United States
Pipe and Foundry Company

Forty-Second Report
Year Ended
December 31, 1940
United States
Pipe and Foundry Company
General Offices, Burlington, N. J.

SALES OFFICES
Philadelphia  Chicago  Birmingham
New York  Cleveland  Dallas
Pittsburgh  Kansas City  San Francisco
Buffalo  Minneapolis  Los Angeles
Boston

Registrar
Central Hanover Bank and Trust Company, New York

Transfer Agent
Bankers Trust Company, New York

Independent Auditors
Lybrand, Ross Bros. and Montgomery,
Certified Public Accountants, New York

General Counsel
Winston, Strawn and Shaw, Chicago
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
P. W. Parker
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
D. H. Tyson, Secretary and Treasurer
Report of

United States
Pipe and Foundry Company

For Year Ended December 31, 1940

TO THE STOCKHOLDERS:

The following is respectfully submitted as the forty-second Annual Report of your Company covering the year ended December 31, 1940, including the Balance Sheet, Income and Surplus Accounts and the report of Messrs. Lybrand, Ross Bros. & Montgomery, Certified Public Accountants, who have served the Company as independent auditors since 1912.

The operations for the year ended December 31, 1940 resulted in a net income of $2,403,804.53, or the equivalent of $3.45 per share on the stock of the Company outstanding, compared with $2,570,279.10, or $3.69 per share in the fiscal year ended December 31, 1939.

In connection with the reduced earnings it might be noted that the total corporate taxes, either paid or reserved to be paid to various political divisions of Government, amounted in round figures to $1,234,000.00 in 1940, compared with $760,000.00 in 1939. In 1940 this item represented more than the combined general administrative and selling costs of your Company.

Gross sales, less discount, returns and allowances, as given in the appended income account, were 11.94% greater than in 1939. Business volume in the first quarter of the year was not particularly favorable, but there was a marked improvement in the tonnage sold in the last part of the year, and as of December 31, 1940 the unfilled orders on the books of the Company were greater than they have been for many years.
United States Pipe and Foundry Company

The normal producing facilities of the Company for the last third of the year were to a large extent absorbed in the manufacture of products for use in forts, camps, cantonments, industrial plants; also, in plants for the manufacture of tanks, powder, toluol and shell loading plants, as well as air fields, all in connection with the Defense Program of the Government. There was a considerably increased export demand for the Company's products, particularly to South American countries.

During the year there was some labor unrest and elections were held in two of your plants under the supervision of the National Labor Relations Board, which resulted in harmonious settlements of the questions at issue, so that on the whole the relations of your Company with its employees remain satisfactory and harmonious. All the employees of the Company seem to have a realization that their efforts are tied in largely with the National Defense Program and have patriotically risen to the emergency in increasing the production of the Company. The plan for payment of additional compensation when the earnings of the Company in a year exceed $1.50 per share, which was inaugurated in 1936, was this year enlarged in its application to include the hourly wage earner, as well as the salaried employee, and the distribution was greatly appreciated by all classes of employees.

Working Capital as of December 31, 1940 shows the following:

CURRENT ASSETS:
Cash on hand, in banks, investments at cost, notes, accounts receivable less reserves, and inventories.............. $11,546,151.25

CURRENT LIABILITIES:
Accounts payable, provision for Federal Income Tax and miscellaneous accruals 2,067,753.91
Net Working Capital....................... $ 9,478,397.34

Accounts receivable at the end of the year were the highest in several years.
Inventories are somewhat less than at the previous year end, the main items of inventory being in pig iron and finished salable products. Both of these items are carried at values lower than the present market.

Thirty-five hundred dollars principal amount of the 10-year 3.5% Convertible Debentures, called for payment as of May 20, 1939, have not as yet been presented for redemption, but the funds for their redemption are on deposit with the Trustee and, while the Company has discharged its liability under the bond indenture, it is hoped that the bonds will be presented for payment during the current year.

It will be noted that there were net additions to plant assets during the year of $255,392.00, representing expenditures for various plant facilities and the completion of the General Office building at Burlington. All of the general administrative departments of the Company are now housed in this building.

During the year an extra dividend of 50c per share was paid to the Stockholders in addition to the dividend of $2.00 for the year declared in January 1940.

It was with great reluctance that your Directors concluded that it would be unwise to follow the procedure of many years' standing and declare, at their January meeting, dividends payable throughout the year 1941, but this conclusion was forced upon them by the uncertainties as to the interpretation of the present Income Tax Law regarding the status of distributions declared in the first sixty days of the taxable year. Therefore, the Directors declared a dividend for the first quarter of 50c payable March 20 to Stockholders of record at the close of business February 28, and at their April meeting will consider and determine what their further action may be with respect to additional distributions.

