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BOND-98

THE REARDON COMPANY

Report from

The Trundle Engineering Co.

Cleveland Ohio

BON - 00847

FORM 432 11-46

The Trundle Engineering Company

Cleveland, Ohio
November 21, 1947
S. O. 5811
Serial No. 1

BUSINESS SURVEY

of

THE REARDON COMPANY

St. Louis, Missouri

by

THE TRUNDLE ENGINEERING COMPANY

Chicago - Cleveland - New York

BON - 00848

This report, when referred to other than the client's personnel, is to be used as a whole when our name is subscribed to it.

The Trundle Engineering Company

S. O. 5811
Serial No. 1

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Page 1

INTRODUCTION

1. This report of a business survey of The Reardon Company referred to in the body of the report as the "Company" covers every function of the business and was made to determine its stability and profit potentiality.

2. All data in the report, unless otherwise credited, were taken from records and information furnished by the Company. In addition, field trips were made to the four American plants at Los Angeles, Chicago, St. Louis, and Bayonne, and the Canadian plant at Montreal, to inspect each of these operations and to secure information not readily available at the St. Louis main office.

3. The report consists of two sections:

   a. Summary - A condensed outline of the facts and conclusions determined by the survey, under appropriate headings.

   b. Commentary - A detailed discussion, under the same headings, of past and present conditions, and the future outlook for the Company.

4. The nature of the Company's business has several unusual aspects, with respect to its operation and sales which have received detailed discussion in this report.

Respectfully submitted,

The Trundle Engineering Company

The Trundle Engineering Company

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SUMMARY

CORPORATE HISTORY

1. The Company has had a long and successful history starting with its organization in 1914.

2. Its first major expansion occurred in 1927 when it organized the California company, followed in 1928 by the inception of the Chicago operation.

3. The Canadian operations were started in 1938 and the Bayonne, New Jersey, plant in 1946.

4. Until his death early in 1947, the Reardon Company has had only one president, Mr. J. Vincent Reardon.

5. The present corporate structure consists of the parent company, The Reardon Company of Missouri, with divisions at Chicago, St. Louis and Bayonne, New Jersey, and its two wholly owned subsidiaries The Reardon Company of California and The Reardon Company, Ltd. of Canada.

6. The ownership of the Company's stock is confined entirely to the Reardon family.

PROFIT VOLUME HISTORY

7. The profits and volume of the Company have shown a satisfactory relationship, for many years.

8. In the past five years both sales and profits have increased exceptionally, the year 1946 showing $3,369,775 net sales and $877,574 profit before bonuses and Federal taxes.

9. Dividends have been paid regularly since 1941 on the common stock. The low capitalization made these amounts unimportant until 1946 when the Company was recapitalized.

10. Annual bonuses are paid regularly to all employees and officers. In recent years they have been rather large, amounting to $228,543 in 1946.

PROFIT-VOLUME RATIOS

11. Based upon its recent operation the Company is presently operating with:

Fixed expenses	$1,050,000 per year
Breakeven volume	$2,060,000 per year
Marginal Income	51 per cent

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12. At present and projected volumes, with the breakeven point at 50 per cent of these volumes, and an extremely high marginal income, profits before taxes and year end bonuses will approximate 25 per cent.

13. The element of risk in these ratios is not considered too great as the simplicity and flexibility of the operation permits rapid adjustment for any unfavorable conditions.

FINANCIAL CONDITION

14. Careful management of the Company finances is evidenced by the balance sheet ratios in its current statements.

15. The Company has ample liquid resources to carry out any reasonable program of expansion.

16. Although the nature of the business requires a heavy general overhead (advertising, selling, and administrative expense), current increases chiefly reflect the larger volume the Company is now securing.

PRODUCTS AND PRICES

17. The Company's products consist entirely of water type paints and kindred items in dry powder form.

18. Its principal product Bondex, a cement-bound paint for all types of masonry surfaces, is nationally known and furnishes over half of the sales volume and practically all the profit.

19. All products are priced competitively and with a few exceptions, yield satisfactory profit margins. The relatively small volume of many products, however, does not provide a material contribution to the Company's total profit.

20. The Company manufactures twenty-six trademarked items, most of which are of minor importance in the production of sales volume.

SALES

21. The merchandizing of its products, is the basic function in the Company and the sales organization and promotional efforts have therefore received the major emphasis in the Company's plans.

22. The technological shift from calcimines to cement-bound water paints during the past ten years afforded the Company an excellent opportunity to dominate the field, which it did to its profitable advantage.

23. Although the Company has national sales coverage through its five plants and five warehousing points the character of sales vary considerably between them due to conditions of type and amount of construction activity, climate, population, etc., all of which is taken into account in its long-range plans.

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24. Management attributes the large recent increase in sales volume to its advertising program, and its method of distribution.

25. Competition in the dry powder, water paint field is confined to a relatively few companies.

SELLING METHODS

26. The Company's Sales Department is strongly organized and is effectively distributed for maximum selling effort through its five plants.

27. In addition to its own distributors, the Company has many other outlets, such as nationally known paint companies which have their own chain of distribution.

28. Distribution is also effected through five public warehouses in the Northwest and South.

29. Products are packaged for both household and contractors'use.

30. The principal products of the Company are well known, Bondex particularly having a national reputation.

MARKET

31. The water paint industry is a minor division of the yearly billion dollar paint, varnish and lacquer industry, and accounts for less than 2 per cent of its annual volume.

32. Water paints have apparently lost ground to the oil and lacquer finishes since 1938, because of certain conditions which are now gradually disappearing.

33. Reardon however has gained ground steadily in the industry due to its larger participation in the water paint field.

34. The Company appears securely established in its market.

35. No reliable indices are available to measure exactly the potential market for water paints. As long as national income (the best known index) remains high the market for paints will also remain high.

36. Based upon scheduled price increases, a minimum gross sales volume of $4,000,000 is considered possible for 1948, and a maximum of $5,000,000 is attainable if all conditions remain favorable.

ADVERTISING

37. The Company extensively advertises its products, and considers this promotional effort essential to and responsible for its success.

38. The advertising dollar is divided principally between newspaper advertising, and direct promotional material such as dealer helps, catalogs, and other advertising literature. Media advertising is allotted only 20 per cent of the advertising budget.

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39. Although the dollar amount for advertising has tripled in the past four years, the cost per dollar of sales has remained consistently less than 10 per cent.

ORGANIZATION AND COMPENSATION

40. The general management of the Company is relatively young, and particularly fitted by experience and family interest to carry out its policies and objectives.

41. Functional relationships in the top organization level are informal and cooperative rather than authoritative.

42. Compensation at all levels is adequate, and is augmented by substantial bonuses at the year end.

43. Labor relations are good, and a high order of morale exists at all organization levels.

MANUFACTURING FACILITIES AND METHODS

44. The Company operates five plants at St. Louis, Chicago, Bayonne, New Jersey, Montreal, Canada, and Los Angeles.

45. With the exception of the St. Louis plant, which is outmoded and inadequate, the manufacturing facilities are considered sufficiently suitable for the purposes of production.

46. Steps are under way, at the present time, to replace the St. Louis plant with a more suitable building.

47. The manufacturing process is simple, and is basically one of blending, mixing, milling, and packaging bulk ingredients in dry powder form.

48. Improved material handling is necessary at some of the plants, but is limited by the character of the buildings and the adaptability of space.

49. Improvement in filling equipment is under way at several plants, as this operation is one of the present limiting factors on production.

CONTROLS

50. The simplicity of the business makes extensive or elaborate operating controls unnecessary, and each plant operates autonomously, except on financial transactions and matters of policy which are handled by the St. Louis home office.

51. The Company maintains adequate accounting and cost records, but does not operate under budgetary control.

52. The Company plans to establish a system of flexible budgeting this coming year.

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COMMENTARY

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CORPORATE HISTORY

1. The Company's history begins with The Reardon Glue Manufacturing Company which was incorporated in the State of Missouri, April 25, 1914, the name being changed in August, 1919 to The Reardon Company.

2. Starting with an original capital of $10,000 consisting of 100 shares of stock of $100 par value each, the Company operated in rented property producing various products including water paints. Through a transfer from Surplus, the Capital Stock was increased to $50,000 in May, 1923. A further increase was authorized in December, 1927 to $150,000 representing 1000 shares of Common and 500 shares of 7 per cent Preferred, each with a par value of $100. In September, 1946, the Preferred Stock having been called, the Authorized Capital Stock was increased to 500,000 shares of $1.00 par value. A stock dividend of 1½ shares for each share outstanding was declared in November, 1946, and a transfer of $140,250 from Surplus was made to cover. There is at the present time a total of 233,750 issued and outstanding shares, and an unissued balance of 266,250 shares.

3. Mr. J. Vincent Reardon was with the Company from its inception. He served as President from 1918 until his death in February, 1947. Under his leadership the Company made continuous progress and expanded to include manufacturing plants at St. Louis, Los Angeles, Chicago, Bayonne, New Jersey, and Montreal, Canada.

