United States Pipe and Foundry Company

Thirty-sixth Report
Fiscal Year 1934
United States
Pipe and Foundry Company

General Offices, Burlington, N. J.

Registrar
Central Hanover Bank and Trust Company
New York

Transfer Agent
Bankers Trust Company
New York
United States

Pipe and Foundry Company

DIRECTORS

J. C. Brady
W. T. C. Carpenter
George W. Cobb
Richard H. Deming
F. S. Gordon
Chas. C. Harrison, Jr.
D. P. Hopkins

Colgate Hoyt
H. Vinton Overholt
Chas. R. Rauth
N. F. S. Russell
Ralph M. Shaw
D. B. Stokes
Frank M. Tait

EXECUTIVE COMMITTEE

W. T. C. Carpenter
F. S. Gordon
Frank M. Tait
President Ex-Officio

OFFICERS

N. F. S. Russell, President
W. T. C. Carpenter, First Vice-President
D. P. Hopkins, Vice-President
D. B. Stokes, Vice-President
F. C. Langenberg, Vice-President
Chas. R. Rauth, Secretary and Treasurer
TO THE STOCKHOLDERS:

The following is respectfully submitted as the thirty-sixth Annual Report of your Company covering the year ending December 31, 1934, including the Balance Sheet, Income and Surplus Accounts certified by the Company’s Accountants.

It will be noted that the net profit for the year was $8,18,068.00, as compared with a net loss in 1933 of $71,452.71, showing an improvement in earnings of $889,520.71. The dividends paid by the Company on the Preferred Stock of the Company, purchased as an investment and held in the treasury, amounting to $5,1,330.00, are not included in the net profit of the Company.

The total shipments of all products of your Company were 47.8% greater than during the year 1933 and correspond closely to the net shipments of 1921. This increase during 1934 marks the first reversal of the declining trend that started with the year 1927 and was, of course, greatly accentuated during the years 1931, 1932 and 1933. During the year, you may be interested in knowing that approximately 37% of the tonnage is traced to the influence of Federal Government financing.

As noted in the last Annual Report, the code for the Cast Iron Pressure Pipe Industry went into effect as of January 1, 1934. Therefore, the results of the year are for a full year of code operation. As noted above, the shipments of all products increased 47.8%; the item of cost represented by hourly wages was increased 55.7% in amount under code
operation, and in addition to this increase there were sub-
stantial increases in the price of materials.

The attached Balance Sheet, Income and Surplus
Accounts show the financial condition of the Company as
of December 31, 1934, and the result of its operations for
the year then ended. In the endeavor to conform to the
regulations of the Securities and Exchange Commission, the
form of these statements is somewhat different from that of
previous years.

Working Capital as of December 31, 1934, shows the
following:

CURRENT ASSETS:
Cash on hand, in banks and time deposits,
investments at cost, notes, Accounts
Receivable and Inventories. ............... $14,032,101.65

CURRENT LIABILITIES:
Accounts Payable, Accrued Items and
Dividends payable January 20, 1935. . . 1,147,552.96
Net Working Capital. ...................... $12,884,548.69

As of December 31, 1934, the securities of your Com-
pany? as represented by Government, State, County and
Municipal Bonds, showed a cost of $2,588,657.77 and a
market value of $2,396,583.00, or a shrinkage of $192,074.77.

There have not been included in the Working Capital
the Company's investment in its own Preferred Stock and
other items having a cost value of $1,198,474.82, which it
is believed have a market value greater than the sum at
which they are now carried on the books.

Inventories are somewhat larger than they were in 1933,
the largest item being in the amount of pig iron bought and
paid for, which is carried on the books at values substantially
lower than the present market, and in respect to pig iron,
your Company's chief raw material, the Company is well
fortified.
Reserves have been maintained in accordance with the usual practice of the Company. The Depreciation and Amortization Reserve for the year was credited with the sum of $610,031.29 and was debited with the sum of $1,112,836.79, with a reduction in Plant Account, representing buildings, machinery, equipment, casting pits, etc., which have been either destroyed or are no longer in use by the Company for the production of its products.

