

ANNUAL REPORT

1953

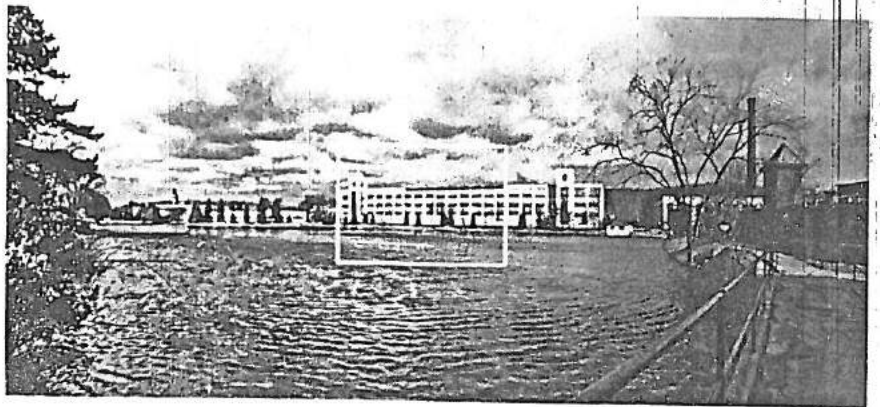


AMERICAN OPTICAL COMPANY

Our Cover . . .

The photograph in our cover design is the first published still picture taken through the camera developed by our Research Department as an element of a new method of taking and projecting motion pictures. This method employs wide-angle lenses and a wide screen to produce pictures so realistic that a person in the theater audience feels himself practically a participant in action depicted on the curved screen. The camera lens is an outstanding achievement in optical design. The extent of its coverage is shown by the fact that had our cover picture been taken by an ordinary motion picture camera, only a section shown by the rectangle on the photograph below would have been shown.

We hope that before long our shareholders and the public will have the opportunity to view pictures produced and projected by the equipment developed by our Research Department.



Only the area inside the rectangle would have been included in our cover picture if taken by a motion picture camera equipped with a standard lens system.

American Optical Company

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31

1953

TRUSTEES

Edward P. Brooks
Dean, School of Industrial Management, Massachusetts Institute of Technology, Cambridge, Mass.

John S. Coleman
President, Burroughs Corp., Detroit, Mich.

Dr. Karl T. Compton
Chairman of the Corporation, Massachusetts Institute of Technology, Cambridge, Mass.

Bradley Dewey*
President, Bradley Container Corp., Maynard, Mass.

Dr. Brian O'Brien
Vice President for Research, American Optical Company, Southbridge, Mass.

Robert Proctor*
Partner, Choate, Hall & Stewart, Boston, Mass.

Elmer L. Schumacher
Southbridge, Mass.

E. Weldon Schumacher
Vice President for Operations, American Optical Company, Southbridge, Mass.

Percy M. Stewart*
Partner, Kuhn, Loeb & Co., New York, N. Y.

Walter A. Stewart*
President, American Optical Company, Southbridge, Mass.

Donald F. Valley
Executive Vice President, National Bank of Detroit

Frederick M. Warburg*
Partner, Kuhn, Loeb & Co., New York, N. Y.

Edward E. Williams
Southbridge, Mass.