4. In February, 1947, Mr. James A. Reardon was elected to fill the newly created office of Chairman of the Board, resigning his office of Vice President and Secretary. Mr. David H. Moran was elected President resigning as Vice President and Manager of the Chicago Division, which position he had held since 1944. Mr. Charles H. Moran continued as Vice President and Treasurer. Mr. F. E. Williams was elected Secretary.

5. The Reardon Company of California was incorporated December 15, 1927. Land and building were purchased for the manufacture and distribution of similar products made in St. Louis and certain rights, such as use of trade names, were acquired covering Western States. The Capital Stock is wholly owned by The Reardon Company of Missouri and both have the same President and Treasurer.

6. In May, 1928, a Certificate was obtained from the State of Illinois for the manufacture and sale of Company products. Property was secured in Chicago and the plant is operated as a division of the parent company. This plant is under the direct supervision of Mr. William L. Harper, Divisional Vice President.

7. The property now occupied by the Company in St. Louis was purchased in 1932.

8. The Reardon Company, Ltd. was incorporated in Canada February 11, 1938. Leased property in Montreal, Province of Quebec, provides

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space for manufacturing and offices. The stock is wholly owned by The Reardon Company of Missouri. Certain rights are held in processes and trade names, permitting the distribution of Reardon products throughout the Dominion of Canada. The President is the same as the parent company.

9. In 1946, the Company acquired a manufacturing plant in Bayonne, New Jersey, which produces the various products for distribution in Eastern States. This plant operates as a Division and is under the direct supervision of Mr. Kevin B. Moore, Divisional Vice President.

10. The present structure consists of the parent company, The Reardon Company of Missouri, with divisions at St. Louis, Chicago and Bayonne, New Jersey and its wholly owned subsidiaries, The Reardon Company of California and The Reardon Company, Ltd.

11. The present ownership of the outstanding Capital Stock of The Reardon Company of Missouri is as follows:

Stockholder	No. of Shares
(Estate of) J. Vincent Reardon	139,416 2/3
Mrs. Genevieve R. Pardew	22,916 2/3
Mrs. Catherine R. McLean	22,666 2/3
Charles H. Moran	16,583 1/3
James A. Reardon	10,833 1/3
Mrs. Marguerite R. Moran	10,416 2/3
Emma W. Reardon, as guardian of Ann Reardon, a minor	10,416 2/3
Leslie A. McLean	250
David H. Moran	250
Total	233,750

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PROFIT-VOLUME HISTORY

1. The profit and volume trends of the Company have shown a stable level of operation prior to World War II, an increasing growth during the war, and an unusually rapid growth the past two years.

2. The unavailability of oil paints and lacquers during the war, to the ordinary channels of use, made it possible for the Company to gradually expand its market to approximately double its prewar volume, with corresponding increases in profit.

3. Because of the non-military character of its plants and products, no war work as such was performed by the Company, and all of its sales volume remained essentially civilian in nature.

4. Consequently, when the national economy was returned to a peace-time basis in 1945, the Company found itself in a most favorable position to expand its sales still further, and to establish itself as a major participant in the water paint industry.

5. Sales and profits for the past ten years have been as follows:

	Note (1) Net Sales	Net Profit Before Bonus & Fed. Tax		Net Profit After Bonus & Fed. Tax		
	$	$	%	$	%	
1936	649,979	35,470	5.5	28,327	4.4	
1937	758,054	29,641	3.9	21,768	2.9	
1938	735,751	31,264	4.4	21,768	3.0	
1939	788,789	31,569	4.0	24,151	3.1	
1940	770,946	36,181	4.7	25,097	3.3	
1941	958,328	74,734	7.8	50,555	5.3	
1942	888,388	22,253	2.5	9,463	1.1	
1943	1,086,224	94,490	8.0	33,579	3.1	
1944	1,298,369	130,807	10.1	60,384	4.7	
1945	1,680,236	297,802	17.8	76,491	4.5	
1946	3,369,775	877,574	26.0	393,831	10.8	
1947 (9 Mos.)	2,809,455	687,762	24.5	448,861	15.8	Note (2)

Note (1) Total gross sales before deductions for returns, freight allowances, discounts, etc., average four per cent more than net sales.

Note (2) Bonus amount not yet determined. Company statement before audit.

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6. Cash Dividend payments have been made regularly as follows:

DIVIDENDS PAID

YEAR	COMMON	PREFERRED
1936		$2,756.24
1937		3,499.41
1938		3,500.00
1939		3,500.00
1940		3,500.00
1941	$6,000.00	3,500.00
1942	6,000.00	3,500.00
1943	6,000.00	3,500.00
1944	5,955.00	3,492.44
1945	5,610.00	809.48
1946	7,012.50 (2) 35,062.50 (3)	607.11 (1)

Note (1) Preferred called in

(2) Old stock

(3) New stock

Due to the fact that both the common and preferred stocks have been closely held by the Reardon, Moran, and McLean interests, most of whom are active officials in the Company Management, dividend payments have been moderate in amounts.

7. The Company has consistently paid an annual profit sharing bonus to its officers and employees for many years. In recent years, this has amounted to a considerable sum, as follows:

1942	$ 8,647
1943	22,798
1944	25,577
1945	89,982
1946	228,543
1947	Not yet determined

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The 1946 bonus was distributed as follows:

	Bonus
J. V. Reardon	$40,000
J. A. Reardon	25,000
D. H. Moran	20,000
C. H. Moran	15,000
L. A. McLean	20,000
K. B. Moore	5,000
	$125,000
All other employees	$103,543

8. This profit sharing plan plus a favorable tax base, has enabled the Company to minimize its Federal tax liabilities and consistently increase its net worth.

9. Exhibits "C" and "D" show in condensed detail the annual audits from which the above figures were derived.

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PROFIT-VOLUME RATIOS AND FORECAST

1. The simple character of the manufacturing operation and the product itself, produce some unusually favorable profit-volume relationships for the Company.

2. In order that the terms and expressions used in this section of the report may be fully understood, they are defined as follows:

   a. Fixed Expenses. Those expenditures that, within the range of operation considered, do not of themselves change with increases or decreases in volume or productivity. Such expenses would be depreciation, taxes, supervision, administrative salaries, watchmen's wages, etc.

   b. Variable Expenses. Those expenses that vary directly with changes in volume or production throughout the entire range of activity. Examples are: Direct labor, direct material, supplies, sales commissions, customers' discounts, etc.

   c. Semi-Fixed Expenses. Those expenses that contain elements of both fixed expenses and variable expenses. The amounts of each must be determined by careful study of the details of each account. Illustration: fixed basic service charge for light and power purchased on a Variable Kilowatt basis.

   d. Marginal Income. The amount available for the payment of all fixed expenses and for the provision of profits. It is found by subtracting the total variable expense from the total sales income.

   e. Fixed expenses are always expressed in dollars and are a function of time. They represent the cost of "being in business". Variable expenses are usually expressed as a percentage of the sales dollar or the direct labor dollar, and are a function of quantity. It follows then that the percentage difference between the sales dollar and the total variable expense will be the marginal income percentage or ratio. If, for example, the marginal income ratio is 25 per cent, it means that every sales dollar contributes 25 cents toward fixed expense and profits. If the fixed expense is $1,000 the breakeven point will be equal to the fixed expense divided by the marginal income ratio, or $4,000. Every dollar of sales above the breakeven point will yield a profit of 25 cents, and every dollar below will produce a loss of 25 cents.

   f. If the Marginal Income Ratio is low, say between 15 per cent and 20 per cent, large changes in volume are required to produce material changes in the profit and loss result. If large increases in volume are attained, additional working capital may be required faster than it is made available by the Marginal Income. In such a case, a business with inadequate working capital is liable to encounter financial difficulties.

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g. When the Marginal Income Ratio is high, say above 35 per cent, large profits and an easy cash position result from comparatively small increases in volume above the breakeven point. Conversely, heavy losses will result from relatively small decreases as the volume falls below the breakeven point.

3. Analysis of the Company's recent operating statements for 1947 shows the following current annual profit-volume relationships:

	Fixed Expense	Variable Expense
Gross Sales	--	104.5%
Returns, Allows., etc.	--	4.5
Net Sales		100.0
Material	--	40.0
Labor	--	6.0
Mfg. Overhead	$192,000	1.0
Ship, Warehouse, Service	60,000	1.0
Selling Expense	300,000	1.5
Advertising Expense	360,000	--
General Adm. Expense	204,000	--
	1,116,000	49.5
Other Income & Exp. (net)	-66,000	- 0.5
Total	$1,050,000	49.0%
Marginal Income		51.0%
Breakeven Volume	$2,060,000	

4. The marginal income of 51 per cent provides a very large profit at present volumes, particularly since the breakeven point is approximately only 60 per cent of this volume. This situation is reflected in the current profit of 24.5 per cent before bonus and taxes.

5. As shown in Exhibit "B" the profit potential of the Company's operation is considerable. Translated into figures it is:

	Projected 1947 Volume	Estimated 1948 Volume Min.	Max.
Net Sales	$3,750,000	$3,800,000	$4,750,000
Net Profit before Bonus & Fed. Tax	865,000	890,000	1,375,000
Per Cent	23.1%	23.4%	29.0%

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6. The element of risk inherent in these ratios is not too great in view of the simplicity and flexibility of the business, which would make possible a rapid adjustment to any unfavorable conditions of sales or costs.

