United States
Pipe and Foundry Company

Thirty-eighth Report
Fiscal Year 1936
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                      Colgate Hoyt
W. T. C. Carpenter              H. Vinton Overholt
George W. Cobb                  Chas. R. Rauth
Richard H. Deming               N. F. S. Russell
F. S. Gordon                    Ralph M. Shaw
Chas. C. Harrison, Jr.           D. B. Stokes
D. P. Hopkins                   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-eighth Annual Report of your Company covering the year ending December 31, 1936, including the Balance Sheet, Income and Surplus Accounts certified by the Company's Accountants.

It will be noted that the operations for the year ending December 31, 1936, resulted in a net profit of $2,427,867.27, (after provision of $417,009.00 for Federal Income Tax), as compared with the net profit of $1,169,070.77, (after provision of $176,000.00 for Federal Income Tax), for the year 1935.

The volume of business booked during the year 1936 showed a considerable increase over 1935. The total volume booked was greater than in any year since 1931 and was quite evenly distributed throughout the year. This increase in tonnage was reflected in the increased profits of the Company for the year, but the tonnage of pipe booked in 1936 was well below the average yearly volume of the decade from 1922 to 1931, inclusive.

The strong inventory position of your Company, particularly in respect to its chief raw material, pig iron, contributed a substantial proportion to the net profits of your Company.

The attached Balance Sheet, Income and Surplus Accounts show the financial condition of the Company as of December 31, 1936, and the results of the year then ended.

Working Capital as of December 31, 1936, shows the following:
CURRENT ASSETS:
Cash on hand, in banks, investments at cost, notes, Accounts Receivable and Inventories .................. $9,651,797.26

CURRENT LIABILITIES:
Accounts Payable, Provision for Federal Income Tax and miscellaneous accruals. 1,809,575.00

Net Working Capital .................... $7,842,222.26

In January 1936, the Board of Directors of your Company called for retirement, as of February 29, 1936, the entire issue of 600,000 shares of the First Preferred Stock of your Company at its retirement price of $21.00 per share, plus the cumulative dividend of 20¢ per share to the date of retirement. To effect this retirement and pending the authorization of the Stockholders for new security obligations, money was borrowed from the banks and the additional sums needed were taken from the working funds of the Company. At a meeting of the Stockholders in April, an increase in the Common Capital Stock from 600,000 to 800,000 shares was authorized and also an issue of Debentures or other obligations convertible into the Common Stock of the Company. Pursuant to such authority, $5,000,000.00 of Convertible 3½% Debentures were underwritten and offered to the Stockholders as of May 1, 1936. The funds received from this issue were used to pay off the bank loans, and the decrease in Working Capital as of December 31, 1936, as compared with previous years, was caused by such expenditure.

Included in Working Capital are inventories which are slightly larger than the previous year, but the inventory of pig iron still remains the largest item, with that of finished salable product being next in aggregate value. Both of these items are carried at values substantially lower than the present market.

Of the Debentures issued on May 1, $2,000,000.00 principal amount were called for payment on November 2,
1936. The holders of $3,208,000.00 principal amount of Debentures elected to exercise the conversion privilege, and as of December 31, 1936, with the redemption and conversion of these Debentures, your Company has issued 76,215 shares of Common Stock. The Debentures were converted at the principal amount thereof into Common Stock at $42.00 per share. No fractional shares were issued, but an adjustment was made therefor in cash. The par value of the stock issued was $20.00 per share, and the difference between the net amount received and the par value of the stock issued to December 31, 1936, amounted to $1,583,714.24, which item shows as Capital Surplus on your Company's Balance Sheet. Since December 31, 1936, up to the date of this report, additional Debentures have been converted to the principal amount of $692,500.00, so that as of the date of this report there are now outstanding $1,099,500.00 principal amount of Debenture Bonds and 692,652 shares of Common Stock.

Reserves have been maintained in accordance with the usual practice of the Company. The Depreciation of Plant Facilities and Amortization of Patent Reserves for the year were credited with $460,487.48, while the Depreciation Reserve was charged with the sum of $155,059.05.

