GAF 12723

1950

ANNUAL REPORT

The RUBEROID Co.

64th year

PLAINTIFF'S
EXHIBIT
GF-1978

The data herein are published solely for the information of the company's stockholders. No statement in booklet is made for the purpose of inducing the chase of any security issued by the company.

TO OUR STOCKHOLDERS

GAF 12724

Your company's financial statements for 1950 its 64th fiscal year are submitted herewith. In this annual report I shall endeavor to provide you with pertinent facts about the company's current operations and future outlook.

Earnings

Net earnings in 1950 amounted to $5,105,312, equivalent to $9.64 per share, on the 529,478 shares outstanding at the close of the year, compared with net earnings in 1949 of $4,198,300, equivalent to $7.93 per share, adjusted to the same number of shares.

Earnings before taxes in 1950 reached an all-time high of $9,450,695. Due, however, to the Government's greater requirements for revenue, the company's net earnings after taxes were substantially reduced by the increase in the Federal income tax during the year and also by the recent enactment of the excess profits tax retroactive to July 1, 1950. As a result, it was necessary to provide for estimated Federal taxes amounting to $4,345,383, compared with $2,897,959 in the previous year.

A comparison of the net earnings during the past ten years is shown in *Figure 1*.

Dividends

Cash dividends in 1950 amounted to $1,681,697, or $3.50 per share, compared with $1,122,145, or $3.25 per share in 1949.

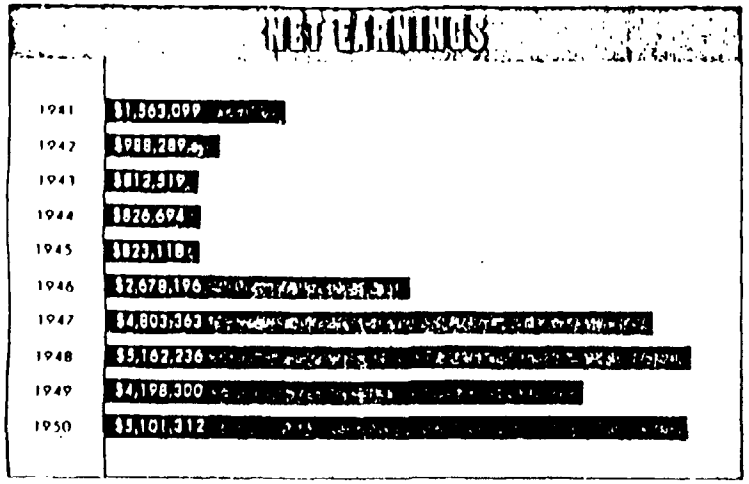

FIGURE 1

In addition, as in 1948 and 1949, a stock dividend of 10 per cent was distributed in December 1950. Although during the past three years stock dividends have been distributed, capitalizing a portion of the company's earnings reinvested in the business, it does not follow that this policy will be continued should earnings be depleted by higher taxation, or in the event of changed conditions.

At the close of the year 61.9 per cent of our stockholders held less than 100 shares each, and no one stockholder held as much as 5 per cent of the total shares outstanding.

Sales

Net dollar sales in 1950 broke all prior records, amounting to $61,925,242, compared with $50,267,987 in 1949. The company's net sales during the past ten years are shown in *Figure 2*.

Our sales in 1950 followed very closely the normal seasonal

pattern, except in the last three months of the year when they exceeded those in any previous fourth quarter.

The price index of Ruberoid products included in the table on page 11 will show that our increases since 1941 have been most conservative, amounting to less than one-fourth of the average increase in all types of construction materials.

Figure 3 shows how each dollar received from our customers was utilized in 1950.

Capital Improvements

Appropriations for plant additions and improvements in 1950 amounted to $3,634,813, compared with a depreciation charge of $1,261,148. During the past ten years, as indicated in *Figure 4*, $21,140,747 have been appropriated for such purposes, of which approximately $3,453,540 remained unexpended at the close of 1950.

