THE INFORMATION AND DATA HEREIN ARE SOLELY FOR THE BENEFIT OF STOCKHOLDERS OF UNITED CARBON COMPANY, AND ARE NOT A REPRESENTATION, PROSPECTUS OR CIRCULAR IN RESPECT TO ANY STOCK OR NOTE OF ANY CORPORATION, AND ARE NOT TRANSMITTED IN CONNECTION WITH THE SALE OR OFFER TO SELL, OR ANY NEGOTIATION FOR THE SALE OF, ANY STOCK OR NOTE.
UNITED CARBON COMPANY
Charleston, W. Va.

SUBSIDIARY COMPANIES

Kosmos Carbon Company
United Producing Company
Taylor-Green Gas Company
United Carbon Company, Inc.
Texas Carbon Industries, Inc.
Eastern Carbon Black Company
United Gas Company (of West Virginia)

PRINCIPAL PRODUCTS

Carbon Black
Natural Gas
Gasoline

TRANSFER AGENT

Guaranty Trust Company of New York

REGISTRAR

The Corporation Trust Company, New York

ACCOUNTANTS

F. W. Lafrentz & Company

[2]
BOARD OF DIRECTORS

T. J. BUTLER .................................................. Austin, Texas
G. L. CABOT .................................................. Boston, Massachusetts
W. B. CLARKE .................................................. Monroe, Louisiana
S. C. COLEMAN ............................................... New York, New York
S. S. HATHAWAY ............................................. New York, New York
T. F. KOBLEGARD .......................................... Weston, West Virginia
C. H. MCHENRY ............................................... Monroe, Louisiana
OSCAR NELSON .............................................. Charleston, West Virginia
T. S. REED .................................................... Beaumont, Texas
GEO. G. WEAKS ............................................. Monroe, Louisiana
T. A. WHELAN ............................................... Weston, West Virginia
G. W. WHITE .................................................. New York, New York
W. P. WILLETTS ............................................. New York, New York
G. A. WILLIAMS ............................................. Clarksburg, West Virginia

EXECUTIVE COMMITTEE

S. S. HATHAWAY ............................................. OSCAR NELSON
T. F. KOBLEGARD .......................................... T. A. WHELAN
C. H. MCHENRY ............................................... G. A. WILLIAMS

OFFICERS

OSCAR NELSON .............................................. President
G. A. WILLIAMS ............................................. Vice President
T. F. KOBLEGARD .......................................... Vice President
T. S. REED .................................................... Vice President
C. H. MCHENRY .............................................. Secretary
T. A. WHELAN .................................................. Treasurer
ARTHUR HANSON ........................................... Ass't Secretary
C. A. URBAN .................................................. Ass't Treasurer
ANNUAL REPORT  
UNITED CARBON COMPANY  
For the Year Ended December 31, 1937

To the Stockholders:

There is submitted herewith the thirteenth Annual Report of your Company and its subsidiaries, together with the certified financial statements for the year ended December 31, 1937, certain statistical data and a map of gas and oil properties.

FINANCIAL POSITION

The Company closed the year 1937 in a strong financial position. The working capital amounted to $2,247,819.98 as compared with $1,840,170.04 at the end of 1936, reflecting an improvement of $407,649.94. The cash balance was $921,388.87 and exceeded all current liabilities.

EARNINGS

Record earnings were established in 1937. The net profit amounted to $2,350,486.20 and was equal to $5.90 per share, comparing with $2,202,849.72, or $5.54 per share earned in 1936.