7. A considerable part of the increased sales estimated for 1948, is planned to come from the market for texture paints such as Vinter. The above profit ratios also anticipate a scheduled repricing of certain products that will yield a more satisfactory profit margin, comparable to that now being realized on the other principal products of the Company.

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FINANCIAL CONDITION

BALANCE SHEET ITEMS

1. On Exhibit "C" attached are shown condensed balance sheets for years ending December 31, 1937 through 1946 and for the nine months period ending September 30, 1947. The ratios reflected at September 30th are as follows:

   a. Current Assets to Current Liabilities 3.2

   This is considerably higher than the ratios of the previous ten years and indicates a satisfactory current liquid condition.

   b. Net Sales to Working Capital 4.6

   For the purpose of calculating this ratio, Net Sales have been adjusted to a yearly basis by adding, for the fourth quarter, a proportionate amount of the actual sales for the first nine months. The ratio of 4.6 is considered well within safe limits for a business of this type.

   c. Fixed Assets to Net Worth .22

   The major portion of Fixed Assets represents land and buildings for manufacturing purposes. The limited amount of machinery and equipment required for operating explains the very low ratio to Net Worth.

   d. Inventory Turnover 4.0

   Inventory Turnover is calculated on Cost of Sales adjusted to a yearly basis. The turnover of four times is somewhat better than most prior years although the dollar value of inventory at September 30th is apparently higher than normal due to increased Fall operating schedules. In the case of the Canadian Corporation, heavy raw material supplies are received before the close of navigation.

   e. Inventory to Net Working Capital .6

   This relatively low ratio shows a satisfactory relationship between Inventory and Working Capital.

2. No bank loans have been necessary for the past several years. Ample working capital has been provided through operating profits, for plant expansion and increased sales. In the meantime, dividends have been continued to stockholders and a substantial profit-sharing bonus distributed to employees.

3. At the death of the President of the Company in the early part of this year, the Other Income account was credited with approximately $50,000.00 representing the difference between the face value of the insurance carried on his life and the cash value formerly shown as

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an asset on the Balance Sheet. The Company does not at present carry insurance on its officers, but applications have been made covering the principal executives.

4. The Preferred Stock issue was finally retired completely in 1946. During the same year, a stock dividend was declared and the amount of $140,250 transferred from Earned Surplus to Capital Stock.

5. The advances to Officers and Employees include an amount of $8,400 to the Chairman of the Board, also, an advance of $3,500 to the Manager of the Chicago Division for the purchase of real estate when transferred to that territory. The balance is made up of smaller amounts representing current expense advances to salesmen and other employees.

OPERATING STATEMENT ITEMS

6. Sales of $3,370,000 for the year 1946 were the highest in the history of the Company, and approximately double those of the previous year. An increase of ten per cent is estimated for the current year. Exhibit "D" attached shows, in condensed form, the results of operations for the previous ten years and for nine months ending September 30, 1947.

7. Total general overhead expenditures for the first nine months of the current year compared to the year 1946 are given in the following table as a percentage to the net sales for like periods.

	9 mos. 1947	Year 1946
Advertising	9.5	7.3
Selling, Shipping & Warehouse	11.9	14.5
Administrative & General	5.4	9.6
Total	26.8	31.4

It will be noted that expenditures for advertising in the current year represent 9.5 per cent of sales against 7.3 per cent for the previous year. This is due to national advertising campaigns on special products and additional newspaper advertising in new territories.

8. The current year figures do not contain any provision for bonus to employees, the amount of which has not yet been determined. For 1946, this item amounted to approximately 6.7 per cent of the Net Sales and is included above. While the above percentage comparisons on general overhead expenses appear favorable for the current year operations, the actual amounts involved in each classification are as follows:

	9 mos. 1947	Year 1946
Advertising	$267,500.	$245,200.
Selling, Shipping & Warehouse	334,300.	487,500.
Administrative & Gen.	152,500.	322,900 (1)
Total	$754,300.	$1,055,600.

(1) Includes bonus.

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PRODUCTS AND PRICES

PRODUCTS

1. The present products of The Beardon Company are water paints and kindred items such as water putty and spachtling compounds, packaged and sold in dry powder form. The line includes a variety of items sold under various brand names, all of which are for interior and/or exterior applications.

2. The various products of the Company fall into four general classifications, namely:

    a. Plastic-texture water paints.

    b. Interior casein and glue bound cold water paints.

    c. Exterior casein and cement bound cold water paints.

    d. Calcimines.

3. The principal products in the twenty-six manufactured are:

    a. Bondex, a cement bound paint for use on masonry wall and other surfaces. A nationally known and accepted product.

    b. Bondex Primer, a cement bound priming coat for Bondex for exterior and interior masonry wall surfaces, otherwise unsuitable for Bondex.

    c. RWK casein paint, a casein vehicle paint for all types of interior wall surfaces.

    d. Modex, a casein bound lithophone base one-coat paint for all types of interior wall surfaces.

    e. Venostone, a cement bound primer for cement, concrete and masonry surfaces and used as an undercoat for paint, varnish or enamel.

    f. Plastex, an interior plastic texture paint for any type of interior surface.

    g. Vintex, a glue bound texture paint for all types of interior surfaces.

    h. Solarite, a glue bound cold water calcimine for interior decorating and other purposes.

    i. Resurfo, a spachtling compound for patching and resurfacing all types of interior surfaces.

The above products, of which Bondex is the principal item, furnish 86 per cent of the total sales volume.

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4. The Company's products represent a steady development through research and field application of its various brands. The various mixtures have been carefully compounded by scientific formulae and typify a complete evolution from the early calcimines to the present scientifically blended casein and cement bound mixtures.

5. The Management of the Company is thoroughly aware of the technological progress and potential competition in the water paint industry. They are fully alert to the implications of such a situation and are continuously engaged in a program of new product development, better packaging, and broader sales distribution, to maintain the leading position the Company now occupies in the industry. Programmed for the coming year of 1948 is a major development in the Company's texture paint, in its packaging and merchandizing, which is expected to produce a large increase in the sales of this product, making it the second important product in the line.

PRICING

6. The principal products of the Company listed above show a wide individual variation between cost and selling price. In applying the General Overhead to the established manufacturing cost, only one rate could be used for all products due to the fact that the general expenses of the business are not allocated to specific products with the exception of certain items of advertising expense. Based upon this method and using the current nine months statement of costs and expense, a comparison of present per pound selling prices and total cost of some of the principal items is shown below:

	5# Pkg.	25# Drum	100# Drum	300# Bbl.
Bondex-White				
Selling Price	.09	.085	.08	
Total Cost	.0484	.0486	.0463	
Profit Margin %	46.0	43.0	42.0	
RWK Casein				
Selling Price	.10	.0975	.095	.0925
Total Cost	.0899	.0861	.0844	.0738
Profit Margin %	10.0	11.7	11.2	20.0
Venostone-White	—			
Selling Price	.17	.16	.15	
Total Cost	.108	.1041	.1020	
Profit Margin %	36.0	35.0	32.0	
Vintex				
Selling Price	.065	.06	.06	
Total Cost	.0688	.0622	.0666	
Profit Margin %	(5.9)	(3.7)	(11.0)	
Bondex Primer				
Selling Price	.12	.115	.11	
Total Cost	.1011	.0944	.0924	
Profit Margin %	16.0	17.0	16.0	

( ) Denotes red figures.

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Plastex	10# Bags	25# Bags	300# Bbl.
Selling Price	.115	.11	.11
Total Cost	.0931	.0877	.0907
Profit Margin %	19.0	20.0	17.5

Resurfo	1# Pkg.	5# Pkg.	25# Bag	100# Drum	300# Bbl.
Selling Price	.09	.075	.065	.07	.065
Total Cost	.0919	.0603	.0429	.0521	.041
Profit Margin %	(2.0)	20.0	34.0	26.0	37.0

Modex-White	5# Pkg.	25# Drum	100# Drum	300# Bbl.
Selling Price	.13	.125	.12	.115
Total Cost	.1014	.0977	.0957	.0849
Profit Margin %	22.0	22.0	20.0	26.0

Solarite-White	5# Pkg.	25# Bag	325# Bbl.
Selling Price	.055	.0475	.0475
Total Cost	.0675	.0489	.0512
Profit Margin %	(23.0)	(3.0)	(8.0)

( ) Denotes red figures.

7. Based upon the above figures which represent 86 per cent of the total sales, the weighted profit margin of these items amounts to 28.3 per cent. With a total average profit of 24.5 per cent for the year to date, before bonus and income taxes, the other 17 products representing 14 per cent of the volume are being sold at an average loss of 4.5 per cent.

8. The Management has stated that it is aware of this condition and is planning to gradually drop those items for which there is only a small demand and which are definitely unprofitable. However, it is also the intention of the Company to replace any unprofitable items that are not essential to the line with new products that will conform to the necessary profit pattern.

9. In addition, the Company plans definite increases on the items remaining in the line, so that all of them will have a satisfactory profit margin between cost and selling price. Particularly it is planned to raise the selling price of Vintex, so that the increase will not only absorb the present loss but also produce a satisfactory profit.

