PLAINTIFF'S EXHIBIT

CFB-15

CHICAGO FIRE BRICK COMPANY

Accountants' Report

Financial Statements - September 30, 1965

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
111 WEST MONROE STREET
CHICAGO, ILLINOIS 60603

The Board of Directors
Chicago Fire Brick Company:

We have examined the balance sheet of Chicago Fire Brick Company as of September 30, 1965 and the related statements of earnings and retained earnings for the year 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 earnings and retained earnings present fairly the financial position of Chicago Fire Brick Company at September 30, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change in the method of accounting for investments in wholly-owned subsidiaries (as set forth in note 1 to the financial statements) of which we approve, were applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co

November 18, 1965

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CHICAGO FIRE BRICK COMPANY

Balance Sheet

September 30, 1965 with comparative figures for 1964

Assets	1965	1964
Current assets:		
Cash	$ 209,040	154,096
Receivables:		
Trade accounts and notes	409,511	370,965
Current maturities of note receivable from subsidiary	50,400	50,400
Other	10,590	7,537
	470,501	428,902
Less allowance for doubtful receivables	15,000	15,000
Net receivables	455,501	413,902
Accumulated costs on contracts in process (1964 excess of costs over $39,212 of related progress billings)	3,657	14,810
Inventories, at cost (first-in, first-out) or market:		
Materials for resale (note 2)	276,776	257,066*
Finished goods (note 2)	71,528	27,347*
Raw materials and supplies	68,341	58,796
Total inventories	416,645	343,209
Prepaid expenses	14,997	11,360
Total current assets	1,099,840	937,377
Investments and other assets:		
Mortgage note receivable due in monthly installments of $515, including interest at 4-1/2%, less current maturities	8,050	13,725
5-1/2% note receivable from The Wellsville Fire Brick Company due in monthly installments of $4,200, less current maturities	86,200	136,600
Investment in stock of wholly-owned subsidiaries (note 1):		
The Wellsville Fire Brick Company	2,091,206	1,932,469*
New Florence Fire Brick Company	190,581	196,855*
Miscellaneous real estate and equipment, at cost less accumulated depreciation: 1965, $3,307; 1964, $2,945	22,172	21,692
Cash surrender value of life insurance (beneficial value $25,000)	13,072	12,581
Total investments and other assets	2,411,281	2,314,122
Property, plant, and equipment, at cost:		
Land	121,190	121,190
Buildings and improvements	570,975	540,557
Machinery and equipment	331,208	293,897
Automobiles and trucks	88,656	64,643
Furniture and fixtures	39,660	36,981
	1,151,689	1,057,268
Less accumulated depreciation	578,059	523,325
Net property, plant, and equipment	573,630	533,943
	$ 4,084,751	3,785,442

Liabilities and Stockholders' Equity	1965	1964
Current liabilities:		
Notes payable:		
Bank, unsecured	$ 75,000	65,00
4% installment loans on automobiles	15,920	-
New Florence Fire Brick Company	-	40,00
Current maturities of long-term debt	50,400	50,40
Accounts payable:		
The Wellsville Fire Brick Company	120,607	125,72
Other	125,811	129,75
Accrued expenses:		
Salaries, wages, and commissions	69,639	49,20
Property and sales taxes	38,260	35,31
Payroll taxes	6,094	3,35
Interest	14,340	8,89
Federal income taxes	79,987	22,07
Total current liabilities	596,058	529,72
Long-term debt:		
5-1/2% installment bank note payable $4,200 monthly to June 10, 1968, less $50,400 current maturities (note 3)	86,200	136,60
3% notes payable to stockholders, due September 30, 1968	81,200	81,20
4% notes payable to New Florence Fire Brick Company, due $100,000 November 13, 1968 and $40,000 September 30, 1970	140,000	100,00
Net long-term debt	307,400	317,80
Reserve and deferred items:		
Reserve for unrealized profit in inventory purchased from subsidiary	86,089	63,18
Deferred federal income tax resulting from adoption of guideline lives	6,300	7,30
Deferred profit on sale of real estate	7,308	10,02
Total reserve and deferred items	99,697	80,51
Stockholders' equity:		
Capital stock, no par value. Authorized 10,000 shares; issued 9,268 shares, at stated value	370,720	370,720
Additional paid-in capital	522,428	522,428
Retained earnings	2,193,398	1,969,213
	3,086,546	2,862,361
Less treasury stock - 66 shares, at cost	4,950	4,950
Net stockholders' equity	3,081,596	2,857,411
	$ 4,084,751	3,785,442

