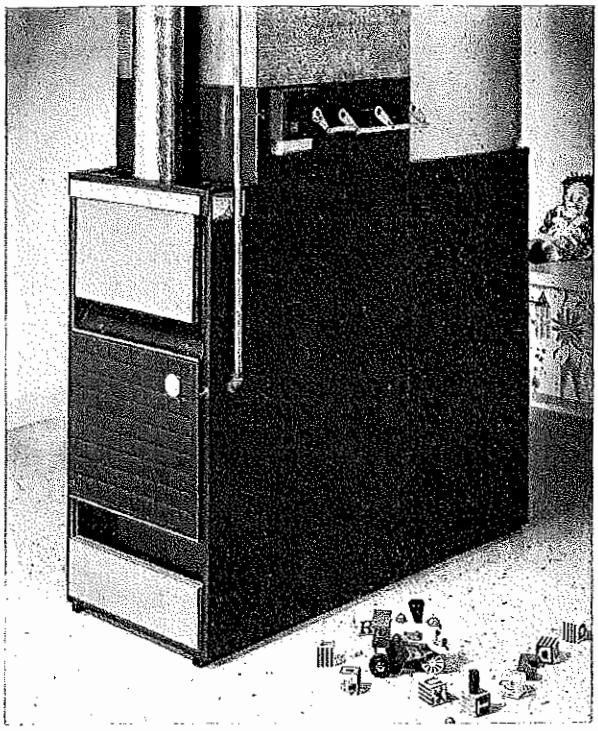
Rheem and Ruud water heaters meet an impressive array of standards. Gas water heaters are tested and approved by the American Gas Association. Ruud Copper Sanimaster, Multi-Coil and Multi-Fan water heaters with capacity of performance that would bring them within the definition of the Boiler and Pressure Vessel Code of the American Society of Mechanical Engineers are made in accordance with that code. All Ruud models recommended for food service applications meet the recommendations of the National Sanitation Foundation Standard Number Five (water heaters) and Number Three (spray rinse dishwashers) for continuous supply of 180-degree rinse water to sanitize and air dry dishes.

Rheem also makes a broad line of central heating equipment, for any fuel source – gas, electricity or oil – and for hydronic ("hot water") or forced warm-air systems.

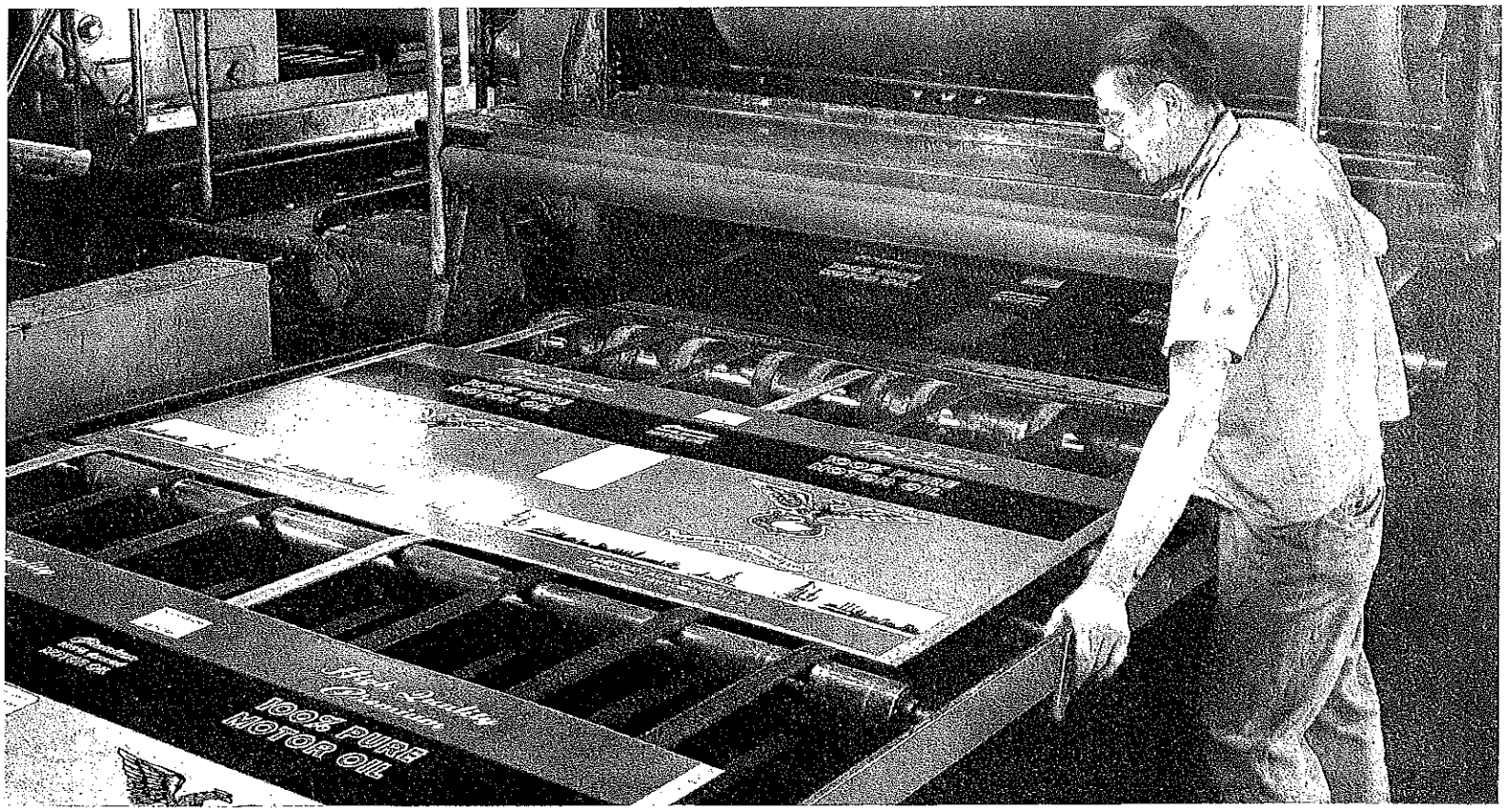
The Company manufactures self-contained central air conditioning units, with cooling capacities of up to 10 tons, or in multiples thereof up to 100 tons, for homes and other buildings. The Rheemaire line utilizes the patented Rheem "Air-Film" principle – all parts of the copper condenser are covered with a thin film of continuously moving water – for efficient cooling of the air and economy of electrical operation. The amount of water required daily would, in the average home, amount to what one person uses for cooking, drinking and bathing. The Rheem Corsaire line of air conditioners is air cooled. A Rheem "piggy-back" air conditioning unit allows easy addition of air cooling to a forced warm-air heating system in the home.

Rheem plumbing fixtures, when their history before acquisition by Rheem is included, draw on more than half a century of quality craftsmanship. The Company makes 1500 varieties of vitreous china and cast iron enameled fixtures for bathrooms, kitchens and laundries. At Metuchen,

72 YEARS OF WATER HEATERS—Serial Number 1 copper water heater (left) built in 1889 by Edwin Ruud contrasts with new Ruud Sanimaster water heater made by Rheem for commercial establishments.



APPLIANCE STYLING makes Rheem 'lowboy' warm-air furnace attractive in playroom installation. Heating elements of furnace are coated with Rheemglas for long-life protection against corrosion.



IN 'RHEEMCOTE' process, brilliantly colored trade marks or sales messages are lithographed on steel to be made into shipping containers.

N. J., mixtures of as many as 14 ingredients, including imported clays, are blended precisely in 15,000-pound lots for manufacture of a high quality vitreous china product. Three 325-foot-long kilns and one of 265 feet provide capacity for vitrifying and glazing of the product during 24 to 36 hours of exactly controlled heat ranging up to 2200 degrees Fahrenheit. The Monaca, Pa. plant for cast iron enameled plumbing fixtures has the industry's most modern mechanized equipment for high-volume casting of bathtubs.

Rheem plumbing fixtures, made in trim modern styles and in a selection of decorator colors, have won wide acceptance for homes and in many of the country's outstanding new buildings. Specially designed Rheem plumbing fixtures, known as the Lincoln Center design, were ordered for the Lincoln Center for the Performing Arts, the new $142 million cultural center in New York City.

At the Research and Development Center, in its own building at Home Products Group headquarters at Chicago, the Company conducts a continuing program of improving existing products and developing new ones. It is estimated that 80 per cent of Home Products Group sales are of units developed or modified during the last five years.

CONTAINER DIVISION

Research widens uses of shipping containers

In eight plants strategically located to serve container markets throughout the United States, the Container Division makes steel containers ranging from one gallon to 55 gallons in capacity for chemical, petroleum, paint, food and other industries. The Division also manufactures a line of fiber shipping containers.

Through development of technological improvements in steel containers over the years, Rheem has increased its prestige and share of the market. Outstanding among the Company's patented developments are the "Rheemcote" process of color lithographing brand and advertising messages on steel containers, and the application of improved linings to pails and drums by the Rheem patented centrifugal spray lining process.

The Division's "Sterilpac" development, unique in the industry, is earning increasing acceptance among food packers. In the "Sterilpac" process, sterile filling equipment made for Thermovac, Inc., a Rheem subsidiary, packs food concentrate

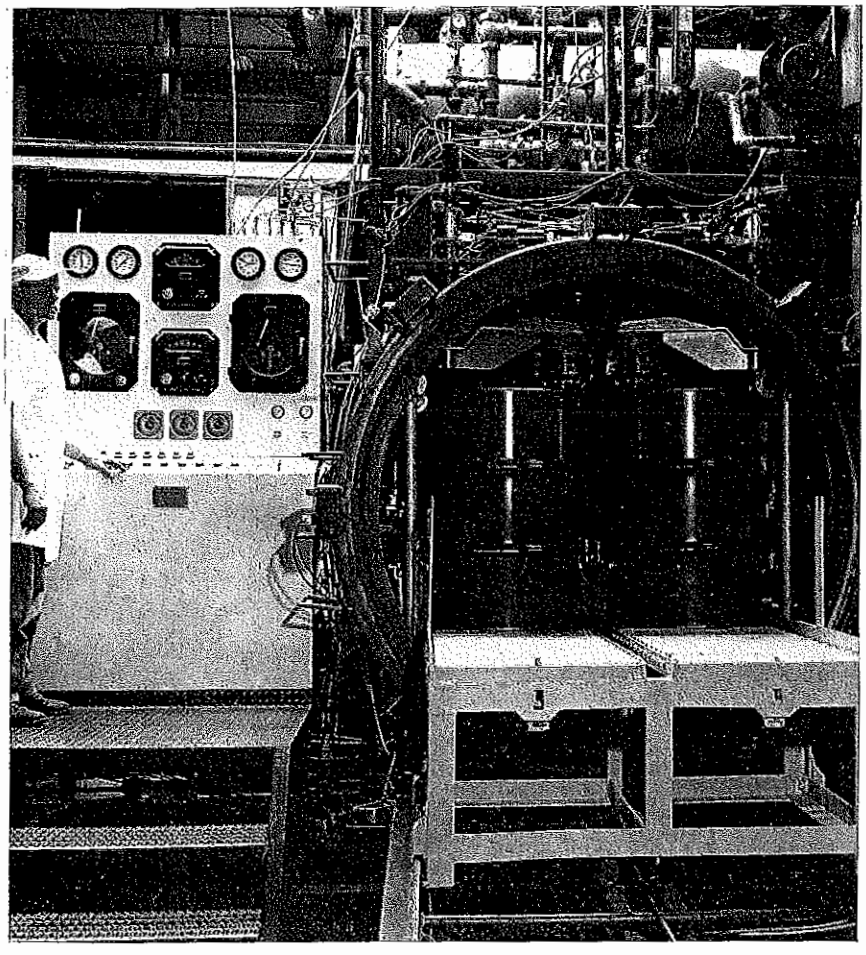
into 55-gallon Rheem electrolytically tin-plated steel containers in a sterile, hermetically sealed chamber and seals the containers under vacuum. The food may be shipped and stored without additives or refrigeration.

The process results in substantial savings in freight and handling costs over the conventional method of handling food concentrates in small cans known as "number ten" size. One "Sterilpac" container holds as much food concentrate as 75 number ten cans.

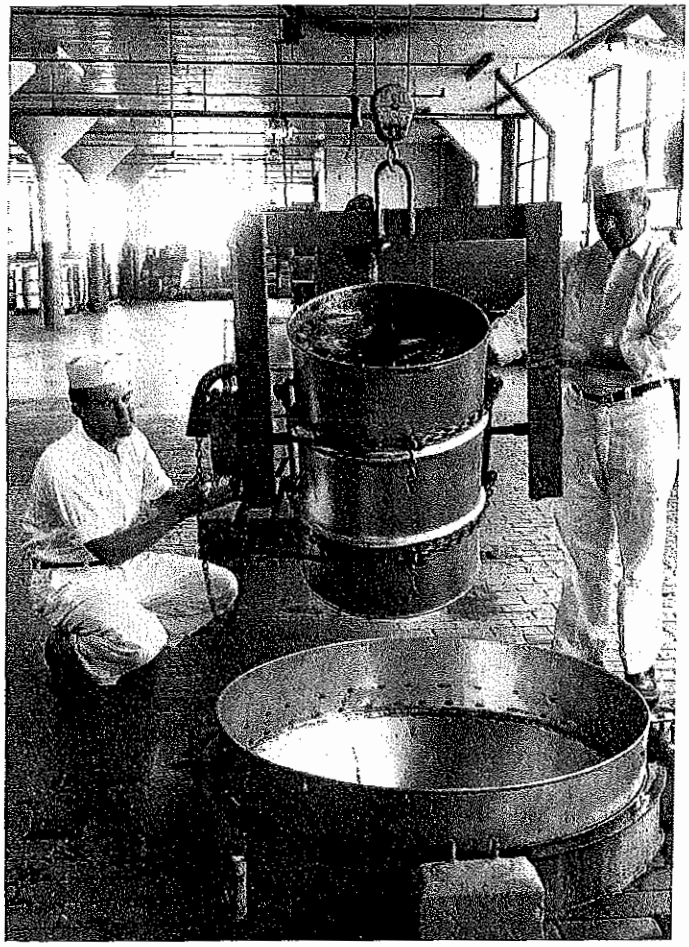
Rheem drums for use in the Sterilpac process are turned out on a specially designed electrolytic tin-plating line for 55-gallon steel drums, at Rheem's Richmond, Calif. plant.

The Division constantly seeks to widen the container market through new developments in container linings that enable customers to package more chemicals or other products that pose difficult packaging problems. This research and development work is pursued by the Division's modern Research and Technical Service Center at Linden, N. J. and by the Corporate Research and Development Department at Compton, Calif.

Some 50 commercial linings for containers are used in Rheem production, and the Division's Research and Technical Center is working with about 30 experimental lining systems. The thousands of chemicals, foods, paints, drugs and maintenance supplies packed in steel and fiber containers differ in sensitivity or aggressiveness toward the container itself; many require lining or other protective treatment of the containers to eliminate corrosion, contamination, discoloration, loss of purity or change in taste. The research center stresses, among other projects, new developments in exterior finishes and lithography, and investigations of possible new basic raw materials that could be used in shipping containers of the future.



'STERILPAC' EQUIPMENT made by Thermovac, Rheem subsidiary, packs food concentrates aseptically in Rheem 'Sterilpac' 55-gallon containers inside vacuum chamber.



EASY HANDLING of Rheem 'Sterilpac' container of tomato concentrate is demonstrated in food re-manufacturer's plant. Stainless steel funnel leads to mixing vat.

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President's Letter Reviews 1961

To Our Shareholders and Employes:

Drastic industry-wide price wars in important product lines were major factors in a loss of $3,941,943 in 1961. Yet, good progress was recorded. Domestic sales of Rheem Manufacturing Company improved to $125,175,747. And management continued the aggressive measures designed to return the Company to a profitable basis.

Highly intensified price competition caused prices in the semiconductor industry to drop sharply during 1961, particularly in certain specialized lines in which Rheem Semiconductor Corporation, a subsidiary, was engaged. The average unit value of industry-wide shipments of these products declined as much as 43 per cent in the 12 months ended September 30, 1961, according to data of the U.S. Department of Commerce. Additionally, the Bureau of Labor Statistics indicates that wholesale prices of domestic water heaters in 1961 dropped eight per cent below 1960 levels to their lowest point since 1947. Reduced volume and lower prices also affected the Automotive Division.

While the prices of some of the major products we make and sell were under this intense downward pressure, the costs of what we buy and use were generally higher. Labor rates, costs of raw materials and components, taxes and other elements of our costs have risen sharply.

These conditions indicate the extraordinary competitive challenge with which the Company has been contending.

Basic policy decisions looking ahead

Besides these adverse factors, we have some positive things to report about the year 1961.

First, we made some basic policy decisions that, we are confident, are helping the Company to emerge from a difficult period into a stronger position, and with encouraging prospects. Here are the most important steps that were taken:

1. Substantially all the business and assets of Rheem Semiconductor Corporation, a subsidiary at Mountain View, California, were sold to Raytheon Co. effective November 30, 1961. Rheem had invested in this enterprise as part of a growth industry. Our research and development program produced a number of new high performance transistors and diodes which made significant advances in the industry. At the same time, newly intensified competitive pricing conditions indicated that a longer period of investment lay ahead. Thorough consideration of all factors led to the decision to take advantage in 1961 of the marketability of the position we had developed in the semiconductor industry. The buyer has stated that the technical depth and scientific strength of the Rheem Semiconductor organization, as evidenced by the advanced semiconductor products developed and introduced, was a major attraction.

Subsequently, Rhebo Corporation, a small engineering staff operating as a Rheem subsidiary in leased space at Sunnyvale, California, on projects related to the semiconductor business, began completing work on outstanding contracts in the process of phasing out.