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SALES, SELLING METHODS AND MARKETS

SALES

1. The operation of the Company is basically one of merchandizing. For this reason the management has always placed the major emphasis upon this phase of the business. Like other industries converting bulk materials into packaged products an aggressive sales organization and a vigorous promotional effort have been and are considered essential fundamentals in the success of this enterprise.

2. The sales organization has, therefore, always been an important function in the business, and as outlined later constitutes a major department of the Company.

3. Closely identified with the general sales problem of the Company is the technological change that has occurred in the water paint industry during the past twelve years. Based upon Department of Commerce reports for these years, the following significant changes have occurred:

Type of Paint (Dry powder form only)	Percentage of Total Value 1934	1946
Plastic Texture	6.5%	19.3
Interior-Casein bound	10.5	10.0
Glue bound	3.1	2.0
Exterior-Casein bound	3.3	3.3
Cement bound	7.1	50.9
Calcimines	69.5	14.5
Total	100.0	100.0

As a result of the shift from calcimines to cement bound paints during this period the value of the products sold was increased 54.0 per cent, for an increase of only 6.5 per cent in tonnage sold. To a large extent this has made possible the large profits attainable from the present type of market for water paints.

4. The Company plans to exploit fully in 1948 the market that has always existed for texture paints. The freer supply of materials used in this type of wall finishes, now makes it possible to accomplish this program. The Management anticipates that a much larger proportion of the estimated sales for 1948 will be in this particular product, than there was in prior years.

5. Prior to World War II the sales volume followed a definite but not pronounced seasonal pattern during the year. The pattern was characterized by a rising volume of sales during the late spring months and diminishing gradually thereafter to the end of the year. The peak was usually double the volume at the beginning and end of the year. Since the close of the war, this seasonal pattern has not been evident, monthly volumes during 1946 being entirely governed by availability of materials and productive capacity against a huge backlog of orders. The current year gives some indication of a leveling

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off of this demand, to a seasonal pattern similar to that of prewar, but at an annual level approximately five times greater.

6. The Management is aware of the conditions of climate, population, buying power, etc. that produce these variations in the distribution of the product, and its sales effort, advertising and operations are properly geared to each situation.

7. The phenomenal growth of the Company's sales volume the past two years, is, in the opinion of management, due to two factors:

   a. An accelerated advertising program that has capitalized the momentum attained through continuous and consistent advertising in prior years.

   b. Its method of distribution through other selected accounts such as nationally known paint, varnish and lacquer manufacturers, that has augmented its own selling efforts.

8. As shown in Exhibit "E" the growth in sales volume the past ten years indicates that the market for the Company's particular products has expanded most markedly during the past few years.

COMPETITION

9. The latest reports of the Bureau of Census list 38 companies reporting 87 per cent of the water paint industry's volume. Only a few of the nationally known manufacturers of oil and lacquer base paints are engaged in the manufacture of water paints, and then only with the paste forms.

10. With approximately 30 per cent of the annual water paint volume of $12,000,000 accounted for by Reardon, it is apparent that any one of its competitors is limited generally to a lesser participation in the water paint industry. Many of the companies listed as competitors manufacture principally calcimines or paste types of water paints. Since Reardon manufactures only dry powder types its competition comes from a relatively few companies.

11. The Management states there is little likelihood of the large oil and lacquer paint manufacturers entering the dry powder, water paint field. A few that tried it, found the problems of merchandizing too specialized, and the potential market too small, to make the venture profitable. As a result, their market for dry powder water paints is supplied largely as distributors for Reardon products.

SALES METHODS

Sales Organization

12. The Company is strongly organized in its Sales Department, as shown in Exhibit "A". The over-all direction of sales and advertising as well as the direct supervision of nine sales representatives in the St. Louis territory is under the Chairman of the Board and the President.

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13. Shipments and sales effort in the Great Lakes and some Northern States area are under the Chicago Division. The four sales representatives are directly supervised by the Vice President in charge of that Division. Likewise, in the Eastern States, the four sales representatives are under the direct supervision of the Vice President in charge of the New York Division.

14. The Reardon Company of California has its own sales organization of ten representatives covering the Pacific Coast States. The Reardon Company, Ltd., has four full time sales representatives covering the Dominion of Canada.

15. The Company has some 3500 distributors throughout the United States, built up over a period of years by educational and advertising programs, resulting in a long record of excellent customer relations. This list includes many of the nationally known paint, varnish and lacquer manufacturers who distribute Reardon products in connection with their own. Some of the customers in this group include Pittsburgh Plate Glass Company, The Sherwin Williams Company, E. I DuPont de Nemours Company, and DeVoe and Reynolds. Close contact with these types of accounts is maintained by the two principal Officers of the Company.

16. In addition to the manufacturing locations, the Company has public warehouse distribution at San Francisco, Portland, Seattle, Minneapolis and Atlanta.

17. Products are packaged for the convenient and economical use of householders, painters and contractors consisting of 1 pound and 5 pound packages, 10 pound and 25 pound bags, 100 pound drums and 300 pound barrels. Through the educational programs and display advertising furnished by the Company, dealers become the authority in their neighborhoods on the use of color, the application of the proper products for interior and exterior painting requirements and the quantities necessary for the job at hand.

Product Acceptance

18. Reardon's principal products are well and favorably known throughout the trade and by the consuming public under the various trade names used.

19. Bondex is particularly well known, and is always asked for by name, a strong endorsement of the Company's advertising policy.

20. A field investigation conducted at the five principal points of distribution, revealed very few complaints on either quality or price.

MARKET

Reardon Participation

21. In considering the potential market for Reardon products two factors

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must be considered:

a. The general growth of the paint, varnish and lacquer industry, and

b. The growth of the water paint division of this industry.

22. The industry as a whole has shown a phenomenal dollar growth the past few years, the total volume being $897,115,836 in 1946, the last full year reported by the National Paint, Varnish and Lacquer Association, compared to $636,497,009 in 1943 and $443,805,971 in 1936.

23. Similarly the water paint division shows $12,154,836 in 1946 against $6,407,318 in 1936.

24. The Reardon Company has done even better than this dollarwise, 1946 net sales of $3,369,775 comparing with $649,979 in 1936.

25. Actually the water paint industry has steadily lost ground the past ten years to the oil and lacquer base finishes because of certain conditions which are now disappearing, dropping from a high of 2.43 per cent of the industry volume in 1938 to 1.35 per cent in 1946.

26. The situation of the Reardon Company has however, gradually improved despite this trend, due to its increasingly stronger position in the water paint industry. These relationships are shown graphically in Exhibit "F" and are tabulated below:

Percentage position of Water Paints and The Reardon Company to the Paint Varnish and Lacquer Industry.

Year	Water Paints	Reardon Company (1)	Reardon Company (2)
1946	1.35%	0.429%	31.8%
1945	1.21	0.266	22.0
1944	1.50	0.219	14.6
1943	1.84	0.169	9.2
1942	1.98	0.176	8.9
1941	2.10	0.189	9.0
1940	2.28	0.196	8.6
1939	2.35	0.209	8.9
1938	2.43	0.221	9.1
1937	1.75	0.192	11.0
1936	1.45	0.173	11.9

(1) Per cent of Industry
(2) Per cent of Water Paint Division

Note: All industry figures taken from Official Bulletin of National Paint, Varnish and Lacquer Industry.

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BON - 00872

27. The Reardon Company's position in the water-thinned division of the paint industry appears to be firmly established. From 1936 through 1943 it maintained a fairly constant participation ranging from 8.6 per cent to 11.9 per cent. In 1944 this increased to 14.6 per cent, in 1945 to 22.0 per cent and in 1946 to 31.8 per cent. Based upon projections of the first nine months of the Company's sales and the Bureau of Census reports, Reardon's participation will be slightly less in 1947.

28. Any company occupying a dominant position in its industry is vulnerable to competitive attack, by its industry members or by industries supplying its basic materials. This principle of vertical integration is being applied by many large American industries, and already shows its repercussions in such fields as the steel industry, and certain chemicals, to mention only two of those of basic importance in our economy.

29. However, in view of the fact that the water paints have not apparently reached a ceiling volume, and are not encroaching on the oil and lacquer base finishes, it is concluded that the Company's position is relatively secure, unless it becomes the victim of some unforeseen technological development.

Potential Volume

30. The industry has conducted various market studies to determine the most suitable index for measuring volume potentiality. The best correlation was found to be between national income and the national paint dollar. This has fluctuated between a high of 0.691 per cent in 1936 and a low 0.430 per cent in 1943 since 1931, and averages 0.587 per cent. A similar relationship could be established between water thinned paints and national income. However, it is not believed that this index is accurate enough or current enough to be of any real value to a company except for broad or long range planning.

31. Regardless of the index, it is obvious that as long as the national income remains high, the American building owner will continue to provide an adequate budget for the preservation and decoration of his property. To this extent, the potential market for Reardon products will remain ample for its needs in the immediate future.

32. For 1948 the Management estimates, after price increases, a small increase in net volume, for a minimum annual total of $3,800,000. With all conditions favorable a maximum sales volume of $4,750,000 is planned. It is the view of competent economic authorities that national income in 1948 will exceed that of 1947. Accepting this premise, Reardon is justified in planning its next years operation at the levels stated.