During the year, certain buildings and idle plants have been demolished. At the Chattanooga, Tennessee, plant there has been extensive construction during the year, and the consolidation of the two plants in Chattanooga is actively under way at the date of this report. It is anticipated that the Whiteside Street plant will shortly be abandoned as a manufacturing plant of the Company. Certain other minor changes have taken place in the Plant Account. At Addyston, property to the extent of about ten acres, not needed in the operation of the plant, was donated under certain conditions to the Village of Addyston for the erection of a school and playgrounds. In Chattanooga, small outlying portions of your Company's property have been sold. At the Burlington plant, certain expenditures were made to aid the construction of a deep water ship channel and turning basin, by providing "spoil" areas for
United States Pipe and Foundry Company

the dredged material, and in December this channel, 20 ft. deep at mean low water, 200 ft. wide at the bottom, with a turning basin 450 x 600 ft., was completed, which will aid materially in the movement of the large volume of water borne traffic in and out of this plant.

It will be noted that there still remains a contingent liability of a judgment against your Company for $237,159.78, which is still before the courts.

During the year under review, certain subsidiaries of the Company; namely, Scottdale Connecting Railroad Company and United States Sperry Ordnance Company., were dissolved and liquidated, and the Company disposed of its investment in the Common Stock of the Davies & Thomas Co.

On the attached Income Account, your attention is called to the note that “No provision has been made for any surtax on undistributed profits. It is the opinion of the Company’s General Counsel and Accountants that because of distributions made to Stockholders during the year 1936 the Company is not liable for any surtax on so-called undistributed profits.” Your Board of Directors, in view of this opinion, did not change the dividend policy of the Company as pursued for many years. At a meeting on January 21, 1937, your Directors declared dividends on the Common Stock at an annual rate of $3.00 per share, payable quarterly March 20, June 19, September 20 and December 20, 1937, to Stockholders of record at the close of business February 27, May 31, August 31 and November 30.

The results of the year 1936 could not have been secured without the loyal cooperation of the officers, their staffs and employees, and the efficient service rendered by them during the past year is hereby gratefully acknowledged.

By order of the Executive Committee.

N. F. S. RUSSELL,
President.

Burlington, N. J.
February 26, 1937
BALANCE SHEET

INCOME ACCOUNT

SURPLUS
**United States Pipe and**
**Balance Sheet**

<table>
<thead>
<tr>
<th>Current Assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>$3,532,084.44</td>
</tr>
<tr>
<td>Cash on deposit for redemption of first preferred</td>
<td>19,885.60</td>
</tr>
<tr>
<td>stock</td>
<td></td>
</tr>
<tr>
<td>County and Municipal bonds, at cost (at market</td>
<td>208,247.52</td>
</tr>
<tr>
<td>quotations, $188,888)</td>
<td></td>
</tr>
<tr>
<td>Accounts and Notes Receivable</td>
<td>$2,166,465.84</td>
</tr>
<tr>
<td>Less: Reserve for Doubtful Accounts and Notes</td>
<td>89,995.60</td>
</tr>
<tr>
<td></td>
<td>2,076,470.24</td>
</tr>
<tr>
<td>Inventories of raw materials, manufactured product,</td>
<td></td>
</tr>
<tr>
<td>etc., at values not in excess of cost or market</td>
<td>3,815,109.46</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>9,651,797.26</td>
</tr>
<tr>
<td>Capital Stock of subsidiary, not consolidated</td>
<td>22,983.43</td>
</tr>
<tr>
<td>Miscellaneous investments and advances, at cost or</td>
<td>339,925.54</td>
</tr>
<tr>
<td>less</td>
<td></td>
</tr>
<tr>
<td>Land, buildings, equipment and intangibles, at cost</td>
<td>27,037,762.15</td>
</tr>
<tr>
<td>in cash or capital stock</td>
<td></td>
</tr>
<tr>
<td>Less: Reserve for Depreciation and Amortization</td>
<td>8,396,148.61</td>
</tr>
<tr>
<td></td>
<td>18,641,613.54</td>
</tr>
<tr>
<td>Fire Insurance Fund:</td>
<td></td>
</tr>
<tr>
<td>Cash on deposit</td>
<td>10,182.33</td>
</tr>
<tr>
<td>Securities, at cost (at market quotations, $404,837.42)</td>
<td>498,082.87</td>
</tr>
<tr>
<td>Interest Receivable accrued</td>
<td>997.48</td>
</tr>
<tr>
<td></td>
<td>509,262.68</td>
</tr>
<tr>
<td>Deferred Charges</td>
<td>60,284.84</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$29,225,867.29</td>
</tr>
</tbody>
</table>
LIABILITIES

