Annual Report

CERTAIN-TEED
PRODUCTS CORPORATION

For the Year ended
December 31, 1939

DIRECTORS

BROR DAHLBERG, *Chairman*

HENRY J. HARTLEY
HOULDER HUDGINS
GEORGE R. KENT
HARRY R. LEWIS
A. H. MILLER
FREDERICK H. PAYNE
HORACE G. ROBERTS
L. J. SHERIDAN

OFFICERS

HENRY J. HARTLEY	*President*
HORACE G. ROBERTS	*Vice President*
A. H. MILLER	*Vice President*
C. E. STEDMAN	*Vice President*
H. J. DOWD	*Vice President & Comptroller*
ARTHUR O. GRAVES	*Secretary & Treasurer*
MELLOR HARGREAVES	*Assistant Secretary-Treasurer*

TRANSFER AGENTS

BANKERS TRUST COMPANY—NEW YORK

REGISTRAR

THE NEW YORK TRUST COMPANY—NEW YORK

AUDITORS

EISNER & LUBIN—NEW YORK

CERTAIN-TEED PRODUCTS CORPORATION

100 EAST 42nd STREET, NEW YORK

To the Stockholders of
Certain-teed Products Corporation:

There is submitted herewith a consolidated balance sheet as of December 31, 1939 and related statements of income and surplus.

Consolidated net profit for the year after all charges, including non-recurring charges and provision for Income Taxes, was $348,099.29. This compared with a net profit of $171,010.41 for the previous year. In arriving at the net profit of $348,099.29 there was deducted $182,357.11, representing charges of a non-recurring nature for an unrealized loss arising from Canadian exchange decline, losses from sales and demolition of capital assets and charges applicable to prior years. Before such deduction, the consolidated net profit was $530,456.40.

Comparisons with previous years are as follows:

	Net Sales	% Increase	Operating Profit	% Increase	Net Profit	% Increase
1937	$16,490,156		$640,641		$102,654	
1938	14,625,882	—11.3	719,939	12.4	171,010	66.6
1939	15,516,550	6.1	1,042,354	44.8	348,099	103.6

The improvement resulted from increased sales in more profitable items, more effective control of operations, and more favorable conditions in the building materials industry.

Earnings available for the corporation's outstanding securities compare as follows:

	1937	1938	1939
Available for Interest on funded debt	$626,773	$702,659	$859,997
Interest due and paid on funded debt	524,119	513,547	497,675
Available Per Share 6% preference stock	1.40	2.34	4.76
Common stock	none	none	none

The year-end consolidated balance sheet gives effect to the decisions of the Boards of Directors of this corporation and of its wholly-owned subsidiaries to adjust the stated value of various assets, which adjustments, in the main, eliminate items of appreciation added many years ago, and do not materially affect the corporation's earning power or fundamental worth. These adjustments, the details of which are given in the accompanying auditors' report (1) eliminate appreciation previously reflected in the book value of some assets, (2) reduce to nominal value Canadian timber concessions, and (3) reduce the book value of tangible non-current assets to the lower of cost or appraised value as determined by independent auditors and appraisers. Such action has reduced the stated book value of assets of the Corporation by $4,882,537.70 and thereby created a deficiency in the surplus accounts of $2,252,946.45.

The Certain-teed Products Corporation is a manufacturer primarily of asphalt roofing and gypsum products, two of the most important of the building materials industry. Through 20 years of advertising, the name Certain-teed has become synonymous with these two groups of products. Certain-teed is now the largest manufacturer of asphalt roofing materials in the United States, and the third largest manufacturer of gypsum products. In 1939 the company steadily improved its position in these fields.

Oil drilling on land adjacent to the Grand Rapids, Michigan, plant indicated the corporation's land there to be oil bearing. During 1939 the corporation drilled on its own land 9 wells at an amortized cost of $80,671.72. These wells are all producing at a rate better than average for the field. A conservative drilling program has been approved for 1940.

