United States Pipe and Foundry Company

Forty-Fifth Annual Report
Year Ended
December 31, 1943
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

W. T. C. Carpenter
George W. Cobb
John S. Coleman
F. S. Gordon
Chas. C. Harrison, Jr.
R. K. Haughton
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
N. F. S. Russell
Frank M. Tait

Officers

N. F. S. Russell, President
W. T. C. Carpenter, First Vice-President
F. S. Gordon, Executive Vice-President
D. B. Stokes, Vice-President
R. K. Haughton, Vice-President
Donald Ross, Secretary and Treasurer
C. R. Wynne, Comptroller
Excerpt from Minutes of a Meeting
of the Board of Directors
held October 21, 1943

BE IT RESOLVED: That it was with genuine sorrow that the members of this Board learned of the unexpected death, in the prime of life, of our beloved friend and fellow Director, Mr. Richard H. Deming. Following the death of his father-in-law, Mr. E. C. Fuller, who, in 1899 was one of the original group of organizers of this corporation, Mr. Deming was elected to membership on the Board as his successor, on January 20, 1932.

During his membership on the Board, covering a period of eleven years, he invariably evinced a keen personal interest in every phase of the corporation’s activities; invariably patient and considerate of the views of his associates, while always willing to frankly express his own judgments. His presence on Directors’ inspection trips to the various plants of the company could always be counted upon, in leisure moments, to make a distinct contribution from his happy and genial comradeship. He brought into the councils of this Board the same spirit and influence which in the community where he lived, enabled him to take part in a wide range of communal activities, where his counsel and participation were invited by public and private agencies of a most varied character. To his fellow Directors, to whom he had deeply endeared himself by his lovable qualities, his death comes as a very deep sorrow and personal grief.

The Board tender to his deeply stricken family the expression of their deepest sympathy.
Report of

United States
Pipe and Foundry Company

For Year Ended December 31, 1943

TO THE STOCKHOLDERS:

The following is respectfully submitted as the forty-fifth Annual Report of your Company, covering the year ended December 31, 1943, including the Balance Sheet, Income and Surplus Accounts and the report of Messrs. Lybrand, Ross Bros. & Montgomery, Certified Public Accountants.

The operations for the year ended December 31, 1943, show a balance added to earned surplus of $1,608,671, as opposed to $1,655,646 in the fiscal year ended December 31, 1942. By reference to the Comparative Statement of Income, it will be observed that there are certain adjustments entering into the results of both years. The Income Statement for 1942 shows the results both before and after renegotiation and the balance added to earned surplus for that year was after giving effect to reserve for contingencies. No reserve for contingencies was created for 1943, and the 1943 balance added to earned surplus includes an estimated adjustment of prior years' federal tax occasioned by the carry-back of unused excess profits credit from 1943, as provided by the Internal Revenue Code.

After protracted investigations and the accumulation of a great deal of data and after several hearings the War Price Adjustment Board, Philadelphia, decided that the profit from renegotiable business for 1942 should be decreased by
United States Pipe and Foundry Company

$2,700,000, even though 84% of the business that was classified as renegotiable was the regular product of the Company furnished to the Government under competitive bidding and on the basis of the prices in effect March 1941 or lower. The basis on which the local Board arrived at this deduction of $2,700,000 was not disclosed to your management. After careful consideration this deduction was acquiesced in by the Company, and the approval of Washington was received on February 10, 1944. The results for 1942 have been changed to reflect this settlement, which will require the Company to pay $270,000 in cash and reduce its postwar refund on excess profits taxes by $243,000, or a total of $513,000, which has been deducted from the reserve for contingencies established at the end of the fiscal year of 1942. The difference between the renegotiation settlement and the cash payment of $270,000 is applied as a reduction of excess profits tax for the year 1942; however, by thus reducing the excess profits tax it reduces any roll-back claim which the Company may have in 1944 against the remaining excess profits tax of 1942. Furthermore, any relief as to tax reduction in connection with the Company's claim which has been filed for adjustment of its excess profits credit base, under Section 722 of the Internal Revenue Code, would be reduced because of renegotiation.

As anticipated in the last Annual Report to the Stockholders, the tonnage of your regular product showed a progressively marked decrease during 1943, and certain other items, not normally made by your Company during peacetime and which are being furnished to the Government in connection with the prosecution of the war, increased in volume during the year. That the Company has operated efficiently on these war products is evidenced by the award last June of the Army-Navy "E", to which a star was added at the year end, to the North Birmingham plant of the
United States Pipe and Foundry Company

Company where, in the main, these products are produced.