2. We proceeded with the consolidation of several of our Home Products Group facilities into fewer, more specialized plants. This will help Rheem maintain leadership in efficiency and economy of large-volume high-quality production of water heaters, air conditioning and heating equipment, and plumbing fixtures.

This consolidation is a major undertaking. It comprises many tasks. We sold the South Gate, California Home Products plant and the Sparrows Point, Maryland plant late in 1961. Customers previously served by those plants will be served through increased production at our Chicago plant. Ruud commercial water heater production is being moved from Kalamazoo, Michigan, to Chicago, and Chicago production of air conditioning and heating equipment to Kalamazoo. We shall close the New Castle, Delaware plant soon. Production of heating equipment will be increased at Kalamazoo, and the New Castle plant will be sold or leased.

Consolidation of water heater production at Chicago enables us to install new highly efficient mechanized equipment and methods which could not be justified at decentralized locations. Our Chicago plant will, we believe, be the most efficient facility in the water heater industry.

These moves are the culmination of a continuing Home Products Group facilities study undertaken five years ago. Our Home Products facilities had increased as a result of the growth of our business and acquisitions of new product lines, and management initiated the study to assure the

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best use of the existing and added facilities.

After the consolidation has been fully effected, the Home Products Group will be operating eight plants in the United States and Canada. These plants will be highly efficient, and Rheem will be making a greater volume of products for homes and other buildings than ever before.

Increased sales should result because the consolidation has been undertaken in keeping with new distribution plans involving additional key warehousing centers around the country which will improve our service to customers. We shall be able to offer customers carload or truckload lots of various types of merchandise on short notice. This consolidation program will thereby concentrate production in highly specialized plants and will provide customers better service.

Intensive cost-cutting is not a new fact of our business life. In the last five years the Company has disposed of more than a score of plants and other properties. By turning those assets into cash, we cut debt $32 million and provided a more efficient investment base for the world-wide organization that Rheem has become. The Company now has 17 plants in the United States, and 49 subsidiary and affiliated plants in 20 nations abroad. Domestic sales, averaged among total Company personnel in the United States, were twice what they were 15 years earlier. These latest moves should further increase efficiency.

3. We closed our automotive parts plant at Fullerton, California in January this year. The market for this production had declined mainly because of the recently growing practice of the automobile industry to make more of its own parts and accessories, and the growing popularity of compact cars, particularly on the West Coast. We leased the plant to another company and sold the production equipment.

In the process of improving our operating structure, a non-recurring charge of $7,108,304 has been taken for the year 1961, as detailed in the financial statements on pages 6A and 7A. This amount, not related to the ordinary operations of our businesses, has been charged directly to retained earnings. It covers consolidation costs, gains and losses on sale and closing of facilities, and revaluation of certain assets. It includes expenses incurred in 1961 and provisions for estimated future expenses — to be incurred beyond 1961 — in completing the cost-reducing consolidation program.

Losses by Rheem domestic subsidiaries for certain years prior to January 1, 1962 may be available as tax deductions in 1962 and later years, if these subsidiaries return profits or are merged into the parent company. These loss carryovers could amount to approximately $13,100,000.

Progress recorded abroad

The year 1961 was an excellent one for our International Division. Sales by Rheem's subsidiary and affiliated companies abroad reached the record high level of $69,700,000, an increase of 12 per cent over 1960 sales of $62,100,000. (These figures are not included in the domestic sales total reported above.) Total earnings of these companies before local and U. S. income taxes amounted to $5,100,000.

In certain countries, notably Belgium, Brazil, Italy, Mexico and New Zealand, the operating results of Rheem affiliates far exceeded expectations. Despite political uncertainty and inflation in Brazil, our subsidiaries there enjoyed the most successful year of their history.

In addition to remitting $1,332,945 in dividends and management fees to Rheem U. S. in 1961, overseas subsidiaries and affiliates retained a large portion of their earnings for further development, thus increasing the value of Rheem shareholders' equity. At December 31, 1961, Rheem investments in enterprises abroad totaled $5,816,197 at cost, but Rheem equity in the underlying net assets of those companies was estimated at $11,639,914, or $1,802,719 more than at the end of 1960.

In 1961 Rheem continued its policy of international expansion. In France, together with the leading French manufacturer of instantaneous water heaters, we established a jointly owned company to introduce Rheem storage-type water heaters. In Greece we purchased a 40 per cent interest in ISOLA, the leading electrical appliance manufacturer. This investment was financed mostly by a long term loan in local currency.

In addition to increasing sales of existing products, a number of Rheem affiliates have entered several promising new fields. In Italy our new company, Rheem Safim Tubi, at Palermo, Sicily, began producing medium-diameter longitudinally welded steel pipe. Within two months after start-up, the company received the American Petroleum Institute Certificate of Quality, which enhances sales prospects to the petroleum and

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chemical industries. Because of its location in an economically depressed area, Rheem Safim Tubi will receive substantial fiscal advantages. Its location should also facilitate sales to pipe markets of North Africa and the Middle East.

Under license from American Can Company, our Australian company is producing small non-refillable metal and plastic containers, a new activity which will be substantially expanded in the next few years. This program is to be financed entirely out of earnings.

Achievements at home listed

There was progress at home, too.

The Container Division maintained its leadership in the market for steel shipping containers and introduced new tapered pails. The Division increased sales of its new patented Sterilpac equipment for packing food products in large steel drums and of the exclusive electrolytically tin-plated 55-gallon Rheem drums used in the process. The Division located its Research and Technical Service Center in new quarters at Linden, New Jersey for continued development of improvements in containers and linings.

The Home Products Group readied several new products, including a new concept in automation of home water heaters planned for introduction this year. At Chicago, the Home Products Group opened its new Research and Development Center, built with the patented insulated metal panels and modular structural curtain wall system developed by our Rheemetal Building Division.

The Rheemetal Division, acquired late in 1960, began to extend its sales of school and commercial buildings beyond its home Southern California base and has been developing new concepts of preassembled metal housing.

The Electronics Division developed new applications of Rheem numerical positioning control equipment for machine tools, won initial sales acceptance of new high-speed photocell readers announced during the year and introduced other equipment for automation systems.

Rheem Califone Corporation, a subsidiary, moved into a new plant at Los Angeles, introduced new language laboratory equipment, a new stereo tape recorder and other sound systems for schools and industrial training, and continued developing other teaching machines.

Orendorff Manufacturing Company, a subsidiary, acquired the Hyteco (Hydraulic Tool & Equipment Co.) line of industrial earth-engaging products to widen Orendorff product lines and to fill seasonal gaps in production of cultivating and other earth-working tools for agriculture.

Management and administration

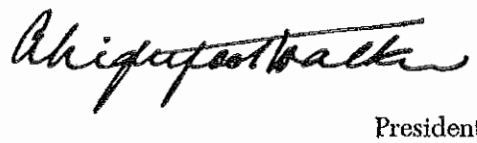
At a meeting of the Board of Directors June 8, 1961, Duncan C. Menzies, of New York, and Mark R. Sullivan, of San Francisco, were elected to fill vacancies on the Board.

V. J. Heinis, who had been Group Vice President, Home Products Group, was appointed President of the Home Products Group, and E. F. Paquette was appointed Executive Vice President of the Home Products Group, effective July 1, 1961; W. S. Goodfellow succeeded Mr. Paquette as Vice President and General Manager of the Container Division.

Gordon W. Mallatratt, who had been corporate Vice President-Finance, was appointed Group Vice President, a new corporate post, effective January 1, 1962.

* * *

In summary, a number of positive achievements were recorded in 1961, although price wars made it an unsatisfactory year for earnings. It is confidently expected that the basic policy decisions we have taken will—when their full effects begin to be felt—achieve and maintain a sound earnings base so that the Company, its shareholders, its employes and all associated with Rheem may benefit from the encouraging prospects we see ahead. Management is dedicated to the success of this effort and appreciates the support and interest of shareholders and employes.



President

New York
March 15, 1962

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1961	1960
CURRENT ASSETS:		
Cash	$ 4,026,269	$ 4,789,926
Accounts receivable:		
Commercial, less allowance for doubtful accounts (1961, $239,826; 1960, $319,056)	15,665,882	13,094,857
Unconsolidated subsidiary and affiliated companies	905,896	993,757
Inventories, at lower of current cost or market:		
Finished and in process	12,578,598	12,266,100
Raw materials and supplies	13,057,108	11,969,597
Costs allocable to future operations—insurance, taxes, etc.	712,137	786,540
	46,945,890	43,900,777
INVESTMENTS (Note 1):		
Domestic subsidiary and (in 1960) 50% owned company—at equity in underlying net assets	801,353	2,644,101
Companies operating in foreign countries:		
Owned 50% or more—at equity in underlying net assets	7,889,914	6,337,195
Less than 50% owned—at cost (approximate equity in underlying net assets at current rates of exchange—1961, $3,750,000; 1960, $3,500,000)	3,605,487	3,191,862
	12,296,754	12,173,158
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	696,185	918,930
Buildings, machinery and equipment, less accumulated depreciation and amortization (1961, $23,563,874; 1960, $29,412,892)	19,898,633	29,528,147
	20,594,818	30,447,077
OTHER ASSETS:		
Unamortized patent costs and long-term debt expense	930,316	1,015,769
Sundry receivables, real estate, etc.	3,193,366	795,512
	4,123,682	1,811,281
	$83,961,144	$88,332,293

See notes to financial statements on page 7A.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET

LIABILITIES	December 31 1961	1960
CURRENT LIABILITIES:		
Notes payable	$ 2,900,000	$ —
Current installments of long-term indebtedness	667,000	2,913,000
Accounts payable	6,192,835	5,884,929
Compensation, interest and sundry accruals	7,853,739	3,578,098
Federal income taxes, estimated (Note 2)	600,000	1,299,836
Retirement plans contribution payable to trustee (Note 3)	152,093	632,055
	18,365,667	14,307,918
LONG-TERM INDEBTEDNESS (Note 4):		
5¼% term note payable to bank, 1963-1966	5,400,000	2,500,000
3⅞% sinking fund debentures due in 1975	18,700,000	19,600,000
4¼% notes payable	—	400,000
	24,100,000	22,500,000
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	219,000	558,000
ESTIMATED WARRANTY COSTS ON DISCONTINUED PRODUCTS AND OTHER LONG-TERM LIABILITIES	1,641,079	—
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	112,829	108,143
CAPITAL AND RETAINED EARNINGS (Note 5):		
Cumulative preferred stock, par value $100 per share; 1961 authorized 63,788 shares; 4½% convertible series	—	716,500
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding 2,009,309 shares	2,009,309	2,008,309
Capital in excess of par value of shares outstanding	34,139,750	34,148,139
Earnings retained for use in the business, including $5,679,204 in 1961 and $4,677,704 in 1960 of undistributed earnings of companies 50% owned or more operating in foreign countries (Notes 4 and 7)	3,373,510	13,985,284
	39,522,569	50,858,232
	$83,961,144	$88,332,293

See notes to financial statements on page 7A.

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RHEEM MANUFACTURING COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1961	1960
INCOME:		
Net sales	$125,175,747	$122,556,002
Dividends from companies operating in foreign countries	636,712	490,866
Miscellaneous income	329,498	429,235
	126,141,957	123,476,103
COSTS:		
Cost of goods sold	116,062,939	110,960,734
Selling, general and administrative expenses	13,419,741	14,822,641
Interest	976,425	1,157,253
Minority interest in earnings of consolidated subsidiary	4,686	(75,620)
	130,463,791	126,865,008
	(4,321,834)	(3,388,905)
Provision for estimated federal income taxes, less deferred income taxes provided in prior years ($69,000 in each year)	150,000	140,000
	(4,471,834)	(3,528,905)
Share of undistributed net earnings of unconsolidated companies, 50% owned or more, operating in foreign countries (Note 1)	529,891	797,997
Loss for year	$ (3,941,943)	$ (2,730,908)
Provision for depreciation and amortization of plant and equipment charged to earnings: 1961, $4,024,581; 1960, $3,872,828		

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

Year ended December 31, 1961

Earnings retained for use in the business at the beginning of the year	$ 13,985,284
Loss for the year	(3,941,943)
Extraordinary charges:	
Losses (net) and anticipated expenses relating to disposition and relocation of facilities, less federal income tax reduction (Note 7)	(5,308,304)
Provision for abnormal warranty costs on discontinued products sold prior to 1961	(1,800,000)
Equity at January 1, 1961, in undistributed earnings of unconsolidated companies which became 50% owned during the year	471,609
Dividends paid on preferred stock—$4.91 per share	(33,136)
Earnings retained for use in the business at the end of the year (Note 4)	$ 3,373,510

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NOTE 1 — Principles of Consolidation

All domestic subsidiaries, except for a finance company, have been consolidated. Investments in foreign subsidiaries and foreign 50% owned companies are carried at Rheem's equity in the underlying net assets, and Rheem's share of the profits and losses of such companies is included in the consolidated statement of earnings. The financial statements of foreign companies 50% owned or more have been translated to U. S. dollars by use of current rates of exchange, except that property accounts and related depreciation provisions have been translated at rates prevailing at the dates the properties were acquired.

NOTE 2 — Federal Income Taxes

Certain income tax matters relating to the years 1951 through 1956 are being litigated by the Company. In the opinion of management, reasonable provision has been made in the financial statements for income taxes, but the final outcome of the disputed issues is not presently determinable.

The Company's subsidiaries have operating loss carryforwards aggregating approximately $13,100,000 and expiring principally in 1965 and 1966. In addition, a substantial portion of the special charges to retained earnings in 1961 for disposition and relocation of facilities and for future warranty costs will reduce taxable income in future years.

NOTE 3 — Retirement Plans

The Company maintains pension plans for most of its employees. Employees represented by certain unions and employees of certain subsidiaries do not participate in the plans. Pension expense for the plans amounted to $729,936 in the year 1961. This is the amount estimated on the basis of a 1960 actuarial study as the cost of benefits accruing during the year under the plans plus interest on the estimated unfunded past service cost of $7,200,000.

NOTE 4 — Long-Term Indebtedness

The indenture relating to the 3⅞% sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury at December 31, 1961 ($833,000) may be used to satisfy part of the 1962 sinking fund requirement. The remainder of the 1962 requirement is included in current liabilities. The indenture also provides that the Company may not create, guarantee or assume any funded debt unless immediately thereafter the consolidated net tangible assets, as defined in the indenture, are at least 250% of the consolidated funded debt. At December 31, 1961, the consolidated net tangible assets, as defined, were approximately $60,400,000.

Under the terms of the credit agreement governing the term note payable to the bank, the Company is required to maintain consolidated working capital of $28,500,000.

The credit agreement and the indenture contain various restrictions on the payment of cash dividends. The effect of certain of the provisions is to make substantially all of the retained earnings at December 31, 1961, unavailable for dividends.

NOTE 5 — Capital Stock

As of December 29, 1961, the Company by deposit of necessary funds with the Trustee redeemed all outstanding shares of the 4½% convertible preferred stock at $102.75 per share plus accrued dividends.

The Company has stock option incentive plans under which options may be granted to officers and key employees to purchase common stock at prices not less than 95 per cent of the fair market value at the time the options are granted. At December 31, 1961, 105,300 shares of common stock were reserved for this purpose. During the year 1961, options to purchase 2,000 shares were granted, options to purchase 2,000 shares were cancelled and an option to purchase 1,000 shares was exercised at $10.93 per share. At December 31, 1961, there were options outstanding for 85,150 shares at prices ranging from $10.93 to $24.50 per share. Options to purchase 22,300 shares issued in 1958 may be exercised up to seven years after the date granted; options granted in 1959, 1960 and 1961 may be exercised from one to ten years after the date granted.

NOTE 6 — Long-Term Leases

The Company occupies some of its manufacturing and office premises under long-term leases. Annual rental payments required during 1962 will be about $525,000. Two long-term leases requiring total annual payments of approximately $430,000 expire after 1977. The leases are also subject, in some cases, to additional payments for taxes, insurance and other occupancy expenses.