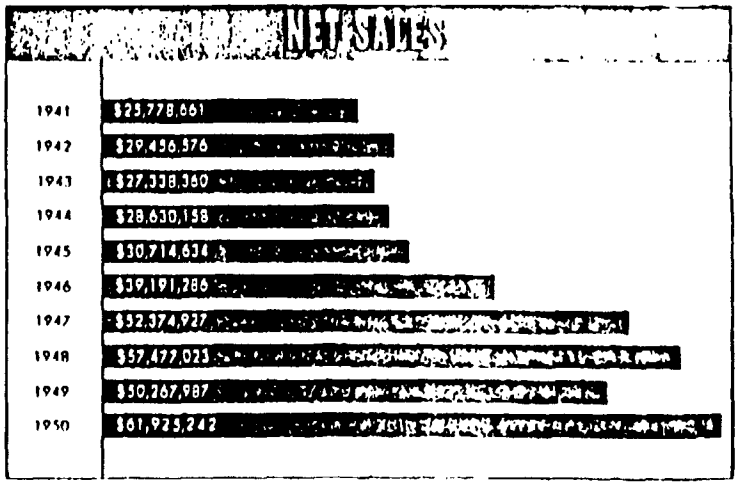

FIGURE 2

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COMPARISON OF THE COMPANY'S BUSINESS

	1950	1949
Net Sales:		
Dollars (net)	$61,925,242	$50,267,987
Tonnage	1,083,039 tons	882,919 tons
Price realized per ton	$57.18	$56.93
Per share of stock	$116.96	$94.94*
Net Earnings:		
Total	$5,105,312	$4,198,300
Percentage of sales	8.2%	8.4%
Per share of stock	$9.64	$7.93*
Cash Dividends:		
Total	$1,681,697	$1,422,145
Percentage of net earnings	33.0%	33.9%
Per share of stock	$3.50	$3.25
Shares of capital stock outstanding at year end	529,478	481,344
Number of stockholders	2,526	2,427
Wages and Salaries:		
Total	$15,965,729	$13,338,719
Percentage of sales	25.8%	26.5%
Average number of employees	4,358	4,037
Direct Taxes:		
Total	$5,086,710	$3,447,859
Per share of stock	$9.61	$6.51*
Percentage of cash dividends	302%	242%
Percentage of net earnings	99.6%	82.1%
Current Position:		
Current assets	$16,793,699	$18,657,618
Current liabilities	$2,337,110	$1,642,255
Ratio current assets to current liabilities	7.2 to 1	11.4 to 1
Book Value of Capital Stock Per Share:		
Working capital	$27.30	$32.14*
Properties and investments (net)	$38.89	$28.43*
Other liabilities and reserves	$ 2.68	$ 3.52*
Stockholders' equity	$63.51	$57.05*

* Adjusted to 529,478 shares outstanding at the close of 1950

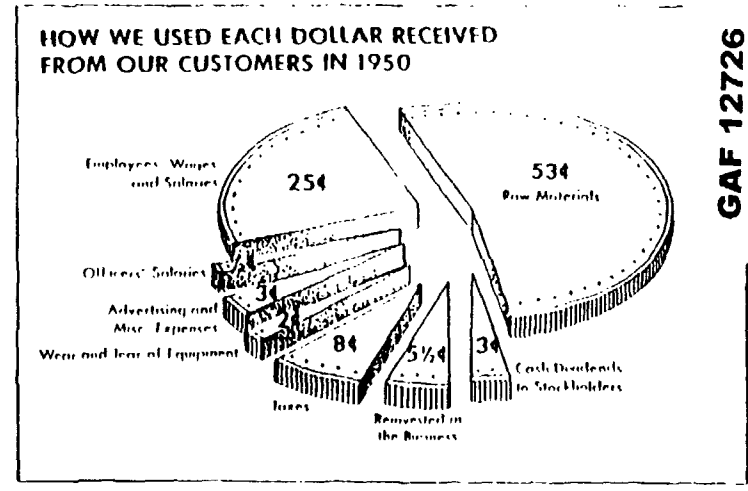

FIGURE 3

The established policy of reinvesting a portion of our earnings in capital improvements has resulted in greater efficiency and economy in our manufacturing operations, the development of new and improved products, increased production, and better service to our customers.

Operations

The average number of employees in 1950 was 4,358, compared with 4,037 in 1949. Wages and salaries paid during 1950 amounted to $15,965,729, an increase of $2,627,010 over the previous year. Our stockholders' investment in the company at the close of 1950 amounted to $7,716 per employee, compared with $1,668 ten years ago.

The trend in selling, advertising and administrative expenses during the past ten years, is shown in *Figure 5*. Our research organization has concentrated its activities in improving the effi-

ciency of our manufacturing operations and in enhancing the appearance and quality of our line of products.

The labor relations of the company were highly satisfactory throughout the year, with no work stoppages at any of our plants, partly as a result of our policy of taking into account the cost of living index and comparable area labor rates in arriving at wage adjustments. How the average hourly earnings index of Ruberoid employees compared with the rise in the cost-of-living index of the entire nation, is shown in the table on page 11.

Our organization has also made progress in performing its work with fewer accidents, due largely to the fact that our safety program is truly a cooperative effort, with all employees taking an active interest. As a result, during the past five years the number of lost time accidents has been reduced by more than one-half.