*MEMBER OF EXECUTIVE COMMITTEE

OFFICERS and MANAGERS

Walter A. Stewart *President*

Dr. Brian O'Brien *Vice President*

E. Weldon Schumacher *Vice President*

Henry S. Woodbridge *Vice President*

George E. Baskie *Vice President and Treasurer*

John E. Rischitelli *Controller*

Rodgers Donaldson *Secretary and General Counsel*

Charles A. Baratelli *General Manager, Case Division*

Charles H. Gallaway *General Manager, Safety Division*

William F. Peck *General Manager, Instrument Division*

Samuel T. Sheard *General Manager, Mechtronoptic Division*

Carl H. Wilson *General Manager, Sun Glass Division*

Irving W. Wilson *Vice Pres. and General Manager, Lens Division*

Byron J. Ziegler *General Manager, Frame Division*

Sidney T. Grunnah *General Manager, Distribution and Sales*

W. Neel Foster *Manager, Sales Promotion*

F. Ray Foster *Regional Manager, Northeast*

Ray McChesney *Regional Manager, Pacific Coast*

DeWitt Mixson *Regional Manager, Southeast*

Paul S. Rinkle *Regional Manager, Midwest*

John C. Sticksel *Regional Manager, Southwest*

TRANSFER AGENTS

Old Colony Trust Company, Boston
City Bank Farmers Trust Company, New York

REGISTRARS

The First National Bank of Boston
The National City Bank of New York

EXECUTIVE OFFICES and MAIN FACTORIES . . . SOUTHBRIDGE, MASSACHUSETTS

FINANCIAL HIGHLIGHTS OF 1953

Sales	\$71,069,406
Profit after taxes	2,524,359
Profit per dollar of sales	3.6¢
Profit per common share	3.10
Dividends paid (\$2.00 per share)	1,602,112
Taxes, federal, state and local	4,747,145
Expenditures for property, plant, and equipment (gross)	2,227,559
Current assets	\$46,161,234
Current liabilities	<u>3,962,890</u>
Net current assets (working capital)	42,198,344
Ratio current assets to current liabilities	11.6 to 1
Plant, property, and equipment (gross)	30,450,070
Funded debt	14,255,000
Shareholders' equity	44,191,836

STATEMENT OF INCOME

Summary for five years

	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>	<u>1949</u>
Net sales	\$71,069,406	71,225,003	66,864,829	57,747,789	55,637,461
Deduct:					
Cost of sales, excluding depreciation and amortization	43,301,550	44,380,389	39,689,855	33,951,854	32,216,524
Depreciation and amortization	1,768,026	1,570,718	1,429,414	1,294,640	1,092,207
Selling, general and administrative expenses, excluding depreciation and amortization	20,606,773	20,848,161	19,755,915	18,114,017	18,843,401
	<u>65,676,349</u>	<u>66,799,268</u>	<u>60,875,184</u>	<u>53,360,511</u>	<u>52,152,132</u>
Operating profit	5,393,057	4,425,735	5,989,645	4,387,278	3,485,329
Dividends	16,042	32,812	40,378	62,532	24,384
Cash discounts on purchases	145,268	149,406	166,009	115,783	117,614
Interest received	57,272	41,981	41,718	35,941	64,495
Interest paid	430,341	485,463	393,723	351,215	358,087
Settlement of litigation, less applicable reduction in taxes	—	—	46,021	—	—
Other income and expense (net)	173,061	155,659	44,881	59,048	206,564
Federal and Canadian taxes on income, estimated	<u>2,830,000</u>	<u>1,912,626</u>	<u>3,249,900</u>	<u>1,875,800</u>	<u>1,349,800</u>
Net income	<u>\$ 2,524,359</u>	<u>2,407,504</u>	<u>2,592,987</u>	<u>2,433,567</u>	<u>2,190,499</u>
Percentage of net income to sales	3.55%	3.38%	3.88%	4.21%	3.94%
Net income per share of stock	\$3.10	2.96	3.19*	3.01*	2.71*

* Adjusted to reflect stock dividend paid March 14, 1952.

ANNUAL REPORT

From the office of the President

1953

American Optical Company earned \$3.10 per share after taxes from its operations in 1953. The earnings from 1952 operations were \$2.96 per share after taxes.

Net sales in 1953 amounted to \$71,069,406 as compared with \$71,225,003 in 1952, a decrease of \$155,597, or two tenths of one per cent. Earnings before provisions for income taxes were \$5,354,359 in 1953 as compared with \$4,320,130 in 1952, an increase of \$1,034,229. Earnings after provision for taxes on income were \$2,524,359 in 1953 as compared with \$2,407,504 in 1952, an increase of \$116,855.