Also attached hereto is the Annual Report for the year 1939 of Sloane-Blabon Corporation of which corporation Certain-teed owns 24% of Class "A" 6% Cumulative Preferred Stock, 64% of Class "B" 5% Cumulative Preferred Stock and 57% of the Common Stock. The Sloane-Blabon report shows a net profit of $448,455.85 after all charges and provision for Federal Income Taxes, as compared with a loss of $209,986.76 in the previous year. No dividends were received on the corporation's investment in Sloane-Blabon and no part of its earnings is reflected in the Certain-teed income statement for the year.

J Henry Huntley

PRESIDENT.

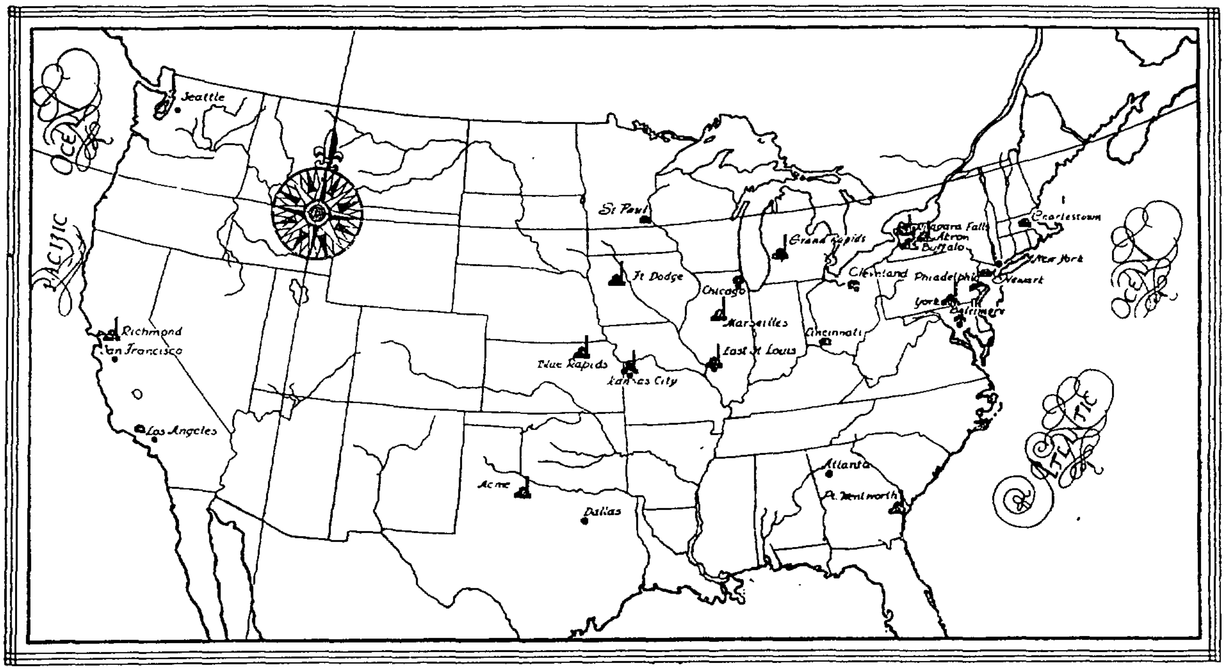
FOR THE BOARD OF DIRECTORS:

Bror Dahlberg

CHAIRMAN.

March 20, 1940.

CERTAIN-TEED PRODUCTS CORPORATION



● Sales Offices | Warehouses | Manufacturing Plants

Sales offices and warehouses are maintained in key distribution centers throughout the United States. Certain-teed products are made in plants located to serve their markets most economically.