In former Annual Reports mention has been made of the problems confronting your Company in the relocation of plants to meet the changing transportation costs and conditions as imposed by the Interstate Commerce Commission and other agencies. In addition to this problem, your management is endeavoring to answer the question of changing the manufacturing facilities of some of your present plants from the former pit cast method to the centrifugal method, in the sizes which can be economically produced by the centrifugal method. The centrifugal method, by reason of its flexibility and greater producing capacity, is requiring the concentration of output in fewer plants, and the two factors of transportation and concentration are requiring the abandonment of certain plants, the changing over of facilities in other operating plants and the disuse or destruction of former facilities. As this problem is gradually settled, it will require not only heavy charges against the Reserve for Depreciation, but also the disposal of certain existing plant real estate and facilities, as the opportunity presents itself to realize on these assets.

The new unit at your Bessemer, Alabama, plant for the manufacture of centrifugal pipe by the deLavaud method in diameters from 4” to 24” inclusive in 18’ laying lengths, the construction of which was mentioned in the Annual Report for 1933, went into operation in the early part of the year and has justified its expense in the profits of such operation during the year, but, as indicated in the previous paragraph, the construction of the facilities for manufacture by the
United States Pipe and Foundry Company

deLavaud process has resulted in the destruction of former sand cast facilities.

Through the consistent efforts of your management and as a direct result of the establishment of your Research Laboratory, a number of patents have been granted during the year, which it is believed are of importance in the centrifugal casting of pipe in metal molds. A number of other patents have also been taken out protecting processes and products of the Company.

It will be noted from the Balance Sheet that there is an item of $237,159.78 representing a judgment for damages assessed against your Company by one of the lower courts, which it is the intention of your management to carry through to final adjudication in the higher courts. In the Balance Sheet, under Reserve for Federal Income Taxes, there has been set up a sum which it is the belief of your management is sufficient to cover the items of depreciation charges in reference to income tax of previous years, which are in dispute with the Federal Authorities.

Your Company is in strong financial position and your Directors felt, in view of such position, they were justified in declaring the dividend of $1.20 per share on the cumulative Preferred Stock and a dividend of 50¢ per share on the Common Stock, both dividends payable in quarterly installments on the 20th of April, July, October, 1935, and January, 1936.

The loyal cooperation of the officers, their staffs and employees, and the efficient service rendered by them during the past year are gratefully acknowledged.

By order of the Executive Committee.

N. F. S. RUSSELL,
President.

Burlington, N. J.
February 21, 1935.
Balance Sheet

Income Account

Surplus
# United States Pipe and
# Balance Sheet,

## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash on hand, in bank and time deposits</td>
<td>$5,566,204.23</td>
</tr>
<tr>
<td>Securities, at cost:</td>
<td></td>
</tr>
<tr>
<td>United States Treasury Notes and Bonds</td>
<td>$707,421.88</td>
</tr>
<tr>
<td>State, County and Municipal Bonds</td>
<td>1,881,235.89</td>
</tr>
<tr>
<td>(Aggregate value at market quotations, $2,396,583.)</td>
<td>2,588,657.77</td>
</tr>
<tr>
<td>Accounts and Notes Receivable</td>
<td>1,734,935.55</td>
</tr>
<tr>
<td>Less: Reserve for Doubtful Accounts and Notes</td>
<td>106,266.05</td>
</tr>
<tr>
<td>Inventories of raw materials, manufactured product, etc. at values not in excess of cost or market</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>14,032,101.65</td>
</tr>
<tr>
<td><strong>Capital Stock of subsidiaries, at cost</strong></td>
<td>25,000.00</td>
</tr>
<tr>
<td><strong>Miscellaneous investments and advances, at cost or less</strong></td>
<td>498,945.21</td>
</tr>
<tr>
<td>Treasury First Preferred Stock, 41,550 shares, at cost (at market quotations, $789,450.)</td>
<td>674,529.61</td>
</tr>
<tr>
<td><strong>Land, buildings, equipment and intangibles:</strong></td>
<td></td>
</tr>
<tr>
<td>To December 31, 1933</td>
<td>28,937,039.69</td>
</tr>
<tr>
<td>Net deductions during 1934</td>
<td>1,095,115.49</td>
</tr>
<tr>
<td><strong>Less: Reserve for Depreciation and Amortization after deducting $1,112,836.79 for items fully depreciated and written off</strong></td>
<td>8,675,834.78</td>
</tr>
<tr>
<td>Fire Insurance Fund:</td>
<td></td>
</tr>
<tr>
<td>Cash on Deposit</td>
<td>3,102.41</td>
</tr>
<tr>
<td>Securities, at cost (aggregate value at market quotations, $11,000.)</td>
<td>21,650.00</td>
</tr>
<tr>
<td>Company’s First Preferred Stock, 24,500 shares, at cost (market quotations, $465,500.)</td>
<td>433,638.00</td>
</tr>
<tr>
<td>Accrued dividends on Company’s First Preferred Stock</td>
<td>7,350.00</td>
</tr>
<tr>
<td>Deferred Charges</td>
<td>10,994.48</td>
</tr>
<tr>
<td><strong>Total Fire Insurance Fund</strong></td>
<td>$34,873,400.78</td>
</tr>
</tbody>
</table>