Dividends were paid at the rate of \$2.00 per share, amounting to \$1,602,112, which was at the same rate as paid in 1952. After payment of dividends, net earnings retained for use in the business amounted to \$922,247 in 1953 as compared with \$781,272 in 1952.

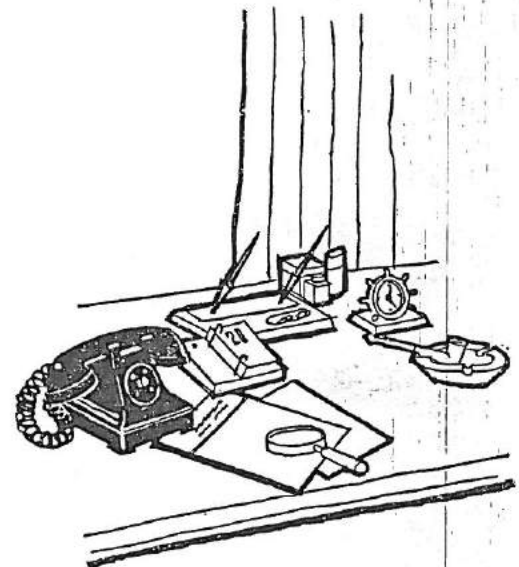
Working capital at December 31, 1953 was \$42,198,344 as compared with \$40,809,361 at January 2, 1953. Receivables are within historical ratios to sales volume. Inventories of finished products and operating supplies decreased \$644,400. Work in process and raw material increased \$1,165,222 due to new products to be introduced in 1954. The net increase in all inventories was \$520,822.

Property, plant and equipment accounts increased \$2,227,559 represented by capital expenditures for replacements, new equipment for new products and the completion of the new research laboratory. Decreases in property, plant and equipment accounts, due to retirements, totaled \$673,692 resulting in a net increase in fixed asset accounts of \$1,553,867 during 1953.

Reserves for depreciation were increased by \$1,768,026 charged to operations for the year. Charges to depreciation reserves totaling \$429,156 covered accumulated depreciation on fixed assets retired, leaving a net addition to depreciation reserves of \$1,338,870 for 1953.

Notes payable to banks, of \$2,700,000 on January 2, 1953 were liquidated during 1953.

On October 1, 1953 the Company borrowed an additional \$2,000,000



upon its twenty-year 3-3/8% sinking fund notes issued under a loan agreement approved by the shareholders at a special meeting held September 30, 1952. Under this agreement, the Company will borrow the final \$2,000,000 on October 1, 1954.

On December 31, 1953 United States Treasury Savings Notes amounted to \$3,320,700 including accrued interest. Of this total, \$3,157,658 has been applied as a reduction to Federal taxes on income. The Federal taxes of \$3,157,658 includes a provision of \$2,800,000 on 1953 income. The Company's Federal income tax returns have been examined through the year 1949. Final results of examination are not yet available for the years 1942 through 1946. The years 1947 through 1949 have been closed. The reserves for Federal income taxes include provision for additional assessment.

Shareholders' equity, exclusive of cost of Treasury shares, totaled \$44,977,272 at December 31, 1953 and is equal to \$55.28 per share for the 813,556 shares issued as compared with \$54.15 per share for the same number of shares at January 2, 1953.

Increased civilian business has partially offset the loss of approximately \$1,400,000 in Government sales. The higher margin on civilian business together with improved costs were the major factors influencing the improved earnings picture in 1953.

The Trustees, on September 15, 1953 approved a "Plan for Purchase of American Optical Company Shares by Employees." During 1953 the Company acquired 23,000 of its outstanding shares which are reserved for this purpose.

SALES OUTLOOK ENCOURAGING

The sales picture at the end of 1953 was encouraging.

Although total volume fell off from \$71,225,003 in 1952 to \$71,069,406, a drop of about two tenths of one per cent, this total reflects a major reduction in government business caused by the stretchout of military projects. In the area of private business, where American Optical Company and American business in general must make its long-range plans, our volume of sales was better than last year.