NOTE 7 — Extraordinary Charge

During the year ended December 31, 1961, a program to effect the disposition and relocation of a portion of the producing and marketing facilities of the Company and its subsidiaries was undertaken. The plan involved the sale of substantially all of the assets of the wholly owned subsidiaries, Rheem Semiconductor Corporation and Rhebo Corporation, and of the Automotive Products Division, the disposal of three manufacturing sites and the consolidation of the manufacture of certain products in other locations. Accounting recognition has been given to losses and expenses incurred and anticipated in connection with this program. The net losses and write-downs, amounting to $5,308,304, were charged to earnings retained for use in business, and include:

Losses, net, and expenses incurred during the year	$1,205,304
Provision for anticipated losses and expenses	5,250,000
Estimated federal income tax reductions for the current and prior years	(1,147,000)
	$5,308,304

PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET
SAN FRANCISCO 4

To the Board of Directors of
Rheem Manufacturing Company

March 8 1962

In our opinion, based on our examination and on the reports of other independent accountants as to certain companies operating in foreign countries, the accompanying statements present fairly the financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1961 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of the consolidated financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

RMC482

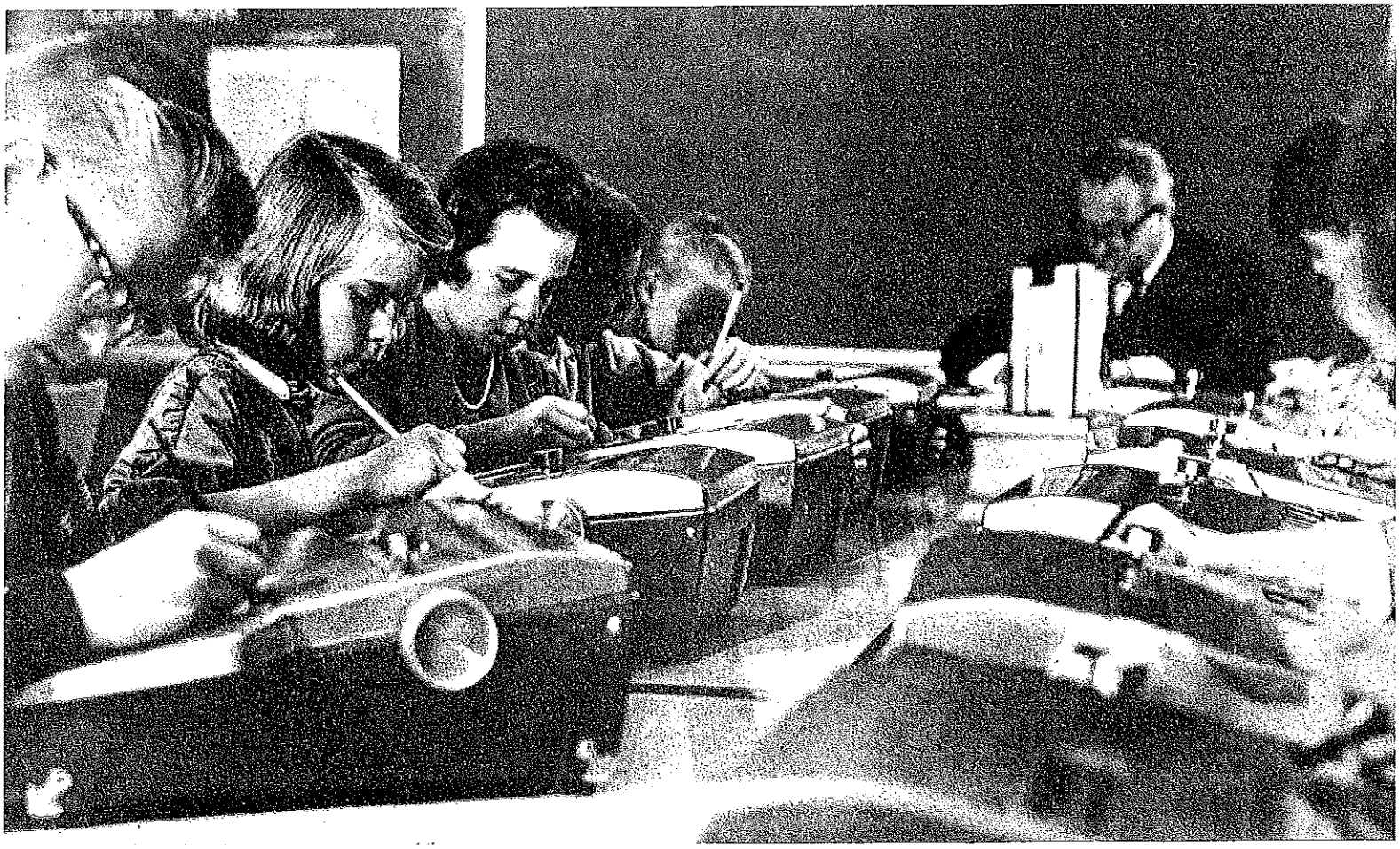
RHEEM MANUFACTURING COMPANY

TEN-YEAR REVIEW

(000 omitted)

	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952
ASSETS										
Current assets	$ 46,946	$ 43,901	$53,247	$ 48,078	$ 55,204	$ 81,277	$ 62,414	$ 46,371	$ 54,013	$ 50,259
Investments	12,297*	12,173*	10,216*	5,584	5,015	4,321	1,958	2,090	1,942	1,832
Property, plant and equipment—less reserves	20,595	30,447	28,905	34,758	39,075	40,792	41,554	36,981	30,888	31,736
Other assets	4,123	1,811	2,964	2,699	2,168	2,436	1,344	—	—	—
Total assets	83,961	88,332	95,332	91,119	101,462	128,826	107,270	85,442	86,843	83,827
LIABILITIES										
Current liabilities	18,366	14,308	16,138	14,169	19,160	55,690	21,993	20,254	30,725	29,056
Long-term indebtedness	24,100	22,500	25,184	28,150	30,800	23,262	26,093	13,720	12,380	13,067
Deferred income tax	219	558	627	1,242	1,622	1,599	1,138	580	—	—
Warranty costs and other long-term liabilities	1,641	—	—	—	—	—	—	—	—	—
Total liabilities	44,326	37,366	41,949	43,561	51,582	80,551	49,224	34,554	43,105	42,123
MINORITY INTEREST	113	108	100	—	—	—	—	—	—	—
CAPITAL AND RETAINED EARNINGS										
Preferred stock	—	717	817	1,209	1,751	1,855	3,059	6,010	9,990	9,990
Common stock	2,009	2,008	1,952	1,952	1,952	1,952	1,917	1,542	1,249	1,249
Obligation to former shareholders of subsidiary	—	—	—	—	1,882	1,882	—	—	—	—
Capital in excess of par value	34,140	34,148	32,860	32,840	32,774	32,758	31,695	26,063	17,575	17,575
Retained earnings	3,373	13,985	17,654	11,557	11,521	9,828	21,375	17,273	14,924	12,890
Total capital and retained earnings	$ 39,522	$ 50,858	$ 53,283	$ 47,558	$ 49,880	$ 48,275	$ 58,046	$ 50,888	$ 43,738	$ 41,704
INCOME										
Net sales	$125,176	$122,556	$140,270	$151,312	$188,581	$173,903	$180,274	$163,623	$188,005	$144,524
Dividends from foreign companies	637	491	243	446	400	290	278	214	73	523
Miscellaneous income	329	429	410	184	285	90	440	977	110	62
Total income	126,142	123,476	140,923	151,942	189,266	174,283	180,992	164,814	188,188	145,109
COSTS										
Costs, excluding interest	129,483	125,784	137,720	150,516	183,784	188,272	167,355	152,911	174,250	137,040
Interest	976	1,157	1,101	1,294	2,045	1,929	997	856	1,056	869
Total costs	130,459	126,941	138,821	151,810	185,829	190,201	168,352	153,767	175,306	137,909
INCOME (LOSS) BEFORE TAXES	(4,317)	(3,465)	2,102	132	3,437	(15,918)	12,640	11,047	12,882	7,200
MINORITY INTEREST	5	(76)	(217)	—	—	—	—	—	—	—
FEDERAL INCOME TAXES (TAX CREDITS)	150	140	(528)	(170)	1,468	(6,755)	6,418	5,020	7,900	3,300
EARNINGS OF UNCONSOLIDATED COMPANIES	530*	798*	628*	—	—	—	—	—	—	—
EARNINGS (LOSS) FOR THE YEAR	(3,942)	(2,731)	3,475	302	1,969	(9,163)	6,222	6,027	4,982	3,900
PREFERRED DIVIDENDS PAID	33	36	44	71	81	97	176	366	450	450
COMMON DIVIDENDS PAID	—	902	586	195	195	1,769	3,859	3,312	2,498	2,753
SUNDRY CHARGES AND (CREDITS), NET	6,637	—	(3,252)	—	—	518	—	—	—	—
RETAINED EARNINGS (LOSS) FOR THE YEAR	$(10,612)	$ (3,669)	$ 6,097	$ 36	$ 1,693	$(11,547)	$ 2,187	$ 2,349	$ 2,034	$ 697
EARNINGS (LOSS) PER SHARE OF COMMON STOCK	$ (1.98)	$ (1.38)	$ 1.76	$ .12	$ .97	$ (4.75)	$ 3.15	$ 3.67	$ 3.63	$ 2.76
WORKING CAPITAL	$ 28,580	$ 29,593	$ 37,110	$ 33,909	$ 36,044	$ 25,587	$ 40,421	$ 26,117	$ 23,288	$ 21,203
BOOK VALUE, COMMON STOCK	$ 19.67	$ 24.97	$ 26.88	$ 23.75	$ 23.70	$ 22.82	$ 28.68	$ 29.11	$ 27.01	$ 25.38
NUMBER COMMON SHAREHOLDERS	12,298	13,878	12,835	12,702	13,798	14,491	14,890	8,225	7,420	7,946

* Amounts reflect book value method of accounting for unconsolidated companies owned 50% or more. See Note 1 on page 7A.



'DIDAK 501' TEACHING MACHINES are pictured at Woodland Hills, Calif. school in research on sixth-grade spelling instruction.

RHEEM CALIFONE CORPORATION

Market grows for educational equipment

Rheem Califone Corporation, a wholly owned subsidiary acquired in 1959, gives the Company a position in the growing market for educational equipment. In a new 50,000-square-foot plant at Los Angeles, Rheem Califone makes tape recorders, language laboratories, phonographs, sound systems and other audio-visual devices. It has played an important role in the Company's teaching machine development program.

Rheem Califone language laboratories are in hundreds of school systems throughout the nation and abroad.

A student in an individual language laboratory booth hears on tape a foreign language spoken expertly by natives. He hears his own imitation through headphones. For comparison, he may record the "master" and his response. He gets as much actual conversation in one laboratory session as many students get in an entire semester of conventional classroom work. A console enables the teacher to monitor, record, or speak to individual students or to the whole class.

Installation of language laboratories in secondary schools, colleges and some primary schools has been accelerated through federal funds made available under the National Defense Education Act to match local funds.

For the educational tape recorder market, Rheem Califone has a complete line exemplified by the new 70-TA Comet and 73-T Stereo models. Rheem Califone is also one of the three major producers of portable classroom phonographs for the educational market. These products enjoy an excellent reputation in the dance field as well.

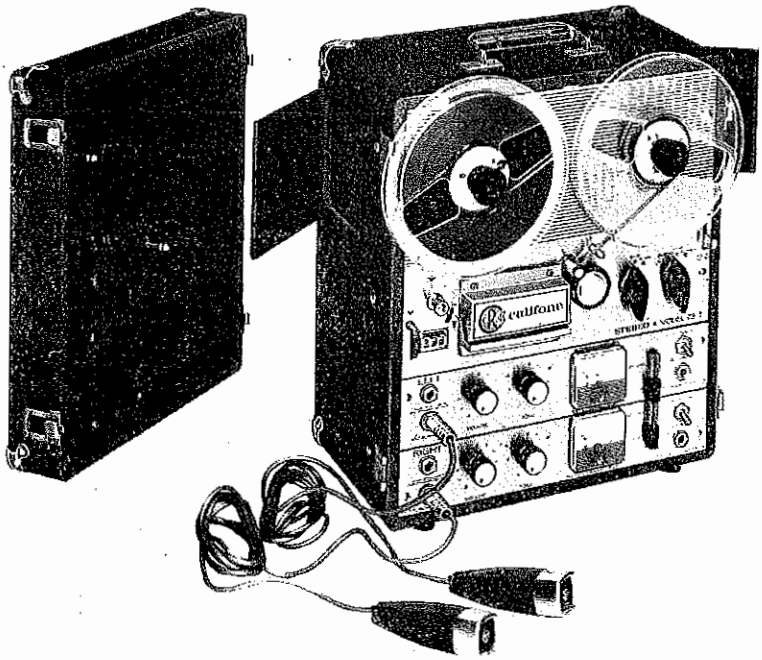
Rheem has developed engineering models of several teaching machines and has made several production runs of one, "Didak 501," which at first has been used largely in research by educators and industrial training experts, primarily in developing "programs" of training material to be used in the machines.

"Didak 501," about the size of a typewriter, is a mechanical device. It shows a learner some information containing a question calling for a brief answer. He writes his answer on a paper scoring tape under an open answer window. Then he moves a lever that slides a glass over the answer window and opens a shutter to let him compare his answer with the correct response. Then he advances the device to the next question.

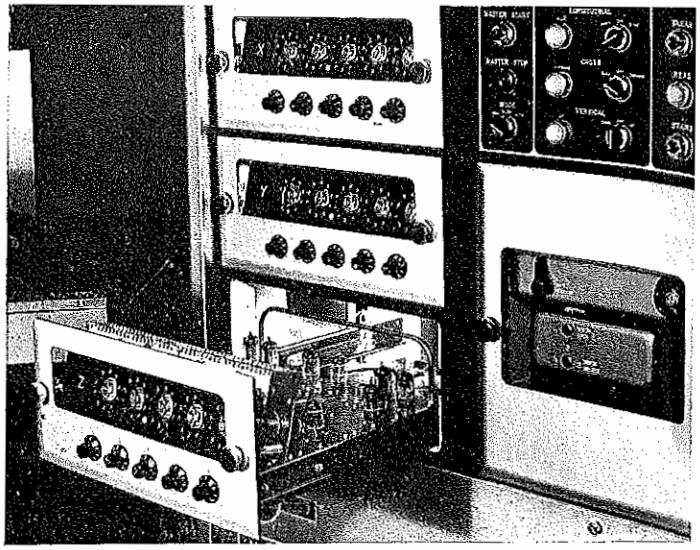
The machine insures his active participation, helps him move logically through steps of learning that build on each other, tells him immediately how he is doing at any point and "reinforces" his learning as he goes. The machine frees the teacher from routine tasks of testing, drilling and grading. It lets the teacher have more time for the professional aspects of teaching.

"Didak 501" is an example of a machine that teaches "conceptual" material; that is, material involving ideas. Other Rheem development models include a machine designed to teach psychomotor skills, such as operating a key punch machine, or typewriting. Rheem teaching machines are mechanical, electro-mechanical or electronic.

The trade name "Didak" is derived from the Greek "didaskein," meaning fitted to teach.



STEREO TAPE RECORDER, Model 73-T, by Rheem Califone Corporation, is quality product for educational market.



IN RHEEM CONTROLS for machine tools, each axis of control is a separate module. Any number of axes may be controlled simultaneously by adding modules. Here is three-axis console.

ELECTRONICS DIVISION

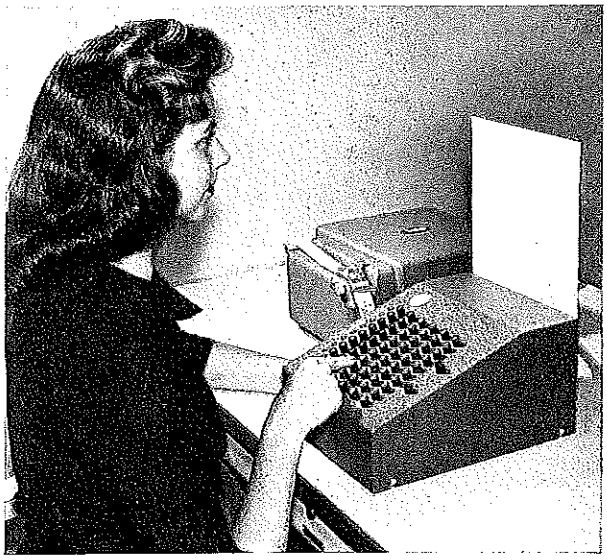
Progress in industrial automation equipment

The Electronics Division, at Los Angeles, first announced its numerical control system for machine tools in 1960 at the important National Machine Tool Builders' Association exposition, held once every five years. Since then the Division has been increasing its product development and sales in the field of industrial and military automation, including controls for machine tools and devices for automatic production, test equipment, and data processing.

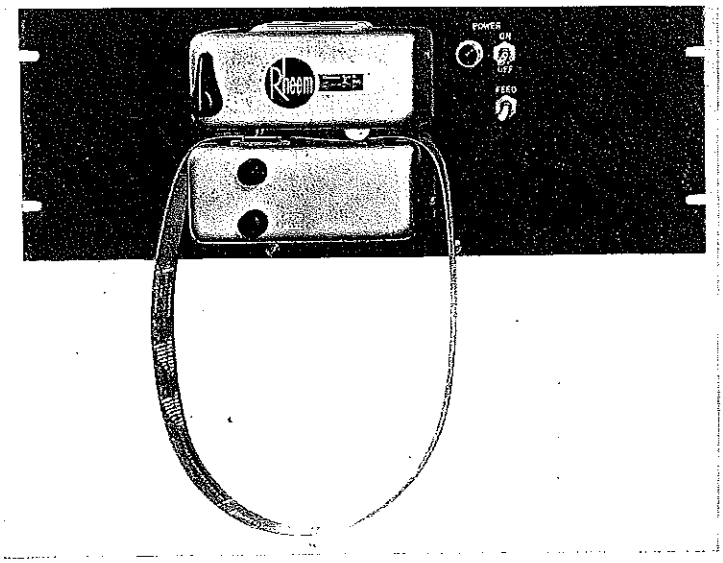
The Division has developed numerical positioning controls for a variety of machine tool applications. These controls give the user of machine tools many advantages, by reducing lead time, improving product quality, eliminating expensive jigs and fixtures, reducing scrap, producing small lots economically, and minimizing inventory and re-run problems.

For an Ex-Cell-O Model 758 Numera-Trol double-end boring machine, a Rheem four-axis system, in which a punched tape is utilized to provide all input data, positions the work piece along three axes, longitudinal, cross, and vertical, and adjusts the boring diameter automatically, each to a resolution of one ten-thousandth of an inch. The Rheem system is the first in the automation field to achieve automatic control of

RMC485



PUNCHED TAPE for automatic numerical control of machine tools is prepared on this Rheem Tape Preparation Unit.



RHEEM PHOTOCELL READER, Model RR-300-R rack-mount unit, reads punched tape at 300 characters a second.

changes in bore diameter while the spindle is in motion.

The Rheem M23 and M33 numerical positioning controls combine with Burgmaster turret drills for two and three axes, respectively. The M23 provides tape control for positioning a table in two axes — longitudinal and cross — and operating the hydraulic turret drill to carry out a predetermined sequence of operations. The M33 provides tape control for three axes — the two mentioned above plus the vertical axis.