As authorized at the last stockholders' meeting, the company's group insurance was liberalized to include greater coverage and

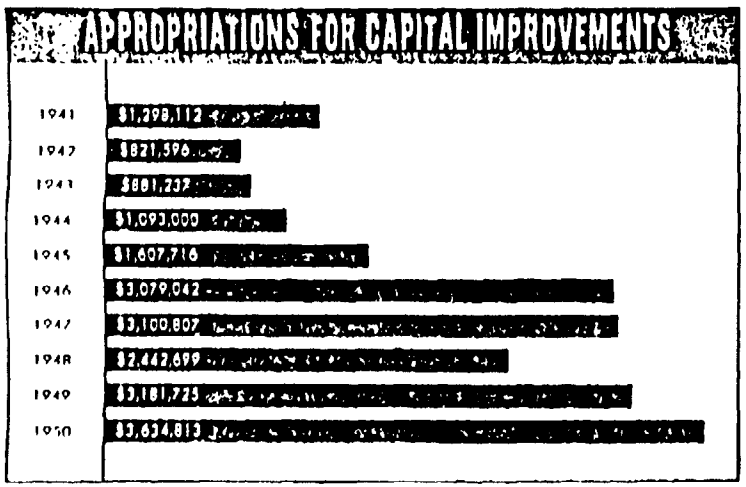

FIGURE 4

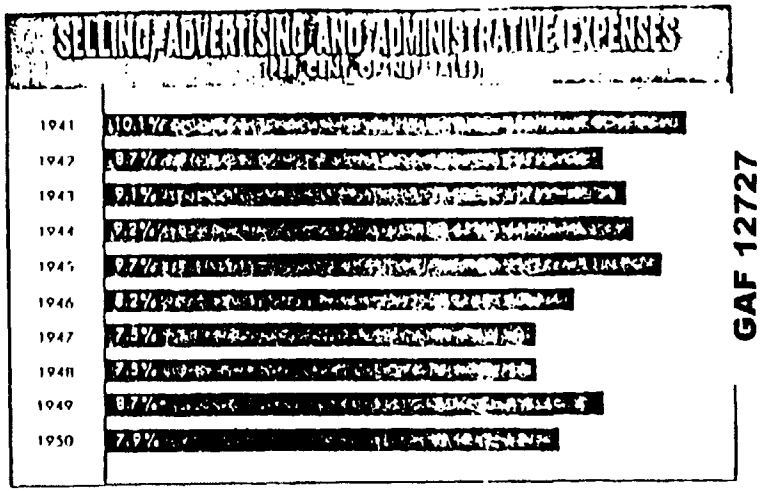

FIGURE 5

additional benefits for employees and their dependents. At the close of 1950, 81.9 per cent of the eligible employees were enrolled in our voluntary contributory retirement plan.

The company's total expenditures for various forms of employee benefits, including group insurance, retirement plan, vacations, compensation insurance, etc., amounted to $1,362,751 in 1950.

Executive Personnel

With deep regret we record the death on March 14, 1950, of Samuel P. Moffit, Executive Vice President of the company. A man who combined administrative ability and rare personal qualities in marked degree, his passing was mourned throughout the organization.

In May 1950, Stanley Woodward, formerly Vice President in charge of the company's Southern Division, was elected Execu-

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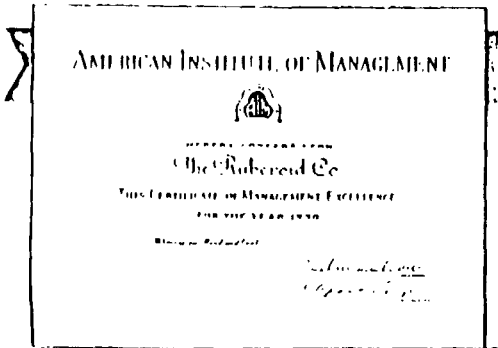
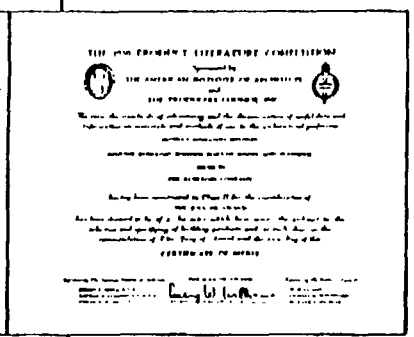
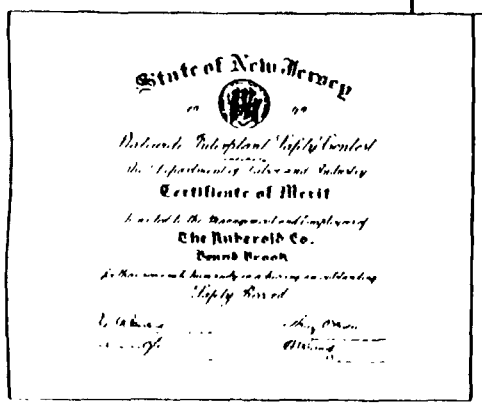