The overall sales result has left the Company with a well-balanced inventory situation. We accumulated inventory in the second half of the year. This has been caused by a stockpiling of materials and process goods for certain products soon to be introduced. We expect and will encourage fluctuation in inventory when related to product prospects.

A more stable industrial situation throughout the country, with fewer disabling strikes, presented an improved sales opportunity which benefited our Safety Division.

Increased recognition of the importance of good design was reflected in the Frame Division. This division introduced several new items during the year, and the immediate public response was very favorable. Coupled with an improved cost of sales position, this volume increase made the Frame effort one of the highspots of the year.

The same concentration on design enabled the Case Division to open an entirely new sales field, one that shows great promise. This emphasis



on design has changed the concept of a spectacle case from a utilitarian accessory to a fashion commodity in its own right. Only the first effects of this program have been felt. They indicate that when the full potential is reached, the impact will be great.

Our Projector operation, now set up as a separate unit, introduced several new models, some of them designed to catch the great hobby market. AO Sun Glass sales advanced as our designers matched style with accepted AO quality.

During the year the lens market was confused by competitive introduction of lower quality lenses. Because of a successful engineering program, we were able to meet this challenge. Such action is important not only to American Optical Company, but to the prestige of the entire industry and, in the long run, the cause of good vision.

Continuing unsettled world-wide conditions affected the Company's export sales volume. While the bulk of the business was with the so-called free dollar countries, many orders were received from areas in which it is difficult to sell American goods. Throughout the world the demand for the new frame and sun glass designs was particularly impressive.

There was much progressive action in our domestic Branch Organization. There were some consolidations, and efforts were stressed to improve cost ratios and develop decentralization in this operation.

We think our volume in 1954 will go below that of 1953 on the basis that a sound outlook for the future requires acceptance of the possibility of there being less business for everyone. However, we do not expect to suffer through a reasonable narrowing of volume and are looking to the emphasis we have secured on new products through a divisional organization and the influence of research to offset any declining trend. We expect a sharper competitive situation from now on. This we have anticipated. In our plans for 1953 your trustees made available \$2,500,000 of capital for investment in cost reduction and product facilities. This was invested in engineering, machines and tools; approximately \$800,000 of this investment was earmarked for engineering and cost reduction in our lens operation. The benefits are currently accumulating and should be reflected increasingly in our cost of sales and product positions as the investment is realized upon.

NEW RESEARCH CENTER

The most significant item now reported is the opening of our American Optical Company Research Center at Southbridge. This is now in partial operation.

It is the only Research Center of its kind and capacity operated by any optical company in the world. American Optical has had a long standing interest in research, and reflects in its operation the benefits of this interest. Our long established operation under Dr. E. D. Tillyer in general research and our interest in vision through the Bureau of Visual Science under Dr. Paul Boeder have maintained a recognized position for the Company in the research area.

With the advent of Dr. Brian O'Brien and his development of the Research Center, these accumulated values are being enhanced. New approaches offer the Company prospects in the wide potential encom-



passed in the area of optical, physical, chemical and electronic research pertinent to our interests.

Currently results which appear to be of great interest have been obtained in the development of the Todd-AO Process, the wide-screen, wide-angle movie system.

As part of the expansion of our research program, the Company has installed a card-programmed electronic calculator. With this device, the Company now has lens design facilities equal to any in the world. Calculations that formerly required weeks of work can now be accomplished in a matter of hours. Already design work has been done on lenses for photography and many other purposes, and preparations have been completed for a new series of ophthalmic lenses.

Of great importance to all people is the continuing work in the field of reducing night driving hazards. We have shown progress in the matter of measurement of vision at night-driving levels.

Production-wise, at least two of our research projects have more than paid off. Both the Lens and Frame Divisions have installed research-inspired processes that are resulting in improved costs and products.

