IMPORTANT

Doehler-Jarvis Corporation has approximately 5,660 shareholders, of whom approximately 4,860 own less than 200 shares each. This makes it important that proxies be returned by every shareholder who cannot attend the meeting, whether the particular shareholding is of one or many shares.

DOEHLER-JARVIS CORPORATION

Notice of Special Meeting of Shareholders

To Be Held February 6, 1953

and

PROXY STATEMENT

A Special Meeting of Shareholders of DOEHLER-JARVIS CORPORATION, a Michigan corporation, will be held at the office of the Corporation, No. 1501 Paris Avenue, S. E., Grand Rapids, Michigan, at 11 o'clock A. M., on February 6, 1953, for the following purposes:

(1) To consider and act upon a proposal that:

(a) the Corporation sell all its property and assets, including its good-will, to National Lead Company, a New Jersey corporation, substantially upon the terms and conditions set forth in an Agreement and Plan of Reorganization between National Lead Company and the Corporation dated January 2, 1953 (referred to below as the "Agreement"), the provisions of which are summarized below and copies of which will be available at the meeting; and

(b) upon the consummation of the aforesaid sale of assets, the Corporation be dissolved; and

(2) To transact such other business as may lawfully come before the meeting or any adjournment thereof.

The transfer books will not be closed but only such holders of Common Stock as are holders of record at the close of business on December 29, 1952 will be entitled to notice of and to vote at the meeting.

SUMMARY OF PROPOSAL TO SELL ASSETS TO NATIONAL LEAD COMPANY AND TO DISSOLVE THE CORPORATION

The performance of the Agreement entered into between the Corporation and National Lead Company (referred to below as "National") is subject to approval by shareholders of the Corporation as described below.

Briefly, the Agreement provides that:

(1) The Corporation will sell, transfer and deliver to National all of its property and assets of every kind and nature, including its good-will;

(2) National will assume all of the debts and liabilities of the Corporation;

(3) Upon the consummation of the sale of the Corporation's assets to National, the Corporation will be dissolved and National shall cause shares of its Common Stock to be issued and delivered to the Corporation's shareholders at the rate of 1.15 shares thereof for each share of Common Stock of the Corporation outstanding on a date to be selected by the Corporation (which shall be approximately the date of the sale of assets) and entitled to participate in the distribution. Scrip certificates will be issued in lieu of fractional shares.

The scrip certificates when combined with other scrip certificates of like tenor representing one or more full shares of Common Stock of National will be exchangeable for shares of Common Stock of National together with all dividends paid to the scrip agent with respect to such shares. They will be in bearer form and will not entitle the bearer to any dividend rights except as referred to above, or any voting rights or other rights of stockholders. The scrip certificates will be exchangeable for Common Stock for approximately two years after the date of issue (at which time the underlying Common Stock will be sold and the proceeds distributed upon surrender of the scrip) and will become void for all purposes approximately six years after the date of issue.

The Agreement contains various representations and conditions, including the obtaining of the requisite statutory votes of the shareholders of the Corporation and a condition that the number of shares of stock of the Corporation, the holders of which shall have voted against the sale of assets and shall have demanded payment of the fair cash value of their shares within the time and in the manner provided by the Michigan General Corporation Act as more fully hereinafter set forth, shall not be greater than shall be acceptable to National in its sole judgment, provided that if such number be not acceptable National shall notify the Corporation to that effect within ten days after such number shall have been determined, or such later date as may be mutually agreed upon. National has advised the Corporation that its present intention is that it would proceed with the Agreement if the holders of not more than five per cent of the shares of Common Stock of the Corporation vote against the sale and demand payment as aforesaid. The Agreement is also conditioned upon a ruling by the Federal Bureau of Internal Revenue to the effect that the transaction will be tax-free for income and capital gains tax purposes.

The Agreement further provides that it may be abandoned by either party if prior to the closing representations made by the other party shall prove substantially untrue or the other party shall suffer loss by calamity, substantially and adversely affecting the value of its assets or business, and that the Agreement shall terminate when and if it is determined that the conditions precedent will not be complied with and, in any event, if the closing does not take place prior to April 1, 1953 or such later date as the parties may agree.

The Board of Directors of the Corporation has unanimously approved the Agreement, stating that it deemed the proposed sale of assets expedient and for the best interests of the Corporation and has authorized the proper officers of the Corporation to carry out the provisions of the Agreement subject to the performance of the terms and conditions set forth therein.

OUTSTANDING VOTING STOCK AND VOTE REQUIRED

The Corporation has issued 1,074,544 shares of Common Stock, of which 6,902 shares are held in its treasury, leaving a balance of 1,067,642 shares outstanding and entitled to vote. Each shareholder of record is entitled to one vote for each share held.

Approval of the proposal with respect to the sale of assets will require the authorization by affirmative vote of the holders of a majority of the shares of the issued and outstanding Common Stock of the Corporation and approval of the proposal with respect to the dissolution of the Corporation will require the authorization by affirmative vote of the holders of three-fourths of the issued and outstanding Common Stock of the Corporation. Since the Agreement is conditioned upon the requisite statutory approval of both transactions, the sale of assets will not be completed unless the dissolution of the Corporation is so authorized.

Section 73 of the Michigan General Corporation Act provides that within thirty days after the dissolution a certificate signed by the holders of at least three-fourths of the outstanding stock of the Corporation shall be filed with the Michigan Corporation and Securities Commission and a duplicate original thereof with the county clerk where its registered office is located, showing that all the debts and liabilities have been paid or provision for the payment thereof made and the assets have been distributed pro rata among the shareholders or provision for such distribution made. The enclosed form of proxy authorizes the persons named therein to sign such certificate.

BASIC REASONS FOR SALE OF ASSETS

In the opinion of the management of the Corporation, the following are basic reasons for and advantages of the proposed sale of assets of the Corporation:

1. Both National and the Corporation are in the metal field. Each has recorded an outstanding success. The consolidation of the businesses of the two companies is a logical one and their joint efforts should produce greater accomplishments. Although the products of the two companies differ, both companies are experienced in the production of non-ferrous metal products. Substantial economies can be expected through consolidation of purchase requirements in National. There may also be economies in sales, accounting, auditing, tax, finance and other departments. Furthermore, National already has access to other markets and customers which should provide a ready outlet for the Corporation's production.

2. The modernization program begun in 1946 at three of the Corporation's plants has already required an investment of over twenty million dollars. The sale to National will provide available cash resources to enable the continuance of the expansion program. While the Corporation, through borrowings or other financing, might itself obtain such cash resources, it is believed that the operation of the Corporation's business as a division of a large and financially strong company should facilitate expansion and growth. In the past, the Corporation has expanded only through the use of accumulated earnings.

3. In exchanging their shares for National's Common Stock, the Corporation's shareholders will acquire a continuing interest in a company catering to many industries. The Corporation's sales to the automotive industry alone have in the last ten years averaged 45% of its total sales. Any recession in the automotive industry could, therefore, have an adverse effect on the Corporation's future. Assuming that such a recession would not be accompanied by recessions in the fields in which National is now engaged, the consolidation of the business of the Corporation with that of National should minimize this risk, since a decline in sales to the automotive industry alone would represent a relatively small reduction in the total sales of National.

4. National has had a record of excellent attainment in the business world which is attributable in considerable measure to its management. Such management should result in greater success and stability for the future.

5. National has continuously paid dividends since 1906. The Corporation has continuously paid dividends since the consolidation of Doehler Die Casting Co. into W. B. Jarvis Company effective January 1, 1945. Doehler Die Casting Co. (incorporated in 1908) had a record of paying dividends in each year since 1940 and W. B. Jarvis Company (incorporated in 1926) since 1936. The addition of the Corporation's earnings to National's earnings should result in higher sales and earnings of National, and continued dividends on the Common Stock of National may be expected.

The ratio of exchange (1.15 shares of Common Stock of National for 1 share of Common Stock of the Corporation) was arrived at by negotiation between representatives of the two companies following an offer by National, and represents the ratio most favorable to the stockholders of the Corporation which National would agree to. In addition to the statistical factors set forth below, such as relative market values, there were considered such factors as the investment qualities of the two stocks, including their respective market price to earnings ratios, and an estimate of future prospects of each company, bearing in mind the nature of their businesses and the type of management now available to each.

BUSINESS AND PROPERTIES OF THE CORPORATION

The business of the Corporation consists primarily of the manufacture (including finishing) of die castings in zinc, aluminum, magnesium and copper alloys. The products range in size and character from small simple pieces to large castings of the most intricate form. The outlet for its products includes the following industries: automotive, electrical appliances, office and home appliances, radio, washing machine, hardware, vacuum cleaner, and other industries requiring parts for mechanical devices. In 1951 approximately 10%, and in the first nine months of 1952 approximately 21%, of the volume of the Corporation was derived from national defense work. The Corporation has nine plants located in five cities: Toledo, Ohio (2), Grand Rapids, Michigan (2), Pottstown, Pa. (2), Batavia, New York (2), and Chicago, Illinois (1).

BUSINESS OF NATIONAL LEAD COMPANY

(Information relating to National set forth under this heading and elsewhere herein has been furnished to the Corporation by National.)

National Lead Company (including its subsidiaries) is primarily a manufacturer and fabricator of paints, pigments, oils, lead products, bearings, oil well drilling materials, and special metals.

Products

National Lead Company makes and sells over 200 individual products, most of which are set forth below under the caption Principal Properties of National Lead Company and Subsidiaries. Among the more important lines of its products are the following:

Paints. "Dutch Boy" paints and paint materials are among the best-known in the country, with a record of consistent national advertising under that trade name for over 46 years.

Pigments. The last two decades have seen a remarkable growth in the production and use of titanium pigments. These pigments are used extensively in the production of paints and enamels, as well as in plastics, paper, ceramics, floor coverings and rubber goods. National has also continued to produce and sell pigments such as white lead and lead oxides, while developing entirely new materials which are now being successfully marketed—largely to paint manufacturers.

Oils. Linseed oil and castor oil are produced in substantial quantities through partly owned subsidiaries. These and other special purpose oils are sold mainly to paint manufacturers and to painters, but research is bringing out new uses which are being exploited with promising results.

Lead Products. National has had long experience in fabricating lead and its alloys. Such products go into residential and industrial buildings, chemical and textile installations, and automobile and electronics work. National also is an important supplier of storage battery plate metal, and is one of the oldest producers of metal for the printing trade.

Bearings. National processes railway journal bearings for many railroads. Diesel engine bearings and metals for special-purpose bearings are also produced.

Oil well drilling materials. Modern drilling for oil requires the use of weighting material for efficient operation. National mines and markets barytes, bentonite and related materials for this purpose and furnishes technical service to insure their proper use. In the recent past, other applications for these products have been developed and are showing promise.

Special metals. Titanium in its metallic form is produced by a 50%-owned subsidiary which operates the first fully-integrated commercial plant for the purpose in the world. This plant is expected shortly to reach an output of ten tons a day of the metal which is in extraordinarily keen demand from the aircraft industry and others which require light weight, great strength, and high heat-resistance. Zirconium, with exceptional corrosion resistance, is another bright-future metal produced by National. Antimony is mined in Mexico and smelted in Texas. A relatively small part of National's lead requirements comes from its two mines in Missouri. One of these mines also produces cobalt and nickel which are about to be extracted by a new process. National, through a majority-owned subsidiary, is operating the Nicaro, Cuba, mine and reduction plant for the production of nickel, under contract with the General Services Administration of the United States Government.

The relative amount of business done by National in its major categories is approximately 50% for paints and pigments, 30% for fabricated metal products, 11% for bearings, 7% for oil well drilling materials, and 2% for miscellaneous products.

Distribution

Paints are sold principally through dealers to the public; most other products are sold direct to manufacturers. Customers include the chemical, construction and maintenance, steel, petroleum, railroad, plastics, printing, automotive, paint, and electronics industries. Because of the large number of separate products produced by National and going to various industries and other uses, a setback in any one particular industry (unless part of a general business and industrial recession) would not seriously affect National's earnings. The sale of any one product of National to any one industry would account for not more than an estimated 15% of total sales.

Raw Materials

Raw materials are to a great extent bought from primary producers. Noteworthy exceptions are ilmenite (source of titanium pigments and metal) which National mines at its properties in the United States and Norway; oil well drilling materials, mined in the United States; and a portion of its lead requirements, reclaimed from scrap metal. National is not dependent to any substantial degree on foreign sources for its raw materials.

