February 7, 1944.

TO THE STOCKHOLDERS OF
GALVIN MANUFACTURING CORPORATION:

The Balance Sheet of your company as of November 30, 1943, and the related Statements of Income and Surplus for the fiscal year then ended, together with the certificate of Messrs. Baumann, Finney & Co., are submitted herewith.

Under certain provisions of the Sixth Supplemental National Defense Appropriations Act, 1942, as amended, the company is subject to price renegotiation with respect to billings since December 1, 1942, under Government Contracts. At this time negotiations are in the preliminary state only, and no discussions have been held relative to a basis of settlement. No provision, therefore, has been made in the financial statements for such refunds as may ultimately be required, when renegotiation proceedings may be completed.

The increased demand for our products during the fiscal year ended November 30, 1943 has resulted in Net Sales before renegotiation for this period of $82,074,461.93 as compared with $33,728,014.02 before renegotiation for the fiscal year ended November 30, 1942. The net sales after renegotiation for the fiscal year ended November 30, 1942 was $30,918,014.02.

Net income after renegotiation and after provision for Federal Income and Excess Profits Taxes for the year 1942 was $858,456.24. If price adjustments under renegotiation proceedings were to be on the same basis as in 1942, the net income after provision for Federal Income and Excess Profits Taxes would be approximately $1,240,000.00, for the fiscal year ended November 30, 1943.

Your company has a Loan Commitment Agreement pursuant to Executive order 9112 of March 26, 1942, with seven banks for a revolving credit in the aggregate principal amount not to exceed $6,000,000.00 at any one time outstanding to be used prior to
February 28, 1945. There were no borrowings outstanding at November 30, 1943, but a loan of $4,200,000.00 under this agreement was made on December 4, 1943. Because of the greatly increased sums which the company has been forced to carry in inventories and receivables on war contracts, negotiations are proceeding for a new Loan Commitment Agreement in the aggregate principal amount of between $12,000,000.00 and $15,000,000.00, which will free the company's working capital at termination of war contracts.

The increasing requirements for new types of equipment has made it necessary for the company to expand its manufacturing facilities. On October 27, 1943 work was started on the construction of a two-story plant adjacent to the present factory and engineering buildings. This new building has a floor area of 60,000 square feet and will be completed by February 15, 1944 at an estimated cost of $300,000.00, of which $97,505.16 had been expended at November 30, 1943. Under a certificate of necessity which has been issued by the War Department, the cost will be amortized over sixty (60) months.

During the past fiscal year your company has increased its investment in plant and equipment in a net amount of $203,482.35. This amount includes $97,505.16 mentioned above as being expended on the new building.

At this time there are sufficient orders on hand to carry our production through to the end of the year at about the same rate as in 1943. The progress of a war is extremely problematical. Radio and electronic devices, however, are playing an increasingly important part in this war and it is expected that the company will be deeply engaged in war production for the duration.

P. V. GALVIN,
President.
CONDENSED REPORT ON EXAMINATION OF ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 1943
**GALVIN MANUFACTURING**

**BALANCE SHEET**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,177,647.59</td>
</tr>
<tr>
<td>Trade receivables:</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>$7,019,034.33</td>
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<tr>
<td>Other</td>
<td>928,452.38</td>
</tr>
<tr>
<td>Total</td>
<td>$7,947,486.71</td>
</tr>
<tr>
<td>Less reserves</td>
<td>8,711.32</td>
</tr>
<tr>
<td></td>
<td>7,938,775.39</td>
</tr>
<tr>
<td>United States Treasury notes—</td>
<td></td>
</tr>
<tr>
<td>Tax Series C</td>
<td>1,200,000.00</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>59,232.27</td>
</tr>
<tr>
<td>Inventories</td>
<td>6,182,776.95</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$16,558,432.20</td>
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<tr>
<td>Deferred charges</td>
<td>101,792.04</td>
</tr>
<tr>
<td>Other assets</td>
<td>395,791.84</td>
</tr>
<tr>
<td>Tangible fixed assets:</td>
<td></td>
</tr>
<tr>
<td>Being amortized on a five-year ba-</td>
<td></td>
</tr>
<tr>
<td>sis, under Certificates of Necessity</td>
<td></td>
</tr>
<tr>
<td>—less amortization</td>
<td>$155,833.91</td>
</tr>
<tr>
<td>Other—less depreciation</td>
<td>1,189,912.40</td>
</tr>
<tr>
<td></td>
<td>1,345,746.31</td>
</tr>
<tr>
<td>Patents and trademarks—less amortization</td>
<td>33,555.63</td>
</tr>
<tr>
<td></td>
<td>$18,435,318.02</td>
</tr>
</tbody>
</table>

**NOTES:**

Under certain provisions of the Sixth Supplemental Nation is subject to price renegotiation with respect to billings; vision has been made for such refunds as may ultimate instituted because, we were informed, of the uncertain amounts thereof. If price adjustment should be made for such possible refunds for the year ended November of the company's Federal income and excess profits tax.