There will be presented to the Stockholders at the Annual Meeting a resolution approving or reenacting a By-Law heretofore adopted by the Directors, the purpose of which is to indemnify Directors for the expense to which
they may be subjected by proceedings, suits and prosecutions of many species instituted against them, though they may not be cognizant of having done anything morally or legally objectionable. While the charter of the Company gives to the Directors the right to adopt and amend By-Laws, this above mentioned amendment will be submitted to the Stockholders for their ratification in view of the fact that the amended By-Law is in the nature of a continuing contract between the Directors and the Corporation. This By-Law will be sent to the Stockholders in detail in the notice of call for the Annual Meeting to be held at the General Offices of the Company on April 17, 1941.

The results of the year could not have been accomplished without the whole-hearted, harmonious and loyal cooperation of the officers, their staffs and employees of the Company, and the efficient service rendered by them is hereby gratefully acknowledged.

By order of the Executive Committee.

N. F. S. RUSSELL,
President.

Burlington, N. J.,
February 5, 1941.
United States Pipe
(New Jersey
Balance Sheet,

ASSETS

Current assets:
Cash in banks and on hand .................. $ 4,870,432.49
Accounts and notes receivable ........... $ 4,302,427.82
Less, Reserve for doubtful accounts and notes .......... 123,280.60 4,179,147.22
Inventories of raw materials, manufactured product, etc., at amounts not in excess of the lower of cost or market ........................................ 2,496,571.54
Total current assets ............................ 11,546,151.25

Investments in subsidiary companies, not consolidated, at cost .................................. 203,683.43

Miscellaneous investments, at cost (includes securities at cost, $123,586.23, for which available market quotations aggregated $84,799.15) ...................... 131,266.34

Land, buildings, equipment and intangibles, at cost in cash or capital stock 25,369,359.29
Less, Reserve for depreciation and amortization ............ 7,071,418.47 18,297,940.82

Prepaid expenses ................................ 25,228.57

$30,204,270.41

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Piper and Foundry Company

New Jersey Corporation

December 31, 1940

LIABILITIES

Current liabilities:

- Accounts payable ......................... $ 475,174.09
- Accrued wages, royalties, taxes, etc. 550,040.24
- Provision for federal income and excess profits taxes .......... 1,042,539.58

Total current liabilities ...................... $ 2,067,753.91

CAPITAL

Common stock:

- Authorized, 800,000 shares, issued 695,923 shares, par value $20 per share ........... 13,918,460.00
- Capital surplus arising primarily through the conversion of convertible debentures ........... 2,000,882.16
- Earned surplus ......................... 12,217,174.34 28,136,516.50

$30,204,270.41
United States Pipe and Foundry Company
(New Jersey Corporation)

STATEMENT OF INCOME
for the year ended December 31, 1940

Sales, less returns and allowances.............. $16,187,282.24
Deduct:
Manufacturing costs, selling and
administrative expenses, etc.............. $12,597,901.05
Provision for depreciation and
amortization.......................... 420,636.90 13,018,537.95
Net operating profit.................... 3,168,744.29
Other income, net (royalties, interest, etc.)........... 190,507.72
Net income before provision for federal in-
come and excess profits taxes............ 3,359,252.01
Provision for federal income and excess
profits taxes:
Normal income tax.................... 806,220.48
Excess profits tax.................... 149,227.00 955,447.48
Net income for year..................... $ 2,403,804.53

STATEMENT OF EARNED SURPLUS
for the year ended December 31, 1940
Balance, December 31, 1939................. $11,553,177.31
Add, Net income for the year ended December 31, 1940 2,403,804.53
13,956,981.84
Deduct, Dividends paid..................... 1,739,807.50
Balance, December 31, 1940................. $12,217,174.34
To the Board of Directors,
United States Pipe and Foundry Company:

We have examined the balance sheet of the UNITED STATES PIPE and FOUNDRY COMPANY as of December 31, 1940, and the statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of the United States Pipe and Foundry Company at December 31, 1940, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, January 21, 1941.
United States Pipe and Foundry Company

List of Principal Products

PIT CAST IRON PIPE AND FITTINGS
SUPER-deLAVAUD CENTRIFUGALLY CAST PIPE
ALLOY CAST IRON PIPE AND FITTINGS
THREADED PIPE IN IRON PIPE SIZES
U. S. CULVERTS
FLANGED PIPE AND FITTINGS
U. S. JOINT PIPE AND FITTINGS
FLEXIBLE JOINT PIPE
CAST IRON PIPE AND FITTINGS FOR GAS
USICAST CAST IRON ROOF
USICAST CHEMICAL CASTINGS
MISCELLANEOUS ALLOY CASTINGS
WEBRE INDUSTRIAL AND SUGAR APPARATUS
LARGE CASTINGS TO ORDER