Plants and Physical Properties of National Lead Company and its Subsidiaries

National Lead Company and its domestic subsidiary companies own or lease and operate a large number of manufacturing plants, mining properties and retail paint stores in widely separated locations in the United States. Other subsidiary companies own and operate manufacturing plants and mining properties in Canada, Mexico, Argentina, England, Norway and Germany. The properties are located in or near principal cities and have, in general, been kept and maintained in good condition.

A schedule of principal properties owned and/or operated by National and its subsidiary companies follows.

PRINCIPAL PROPERTIES OF NATIONAL LEAD COMPANY AND SUBSIDIARIES

Note		Location	Products and Business
(1)	Brooklyn, N. Y.	85 Jay Street	Oxides of lead
	Brooklyn, N. Y.	105 York Street	General research laboratories
(1)	Perth Amboy, N. J.	231 State Street	Lead alloys, cast lead, white lead, lead pipe, mixed paints, smelter, refinery
	Sayville, L. I.		Paint testing grounds
(1)	Philadelphia, Pa.	2607 East Cumberland Street	White lead, lead oxides, lead products, lead chemicals, color pigments
(1)	Baltimore, Md.	214 West Henrietta Street	Lead pipe, sheet lead
(1)	Buffalo, N. Y.	116 Oak Street	Lead pipe
(1)	Cincinnati, Ohio	659 Freeman Avenue	Lead pipe, lead alloys
(1)	Atlanta, Ga.	East and Bishop Streets	Oxides of lead, lead pipe, sheet lead, cast lead
(1)	Cleveland, Ohio	1786 Columbus Road	Lead pipe, sheet lead, cast lead
(1)	Pittsburgh, Pa.	1376 River Avenue	Lead pipe, sheet lead, lead alloys
(1)	St. Louis, Mo.	5548 Manchester Avenue	White lead, lead oxides
(1)	St. Louis, Mo.	Mississippi River and River des Peres	Barium sulphate and calcium carbonate products
(2)	Genevieve County, Mo.		Barytes mine
(1)	Granite City, Ill.	16th and "C" Streets	Lead pipe, sheet lead, cast lead, smelter
(1)	Granite City, Ill.	15th and State Streets	Steel package plant
	Kansas City, Mo.	1406 West 13th Street	Warehouse
	St. Paul, Minn.	102 West Fairfield Avenue	Warehouse
(1)	St. Louis Park, Minn.	Hampshire Street and Highway 7	Lead alloys, lead products, refinery
(1)	Omaha, Neb.	2810 "A" Street	Lead alloys, lead products
(1)	Dallas, Tex.	959 Terminal Street	Lead alloys, lead products
(1)	Dallas, Tex.	Morrell Street and M.K.T. Tracks	Oxides of lead, smelter
(1)	Charleston, W. Va.		Oxides of lead, lead silicates
(1)	Chicago, Ill.	900 West 18th Street	Lead pipe, lead alloys
(1)	Chicago, Ill.	12042 South Peoria Street	White lead, lead oxides, mixed paints
(1)	Chicago, Ill.	2639 West Lexington Street	Lead pipe, sheet lead, lead products
(1)	Detroit, Mich.	3501 Griffin Street	Kirksite dies
(1)	Indianapolis, Ind.	1600 East 21st Street	Smelter and refinery, secondary metals
(2)	Fredericktown, Mo.		Mine and concentrator mill for lead bearing ores
(2)	Baxter Springs, Kan.		Mine and concentrator mill for lead and zinc bearing ores
(2)	Potosi, Mo.	Fountain Farm	Barytes ore bins, ore crusher and concentrator
(2)	Malvern, Ark.	Magnet Cove	Barytes ore crusher, concentrator and flotation mill
(2)	Houston, Tex.	2510 Crockett Street	Chemical thinners for oil well drilling muds
(2)	Merced, Cal.		Barytes and bentonite clay mill
(2)	Osage, Wyo.	Clay Spur	Mine and mill, bentonite clay
(2)	El Portal, Cal.		Mine and mill, barytes
(2)	Colony, Wyo.	Colony Plant	Mine and mill, bentonite clay
(2)	Hector, Cal.		Mine,bentonite clay
(1)	Los Angeles, Cal.	3113 East 26th Street	Mixed paints
(1)	San Francisco, Cal.	2240 24th Street	Mixed paints
(1)	San Francisco, Cal.	Army and DeHaro Street	Varnish and lacquers
(1)	Oakland, Cal.	4701 San Leandro Street	White lead, lead oxides
(1)	Seattle, Wash.	1128 W. Spokane Street	Mixed paints
	Seattle, Wash.	114 Westlake, North	Warehouse
	Spokane, Wash.	N. 908 Howard Street	Warehouse
	Cal., Ore., Wash., Idaho, Ariz., Colo., Utah	Forty-nine locations	Retail stores for paint and paint products
(1)	Laredo, Tex.		Smelter and refinery, antimony oxides and metallic antimony
(2)	Tahawus, N. Y.	Essex County	Mine, ilmenite ore
(1)	Sayreville, N. J.	Foot of Chevalier Avenue	Titanium oxide pigments
(1)	St. Louis, Mo.	Mississippi River and River des Peres	Titanium oxide pigments
(1)	Niagara Falls, N. Y.	Lafayette Avenue and Hyde Park Boulevard	Ceramic materials and metallurgical alloys
(1)	Ellwood City, Pa.	Early Street	Steel alloy valves

NOTE:
(1)—Manufacturing plants.
(2)—Mines and Mills.

Note		Location	Products and Business
(1)	Albany, N. Y.	1120 Central Avenue	Railway journal bearings and castings
(1)	Depew, N. Y.	Ellicott Road	Railway journal bearings and castings
(1)	Cincinnati, Ohio	1029 West 7th Street	Railway journal bearings and castings
(1)	Waynesboro, Pa.	7th and Ringgold Streets	Railway journal bearings and castings
(1)	Atlanta, Ga.	1090 Pryor Street, S. W.	Railway journal bearings and castings
(1)	Houston, Tex.	1417 Hardy Street	Railway journal bearings and castings
(1)	Ft. Worth, Tex.	101 New York Avenue	Railway journal bearings and castings
(1)	Topeka, Kan.	Adams Street and Santa Fe Yards	Railway journal bearings and castings
(1)	Chicago, Ill.	2234 West 43rd Street	Railway journal bearings and castings
(1)	St. Louis, Mo.	4153 Clayton Avenue	Railway journal bearings and castings
(1)	Kansas City, Mo.	1711 Cherry Street	Railway journal bearings and castings
(1)	Milwaukee, Wis.	4901 West State Street	Railway journal bearings and castings
(1)	Denver, Colo.	2945 Blake Street	Railway journal bearings and castings
(1)	Los Angeles, Cal.	6135 District Boulevard	Railway journal bearings and castings
(1)	Portland, Ore.	3074 N. W. Helen's Road	Railway journal bearings and castings
(1)	Fitchburg, Mass.	133 Water Street	Railway journal bearings and castings, screen plates and valves
(1)	Cincinnati, Ohio	533 Reading Road	Foundry and machine shop, locomotive equipment
(1)	Indianapolis, Ind.	429 South Harding Street	Precision bearings
(1)	St. Louis, Mo.	4501 Fyler Avenue	Precision bearings
		NATIONAL LEAD COMPANY OF MASSACHUSETTS	
(1)	Boston, Mass.	800 Albany Street	Lead pipe, sheet lead, lead alloys
		THE CHAS. TAYLOR SONS COMPANY	
(1)	Cincinnati, Ohio	706-710 Burns Street	Refractories
(1)	Taylor, Kentucky	South Shore	Refractories
		BAKER CASTOR OIL COMPANY	
(1)	Bayonne, N. J.	40 Avenue A	Manufacture castor oil and derivatives
(1)	Jersey City, N. J.	Bay and Washington Streets	Manufacture castor oil and derivatives
(1)	Los Angeles, Cal.	5585 East 61st Street	Manufacture castor oil and derivatives
		PIERCE OIL PRODUCTS CORPORATION	
(1)	East Rochester, N. Y.		Processing of vegetable oils
		MASTER METALS, INCORPORATED	
(1)	Cleveland, Ohio	2850 West Third Street	Smelter and refinery, secondary metals
		MORRIS P. KIRK & SON, INC.	
(1)	Los Angeles, Cal.	2717 South Indiana Street	Lead oxides, metallic lead products
(1)	Portland, Ore.	5909 N. W. 61st Avenue	Smelter and refinery, secondary metals
(1)	Salt Lake City, Utah	977 South Sixth West Street	Smelter and refinery, secondary metals
	Emeryville, Cal.	4050 Horton Street	Warehouse
		CANADA METAL COMPANY, LTD.	
(1)	Montreal, Quebec, Can.	6265 Notre Dame Street East	Metallic lead products
(1)	Toronto, Ontario, Can.	Berkshire and Eastern Avenue	Lead oxides, metallic lead products
(1)	Vancouver, B. C., Can.	1428 Granville Street	Metallic lead products
(1)	Winnipeg, Manitoba, Can.	301 Chambers Street	Metallic lead products
		GREAT WESTERN SMELTING CO. LTD.	
(1)	Vancouver, B. C., Can.	310 Prior Street	Metallic lead products
		NATIONAL LEAD COMPANY, S.A.	
(1)	Buenos Aires, Argentina	Villa Lugano	Smelter primary lead, metallic lead products
		MINNESOTA LINSEED OIL COMPANY	
(1)	Fridley, Minn.		Linseed oil
(2)	Mexico	CIA EXPLOTADORA DE MINERALES DE MEXICO, S.A., Wadley, S.L.P.	Antimony mines
(2)	Mexico	CIA MINERA Y REFINADORA MEXICANA, S.A., Wadley, S.L.P.	Antimony mines
		COMPANIA MINERA DE OAXACA, S.A.	
(2)	Mexico	Los Tejocates, Oax.	Antimony mines
		TITAN COMPANY A/S AND SUBSIDIARIES	
(1)(2)	Norway (various locations)		Mine ilmenite ore, manufacture mixed paints
		HOYT METAL COMPANY OF GREAT BRITAIN, LTD.	
(1)	England		Metallic lead products
		TITANGESELLSCHAFT m.b.H	
(1)	Germany		Titanium oxide pigments

NOTE:
(1)—Manufacturing plants.
(2)—Mines and Mills.

SELECTED COMPARISONS BETWEEN THE CORPORATION AND NATIONAL

Market Prices of the Common Stocks of the Corporation and of National

The high and low sales prices of the Common Stock of the Corporation and of National, as quoted on the New York Stock Exchange, for each quarterly period within the past two years, were as follows:

	Doehler-Jarvis Corporation Common Stock		National Lead Company Common Stock*		National Lead Company Common Stock (x 1.15)*	
	Low	High	Low	High	Low	High
1952 4th Quarter	27	35	27½	32¼	31.63	37.09
3rd Quarter	27	35⅝	28¾	32½	33.06	37.38
2nd Quarter	31⅝	34¾	25¾	32⅜	29.61	37.23
1st Quarter	31¾	36¾	27⅜	33	31.48	37.95
1951 4th Quarter	33½	38	27½	33½	31.63	38.53
3rd Quarter	31¾	38⅞	25	32⁵⁄₁₂	28.75	37.28
2nd Quarter	30½	35⅜	22⅔	28½	26.07	32.78
1st Quarter	30½	35½	21⅔	25½	24.92	29.33

* Adjusted for 3 for 1 stock split in October, 1951.

The closing market prices of the Common Stock of each company on December 29, 1952, were as follows:

Doehler-Jarvis Corporation Common Stock (1 share)	National Lead Company Common Stock (x 1.15)
$33.50	$36.51

Comparative Book Values

The book value per share of the Common Stocks of the two companies on June 30, 1952 (unaudited) was as follows: the Corporation (1 share), $33.22; National (1 share x 1.15), $15.70 (including $2.34 of intangible assets).

1952 Dividends

Dividends declared for the full year 1952 were as follows: the Corporation, $1.75 per share; National, $1.45 per share (equivalent to $1.67 per 1.15 shares of National's Common Stock).

Comparative Earnings and Dividends—January 1, 1945-June 30, 1952

Summaries of Earnings of the Corporation and of National, including earnings per share and dividends per share, appear on the two following pages. The period selected for such Summaries commences on January 1, 1945, the effective date of the consolidation of Doehler Die Casting Co. and W. B. Jarvis Company. Upon such consolidation each share of Common Stock of Doehler Die Casting Co. became two and one-half shares of Common Stock of Doehler-Jarvis Corporation.