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ADVERTISING

1. The Company is committed by experience and policy to a heavy advertising program. The Management attributes the Company's growth largely to the continuous and consistent use of advertising, and believes the large volume increase the past two years is the direct and cumulative result of its advertising policy.

2. The advertising program of the Company is administered as a separate and important function of the business. It is planned to reach the mass consumer market and is divided into three main classifications, namely:

   a. Newspaper

   b. Trade and other national magazines, and

   c. Printed matter for distribution through the regular dealer channels.

3. The newspaper campaigns are concentrated in the Spring and Fall, corresponding to the seasons in which most painting is done. The choice of the medium to be used in a given territory and the choice of electros, cuts and other material believed most helpful to local distributors, is left to the discretion of the sales representative in that territory.

4. The amount of prestige advertising to be done in national magazines, the kind of products to be emphasized, and the medium to be used is determined by Management at the beginning of the year. Periodical checks are made to determine as nearly as possible the benefits being derived, from the standpoint of sales attributed to such advertising.

5. The distribution of literature through trade channels places in the hands of the ultimate consumer practical information relative to the products most suitable for use in a given territory. This literature consists of color cards, imprinted dealer folders with description of uses of the product, booklets defining in detail the practical applications of products and container sizes, and bulletins with appealing sales ideas. Users are invited to communicate directly with the home office on any problems pertaining to the use of water paints.

6. The advertising dollar is divided approximately as follows:

Newspapers	40 %
Trade and Other Publications	20 %
Dealer Helps, Catalogs, etc.	40 %
	100%

7. The relationship of advertising expense to sales volume for the past ten years shows up significantly in the following table:

Year	Net Sales	Advertising	%
1937	$758,100.	$89,000.	11.7

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BON - 00874

The Trundle Engineering Company

Year	Net Sales	Advertising	%
1938	735,800.	89,300.	12.1
1939	788,800.	98,200.	12.4
1940	770,900.	94,400.	12.2
1941	958,300.	92,500.	9.7
1942	888,400.	82,400.	9.3
1943	1,086,200.	88,200.	8.1
1944	1,298,400.	127,100.	9.8
1945	1,680,200.	167,200.	9.9
1946	3,369,800.	245,200.	7.3
1947 (9 Mos)	2,809,500.	267,500.	9.5

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ORGANIZATION AND COMPENSATION

GENERAL MANAGEMENT

1. A chart of the Company's present administrative and supervisory organization is outlined in Exhibit "A". This chart shows the principal executives of the Company and those responsible for carrying out the specific functions of finance, development, conversion and distribution.

2. The table below shows the names, functions, age and present compensation of the Company Officers and key personnel:

Name	Function	Age	Annual Salary
James A. Reardon	Chairman of the Board	59	$15,000.00
David H. Moran	President	32	15,000.00
Chas. H. Moran	Vice-President & Treasurer	58	12,000.00
F. E. Williams	Secretary		Legal Fee Basis
L. A. McLean	Vice-President, Pacific Div.	52	12,000.00
K. B. Moore	Vice-President, Eastern Div.	35	8,400.00
Wm. L. Harper	Vice-President, Chicago Div.	45	8,400.00
D. L. Kerley	Comptroller	40	7,200.00
H. E. Davis, Jr.	Advertising	28	4,800.00
R. G. Farrell	Chemist	29	4,800.00
W. M. Fitzgerald	Purchasing	33	4,200.00

(Average age 41 years)

3. In addition to the compensations shown in the above table, the officers and all other employees receive an annual bonus, which is based upon their annual salary or wages, and length of service, and the earnings of the Company.

4. Functional relationships in the top level are informal in nature and are co-operative rather than authoritative.

5. Because of the fact that the ownership of the Company is largely in the hands of officers who actively participate in the Management, and because of close family ties and long association, the present administrative organization is closely knit and seems well fitted to carry on the affairs of the Corporation.

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OPERATING MANAGEMENT

6. The five operating units of the Company operate to some extent autonomously, and are self-contained insofar as sales and manufacturing are concerned.

7. Each plant unit varies somewhat as to size as indicated below by the various staffs attached to each division:

	Number of Employees			
Division	Management	Sales	Mfg.	Total
St. Louis	21	16	59	96
Chicago	7	4	35	46
Bayonne	6	4	20	30
California	10	12	21	43
Canada	7	4	20	31
Total	51	40	155	246

8. The operating organization which handles accounting, procurement and manufacturing at the various plants is manned by individuals who appear to be well trained and efficient in their duties, alert to protect the interests of the Company and loyal to a high degree. From this level the Company should be able to find good timber for promotion to higher positions when the need arises.

9. The morale of the Company's employees at all levels seems to be of a high order, which would indicate their satisfaction with working conditions, salaries paid and the policies of the Company.

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MANUFACTURING

FACILITIES

1. The factories operated by the Company are as follows:

Built	Location	Address	Construction	Area	Ownership
1835-1922	St. Louis, Mo.	2208 N. 2nd	Brick 3-story Brick 1-story	27,300 3,600	Company Leased
1904	Chicago, Ill.	1944 W. 37th	Brick 3-story	28,500	Company
1924	Los Angeles, Cal.	1731 W. Olympic	Brick 3-story Brick 2-story	16,773 8,690 25,463	Company Company
1909	Bayonne, N. J.	145 E. 5th	Brick 2-story Brick 1-story	11,500 700	Company Company
Unknown	Montreal, Quebec	146 St.Peters	Stone 4-story	6,000 100,063	Leased

2. All plants, with the exception of Montreal, are served by railway sidings which makes it possible to receive and ship in carload quantities without payment of cartage charges.

3. All Company owned buildings were acquired by purchase of existing structures, except one 3-story building in St. Louis which it constructed in 1922.

4. The main plant and company offices are located in St. Louis, Missouri, and consist of two 3-story and basement buildings with a common wall between, used for manufacturing, and a leased 1-story building used to house the Company's general offices. One of the 3-story buildings was built in 1835 and was acquired by purchase in 1914. The other 3-story building was erected by the Company in 1922. There is no vacant real estate for future expansion.

5. The St. Louis buildings are definitely too small to adequately house their manufacturing activities with the result that considerable congestion and rehandling of materials is experienced. The buildings are not sprinklered and lack of space has resulted in material storage practices which tend to increase fire risks.

6. The structures are not suitable for the purpose of storing heavy materials. There is structural evidence of overloading in the past, which was followed by re-inforcing at certain points. Floors of the old and newer manufacturing buildings are at different levels. This makes it necessary to provide ramps for passage between the buildings and increases the use of the elevator for handling loads between buildings.

7. Fire doors are not well maintained and kept free of obstructions. Because of the congested conditions good housekeeping is impossible. Electric wiring is exposed.

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RON - 00878

8. The Company is currently searching the market for a new building in the City of St. Louis and intends to abandon the present structures for manufacturing purposes as soon as a suitable modern building can be found.

9. The Chicago plant, located at 1344 West 37th Street, and consisting of a 3-story, mill type building has a sprinkler system for fire protection. This was found to be blocked at certain points because of bad storage practice.

10. Approximately 7,000 square feet of vacant land adjacent to the Chicago plant is available for expansion.

11. The Los Angeles plant, located at 1731 East Olympic Boulevard is of mill type construction and while floor load limit is unknown, considerable reinforcing has been done by the installation of additional columns and the strengthening of girders and joists. While the total floor area would probably be adequate with better control of inventories, material is distributed in such a way that considerable rehandling of materials is involved.

12. The Company owns 9,600 square feet of vacant land adjacent to their buildings, which will permit future expansion should the need arise.

13. The Bayonne, New Jersey plant was built in 1909 and was acquired by purchase in 1946. It consists of a 2-story brick and wood building and a small steel frame sheet iron covered storage building. Loading doors are not at truck floor level and the railroad siding is 40 feet removed from the buildings.

14. The real estate at this facility is of irregular shape and not well suited for expansion.

15. Negotiations have been started with the City of Bayonne to vacate the street upon which the railroad switch tracks are located to permit the erection of a storage and shipping building up to the track side.

16. The Montreal plant and offices are housed in two leased and adjoining four-story and basement, stone and wood, sprinklered buildings located in the downtown district. The buildings are over 100 years old and have been occupied by the Company since 1938. There are no railroad sidings and all receiving and shipping is done at truck stations opening on public streets.

CONCLUSIONS

17. Considered collectively, the plant facilities, having been acquired mostly by purchase or lease of existing structures, are not ideally adapted to highly efficient manufacture of the Company's product. However, the fact that the plants have been able to produce promptly the necessary volume, of satisfactory quality, at a labor cost which represents but approximately six cents of the sales dollar, would

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lead to the conclusion that the facilities, despite their age, conditions and structural shortcomings have not impaired the Company's operating performance to any serious extent.

METHODS

18. The Company's manufacturing processes consist of blending, milling, mixing and packaging dry ingredients received in bulk from its suppliers. The machinery required for these processes is of the flour mill type. The several plants use identical methods, with some variation in handling raw material and finished goods to storage.