The charges and expenses reflected in the year’s operations included $1,380,175.82 for depreciation and depletion, equivalent to $3.47 per share, and $774,728.72 for Federal, state and local taxes, equivalent to $1.95 per share. It may be stated, also, that the payroll expenses for 1937 were $1,079,730.19, as against $936,580.59 during the previous year, exclusive of labor included in new construction.
CAPITAL EXPENDITURES AND INVESTMENTS

The expenditures for additions to Fixed Assets and for investments during the year 1937 amounted to $1,819,273.25. The distribution of expenditures was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and acquisition of gas and oil properties</td>
<td>$1,087,206.25</td>
</tr>
<tr>
<td>Additions and improvements to plants, etc.</td>
<td>442,067.00</td>
</tr>
<tr>
<td>Additions to Fixed Assets</td>
<td>$1,529,273.25</td>
</tr>
<tr>
<td>Investment in Moore County Carbon Co.</td>
<td>290,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,819,273.25</strong></td>
</tr>
</tbody>
</table>

DIVIDENDS

Dividends were paid quarterly at the rate of $1.00 per share and supplemented by an extra dividend of 50 cents per share on October 1st, a total distribution of $4.50 per share to the Common Stockholders who numbered 3,160 at the close of 1937 as compared with 2,890 a year earlier.

CARBON BLACK

About 42% of total earnings was derived from the carbon black business during 1937 as against 57% in the previous year. Although tonnage sales were less than 10% below the high figure of 1936, the earnings were adversely effected by increased taxes, higher labor cost and, in the final quarter of the year, by substantial declines in the price of ordinary carbon black sold in the domestic market.

The Company continued the installation of plant equipment to manufacture dustless carbon black and purchased additional tank cars for transportation of this product.

As a further step towards a closer control of production and in order to expedite the laboratory testing we built and equipped a most up-to-date control laboratory at Borger, Texas, to serve all of our plants in that territory.
NATURAL GAS

The revenue from the sales of natural gas amounted to $3,363,338.20 in 1937 and exceeded that of any previous year. The increase over 1936 was nearly 24%. This was due to the higher average price received for the gas which is sold to pipe line companies under long-term contracts, as well as to a larger volume of sales. The deliveries averaged 118,762,000 cubic feet per day as compared with a daily average of 107,292,000 cubic feet in 1936.

The Company was active in pursuing its policy of building up ample gas production and adding to its large gas reserves. A total of 53,570 acres of gas and oil leases were acquired, 31 producing wells were completed, and 1 well was purchased. The principal activities are covered, briefly, in the following comments.

The drilling operations in the Oriskany Sand territory in Kanawha County, West Virginia, resulted in the completion of eleven producing wells, of which one is jointly owned. The daily open flow averaged better than 10 million cubic feet of gas per well. Two unproductive wells were completed to test a part of our acreage in Jackson County, West Virginia. In line with the indicated extension of the Oriskany Sand formation found in Kanawha County, about 20,000 acres of new leases were acquired in adjoining counties, making a total of 92,000 acres held in the State of West Virginia at the close of 1937.

We acquired 7,600 acres in the Hugoton Gas Field, Kansas, bringing our holdings in that state up to 58,000 acres, consolidated, to a large extent, into blocks comprising 640 acres for the purpose of conservative development and operation. Thirteen producing gas wells were completed which had an average daily open flow in excess of 5 million cubic feet per well.

We leased 24,000 acres in the State of Illinois in what is known as the Illinois Oil Basin where a great number of the major oil companies have been actively engaged in the acquisition of land and the development for oil. A part of our acreage has been consolidated with a block of The Ohio Oil Company’s holdings for joint development and operation.
The Company was successful, also, in acquiring favorably located oil and gas royalties in various fields of promising prospects.

Indicated gains in revenue from the natural gas business, which provides the Company with a stable backlog of earnings, should partially compensate for the present decline in earnings from the carbon black business.

Respectfully submitted,

OSCAR NELSON, President.