DOEHLER-JARVIS CORPORATION

SUMMARY OF EARNINGS(5)

	000 Omitted								
	6 Months(1)		Year						
	1952	1951	1951	1950	1949	1948	1947	1946	1945
Sales	$39,873	$48,092	$85,862	$83,307	$65,020	$76,990	$64,359	$44,167	$39,331
Cost of Sales, and other expenses	37,959	39,997	75,063	71,192	58,361	63,477	51,901	36,520	34,792(4)
Operating Profit	1,914	8,095	10,799	12,115	6,659	13,513	12,458	7,647	4,539
Other Income	56	55	135	94	94	85	78	69	57
	1,970	8,150	10,934	12,209	6,753	13,598	12,536	7,716	4,596
Interest Expense	2	—	22	—	3	48	—	—	16
	1,968	8,150	10,912	12,209	6,750	13,550	12,536	7,716	4,580
Special Charges	—	—	—	—	—	—	—	255(3)	420(3)
Income before Taxes	1,968	8,150	10,912	12,209	6,750	13,550	12,536	7,461	4,160
Federal Taxes on Income	884	4,721	5,700	5,490	2,525	5,250	4,800	2,675	2,724
Net Income	$ 1,084	$ 3,429	$ 5,212	$ 6,719	$ 4,225	$ 8,300	$ 7,736	$ 4,786	$ 1,436(2)
Earnings per share (on shares outstanding at end of each year)	$1.02	$3.21	$4.88	$6.29	$3.96	$7.96	$7.42	$4.59	$1.38
Dividends paid	1.00	1.00	2.50	2.50	2.50	2.50	1.62½	1.00	1.00

(1) In the opinion of the corporation all known adjustments necessary to a fair statement of income for the six months ended June 30, 1952 and June 30, 1951 have been included.

(2) The amount of net profit for the year 1945 has been changed from that previously reported in the corporation's annual report to shareholders and to the Securities and Exchange Commission to reflect (1) accelerated amortization of emergency facilities, and (2) adjustment of the provision for renegotiation. Such changes reduced the net profit $122,000.

(3) Special charges represent amounts of reductions in taxes resulting from charging reconversion costs to a reserve provided in prior years. The amount of such charges to the reserve (after credit for taxes) was $169,482 in 1945 and $397,118 in 1946.

(4) Includes accelerated amortization of $520,092 applicable to the year 1945. The balance of accelerated amortization, $856,066, after deducting a credit for taxes of $735,327 was charged to the reserve for contingencies.

(5) Reference is made to the Notes to Financial Statements for the years 1949, 1950 and 1951 and for the six months ended June 30, 1952, as shown on pages 45 and 46.

NATIONAL LEAD COMPANY AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

SUMMARY OF EARNINGS

000 Omitted

	6 Months(1)		Year						
	1952	1951	1951	1950	1949	1948	1947	1946	1945
Sales	$176,185	$204,891	$389,941	$342,728	$257,462	$320,457	$268,026	$167,447	$167,563
Cost of Sales, and other expenses	153,603	173,031	332,777	291,866	236,886	295,256	246,950	152,857	157,225
Operating Profit	22,582	31,860	57,164	50,862	20,576	25,201	21,076	14,590	10,338
Other Income	1,162	850	4,071	3,815	2,030	1,912	2,828	2,504	1,192
	23,744	32,710	61,235	54,677	22,606	27,113	23,904	17,094	11,530
Other Charges	11	65	1,627	120	1,414	506	—	381	312
Income before Taxes	23,733	32,645	59,608	54,557	21,192	26,607	23,904	16,713	11,218
Federal Taxes on Income	12,659	19,684	36,614	28,067	6,443	13,302	11,724	7,036	4,680
Net Income	11,074	12,961	22,994	26,490	14,749	13,305	12,180	9,677	6,538
Dividends paid on preferred stock	1,090	1,067	2,158	2,134	2,134	2,086	2,059	2,059	2,059
Income applicable to common stock	$ 9,984	$ 11,894	$ 20,836	$ 24,356(4)	$12,615	$ 11,219	$ 10,121	$ 7,618	$ 4,479
Earnings per share of common stock(2)	$ .98	$1.17	$2.05	$2.41	$1.29	$1.21	$1.09	$.82	$.48
Earnings per 1.15 shares of common stock(2)	1.13	1.35	2.36	2.77	1.48	1.39	1.25	.94	.55
Dividends paid per share of common stock(2)	.50	.41⅔	1.41⅔	1.33⅓	.75	.41⅔(3)	.66⅔	.50	.33½
Dividends paid per 1.15 shares of common stock(2)	.57½	.48	1.63	1.53⅓	.86¼	.48(3)	.76⅔	.57½	.38½

(1) In the opinion of the company all known adjustments necessary to a fair statement of income for the six months ended June 30, 1952 and June 30, 1951 have been included.

(2) Based on present Capitalization.

(3) Plus 5% stock dividend.

(4) 1950 does not include $475,000 special income item, less applicable federal taxes, incident to adoption of "last-in, first-out" inventory method.

(5) For the years 1949, 1950, 1951 and the six months ended June 30, 1952, reference is made to Notes to Consolidated Financial Statements included in Exhibit I.

(6) The equity of National Lead Company and its consolidated subsidiaries in net income of the major unconsolidated subsidiaries (other than Continental European) as a group, and the cash dividends received from this group of subsidiaries and included in consolidated income, are as follows:

000 Omitted

	Six Months								
	1952	1951	1951	1950	1949	1948	1947	1946	1945
Equity in net income	(not available)		$3,436	$2,450	$ 27	$1,818	$2,880	$1,473	$710
Cash dividends received	$382	$221	2,365	2,596	879	292*	1,997	1,154	39

* Excludes $154,000 paid by a Mexican subsidiary from surplus at date of acquisition by National Lead Company which was credited to National Lead Company's investment account.

NL 000040651

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

PRO-FORMA STATEMENT OF INCOME

After Giving Effect to Acquisition of Doehler-Jarvis Corporation

(Assuming the issuance of 1.15 shares of National Common Stock for each outstanding share of Common Stock of Doehler except for Doehler shares held by National)

	1951	Six Months Ended June 30, 1952†
SALES, LESS RETURNS AND ALLOWANCES	$475,803,076	$216,058,736
COST OF SALES	359,159,986	191,563,421*
GROSS PROFIT	116,643,090	—
SHIPPING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	48,671,043	—
	67,972,047	24,495,315
OTHER INCOME:		
Dividends:		
Securities of unconsolidated subsidiaries	2,364,733	430,560
Marketable securities	49,332	9,193
Other security investments	390,691	380,468
Interest	586,753	269,241
Investment reserves no longer required	640,495	—
Royalties and rent	22,085	12,481
Miscellaneous	31,667	48,936
	72,057,803	25,646,194
OTHER DEDUCTIONS:		
Additions to reserves:		
Investments in and advances to unconsolidated foreign subsidiaries	42,945	—
Inventory, net	1,345,147	—
Excess of cost of subsidiaries stock acquired during year over book amounts of net assets thereof at dates of acquisition	201,098	—
Net loss on sales and other retirements of fixed assets	35,834	—
Interest expense	22,423	1,804
Miscellaneous	60,149	10,761
	1,707,596	12,565
	70,350,207	25,633,629
PROVISION FOR FEDERAL TAXES ON INCOME (Note 1)	42,313,823	13,542,730
NET INCOME FOR THE PERIOD	$ 28,036,384	$ 12,090,899
EARNINGS PER SHARE (after providing for Preferred Stock Dividends) ON 11,308,452 SHARES	2.29	.97

† In the opinions of the companies all known adjustments necessary to a fair statement of income for the six months ended June 30, 1952 have been included.

* Includes shipping, selling, general and administrative expenses, the segregation of which is not practicable for inclusion in June 30, 1952 reports.

(1) The provisions for Federal taxes on income represent the totals of the amounts shown by the statements of National Lead Company (and its wholly owned domestic subsidiaries) and Doehler-Jarvis Corporation. It is impractical to attempt a determination at this time of the amount of tax which would have been applicable to the combined operations if a consolidation of the companies had been effected at January 1, 1951.

INTERESTS OF DIRECTORS AND OFFICERS OF THE CORPORATION

No director or officer of the Corporation and no associate (as that term is used in Regulation X-14 of the Securities and Exchange Commission) of any director or officer has any interest directly or indirectly in any matter to be acted upon at the meeting except in so far as the ownership by such person of securities of the Corporation might be deemed to create an interest and except that he may become a director, officer or employee of National and except as hereinafter noted. Although National has not entered into any agreement with, or otherwise committed itself to, any such officer, director (other than Mr. Martino) or employee regarding continued employment by National or service as a director, officer or employee of National, it is contemplated that officers and employees of the Corporation will continue in the employment of the Doehler-Jarvis division of National and it is a custom of National to have the heads of its major divisions serve as directors and vice presidents of National so that in the normal course of events it is contemplated that Mr. Koegler, President of the Corporation, will become a vice president and director of National. No salaries have as yet been agreed upon.

The amount of securities of the Corporation and of National beneficially owned directly or indirectly as of December 8, 1952 by the officers and directors of the Corporation, as furnished by them, is as follows:

	Shares Held as of December 8, 1952			
	Corporation	National		
Name and Position	Common Stock	7% Cumulative Class A Preferred Stock	6% Cumulative Class B Preferred Stock	Common Stock
Herman H. Doehler .... Honorary Chairman of the Board and Director	1,000	-0-	-0-	-0-
Lewis A. Jarvis .... Chairman of the Board and Director (1)	10,100	-0-	-0-	-0-
Frank J. Koegler .... President and Director (2)	1,700	-0-	-0-	-0-
Charles Pack .... Vice President and Director	100	-0-	-0-	-0-
Ernest R. Zabriskie .... Vice President and Director	2,100	-0-	-0-	-0-
Lemuel R. Boulware .... Director (3)	2,500	-0-	-0-	-0-
Arthur P. Caldwell, Jr. .... Director (4)	100	-0-	-0-	-0-
Paul H. Davis .... Director (5)	450	-0-	-0-	-0-
James Gerity, Jr. .... Director (6)	-0-	-0-	-0-	-0-
Joseph A. Martino .... Director of the Corporation and President and Director of National Lead Company (7)	100	-0-	-0-	29,823
Harold A. Nehrbas .... Director	100	-0-	-0-	-0-

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Name and Position	Corporation Common Stock	National 7% Cumulative Class A Preferred Stock	National 6% Cumulative Class B Preferred Stock	National Common Stock
	Shares Held as of December 8, 1952			
Jansen Noyes, Director (8)	2,000	-0-	-0-	-0-
Arthur W. Wakeley, Director (9)	500	-0-	-0-	-0-
W. G. Gutmueller, Vice President (10)	-0-	-0-	-0-	-0-
A. G. Gutmueller, Vice President (11)	-0-	-0-	-0-	-0-
R. H. Kitzman, Vice President	-0-	-0-	-0-	-0-
H. W. Bartholomew, Vice President	397	-0-	-0-	-0-
R. Bernhard, Controller	15	-0-	-0-	-0-
G. M. Bendiksen, Treasurer	-0-	-0-	-0-	-0-
H. L. Samuels, Secretary	110	-0-	-0-	-0-

(1) In addition, Mr. Jarvis is a trustee of a trust which owns 250 shares of Common Stock of the Corporation and 600 shares of Common Stock of National and Mr. Jarvis holds of record but not beneficially an additional 62 shares of Common Stock of the Corporation.

(2) Mrs. Koegler owns 500 shares of Common Stock of the Corporation.

(3) Mrs. Boulware owns 1,300 shares of Common Stock of the Corporation.

(4) It is contemplated that Chemical Bank & Trust Company, of which Mr. Caldwell is a Vice President, will act as Depositary and Distributing Agent under the Agreement. The Bank has in the ordinary course of business served as transfer agent for the Corporation and as trustee under retirement and pension plans, and the Corporation, as well as National Lead Company, has maintained bank accounts with it.

(5) In addition, 500 shares of Common Stock of the Corporation were held in a trust from which Mr. Davis is entitled to the net income pursuant to the terms of a certain trust indenture. Mr. Davis disclaims beneficial ownership of said stock. Mrs. Davis owns 300 shares of Common Stock of the Corporation.

(6) Gerity-Michigan Corporation, of which Mr. Gerity is President, beneficially owns 25,000 shares of Common Stock of the Corporation.

(7) National Lead Company, of which Mr. Martino is President, beneficially owns 67,575 shares of Common Stock of the Corporation. National Lead Company is a party to the above mentioned Agreement and Plan of Reorganization. Mr. Martino's wife, daughter and son each owns 200 shares of National's Common Stock.

