

Consolidated Statement of Source and Disposition of Funds

Years Ended December 31, 1965 and 1964

SOURCE OF FUNDS	1965	1964
Net earnings (less special item in 1965)	\$10,460,474	\$ 9,762,039
Depreciation and amortization of intangibles	10,532,612	10,423,323
Increase in long term liabilities	1,626,798	4,258,205
Retirement of property, plant, and equipment—net	4,144,496	475,791
TOTAL	<u>26,764,380</u>	<u>24,919,358</u>
DISPOSITION OF FUNDS		
Expenditures for property, plant, and equipment .	11,363,599	7,913,369
Dividends paid	5,271,551	4,642,289
Common stock purchases less sales to employees	728,161	639,634
Retirement of long term liabilities	1,916,424	1,834,000
Increase/decrease in other assets	2,321,963	900,926
Increase in working capital, excluding cash and equivalent	2,462,982	5,283,675
TOTAL	<u>24,064,680</u>	<u>19,412,041</u>
INCREASE IN CASH AND EQUIVALENT	2,699,700	5,507,317
CASH AND EQUIVALENT		
Beginning of year	19,452,931	13,945,614
End of year	<u>\$22,152,631</u>	<u>\$19,452,931</u>

Accountants' Opinion

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMERICAN BRAKE SHOE COMPANY:

We have examined the consolidated balance sheet of AMERICAN BRAKE SHOE COMPANY and its subsidiaries as of December 31, 1965, and the related statements of consolidated earnings and earnings reinvested in the business (note 8) for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year 1964.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Company and its subsidiaries at December 31, 1965 and 1964 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also examined the consolidated statement of source and disposition of funds of the Company and its subsidiaries for the years ended December 31, 1965 and 1964, which statement, in our opinion, is fairly presented.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, January 28, 1966