February 14, 1938.
CONSOLIDATED

UNITED CARBON COMPANY

ASSETS

CURRENT ASSETS:
- Cash: $921,388.87
- Notes Receivable: $458,752.93
- Accounts Receivable: $792,377.37
- Inventories (at lower of cost or market): $868,132.85

TOTAL CURRENT ASSETS: $3,040,652.02

INVESTMENTS:
- Stocks at cost:
  - Mississippi River Fuel Corporation: $880,200.00
  - Carbon Black Export, Inc.: $182,780.00
  - Moore County Carbon Company: $125,067.13
  - Sundry: $53,088.06

TOTAL INVESTMENTS: $1,241,135.19

OTHER ASSETS:
- Moore County Carbon Co. (notes): $253,298.45
- Due from employees: $94,219.51
- Sundry accounts and notes receivable: $446,109.45

TOTAL OTHER ASSETS: $793,627.41

FIXED ASSETS:
- Land, Buildings, Equipment, Wells, Pipe Lines, Franchises, Leaseholds, Etc.—at cost: $23,706,578.32

TRADE MARKS, CONTRACTS, ETC.: $1.00

DEFERRED CHARGES:
- Prepayments on Gas Purchases: $41,592.24
- Prepaid Taxes, Rentals, Insurance and Expenses: $191,555.74

TOTAL DEFERRED CHARGES: $233,147.98

$29,015,141.92

[8]
BALANCE SHEET

AND SUBSIDIARY COMPANIES

31, 1937

LIABILITIES

CURRENT LIABILITIES:
Accounts payable, including provision for accruals, Federal and State Taxes $ 792,832.04

RESERVES:
Depreciation and Depletion $ 12,537,784.68
Possible Losses and Contingencies 394,165.72

TOTAL RESERVES 12,931,950.40

DEFERRED LIABILITY ON CONTRACTS 45,000.00

MINORITY INTEREST:
Common Stock and Surplus 375,249.43

CAPITAL AND SURPLUS:
Common Stock—No Par Value
Authorized — 800,000 Shares
Outstanding— 397,885 Shares $11,952,537.52

EARNED SURPLUS 2,917,572.53

TOTAL CAPITAL AND SURPLUS 14,870,110.05

$29,015,141.92

[9]
CONSOLIDATED SUMMARY OF OPERATIONS
UNITED CARBON COMPANY AND SUBSIDIARY COMPANIES

For the Year Ended December 31, 1937.

NET SALES:
- Carbon Black: $5,581,664.13
- Natural Gas: 3,363,338.20
- Gasoline, Oil, Royalties, Etc.: 327,229.02

**TOTAL NET SALES**: $9,272,231.35

COST OF SALES: 5,308,474.37

MANUFACTURING PROFIT: $3,963,756.98

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES: 743,952.28

GROSS OPERATING PROFIT: $3,219,804.70

DEDUCTIONS FROM INCOME:
- Interest and Discount: 43,484.59
- Dismantling Costs, Accounts and Leases written off: 110,625.51
- Non-Productive Operating Expenses: 166,760.95
- Employees' Bonus: 33,763.21
- Loss on Sale of Capital Assets: 12,370.06
- Social Security Taxes: 34,832.96
- Operating Expenses, Employees Dwellings, Less Rentals: 24,334.51
- Sundry: 15,756.72

**TOTAL DEDUCTIONS FROM INCOME**: $441,928.51

OTHER INCOME:
- Interest and Discount Earned: 73,913.12
- Dividends Received: 90,914.00
- Sundry: 15,493.97

**TOTAL OTHER INCOME**: 180,321.09

**NET DEDUCTIONS FROM INCOME**: 261,607.42

PROFIT BEFORE FEDERAL AND STATE INCOME TAXES: $2,958,197.28

Federal and State Income Taxes—Estimated: 393,000.00

NET PROFIT AFTER INCOME TAXES: $2,565,197.28

Surtax on Undistributed Profits—Estimated: 22,000.00

NET PROFIT AFTER SURTAX ON UNDISTRIBUTED PROFITS: $2,543,197.28

Minority Interests' Portion of Profits: 192,711.08

**NET PROFIT FOR THE YEAR (after deducting Depreciation and Depletion in the amount of $1,380,176.82)**: **$2,350,486.20**
CONSOLIDATED EARNED SURPLUS
UNITED CARBON COMPANY AND SUBSIDIARY COMPANIES
For the Year Ended December 31, 1937.