AWARDS

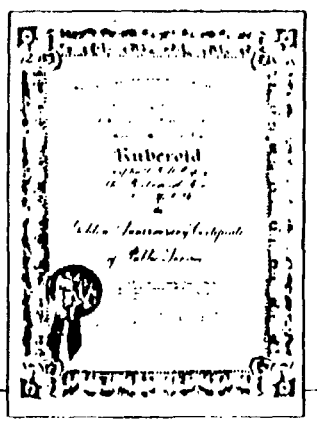
Certificate of management excellence in field of asbestos, asphalt and related building materials by the American Institute of Management. Award based on analysis of corporate policies and procedures.

For manual on built up roofing "deemed to be of a character which best serves the architect in the selection and specifying of building products," Ruberoid was awarded certificate by American Institute of Architects and Producers' Council.





In recognition of low accident experience records at a number of our plants, the company received safety achievement awards from departments of labor of several states and the National Safety Council.



Award by Brand Names Research Foundation, Inc., for the brand name "Ruberoid" which for 50 years or more "has won and held public confidence through unfailing integrity, reliable quality and fair pricing."

tive Vice President. Mr. Woodward has been associated with our company for the past 22 years. Previously he had been Vice President of Continental Roofing & Manufacturing Co., which he had helped to organize and which was acquired by Ruberoid in 1928.

Current Outlook

Prevailing world conditions have created problems of great concern to our country. Past experience has shown, however, that the American people can be counted on to act with united strength to preserve our cherished way of life. In that spirit, it will be the constant aim of the Ruberoid organization to exert every effort to help meet the nation's needs.

What those needs may be in the field of building cannot be estimated until the Government's requirements have been more fully developed. The generally confused economic conditions and consequent uncertainties which followed the outbreak of the Korean war may have a retarding effect on the building industry as a whole. It seems likely that, as in the period of World War II, our manufactured products will be used extensively in connection with the defense mobilization program. For example, asbestos cement sheets are used in the construction of hangars and other airport facilities; built-up roofings for shipyards, cantonments, warehouses for stock piling critical materials, and factories engaged in defense work; asphalt shingles and sidings for defense housing projects; high-temperature insulation for ship construction and waterproof papers for packaging overseas shipments. These products can be manufactured with our existing equipment without requiring plant conversion.

The company is also fortunate, in these days of increasing shortages, that a number of its principal raw materials are by-products of other essential industries. For example, asphalt is a residual obtained after gasoline, fuel and other oils have been distilled from petroleum; wood from our timber holdings, as well

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as waste paper and rags, are used in making dry felt which is the base of all asphalt roofing materials; asbestos, another of our principal raw materials, is obtained from the company's mineral deposits in Vermont.

The management wishes to express to our stockholders and employees sincere thanks for their continued cooperation and support.

Respectfully submitted,

President

February 26, 1951

February 26, 1951

To the Stockholders of The Ruberoid Co.

In connection with our examination of the financial statements of The Ruberoid Co. as at December 31, 1950, as reported upon in our certificate appearing on page 19, we have also reviewed the statistical data set forth in the President's letter and on pages 11 and 21 of this annual report. In our opinion, such information has been compiled properly.

PRICE WATERHOUSE & Co.

How Stockholders, Employees, Customers and Government Shared During 1950

(Index 1941 = 100)

STOCKHOLDERS

Year	Cash Dividends Per Share	Index
1941	$1.75	100
1942	1.15	66
1943	1.15	66
1944	1.25	71.5
1945	1.25	71.5
1946	2.00	114
1947	2.75	157
1948	3.25*	186*
1949	3.25*	186*
1950	3.50*	200*

*Plus 10% Stock Dividend

EMPLOYEES

Year	Cost of Living Index of the United States*	Average Hourly Earnings Index of Railroad Employees
1941	100	100
1942	110.7	115.1
1943	117.5	123.4
1944	119.3	128.5
1945	122.1	133.8
1946	132.3	153.2
1947	151.3	175.3
1948	162.8	193.2
1949	160.8	199.1
1950	162.8	208.7

*Based on data from Bureau of Labor Statistics.