(8) In addition, 100 shares of Common Stock of the Corporation are owned by a trust of which Mr. Noyes is one of two trustees. Mrs. Noyes owns 1,700 shares of Common Stock of the Corporation.

(9) Mrs. Wakeley owns 400 shares of Common Stock of the Corporation.

(10) Mrs. W. G. Gutmueller owns 2,000 shares of Common Stock of the Corporation.

(11) Mrs. A. G. Gutmueller owns 200 shares of Common Stock of the Corporation.

CERTAIN INFORMATION RELATING TO DIRECTORS OF NATIONAL

Directors	Shares of Stock of National Beneficially Owned Directly or Indirectly—Dec. 1, 1952: Class A Pfd.	Class B Pfd.	Common
Leonard T. Beale, Chairman of the Board of Pennsylvania Salt Manufacturing Co.	20	—	1,857
William V. Burley, Vice President	—	—	19,130
Alfred H. Drewes, Vice President	—	—	8,230
Joseph A. Martino, President	—	—	29,823
David A. Merson, Vice President	—	—	17,730
George L. Ratcliffe, Vice President	—	—	11,330
Joseph H. Reid, Vice President	—	—	18,630
Winthrop Sargent, Jr. (Retired)	—	171	6,936
James A. Taylor, President of The Canada Metal Co. Limited (a subsidiary of National)	—	—	18,030
Herman T. Warshow, Vice President	—	—	16,930
William J. Welch, Manager, Metal Department	—	—	4,530
Harry C. Wildner, Vice President	—	—	19,341

Remuneration

The following table gives the names of the Directors of National in 1951, including the three highest paid officers, whose aggregate remuneration from National and its subsidiaries for 1951 was in excess of $25,000, exclusive of pension, retirement and similar payments. Column A shows the names of the individuals, and the capacities in which remuneration was received; Column B, the fees, salaries and commissions received by each of such individuals; Column C, the bonuses and shares in profits paid to or set aside for each; Column D, the amount of National's portion of the premiums paid in 1951, supplementing the amounts paid by the below-named individuals themselves, under National's Retirement Annuity and Life Insurance Plan:

A	B	C	D
William V. Burley, Vice President; General Manager, Magnus Metal Division	$ 91,250.00	$ 13,687.50	$ 11,582.05*
Walter P. Carroll, former Vice President (Deceased)	56,289.09	—	7,769.83*
Alfred H. Drewes, Vice President	71,291.65	9,568.75	2,563.02
Joseph A. Martino, President	187,500.00	28,125.00	16,461.91
David A. Merson, Vice President; Sales Manager, Paints, Oils and Pigments	91,250.00	13,687.50	7,797.17
George L. Ratcliffe, General Manager, Baroid Sales Division	35,000.00	61,343.08†	15,516.16*
Joseph H. Reid, Vice President; Manager, Titanium Division	91,250.00	13,687.50	6,707.00
Winthrop Sargent, Jr., General Manager, Titanium Alloy Manufacturing Division	37,828.32	5,674.25	2,586.98
Charles Simon, former Treasurer (Retired)	58,708.26	—	10,381.95
James A. Taylor, President, The Canada Metal Co. Limited	9,000.00	56,657.51†	7,955.62
Herman T. Warshow, Vice President	98,750.00	14,812.50	10,965.60*
Harry C. Wildner, Vice President	91,250.00	13,687.50	9,913.50*
All persons as a group who were directors or officers during 1951	1,001,408.98	241,962.34	114,609.46

* During 1951, National, in order to provide for the discharge of its obligations with respect to the below-named Directors under the Plan of Past Service and Minimum Pensions, purchased annuities for said Directors at the costs indicated opposite their respective names: William V. Burley—$14,437.29; Walter P. Carroll—$25,490.54; George L. Ratcliffe—$13,908.40; Herman T. Warshow—$25,409.69; Harry C. Wildner—$7,463.26.

† Contract of Employment provides for profit-sharing arrangement.
Amounts paid to and for Mr. James A. Taylor are in Canadian Dollars.

COMPARATIVE TERMS OF COMMON STOCKS

The following is a brief comparison of the rights of the holders of Common Stock of the two companies (and does not include any comparison of rights under statutes or other law of the respective states of incorporation):

Preferences and Priorities

The Corporation has only one class of stock, i.e. its Common Stock. National has authorized 250,000 shares of 7% Class "A" Preferred Stock (par value $100 per share) of which 234,293 shares are issued and outstanding (exclusive of 9,383 shares held in its treasury), 250,000 shares of 6% Class "B" Preferred Stock (par value $100 per share), of which 90,185 shares are issued and outstanding (exclusive of 13,092 shares held in its treasury), and 20,000,000 shares of Common Stock (par value $5 per share), of which 10,158,375 shares are issued and outstanding. Dividends on both classes of such Preferred Stock are cumulative, and full cumulative dividends on such Preferred Stock must be paid before dividends may be paid on National's Common Stock. Shares of neither class of such Preferred Stock are redeemable. On liquidation, dissolution or winding up, each share of either class is entitled to be paid its par value plus all unpaid cumulative dividends in priority to National's Common Stock. Except as otherwise provided by law, each share of Preferred Stock of National, of each class, is entitled to 30 votes and the Common Stock of National is entitled to one vote per share.

Election of Directors

The entire Board of Directors of the Corporation is elected annually by vote of the holders of its Common Stock and the by-laws of the Corporation (in accordance with the Michigan statutes) provide for cumulative voting. One third of the Board of Directors of National is elected each year for a term of three years by its Preferred and Common Stockholders, there being no provision for cumulative voting.

The Corporation believes that there are no other material differences in the rights of the holders of Common Stock of the two companies under their present charters and by-laws.

SHAREHOLDERS WHO DISSENT

In accordance with the provisions of Section 44 of the Michigan General Corporation Act, any holder of Common Stock who votes against the proposed sale of the assets of the Corporation may, within 20 days after the date of the Special Meeting at which the sale was authorized, but not thereafter, object thereto in writing and demand from the Corporation the payment of the fair cash value of his shares as of the day preceding the day of such Special Meeting, excluding from such fair cash value any appreciation or depreciation in consequence of the action authorized, and surrender at such time to the Corporation the certificate or certificates for his shares as to which he is demanding payment. If the Corporation and the shareholder cannot agree upon the fair cash value of the shares within 30 days after receipt of the demand by a shareholder, the Act provides for the appointment of appraisers whose determination, upon confirmation by court order, shall be final and conclusive.

The right of any dissenting shareholder to be paid the fair cash value of his shares shall cease if and when the Corporation shall, within six months after such demand for payment, abandon such action or the shareholders shall revoke such action. No demand for payment of such fair cash value may be withdrawn by the shareholder making the same unless a majority of the Board of Directors of the Corporation shall consent thereto. Any shareholder who so demands payment for his shares shall not be entitled to vote such shares or to receive any dividends or distributions thereon, or to exercise any rights respecting such shares, unless and until such action entitling such shareholder to payment shall be abandoned or a majority of the Board of Directors of the Corporation shall consent to the withdrawal of such demand.

Under Section 44 of the Michigan General Corporation Act, objection by any such shareholder pursuant thereto and his rights thereafter under said section shall be his exclusive remedy.

The outcome of the votes at the Special Meeting will be released to the press immediately, and thereafter a written notice thereof will be mailed to all shareholders, but the giving of such notice will not operate so as to affect or extend the statutory periods set forth above.

FINANCIAL STATEMENTS

There are attached as Exhibits 1 and 2 hereto certain financial statements of National and of the Corporation. All of said financial statements are part of this Proxy Statement and are incorporated herein by reference.

OTHER MATTERS

This Proxy Statement is furnished in connection with the solicitation by the management of Proxies to be used at the aforesaid Special Meeting and any adjournment thereof. If a Proxy in the accompanying form is executed and returned, it may, nevertheless, be revoked at any time prior to its exercise.

Shares represented by properly executed Proxies will be voted in accordance with the specifications, if any, made by the shareholder and if no specification is made will be voted in favor of the proposals.

The management does not know of any matter other than those referred to in the foregoing Notice of Special Meeting of Shareholders and Proxy Statement that may come before said meeting. If any other matter properly comes before the Special Meeting, however, the persons named in the accompanying form of Proxy intend to vote thereon in accordance with their best judgment.

EXPENSE OF SOLICITATION

The cost of solicitation of Proxies will be borne by the Corporation or, to the extent provided in the Agreement, by National. In addition to the use of mails, Proxies may be solicited personally, by telephone, or by telegraph, and the Corporation may pay persons holding stock for others their expenses for sending material to their principals. The Corporation has also retained Georgeson & Co. to assist in the solicitation of Proxies by the same methods by approximately 40 employees of said firm for limited periods. It is anticipated that said firm will receive a fee of $2,500 for such service, plus out-of-pocket expenses and disbursements estimated at $7,500.

By Order of the Board of Directors:

H. H. DOEHLER
Honorary Chairman

F. J. KOEGLER
President

January 2, 1953

Shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed Proxy and return it promptly in the enclosed envelope, which requires no postage if mailed in the United States. A prompt return of this Proxy will save the Corporation the expense of further communications.

AUDITORS' REPORT

To the stockholders of
NATIONAL LEAD COMPANY,
New York, N. Y.

We have examined the consolidated and individual balance sheets of NATIONAL LEAD COMPANY and its wholly owned domestic subsidiaries (other than one wholly owned domestic subsidiary) as of December 31, 1951 and the related statements of income and surplus for the years ended December 31, 1949, 1950 and 1951. Our examinations were 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. We have also examined or reviewed, or have received reports of other independent public accountants upon their examinations of, the balance sheets of the afore-mentioned wholly owned domestic subsidiary, the major domestic subsidiaries more than 50, but less than 100 per cent owned and the major foreign subsidiaries other than Continental European, as of the close of their respective 1951 fiscal years and the related statements of income and surplus for the respective 1949, 1950 and 1951 fiscal years.

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of other independent public accountants, the accompanying financial statements present fairly the consolidated financial position of National Lead Company and its wholly owned domestic subsidiaries at December 31, 1951 and the consolidated results of their operations for the years ended December 31, 1949, 1950 and 1951, and the combined financial position of National Lead Company's major domestic subsidiaries more than 50, but less than 100 per cent owned and major foreign subsidiaries (other than Continental European) at the close of their respective 1951 fiscal years and the combined results of their operations for the respective 1949, 1950 and 1951 fiscal years, in conformity with generally accepted accounting principles applied on a consistent basis, except for the changes, which we approve, in the method of pricing inventories explained in Note 2 to the consolidated financial statements and Note 1 to the combined financial statements.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 6, 1952.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEETS
June 30, 1952
(Not Examined by Independent Certified Public Accountants)
December 31, 1951
(Examined by Independent Certified Public Accountants)

ASSETS:

	June 30, 1952		December 31, 1951	
CURRENT ASSETS:				
Cash		$ 21,357,536		$ 23,418,857
United States Government securities at cost (approximately equivalent to amounts at market quotations) (Note 1)		9,784,993		22,762,718
Other marketable securities, at cost, less reserves of: 1952, $109,181; 1951, $129,960 (at market quotations: 1952, $3,756,292; 1951, $3,129,564)		1,594,811		817,964
Notes receivable, trade	$ 81,810		$ 55,468	
Accounts receivable, trade	27,623,403		30,799,447	
Accounts and notes receivable, other	2,608,951		2,119,832	
	30,314,164		32,974,747	
Less, Reserves for losses	2,067,754	28,246,410	2,047,334	30,927,413
Inventories (Note 2)		59,505,764		55,404,739
Notes receivable from employees		299,579		302,519
Total current assets		120,789,093		133,634,210
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES (Note 3):				
Investments, at cost or below	11,947,753		11,504,976	
Advances	3,624,503		3,614,155	
	15,572,256		15,119,131	
Less, Reserves	4,724,152	10,848,104	4,776,385	10,342,746
MISCELLANEOUS INVESTMENTS AND ADVANCES, AT COST OR BELOW	1,804,124		1,806,529	
Less, Reserves	45,826	1,758,298	45,826	1,760,703
PLANT, PROPERTY AND EQUIPMENT, AT 1915 APPRAISED VALUES, SUBSEQUENT ADDITIONS AT COST (Note 4)	137,560,495		133,320,357	
Less, Reserves for depreciation, depletion and amortization	73,665,149	63,895,346	71,215,202	62,105,155
INTANGIBLES (Note 5)	20,769,088		20,770,904	
Less, Reserve for amortization	40,584	20,728,504	38,566	20,732,338
PREPAID EXPENSES, DEFERRED CHARGES, ETC.		2,456,692		1,740,516
		$220,476,037		$230,315,668