BALANCE, January 1, 1937  $2,586,554.96
Net Profit for Year  2,350,486.20
TOTAL  $4,937,041.16

LESS:
Dividends on Common Stock
   Paid April 1, 1937  $397,885.00
   Paid July 1, 1937  397,885.00
   Paid Oct. 1, 1937  596,827.50
   Paid Dec. 15, 1937  397,885.00  $1,790,482.50
Adjustment Reserve for Depreciation  223,732.58
Sundry Adjustments (Net)  5,253.55
TOTAL DEDUCTIONS  2,019,468.63

BALANCE, December 31, 1937  $2,917,572.52
PRESIDENT AND BOARD OF DIRECTORS,
UNITED CARBON COMPANY,
CHARLESTON, WEST VIRGINIA.

Gentlemen:

We have made an examination of the consolidated balance sheet of United Carbon Company and its Subsidiary Companies as of December 31, 1937, and of the consolidated summary of operations and consolidated earned surplus account for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and have obtained information and explanations from officers and employees of the companies. We also made a general review of the accounting methods and of the system of internal audit and control but we did not audit in detail all of the transactions for the year.

We were assured by the management that the policy of charging off or providing for all losses as they become known has been pursued and that the balance in the reserve for possible losses and contingencies is sufficient to provide for the payment of proposed additional assessments of prior years' federal income taxes.

In our opinion, based upon such examination and subject to the final determination of prior years' income taxes, the accompanying consolidated balance sheet together with the related consolidated summary of operations and earned surplus, fairly present, in accordance with accepted principles of accounting, which have been consistently maintained by the companies during the period under review, the consolidated financial position of the companies as of December 31, 1937 and the consolidated results of operations for the year ended that date.

Respectfully,

F. W. LAFRENTZ & CO.

Certified Public Accountants.
SALES ORGANIZATION
UNITED CARBON COMPANY

GENERAL SALES OFFICE
Union Building, Charleston, W. Va.

DISTRICT SALES OFFICES
2612 EMPIRE STATE BUILDING ......................... New York
308 AKRON SAVINGS & LOAN BUILDING ................. Akron
3037 SOUTH CHRISTIANA AVENUE ...................... Chicago

REPRESENTATIVES
DOMESTIC

GENERAL SUPPLY & CHEMICAL CO. ..................... Trenton
FRANK H. TOPP ........................................ Louisville
THOMPSON-HAYWARD CHEMICAL CO.
(for Central States) .................................. Kansas City
DENVER FIRE CLAY COMPANY (for Colorado) .......... Denver
L. H. BUTCHER COMPANY (for Pacific Coast) ....... San Francisco
R. W. GREEF & CO., INC. .............................. New York

FOREIGN

CARBON BLACK EXPORT, INC. ......................... New York
CHANCE & HUNT, LIMITED ............................. London, England
ANCHOR CHEMICAL CO., LTD. ......................... Manchester, England
CANADIAN INDUSTRIES LIMITED ................. Toronto, Ont., Canada
## STATISTICAL DATA