CUSTOMERS

Year	Price Index All Construction Materials*	Price Index Ruberoid Products (Per Ton)
1941	100	100
1942	106.8	97.3
1943	107.9	100
1944	111.9	101.6
1945	111.1	98.5
1946	128.5	100.7
1947	171.0	112.8
1948	192.1	125.6
1949	187.1	123.1
1950	190.6	123.7

*Based on data from Bureau of Labor Statistics

GOVERNMENT

(Federal, State and Local)

Year	Taxes	Index
1941	$1,317,153	100
1942	2,090,011	159.3
1943	1,731,092	95.4
1944	1,593,635	87.7
1945	1,799,098	99
1946	2,501,086	137.6
1947	3,883,049	213.6
1948	4,339,233	240.5
1949	3,417,858	189.7
1950	5,036,710	279.9

*Based on data from Bureau of Labor Statistics

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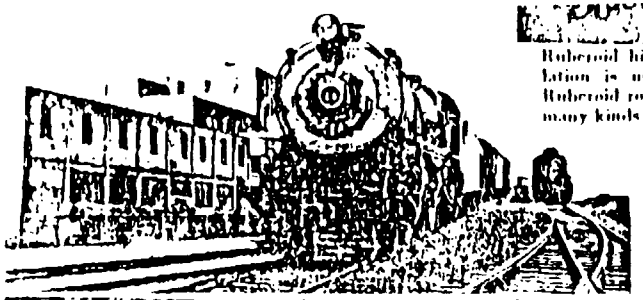
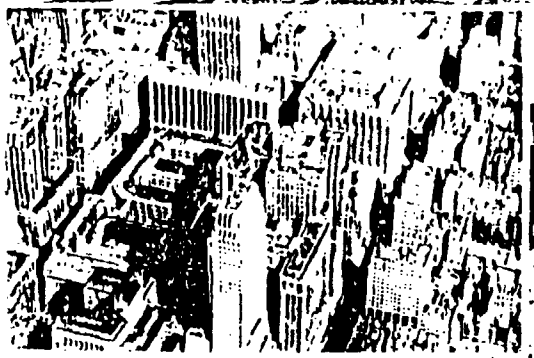


Ruberoid high temperature insulation is used for locomotives; Ruberoid roofings and sidings for many kinds of railroad buildings.

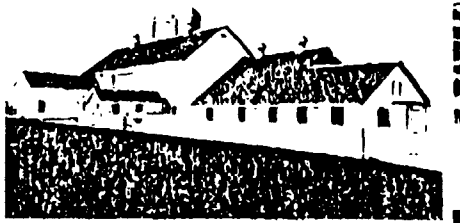


Ruberoid built up roofs protect thousands of public, business and industrial buildings, large and small.

For protection of oil and gas pipe lines Ruberoid supplies large quantities of asbestos pipe line felt.

Ruberoid insulating materials a ship construction and waterproof packaging overseas shipments.

Ruberoid pipe coverings and other thermal insulation products are widely used in industry.

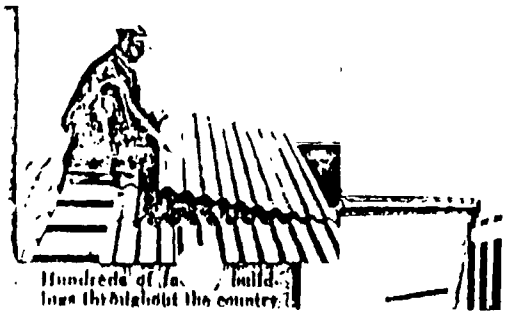


Farm buildings sided with Ruberoid fireproof asbestos-cement board and roofed with Ruberoid windproof shingles.

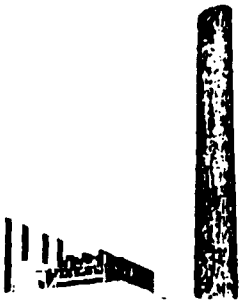
Automobile industry uses Ruberoi board, sound deadening felts and millboard for engine gaskets.

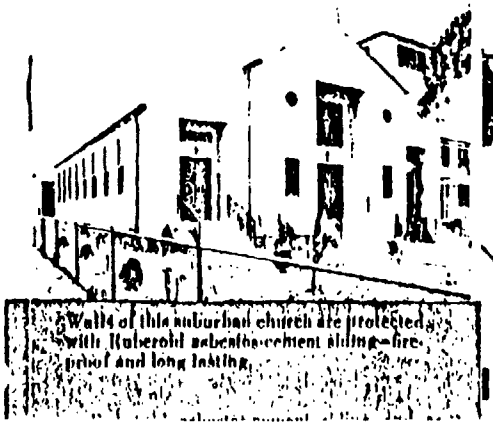
• Ruberoid asbestos roof shingles provide beauty and protection for many of America's finest homes.