The outlook for your regular product in 1944 is not bright and, while certain restrictions on the use of your regular product have been somewhat modified, the problem of manpower and other phases of war economy affects unfavorably any definite expectations that much of the dammed-up demand for pipe and fittings will be released until sometime after the cessation of the war.

Your Burlington plant ceased to make pipe in May and remained closed for the balance of the year, as far as production of pipe and fittings was concerned. The manufacture of pipe at the North Birmingham unit was stopped in October of 1943 as the production of war material was stepped up.

Your Board of Directors, at a meeting on January 27, 1944, declared a dividend for the year of $1.60 per share, payable quarterly on March 20, June 20, September 20 and December 20, 1944, to Stockholders of record at the close of business February 29, May 31, August 31 and November 29, 1944. This reduction in the rate from the $2.00 per share paid in 1943 was regarded as advisable in the judgment of the Board in view of the outlook for business in 1944. The Board felt that a conservation of the financial resources of the Company was necessary until the situation had developed more clearly.

Your wholly owned subsidiary, the Riddlesburg Coal and Iron Company, ceased the manufacture of pig iron on May 19, 1943, having remained in production at the request of authorities in Washington some six weeks longer than had been expected. Coal mining and coking operations were continued to the end of the two year lease which expired June 30, 1943, and at that time the property was surrendered to the Reconstruction Finance Corporation, from which it had originally been leased, and the Riddlesburg Company was
dissolved October 11, 1943. The operation served the purpose for which it was undertaken.

During the year the Sloss-Sheffield Steel & Iron Company, in which your Company holds 54.87% of the outstanding common shares, revised its capital structure at the request of a number of the minority Stockholders and issued five shares of $20 par value for each common share outstanding and five shares of no par value preferred stock for each share outstanding, but this did not affect either the investment or the overall interest of your Company in this corporation. For the information of Stockholders, the report of President Morrow to the Stockholders of the Sloss-Sheffield Steel & Iron Company, for the fiscal year ended December 31, 1943, is enclosed.

The agreement between your Company and Centrifugal Pipe Corporation terminated in 1943, ending their relations as licensee and licensor. Certain foreign patents owned by Centrifugal Pipe Corporation’s Canadian subsidiary, International deLavaud Manufacturing Corporation, Limited, have been acquired by your Company.

During the year, real estate at Superior, Wisconsin, owned by your Company was seized by the Taxing Authorities for accumulated taxes. Your Directors did not feel that the Company had sufficient use for this property to justify the expenditure necessary for its redemption. The net financial loss on the relinquishment of the Superior property is shown on the Comparative Statement of Income as $205,560. All buildings and machinery had either been disposed of or incorporated in other plants of the Company since the plant ceased production in 1910, and the land represented the only remaining tangible value. During the year, a small amount of real estate the Company had at South Pittsburg, Tennessee, was sold.
Working Capital as of December 31, 1943, shows the following.

**CURRENT ASSETS:**
Cash on hand, United States Securities, accounts and notes receivable less reserves, and inventories..................$11,825,568

**CURRENT LIABILITIES:**
Accounts payable, Notes payable to Banks within one year, provision for Federal Income Tax and miscellaneous accruals........ 2,268,128

Net Working Capital..........................$ 9,557,440

Additions to plant assets during the year amounted to $117,058. This does not include any facilities furnished or constructed on behalf of the United States Government. Retirement of plant assets during the year, including Superior property $342,600, amounted to $502,676. It will be noted provision for depreciation and amortization is some $180,000 more than 1942, which represents the accelerated depreciation under Certificates of Necessity of facilities primarily established and used for the production of war material.

The progress of the war and the workings of the Selective Service Act have caused a number of changes in your organization, and the closing of the pipe producing facilities at Burlington released a considerable number of men who were immediately absorbed in other war industries in this critical labor area. At Birmingham the men engaged in pipe production were absorbed in the Company’s operations devoted to the production of war material.

The year witnessed no important or prolonged work stoppages on the part of the hourly wage workers of the
United States Pipe and Foundry Company

Company except for some organization activities, jurisdictional disputes and the attempts of rival labor organizations to upset established contracts.

Naturally the curtailment of the production of your regular products has forced continual readjustment in the operation of management, production and planning, and under trying conditions the officers, their staffs and employees have shown loyal cooperation and efficient service.

By order of the Executive Committee.

N. F. S. RUSSELL,
President.

Burlington, N. J.,
March 3, 1944.