## INCOME ACCOUNT

### Year Ended December 31, 1934

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings after deducting cost of operating and maintenance of plants, expenses of sales and general offices, and provision for current taxes and doubtful accounts.</td>
<td>$1,218,047.97</td>
</tr>
<tr>
<td>Other income, consisting of interest, discount, etc.</td>
<td>210,051.32</td>
</tr>
<tr>
<td><strong>Less: Allowance for Depreciation and Amortization</strong></td>
<td>610,031.29</td>
</tr>
<tr>
<td><strong>Net income from current operations for the year 1934</strong></td>
<td>$818,068.00</td>
</tr>
</tbody>
</table>
**Foundry Company (New Jersey)**  
**December 31, 1934**

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$294,521.54</td>
</tr>
<tr>
<td>Accrued Wages, Royalties, etc.</td>
<td>188,844.26</td>
</tr>
<tr>
<td>Dividends Payable, January 20, 1935</td>
<td>242,478.00</td>
</tr>
<tr>
<td>Provision for Federal income taxes</td>
<td>421,709.16</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$1,147,552.96</strong></td>
</tr>
</tbody>
</table>

- Reserve for Improvements, Additions and New Construction; balance, December 31, 1933: 2,977,021.06
- Less: Charges during 1934: 82,566.99
  - **Reserve for Fire Insurance**: 465,740.41

**Contingent Liability**: Judgment against Company for $237,159.78 arising out of action for damages; judgment appealed.

### CAPITAL

**Capital Stock**:
- **First Preferred Stock**:
  - Authorized 600,000 shares, outstanding 599,810 shares without par value (annual dividend $1.20 cumulative, $21.00 per share payable in dissolution or redemption): 9,297,055.00
- **Common Stock**:Authorized and issued 600,000 shares, par value $20 per share. 12,000,000.00
  - **Balance**: 21,297,055.00

**Surplus, earned**: 9,068,598.34

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surplus Account</strong></td>
<td><strong>$34,873,400.78</strong></td>
</tr>
</tbody>
</table>

- **Balance, December 31, 1933**: 9,394,572.34
- **Deduct**:
  - Dividends on Preferred Stock: $719,772.00
    - **Total Dividends**: 640,512.00
  - Dividends on Common Stock: 300,000.00
- **Net income from current operations**, year ended December 31, 1934: 818,068.00
  - **Deduct**:
    - Provision for contingent taxes, prior years: 175,000.00
    - Appropriated for Fire Insurance Fund: 28,530.00
  - **Balance, December 31, 1934**:
    - Working Capital Reserve: 8,000,000.00
    - Balance of Profit and Loss Account: 1,068,598.34
    - **Total**: $9,068,598.34
ACCOUNTANTS’ REPORT

TO THE BOARD OF DIRECTORS,

United States Pipe and Foundry Company:

We have made an examination of the balance sheet of the UNITED STATES PIPE and FOUNDRY COMPANY as at December 31, 1934, and of the statements of income and surplus for the year 1934. In connection therewith, we examined or tested accounting records of the company and other supporting evidence, and obtained information and explanations from officers of the company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the foregoing balance sheet and statements of income and surplus fairly present, in accordance with accepted principles of accounting consistently followed by the company, its financial position at December 31, 1934, and the results of its operations for the year.

LYBRAND, ROSS BROS. & MONTGOMERY.

New York, January 22, 1935.