Attractive basket weave effect of windproof shingles adds charm to th bed ranch type house.

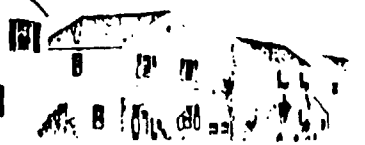


Hundreds of la... build-ings throughout the country.





Walls of this suburban church are protected with Ruberoid asbestos-cement siding—fireproof and long lasting.



Financial Position

Invested in the Business:	Dec. 31 1950	Dec. 31 1949
Working capital, per statement on page 15	$11,456,559	$17,015,363
Investments:		
Investment in partly owned subsidiary company not consolidated, at nominal value (Note 1)	1	1
Miscellaneous investments, at cost (less reserves of $2,968 in 1950; $2,969 in 1949)	15,627	13,548
Funds for improvement of plant facilities (Note 2)	3,450,000	
Properties, plants and equipment, less reserves (Note 3)	17,122,086	15,038,760
	$35,044,273	$32,067,672
Other Liabilities and Reserves:		
Notes payable due after one year	$	$ 510,000
Reserves for guaranteed roofs, compensation insurance and other contingencies	1,417,545	1,351,559
	$ 1,417,545	$ 1,861,559
	$33,626,728	$30,206,113
Stockholders' Equity Represented By:		
Capital stock (Note 4)	$19,628,476	$17,302,160
Accumulated earnings reinvested in the business, per statement on page 16	13,998,252	12,903,953
	$33,626,728	$30,206,113

Working Capital

Current Assets	Dec. 31 1950	Dec. 31 1949
Cash	$ 5,313,703	$ 6,520,103
United States Government obligations, at cost		3,225,000
Accounts receivable, less reserves (Note 5)	5,569,153	3,550,630
Inventories, at the lower of cost or market (Note 6)	5,152,010	4,916,736
Prepaid expenses	428,503	444,819
Total Current Assets	$16,793,699	$18,657,648
Current Liabilities:		
Notes payable	$	$ 130,000
Trade accounts payable	1,163,147	803,159
Accrued wages and commissions	337,560	253,596
Sundry liabilities (principally property, franchise, social security and withheld taxes)	536,133	455,500
Estimated Federal income and excess profits taxes (after deducting U. S. Treasury notes, tax series: $1,911,000 in 1950; $3,340,000 in 1949)		
Total Current Liabilities	$ 2,337,110	$ 1,642,255
Working Capital, per statement on page 14	$14,456,559	$17,015,363

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Earnings

	Year Ended Dec. 31 1950	1949
Sales, less returns, discounts and allowances	$61,925,242	$50,267,987
Cost of goods sold	47,690,736	38,863,752
Gross profit on sales	$14,234,506	$11,404,235
Selling, advertising and administrative expenses	4,919,065	4,393,213
	$ 9,315,441	$ 7,011,022
Other income, net (Note 7)	135,254	85,237
	$ 9,450,695	$ 7,096,259
Provision for Federal taxes on income (Note 8)	4,345,383	2,897,959
Net earnings for the year (Note 9)	$ 5,105,312	$ 4,198,300
Deduct		
Cash dividends of $3.50, 1950; $3.25, 1949	$ 1,681,697	$ 1,422,145
Stock dividend of 10% (Note 10)	2,326,316	1,964,735
	$ 4,011,013	$ 3,386,880
Earnings for the year reinvested in the business	$ 1,094,299	$ 811,420
Earnings of prior years reinvested in the business	12,903,953	11,340,533
Reversal of reserve provided in prior years for possible future extraordinary losses on accounts receivable and inventories		752,000
Accumulated earnings reinvested in the business, per statement on page 14	$13,998,252	$12,903,953

Notes to Financial Statements

Note 1: As shown by the unaudited accounts at December 31, 1950 of The Ruberoid Company, Limited, a partly owned English subsidiary company not consolidated, the equity of The Ruberoid Co. in the net tangible assets of this company amounts to approximately $1,075,000 (converted at $2.80 to the £). The increase of approximately $175,000 in such equity since December 31, 1949 represents unremitted profits.

Note 2: Pursuant to a resolution of the Board of Directors, cash in the amount of $1,799,000 and U. S. Government securities aggregating $1,651,000 in par value have been segregated as of December 31, 1950 for payment of improvements to plant facilities authorized by the Board but not completed as of that date.