The notice of the Annual Meeting of the Stockholders of the Company, to be held on April 27, 1944, together with a proxy statement and proxy form (for execution by Stockholders who are unable to attend the Annual Meeting), will be mailed to Stockholders on or about March 18, 1944.
To the Stockholders,
United States Pipe and Foundry Company:

We have examined the balance sheet of the UNITED STATES PIPE and FOUNDRY COMPANY at December 31, 1943, and the statements of income and earned 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. It was not practicable to confirm accounts receivable from United States Government Departments and Agencies, as to which we have satisfied ourselves by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and earned surplus present fairly the position of the company at December 31, 1943, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis which, except for the change made in the method of pricing inventories at December 31, 1942 (see Note 2 to the statement of income), is consistent with that of the preceding year.

New York, February 1, 1944.

Lybrand, Ross, Bros & Montgomery
CERTIFIED PUBLIC ACCOUNTANTS

New York, February 1, 1944.
United States Pipe
Comparative Balance Sheet,
(including wholly owned subsidiary

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>1943</th>
<th>1942</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,961,318</td>
<td>$3,532,110</td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in banks and on hand</td>
<td>$2,550,865</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>United States Government obligations, at cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and notes receivable, less reserve, 1943, $139,393; 1942, $133,579 (Note 1)</td>
<td>$2,483,168</td>
<td>$5,491,611</td>
</tr>
<tr>
<td>Inventories, at amounts not in excess of the lower of cost or market:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>$1,181,032</td>
<td>$1,576,200</td>
</tr>
<tr>
<td>Manufactured products</td>
<td>$1,339,294</td>
<td>$1,243,233</td>
</tr>
<tr>
<td>Stores, fuel, moulds, etc.</td>
<td>$1,309,891</td>
<td>$1,131,080</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$11,825,568</td>
<td>$14,224,234</td>
</tr>
<tr>
<td>Investment in 54,500 common shares of Sloss-Sheffield Steel and Iron Company, representing 54.87 pct of the outstanding common shares and 42.6 pct of the total voting power, at cost</td>
<td>$5,431,300</td>
<td>$5,431,299</td>
</tr>
<tr>
<td>Post-war refund of excess profits tax</td>
<td>$158,000</td>
<td>$158,000</td>
</tr>
<tr>
<td>Estimated adjustment of prior year federal tax under carry-back provision of Internal Revenue Code</td>
<td>$500,765</td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries unconsolidated, at cost</td>
<td>$188,683</td>
<td>$193,683</td>
</tr>
<tr>
<td>Miscellaneous investments, at cost (Note 2)</td>
<td>$177,885</td>
<td>$277,785</td>
</tr>
<tr>
<td>Land, buildings, equipment and intangibles, at cost in cash or capital stock (less reserves for depreciation and amortization, 1943, $8,165,754; 1942, $7,674,279)</td>
<td>$17,923,163</td>
<td>$18,800,255</td>
</tr>
<tr>
<td>Prepaid expenses and deferred charges</td>
<td>$67,703</td>
<td>$220,297</td>
</tr>
<tr>
<td>$36,273,067</td>
<td>$39,305,553</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Includes accounts receivable due from U. S. Government departments or agencies: 1943, $354,127 and 1942, $1,343,734.
2. Includes securities for which market quotations were available: December 31, 1943 cost $74,342, market $67,433; December 31, 1942 cost $116,530, market $90,876.
and Foundry Company
December 31, 1943 and 1942
(dissolved October 11, 1943)

LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>1943</th>
<th>1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable to banks, due within one year</td>
<td>$ 500,000</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>675,091</td>
<td>1,100,162</td>
</tr>
<tr>
<td>Accrued wages, taxes, royalties, etc.</td>
<td>407,855</td>
<td>790,752</td>
</tr>
<tr>
<td>Federal income and excess profits taxes</td>
<td>$690,302</td>
<td>$5,130,308</td>
</tr>
<tr>
<td>Less, Treasury Tax Notes at cost and accrued interest</td>
<td>5,120</td>
<td>2,503,783</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>685,182</td>
<td>2,626,525</td>
</tr>
</tbody>
</table>

Notes payable to banks, due $500,000 annually in December, balance in December, 1947 4,000,000 4,500,000
Reserve for contingencies 687,000 687,000

6,955,128 10,204,439

CAPITAL

Common stock:
Authorized, 800,000 shares, issued 695,923 shares, par value $20 per share 13,918,460 13,918,460
Capital surplus arising primarily through the conversion of convertible debentures 2,000,882 2,000,882
Earned surplus 13,398,597 13,181,772

$36,273,067 $39,305,553

Notes (Continued):

3. An agreement has been signed for the renegotiation of war contract sales for the year 1942 subject to the final approval by the War Department. The accompanying balance sheet, December 31, 1942, and statement of income for the year then ended have been revised to give effect to such agreement. The adjustments made to the balance sheet, December 31, 1942, as previously reported and included above, are as follows: reduction of post-war refund of excess profits tax from $401,000 to $158,000; increase in accounts payable from $830,162 to $1,100,162; decrease in reserve for contingencies from $1,200,000 to $687,000.