We have continued our research work for the Government, and one project has resulted in the production of a commercially available product, an infra-red transmitting glass. Another of our developments now in production is a transparent coating to eliminate electrostatic charges on instrument panels and aircraft windshields.

PROGRESS IN PEOPLE

Throughout the Company, at all levels, there was progress in people. During 1953 there were many expressions of the fine relationship that exists between those who direct the affairs of the Company and those who carry through to the end result.

Programs were initiated in 1953 to spread payment on an incentive basis throughout the entire Company. An incentive plan for the Branch and Zone Managers was developed and instituted during the course of the year and such a plan for our sales representatives currently is being introduced. The incentive basis has prevailed beneficially in our production areas. We are extending it throughout our operations.

During 1954 we will initiate plans for making stock purchases of Company shares available to employees. These plans are based on purchasing shares in the open market and allowing employees to purchase the shares from the Company through an installment plan. There is a wide demand on the part of employees for participation in Company affairs on this basis, and in the opinion of your Trustees such a plan will be beneficial to employee interest in the Company and, consequently, to the other shareholders.

Characteristic of the spirit of our employees was that shown during the Christmas season when our people, on their own time and with their own funds, decorated the buildings. So impressive was this decorating that the Company held an open house, so that families and friends could see the result of this Christmas spirit. More than 4,000 persons came out, on a busy, pre-Christmas evening, to tour the plants.

The Company announced to its people that a formal pension plan



is now being prepared, and it revised its Personnel Handbook in line with its policy of keeping its employee relationship current with changing times and conditions.

The Quarter Century Club, one of the largest organizations of veteran employees in American industry, increased its membership to 1,030, and gold watches were presented to six men who completed 50 years' service with the Company, and to nine women who reached the 40-year mark. Our oldest employee in point of service, Mr. Thomas Dumas, began his 68th year with American Optical Company.

Another remarkable safety record was established during the year, 4,441,329 man-hours worked at Southbridge without a disabling accident, for which the National Safety Council awarded the Company top honors in its division.

In the Southbridge Medical Department, more than 55,000 cases, including those of the Eye Care department, were handled.

At the end of the year our total employment was 10,768, the same as last year. Of these, 6,703 were employed in American plants and 3,469 in the Distribution Organization. Canadian Plants employed 239 and the Distribution Organization there 367.

MANAGEMENT CHANGES

The year saw several changes in management personnel. George E. Baskie was elected Vice President in Charge of Finances and Treasurer, and Dr. Brian O'Brien was elected Vice President in Charge of Research and Development. George J. Kolowich resigned as trustee and Alton K. Marsters resigned as Vice President in Charge of Sales.

The Board of Trustees was strengthened by the addition of four members. They are John S. Coleman, President of the Burroughs Corporation of Detroit, Mich.; Dr. O'Brien, E. Weldon Schumacher, Vice President in Charge of Operations, and Donald F. Valley, Executive Vice President of the First National Bank of Detroit.

Albert Steg resigned as controller and was succeeded by John E. Rischitelli, who began his career with American Optical Company as a messenger boy in 1923.

Reorganization of the administration of the Sales program resulted in the appointment of Sidney T. Grunnah as General Distribution and Sales Manager and W. Neel Foster as Sales Promotion Manager. Paul S. Rinkle was promoted to succeed Mr. Grunnah as Regional Manager in Chicago. DeWitt Mixson became Regional Manager in Atlanta, following the resignation of Oscar N. White.

When Ercell A. Teeson became special assistant to the Vice President for Operations, Byron J. Ziegler was named to succeed him as General Manager of the Frame Division.

In line with the Company's policy of promotion from the ranks, 371 employees were advanced to positions of increased responsibility.