Current Liabilities:

Accounts Payable  $  424,878.98
Due holders of First Preferred Stock not redeemed  19,885.60
Accrued Wages, Royalties, Interest, etc  626,165.16
Provision for Federal income taxes  738,645.26

Total current liabilities  $ 1,809,575.00

Reserve for Fire Insurance  509,262.68

Ten year 3 1/2 per cent. Convertible Debentures, due May 1, 1946  1,792,000.00
Less: Called, funds on deposit with Trustees  14,500.00  1,777,500.00

Contingent Liability: There is a judgment against the company for $237,159.78 (with interest) arising out of action for damages; judgment appealed.

CAPITAL

Common Stock:

Authorized, 800,000 shares, issued 676,215 shares, par value $20 per share (42,833 shares reserved for conversion of convertible debentures)  13,524,300.00

Capital surplus arising through the conversion of convertible debentures  1,583,714.24
Earned surplus  10,021,515.37  25,129,529.61

$29,225,867.29
INCOME ACCOUNT

For the Year Ended December 31, 1936

Sales, net of returns and allowances. $13,877,874.50

Deduct:

Manufacturing cost, selling and administrative expenses, etc. $10,661,744.45
Allowance for Depreciation and Amortization 460,487.48

Net operating profit 2,755,642.57

Other income, including dividends and interest on securities 226,135.97

Other Deductions:

Interest paid on Convertible Debentures, other interest paid, etc. 136,902.27
Net income before Federal income tax 2,844,876.27
Provision for Federal income tax 417,009.00

Net income for year $ 2,427,867.27

No provision has been made for any surtax on undistributed profits. It is the opinion of the Company’s general counsel and accountants that because of distributions made to stockholders during the year 1936 the Company is not liable for any surtax on so-called undistributed profits.
Foundry Company (New Jersey)

EARNED SURPLUS ACCOUNT
For the Year Ended December 31, 1936

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 1935</td>
<td>$8,870,573.41</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Balance in reserve for improvements, additions, and new construction at</td>
<td>$2,770,865.08</td>
</tr>
<tr>
<td>December 31, 1935, returned to surplus</td>
<td></td>
</tr>
<tr>
<td>Net income from operations for the year ended December 31, 1936</td>
<td>2,427,867.27</td>
</tr>
<tr>
<td></td>
<td>5,198,732.35</td>
</tr>
<tr>
<td></td>
<td>14,069,305.76</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Dividends paid, including $94,800 dividends accrued on first preferred</td>
<td>1,019,771.01</td>
</tr>
<tr>
<td>stock redeemed</td>
<td></td>
</tr>
<tr>
<td>Premium paid on first Preferred Stock redeemed</td>
<td>2,607,000.00</td>
</tr>
<tr>
<td>Excess of cost over stated value of treasury first Preferred Stock</td>
<td>421,019.38</td>
</tr>
<tr>
<td>canceled</td>
<td>4,047,790.39</td>
</tr>
<tr>
<td>Balance, December 31, 1936</td>
<td>$10,021,515.37</td>
</tr>
</tbody>
</table>

CAPITAL SURPLUS ACCOUNT
For the Year Ended December 31, 1936

Difference between the consideration received and the par value (at $20 per share) of 76,215 shares of common stock issued in connection with the conversion of $3,208,000 principal amount of ten year 3 1/2 per cent. Convertible Debentures, due May 1, 1946, less unamortized expenses applicable thereto $1,583,714.24
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, 1936, and of the statements of income and surplus for the year 1936. In connection therewith, we examined or tested accounting records of the company and other supporting evidence, and obtained information and explanations from officers and employees 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 accompanying balance sheet and related statements of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the company during the year under review, its position at December 31, 1936, and the results of its operations for the year.

LYBRAND, ROSS BROS. & MONTGOMERY.

New York, January 19, 1937.