19. Capacity of the equipment is adequate to take care of the present volume of business operating on a one-shift, 5 or 5½ days per week basis. Additional volume can be handled by the addition of manpower or by the adoption of a two-shift basis.

20. Mixing of ingredients follows formulas developed in the Company's laboratory.

21. Machinery which is of varying ages appears to be in reasonably good condition and well maintained.

22. Because of building characteristics and limitation of floor space, the complete mechanization of material handling is not permissible. Conveyors are utilized in varying degrees but could be used to a greater extent and more effectively if building types and space were adapted to their use.

23. Mixing capacity is greater than packaging capacity, the latter operation being the limiting factor on production under present conditions.

24. Steps are being taken at certain plants to modernize packaging equipment. A new bag filling machine is being developed at the St. Louis plant, while a new machine for filling cartons and cans is in process of being installed in the case goods packing department of the Los Angeles plant.

PERSONNEL AND LABOR RELATIONS

25. The simple manufacturing methods require very few highly trained or skilled operating personnel.

26. The employees are not organized, and the relations between Management and employees are very cordial. This has brought about a high degree of labor stability, and an absence of strikes. Labor turnover is low and absenteeism is not a problem.

27. The supply of labor is ample and of an acceptable quality at each plant.

28. Hiring is done by the plant individual in charge of manufacturing.

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29. Labor rates at the several plants are competitive with those in the respective areas. For the most part they follow the wages paid in the paint making industry.

30. The plants operate on either a 5-day or 5½-day week and use no incentive wage payment plan. A year end bonus is paid to all employees, based on the length of their service and the Company earnings.

31. The Company does not maintain any form of insurance or pension plans for factory employees.

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CONTROLS

MANUFACTURING CONTROLS

1. There is no centralized company control over either raw material or finished goods inventories. Each plant is responsible for the procurement of its own material within the limitations set by the home office as well as for the regulation of its finished goods inventories.

2. Because of the almost continuous production of some products, it is possible to place volume orders for raw materials and schedule their shipments as required by the manufacturing program. Materials are easily procurable and have short delivery times with the exception of one critical item which at the present time is in short supply. This shortage is not serious and affects less than ten per cent of their product volume.

3. The manufacturing cycle is short, in that the stock of any item of finished goods can be easily replenished in 24 hours.

4. Because all product is standard, and very few special products are made, it is possible to manufacture all goods to stock.

5. The maintenance of complete stocks at each plant enables the Company to make shipment to customers the same or following day an order is received.

6. Because of the availability of materials and short manufacturing cycles, it is not necessary to forecast sales very far into the future, except possibly for the purpose of providing manufacturing capacity.

7. Control over direct labor costs is in the hands of the individual in charge of manufacturing at each plant. While no standard cost system is used, daily reports on plant activities are issued by which the productivity of operators can be observed and corrected if performance is regarded as sub-standard.

8. Control of material usage is not a problem as it is used in accordance with laboratory specifications, with a small amount of normal waste.

9. Checks and tests are made with enough frequency to insure the maintenance of quality.

FINANCIAL CONTROLS

10. Although the Company does not operate under budgetary control, its installation is being considered. When done, it will furnish the Management with the proper over-all financial and operating comparisons of the Company, which it now lacks.

11. No rigid central control has been maintained on advertising expenditures although the advertising appropriation is very large. The details of handling advertising are more fully discussed in another section of this report. A system of budgeting the various advertising compaigns

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and the control thereof is now being considered by the Company.

12. The fact that there is very little variation in types of products produced makes for a relatively simple and accurate cost procedure. Individual cost records of the various elements are maintained, and periodically checked with manufacturing orders principally to establish the waste factor.

13. The details of handling customer orders and billing are handled in a simple but efficient manner. Each order is carefully checked for correct description of product, shipping instructions and other vital information to promote good customer relations.

14. The accounting procedures are under the direct supervision of the Comptroller. Monthly statements of essential operating and financial information are prepared. They provide sufficient data in detail for each division, and are gathered into consolidated figures. Annual audits of the Company books are made by a nationally known firm of Accountants.

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BON - 00884

S.O. 5811
SERIAL Nº 1
EXHIBIT "A"

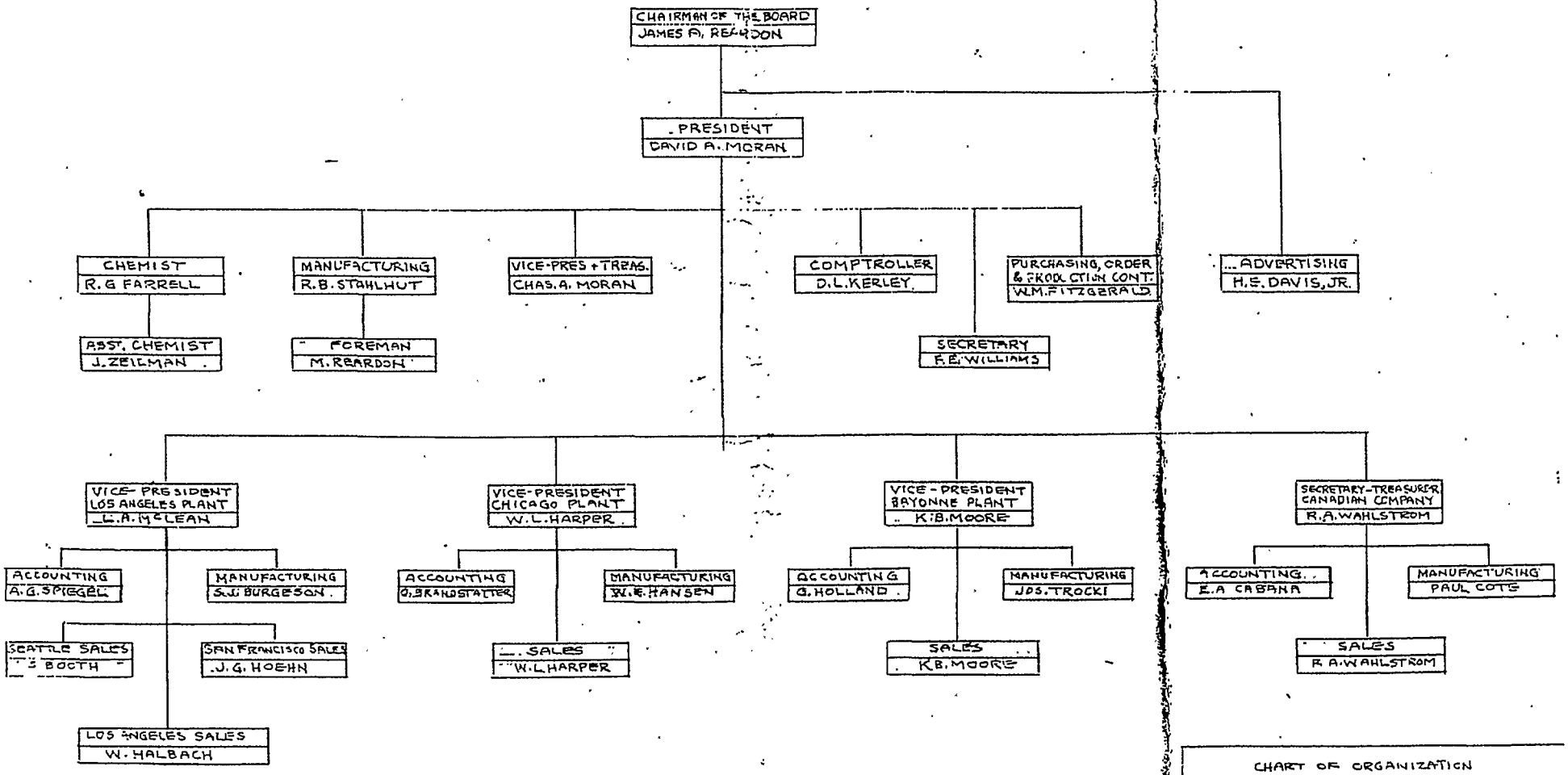

CHART OF ORGANIZATION
THE REARDON CO.
ST. LOUIS MISSOURI
BY
THE TRUNDLE ENGINEERING COMPANY
CHICAGO CLEVELAND NEW YORK

NOV. 7, 1947 F.J.W.