The company has filed claims for relief, under Section 72; paid for prior years; these claims aggregate $588,314.82 the year ended November 30, 1943, in the amount of $153 titled to withhold payment of $50,495.73 of excess profits contingent asset not shown in the balance sheet, and which wa

On November 30, 1943 the company was contingently liable with respect to fees on sales of communications equipment Bank loans of $4,200,000.00 were liquidated during the m borrowed a like amount from a group of banks, under
R I N G  C O R P O R A T I O N  
N O V E M B E R  3 0 ,  1 9 4 3  

LIABILITIES AND NET WORTH

Current liabilities:
Accounts payable—trade .................. $5,814,083.18
Reserves for taxes:
Federal income and excess profits taxes, for the year ended November 30, 1943 .......... $6,340,000.00
Other taxes .................. 111,734.85 6,451,734.85
Accrued license fees .................. 11,253.08
Accrued compensation .................. 586,032.45
Dividend payable .................. 107,662.50
Sundry .................. 134,733.09
Total current liabilities .................. $13,105,499.15

Net worth:
Capital stock — par value, $1.00 per share; authorized, 500,000 shares; issued, 360,000 shares $ 360,000.00
Surplus .................. 4,978,068.87 $5,338,068.87
Deduct treasury stock at cost........ 8,250.00 5,329,818.87

$18,435,318.02

Defense Appropriations Act, 1942, as amended, the company once December 1, 1942 under Government contracts. No pro-
be required if and when renegotiation proceedings are of the bases on which settlements may be made and the result-
on the same basis as in 1942, the net amount not provided ), 1943 (after giving consideration to compensating reduction
bility as provided for) would be approximately $943,000.00.
of the Internal Revenue Code, of Federal excess profits taxes
Also, it is contemplated that a relief claim will be filed for 17.35; and if such a claim is made the company will be en-
x reported. The amount of relief claimed represents a con-
l be realized if, and to the extent that, the claims are allowed.
, in an indeterminable amount (not in excess of $18,000.00),
t manufactured by it.
ath of November, 1943. On December 4, 1943 the company
unsecured notes issued for a term of ninety days.
GALVIN MANUFACTURING CORPORATION

STATEMENT OF INCOME AND EXPENSE AND SURPLUS
FOR THE YEAR ENDED NOVEMBER 30, 1943

Net sales ........................................... $82,074,461.93
Cost of sales ........................................ 72,964,599.56
Gross profit on sales .............................. $ 9,109,862.37
Selling—General and Administrative Expense .... 1,374,717.28
Net profit from operations ....................... $ 7,735,145.09
Other income—less other expenses ............... 457,654.45
Net income before provision for Federal income and excess profits taxes ....................... $ 8,192,799.54
Provision for Federal income and excess profits taxes (less post-war credit of $330,432.34) ........... 6,009,567.66
Net income ........................................... $ 2,183,231.88
Surplus, beginning of year ....................... 3,026,199.98
Total ................................................... $ 5,209,431.86

Deduct:
Adjustments of prior years' income...$ 16,037.99
Dividends—60 cents per share............... 215,325.00 231,362.99
Surplus, end of year ............................. $ 4,978,068.87

Page Six
Galvin Manufacturing Corporation,  
4545 Augusta Boulevard,  
Chicago, Illinois. 

Gentlemen:  

We have made an examination of the accounts of GALVIN MANUFACTURING CORPORATION (an Illinois corporation) for the year ended November 30, 1943; under previous engagements we have examined the accounts of the company since January 1, 1930. We submit herewith a condensed report on this examination; our complete report is now being prepared and will be rendered subsequently.

Our examination was directed primarily to the verification of the financial condition of the company on November 30, 1943, and included a general review of the income and expense accounts for the year then ended. We have reviewed the system of internal control and the accounting procedures of the company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to obtain confirmations of receivables from United States Government departments and agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As more fully set forth in a footnote to the balance sheet, billings for the year ended November 30, 1943 under Government contracts are subject to renegotiation.

Subject to the foregoing, it is our opinion that the accompanying balance sheet and related statement of income and surplus present fairly the financial condition of Galvin Manufacturing Corporation on November 30, 1943, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as follows:

The basis of pricing a portion of the November 30, 1943 inventory differed from the basis used at the end of the preceding year. If the previous basis had been continued, the net income for the year ended November 30, 1943 would have been approximately $76,000.00 greater than as shown in the accompanying statement of income and expense.

Yours truly,

Baumann, Finney & Co.
BOARD OF DIRECTORS

Paul V. Galvin
Joseph E. Galvin
Frank J. O'Brien
Elmer H. Wavering
George R. MacDonald

OFFICERS

Paul V. Galvin
President

Joseph E. Galvin
Executive Vice-President

Frank J. O'Brien
Vice-President in Charge of Operations

George R. MacDonald
Treasurer

Charles E. Green
Secretary