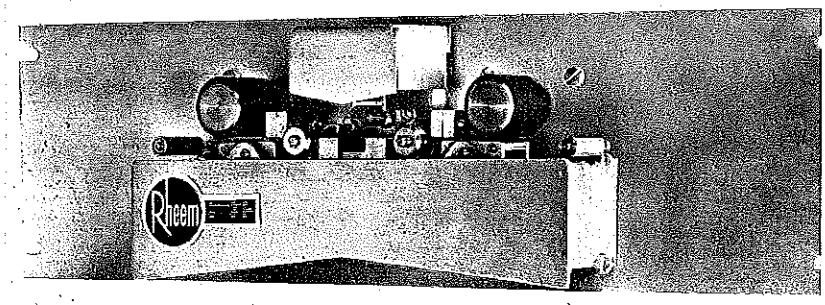
Rheem control systems are made in building-block form. Each axis of control is a separate module so that any number of axes can be controlled simultaneously by adding axis modules.

The input tape is prepared from dimensional information on customary drawings so that special drawing or computation is not required. The data are read by a Rheem punched tape reader integrated into the controls. The reader is of the photocell type reading at 100 lines per second, a rate many times faster than that of conventional mechanical readers.

For partial automation where fully automatic control is not needed, a Rheem Position Display electronically senses machine tool position to any resolution desired within the capability of the measuring system and displays this information visually to an operator. The equipment allows the operator to position a machine more rapidly and more accurately, and reduces operator fatigue.

The Division has developed and marketed several products in the data processing field including a number of Rheem Photocell Readers for reading punched tape at speeds from 10 to 1000 characters per second. Typical applications include machine controls, automatic test equipment, data processing systems, and military as well as commercial computing equipment. Operational testing of an early model of a Rheem Photocell Reader consisted of 119 million characters read at 100 characters per second with no reader errors. One tape loop was calculated to have made over 100,000 passes through the head with no deterioration of tape or reading.

Other products made by the Electronics Division include Tape Spoolers and Position Transducers. The Division is engaged also in development work on electronic teaching machines designed to teach psychomotor skills such as operation of a key-punch machine or a typewriter.



NEW HIGH-SPEED Rheem Photocell Reader, completely transistorized, reads tape at 1,000 characters a second.

RHEEMETAL BUILDING DIVISION

Faster building with preassembled components

The Rheemetal Building Division, a Rheem acquisition in 1960, has been expanding its sales of preassembled metal buildings beyond its home Southern California base.

Using patented, insulated steel panels and factory preassembly of major building components in standardized modular sizes, the Division has constructed more than 1,000 school classroom units in California since 1956. There is a growing business also in constructing all-metal shopping centers, automobile service stations, car-wash plants and other buildings. The Division has been developing new methods of home construction, and four Rheemetal display homes have been built in California and Florida.

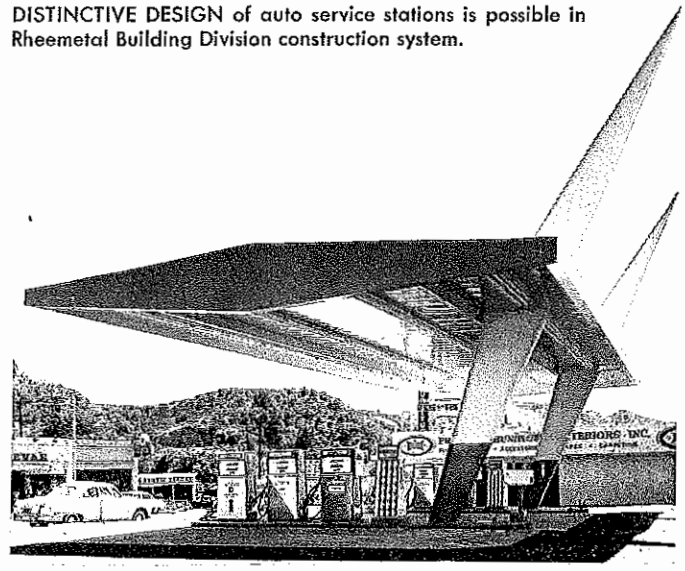
The Rheemetal building system offers advantages in ease of maintenance, fire-proofing, termite-proofing, durability and speed of construction. Entire school buildings have been completed in 90 days from the award of the contract.

The preassembled panel comprises inner and outer steel sheets with gypsum and fiber-glass inside for best soundproofing and insulating qualities. This three-and-one-half-inch-thick panel has insulating qualities like those of a 12-inch masonry wall and may be given a variety of attractive paint or stucco finishes that are virtually maintenance-free.

The Division is a manufacturer and supplier of building components for one-story preassembled metal structures, and it will erect the Rheemetal package on the building site if the contractor buys this service. Plans for structures of more than one story are on the drawing boards.

The Division's main plant is at Huntington Park, Calif. Other Division operations comprise a plant at Los Angeles making torsion bars for the suspension systems of military vehicles, and a new unit at Santa Fe Springs, Calif. that applies plastic epoxy resin and other new anti-corrosive coatings to metal and other surfaces. The work is done in the plant and in the field, on pipes of all kinds, tanks, ships, oil-well fittings, swimming pool equipment and other varied surfaces.

DISTINCTIVE DESIGN of auto service stations is possible in Rheemetal Building Division construction system.



ORENDORFF MANUFACTURING COMPANY

Equipment for agriculture, road-building, industry

Orendorff Manufacturing Company, a subsidiary at Los Angeles, makes earth-engaging tools and related equipment for agriculture, road building and industry.

Acquisition in 1961 of the Hyteco (Hydraulic Tool & Equipment Co.) line of industrial earth-engaging products broadened this subsidiary's product lines and helped overcome seasonal declines in production of cultivating and other earth-working tools for agriculture.

Ormco Western Premium heat-treated spring steel products and specialized Hyteco industrial products include a full line of dozer blades, Scara-Scrapers (for scraping and scarifying at the same time), tractor lifts, scarifier bars, ripper-scarifiers with articulating teeth, hydraulic cylinders, cultivator sweeps, chisels, lister bottoms, anhydrous ammonia knives and specially designed shanks that add chemicals to the soil while working it, and many other devices.

These products are sold to leading manufacturers of farm, road building and industrial equipment and in the replacement market.

RMC487

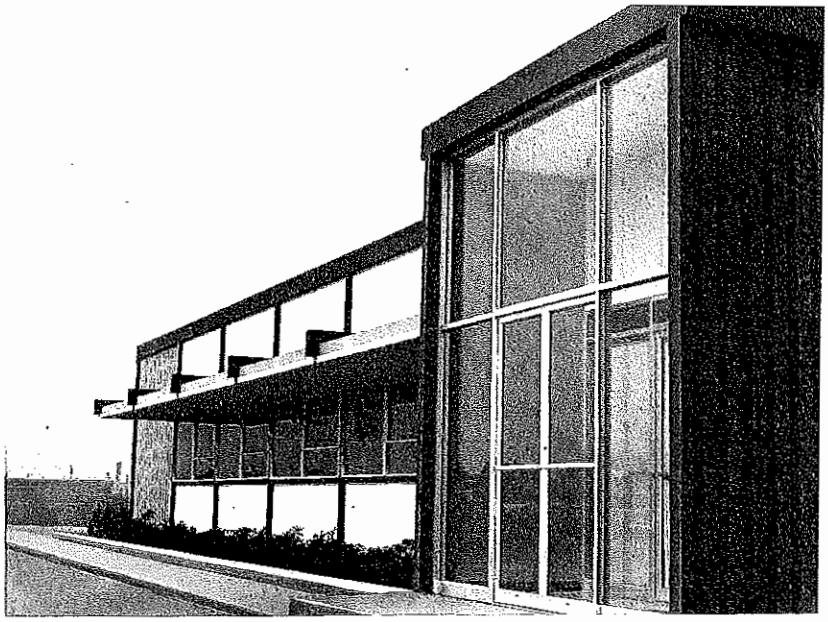
Corporate staff aids divisional programs

Rheem places in the operating divisions and subsidiaries responsibility for research and development leading to improvements in present products and development of related new products.

The Home Products Group headquarters research and development staff is housed in its own Research and Development Center building, at Chicago. The Container Division operates a specially equipped laboratory at Linden, N. J. The professional and engineering staff of the Electronics Division is heavily engaged in development work. Similarly, the scope of other divisional research and development work is commensurate with the size of a division and the nature of its products.

A Corporate Research and Development staff, with facilities at Compton, Calif., complements the divisional staffs and undertakes work beyond the scope of that undertaken by an individual division. At present, major areas of inquiry in the Corporate Research and Development Department include (1) new materials, and methods of making and adapting them to present or new Rheem products; (2) new technical processes; (3) the systems approach to materials handling.

The search for new products for Rheem is also conducted by the Corporate Growth and Acquisition Group.



RHEEMETAL-BUILT—Picture shows entrance to Research and Development Center used by Rheem Home Products Group headquarters research staff at Chicago. Structure utilizes patented Rheemetal insulated panels and major components preassembled at Rheemetal plant.

A Statement of Policy

Rheem Manufacturing Company over many years has consistently improved its leadership in markets served by its principal product lines.

Rheem has achieved and maintains this standing because our Company has adhered steadfastly to business principles and marketing policies to assure sound and steady growth of the Company.

We believe that the constant search for product improvement through research and development is a necessary ingredient to a successful business.

We believe in the wisdom of designing and engineering the best quality into our products.

We believe in preserving that quality through painstaking quality control in manufacturing.

We believe that the best marketing policy is to do business with our customers in fair, ethical and helpful ways; to arrange through intelligent forward planning the uninterrupted supply of our products, even in times of material shortages and other stresses; and to adhere to marketing policies based on integrity in our relationships.

Our Company has refused to be opportunistic for fast but unsound temporary gains in the market place. We maintain market leadership only as we live by consistent policies based on highest quality of product and highest standards of fairness and service in relationships with our customers.

RHEEM MANUFACTURING COMPANY, 400 Park Avenue, New York 22, N. Y.

RMC488

Rheem International

Quarter century of progress abroad strengthens position in growth areas

Rheem progress in building international markets since 1937 has positioned the Company to benefit from the growth of the economies of Free World countries.

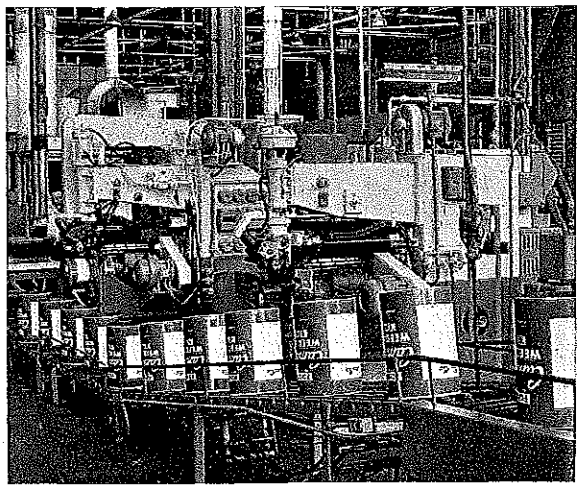
Current economic history continues to be a story of moves to expand international market areas and trade blocs. These trace their beginnings to post World War II planning for the "Inner Six" group of the European Common Market (France, Germany, Italy, Belgium, The Netherlands and Luxembourg); the "Outer Seven" of the European Free Trade Association (The United Kingdom, Sweden, Norway, Denmark, Switzerland, Austria and Portugal); the seven Latin American nations that are considering a link in their economies through a free trade zone (Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay); and four countries in the Central American trade zone (El Salvador, Guatemala, Honduras and Nicaragua).

In other areas of the Free World, trade continues to expand. Rheem through its international network of 49 plants in 20 nations abroad is well situated to take part in this economic growth.

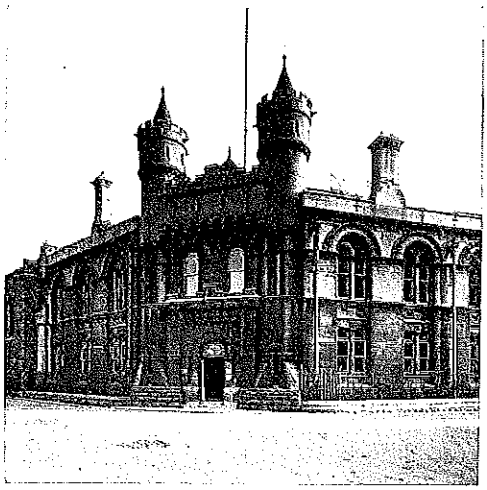
In Europe, locations of Rheem subsidiaries and affiliates and the principal products they manufacture are as follows: Belgium (3 plants) — drums and pails, water heaters, beer barrels, galvanized housewares, gas cylinders, tote boxes; England (3 plants) — drums and pails, heating equipment, electronic research; France (2 plants) — water heaters, galvanizing and hollow ware; Greece — water heaters, kitchen ranges, refrigerators, appliances, steel pipe; Italy (4 plants) — drums, water heaters, kitchen cabinets, air conditioners, structural angle irons, highway guard rails, steel pipe; Spain (2 plants) — drums and pails.

In Latin America, Rheem operates in these countries: Argentina — drums, pails and containers, water heaters; Brazil (4 plants) — drums and pails, kitchen ranges, porcelain curtain wall panels, spiral welded steel pipe; Chile — drums and pails, drum reconditioning; Mexico (2 plants) — auto springs and parts; Peru — drums and pails, drum reconditioning; Venezuela — drums and pails.

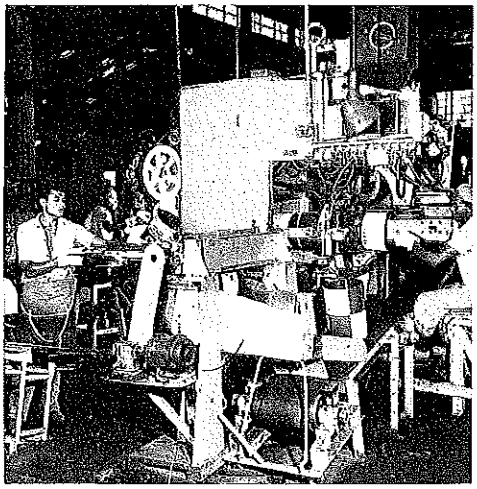
Elsewhere, Rheem affiliates and associates are manufacturing or hold licenses to manufacture a variety of products: Australia (15 plants) — drums and pails, drum reconditioning, water heaters, stainless steel beer barrels, extruded



IN AUSTRALIA, decorated pail bodies move on highly mechanized production line.



IN ENGLAND, picture shows administrative offices of Rheem Lysaght Limited, Bristol.



IN BRAZIL, beginning of pail line is shown at Rheem Metalurgica, Rio de Janeiro.

RMC489

aluminum tubes, plastic tube containers, LPG acetylene cylinders, acetylene cylinders with high porosity filler mass, Transportainers; Canada (3 plants) – drums, water heaters; The Congo (2 plants) – drums; New Zealand – drums; Philippine Islands – drums and pails; Singapore – drums, water heaters; Sweden – fiber containers; Turkey–metal fasteners.

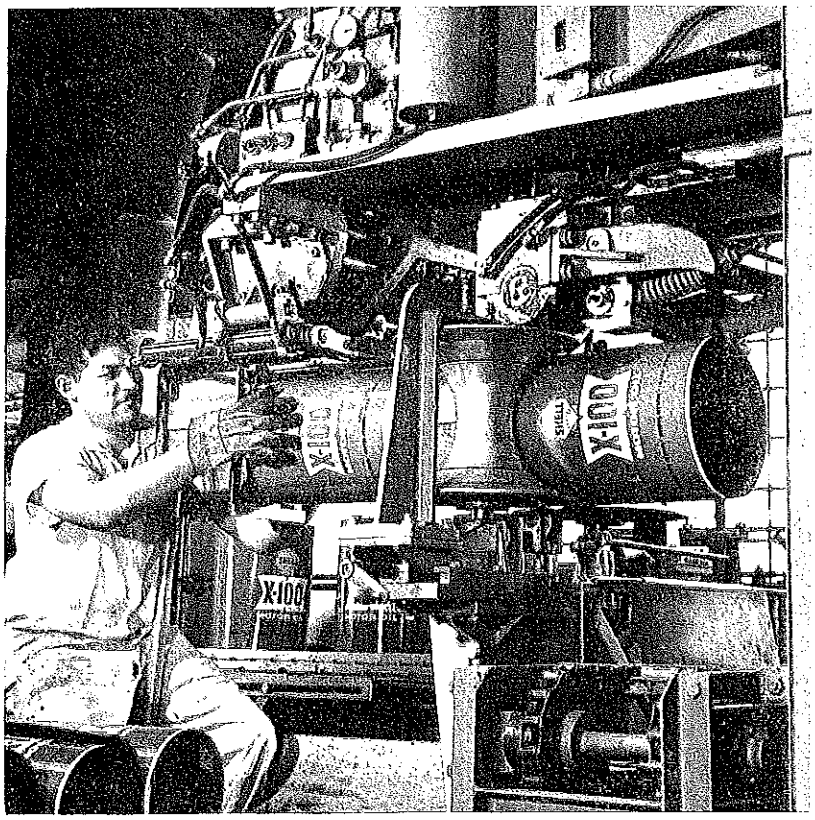
Rheem International's policy in other countries – to pool resources in joint ventures with local capital wherever possible – has resulted in steady growth and continuing earnings. Its success may be credited largely to several fundamentals:

1) Rheem is primarily interested in arrangements that offer opportunity for the long range–in some countries, the local situation may favor substantial Rheem equity in the operation; in others, an initial license with arrangements for subsequent equity participation may be indicated.