PROFIT-VOLUME RATIOS

S.O. 5811
SERIAL NO. 1
EXHIBIT B

EUGENE DIETZGEN CO. NO. 346 B

BON - 00885

FORM 412 A 7-43

The Trundle Engineering Company

S. O. 5811
Serial No. 1
Exhibit "C"

THE REARDON COMPANY
CONSOLIDATED CONDENSED BALANCE SHEET
YEAR ENDING DECEMBER 31ST

	9 Months To Sept. 30, 1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937
ASSETS											
Cash	$ 410,825.	$ 324,663.	$ 135,098.	$ 98,205.	$ 20,826.	$ 9,828.	$ 4,033.	$ 13,073.	$ 16,425.	$ 6,987.	$ 12,489.
Accounts Receivable - Less Reserve	295,488.	202,987.	117,660.	73,908.	77,969.	63,298.	84,582.	73,832.	74,906.	60,197.	51,466.
Inventories	482,850.	405,018.	193,352.	215,309.	192,748.	198,912.	215,283.	127,314.	124,384.	126,989.	121,665.
Total Current Assets	$1,189,163.	$ 932,668.	$ 446,110.	$ 387,422.	$ 291,543.	$ 272,038.	$ 303,898.	$ 214,219.	$ 215,715.	$ 194,173.	$ 185,620.
Notes Due from Officers & Employees	20,085.	9,400.	13,973.	9,802.	17,777.	14,816.	14,001.	20,969.	15,599.	8,883.	4,451.
Investments (Life Insurance, etc.)	-	18,128.	16,302.	15,766.	14,689.	12,942.	11,910.	10,876.	10,762.	8,900.	8,946.
Plant & Equipment - Less Reserve	238,137.	206,939.	144,472.	108,746.	114,862.	120,084.	120,028.	112,971.	86,371.	78,679.	77,162.
Trademarks and Goodwill		3,006.	3,006.	3,005.	3,005.	3,005.	3,005.	3,005.	3,005.	2,087.	2,087.
Deferred Charges	21,387.	5,619.	3,460.	10,422.	31,256.	32,734.	31,530.	30,346.	29,203.	21,904.	21,642.
TOTAL ASSETS	$1,468,772.	$1,175,760.	$ 627,323.	$ 535,163.	$ 473,132.	$ 455,619.	$ 484,372.	$ 392,386.	$ 360,655.	$ 314,626.	$ 299,908.
LIABILITIES											
Notes Payable	$	$	$	$	$	$ 57,500.	$ 54,282.	$ 5,980.	$ 6,986.	$ 27,500.	$ 35,000.
Accounts Payable	63,380.	61,741.	35,762.	58,060.	38,157.	47,482.	50,241.	58,688.	69,214.	42,811.	34,328.
Employees' Income Tax Withheld	7,599.	53,278.	22,669.	-	-	-	-	-	-	-	-
Accrued Expenses	26,422.	48,258.	22,904.	23,633.	27,078.	15,800.	19,996.	13,428.	9,891.	3,089.	13,075.
Provision for Tax on Income	272,463.	255,249.	129,023.	44,697.	39,100.	4,575.	24,394.	11,309.	10,000.	12,732.	9,270.
Total Current Liabilities	$ 369,864.	$ 418,526.	$ 210,358.	$ 126,390.	$ 104,335.	$ 125,357.	$ 148,913.	$ 89,405.	$ 96,091.	$ 86,132.	$ 91,673.
Long Term Notes				21,556.	30,815.	17,582.	22,742.	31,300.	14,500.	-	-
Capital Stock - Common	233,750.	240,250.	93,500.	98,500.	100,000.	100,000.	100,000.	100,000.	100,000.	100,000.	100,000.
Capital Stock - Preferred	-	-	11,564.	49,784.	50,000.	50,000.	50,000.	50,000.	50,000.	50,000.	50,000.
Earned Surplus	865,158.	516,984.	311,901.	238,933.	187,982.	162,680.	162,717.	121,681.	100,064.	78,494.	58,235.
TOTAL LIABILITIES	$1,468,772.	$1,175,760.	$ 627,323.	$ 535,163.	$ 473,132.	$ 455,619.	$ 484,372.	$ 392,386.	$ 360,655.	$ 314,626.	$ 299,908.
Current Assets to Current Liabilities	3.2	2.2	2.1	3.1	2.8	2.2	2.0	2.4	2.2	2.2	2.0
Net Sales to Working Capital	4.6 *	6.6	7.1	5.0	5.8	6.1	6.2	6.2	6.6	6.8	6.1
Fixed Assets to Net Worth	.22	.27	.35	.28	.34	.38	.38	.43	.35	.35	.37
Inventory Turnover	4.0 *	4.1	4.6	3.5	3.3	2.7	2.7	3.6	3.8	3.5	3.7
Inventory to Net Working Capital	.6	.8	.8	.8	1.1	1.3	1.4	1.0	1.0	1.2	1.3

*Adjusted to yearly basis.

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BON - 00886

FORM 432-A 7-43

The Trundle Engineering Company

S. O. 5811
Serial No. 1
Exhibit "D"

THE REARDON COMPANY

CONSOLIDATED PROFIT AND LOSS STATEMENT

YEAR ENDING DECEMBER 31ST

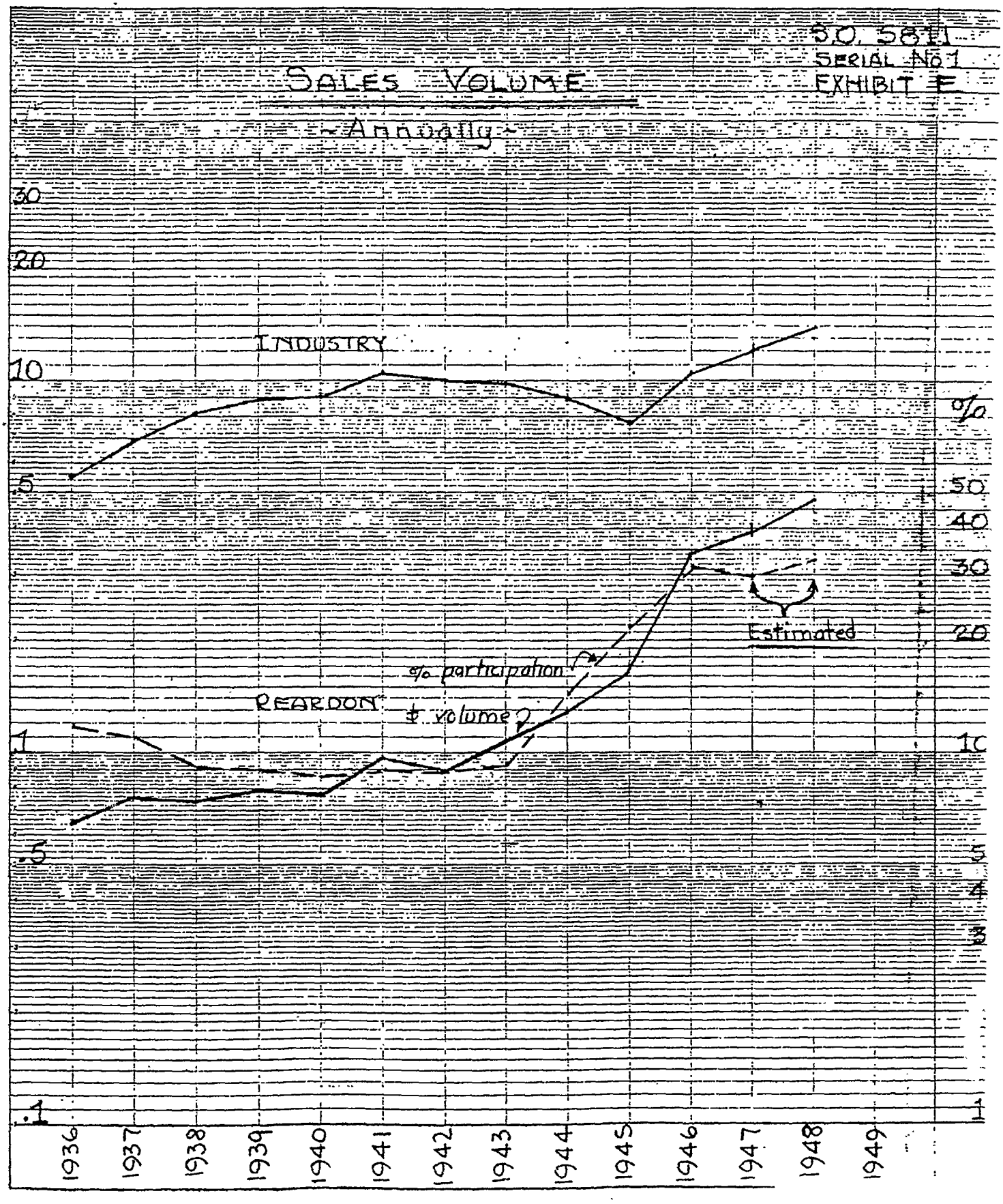
	9 Months To Sept. 30, 1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937
Net Sales	$2,809,455.	$3,369,775.	$1,680,237.	$1,298,370.	$1,086,225.	$ 888,388.	$ 958,328.	$ 770,946.	$ 788,789.	$ 735,751.	$ 758,055.
Cost of Sales	1,438,372.	1,670,356.	890,045.	743,202.	645,508.	539,531.	574,616.	457,277.	475,210.	441,884.	449,255.
Gross Profit	$1,371,083.	$1,699,419.	$ 790,192.	$ 555,168.	$ 440,717.	$ 348,857.	$ 383,712.	$ 313,669.	$ 313,579.	$ 293,867.	$ 308,800.
Advertising	$ 267,549.	$ 245,229.	$ 167,207.	$ 127,050.	$ 88,229.	$ 82,397.	$ 92,524.	$ 94,420.	$ 98,242.	$ 89,332.	$ 88,985.
Selling, Shipping and Warehouse	334,266.	487,540.	244,311.	191,960.	151,664.	137,400.	112,238.	101,716.	108,799.	99,024.	112,948.
Administrative and General	152,464.	322,901.	169,074.	126,262.	127,685.	111,109.	101,923.	81,433.	73,952.	71,660.	74,368.
Total	$ 754,279.	$1,055,670.	$ 580,592.	$ 445,272.	$ 367,578.	$ 330,906.	$ 306,685.	$ 277,569.	$ 280,993.	$ 260,016.	$ 276,301.
Other Income and Expense - Net	($ 70,958.)	($ 5,282.)	$ 1,778.	$ 3,440.	$ 961.	$ 2,865.	$ 2,293.	($ 81.)	$ 1,017.	$ 2,587.	$ 2,858.
Net Profit Before Federal Income Tax	$ 687,762.(1)	$ 649,031.	$ 207,822.	$ 106,456.	$ 72,178.	$ 15,086.	$ 74,734.	$ 36,181.	$ 31,569.	$ 31,264.	$ 29,641.