No provision for renegotiation has been made for the year 1943. The rate of profit on sales under war contracts for 1943 was not greater than the rate of profit on adjusted renegotiated sales for 1942.

13
United States Pipe and Foundry Company

COMPARATIVE STATEMENT of INCOME

for the years ended December 31, 1943 and 1942

(including wholly owned subsidiary dissolved October 11, 1943)

<table>
<thead>
<tr>
<th></th>
<th>1943</th>
<th>1942</th>
<th>1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, less returns and allowances</td>
<td>$15,595,292</td>
<td>$26,498,481</td>
<td>$29,198,481</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing costs, selling and admin-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>istrative expenses, etc.</td>
<td>$13,423,860</td>
<td>$21,391,132</td>
<td>$21,391,132</td>
</tr>
<tr>
<td>Provision for depreciation and amort-</td>
<td>634,676</td>
<td>452,313</td>
<td>452,313</td>
</tr>
<tr>
<td>ization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>$14,058,536</td>
<td>$21,843,445</td>
<td>$21,843,445</td>
</tr>
<tr>
<td>Other income (dividends, royalties, inter-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>est, etc.), less other deductions</td>
<td>$ 1,536,756</td>
<td>$ 4,655,036</td>
<td>$ 7,355,036</td>
</tr>
<tr>
<td>(interest on bank loans, etc., $117,581</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in 1943, and $3,889 in 1942)</td>
<td>505,972</td>
<td>407,187</td>
<td>407,187</td>
</tr>
<tr>
<td>Income before provision for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>federal taxes on income.................</td>
<td>$ 2,042,728</td>
<td>$ 5,062,223</td>
<td>$ 7,762,223</td>
</tr>
<tr>
<td>Provision for federal taxes on income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal and surtaxes</td>
<td>$ 722,036</td>
<td>$ 1,060,200</td>
<td>$ 1,060,200</td>
</tr>
<tr>
<td>Excess profits taxes (subsidiary only in</td>
<td>7,226</td>
<td>1,622,300(1)</td>
<td>4,052,300(1)</td>
</tr>
<tr>
<td>1943)</td>
<td></td>
<td>195,077</td>
<td>195,077</td>
</tr>
<tr>
<td>Additional for prior years</td>
<td>729,262</td>
<td>2,877,577</td>
<td>5,307,577</td>
</tr>
<tr>
<td>Less, Post-war refund of excess profits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>taxes</td>
<td>158,000(1)</td>
<td>401,000(1)</td>
<td></td>
</tr>
<tr>
<td>Net income before provision for</td>
<td>$ 729,262</td>
<td>$ 2,719,577</td>
<td>$ 4,906,577</td>
</tr>
<tr>
<td>contingencies, special charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and credit as below.............</td>
<td>$ 1,313,466</td>
<td>$ 2,342,646(2)</td>
<td>$ 2,855,646(2)</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for contingencies..............</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property loss, Superior, Wisconsin, less</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>applicable federal income tax of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$137,040</td>
<td>205,560</td>
<td>1,107,906</td>
<td></td>
</tr>
<tr>
<td>Add, Estimated adjustment of prior year's</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>federal tax under carry-back provision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the Internal Revenue Code...............</td>
<td>500,765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance added to earned surplus           $ 1,608,671</td>
<td>$ 1,655,646</td>
<td>$ 1,655,646</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. After deducting $4,700 credit allowed by reason of debt retirement.
2. The net income for 1942 was increased approximately $348,000 to conform the method of inventory
   pricing to that used by the Treasury Department for the year ended December 31, 1941.
United States Pipe and Foundry Company

STATEMENT OF EARNED SURPLUS
for the year ended December 31, 1943

Balance, January 1, 1943 $13,181,772
Add, Balance of net income, year 1943 1,608,671
14,790,443

Deduct, Cash dividends paid, $2 per share 1,391,846
Balance, December 31, 1943 $13,398,597
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