Note 3: Properties, Plants and Equipment:

	Dec. 31 1950	Dec. 31 1949
At reproductive values as appraised by The American Appraisal Company in 1927, 1932 and 1936; subsequent additions at cost	$28,101,885	$25,674,388
Other assets at sale or useful values as determined by The American Appraisal Company, December 31, 1938	703,867	706,750
	$28,805,752	$26,381,138
Less: Reserves to reduce reproductive values to sound values as appraised, together with subsequent depreciation and depletion	11,683,666	11,312,478
	$17,122,086	$15,038,760

Note 4: Capital Stock:

	Dec. 31 1950	Dec. 31 1949
Shares authorized, of no par value 958,864		
Shares issued and outstanding	529,178	481,444

Note 5: Accounts Receivable:

	Dec. 31 1950	Dec. 31 1949
Customers	$5,668,247	$ 3,727,302
Sundry	217,271	100,727
Employees, principally advance payments under retirement plan	140,924	125,792
	$ 6,026,132	$ 3,953,821
Less: Reserves for cash discounts and bad debts	456,979	403,191
	$ 5,569,153	$ 3,550,630

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Notes to Financial Statements

(CONTINUED)

Note 6: Inventories	Dec. 31 1950	Dec. 31 1949
Raw materials and factory supplies	$ 1,248,651	$ 3,017,573
Products in process of manufacture	157,911	436,132
Finished products	1,775,415	1,462,841
	$ 5,452,000	$ 4,916,736

Inventories are valued at the lower of cost or market. Cost or market, as it applies to individual products of (a) finished products and products in process of manufacture, represents approximate cost based on standard costs or net selling prices, and (b) raw materials and factory supplies, represents average cost or quoted prices.

Note 7: Other Income, Net:	1950	1949
Cash dividends received from The Ruberoid Company Limited (England) (Note 1)	$ 26,752	$ 34,976
Interest received	96,223	76,949
Reversal of reserve for contingencies provided in prior years	84,057	
Net refunds of Federal income and excess profits taxes for the years 1941-1944	-	40,017
Miscellaneous other income	14,112	5,098
	$ 221,144	$ 157,060
Less:		
Past service cost under employees' retirement plan	$ 65,000	$ 65,000
Interest paid	20,890	6,823
	$ 85,890	$ 71,823
	$ 135,254	$ 85,237

Note 8: Provision for Federal taxes on income for 1950 includes $350,000 for excess profits tax.

Note 9: Earnings for the year are shown after deducting depreciation and depletion in the amounts of $1,261,118 for 1950 and $1,111,377 for 1949.

Note 10: Stock dividends of 10% were declared in 1950 and 1949. Such dividends involved transfer of accumulated earnings to capital stock in the amounts of $10.33 and $11.90 per share in the respective years.

PRICE WATERHOUSE & CO.

50 PINE STREET
NEW YORK

February 26, 1951

To the Board of Directors of
The RUBEROID Co.

In our opinion, the attached statements present fairly the financial position of The Ruberoid Co. at December 31, 1950 and December 31, 1949, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with those of the respective preceding years. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

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PRODUCTS

THE RUBEROID CO.

Asphalt and Tar Products

Asphalt Shingles and Sidings
Genuine RUBEROID Roll Roofings
Insulating Siding
Built-Up Roofing Felts and Adhesives
Roof Coatings and Plastic Cements
Preservative Coatings and Paints
Waterproofing Felts and Membrane
Pipe Line Protective Felts
Automotive Felts and Boards
Electrical Insulating Tape

Asbestos-Cement Products

Asbestos-Cement Shingles and Sidings
Building Board
Corrugated Sheets

Insulation and Fireproofing Products

Asbestos Pipe Coverings and Blocks
Molded High Pressure Insulations
Asbestos Papers
Rollboards and Millboards
Range Boiler Jackets
Asbestos Gasket Board
Asbestos Fiber and Insulating Cements

Papers and Felts

Kraft Building Papers
Reinforced Kraft Packaging Papers
Waterproofed Sheathing Papers and Felts
Dry Felts for Roofings
Floor Coverings
Deadening Felts

Summary of Capital Structure and Dividend Record of The RUBEROID Co. and Predecessor Companies*