2) The method of developing a market abroad has usually been to join with reputable local firms or individuals and start manufacture of a single product line. Expansion usually has come through re-investing a substantial percentage of income in the operation.

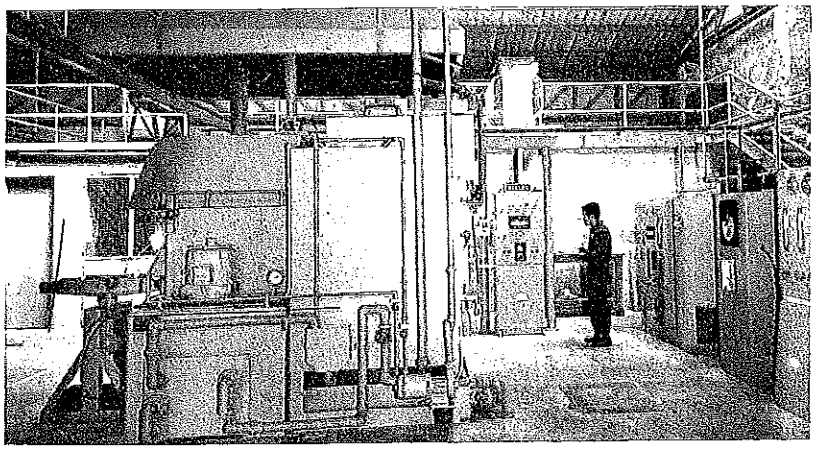
3) Although officers of Rheem Manufacturing Company usually serve on the boards of directors of Rheem associated companies abroad, almost invariably the managers of those operations are local executives. A high level of communications and exchange of talents and activity are encouraged throughout Rheem around the world. As a result, research, development, technological, product and marketing know-how is shared wherever it offers promise of mutual benefit.

For example, a symposium at Brussels, Belgium last year brought together technical and management experts from the Corporate Research and Development staff of Rheem U. S., the U. S. Container Division and Rheem subsidiary and affiliated companies in Europe for an exchange of information on latest international technological advances in linings for shipping containers.



IN ARGENTINA, pails are welded on this modern equipment at Buenos Aires plant.

AT APPLIANCE PLANT in Australia, electric water heaters leave production line.


IN MEXICO, heat-treating room is shown at Rassini Rheem, which makes auto springs and parts for Latin America.

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People at Rheem

A company is as strong as its people; they determine present and future progress at Rheem.

To give Rheem people full opportunity to develop to their own and the Company's benefit, the Company adheres to sound organization and employe relations concepts, maintains a well-rounded program of benefits and services for employes and conducts training and development programs.

Rheem in the United States is organized on the basis of product divisions. Each division possesses a high level of autonomy, subject to effective corporate controls to measure and assure performance. This concept is expressed as "maximum autonomy with maximum control."

The key management group is the Executive Management Committee, which formulates operating practices according to broad policy lines laid down by the Board of Directors. The Committee Chairman is also President and Chief Executive Officer of the Company.

The Company's organizational structure is designed to assure effective communication between corporate and division staffs and between divisions themselves. Personnel practices stem from the "Philosophy of Employe Relations."

PHILOSOPHY OF EMPLOYE RELATIONS

A company such as ours succeeds by serving the combined best interests of shareholders, employes and customers. Rheem Manufacturing Company recognizes that these common interests, in turn, are best served through the support and confidence of shareholders, the productive and cooperative efforts of employes and the acceptance of our products by customers.

Since the men and women employed by the Company ordinarily spend a great part of their lives at their place of work, it is important that their association with the Company fulfill more than material needs, although these are basic and essential. In addition, the dignity of the individual and his aspirations for recognition and self-development must be respected. These principles underlie Rheem employe relations policies and practices.

It is the policy of the Company to provide meaningful incentives for employes and a climate of working conditions and an environment of human relationships that will encourage improving performance.

To this end, Rheem in its employe relations practices seeks:

- to provide attractive financial and job security
- to provide opportunity for advancement
- to enable employes to increase individual skills
- to encourage a spirit of cooperation and teamwork
- to keep employes informed of matters affecting their jobs and welfare
- to provide conditions that make for productive human relationships

The relationship between a company and its employes creates responsibilities and privileges for both the company and its employes. Each has a responsibility to the other. Its fulfillment depends upon a spirit of mutual effort, energy and consideration, which will advance the success and growth of the enterprise.

Rheem has a responsibility to provide fair and equitable compensation. Rheem employes have a responsibility to contribute efficient and productive efforts that in turn make possible such compensation and other beneficial conditions.

The Company is responsible for maintaining safe places and conditions of work. Prevention of accidents is a mutual responsibility requiring that each individual assume responsibility for his own welfare and that of his fellow employes.

The Company has an obligation to establish workable channels of communications. Both Company and employes share the responsibility of using these channels effectively. Facts, thoughts, ideas and suggestions are encouraged on a continuing basis – from the Company to employes and from employes to the Company.

It is the Company's aim to extend fair, considerate and understanding treatment to all employes in order to merit and receive the same from them. Through mutual respect and understanding, all of us employed at Rheem Manufacturing Company have the means of maintaining our common purpose – a Company that serves the combined best interests of shareholders, employes and customers.

RHEEM MANUFACTURING COMPANY 400 PARK AVENUE • NEW YORK 22, N. Y.

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AROUND THE WORLD

U.S. plants listed on inside front cover

ARGENTINA

Sociedad Anonima Industrial y
Comercial de Aceros Rheem (SAIAR)
Adam D. Walger, General Manager
333 Calle Cordoba, 2°
Buenos Aires, Argentina

AUSTRALIA

Rheem Australia Industries Pty., Ltd.
Melbourne, Australia

Rheem Australia Pty., Limited
Lynn Arnold, General Manager
P. O. Box 6, Rydalmere, New South Wales

Rheem Simpson Limited
533 Grand Junction Rd.
Wingfield, Adelaide, S. Australia

Plants

Blacktown, New South Wales
Newcastle, New South Wales
Rydalmere, New South Wales (2 plants)
Sydney, New South Wales (3 plants)
Brisbane, Queensland (2 plants)
Townsville, Queensland
Melbourne, Victoria (2 plants)
Fremantle, W. Australia
Adelaide, S. Australia (2 plants)

BELGIUM

Travail Mécanique de la Tôle, S.A.
Jacques Stevens, Managing Director
147 Boulevard de la IIe Armée Britannique
Forest-Brussels, Belgium

Plants

Forest-Brussels
Ghent
Ronet

BRAZIL

Participações Metalurgicas, S.A.
(PARMET)
Av. Beira Mar 262, sala 703
Rio de Janeiro, Brazil

Rheem Metalurgica, S.A.
Fernando Pernambuco, Managing Director
Caixa Postal 4696, Rio de Janeiro, Brazil

Rheem-Senotubo Metalurgia, S.A.
Carlos P. Bergallo, Director-Superintendent
Caixa Postal 8624, São Paulo, Brazil

Industria Metalurgica, S.A. (INDUSA)
Mario Colnaghi, General Manager
Rua Xavier de Toledo 114
São Paulo, Brazil

Metalurgica da Bahia (METALBASA)
Francisco A. Cosmelli, Manager
Bahia, Brazil

CANADA

Rheem Canada Limited
Trumbull Warren, President and General Manager
128 Barton Street West, Hamilton, Ontario

Plants

Hamilton, Ontario
Edmonton, Alberta

Ruud Manufacturing Company
A. J. Strain, Vice President and General Manager
Portland and Windsor Streets
Mimico, Ontario

CHILE

Rheem Chilena, S.A.
Rafael Budnik, President and General Manager
A. Slade Mills, Commercial Manager
Casilla 9229, Santiago, Chile

CONGO

Société Coloniale de la Tôle
(SOCOTOLE)
Leopoldville, Congo

Société COBEGA
Leopoldville, Congo

ENGLAND

Rheem Lysaght Limited
J. J. Bush, Managing Director
St. Vincent's Iron Works
Bristol, England

Solartron-Rheem, Ltd.
J. E. Bolton, Director
Thames Ditton, Surrey, England

W. A. Hunt, Special Representative
Rheem Manufacturing Company
16 Berkeley Street
London, W. 1, England

Rheem-Glow-Worm Limited
F. P. Webster, Managing Director
Derwent Foundry, Milford, Near Derby

FRANCE

Paris Office
Rheem International
242 Rue de Rivoli
Paris Ier, France

Anciens Ets. Pelisse
St. Aubin-les-Elbœuf
Seine-Maritime, France

Rheem Chaffoteaux
Pierre Neny, President
25 Avenue Marceau
Paris 16e, France

Plant

St. Brieuc

GERMANY

Deutsche Rheem G.m.b.H.
Kaiserstrasse 75
Frankfurt am Main, Germany

GREECE

ISOLA, S.A.
G. P. Dracos, Managing Director
40 Egheou Street, N. Faliron
Athens, Greece

ITALY

Rheem Safim, S.p.A.
Jack O. Tebyriça, Ing. Gaetano Ferrara, Managing Directors
Casella Postale 1029, Milan, Italy

Industria Siciliana Profilati Acciaio, S.p.A. (ISPA)
Giovanni Lorenzini, Plant Manager
Via Della Regione Siciliana,
Palermo, Sicily, Italy

Rheem Safim Salzano, S.p.A.
Via Della Stazione
Salzano (Venezia), Italy

Rheem Safim Tubi, S.p.A.
Walter Stage, Technical Manager
Via Della Regione Siciliana,
Palermo, Sicily, Italy

MEXICO

Rassini Rheem, S.A.
Guillermo Gotlib, General Manager
Apartado Postal No. 26711
Mexico City, Mexico

Servicio Especializado de Muelles, S.A.
Guillermo Gotlib, General Manager
Avenida de Taller, 92
Mexico City, Mexico

NEW ZEALAND

Rheem New Zealand, Ltd.
John J. C. Herndon, Manager
P. O. Box 34, Tawa
Wellington, New Zealand

PERU

Rheem Peruana, S.A.
Alfredo Larrañaga, Vice Chairman
Apartado 3679, Lima, Peru

Inmobiliaria Rheem, S.A.
Avenida Industrial 525, Lima, Peru

PHILIPPINES

Rheem of the Philippines, Inc.
Gordon Mackay, Plant Manager
P. O. Box 942, Manila, Philippines

SINGAPORE

Rheem-Hume (Far East) Limited
J. Allan, Chairman and Managing Director
R. G. Close, Manager
P. O. Box 297, Singapore

SPAIN

Fabricación de Envases Metálicos, S.A.
(FEMSA)
Pedro Oller, President
Calle Serrano 63, Madrid 6, Spain

Plant

Barcelona

Cia. Española de Petroleos
Tenerife, Canary Islands

SWEDEN

Rheem Elit Emballage
Karl J. Enderlein, Managing Director
Dals Langed, Sweden

SWITZERLAND

Rheem International, S.A. (RISA)
Jean Jacques Zweifel, Managing Director
Bahnhofstrasse 3, Zurich, Switzerland

Rheem Overseas, S.A. (ROSA)
Jean Jacques Zweifel, Managing Director
Bahnhofstrasse 3, Zurich, Switzerland

TURKEY

Türkiye Madeni Sanayi, A.S.
(TURMASAN)
Emile Elagöz, General Manager
Atlantik Han, Findikli-Istanbul, Turkey

VENEZUELA

Industrias Venezolanas van Leer, C.A.
A. F. ten Wolde, Works Manager
Apartado 23, Punto Fijo, Venezuela

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Rheem®

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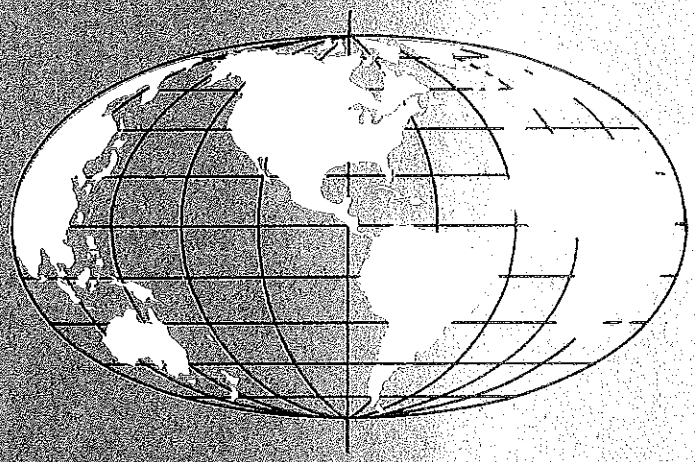

RHEEM MANUFACTURING CO

annual report

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Rheem Manufacturing Company

CORPORATE HEADQUARTERS—400 PARK AVENUE, NEW YORK 22

ANNUAL REPORT 1962

DIRECTORS

MODESTUS R. BAUER
Personal Investments

C. V. COONS
Executive Vice President

G. M. GREENWOOD
Vice President

HERBERT E. HALL
Attorney at Law
Died February 7, 1963

EARLE M. JORGENSEN
President, Earle M. Jorgensen Company

GORDON W. MALLATRATT
Group Vice President

N. LOYALL McLAREN
Member of firm of Haskins & Sells

DUNCAN C. MENZIES
President, Servel, Inc.

A. E. PONTING
Chairman of Executive Committee, Blyth & Co., Inc.

THOMAS J. ROSS
President, T. J. Ross and Associates, Inc.

MARK R. SULLIVAN
Retired former President, Pacific Telephone and Telegraph Company

A. LIGHTFOOT WALKER
President and Chief Executive Officer

OFFICERS

A. LIGHTFOOT WALKER
President and Chief Executive Officer

C. V. COONS
Executive Vice President

GORDON W. MALLATRATT
Group Vice President

G. M. GREENWOOD
Vice President

M. R. SWAIN
Vice President

ANDREW W. HUGHES
Treasurer

WALTER S. LEWIS
Secretary

F. R. GRANT
Comptroller

H. L. FLEDDERMAN
Assistant Secretary

W. P. JOCHEM
Assistant Secretary

RHEEM PRODUCTS AND SERVICES

CONTAINER DIVISION

1701 W. Edgar Road, Linden, N. J.

W. S. GOODFELLOW, Vice President and General Manager

Plants at Linden, N. J.; Chicago; Freeport and Houston, Texas; New Orleans, La.; Richmond and South Gate, Calif.; Tacoma, Wash.

Steel and fiber shipping containers

HOME PRODUCTS GROUP

7600 S. Kedzie Ave., Chicago 52, Ill.

E. F. PAQUETTE, Vice President and General Manager

Plants at Chicago; Houston, Texas; New Orleans, La.; Richmond, Calif.; Metuchen, N. J.; Monaca, Pa.; Kalamazoo, Mich.; Mimico, Canada

Automatic storage water heaters, Ruud commercial water heaters, central heating and air conditioning equipment, special purpose tanks of all sizes; vitreous china and cast iron enameled bathroom, kitchen and laundry fixtures

INTERNATIONAL DIVISION

400 Park Ave., New York 22, N. Y.

A. F. TAYLOR, Vice President and General Manager

Direction of Company's international activities

ORENDORFF MANUFACTURING COMPANY, subsidiary

4900 S. Boyle Ave., Los Angeles 58, Calif.

M. C. ORENDORFF, President

Plant at Los Angeles, Calif.

Cultivating and other earth-engaging tools for agriculture, road-building and the construction industry

RHEEM CALIFONE CORPORATION, subsidiary

5922 Bowcroft St., Los Angeles 16, Calif.

O. X. PITNEY, Vice President and General Manager

Plant at Los Angeles, Calif.

Teaching machines, language laboratories and sound systems for schools and industrial training

RHEEMETAL DIVISION

3383 E. Gage Ave., Huntington Park, Calif.

H. T. HALVORSEN, Vice President and General Manager

Plants at Huntington Park and Los Angeles, Calif.

Patented insulated metal panels, factory-fabricated into major components of modular sizes, for school, commercial and residential buildings; torsion bars for military vehicle suspension systems

---

TRANSFER AGENTS *Common Stock*
Wells Fargo Bank, San Francisco, Calif.
The Chase Manhattan Bank, New York, N. Y.

REGISTRARS *Common Stock*
Bank of America, National Trust and Savings Association, San Francisco, Calif.
First National City Bank, New York, N. Y.

GENERAL ATTORNEY Walter S. Lewis, Rheem Manufacturing Company, 400 Park Avenue, New York 22, N. Y.

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To Our Shareholders and Employes:

Net income of Rheem Manufacturing Company during 1962 was $1,043,437, equivalent to 52 cents a share. This compares with a loss after taxes in 1961 of $3,941,943. All four quarters of the calendar year 1962 were profitable.

For Rheem, the year 1962 was marked by a return to profits, on a lower volume of sales. We consolidated operations, improved efficiency and prepared to increase over-all profitability from a stronger financial and marketing base.

For 1962, consolidated sales (not including sales by Rheem subsidiary and affiliated companies overseas) were $114,086,579, as against $125,175,747 in the previous year. The decline reflects lower prices in important product lines and disposition of unprofitable operations that were included in 1961 sales figures. In product units, sales of all operating divisions and subsidiaries increased for 1962.

Results of all divisions and operating subsidiaries of the Company improved in 1962; most of the gains were attributable to operating efficiencies.

The cost reducing consolidation program initiated in 1961 was largely completed in 1962. This concentrates Home Products Group production in fewer, lower-cost, more highly mechanized and more highly specialized production centers. Distribution and service centers are now located more strategically for prompt shipment of orders and greater customer convenience. Full financial benefits from these programs are anticipated in the months ahead, in addition to savings already accruing from reduced investment in fixed assets and inventories.