M. Stewart



AMERICAN OPTICAL CO

CONSOLIDATED

Dec

A S S E T S

	December 31, 1953	January 2, 1953
Current assets:		
Cash	\$ 4,736,340	7,745,392
United States Treasury Savings Notes—at cost and accrued interest	163,042	—
Notes and accounts receivable:		
Notes and accounts receivable, customers, less allowance for doubtful accounts	8,960,705	8,385,897
Other notes and accounts receivable, less allowance for doubtful accounts (including \$272,309 (net) at December 31, 1953 and \$252,924 (net) at January 2, 1953 due from employees for pension trust and other items)	334,446	336,716
Due from non-consolidated subsidiaries	—	66,002
	9,295,151	8,788,615
Recoverable costs on uncompleted contracts	329,289	794,676
Inventories, at the lower of cost (substantially "first-in, first-out") or replacement market:		
Finished goods	14,324,581	14,759,332
Work in process	12,311,276	11,627,382
Raw materials	3,524,292	3,042,964
Operating supplies	1,090,373	1,300,022
	31,250,522	30,729,700
Prepaid expenses	386,890	529,002
Total current assets	46,161,234	48,587,385
Miscellaneous advances and receivables, less allowance for doubtful items	86,917	114,988
Investments in and advances to non-consolidated subsidiaries and other investments, less amount provided for possible losses	244,156	248,438
Unamortized debenture and loan expense	169,036	178,852
Property, plant and equipment, at appraised sound values in 1921 for assets other than land, plus subsequent additions at cost for American Optical Company, and at cost for all subsidiaries (including emergency facilities of \$499,600 at December 31, 1953 and \$488,200 at January 2, 1953)		
	30,450,070	28,896,203
Less accumulated depreciation and amortization	14,504,687	13,165,817
	15,945,383	15,730,386
	<u>\$ 62,606,726</u>	<u>64,860,049</u>

See accompanying notes to financial statements.

PANY AND SUBSIDIARIES

BALANCE SHEET

1, 1953

LIABILITIES

	December 31, 1953	January 2, 1953
Current liabilities:		
Notes payable, banks	\$ —	2,700,000
Accounts payable	1,869,778	2,019,053
Accrued expenses	1,714,108	1,542,994
Long-term debt payments due within one year	303,000	303,000
Federal and Canadian taxes on income, estimated less United States Treasury Savings Notes and accrued interest \$3,157,658 at December 31, 1953 and \$1,816,080 at January 2, 1953	—	572,172
Provisions for refunds arising from price redetermination of government contracts	76,004	640,805
Total current liabilities	3,962,890	7,778,024
Reserve for tax contingencies	500,000	500,000
Long-term debt	13,952,000	12,527,000
Shareholders' equity:		
Common shares, without par value. Authorized 3,000,000 shares; issued and outstanding 813,556 shares	22,591,621	22,591,621
Earnings retained for use in the business	22,385,651	21,463,404
	44,977,272	44,055,025
Less cost of 23,000 treasury shares held for sale under employee share purchase plan to be offered on February 1, 1954	785,436	—
	44,191,836	44,055,025
	<u>\$ 62,606,726</u>	<u>64,860,049</u>

1953

American Optical Company and Subsidiaries

STATEMENT OF CONSOLIDATED EARNINGS

Fifty-two weeks ended December 31, 1953

	December 31, 1953 (52 weeks)	January 2, 1953 (53 weeks)
Gross sales, less discounts, returns and allowances	\$ 71,069,406	71,225,003
Cost of goods sold, exclusive of depreciation and amortization	43,301,550	44,380,389
Gross profit before depreciation and amortization	27,767,856	26,844,614
Selling, general and administrative expenses, exclusive of depreciation and amortization	20,606,773	20,848,161
Depreciation and amortization	1,768,026	1,570,718
	22,374,799	22,418,879
Operating profit	5,393,057	4,425,735
Other income:		
Dividends	16,042	32,812
Cash discounts on purchases	145,268	149,406
Interest	57,272	41,981
Miscellaneous	221,568	235,712
	440,150	459,911
	5,833,207	4,885,646
Other charges:		
Interest	430,341	485,463
Miscellaneous	48,507	80,053
	478,848	565,516
Earnings before provision for income taxes	5,354,359	4,320,130
Federal and Canadian taxes on income, estimated:		
Normal tax and surtax	2,830,000	2,078,680
Less refund of taxes due to excess profits tax credit carry-back	—	166,054
	2,830,000	1,912,626
Net earnings	\$ 2,524,359	2,407,504