The accompanying notes are an integral part of the consolidated financial statements.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEETS

June 30, 1952
(Not Examined by Independent Certified Public Accountants)

December 31, 1951
(Examined by Independent Certified Public Accountants)

LIABILITIES:	June 30, 1952		December 31, 1951	
CURRENT LIABILITIES:				
Notes payable, miscellaneous		$ 564,297		$ 129,990
Accounts payable		13,094,899		13,773,217
Accrued liabilities:				
Taxes	$ 34,704,304		$ 50,283,364	
Other	4,588,062	39,292,366	1,498,103	51,781,467
Dividend payable August 1, 1952 and February 1, 1952 on Class B preferred stock		135,277		135,277
Due to unconsolidated subsidiaries		275,076		231,162
Total current liabilities		53,361,915		66,051,113
RESERVES:				
Pension (Note 6)	730,416		1,679,060	
Inventory (Note 2)	13,746,400	14,476,816	15,011,777	16,690,837
CAPITAL:				
CAPITAL STOCK (Notes 7 and 8):				
Preferred Class A, 7 pct cumulative, noncallable, $100 par value, shares authorized 250,000; issued and outstanding 243,676	24,367,600		24,367,600	
Preferred Class B, 6 pct cumulative, noncallable, $100 par value, shares authorized 250,000; issued and outstanding 103,277	10,327,700		10,327,700	
Common, $5 par value, shares authorized 20,000,000; issued and outstanding 10,158,375 (including shares issued under Stock Purchase Plan, Note 8)	50,791,875		50,791,875	
	85,487,175		85,487,175	
EARNED SURPLUS:				
Appropriated (Note 9):				
Fire insurance reserve	4,797,284		4,797,284	
Employer's liability reserve	426,664		426,664	
Contingencies reserve	4,080,358		4,080,358	
Unappropriated	65,181,822		60,276,950	
	$159,973,303		$155,068,431	
Less:				
Reacquired capital stock (Note 10)	$ 2,583,081		$ 2,583,081	
Employees' notes receivable under Stock Purchase Plan (Note 8)	4,752,916		4,911,632	
	$ 7,335,997	152,637,306	$ 7,494,713	147,573,718
		$220,476,037		$230,315,668

The accompanying notes are an integral part of the consolidated financial statements.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Six Months Ended June 30, 1952
(Not Examined by Independent Certified Public Accountants)

For the Years 1951, 1950 and 1949
(Examined by Independent Certified Public Accountants)

	Six Months Ended June 30, 1952†	1951	1950	1949
Sales, Less Returns and Allowances (Note 11)	$176,185,388	$389,941,313	$342,727,911	$257,461,599
Cost of Sales (Note 2)	153,603,633*	291,068,193	254,498,120	205,614,738
Gross Profit		98,873,120	88,229,791	51,846,861
Selling, General and Administrative Expenses		41,708,706	37,367,616	31,271,069
	22,581,755	57,164,414	50,862,175	20,575,792
Other Income:				
Dividends (Note 3):				
Securities of unconsolidated subsidiaries	430,560	2,364,733	2,694,206	1,035,234
Marketable securities	76,768	218,270	213,558	220,666
Other security investments	380,468	390,691	380,080	388,116
Group life insurance dividend				302,290
Interest	225,623	482,443	426,940	
Investment reserves no longer required		640,495		
Miscellaneous	48,936	31,667	100,840	83,690
	$ 23,744,110	$ 61,292,713	$ 54,677,799	$ 22,605,788
Other Deductions:				
Additions to reserves:				
Investments in and advances to unconsolidated foreign subsidiaries		$ 42,945	$ 120,000	$ 770,674
Inventory, net (Note 2)		1,345,147		
Pension reserve, to cover estimated additional past service requirements				216,387
Excess of cost of subsidiaries' stocks acquired during year over book amounts of net assets thereof at dates of acquisition		201,098		
Net loss on sales and other retirements of fixed assets		35,834		427,147
Miscellaneous	$ 10,761	60,149		
	$ 10,761	$ 1,685,173	$ 120,000	$ 1,414,208
	$ 23,733,349	$ 59,607,540	$ 54,557,799	$ 21,191,580
Provisions for Federal Taxes on Income (including excess profits taxes, $2,135,000 in 1952, $8,770,000 in 1951 and $4,245,000 in 1950) (Notes 2 and 12)	12,658,709	36,613,823	28,067,155	6,442,568
Net Income for the Period (Note 2)	$ 11,074,640	$ 22,993,717	$ 26,490,644	$ 14,749,012
Special Item:				
Adjustment of December 31, 1949 inventory ($766,276) less applicable federal taxes on income incident to adoption of "last-in, first-out" inventory valuation method (Note 2)			475,091	
Net Income and Special Item			$ 26,965,735	

† In the opinion of the company all known adjustments necessary to a fair statement of income for the six months ended June 30, 1952 have been included.

* Includes selling, general and administrative expenses the segregation of which is not practicable for inclusion in June 30, reports.

The accompanying notes are an integral part of the consolidated financial statements.
See accompanying schedule for distribution of supplementary profit and loss information.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED STATEMENTS OF EARNED SURPLUS UNAPPROPRIATED

For the Six Months Ended June 30, 1952
(Not Examined by Independent Certified Public Accountants)

For the Years 1951, 1950 and 1949
(Examined by Independent Certified Public Accountants)

	Six Months Ended June 30, 1952	1951	1950	1949
Balance at beginning of period	$60,276,950	$61,343,176	$49,942,543	$44,645,882
Add:				
Net income, per accompanying statement	11,074,640	22,993,717		14,749,012
Net income and special item, per accompanying statement			26,965,735	
	$71,351,590	$84,336,893	$76,908,278	$59,394,894
Deduct:				
Cash dividends declared:				
Preferred, Class A, $7 per share	$ 820,026	$ 1,640,051	$ 1,640,051	$ 1,640,051
Preferred, Class B, $6 per share	270,555	517,755	494,400	494,400
Common, $.50 per share in 1952, $1.41⅔ in 1951, $1.33⅓ in 1950 and $.75 in 1949 (adjusted to reflect the 1951 stock split)	5,079,187	14,381,756	13,430,651	7,317,900
	6,169,768	16,539,562	15,565,102	9,452,351
Transfer to common capital stock account in connection with reduction in par value and split of the common stock (Note 7)		7,520,381		
	$ 6,169,768	$24,059,943	$15,565,102	$ 9,452,351
Balance at end of period	$65,181,822	$60,276,950	$61,343,176	$49,942,543

The accompanying notes are an integral part of the consolidated financial statements.

Exhibit 1—(Continued)

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS
For the Years 1951, 1950 and 1949
(Examined by Independent Certified Public Accountants)

	1951	1950	1949
Balance at beginning of year	$8,102,965	$4,523,071	$4,523,071
Excess of aggregate subscription amount over aggregate par value of common stock issued under Stock Purchase Plan (Note 8)	1,082,488	3,579,894	
Excess of amount based on market quotation over cost of 7,785 shares of Preferred Class B treasury stock issued for capital stock of another company	224,791		
	9,410,244	8,102,965	
Transfer to common capital stock account in connection with reduction in par value and split of the common stock (Note 7)	9,410,244		
Balance at end of year	—	$8,102,965	$4,523,071

The accompanying notes are an integral part of the consolidated financial statements.

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NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. United States Government securities include cost amounts on deposit as follows:

	1952	1951
In connection with self-insurance of workmen's compensation risks, etc.	$1,010,262	$1,010,345
As collateral for bank loan of an unconsolidated subsidiary	750,259	750,275
	$1,760,521	$1,760,620

2. Inventories consist of metals and other raw materials on hand and in process, finished stocks, etc. (it is not practicable to state the classifications separately) the amounts of which enter into the computation of cost of sales; and materials and supplies; as follows:

	June 30, 1952	December 31, 1951	1950	1949	1948
Metals, etc.	$52,874,410	$48,478,172	$43,287,406	$40,977,094	$53,033,532
Materials and supplies	6,631,354	6,926,567	5,537,074	4,279,216	6,084,781
	$59,505,764	$55,404,739	$48,824,480	$45,256,310	$59,118,313

Inventories are priced at the lower of cost (on various "average", "first-in, first-out" or "last-in, first-out" bases) or market.

During 1950 the company adopted the Lifo method of pricing with respect to certain basic inventories. In accordance with income tax requirements inventories as of December 31, 1949 were increased by $1,399,178, with compensating credits to the normal stock reserve and to earned surplus. In these financial statements the last named credit is shown on the income statement as a special item.

As a result of the adoption of the Lifo method, income for 1950 before provision for federal taxes on income was $2,317,496 less, provision for federal taxes on income was $3,843,948 less, and net income was $1,526,452 more than would otherwise have been the case.

The inventory reserve has been maintained on the basis of the following quantities and prices of normal stocks:

	Normal Quantities (Short Tons)	Fixed Inventory Price per Pound
Lead	49,687½	$ .03
Tin	1,124½	.21
Antimony	1,400	.05
Linseed oil	3,125	.06

A charge of $507,745 was made to income for 1949 in connection with an increase in the normal quantity of antimony and a credit of $430,000 was made to income for 1951 in connection with the elimination of the normal quantity of flaxseed.

Physical quantities of certain metals were lower at the end than at the beginning of 1951. A provision of $1,775,147, representing the difference between year-end market prices and cost (determined under the last-in, first-out method), for replacement of such quantities is included in the inventory reserve at December 31, 1951. Partial replacement was made during the six months ended June 30, 1952.

The inventory reserves include, in addition to the normal stock reserves, general inventory reserves of $800,000 at both June 30, 1952 and December 31, 1951. There were no changes in the general inventory reserves during the periods covered by these financial statements.

Intercompany profits in inventories are not considered to be material in amount.

3. Unconsolidated subsidiaries comprise foreign subsidiaries, which are subject to various exchange and other controls of the respective foreign governments, and domestic subsidiaries more than 50, but less than 100 per cent owned.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Combined financial statements at December 31, 1951 of the major unconsolidated subsidiaries (other than Continental European) are attached. Changes in this group of subsidiaries are described in Note 2 of notes to combined financial statements.

The equity of National Lead Company and its wholly owned domestic subsidiaries, consolidated, in the net assets of unconsolidated subsidiaries included in the accompanying combined financial statements exceeded its investments in and advances to such subsidiaries, after deducting applicable reserves on the books of National Lead Company, by $16,641,268 at December 31, 1951. Financial statements at June 30, 1952 of unconsolidated subsidiaries are not available. The equity of National Lead Company and its consolidated subsidiaries in net income of the combined subsidiaries as a group, and the cash dividends received from this group of subsidiaries and included in consolidated income, are as follows:

	Equity in Net Income	Cash Dividends Received
Six months ended June 30, 1952	(not available)	$ 381,693
Year ended December 31, 1951	$3,435,649	2,364,733
Year ended December 31, 1950	2,450,106	2,596,477
Year ended December 31, 1949	26,777	879,274

During 1950 certain domestic unconsolidated subsidiaries adopted the Lifo method of inventory pricing. As a result of this change the equity of National Lead Company, consolidated, in the net income of subsidiaries included in the combined statement of income for 1950 was $850,445 less than would otherwise have been the case.

The accompanying combined financial statements do not include the financial statements of The Titanium Alloy Manufacturing Co. Pty. Limited (an Australian subsidiary) organized in October, 1951. The investment therein of National Lead Company is not material.

Unaudited financial statements received from the Continental European subsidiaries (other than the German subsidiary) indicate that the equity of the National Lead Company interests in the net assets thereof at September 30, 1951 approximated the following foreign currency amounts:

Norwegian kroner	11,420,000
Belgian francs	17,680,000
Dutch florins	1,300,000
French francs	36,480,000

National Lead Company's investments in and advances to Continental European subsidiaries, less applicable reserves, amounted to $136,120 at June 30, 1952 and December 31, 1951.