*1964 figures restated - see note 1.

See accompanying notes to financial statements.

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CHICAGO FIRE BRICK COMPANY

Statement of Earnings

Year ended September 30, 1965
with comparative figures for 1964

	1965	1964
Net sales	$ 2,938,345	2,870,962
Cost of sales	2,048,426	2,154,756
Gross profit	889,919	716,206
Engineering, warehousing, and delivery; selling; and administrative and general expenses	720,604	655,071
Operating profit	169,315	61,135
Other income, less other deductions	5,485	3,050*
Earnings before federal income taxes	174,800	64,185
Federal income taxes	77,000	21,986*
Net earnings before equity in earnings of wholly-owned subsidiaries	97,800	42,199
Equity in earnings of wholly-owned subsidiaries, exclusive of special items:		
The Wellsville Fire Brick Company	135,569	66,150*
New Florence Fire Brick Company	4,526	2,438*
Increase in reserve for unrealized profit in inventories	(22,907)	(13,335)
	117,188	55,253
Net earnings	214,988	97,452
Special items:		
Condemnation award for mineral rights leased by a subsidiary from another subsidiary taken by the State of Missouri	27,500	-
Loss from clay lands taken by the State of Missouri, less $3,000 applicable income tax	(4,500)	-
	23,000	-
Net earnings and special items	$ 237,988	97,452

Depreciation and amortization of plant and equipment included in costs and expenses amounted to $58,442 for the year ended September 30, 1965 and $47,487 for the year ended September 30, 1964.

*1964 figures restated - see note 1.

See accompanying notes to financial statements.

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CHICAGO FIRE BRICK COMPANY

Statement of Retained Earnings

Year ended September 30, 1965

Balance September 30, 1964 as previously reported		$ 444,872
Add:		
Undistributed earnings of subsidiaries since dates of acquisition to September 30, 1964 (note 1)	$ 1,587,523	
Less reserve for unrealized profit in inventories at September 30, 1964	63,182	1,524,341
Balance September 30, 1964 as restated		1,969,213
Net earnings and special items for the year		237,988
		2,207,201
Less cash dividends paid - $1.50 a share		13,803
Balance September 30, 1965		$ 2,193,398

See accompanying notes to financial statements.

CHICAGO FIRE BRICK COMPANY

Notes to Financial Statements

September 30, 1965

(1) In prior years, the company carried the investments in its two wholly-owned subsidiaries at cost and credited dividends received from the subsidiaries to income. At September 30, 1965 the company changed to the method of carrying such investments at the book value of the underlying net assets. The financial statements for the year ended September 30, 1964 have been restated on a comparable basis.

The increase of $281,901 in additional paid-in capital at September 30, 1964 from that previously recorded represents the excess of cost over book value of investments in subsidiaries at dates of acquisition. The changes affecting earnings and retained earnings as of September 30, 1964 are shown in the financial statements.

(2) In 1965 the company changed the classification of inventories of products purchased from its wholly-owned subsidiary from finished goods to materials for resale. The 1964 figures have been changed to conform to the current year's classification.

(3) Under the terms of the 5-1/2% long-term note agreement, the company has agreed, among other things, to maintain an excess of current assets over current liabilities of at least $250,000. At September 30, 1965, current assets exceeded current liabilities by approximately $500,000.

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