( ) Denotes Red Figures.

(1) Also before bonus.

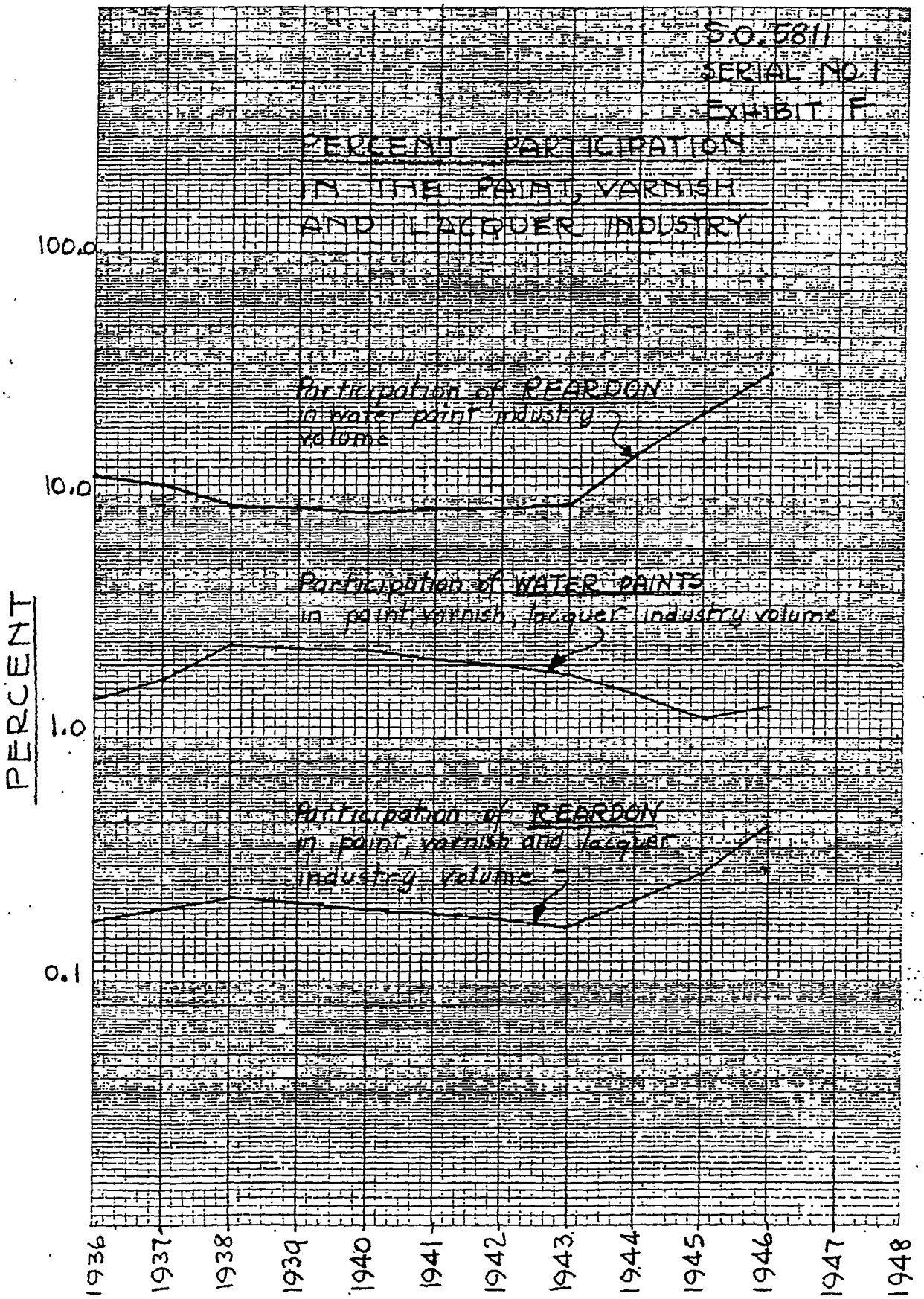
BON - 00887

The Trundle Engineering Co
CLEVELAND, OHIO



The Trundle Engineering Co.
CLEVELAND, OHIO

S.O. 5811
SERIAL NO. 1
EXHIBIT F



CODEX BOOK CO., INC., NEW YORK, N. Y.
POLY-PURPOSE, 13" RATIO RULING, 5 CYCLES, NO. 3175

The Trundle Engineering Company

Cleveland, Ohio
November 25, 1947
S. O. 5811
Serial No. 2
Page 1

TO: The Reardon Company, St. Louis, Missouri
FROM: The Trundle Engineering Company

SUBJECT: SUPPLEMENTARY REPORT

INTRODUCTION

1. In the course of the Survey recently completed on this Company, certain problems of operation and control were mentioned and discussed in general terms. This report deals more critically with these subjects and summarizes in more detail the conditions on which Management could take corrective action.

2. In general, any improvements effected will be of benefit either directly or indirectly in facilitating production rather than in securing any large reductions in manufacturing costs.

3. In addition, improvement in the procedures and controls throughout the Company are essential in view of the increasing size and complexities of the Company's operations.

MATERIAL CONTROL AND PROCEDURES

4. There is a lack of uniformity in the methods of controlling inventories of raw materials and finished products at the several plants. Three of the five plants control their inventories through the medium of Kardex records while the other two use the "visible supply" method without responsibility for over or under supply resting upon any particular individual.

5. There is a lack of uniformity in the routine for handling customers' orders at the various plants. Different media are used for billing the customers, one plant doing the billing from bills of lading, other plants billing from shipping documents, one plant typing up a sales order after the shipment has been made.

METHODS AND LABOR UTILIZATION

6. Manufacturing and material handling methods vary to some extent although basic processes are identical. The utilization of labor in the operations of weighing out ingredients, milling, mixing and packaging showed considerable variation through visual comparison of plant practices. Manufacturing methods have not been coordinated by a central agency, the responsibility being largely in the hands of district managers.

7. Although the characteristics of the product, the containers used and variations in proportion to the total, as well as the difference in the cost of labor and material would cause natural variances in direct labor cost per pound, between plants, it is evident that the differences existing in the utlization of labor are reflected in the following

This report, when referred to other than the client's personnel, is to be used as a whole when our name is subscribed to it.

BON - 00890

comparative figures:

Direct Labor Cost per Dollar of Material Used
(9-month period ending 9-30-47)

St. Louis	$.128
Chicago	.182
Bayonne	.124
Los Angeles	.100
Montreal	.135

INVENTORIES

8. The American plants have access to sources from which they can quickly procure most raw materials required in their products, with slight variations in transit time which should be given consideration. However, the following rates of annual turnover would reflect a lack of close and proper control over inventories at some plants within the group:

Annual Turnover of Inventories (Times)

St. Louis	4.9
Chicago	3.8
Bayonne	7.3
Los Angeles	5.6
Montreal	3.9
Average for total Company	4.0

9. The Canadian plant would probably be required to carry heavier inventories because of its geographical location and the fact that it secures some of its material by water transportation, which makes it necessary to carry larger stock piles of materials through closed seasons of navigation.

LABOR STANDARDS

10. The Company has not established any figure to be used as a standard, or norm, for direct labor costs. Direct labor costs are not properly segregated so that they can be compared to standard.

11. The fact that the Company has made excellent profits and, also, the fact that labor costs represent a relatively small percentage of the total costs may have led to a state of mind where little emphasis has been put on labor cost with the result that the matter of accurate direct labor cost finding and control has not received the attention it deserves.

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GENERAL

12. In addition to the specific points mentioned above, many detailed improvements can be made in plant layout, material handling, both within the plant and to and from the plants, and manufacturing equipment.

13. As these points have been covered in detail in Serial No. 1, reference should be made to that report for specific information.

14. In the field of clerical procedures and controls, certain deficiencies are also brought out in Serial No. 1 on the lack of Budgets for expense control and the regulation of the advertising appropriation.

15. No estimate has been made of the possible labor saving in the operations of the St. Louis plant as a new plant is contemplated. However, in discussing this with Mr. Stahlhut, it is believed that while the number of employees may not be reduced, there will be considerable gain in production volume, thereby showing a better labor relationship to the sales dollar. Rearrangement of manufacturing methods with available space for proper storage of raw and finished materials, together with better receiving and shipping facilities, should greatly increase the flow of materials and provide for longer runs.

Respectfully submitted,

The Trundle Engineering Company

The Trundle Engineering Company

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