STATEMENT OF CONSOLIDATED EARNINGS RETAINED FOR USE IN THE BUSINESS

Fifty-two weeks ended December 31, 1953

	December 31, 1953 (52 weeks)	January 2, 1953 (53 weeks)
Balance at beginning of year	\$ 21,463,404	20,672,646
Net earnings for the year	2,524,359	2,407,504
Transfer of appropriated earnings	—	4,525,360
	23,987,763	27,605,510
Deduct dividends paid on common no par shares:		
Cash (\$2.00 per share)	1,602,112	1,626,232
Stock (one share for each four shares outstanding, charge based on approximate market value)	—	4,515,874
	1,602,112	6,142,106
Balance at end of year	\$ 22,385,651	21,463,404

See accompanying notes to financial statements.

Notes to Financial Statements

- 1 The consolidated financial statements include the Company and all domestic and Canadian subsidiaries. Canadian assets, liabilities and operations are stated at their appropriate United States dollar equivalents on a basis consistent with prior years.
- 2 The long-term debt of the Company and its subsidiaries at December 31, 1953 was as follows:

	Due before Dec. 31, 1954	Due after Dec. 31, 1954
Twenty year 3-3/8% Sinking Fund Notes	\$ 200,000	3,800,000
Twenty year 3-1/8% Sinking Fund		
Debentures:		
Authorized and issued		
\$10,000,000; outstanding	—	9,328,000
3-1/4% Debentures (Canadian)	103,000	824,000
	\$ 303,000	13,952,000

Under the October 1, 1952 loan agreement of the Twenty year 3-3/8% Sinking Fund Notes, the Company has borrowed \$4,000,000 and will borrow an additional \$2,000,000 on October 1, 1954. The Company is required to make annual sinking fund payments commencing October 1, 1954 of varying percentages of the greatest aggregate principal amount outstanding at any time, the percentages ranging from 3-1/3% to 6-2/3%. The loan agreement further provides restrictions on the declaration of cash dividends and the purchase, redemption or retirement of the Company's capital stock. At December 31, 1953 earnings retained for use in the business not restricted as to payment of cash dividends on common stock was \$5,918,083.

The trust indenture of the Twenty year 3-1/8% Sinking Fund Debentures dated March 1, 1948 requires the Company to deposit annually funds to provide for retirement of \$7,500,000 by March 1, 1967. The balance of \$2,500,000 matures on March 1, 1968. The trust indenture provides for the same type restrictions referred to in the preceding paragraph but the amount of earnings retained for use in the business unrestricted for dividends is greater than under the loan agreement.

The 3-1/4% Debentures (Canadian) dated April 1, 1952 mature in annual installments of \$100,000 to April 1, 1962.

- 3 As of December 31, 1953 the total minimum annual fixed rentals payable under leases expiring after December 31, 1956 were \$152,250 per annum. Leases covering this amount expire on various dates prior to December 31, 1963.
- 4 The Company and its Canadian subsidiary have in effect contributory pension trusts available to all salaried employees, the cost of which for the fifty-two weeks ended December 31, 1953 amounted to \$463,695. Neither trust provides for any past service benefits.
- 5 The Company is subject to renegotiation for the fifty-two week period ended December 31, 1953 but no provision for any refunds has been made as it is expected that refunds, if any, will not be material. Renegotiation proceedings have been completed for prior years without liability to the Company.
- 6 There is no litigation pending against the Company which, in the opinion of its General Counsel, materially affects the Company's operations or financial position.