### FINANCIAL

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital &amp; Surplus</th>
<th>Working Capital</th>
<th>Funded Debt</th>
<th>Dividends Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>$14,870,110</td>
<td>$2,247,820</td>
<td>None</td>
<td>$1,790,483</td>
</tr>
<tr>
<td>1936</td>
<td>14,539,092</td>
<td>1,840,170</td>
<td>None</td>
<td>1,372,703</td>
</tr>
<tr>
<td>1935</td>
<td>14,047,911</td>
<td>1,679,889</td>
<td>None</td>
<td>952,789</td>
</tr>
<tr>
<td>1934</td>
<td>18,219,074</td>
<td>2,168,032</td>
<td>None</td>
<td>832,411</td>
</tr>
<tr>
<td>1933</td>
<td>13,729,292</td>
<td>2,905,959</td>
<td>None</td>
<td>454,580</td>
</tr>
<tr>
<td>1932</td>
<td>13,619,403</td>
<td>2,698,315</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>1931</td>
<td>13,947,214</td>
<td>2,466,503</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>1930</td>
<td>15,634,975</td>
<td>2,447,490</td>
<td>None</td>
<td>823,922</td>
</tr>
<tr>
<td>1929</td>
<td>16,842,241</td>
<td>3,080,000</td>
<td>None</td>
<td>478,972</td>
</tr>
<tr>
<td>1928</td>
<td>12,026,504</td>
<td>2,631,465</td>
<td>$848,000</td>
<td>187,709</td>
</tr>
<tr>
<td>1927</td>
<td>10,631,692</td>
<td>2,285,350</td>
<td>1,150,000</td>
<td>None</td>
</tr>
<tr>
<td>1926</td>
<td>10,663,801</td>
<td>2,744,707</td>
<td>1,691,000</td>
<td>None</td>
</tr>
<tr>
<td>1925</td>
<td>10,535,562</td>
<td>2,690,714</td>
<td>2,300,500</td>
<td>None</td>
</tr>
</tbody>
</table>

### OPERATIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Depreciation &amp; Depletion Charges</th>
<th>Taxes</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>$9,272,231</td>
<td>$1,380,176</td>
<td>$774,729</td>
<td>$2,350,486</td>
</tr>
<tr>
<td>1936</td>
<td>9,018,648</td>
<td>1,220,748</td>
<td>648,706</td>
<td>2,202,850</td>
</tr>
<tr>
<td>1935</td>
<td>8,229,529</td>
<td>1,079,971</td>
<td>490,038</td>
<td>1,872,405</td>
</tr>
<tr>
<td>1934</td>
<td>5,631,613</td>
<td>787,686</td>
<td>349,989</td>
<td>1,452,939</td>
</tr>
<tr>
<td>1933</td>
<td>4,748,289</td>
<td>659,115</td>
<td>130,009</td>
<td>636,217</td>
</tr>
<tr>
<td>1932</td>
<td>3,415,502</td>
<td>650,378</td>
<td>114,657</td>
<td>145,644</td>
</tr>
<tr>
<td>1931</td>
<td>3,229,868</td>
<td>737,765</td>
<td>167,977</td>
<td>*397,770</td>
</tr>
<tr>
<td>1930</td>
<td>3,541,140</td>
<td>1,153,490</td>
<td>256,280</td>
<td>704,600</td>
</tr>
<tr>
<td>1929</td>
<td>4,321,732</td>
<td>1,523,524</td>
<td>382,499</td>
<td>1,314,556</td>
</tr>
<tr>
<td>1928</td>
<td>5,516,086</td>
<td>1,280,193</td>
<td>296,482</td>
<td>932,104</td>
</tr>
<tr>
<td>1927</td>
<td>3,775,165</td>
<td>1,029,077</td>
<td>98,509</td>
<td>89,805</td>
</tr>
<tr>
<td>1926</td>
<td>3,216,153</td>
<td>1,004,465</td>
<td>114,211</td>
<td>264,531</td>
</tr>
<tr>
<td>1925</td>
<td>2,718,870</td>
<td>929,618</td>
<td>92,815</td>
<td>25,860</td>
</tr>
</tbody>
</table>