Cash dividends paid to National Lead Company by a Norwegian subsidiary are included in consolidated income at the U. S. dollar amount received, as follows:

Six months ended June 30, 1952	$48,867
Year ended December 31, 1950	97,729
Year ended December 31, 1949	70,264

The equity of National Lead Company in net income (based on unaudited financial statements) of companies of which exactly 50 per cent of the outstanding capital stock is owned by National Lead Company, and the cash dividends received from such companies are as follows:

	Equity in Net Income	Cash Dividends Received
Six months ended June 30, 1952	(not available)	$360,000
Year ended December 31, 1951	$164,823	360,000
Year ended December 31, 1950	149,159	360,000
Year ended December 31, 1949	318,480	360,000

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

4. Plant, property and equipment at June 30, 1952 and December 31, 1951 comprise the following:

	1952	1951
Manufacturing properties:		
Land	$ 4,020,895	$ 4,057,035
Buildings	29,415,288	26,422,888
Machinery and equipment	81,934,647	67,079,724
Mining properties	17,728,155	17,739,954
Construction in process	1,340,395	15,215,946
Miscellaneous	3,121,115	2,804,810
	$137,560,495	$133,320,357

Provisions for depreciation, depletion and amortization are charged to income on the following bases:

Manufacturing facilities (except as set forth in the following paragraph) on the straight-line method at the following rates:

Buildings:
2½ per cent to 5 per cent per annum

Machinery and equipment:
4 per cent to 10 per cent per annum

During 1949, the company adopted the diminishing balance method of computing depreciation on the manufacturing facilities of its Titanium Division, at a 20 per cent rate, in lieu of the straight-line method theretofore employed. (As a result of the change in 1949 in the method of computing depreciation on manufacturing facilities of the Titanium Division, depreciation charges were approximately $2,571,000 higher, and consolidated net income was approximately $2,571,000 lower, for that year, than would have been the case if the company had continued the use of the straight-line method.) The diminishing balance method was continued, during 1950, 1951 and the six months ended June 30, 1952, as applied to facilities acquired prior to December 31, 1948 and subsequent normal acquisitions. The company has adopted the straight-line method of computing depreciation with respect to the costs of manufacturing facilities put into operation in 1952 in connection with a material expansion program of the Titanium Division.

Mining facilities, including land, buildings and machinery and equipment—at rates per ton of material produced, or on the straight-line method at varying rates, based on the shorter of estimated physical or economic life of the property.

Furniture and fixtures—at 10 per cent per annum.

Autos and trucks—at 40 per cent for the first year of service and 20 per cent for each of the next three years of service.

Patents, licenses, etc. — over their respective lives.

Trade-marks and good will — none, see Note 5.

Some properties whose values are considered to be contingent upon such factors as patents, licenses, leaseholds, etc., are amortized over the lives of such factors.

Maintenance, repairs, renewals and minor betterments are charged to income.

Reserves for depreciation, depletion and amortization are generally relieved of the accumulated amounts applicable to properties retired or otherwise disposed of at the time of disposition of such properties and profit or loss is currently recognized.

5. Intangibles include "trade-marks and good will" of $20,692,311, representing substantially the excess of book amounts of fixed assets in 1915 over the amounts thereof as shown by appraisals made in that year. No reserves for amortization of such intangibles have been provided. As explained on several occasions in annual reports to shareholders of the company, no attempt was made prior to 1915 to determine the amounts of such intangibles, since in most cases going concerns (including tangible assets, business, good will and trade-marks) were acquired through the issuance of shares of capital stock of National Lead Company. The properties so acquired, including intangibles, were recorded on the books of the company at an aggregate amount equal to the par value of the shares so issued.

Patents and licenses are included at amortized cost.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

6. The company's Retirement Annuity Plan became effective January 1, 1937 and covers service subsequent to that date. All full time employees under age 64 are eligible on completion of one year of service before reaching that age.

Employees are required to make monthly contributions under the plan and such contributions, together with the company's, are paid to an insurance company which assumes responsibility for retirement annuities purchased thereby. National Lead Company has reserved the right to change or discontinue the plan at any time. The annual cost to the company is presently estimated to be $1,200,000.

The company's Plan of Past Service and Minimum Pensions (non-contributory) provides for pensions for qualified employees who were in the company's service on December 31, 1936 and covers service prior to that date. Such pensions are not part of the plan underwritten by the insurance company. National Lead Company has, however, reserved the right to purchase from an insurance company annuities for past service and minimum pensions and has provided a reserve for the cost of such annuities which cost at June 30, 1952 is estimated to be $905,000.

Under both plans, the annual retirement benefits are based on average annual salaries and periods of service; the combined annual retirement benefits of no officer or employee may exceed $37,500.

7. In October, 1951, the stockholders approved an increase in the authorized common stock of the company from 5,000,000 shares of $10 par value to 20,000,000 shares of $5 par value, and also approved the exchange of three shares of $5 par value common stock for each share of $10 par value common stock then outstanding. The split of the common stock and reduction of par value resulted in an increase of $16,930,625 in the aggregate par value of common stock issued, which increase was provided by the transfer of $9,410,244 from the capital surplus account, being all of the then existing capital surplus, and $7,520,381 from earned surplus unappropriated.

The stockholders also approved an increase in the number of votes to which each share of Class A preferred stock and each share of Class B preferred stock, of the par value of $100 each, shall be entitled, except as otherwise provided by law, at all meetings and for all purposes, from 10 votes per share to 30 votes per share.

8. Under the company's Stock Purchase Plan for Officers and Other Key Employees, adopted in 1950, certain officers and employees contracted to purchase common stock of the company. The purchase prices (market prices at the dates of execution of the purchase contracts) are evidenced by promissory notes bearing interest at 3 per cent payable within 10 years from dates thereof, the shares serving as collateral. Payments against interest and principal of the notes shall be not less than fifty per cent of the dividends paid on such collateral shares. The employees have the option to, and the company may require that they, withdraw the collateral in hundred-share lots as payments become equal to the purchase price thereof.

Upon death or retirement of an employee, the company shall, if requested, repurchase at the original sales price shares not then fully paid for. Under other circumstances if the employee shall not complete payments, the company shall have the option of so repurchasing shares not then fully paid for but may exercise any legal right to compel completion of the contract.

Shares issued in accordance with the plan aggregated 19,050 in 1951 and 113,850 in 1950. Shares held as collateral aggregated 321,000 at June 30, 1952 and 333,100 at December 31, 1951, after giving effect to the split of the common stock.

No further purchases may be made under the plan.

9. Reserve balances at January 1, 1951 transferred to and reclassified as earned surplus appropriated. There were no other changes in these accounts during the periods covered by these financial statements.

10. Reacquired capital stock, carried at first-in, first-out cost, comprises:

	Number of Shares	Cost
Preferred Class A	9,383	$1,147,727
Preferred Class B	13,092	1,435,354
		$2,583,081

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NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

11. Intercompany transactions among consolidated companies have been eliminated from sales and cost of sales. Sales to unconsolidated subsidiaries are included in the following approximate amounts:

Six months ended June 30, 1952	$ 4,204,000
Year ended December 31, 1951	10,701,000
Year ended December 31, 1950	9,430,000
Year ended December 31, 1949	7,227,000

12. Numerous differences exist between taxable income and book income, including certain fluctuations in the inventory reserves; percentage depletion; depreciation charges; and purchases of past service annuities deductible for tax purposes but charged on the books to reserve for pensions.

General:

The consolidated financial statements include all wholly owned domestic subsidiaries of National Lead Company operating in the United States. The companies included in consolidation were the same during the six months ended June 30, 1952 and the years 1951, 1950 and 1949 except as follows:

American Lead Corporation and John T. Lewis & Bros. Company were liquidated as of June 30 and December 31, 1949, respectively, and as of those dates their assets were transferred to and liabilities assumed by National Lead Company.

In November, 1950, National Lead Company acquired all of the capital stock of Sayre and Fisher Land Company and the latter company is included since December 31, 1950.

The following companies are included from the dates of their formation or from the dates of acquisition of all their capital stock by National Lead Company, in 1951:

Titanium Pigment Export Corporation

Cobalt Nickel Reduction Company

The Chas. Taylor's Sons Company

National Lead Company of Hawaii, Ltd.

Baroid Sales Export Corporation is included from the date of its formation in 1952.

The equity of National Lead Company in the net assets of consolidated subsidiaries, as shown by the books of the latter, was $1,170,886 and $596,432 in excess of the investment in such subsidiaries shown by the books of the parent company at June 30, 1952 and December 31, 1951, respectively. Such excesses have been adjusted in consolidation by a debit to land in the amount of $536,956 and credits to earned surplus in the amounts of $1,707,842 at June 30, 1952 and $1,133,388 at December 31, 1951.

Under agreements with the Atomic Energy Commission, two consolidated subsidiaries are operating plants constructed with funds supplied by the Commission. Neither the assets, liabilities, nor results of operations of such plants are included in the accompanying financial statements. Annual fixed fees received by such subsidiaries as contract-operators are included in miscellaneous other income in the accompanying consolidated statements of income.

Refunds under the Renegotiation Act of 1951, if any, are not considered to be material and no provisions have been made therefor.

No provisions have been made for such taxes as may be paid if and when accumulated earnings of subsidiaries are distributed to the parent company, since such taxes may never accrue.

In connection with the final decree heretofore entered in the civil antitrust suit brought by the government, the company now has an extension of time to January 1, 1953 within which to submit a plan either for the sale of the company's interests in its partly owned company in Japan or for the purchase by the company of the interests of others in that company. Also in connection with the plan submitted by the company and approved by the court Titangesellschaft m.b.H. of Leverkusen, Germany, in which the company formerly had a fifty per cent interest, became wholly owned through purchase, during the six months ended June 30, 1952, of the remaining capital stock.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

National Lead Company is a party to the following suits or proceedings:

A proceeding by the Federal Trade Commission against National Lead Company and four other companies concerning lead pigments. Proceeding still pending.

Anti-trust actions instituted by the Government in the United States District Court for the Western District of Missouri against National Lead Company and a number of other companies with respect to the sale and distribution of used storage batteries and lead salvaged therefrom. Actions still pending.

Declaratory judgment action instituted by the Dutch Paint Company in the United States District Court for the Northern District of California involving alleged infringement of National Lead Company's "Dutch Boy" trade-mark. Action still pending.

Treble damage anti-trust action instituted by Dutch Paint Company in the United States District Court for the Northern District of California against National Lead Company and another company in regard to the sale and distribution of titanium pigments. Action still pending.

Two actions instituted by individual patent owners against National Lead Company in the United States District Court for the Southern District of Texas alleging that the well logging activities of one of National Lead Company's divisions infringe certain United States Letters Patent. Action still pending.

Suit instituted by the Government in the United States District Court for the Southern District of New York under the Defense Production Act to enjoin National Lead Company's alleged violations of price stabilization regulations and to recover alleged damages therefor. Suit still pending.

NATIONAL LEAD COMPANY
and its Wholly Owned Domestic Subsidiaries

SUPPLEMENTARY PROFIT AND LOSS INFORMATION
For the Years Ended December 31, 1951, 1950 and 1949

Item	Charged Directly to Profit and Loss — To Cost of Goods Sold	Charged Directly to Profit and Loss — Other	Totals
Maintenance and repairs:			
1951	$10,866,039	$ 154,529	$11,020,568
1950	8,102,029	121,313	8,223,342
1949	8,050,921	101,580	8,152,501
Depreciation, depletion, and amortization of fixed and intangible assets (or charges in lieu thereof) (Note A):			
1951	4,738,400	163,685	4,902,085
1950	5,726,284	170,411	5,896,695
1949	6,644,586	124,857	6,769,443
Taxes, other than income and excess profits taxes (Note B):			
1951	2,083,978	1,245,940	3,329,918
1950	1,725,709	1,134,013	2,859,722
1949	1,455,982	884,722	2,340,704
Management and service contract fees			None
Rents:			
1951	406,228	539,763	945,991
1950	304,402	528,934	833,336
1949	273,121	455,272	728,393
Royalties:			
1951	838,476		838,476
1950	493,353		493,353
1949	585,755		585,755

Notes:

(A) Exclusive of depreciation on miscellaneous assets which is credited directly to the asset accounts. The segregation of such depreciation is not practicable.

(B) Taxes:

	1951	1950	1949
Real estate and personal property	$1,089,745	$1,073,292	$ 915,024
State franchise, etc.	564,420	432,647	441,565
Foreign withholding taxes	31,696	115,824	46,702
Social security taxes	1,309,786	1,045,991	722,165
Sales taxes, licenses and miscellaneous	334,271	191,968	215,248
Total, as above	$3,329,918	$2,859,722	$2,340,704

The accumulation of supplementary profit and loss information for the six months ended June 30, 1952 is not practicable.