The Company's financial position improved in 1962. Working capital increased to $29,154,000 at December 31, 1962 from $28,580,000 a year earlier. Short and long term debt decreased approximately $2.2 million to $25,479,000 at the 1962 year end. Ratio of current assets to current liabilities was 3.2 to one, up from 2.6 to one in 1961.

Operating and financial improvements were achieved in 1962 despite intensified price wars, particularly in our important water heater and plumbing fixtures markets. By mid-year, prices of some of these products had dropped to their lowest points in 15 years. There has been an improvement in prices of water heaters and plumbing fixtures during 1963.

NEW PRODUCTS INTRODUCED

New Rheem water heaters embodying advances in automatic operation were introduced in 1962. The heaters are the "Demand-O-Matic" in the Rheem line and the "Varimatic" under the Ruud label, also made by Rheem. They electronically sense how much hot water is being used and regulate the input of heat to supply the water heating speed required by the varying demands.

Rheem Home Products Group introduced a new plumbing fixtures color, "Misty Lilac." The suc-

FINANCIAL HIGHLIGHTS

	1962	1961
Net sales	$114,086,579	$125,175,747
Earnings (loss) before taxes	1,343,437	(3,791,943)
Federal income taxes	300,000	150,000
Earnings (loss) after taxes	1,043,437	(3,941,943)
Earnings (loss) per common share	$.52	$(1.98)
Extraordinary direct charge to retained earnings	—	7,108,304
Number of shares outstanding	2,010,109	2,009,309
Number of shareholders	11,141	12,298
Wages and salaries paid	$ 31,739,586	$ 38,464,109

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cess and decorator appeal of this new color have resulted in increased sales beyond expectation and have helped Rheem improve its reputation for leadership in fashionable, trend-setting bathroom fixtures.

OTHER DEVELOPMENTS

There were advances in container product development, too. Late in 1962, the Container Division announced a unique process of fusing plastic to the interior surfaces of steel shipping containers. We have applied for patents on the new process, which is called "Fusioncote." The process, developed over a three-year period, makes possible packages in varying sizes up to 60 gallons in capacity for chemicals, cleaning compounds, foods and other products now requiring more expensive containers. It opens new industrial packaging possibilities.

Other new container products that were introduced last year include the redesigned "Rheemlox" fiber drum; a new polyethylene dispersion lining applied to Rheem steel shipping containers by the Rheem centrifugal lining method; polyethylene inserts that team with Rheem steel containers; and a "Sterilpac Twin," a new filling unit for aseptic packing of food concentrates in 55-gallon drums. The market for Sterilpac containers, which were introduced in 1959, continues to grow. These containers are adaptable to a wide variety of foods and make possible savings to producers through shipment and storage of concentrates without additives or refrigeration.

The Rheemetal Division continued development of new home building systems based on the division's success in recent years with insulated steel panel structures for schools, offices, shopping centers and other buildings throughout the West. Display houses were completed in California and Florida. A new civic center at Henderson, Nevada will be a Rheemetal building. In the Rheemetal system, large sections of the structure are built on the factory assembly lines, at Huntington Park, Calif., allowing ease and speed of erection on the building site.

Rheem Califone Corporation, subsidiary at Los Angeles, increased sales of language laboratories, sound systems and tape recorders for schools and industrial training. Among new products which have been enthusiastically received is the portable "Vocalette" language training laboratory that can be wheeled from room to room and serves as many as 12 students at once.

Orendorff Manufacturing Company, another Los Angeles subsidiary, received substantial orders for a unique accessory device to improve efficiency of cotton picking machines. This business was in addition to Orendorff's regular manufacture of cultivating and other earth-engaging tools for agriculture and construction, and related industrial equipment.

During 1962, Rheem sold all the assets and business of its Electronics Division in Los Angeles to Ex-Cell-O Corporation, Detroit. With a competent group of physicists and engineers, we had introduced several noteworthy advances in designing, developing and producing automatic control systems for machine tools. Our product line included photocell readers and other devices and equipment in the field of automatic control of machines. Our position in the industry was such that buyer interest developed, leading to the decision to avail ourselves of an attractive opportunity to sell the business.

Also during the year we exchanged our ownership in Rheem Acceptance Corporation, which was engaged in dealer and consumer financing in California, for shares in Atlas Credit Corporation, Philadelphia.

INTERNATIONAL GROWTH

Our International Division increased its sales and profits to record high levels. Sales by Rheem subsidiary and affiliated companies abroad were $75,000,000, an eight per cent increase over $69,700,000 in 1961.

Total earnings of Rheem companies abroad, before local taxes, were $5,800,000 in 1962, a 13.7 per cent increase over the previous year's total. Companies abroad remitted to the domestic company $1,233,000 in 1962 in dividends and management fees. At the end of the year, our equity in the underlying net assets of companies abroad was estimated at $12,600,000, or $960,000 more than at December 31, 1961, after providing for currency devaluation in several countries. Rheem

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investments in enterprises abroad at the end of 1962 amounted to $6,317,437 at cost. Increasing shareholder equity in overseas subsidiaries and affiliates is the result of the policy of retaining a substantial portion of earnings for development of local operations.

Inflationary pressures, devaluation in exchange rates and currency convertibility regulations in 1962 resulted in a slower growth of sales and earnings in South America. While economic and political conditions in individual South American countries vary greatly, it is expected that over-all product sales and profits earned in local currencies will continue to grow in these areas.

Outstanding results were achieved in Australia, Belgium, Canada, England, the Philippines and Singapore in 1962. Results in Italy were adversely affected by a strike at Milan; nevertheless, profitability was maintained.

Rheem Australia established during 1962 a packaging division in a new plant at Rydalmere, New South Wales, which will specialize in producing small, non-refillable metal and plastic containers. In New Zealand, a second container plant commenced production, at Christchurch.

Rheem Safim Salzano commenced production in a new drum plant at Salzano, Italy, and Rheem Safim purchased land near Milan for construction of a larger and more modern plant to which its operations will be removed.

Early in 1962, we acquired a majority interest in a company formed with Chaffoteaux and Maury, leading French manufacturer of instantaneous-type water heaters, to produce automatic storage water heaters. Production will start this year.

Uncertainties exist as to future alignments of countries in the two European trade blocs, the "Inner Six" group of the European Common Market and the "Outer Seven" of the European Free Trade Association. Nevertheless, the underlying strengths of the economies of individual European nations support Rheem plans for growth of operations on the continent and in Britain. As a result of our many years of development abroad, we are in a favorable position to take advantage of opportunities for increased sales and profits irrespective of specific methods employed by European countries separately or collectively in lowering trade barriers.

We are planning increasing emphasis on our international operations in the future. Among other things, we plan to stress the production and marketing in Europe of our heating and water-heating equipment using gas and oil as fuel. The market for these products should be greatly enhanced in future years by the trend in Europe from coal to oil as an energy source, and by the recent discoveries of large natural gas fields in northern Italy and Holland.

PERSONNEL CHANGES

The Board of Directors elected Modestus R. Bauer, of Long Beach, Calif., as a director, effective January 14, 1963.

It is with deep regret that we record the deaths of two colleagues. Herbert E. Hall, who had served the Company with distinction as a director from 1930 to 1932 and continuously since 1937, died February 7, 1963. He had served also as general counsel since the incorporation of the Company in 1930. Robert T. Stroup, an employe of 15 years of service with the Company and Treasurer since 1959, died November 19, 1962.

Andrew W. Hughes was elected Treasurer and Fred R. Grant Comptroller, effective January 1, 1963.

* * *

The return of the Company to a profitable position is the significant achievement of 1962. The measures that made this possible, through further reduction in costs and improved efficiency, should bring increasing benefits in the months ahead. The Company now is established on a solid base of performance, with high levels of operating efficiency and sound market prospects, and we look with confidence to the future. We appreciate the cooperative efforts of our employes and the continued support and interest of our shareholders.

President

March 12, 1963

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CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1962	1961
CURRENT ASSETS:		
Cash	$ 3,663,151	$ 4,026,269
Accounts receivable:		
Commercial, less allowance for doubtful accounts (1962, $230,722; 1961, $239,826)	16,317,704	15,665,882
Unconsolidated subsidiary and affiliated companies	719,653	905,896
Inventories, at lower of current cost or market:		
Finished and in process	11,775,405	12,578,598
Raw materials and supplies	9,365,390	13,057,108
Costs allocable to future operations—insurance, taxes, etc.	565,942	712,137
	42,407,245	46,945,890
INVESTMENTS (Note 1):		
Companies operating in foreign countries:		
Owned 50% or more—at equity in underlying net assets	8,650,142	7,889,914
Less than 50% owned—at cost (approximate equity in underlying net assets at current rates of exchange—1962, $3,950,000; 1961, $3,750,000)	3,814,416	3,605,487
Domestic subsidiary—at equity in underlying net assets	—	801,353
	12,464,558	12,296,754
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	696,185	696,185
Buildings, machinery and equipment, less accumulated depreciation and amortization (1962, $24,597,625; 1961, $23,563,874)	18,956,871	19,898,633
	19,653,056	20,594,818
OTHER ASSETS:		
Unamortized patent costs and long-term debt expense	827,613	930,316
Sundry receivables, real estate and other investments	2,222,959	3,193,366
	3,050,572	4,123,682
	$77,575,431	$83,961,144

See notes to financial statements on page 7.

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CONSOLIDATED BALANCE SHEET

LIABILITIES	December 31 1962	1961
CURRENT LIABILITIES:		
Notes payable	$ 1,500,000	$ 2,900,000
Current installments of long-term indebtedness	1,979,000	667,000
Accounts payable	4,625,470	6,192,835
Compensation, interest and sundry accruals	3,744,047	7,853,739
Federal income taxes, estimated (Note 2)	869,531	600,000
Retirement plans contribution payable to trustee (Note 4)	535,464	152,093
	13,253,512	18,365,667
LONG-TERM INDEBTEDNESS (Note 5):		
5¼% term note payable to bank, 1964-1966	4,200,000	5,400,000
3⅞% sinking fund debentures due in 1975	17,800,000	18,700,000
	22,000,000	24,100,000
FEDERAL INCOME TAXES DEFERRED TO FUTURE YEARS	219,000	219,000
ESTIMATED WARRANTY COSTS ON DISCONTINUED PRODUCTS AND OTHER LONG-TERM LIABILITIES	1,380,819	1,641,079
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	147,350	112,829
CAPITAL AND RETAINED EARNINGS (Note 6):		
Common stock, par value $1 per share; authorized 5,000,000 shares; outstanding 2,010,109 shares	2,010,109	2,009,309
Capital in excess of par value of shares outstanding	34,147,694	34,139,750
Earnings retained for use in the business—see accompanying statement (Note 5)	4,416,947	3,373,510
	40,574,750	39,522,569
	$77,575,431	$83,961,144

See notes to financial statements on page 7.

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CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31 1962	1961
INCOME:		
Net sales	$114,086,579	$125,175,747
Dividends from companies operating in foreign countries	646,830	636,712
Miscellaneous income	299,360	329,498
	115,032,769	126,141,957
COSTS:		
Cost of goods sold	101,833,145	116,062,939
Selling, general and administrative expenses	11,151,904	13,419,741
Interest	1,129,654	976,425
Minority interest in earnings of consolidated subsidiary	42,546	4,686
	114,157,249	130,463,791
	875,520	(4,321,834)
Provision for estimated federal income taxes	300,000	150,000
	575,520	(4,471,834)
Share of undistributed net earnings of unconsolidated companies, 50% owned or more, operating in foreign countries (Note 1)	467,917	529,891
Earnings (loss) for year	$ 1,043,437	$ (3,941,943)

Provision for depreciation and amortization of plant and equipment charged to earnings: 1962, $2,362,763; 1961, $4,024,581 (Note 3)

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

	Year ended December 31 1962	1961
Earnings retained for use in the business at the beginning of the year	$ 3,373,510	$ 13,985,284
Earnings (loss) for year	1,043,437	(3,941,943)
Extraordinary charge related to disposition and relocation of facilities and to abnormal warranty costs	—	(7,108,304)
Equity at January 1, 1961, in undistributed earnings of unconsolidated companies which became 50% owned during the year	—	471,609
Dividends paid on preferred stock	—	(33,136)
Earnings retained for use in the business at the end of the year* (Note 5)	$ 4,416,947	$ 3,373,510

* Includes $6,147,121 in 1962 and $5,679,204 in 1961 of undistributed net earnings of unconsolidated companies, 50% owned or more, operating in foreign countries, of which $3,327,534 in 1962 and $3,069,792 in 1961 has been capitalized on the books of such foreign companies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — *Principles of Consolidation*

All domestic subsidiaries have been consolidated. Investments in foreign companies 50 per cent owned or more are stated at Rheem's equity in the underlying net assets, and Rheem's share of the profits and losses of such companies is included in the consolidated statement of earnings. The financial statements of foreign companies 50 per cent owned or more have been translated to U. S. dollars by use of current rates of exchange, except that property accounts and related depreciation provisions have been translated at rates prevailing at the dates the properties were acquired.

NOTE 2 — *Federal Income Taxes*

Certain income tax matters relating to the years 1951 through 1956 are being litigated by the Company. In the opinion of management, reasonable provision has been made in the financial statements for income taxes, but the final outcome of the disputed issues is not presently determinable.

The Company and certain of its subsidiaries have operating loss carry-forwards and other deductions aggregating approximately $15,000,000 which the Company expects will be available to reduce taxable income in future years. Only a relatively minor portion of this amount could be used to reduce the taxable income of years after 1966.

NOTE 3 — *Depreciation*

In the year 1962, the Company changed from the double declining-balance method to the straight-line method of computing depreciation on certain assets acquired subsequent to 1957. The effect of this change on 1962 operations was to decrease depreciation and increase earnings by approximately $178,000.

NOTE 4 — *Retirement Plans*

The Company maintains pension plans for most of its employes. Employes represented by certain unions and employes of certain subsidiaries do not participate in the plans. Pension expense for the plans amounted to $535,464 in the year 1962. This is the amount estimated on the basis of a 1962 actuarial study as the cost of benefits accruing during the year under the plans plus interest on the estimated unfunded past service cost of $5,700,000.

NOTE 5 — *Long-Term Indebtedness*

The indenture relating to the 3⅞ per cent sinking fund debentures requires the Company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the Treasury at December 31, 1962 ($121,000) may be used to satisfy part of the 1963 sinking fund requirement. The remainder of the 1963 requirement is included in current liabilities. The indenture also provides that the Company may not create, guarantee, or assume any funded debt unless immediately thereafter the consolidated net tangible assets, as defined in the indenture, are at least 250 per cent of the consolidated funded debt. At December 31, 1962, the consolidated net tangible assets, as defined, were approximately $60,600,000.

Under the terms of the credit agreement governing the term note payable to the bank, the Company is required to maintain consolidated working capital of $26,000,000.

The credit agreement and the indenture contain various restrictions on the payment of cash dividends. The most restrictive of the provisions is included in the credit agreement and causes all but approximately $1,000,000 of the retained earnings at December 31, 1962 to be unavailable for dividends.

NOTE 6 — *Capital Stock*

The Company has stock option incentive plans under which options may be granted to officers and key employes to purchase common stock at prices not less than 95 per cent of the fair market value at the time the options are granted. At December 31, 1962, 99,500 shares of common stock were reserved for this purpose. During the year 1962, options to purchase 18,750 shares were granted, options to purchase 13,750 shares were cancelled, and an option to purchase 800 shares was exercised at $10.93 per share. At December 31, 1962, there were options outstanding for 89,350 shares at prices ranging from $10.50 to $19.25 per share. Options issued in 1958 to purchase 16,500 shares may be exercised up to seven years after the date granted; options granted in the years since 1958 may be exercised from one to ten years after the date granted.

NOTE 7 — *Long-Term Leases*

The Company occupies some of its manufacturing and office premises and is lessee of real estate under leases which expire at various intervals to 1986. Average annual rental payments during the next five years will be about $600,000; however, income from subleases of portions of the leased property will approximate the total lease payments. The present subleases expire prior to 1969. During the period 1969 to 1986, expiring leases and decreasing annual rents reduce the annual liability from $475,000 in 1969 to $155,000 in 1986. The leases are also subject, in some cases, to additional payments for taxes, insurance, and other occupancy expenses.

PRICE WATERHOUSE & CO.