*Deficit.*
STATISTICAL DATA

PRODUCTION

<table>
<thead>
<tr>
<th>Year</th>
<th>Gas Sold (M. Cu. Ft.)</th>
<th>Gas Produced &amp; Purchased (M. Cu. Ft.)</th>
<th>Carbon Black Produced (Lbs.)</th>
<th>Gasoline Produced (Gals.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>43,350,521</td>
<td>148,007,220</td>
<td>132,722,321</td>
<td>4,915,918</td>
</tr>
<tr>
<td>1936</td>
<td>39,269,195</td>
<td>139,940,562</td>
<td>121,673,894</td>
<td>2,982,280</td>
</tr>
<tr>
<td>1935</td>
<td>38,747,607</td>
<td>123,151,762</td>
<td>98,926,635</td>
<td>4,045,761</td>
</tr>
<tr>
<td>1934</td>
<td>32,427,724</td>
<td>94,729,066</td>
<td>73,044,166</td>
<td>1,907,390</td>
</tr>
<tr>
<td>1933</td>
<td>27,584,786</td>
<td>74,554,987</td>
<td>53,974,790</td>
<td>2,258,168</td>
</tr>
<tr>
<td>1932</td>
<td>22,649,996</td>
<td>60,267,973</td>
<td>44,529,434</td>
<td>2,632,596</td>
</tr>
<tr>
<td>1931</td>
<td>18,208,399</td>
<td>61,732,062</td>
<td>52,190,948</td>
<td>1,910,014</td>
</tr>
<tr>
<td>1930</td>
<td>17,825,000</td>
<td>89,062,000</td>
<td>89,004,810</td>
<td>2,317,214</td>
</tr>
<tr>
<td>1929</td>
<td>11,918,000</td>
<td>87,908,000</td>
<td>94,213,394</td>
<td>1,922,858</td>
</tr>
<tr>
<td>1928</td>
<td>11,102,000</td>
<td>60,330,000</td>
<td>60,525,530</td>
<td>2,216,984</td>
</tr>
<tr>
<td>1927</td>
<td>9,815,000</td>
<td>39,740,000</td>
<td>33,684,525</td>
<td>2,481,514</td>
</tr>
<tr>
<td>1926</td>
<td>2,136,000</td>
<td>34,241,000</td>
<td>34,797,918</td>
<td>3,339,975</td>
</tr>
<tr>
<td>1925</td>
<td>1,787,000</td>
<td>33,265,000</td>
<td>34,074,679</td>
<td>3,406,714</td>
</tr>
</tbody>
</table>

FIXED ASSETS

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Investment</th>
<th>Depreciation &amp; Depletion Reserve</th>
<th>No. Producing Gas Wells</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Owned</td>
</tr>
<tr>
<td>1937</td>
<td>$23,706,578</td>
<td>$12,537,785</td>
<td>554</td>
</tr>
<tr>
<td>1936</td>
<td>23,067,433</td>
<td>11,459,614</td>
<td>536</td>
</tr>
<tr>
<td>1935</td>
<td>22,138,660</td>
<td>10,291,063</td>
<td>511</td>
</tr>
<tr>
<td>1934</td>
<td>19,439,249</td>
<td>9,249,681</td>
<td>452</td>
</tr>
<tr>
<td>1933</td>
<td>17,722,541</td>
<td>8,060,039</td>
<td>393</td>
</tr>
<tr>
<td>1932</td>
<td>16,979,929</td>
<td>7,431,448</td>
<td>339</td>
</tr>
<tr>
<td>1931</td>
<td>16,706,757</td>
<td>6,838,448</td>
<td>299</td>
</tr>
<tr>
<td>1930</td>
<td>16,290,600</td>
<td>6,146,564</td>
<td>277</td>
</tr>
<tr>
<td>1929</td>
<td>15,563,292</td>
<td>4,854,463</td>
<td>235</td>
</tr>
<tr>
<td>1928</td>
<td>13,523,689</td>
<td>3,517,454</td>
<td>187</td>
</tr>
<tr>
<td>1927</td>
<td>12,061,771</td>
<td>2,816,552</td>
<td>163</td>
</tr>
<tr>
<td>1926</td>
<td>11,140,026</td>
<td>1,883,661</td>
<td>101</td>
</tr>
<tr>
<td>1925</td>
<td>10,592,680</td>
<td>929,172</td>
<td>136</td>
</tr>
</tbody>
</table>

*Exclusive of wells covered by gas purchase contracts with Phillips Petroleum Co., Skelly Oil Company and The Shamurock Oil and Gas Corp.
MAP SHOWING OIL AND GAS FIELDS IN WHICH THE UNITED CARBON COMPANY IS INTERESTED AND PIPE LINES TO WHICH IT DELIVERS GAS.
DECEMBER 31, 1937.