ACCOUNTANTS' REPORT

TO THE BOARD OF TRUSTEES
AMERICAN OPTICAL COMPANY

We have examined the consolidated balance sheet of American Optical Company and subsidiaries as of December 31, 1953 and the related statements of consolidated earnings and consolidated earnings retained for use in the business for the fifty-two weeks 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.

BOSTON, MASSACHUSETTS
FEBRUARY 15, 1954

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated earnings retained for use in the business present fairly the financial position of American Optical Company and subsidiaries at December 31, 1953 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.



GEORGE E. BASKIE

1891 - 1954

On January 12, 1954, George E. Baskie died, removing from the rolls of American Optical Company one of its greatest men.

Born in Pittsburgh, Pa., he spent his youth in Western Canada, and was a chartered accountant in Canada. He came to American Optical Company in 1923 as a traveling auditor. He was elected controller in 1937, treasurer in 1948, and vice president in charge of finances and treasurer in 1953.

During his 30 years with American Optical Company he gained the love and respect of all, from messenger boys to trustees. He was a competent financial executive. He was a valuable asset to the Company in maintaining and promoting the happy relationship that exists among the people who make up the Company.

It is with deep appreciation of the contributions he made to the success of the Company, and sincere regret that his untimely death has deprived his family, his friends and his Company of his association, that this page of our Annual Report is set aside as a tribute to the memory of George E. Baskie.

AO PRODUCTS OF 1953

Frame Division

An aggressive program was based on six new frame styles. New men's frames are the Sirmont, in zylonite and gold filled; the Consort, with new design and in a range of colors to match all wardrobes; Stratoliner, in gold filled, and Dunhill, our most massive zyl frame designed to overcome fitting disadvantages in such frames. New women's frames are the semi-rimless Donna in gold filled, and the Manikin, styled in two-toned zyl.

Case Division

Introductions include a wide variety of ophthalmic cases with new designs fashioned in leather, plastic and colorful cloth fabrics. Outstanding has been the Terrapin, made with a hard plastic shell and leather flap. A low-priced case was also introduced to meet price competition.

Ophthalmic Lens Division

Tillyer Ful-Vue Bifocal Lenses are now produced with decentered segments for near-distance vision. A limited initial introduction of these lenses with thinner segments, brought about through the use of glass with a higher index of refraction, met with gratifying results.

Sunglass Division

Attractive new men's and women's styles were introduced in each of the Polaroid, DeLuxe and Cosmetan-Calobar sunglass lines. New color treatments were also added to all lines. Permanent three-dimensional movie-viewing glasses were made for Polaroid Corporation and a private sunglass brand for a leading drug chain.

Mechtronoptics Division

Several new items designed to capture a larger share of the optical machinery business were brought out this year. A new Lens Drill vastly improves standards of accuracy and simplicity in operation. An improved Micro-Blocking unit and a new Hand Surfacer for use in surfacing lenses were introduced successfully. An entirely new television projecting system was developed and further coating processes for surface treating of glass, metal and plastic were developed for commercial use.

Instrument Division

AO Medical Diagnostic Sets are now supplied in a new lightweight case which is shock proof and can be sterilized with alcohol. An illuminated Trial Lens Cabinet and a motorized ophthalmic chair for vision testing were introduced to our professional customers. A new wide angle condenser for AO Microscopes, instruments for quality control in industry and a hand-operated Sterile Fluids Pump for rapid infusions of blood or transfer of sterile fluids from one receptacle to another were also produced.

Safety Products Division

New frames emphasizing safety specifications for safety glasses and a new Coverglas Goggle to fit over spectacles or safety glasses were added this year. An improved rubber-frame dust and chemical goggle has been introduced, and vinyl plastic binders are now supplied on metal goggle frames for wear in conditions of extreme heat. The new Super Micro-Toxisol Respirator protects against all toxic airborne particles.

Projector Operation

New introductions are the Opaque 1000 for projecting images from opaque material, such as written documents; the Educator 500, for slides and filmstrip; the Performer 500, a professional quality slide projector, and the Skot, a colorful 300-watt instrument for the big hobby market.