120 MONTGOMERY STREET
SAN FRANCISCO 4

March 8 1963

To the Board of Directors of
Rheem Manufacturing Company

In our opinion, based on our examination and on the reports of other independent accountants as to certain companies operating in foreign countries, the accompanying statements present fairly the financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31 1962 and the results of their operations for the year, in conformity with generally accepted accounting principles applied, except for the change in computing depreciation as described in Note 3 to the financial statements, on a basis consistent with that of the preceding year. Our examination of the consolidated financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

RMC502

(000 omitted)

	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953
ASSETS										
Current assets	$ 42,407	$ 46,946	$ 43,901	$ 53,247	$ 48,078	$ 55,204	$ 81,277	$ 62,414	$ 46,371	$ 54,013
Investments	12,465*	12,297*	12,173*	10,216*	5,584	5,015	4,321	1,958	2,090	1,942
Property, plant and equipment—less reserves	19,653	20,595	30,447	28,905	34,758	39,075	40,792	41,554	36,981	30,888
Other assets	3,050	4,123	1,811	2,964	2,699	2,168	2,436	1,344	—	—
Total assets	77,575	83,961	88,332	95,332	91,119	101,462	128,826	107,270	85,442	86,843
LIABILITIES										
Current liabilities	13,253	18,366	14,308	16,138	14,169	19,160	55,690	21,993	20,254	30,725
Long-term indebtedness	22,000	24,100	22,500	25,184	28,150	30,800	23,262	26,093	13,720	12,380
Deferred income tax	219	219	558	627	1,242	1,622	1,599	1,138	580	—
Warranty costs and other long-term liabilities	1,381	1,641	—	—	—	—	—	—	—	—
Total liabilities	36,853	44,326	37,366	41,949	43,561	51,582	80,551	49,224	34,554	43,105
MINORITY INTEREST	147	113	108	100	—	—	—	—	—	—
CAPITAL AND RETAINED EARNINGS										
Preferred stock	—	—	717	817	1,209	1,751	1,855	3,059	6,010	9,990
Common stock	2,010	2,009	2,008	1,952	1,952	1,952	1,952	1,917	1,542	1,249
Obligation to former shareholders of subsidiary	—	—	—	—	—	1,882	1,882	—	—	—
Capital in excess of par value	34,148	34,140	34,148	32,860	32,840	32,774	32,758	31,695	26,063	17,575
Retained earnings	4,417	3,373	13,985	17,654	11,557	11,521	9,828	21,375	17,273	14,924
Total capital and retained earnings	$ 40,575	$ 39,522	$ 50,858	$ 53,283	$ 47,558	$ 49,880	$ 48,275	$ 58,046	$ 50,888	$ 43,738
INCOME										
Net sales	$114,087	$125,176	$122,556	$140,270	$151,312	$188,581	$173,903	$180,274	$163,623	$188,005
Dividends from foreign companies	647	637	491	243	446	400	290	278	214	73
Miscellanous income	299	329	429	410	184	285	90	440	977	110
Total income	115,033	126,142	123,476	140,923	151,942	189,266	174,283	180,992	164,814	188,188
COSTS										
Costs, excluding interest	112,985	129,483	125,784	137,720	150,516	183,784	188,272	167,355	152,911	174,250
Interest	1,130	976	1,157	1,101	1,294	2,045	1,929	997	856	1,056
Total costs	114,115	130,459	126,941	138,821	151,810	185,829	190,201	168,352	153,767	175,306
INCOME (LOSS) BEFORE TAXES	918	(4,317)	(3,465)	2,102	132	3,437	(15,918)	12,640	11,047	12,882
MINORITY INTEREST	43	5	(76)	(217)	—	—	—	—	—	—
FEDERAL INCOME TAXES (TAX CREDITS)	300	150	140	(528)	(170)	1,468	(6,755)	6,418	5,020	7,900
EARNINGS OF UNCONSOLIDATED COMPANIES	468*	530*	798*	628*	—	—	—	—	—	—
EARNINGS (LOSS) FOR THE YEAR	1,043	(3,942)	(2,731)	3,475	302	1,969	(9,163)	6,222	6,027	4,982
PREFERRED DIVIDENDS PAID	—	33	36	44	71	81	97	176	366	450
COMMON DIVIDENDS PAID	—	—	902	586	195	195	1,769	3,859	3,312	2,498
SUNDRY CHARGES AND (CREDITS), NET	—	6,637	—	(3,252)	—	—	518	—	—	—
RETAINED EARNINGS (LOSS) FOR THE YEAR	$ 1,043	$(10,612)	$ (3,669)	$ 6,097	$ 36	$ 1,693	$(11,547)	$ 2,187	$ 2,349	$ 2,034
EARNINGS (LOSS) PER SHARE OF COMMON STOCK	$ .52	$ (1.98)	$ (1.38)	$ 1.76	$ .12	$ .97	$ (4.75)	$ 3.15	$ 3.67	$ 3.63
WORKING CAPITAL	$ 29,154	$ 28,580	$ 29,593	$ 37,109	$ 33,909	$ 36,044	$ 25,587	$ 40,421	$ 26,117	$ 23,288
BOOK VALUE, COMMON STOCK	$ 20.19	$ 19.67	$ 24.97	$ 26.88	$ 23.75	$ 23.70	$ 22.82	$ 28.68	$ 29.11	$ 27.01
NUMBER COMMON SHAREHOLDERS	11,141	12,298	13,878	12,835	12,702	13,798	14,491	14,890	8,225	7,420

* Amounts reflect book value method of accounting for unconsolidated companies owned 50% or more. See Note 1 on page 7.

AROUND THE WORLD

U. S. plants listed on inside front cover

ARGENTINA

Sociedad Anonima Industrial y
Comercial de Aceros Rheem (SAIAR)
Adam D. Walger, General Manager
333 Calle Cordoba, 2°
Buenos Aires, Argentina

AUSTRALIA

Rheem Australia Industries Pty., Ltd.
Melbourne, Australia

Rheem Australia Pty., Limited
Lynn Arnold, General Manager
P. O. Box 6, Rydalmere, New South Wales

Rheem Simpson Limited
533 Grand Junction Rd.
Wingfield, Adelaide, S. Australia

Plants

Townsville, Queensland
Bulimba, Brisbane, Queensland
Hendra, Brisbane, Queensland
Newcastle, New South Wales
Blacktown, Sydney, New South Wales
Rydalmere, Sydney, New South Wales (4 plants)
Leichhardt, Sydney, New South Wales
Brooklea, Melbourne, Victoria
Collingwood, Melbourne, Victoria
Fremantle, Western Australia
Wingfield, Adelaide, South Australia
Alberton, Adelaide, South Australia

BELGIUM

Travail Mécanique de la Tôle, S.A.
Jacques Stevens, Managing Director
147 Boulevard de la IIe Armée Britannique
Forest-Brussels, Belgium

Plants

Forest-Brussels
Ghent
Ronet

BRAZIL

Participações Metalurgicas, S. A. (PARMET)
Av. Beira Mar 262, sala 703
Rio de Janeiro, Brazil

Rheem Metalurgica, S. A. (RHEEMET)
Fernando Pernambuco, Executive Vice President
Fernando Bergallo, Managing Director
P.O. Box 4696-ZC-21, Rio de Janeiro, Brazil

Rheem-Senotubo Metalurgia, S. A.
Francisco R. Cardoso, Managing Director
Caixa Postal 8624, São Paulo, Brazil

Industria Metalurgica, S.A. (INDUSA)
Mario Colnaghi, General Manager
Rua Xavier de Toledo 114
São Paulo, Brazil

Metalurgica da Bahia, S.A. (METALBASA)
Manoel Assemany, General Manager
Bahia, Brazil

CANADA

Rheem Canada Limited
Trumbull Warren, President and General Manager
128 Barton Street West, Hamilton, Ontario

Plants

Hamilton, Ontario
Edmonton, Alberta

Ruud Manufacturing Company
A. J. Strain, Vice President and General Manager
Portland and Windsor Streets
Mimico, Ontario

CHILE

Rheem Chilena, S.A.
Rafael Budnik, President and General Manager
Pedro Gattavara, Commercial Manager
Casilla 9229, Santiago, Chile

CONGO

Société Congolaise de la Tôle (SOCOTOLE)
Leopoldville, Congo

Société Congolaise COBEGA
Leopoldville, Congo

ENGLAND

Rheem Lysaght Limited
J. J. Bush, Managing Director
St. Vincent's Iron Works
Bristol, England

W. A. Hunt, Special Representative
Rheem Manufacturing Company
16 Berkeley Street
London, W. 1, England

Rheem-Glow-Worm Limited
F. P. Webster, Managing Director
Derwent Foundry, Milford, Near Derby

FRANCE

Paris Office
Rheem International
242 Rue de Rivoli
Paris Ier, France

Safim France
5, Place de Wagram
Paris 17e, France

Anciens Ets. Pelisse
St. Aubin-les-Elbœuf
Seine-Maritime, France

Rheem Chaffoteaux
Michel Neny, President
25 Avenue Marceau
Paris 16e, France

Plant

St. Brieuc

GERMANY

Deutsche Rheem G.m.b.H.
Kaiserstrasse 75
Frankfurt am Main, Germany

GREECE

ISOLA, S.A.
G. P. Dracos, Managing Director
40 Egheou Street, N. Faliron
Athens, Greece

ITALY

Rheem Safim, S.p.A.
Comm. Francesco Bonelli, President
Mario Capelli, Vice President
Jack O. Tebyriça, Ing. Gaetano Ferrara, Managing Directors
Casella Postale 1302, Milan, Italy

Industria Siciliana Profilati Acciaio, S.p.A. (ISPA)
Giovanni Lorenzini, General Manager
Via Della Regione Siciliana,
Palermo, Sicily, Italy

Rheem Safim Salzano, S.p.A.
Alessandro Poletto, Plant Manager
Via Della Stazione
Salzano (Venezia), Italy

Rheem Safim Tubi, S.p.A.
Ezio Mari, General Manager
Giovanni Manetti, Technical Manager
Willy Opperman, Plant Manager
Via Della Regione Siciliana,
Palermo, Sicily, Italy

MEXICO

Rassini Rheem, S.A. de C.V.
Guillermo Gotlib, General Manager
Apartado Postal No. 26711
Mexico City, Mexico

Servicio Especializado de Muelles, S. A.
Guillermo Gotlib, General Manager
Avenida de Taller, 92
Mexico City, Mexico

NEW ZEALAND

Rheem New Zealand, Ltd.
John J. C. Herndon, Manager
P. O. Box 34, Tawa
Wellington, New Zealand

Plants

Wellington
Christchurch

PERU

Rheem Peruana, S.A.
Alfredo Larrañaga, Vice Chairman
Apartado 3679, Lima, Peru

Inmobiliaria Rheem, S.A.
Avenida Industrial 525, Lima, Peru

PHILIPPINES

Rheem of the Philippines, Inc.
Gordon Mackay, Plant Manager
P. O. Box 942, Manila, Philippines

SINGAPORE

Rheem-Hume (Far East) Limited
R. G. Close, Manager
P. O. Box 297, Singapore

SPAIN

Fabricación de Envases Metálicos, S.A. (FEMSA)
Pedro Oller, President
Calle Serrano 63, Madrid 6, Spain

Plants

Barcelona
Puertollano

Cia. Española de Petroleos
Tenerife, Canary Islands

SWEDEN

A. B. Elit Emballage
Karl J. Enderlein, Managing Director
Dals Langed, Sweden

SWITZERLAND

Rheem International, S.A. (RISA)
Jean Jacques Zweifel, Managing Director
Bahnhofstrasse 3, Zurich, Switzerland

Rheem Overseas, S.A. (ROSA)
Jean Jacques Zweifel, Managing Director
Bahnhofstrasse 3, Zurich, Switzerland

TURKEY

Türkiye Madeni Sanayi, A.S. (TURMASAN)
Emile Elagöz, General Manager
Atlantik Han, Findikli-Istanbul, Turkey

VENEZUELA

Industrias Venezolanas van Leer, C.A.
G. Kraan, Works Manager
Apartado 23, Punto Fijo

RMC504

Printed in U.S.A.

RMC505

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

"PACE INDUSTRIES, INC.", A DELAWARE CORPORATION,

WITH AND INTO "PACE GROUP HOLDINGS, INC." UNDER THE NAME OF "PACE GROUP HOLDINGS, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE TWENTY-THIRD DAY OF DECEMBER, A.D. 2005, AT 5:56 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 2005, AT 11:15 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2044853 8100M

051059628

AUTHENTICATION: 4403907

DATE: 12-27-05

RMC506

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:56 PM 12/23/2005
FILED 05:56 PM 12/23/2005
SRV 051059628 - 2042559 FILE

CERTIFICATE OF MERGER

OF

PACE INDUSTRIES, INC.

WITH AND INTO

PACE GROUP HOLDINGS, INC.

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY that:

FIRST: The name and state of incorporation of each of the constituent corporations of the merger are as follows:

Name	State of Incorporation
PACE Industries, Inc.	Delaware
PACE Group Holdings, Inc.	Delaware

SECOND: An agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations to such merger in accordance with the requirements of subsection (a) of Section 228 and subsection (c) of Section 251 of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving corporation of the merger is PACE Group Holdings, Inc.

FOURTH: The only amendment to or change in the Certificate of Incorporation of the surviving corporation, PACE Group Holdings, Inc., that is to be effected by the merger is that Paragraph 4 of such Certificate of Incorporation is amended in its entirety to read as follows:

> "4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or

distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or

of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

FIFTH: No cash or assets will be exchanged by either party as consideration for, or to facilitate, the merger. All of the accumulated earned surplus, if any, of the merging corporation (PACE Industries, Inc.) will be combined with the accumulated earned surplus, if any, of the surviving corporation (PACE Group Holdings, Inc.).

SIXTH: The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is 405 Lexington Avenue, New York, New York 10174-0307.

SEVENTH: A copy of the agreement of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of either constituent corporation. A Conformed Copy of the Agreement and Plan of Merger is attached hereto as Exhibit A.

EIGHTH: The effective date of the merger shall be 11:15 P. M. on December 31, 2005.

Dated: December 12, 2005

PACE GROUP HOLDINGS, INC.

By: /s/ Scott D. Martin
Scott D. Martin
President

Attest:

By: /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

EXHIBIT A CONFORMED COPY

AGREEMENT AND PLAN OF MERGER

Between

PACE GROUP HOLDINGS, INC.
A Delaware Corporation
(The Surviving Corporation)

and

PACE INDUSTRIES, INC.
A Delaware Corporation
(The Merging Corporation)

AGREEMENT entered into as of December 12, 2005, by and between PACE GROUP HOLDINGS, INC., a Delaware corporation (hereinafter sometimes called "PGHI" and sometimes called the" Surviving Corporation"), and PACE INDUSTRIES, INC., a Delaware corporation (hereinafter sometimes called "PII" and sometimes called the "Merging Corporation"), which two corporations are hereinafter sometimes called the "Constituent Corporations". PGHI is validly organized, existing, and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on September 24, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day. PII is validly organized, existing and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on August 22, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day.

PGHI has an authorized capital of 1,000 shares of capital stock ($1.00 par value), 1,000 shares of which were issued and outstanding on December 12, 2005. PII has an authorized capital of 100 shares of common stock, ($1.00 par value), 100 shares of which were issued and outstanding on December 12, 2005. As of the effective date of the merger, PII will have authorized capital, shares of which are issued and outstanding as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The directors of the Constituent Corporations deem it advisable and in the best interests of their respective corporations and stockholders that PII merge with and into PGHI in accordance with the provisions of the applicable statutes of the State of Delaware.

NOW, THEREFORE, the Constituent Corporations agree, each with the other, to merge into a single corporation, which shall be PGHI, pursuant to the laws of the State of Delaware, and agree upon and prescribe the terms and conditions of such a merger,

the mode of carrying it into effect and the manner and basis of converting and exchanging the PII shares into shares of PGHI.

1. The Merger. On the effective date of the merger, PII shall be merged with and into PGHI and the separate existence of PII shall cease; the Constituent Corporations shall become a single corporation named "PACE GROUP HOLDINGS, INC.", a Delaware corporation, which shall be the Surviving Corporation.

2. Certificate of Incorporation. The Certificate of Incorporation of PGHI is hereby amended by striking out Article 4 in its entirety and substituting in lieu thereof a new Article 4 reading as follows:

"4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

The Certificate of Incorporation of PGHI as amended shall constitute the Certificate of Incorporation of the Surviving Corporation until further amended in accordance with the General Corporation Law of the State of Delaware.

3. By-Laws. The by-laws of PGHI, in effect immediately prior to the effective date of the merger, shall continue to be the by-laws of the Surviving Corporation until altered or repealed in the manner provided by such by-laws and the General Corporation Law of the state of Delaware.

4. Directors. The directors of PGHI, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the directors of the Surviving Corporation and shall continue to hold office for a term specified in the by-laws of the Surviving Corporation.

5. Officers. The officers of PGHI, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the officers of the Surviving Corporation until the Board of Directors of the Surviving Corporation shall otherwise determine.

6. Effect of Merger. When the merger becomes effective, the Surviving Corporation shall possess all the rights, privileges powers and franchises, of a public as well as of a

private nature, and shall be subject to all the restrictions, disabilities, and duties of each of the Constituent Corporations; and the rights, privileges, powers and franchises of the Constituent Corporations, and all property, real and personal, including all patents, applications for patents, trademarks, copyrights, and applications for registration of copyrights, together with the goodwill of the business in connection with which said patents, marks and copyrights are used, and all debts due to each of the Constituent Corporations on whatever account shall be vested in the Surviving Corporation and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectively the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in each of the Constituent Corporations shall not revert or be in any way impaired; but all rights of creditors and all liens upon any property of each of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted for by it.

7. Manner and Basis of Conversion and Exchange of Shares. The manner of converting the outstanding shares of the capital stock of each of the Constituent Corporations into the shares of the Surviving Corporation shall be as follows:

(a) Each share of common stock of the Surviving Corporation, which shall be issued and outstanding on the effective date of the merger, shall be canceled.

(b) Each share of common stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of common stock of the Surviving Corporation.

(c) Each share of Series A preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series A preferred stock of the Surviving Corporation.

(d) Each share of Series B preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series B preferred stock of the Surviving Corporation.

(e) After the effective date of the merger the holder of the outstanding certificates representing shares of stock of the Merging Corporation shall surrender the same to Surviving Corporation and such holder shall be entitled upon such surrender to receive the number of shares of common stock, Series A preferred stock and Series B preferred stock of the Surviving Corporation on the basis provided herein. Until so surrendered the outstanding shares of the stock of the Merging Corporation to be converted into the stock of the Surviving Corporation, as provided herein,

may be treated by the Surviving Corporation for all corporate purposes as evidencing the ownership of shares of the Surviving Corporation as though said surrender and exchange had taken place.