Year	Shares Outstanding During Year	Dividends Per Share	Total Dividends
1889	10,000‖	$3.00	$30,000
1890	10,000‖	3.00	30,000
1891	10,000‖	3.00	30,000
1892	10,000‖	3.00	30,000
1893	10,000‖	1.50	15,000
1894	10,000‖	1.50	15,000
1895	10,000‖	2.00	20,000
1896	10,000‖	2.00	20,000
1897	10,638‖	2.00	21,276
1898	11,817‖	2.50	29,542
1899	11,821‖	3.75	44,328
1900	11,826‖ 11,826§	10.00	118,260
1901	11,826§	12.00	141,912
1902	11,828§	15.00	177,420
1903	11,833§	20.00	236,660
1904	11,930§	18.00	215,610
1905	23,995§	10.00	239,950
1906	41,397§	9.00	399,573
1907	41,397§	9.00	399,573
1908	41,397§	7.00	310,779
1909	41,397§	9.00	399,573
1910	41,397§	9.00	399,573
1911	41,360§	9.00	399,240
1912	44,450§	8.00	355,600
1913	46,810§	7.00	327,670
1914	47,758§	3.00	143,274
1915	47,758§	4.25	202,971
1916	47,758§	5.25	250,729
1917	49,111§	6.00	296,466
1918	49,962§	5.00	249,810
1919	49,962§	2.00	99,924
1920	49,962§	4.00	199,848
1921	49,962§	4.00	199,848
1922	35,112§	4.00	140,568
1923	35,112§	$4.00	$140,568
1924	35,112§	4.00	140,568
1925	35,112§	4.00	140,568
1926	35,112§	4.00	140,568
1927	35,112§ 55,576#	2.00 2.00	70,224 111,152
1928	118,739#	4.00	474,956
1929	141,511#	4.00	566,164
1930	143,251#	4.00	573,004
1931	139,817#	4.00	559,268
1932	133,577#	2.00	267,155
1933	132,602#	1.00	132,602
1934	132,602#	1.25	165,752
1935	132,602#	2.50	331,505
1936	132,602#	4.00	530,408
1937	132,602# 397,806#	.45a 1.85a	59,670 735,911
1938	397,806#	.60	238,683
1939	397,806#	1.10	437,586
1940	397,806#	1.30	517,148
1941	397,806#	1.75	696,161
1942	397,806#	1.15	457,476
1943	397,806#	1.15	457,476
1944	397,806#	1.25	497,257
1945	397,806#	1.25	497,257
1946	397,806#	2.00	795,612
1947	397,806#	2.75	1,093,966
1948	397,803# 137,589#	3.25b	1,292,860
1949	137,589# 181,111#	3.25b	1,122,115
1950	181,111# 529,178#	3.50b	1,681,697
			$21,118,556

*Assets of "The Standard Paint Company" of West Virginia were acquired Jan. 1905 by "The Standard Paint Company" of New Jersey and in 1921 the name of the latter was changed to "The RUBEROID Co." of New Jersey.

‖Par Value $100.00
§Par Value $100.00
#No Par Value

a Total dividends paid in 1937 on the basis of the 397,806 shares outstanding at the end of the year were equivalent to $1.85 per share, which included $1.40 in U.S. Securities. b Declared March 4 Plus 100% stock dividend.

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Board of Directors

HERBERT ABRAHAM
C. F. BATCHELDER
F. E. BYRNES
W. G. COWAN
ANDRÉ EMSENS
C. F. EVANS
LOUIS HERSCOVITZ
C. E. KERR
E. M. RAILTON
M. C. WHITAKER
STANLEY WOODWARD

* * *

Officers

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President and Chairman of Executive Committee

STANLEY WOODWARD
Executive Vice President

E. M. RAILTON
Vice President

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Vice President

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Vice President

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Comptroller

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Secretary

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* * *

Executive Committee

HERBERT ABRAHAM
C. F. BATCHELDER
E. M. RAILTON
M. C. WHITAKER
STANLEY WOODWARD

* * *

Stock Transfer Agent
BANK OF NEW YORK AND FIFTH AVENUE BANK
New York

Stock Registrar
THE CHASE NATIONAL BANK
New York

THE RUBEROID CO.

EXECUTIVE OFFICES

500 Fifth Avenue, New York 18, N. Y.

Sales Offices: Baltimore, Md.; Chicago, Ill.; Dallas, Texas; Erie, Pa.; Millis, Mass.; Minneapolis, Minn.; Mobile, Ala.; South Round Brook, N. J.

Factories: Baltimore, Md.; Dallas, Texas; Erie, Pa. (Lake and 16th Street plants); Gloucester City, N. J.; Joliet, Ill.; Lowell, Vt.; Millis, Mass.; Minneapolis, Minn.; Mobile, Ala.; Port Neches*, Texas; St. Louis, Mo.; South Round Brook, N. J.

*Arrangement with The Texas Company

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