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

COMBINED BALANCE SHEET, December 31, 1951

ASSETS:

CURRENT ASSETS:		
Cash		$ 7,855,665
United States Government securities, at cost plus accrued interest (approximately equivalent to amounts at market quotations)		998,776
Other marketable securities at cost (at market quotations $52,697)		40,841
Notes receivable, trade	$ 5,429	
Accounts receivable, trade	9,501,168	
Accounts receivable, other	833,912	
	10,340,509	
Less, Reserve for losses	389,378	9,951,131
Inventories (Note 1):		
Ores, concentrates, scrap metals, finished products, etc.	13,088,824	
Materials and supplies	1,303,273	14,392,097
Receivable from National Lead Company		231,162
Net reduction between July 31, and December 31, 1951, in amount receivable from National Lead Company by a subsidiary included in the combined statements as of July 31, 1951 (Note 3)		236,703
Total current assets		33,706,375
RECEIVABLES, DEFERRED		1,421,190
INVESTMENTS IN (AT COST) AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES		1 278,604
MISCELLANEOUS INVESTMENTS, ETC., AT COST	1,475,716	
Less, Reserve	236,400	1,239,316
PLANT, PROPERTY AND EQUIPMENT (Note 4)	17,340,301	
Less, Reserves for depreciation	6,248,725	11,091,576
GOOD WILL		2,220,134
PREPAID EXPENSES, DEFERRED CHARGES, ETC.		522,967
		$51,480,162

The accompanying notes are an integral part of the combined financial statements.

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

COMBINED BALANCE SHEET, December 31, 1951

LIABILITIES:

CURRENT LIABILITIES:		
Bank loans		$ 1,209,151
Dividend payable		600,000
Accounts payable		5,679,612
Accrued liabilities:		
Taxes	$ 4,958,027	
Compensation	197,291	
Other	166,634	5,321,952
Total current liabilities		12,810,715
ADVANCES FROM NATIONAL LEAD COMPANY		3,614,155
7 PER CENT REDEEMABLE GENERAL BONDS OF CANADIAN TITANIUM PIGMENTS LIMITED, due January 1, 1967; authorized $1,100,000, issued and outstanding $100,000 (all held by National Lead Company)		100,000
RESERVES (Note 5):		
Contingencies	134,894	
Statutory	24,742	159,636
MINORITY INTERESTS IN:		
Capital stock	5,406,584	
Earned surplus	5,848,501	
Surplus reserves, appropriated surplus (Note 5)	436,081	11,691,166
NATIONAL LEAD COMPANY INTEREST IN CAPITAL:		
CAPITAL STOCK	12,255,769	
EARNED SURPLUS	10,156,942	
SURPLUS RESERVES, APPROPRIATED SURPLUS (Note 5)	691,779	23,104,490
		$51,480,162

The accompanying notes are an integral part of the combined financial statements.

Exhibit 1—(Continued)

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

COMBINED STATEMENTS OF INCOME

For the Years Ended December 31, 1951, 1950 and 1949

	1951	1950	1949
Sales, less returns and allowances (Note 7)	$120,756,852	$98,757,735	$74,086,667
Cost of sales (Note 1)	106,424,523	87,639,896	66,722,292
Gross profit	14,332,329	11,117,839	7,364,375
Selling, general and administrative expenses	5,314,806	4,286,945	3,482,384
	$ 9,017,523	$ 6,830,894	$ 3,881,991
Other income:			
Dividends:			
Securities of unconsolidated subsidiaries	$ 47,132	$ 11,331	
Other security investments	78,873	73,068	$ 324,138
Miscellaneous	464,958	213,281	220,560
	$ 590,963	$ 297,680	$ 544,698
	$ 9,608,486	$ 7,128,574	$ 4,426,689
Other deductions:			
Foreign exchange losses, net (gains*)	$ 157,630*	$ 400,053	$ 1,736,350
Provisions for reserves for investments in and advances to unconsolidated subsidiaries	197,640	120,000	300,000
Miscellaneous	879	32,614	229,585
	$ 40,889	$ 552,667	$ 2,265,935
Income before provisions for taxes on income (Note 1)	$ 9,567,597	$ 6,575,907	$ 2,160,754
Provisions for taxes on income:			
United States income taxes (Note 1)	$ 3,243,572	$ 1,840,729	$ 904,314
Foreign taxes on income	1,406,511	1,156,197	599,346
	$ 4,650,083	$ 2,996,926	$ 1,503,660
Net income for the year (Note 1):			
National Lead Company's portion	$ 3,435,649	$ 2,450,106	$ 26,777
Minority interests' portion	1,481,865	1,128,875	630,317
Total net income for the year	4,917,514	3,578,981	$ 657,094
Special item:			
Recoveries of Continental European assets charged off in prior years	378,832	174,529	
Net income and special item	$ 5,296,346	$ 3,753,510	

The accompanying notes are an integral part of the combined financial statements.

See accompanying schedule for distribution of supplementary profit and loss information.

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UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiares More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

COMBINED STATEMENTS OF EARNED SURPLUS
for the years ended December 31, 1951, 1950 and 1949

	1951		1950		1949	
	National Lead Company Interests	Minority Interests	National Lead Company Interests	Minority Interests	National Lead Company Interests	Minority Interests
Balance at beginning of year	$ 8,425,874	$5,465,191	$ 9,730,982	$5,231,534	$ 6,882,575	$1,364,135
Add:						
Earned surplus at June 30, 1949 of company in which majority interest was attained during July, 1949 (Note 2)					3,358,253	3,369,017
Elimination of deficit of subsidiary liquidated (Note 2)	465,345	1,600				
Net income, per accompanying statement		1,481,865		1,128,875	26,777	630,317
Net income and special item, per accompanying statement	3,814,481		2,624,635			
	$12,705,700	$6,948,656	$12,355,617	$6,360,409	$10,267,605	$5,363,469
Deduct:						
Dividends:						
Cash	$ 2,364,733	$1,091,427	$ 2,596,476	$ 877,415	$ 879,274	$ 469,712
Stock, capitalized at	149,000				95,207	104,793
Transferred to surplus reserves	35,025	8,728	33,267	17,803	437,858*	442,570*
Adjustment to restore capital of Titan Company, Incorporated (Note 8)			1,300,000			
	$ 2,548,758	$1,100,155	$ 3,929,743	$ 895,218	$ 536,623	$ 131,935
Balance at end of year	$10,156,942	$5,848,501	$ 8,425,874	$5,465,191	$ 9,730,982	$5,231,534

* Indicates red figure.

The accompanying notes are an integral part of the combined financial statements.

Exhibit 1—(Continued)

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Inventories consist of metals and other raw materials on hand and in process, finished stocks, etc. (it is not practicable to state the classifications separately) the amounts of which enter into the computation of cost of sales; and materials and supplies, as follows:

	December 31			
	1951	1950	1949	1948
Metals, etc.	$13,088,824	$11,611,928	$12,058,973	$12,352,449
Materials and supplies	1,303,273	1,063,802	666,488	669,261
	$14,392,097	$12,675,730	$12,725,461	$13,021,710

Inventories are priced generally at the lower of cost (on various bases) or market. Inventories of the Argentine subsidiary include the following quantities of base stocks valued at fixed prices:

	Base Quantities (Kilos)	Average Fixed Price per 100 Kilos (Argentine Paper Pesos)
Lead	2,076,000	30.65
Tin	68,000	208.52
Antimony	10,000	51.38

During 1950 certain combined domestic subsidiaries of National Lead Company adopted the Lifo method of pricing with respect to certain of their basic inventories.

As a result of the adoption of the Lifo method, income of these combined domestic subsidiaries for 1950 before provision for federal taxes on income was $3,069,498 less, provision for federal taxes on income was $1,435,370 less, and net income was $1,634,128 less than would otherwise have been the case.

2. The combined financial statements include all major domestic subsidiaries of National Lead Company more than 50, but less than 100 per cent owned and all major foreign subsidiaries other than Continental European.

Subsidiaries included in the combined statements for 1951, 1950 and 1949 are the same except as follows:

Baker Castor Oil Company, in which a minority interest was previously held, became majority owned in 1949 and is included since June 30, 1949.

Antilles Minerals, S. A. was liquidated as of December 31, 1951.

3. The combined balance sheet includes the assets and liabilities at June 30, 1951 (adjusted generally for miscellaneous interim transactions with National Lead Company to December 31, 1951), and the accompanying combined statements of income and earned surplus include the statements of income and earned surplus for the respective fiscal years ended June 30, of the Argentine subsidiary.

The combined balance sheet includes the assets and liabilities at July 31, 1951, and the accompanying combined statements of income and earned surplus include the statements of income and earned surplus for the respective fiscal years ended July 31, of Minnesota Linseed Oil Company, adjusted to reflect cash dividends declared and paid subsequent to July 31, 1951. The amount of such dividends received by National Lead Company has been included in consolidated net income. Since this subsidiary is an active supplier of materials to National Lead Company, it is not feasible to adjust its balance sheet for other interim transactions (sales, collections, etc.) with National Lead Company, and the net difference (reduction) in the amount receivable by it from National Lead Company between July 31, and December 31, 1951 has been shown as a separate item in the combined balance sheet.

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

NOTES TO COMBINED FINANCIAL STATEMENTS — Continued

4. Plant, property and equipment comprise the following:

Manufacturing properties:	
Land	$ 876,176
Land improvements	211,806
Buildings	6,640,067
Machinery and equipment	8,569,887
Construction in process	69,044
Miscellaneous	405,074
Mining properties:	
Mining claims, buildings, equipment, etc.	543,292
Miscellaneous	24,955
	$17,340,301

Provisions for depreciation, depletion and amortization generally are made in accordance with the following methods and rates:

Manufacturing facilities, on the straight-line method at the following rates:

Buildings, 2 per cent to 5 per cent per annum

Machinery, 5 per cent to 20 per cent per annum

Miscellaneous:

Furniture and fixtures, 10 per cent to 20 per cent per annum

Autos and trucks, 15 per cent to 33 per cent per annum.

Mining facilities, on the straight-line method, variously at 5 per cent to 50 per cent per annum, based on the estimated useful lives of the individual items.

No policy for amortizing good will has been adopted.

In addition, such special depreciation as is allowed for Canadian corporate tax purposes has been provided by a Canadian subsidiary.

In general, depreciation is first provided for in the year following that in which the asset is acquired, except that provisions relating to autos and trucks are usually commenced during the year of acquisition.

Maintenance, repairs, renewals and minor betterments are charged to income.

Reserves for depreciation are generally relieved of the accumulated amounts applicable to properties retired or otherwise disposed of at the time of disposition of such properties and any resulting profit or loss is included in income.

5. Reserves are included in the combined balance sheet in accordance with the classifications shown in the balance sheets of the several subsidiaries.

6. The combined balance sheet includes the following amounts of foreign assets and liabilities (excluding amounts receivable from and due to National Lead Company) translated at appropriate rates of exchange: current assets and deferred charges, $12,029,049; current liabilities, $4,098,638; plant, property and equipment, net, plus other assets, $5,556,896; reserves, other than surplus reserves, $159,637. The realization of foreign assets is subject to various exchange and other restrictions imposed by the respective foreign governments.

Although the assets and liabilities of the Argentine subsidiary have been included in the combined balance sheet as of June 30, 1951, the current assets and deferred charges and the current liabilities of that company have been translated at the rate prevailing at December 31, 1951.

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY
(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

NOTES TO COMBINED FINANCIAL STATEMENTS — Continued

All income and expense items of the foreign subsidiaries, except depreciation, have been translated into U. S. dollars generally at the average rates of exchange prevailing during the periods. Depreciation charges are based on the U. S. dollar amounts of the related fixed assets. The item "Foreign exchange losses, net (gains*)" included in the combined statements of income reflects generally the losses or gains (in terms of U. S. dollar equivalents of net current assets and deferred charges) resulting from foreign exchange adjustments. See also Note 3.

The amounts of net foreign exchange losses or gains and the net income of foreign subsidiaries (after such foreign exchange losses or gains) included in the combined statements of income are as follows:

	1951	1950	1949
Foreign exchange losses, net (gains*)	$ 157,630*	$ 400,053	$1,736,350
Net income (losses*) of foreign subsidiaries	1,720,021	1,036,289	976,722*

7. Profits arising from transactions between the companies included in these statements or between such companies and National Lead Company are not considered to be material in amount. Sales include sales to National Lead Company in the following approximate amounts:

1951	$14,365,000
1950	10,727,000
1949	8,876,000

8. At December 31, 1950 the capital of Titan Company, Incorporated which had been previously credited to the deficit resulting from write-off of foreign assets was restored due to subsequent recoveries of such assets.