8. Filing of Agreement and Plan of Merger. This Agreement and Plan of Merger has been approved by the Board of Directors of each of the Constituent Corporations and shall be submitted for consideration and the requisite vote by the stockholders of PGHI and PII at meetings thereof duly called for that purpose or by unanimous written consent as provided by applicable law. This Agreement and Plan of Merger, when duly adopted by the stockholders of PGHI and PII, shall be certified as to this fact by the Secretary or Assistant Secretary of PGHI and PII, respectively, under the seals thereof, and shall be acknowledged on behalf of each of the Constituent Corporations by the respective president or vice president and secretary or assistant secretary thereof. This Agreement and Plan of Merger, when adopted, certified and acknowledged, shall be filed for record in the office of the Secretary of State of the State of Delaware and recorded in the office of the Recorder of Deeds of New Castle County, State of Delaware, all in accordance with the applicable provisions of the General Corporation Law of the State of Delaware; and the officers of each of the Constituent Corporations shall execute all such other documents and shall take all such other action as may be necessary or advisable to make this Agreement and Plan of Merger effective. Notwithstanding the foregoing, this Agreement and Plan of Merger and the merger herein provided for may, at any time before it becomes effective, be terminated and abandoned pursuant to any agreement then in effect between the Constituent Corporations.

9. Further Assurance. If at any time the Surviving Corporation shall consider or be advised that any further assignment or assurance in law is necessary or desirable, to vest in the Surviving Corporation the title to any property or rights of the Merging Corporation, the officers and directors of the Merging Corporation shall and will execute and make all such proper assignments and assurances in law and do all things necessary or proper to vest such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement and Plan of Merger.

10. Effective Date of Merger. The effective date of the merger shall be 11:15 P. M. on December 31, 2005.

11. Termination and Amendment. Notwithstanding the approval of the stockholders of PGHI and PII, this Agreement and Plan of Merger may be terminated and the merger abandoned prior to the filing hereof, as provided for in Section 8 hereof, by mutual consent of the Boards of Directors of both Constituent Corporations.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed by the duly authorized and designated officers of PGHI and PII, and the respective corporate seals of the Constituent Corporations have been affixed hereto, all as of the day and year first above written.

PACE GROUP HOLDINGS, INC.
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

By /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PACE INDUSTRIES, INC.,
a Delaware Corporation
(The Merging Corporation)

ATTEST:

By /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

STATE: OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 12th day of December, 2005, personally came before me, a Notary Public in and for the County and State aforesaid, Scott D. Martin and Jan J. Hoynacki, President and Secretary, respectively, of PACE INDUSTRIES, INC., a corporation of the state of Delaware, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement; and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(SEAL)

/s/ Peter T. Gelfman
NOTARY PUBLIC

STATE: OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

BE IT REMEMBERED that on this 12th day of December, 2005, personally came before me, a Notary Public in and for the County and State aforesaid, Scott D. Martin and Jan J. Hoynacki, President and Secretary, respectively, of PACE GROUP HOLDINGS, INC., a corporation of the state of Delaware, and they duly executed the foregoing Agreement and Plan of Merger before me and acknowledged the said Agreement and Plan of Merger to be their act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Agreement; and Plan of Merger is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(SEAL)

/s/ Peter T. Gelfman
NOTARY PUBLIC

I, Jan J. Hoynacki, Secretary of PACE INDUSTRIES, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of the said corporation and having been signed on behalf of PACE INDUSTRIES, INC., a corporation of the State of Delaware, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the written consent of the stockholders holding all shares of the capital stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stockholder of PACE INDUSTRIES, INC. and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 12th day of December, 2005.

/s/ Jan J. Hoynacki
Secretary

I, Jan J. Hoynacki, Secretary of PACE GROUP HOLDINGS, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certify, as such Secretary, that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of PACE GROUP HOLDINGS, INC., a corporation of the State of Delaware, was duly adopted pursuant to Section 228 of Title 8 of the Delaware Code of 1953, by the written consent of the sole stockholder holding all of the shares of the common stock of the corporation, same being all of the shares issued and outstanding having voting power, which Agreement and Plan of Merger was thereby adopted as the act of the stock holder of PACE GROUP HOLDINGS, INC. and the duly adopted agreement and act of the said corporation.

WITNESS my hand on this 12th day of December, 2005.

/s/ Jan J. Hoynacki
Secretary

THE ABOVE AGREEMENT OF MERGER, having been executed upon behalf of and having been adopted separately by each corporate party thereto in accordance with the provisions of the General Corporation Law of the State of Delaware, and that fact having been certified on said Agreement of Merger by an Officer and the Secretary of each corporate party thereto, the respective Officer of each corporate party hereto does now execute the said Agreement of Merger and respective Secretary of each corporate party thereto does now hereby attest the said Agreement of Merger, as the respective act, deed and agreement of each of said corporations, as of the 12th day of December, 2005.

PACE GROUP HOLDINGS, INC.
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PACE INDUSTRIES, INC.,
a Delaware Corporation
(The Merging Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

"PACE GROUP HOLDINGS, INC.", A DELAWARE CORPORATION,

WITH AND INTO "PACE GROUP, INC." UNDER THE NAME OF "PACE GROUP, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE TWENTY-THIRD DAY OF DECEMBER, A.D. 2005, AT 5:57 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 2005, AT 11:30 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2044854 8100M

051059639

AUTHENTICATION: 4404643

DATE: 12-27-05

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:56 PM 12/23/2005
FILED 05:57 PM 12/23/2005
SRV 051059639 - 2044853 FILE

CERTIFICATE OF MERGER

OF

PACE GROUP HOLDINGS, INC.

WITH AND INTO

PACE GROUP, INC.

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY that:

FIRST: The name and state of incorporation of each of the constituent corporations of the merger are as follows:

Name	State of Incorporation
PACE Group Holdings, Inc.	Delaware
PACE Group, Inc.	Delaware

SECOND: An agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations to such merger in accordance with the requirements of subsection (a) of Section 228 and subsection (c) of Section 251 of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving corporation of the merger is PACE Group, Inc.

FOURTH: The only amendment to or change in the Certificate of Incorporation of the surviving corporation, PACE Group, Inc., that is to be effected by the merger is that Paragraph 4 of such Certificate of Incorporation is amended in its entirety to read as follows.

> "4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or

distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or

of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

FIFTH: No cash or assets will be exchanged by either party as consideration for, or to facilitate, the merger. All of the accumulated earned surplus, if any, of the merging corporation (PACE Group Holdings, Inc.) will be combined with the accumulated earned surplus, if any, of the surviving corporation (PACE Group, Inc.).

SIXTH: The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is 405 Lexington Avenue, New York, New York 10174-0307.

SEVENTH: A copy of the agreement of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of either constituent corporation. A Conformed Copy of the Agreement and Plan of Merger is attached hereto as Exhibit A.

EIGHTH:: The effective date of the merger shall be 11:30 P. M. on December 31, 2005.

Dated: December 12, 2005

PACE GROUP, INC.

By: /s/ Scott D. Martin
Scott D. Martin
President

Attest:

By: /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

EXHIBIT A CONFORMED COPY

AGREEMENT AND PLAN OF MERGER

Between

PACE GROUP, INC.
A Delaware Corporation
(The Surviving Corporation)

and

PACE GROUP HOLDINGS, INC.
A Delaware Corporation
(The Merging Corporation)

AGREEMENT entered into as of December 12, 2005, by and between PACE GROUP, INC., a Delaware corporation (hereinafter sometimes called "PGI" and sometimes called the" Surviving Corporation"), and PACE GROUP HOLDINGS, INC., a Delaware corporation (hereinafter sometimes called "PGHI" and sometimes called the "Merging Corporation"), which two corporations are hereinafter sometimes called the "Constituent Corporations". PGI is validly organized, existing, and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on September 24, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day. PGHI is validly organized, existing and in good standing under the General Corporation Law of the State of Delaware. Its Certificate of Incorporation was filed in the office of the Secretary of State on September 24, 1984 and recorded in the office of the Recorder of Deeds for New Castle County on the same day.

PGI has an authorized capital of 1.000 shares of capital stock ($1.00 par value), 1,000 shares of which were issued and outstanding on December 12, 2005. PGHI has an authorized capital of 1,000 shares of common stock, ($1.00 par value), 1,000 shares of which were issued and outstanding on December 12, 2005. As of the effective date of the merger, PGHI will have authorized capital, shares of which are issued and outstanding as follows: 100 shares of common stock ($1.00 par value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The directors of the Constituent Corporations deem it advisable and in the best interests of their respective corporations and stockholders that PGHI merge with and into PGI in accordance with the provisions of the applicable statutes of the State of Delaware.

NOW, THEREFORE, the Constituent Corporations agree, each with the other, to merge into a single corporation, which shall be PGI, pursuant to the laws of the State of Delaware, and agree upon and prescribe the terms and conditions of such a merger,

the mode of carrying it into effect and the manner and basis of converting and exchanging the PGHI shares into shares of PGI.

1. The Merger. On the effective date of the merger, PGHI shall be merged with and into PGI and the separate existence of PGHI shall cease; the Constituent Corporations shall become a single corporation named "PACE GROUP, INC.", a Delaware corporation, which shall be the Surviving Corporation.

2. Certificate of Incorporation. The Certificate of Incorporation of PGI is hereby amended by striking out Article 4 in its entirety and substituting in lieu thereof a new Article 4 reading as follows:

"4. The total number of shares of stock which the Corporation is authorized to issue is as follows: 100 shares of common stock ($1.00 pare value), 900 shares of Series A preferred stock (no par value) and 15,000 shares of Series B preferred stock (no par value).

The powers, preferences and rights, and the qualifications, limitations and restrictions of the common stock, of the Series A preferred stock and of the Series B preferred stock are as follows:

A. VOTING RIGHTS

(1) Holders of common stock shall have the exclusive right to elect the Directors of the Corporation. The right to elect a class of Directors shall also include the right to fill vacancies, howsoever occurring, as provided in the By-laws.

(2) Voting of the shares of common stock shall be non-cumulative. To the extent that a holder of shares of any class of stock of the Corporation is entitled to vote on any matter, such holder shall be entitled to one vote for each share of stock.

(3) Holders of the Series A preferred stock and of the Series B preferred stock shall have no voting rights, except as specifically provided by applicable law.

B. DIVIDEND RIGHTS

(1) Each share of common stock shall be entitled to participate equally in all dividends declared by the Board of Directors.

(2) Each share of the Series A preferred stock and of the Series B preferred stock shall not be entitled to receive a dividend.

RMC529

C. LIQUIDATION RIGHTS

(1) Subject to the prior rights of the Series A preferred stock and of the Series B preferred stock herein set forth, each share of common stock shall be entitled to participate equally in every distribution of the assets of the Corporation, whether upon any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise.

(2) In the event of any partial or complete liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or otherwise, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of the common stock, the holders of the (i) Series B preferred stock shall be entitled to receive payment at the rate of Ten Thousand ($10,000) Dollars per share before any payment or distribution is made to the holders of the Series A preferred stock, (ii) the holders of the Series A preferred stock shall be entitled to receive One Thousand ($1,000) Dollars per share after payment to the holders of the Series B preferred stock and before any payment or distribution is made to the holders of the common stock and (iii) thereafter the holders of the Series A preferred stock and the Series B preferred stock shall be entitled to participate equally with the holders of the common stock in any such distribution of the assets of the Corporation in any liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series A preferred stock and of the Series B preferred stock, shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed to the holders of the Series B preferred stock prior to any distribution to the holders of the Series A preferred stock.

(3) For the purpose of this Paragraph (C), the voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the property or assets of the Corporation to, or a consolidation or merger of the Corporation with one or more corporations, shall be deemed not to be a liquidation, dissolution or winding up, voluntary or involuntary.

D. PREEMPTIVE RIGHTS

(1) The holders of common stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

(2) The holders of Series A preferred stock and of Series B preferred stock, whether now or hereafter authorized, shall have no preemptive or preferential or other rights of subscription.

RMC530

E. LIABILITY TO ASSESSMENT

The Corporation may issue shares of common stock or of Series A preferred stock or of Series B preferred stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors. Any and all shares so issued for which the consideration has been paid or delivered to the Corporation shall be fully paid stock and shall not be liable for any further payments in respect of such shares.

F. REDEMPTION

(1) Common stock shall not be redeemable by the Corporation.

(2) Holders of the Series A preferred stock and of the Series B preferred stock, at any time or from time to time, may redeem all or any part of the issued and outstanding Series A preferred stock and/or of the Series B preferred stock by a notice to the Corporation fixing the time and place of redemption which shall be not less than thirty (30) days prior to the date so fixed as the redemption date. The price to be paid by the Corporation for the Redeemed Series A preferred stock and/or of the Redeemed Series B preferred stock shall be as mutually agreed upon.

G. CONVERSION

The Series A preferred stock and the Series B preferred stock shall not be convertible."

The Certificate of Incorporation of PGI as amended shall constitute the Certificate of Incorporation of the Surviving Corporation until further amended in accordance with the General Corporation Law of the State of Delaware.

3. By-Laws. The by-laws of PGI, in effect immediately prior to the effective date of the merger, shall continue to be the by-laws of the Surviving Corporation until altered or repealed in the manner provided by such by-laws and the General Corporation Law of the state of Delaware.

4. Directors. The directors of PGI, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the directors of the Surviving Corporation and shall continue to hold office for a term specified in the by-laws of the Surviving Corporation.

5. Officers. The officers of PGI, immediately prior to the effective date of the merger, shall, upon the effective date of the merger, be the officers of the Surviving Corporation until the Board of Directors of the Surviving Corporation shall otherwise determine.

6. Effect of Merger. When the merger becomes effective, the Surviving Corporation shall possess all the rights, privileges powers and franchises, of a public as well as of a

private nature, and shall be subject to all the restrictions, disabilities, and duties of each of the Constituent Corporations; and the rights, privileges, powers and franchises of the Constituent Corporations, and all property, real and personal, including all patents, applications for patents, trademarks, copyrights, and applications for registration of copyrights, together with the goodwill of the business in connection with which said patents, marks and copyrights are used, and all debts due to each of the Constituent Corporations on whatever account shall be vested in the Surviving Corporation and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectively the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in each of the Constituent Corporations shall not revert or be in any way impaired; but all rights of creditors and all liens upon any property of each of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted for by it.

7. Manner and Basis of Conversion and Exchange of Shares. The manner of converting the outstanding shares of the capital stock of each of the Constituent Corporations into the shares of the Surviving Corporation shall be as follows:

(a) Each share of common stock of the Surviving Corporation, which shall be issued and outstanding on the effective date of the merger, shall remain issued and outstanding.

(b) Each share of common stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of common stock of the Surviving Corporation.

(c) Each share of Series A preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series A preferred stock of the Surviving Corporation.

(d) Each share of Series B preferred stock of the Merging Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof, shall forthwith be changed and converted into a share of Series B preferred stock of the Surviving Corporation.

(e) After the effective date of the merger the holder of the outstanding certificates representing shares of stock of the Merging Corporation shall surrender the same to Surviving Corporation and such holder shall be entitled upon such surrender to receive the number of shares of common stock, Series A preferred stock and Series B preferred stock of the Surviving Corporation on the basis provided herein. Until so surrendered the outstanding shares of the stock of the Merging Corporation to be converted into the stock of the Surviving Corporation, as provided herein,

may be treated by the Surviving Corporation for all corporate purposes as evidencing the ownership of shares of the Surviving Corporation as though said surrender and exchange had taken place.

8. Filing of Agreement and Plan of Merger. This Agreement and Plan of Merger has been approved by the Board of Directors of each of the Constituent Corporations and shall be submitted for consideration and the requisite vote by the stockholders of PGI and PGHI at meetings thereof duly called for that purpose or by unanimous written consent as provided by applicable law. This Agreement and Plan of Merger, when duly adopted by the stockholders of PGI and PGHI, shall be certified as to this fact by the Secretary or Assistant Secretary of PGI and PGHI, respectively, under the seals thereof, and shall be acknowledged on behalf of each of the Constituent Corporations by the respective president or vice president and secretary or assistant secretary thereof. This Agreement and Plan of Merger, when adopted, certified and acknowledged, shall be filed for record in the office of the Secretary of State of the State of Delaware and recorded in the office of the Recorder of Deeds of New Castle County, State of Delaware, all in accordance with the applicable provisions of the General Corporation Law of the State of Delaware; and the officers of each of the Constituent Corporations shall execute all such other documents and shall take all such other action as may be necessary or advisable to make this Agreement and Plan of Merger effective. Notwithstanding the foregoing, this Agreement and Plan of Merger and the merger herein provided for may, at any time before it becomes effective, be terminated and abandoned pursuant to any agreement then in effect between the Constituent Corporations.

9. Further Assurance. If at any time the Surviving Corporation shall consider or be advised that any further assignment or assurance in law is necessary or desirable, to vest in the Surviving Corporation the title to any property or rights of the Merging Corporation, the officers and directors of the Merging Corporation shall and will execute and make all such proper assignments and assurances in law and do all things necessary or proper to vest such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement and Plan of Merger.

10. Effective Date of Merger. The effective date of the merger shall be 11:30 P. M. on December 31, 2005.

11. Termination and Amendment. Notwithstanding the approval of the stockholders of PGI and PGHI, this Agreement and Plan of Merger may be terminated and the merger abandoned prior to the filing hereof, as provided for in Section 8 hereof, by mutual consent of the Boards of Directors of both Constituent Corporations.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed by the duly authorized and designated officers of PGI and PGHI, and the respective corporate seals of the Constituent Corporations have been affixed hereto, all as of the day and year first above written.

PACE GROUP, INC.,
a Delaware Corporation
(The Surviving Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary

PACE GROUP HOLDINGS, INC.
a Delaware Corporation
(The Merging Corporation)

ATTEST:

BY /s/ Scott D. Martin
Scott D. Martin
President

BY /s/ Jan J. Hoynacki
Jan J. Hoynacki
Secretary