UNCONSOLIDATED SUBSIDIARIES
of
NATIONAL LEAD COMPANY

(Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (other than Continental European))

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Years Ended December 31, 1951, 1950 and 1949

	Charged Directly to Profit and Loss		
Item	To Cost of Goods Sold	Other	Total
Maintenance and repairs:			
1951	$929,778	$31,380	$961,158
1950	714,279	19,108	733,387
1949	657,767	5,916	663,683
Depreciation, depletion and amortization of fixed and intangible assets (or charges in lieu thereof) (Note A):			
1951	675,428	46,802	722,230
1950	605,060	99,828	704,888
1949	564,549	86,455	651,004
Taxes, other than income and excess profits taxes (Note B):			
1951	893,558	85,157	978,715
1950	687,508	87,983	775,491
1949	536,001	70,324	606,325
Management and service contract fees:			
1951	3,519		3,519
1950	6,322	18,000	24,322
1949	8,981	50,400	59,381
Rents and royalties:			
1951			Not significant
1950			Not significant
1949	199,577	24,575	224,152

Notes:

(A) Exclusive of depreciation on miscellaneous assets which is credited directly to the asset accounts. The segregation of such depreciation is not practicable.

(B) Taxes:

	1951	1950	1949
Real estate and personal property	$288,357	$263,541	$151,111
State franchise, etc.	71,413	60,935	30,380
Sales tax	178,142	195,866	137,355
Foreign mining production and export taxes	231,498	54,788	147,940
Social security	136,381	132,153	77,231
Miscellaneous licenses, etc.	72,924	68,208	62,308
Total, as above	$978,715	$775,491	$606,325

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Exhibit 2

ACCOUNTANTS' REPORT

December 8, 1952.

To the Board of Directors and Shareholders of
DOEHLER-JARVIS CORPORATION:

We have examined the balance sheet of Doehler-Jarvis Corporation, at December 31, 1951 and the related statements of operations and earned surplus for the three years then ended. Our examination 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.

In our opinion, the accompanying balance sheet and statements of operations and earned surplus present fairly the financial position of Doehler-Jarvis Corporation at December 31, 1951 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY.

Exhibit 2—(Continued)

DOEHLER-JARVIS CORPORATION

BALANCE SHEET

ASSETS

	December 31, 1951		June 30, 1952 (Unaudited)	
Current Assets:				
Cash		$ 5,558,385		$ 2,897,019
U. S. Government short-term securities at cost and accrued interest, which approximates market (excluding amount deducted from liability for Federal taxes on income)		1,532,012		—
Accounts receivable	$ 6,330,551		$ 8,894,489	
Less: Allowance for doubtful accounts	231,114	6,099,437	231,114	8,663,375
Inventories at the lower of cost or market (Note 1):				
Finished product	$ 991,800		$ 1,599,899	
Work in process	2,157,229		2,674,444	
Raw material and supplies	4,555,086	7,704,115	4,755,284	9,029,627
Prepaid expenses and tools		1,162,836		1,049,639
Total current assets		$22,056,785		$21,639,660
Property, Plant and Equipment, at Cost:				
Land	$ 379,682		$ 399,362	
Buildings and building equipment	9,962,113		10,980,083	
Machinery and equipment	15,864,032		16,820,535	
	$26,205,827		$28,199,980	
Less: Accumulated depreciation	6,202,076	20,003,751	7,004,800	21,195,180
Patents		1		1
Deferred Charges		226,969		80,408
		$42,287,506		$42,915,249

Exhibit 2—(Continued)

DOEHLER-JARVIS CORPORATION

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1951		June 30, 1952 (Unaudited)	
Current Liabilities:				
Notes payable		—		$ 1,000,000
Accounts payable		$ 3,913,654		1,623,018
Federal taxes on income (Note 2)	$ 5,516,294		$ 2,618,835	
Less: U. S. Government short term securities	5,516,294	—	1,617,148	1,001,687
Other taxes		446,853		513,489
Payrolls		1,251,781		2,174,435
Other accrued liabilities		498,983		842,283
Liability for replacement of customers' dies		720,055		287,965
Total current liabilities		$ 6,831,326		$ 7,442,877
Shareholders' Equity:				
Common Stock, $5 par value: Authorized—1,500,000 shares Issued—1,074,544 shares	$ 5,372,720		$ 5,372,720	
Paid-in surplus (No change)	634,375		634,375	
Reserve for contingencies (1951—$300,000, 1952—$310,735 restored to earned surplus)	400,000		89,265	
Earned surplus	29,076,693		29,403,620	
	$35,483,788		$35,499,980	
Less 6,902 shares of common stock held in treasury, at cost	27,608	35,456,180	27,608	35,472,372
		$42,287,506		$42,915,249

DOEHLER-JARVIS CORPORATION

STATEMENT OF OPERATIONS AND EARNED SURPLUS

	Year 1949	Year 1950	Year 1951	Six Months Ended June 30, 1952 (Unaudited)
GROSS SALES, less returns and allowances	$65,019,856	$83,307,486	$85,861,763	$39,873,348
COST OF GOODS SOLD, including $1,113,766—1949; $543,226—1950; $732,224—1951; $439,407—1952 of preproduction expenses in new plants and costs of rearranging plant facilities (Notes 3 & 4)	52,691,553	64,925,076	68,100,693	34,419,687
GROSS PROFIT FROM SALES	$12,328,303	$18,382,410	$17,761,070	$ 5,453,661
SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES (Notes 3 & 4)	5,669,559	6,267,360	6,962,337	3,540,101
OPERATING PROFIT	$ 6,658,744	$12,115,050	$10,798,733	$ 1,913,560
OTHER INCOME:				
Interest (less interest expense)	65,261	64,072	81,887	41,814
Royalties and rent	26,099	29,449	30,985	12,481
	$ 91,360	$ 93,521	$ 112,872	$ 54,295
INCOME BEFORE FEDERAL TAXES ON INCOME	$ 6,750,104	$12,208,571	$10,911,605	$ 1,967,855
PROVISION FOR FEDERAL TAXES ON INCOME:				
Normal tax and surtax	2,525,000	5,130,000	5,535,000	884,021
Excess profits tax	—	360,000	165,000	—
	$ 2,525,000	$ 5,490,000	$ 5,700,000	$ 884,021
NET INCOME	$ 4,225,104	$ 6,718,571	$ 5,211,605	$ 1,083,834
RESTORATION OF PORTION OF RESERVE FOR CONTINGENCIES	1,550,000	250,000	300,000	310,735
	$ 5,775,104	$ 6,968,571	$ 5,511,605	$ 1,394,569
DIVIDENDS PAID	2,669,105	2,669,105	2,669,105	1,067,642
	$ 3,105,999	$ 4,299,466	$ 2,842,500	$ 326,927
EARNED SURPLUS AT BEGINNING OF PERIOD	18,828,728	21,934,727	26,234,193	29,076,693
EARNED SURPLUS AT END OF PERIOD	$21,934,727	$26,234,193	$29,076,693	$29,403,620

DOEHLER-JARVIS CORPORATION

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Year 1949

Item	Charged directly to profit and loss: To cost of goods sold	Charged directly to profit and loss: Other	Total
MAINTENANCE AND REPAIRS	$2,506,186	$ 7,557	$2,513,743
DEPRECIATION	$1,008,819	$ 38,731	$1,047,550
TAXES—Other than taxes on income:			
Social security	$ 396,275	$ 23,668	$ 419,943
Real and personal property	78,458	69,179	147,637
State and city income	—	11,554(A)	11,554
State franchise and miscellaneous	—	50,612(B)	50,612
	$ 474,733	$155,013	$ 629,746
RENTS	$ 19,980	$ 43,903	$ 63,883
ROYALTIES	$ 4,084	$ 1,082(C)	$ 5,166

Note (A) After deduction of $23,594 for refunds and adjustment of previous accruals.
Note (B) After deduction of $94,945 for refunds and adjustment of previous accruals.
Note (C) Charged against sales.

Year 1950

Item	To cost of goods sold	Other	Total
MAINTENANCE AND REPAIRS	$3,193,829	$ 9,517	$3,203,346
DEPRECIATION	$1,001,679	$ 57,751	$1,059,430
TAXES—Other than taxes on income:			
Social security	$ 644,067	$ 31,314	$ 675,381
Real and personal property	92,679	95,192	187,871
State and city income	—	171,000	171,000
State franchise and miscellaneous	—	80,922	80,922
	$ 736,746	$378,428	$1,115,174
RENTS	$ 25,209	$ 46,066	$ 71,275
ROYALTIES	$ 4,077	$ 2,596(A)	$ 6,673

Note (A) Charged against sales.

Year 1951

Item	To cost of goods sold	Other	Total
MAINTENANCE AND REPAIRS	$3,816,617	$ 8,623	$3,825,240
DEPRECIATION	$1,171,571	$ 59,437	$1,231,008
TAXES—Other than taxes on income:			
Social security	$ 732,393	$ 38,938	$ 771,331
Real and personal property	118,914	101,633	220,547
State and city income	—	166,251	166,251
State franchise and miscellaneous	—	100,719	100,719
	$ 851,307	$407,541	$1,258,848
RENTS	$ 20,124	$ 55,897	$ 76,021
ROYALTIES	$ 4,831	364(A)	5,195

Note (A) Charged against sales.

Exhibit 2—(Continued)

DOEHLER-JARVIS CORPORATION

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

1st 6 Months 1952 (Unaudited)

	Charged directly to profit and loss		
Item	To cost of goods sold	Other	Total
MAINTENANCE AND REPAIRS	$2,015,259	$ 6,497	$2,021,756
DEPRECIATION	$ 763,865	$ 39,357	$ 803,222
TAXES—Other than taxes on income:			
Social security	$ 572,476	$ 27,405	$ 599,881
Real and personal property	76,370	50,692	127,062
State and city income	—	31,950	31,950
State franchise and miscellaneous	—	66,225	66,225
	$ 648,846	$176,272	$ 825,118
RENTS	$ 9,930	$ 22,214	$ 32,144
ROYALTIES	$ 184	—	$ 184

DOEHLER-JARVIS CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1—*Inventories:*

Inventories were priced as follows:

Raw materials at the lower of actual or average purchase cost (first-in, first-out) or replacement market value. Supplies at average purchase cost.

Work in process and finished product at the lower of average purchase cost or replacement market value as to material, with labor at actual and overhead at standards which approximated actual.

NOTE 2—*Federal taxes on income:*

Claims for refunds of Federal income and excess profits taxes for 1940 and subsequent years are not reflected in the balance sheet pending final determination of amounts to be allowed. Federal tax returns have been examined through the year 1949.

NOTE 3—*Pensions and Retirement Plan expense:*

A non-contributory pension plan for hourly-wage employees, adopted in 1947 and incorporated in a five-year Union Agreement dated July 1, 1950, requires annual payments for benefits based on current services and payment before August 31, 1955 of an amount equal to five yearly payments of the level amount required to fund benefits based on past services over a period of 30 years. The estimated cost of funding the total past service benefits by a single payment at June 30, 1952 would be approximately $3,500,000. The Union Agreement also provides for a contributory insurance program.

The Corporation has a contributory Retirement Plan for salaried employees, under which there is no past service liability, and a non-contributory insurance plan. The Corporation also pays certain supplemental pensions.

The plans for hourly-wage employees are subject to termination on July 1, 1955 and the plans for salaried employees may be discontinued at any time; however, it is intended that all plans will be continued indefinitely.

The costs of the foregoing plans included in the statement of income are as follows:

	1949	1950	1951	Six Months to June 30, 1952
Hourly-wage employees pension plan:				
Current Service	$185,000	$187,000	$376,000	$201,000
Past Service	54,000	33,000	65,000	24,000
Hourly-wage employees insurance program	9,000	132,000	380,000	210,000
Salaried employees retirement plan	653,000	733,000	980,000	532,000
Salaried employees insurance plan	64,000	109,000	182,000	132,000
Supplemental pensions	24,000	27,000	43,000	23,000

NOTE 4—*Profit and Loss Information:*

Depreciation of property, plant and equipment is provided, in general, on the basis of the estimated useful life, as periodically reviewed, of the individual assets or minor group classifications. The periodic reviews limit fully depreciated assets to items within minor group classifications. The cost and reserve accounts are relieved of fully depreciated items and disposals. The profit or loss resulting from disposals is included in the income account. The method of providing depreciation results in a wide variation of rates which cannot be reasonably stated in tabular form by asset classification.

Substantially all expenditures for maintenance, renewals and betterments are charged to expense. Betterments which materially prolong the life of the related assets are capitalized.

Bonuses or additional compensation, exclusive of factory production bonuses, were paid or accrued as follows:

	1949	1950	1951	Six Months to June 30, 1952
To elected officers	$156,309.39	$211,000.	$204,000.	None
To appointed officers, plant executives, department heads, salesmen and other salaried employees	515,520.00	576,755.	613,405.	$179,507.
	$671,829.39	$787,755.	$817,405.	$179,507.