Sales Offices

Atlanta, Georgia
Baltimore, Maryland
Chicago, Illinois
Cleveland, Ohio
East St. Louis, Illinois
Dallas, Texas
Kansas City, Missouri
Los Angeles, California
New York, N. Y.
San Francisco, California
Seattle, Washington

Warehouses

Baltimore, Maryland
Charlestown, Massachusetts
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Detroit, Mich.
Los Angeles, California
Newark, New Jersey
Philadelphia, Pennsylvania
St. Paul, Minnesota

Roofing Plants and Felt Mills

East St. Louis, Illinois
Kansas City, Missouri
Marseilles, Illinois
Niagara Falls, New York
Port Wentworth, Georgia
Richmond, California
York, Pennsylvania

Gypsum Mines and Plants

Acme, Texas
Akron, New York
Blue Rapids, Kansas
Fort Dodge, Iowa
*Grand Rapids, Michigan

*Oil is being produced from the Grand Rapids land.

Box Board and Newsprint Plants

Buffalo, New York
Thorold, Ontario, Canada

Subsidiaries:—The corporation wholly owns the Beaver Company, Limited, Thorold, Ontario, Canada, which in turn wholly owns the Beaver Wood Fibre Company, Limited. The Southern Building Products Corporation, a wholly owned subsidiary owns the Port Wentworth, Georgia plants. The Sloane-Blabon Corporation, New York, N. Y., manufacturers of linoleum and floor coverings is a controlled subsidiary.

CERTAIN-TEED PRODUC
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CONSOLIDATED BALANCE SHEI

ASSETS

CURRENT ASSETS:		
Cash		$ 818,694.14
Notes and accounts receivable—		
Notes receivable—trade	$ 198,865.86	
Accounts receivable—trade	2,094,714.08	
Miscellaneous accounts and notes receivable	164,190.12	
Total	$2,457,770.06	
Less: Reserves for bad debts, discounts and allowances	202,715.98	2,255,054.08
Advances for merchandise received on consignment and for resale (secured by the merchandise)		105,859.06
Inventories of raw materials, goods in process and finished goods—at lower of cost or market		2,072,153.24
TOTAL CURRENT ASSETS		$ 5,251,760.52
INVESTMENT IN CAPITAL STOCK OF SLOANE-BLABON CORPORATION, at cost (equity based on balance sheet at December 31, 1939—$3,330,378.31)		3,031,925.39
OTHER INVESTMENTS, RECEIVABLES AND RESTRICTED BANK DEPOSITS (less reserve)		29,199.34
DEPOSITS AND DEFERRED CHARGES		238,510.53
PROPERTY, PLANT AND EQUIPMENT (at cost, or reduced to appraised values):		
Operating plants and facilities:		
Land	$ 496,478.05	
Buildings, machinery and equipment (less reserve for depreciation of $8,108,207.79)	5,987,269.39	
Non-operating plants and departments:		
Land	205,827.43	
Buildings, machinery and equipment (less reserve for depreciation of $19,315.56)	73,773.60	
Gypsum and gypsite deposits	443,540.91	
Oil development (less reserve for amortization of $6,550.38)	80,671.72	
Timber concessions and water power rights at nominal values	2.00	7,287,563.10
GOODWILL, TRADEMARKS, ETC.		1.00
TOTAL ASSETS		$15,838,959.88

CORPORATION AND
SUBSIDIARIES

AS AT DECEMBER 31, 1939

LIABILITIES

CURRENT LIABILITIES:		
Notes payable		$ 47,500.00
Accounts payable and accrued expenses		767,802.09
Interest accrued on funded debt		164,285.00
Accrued taxes		136,447.38
Provision for income taxes		14,222.84
Debenture bonds redeemable within one year	$ 400,000.00	
Less—Bonds held in Treasury	139,000.00	261,000.00
TOTAL CURRENT LIABILITIES		$ 1,391,257.31
RESERVE FOR CONTINGENCIES (includes merchandise guarantees)		68,379.02
FUNDED DEBT:		
Twenty-Year 5½% Sinking Fund Gold Debentures due March 1, 1948 ($200,000 principal amount to be retired semi-annually):		
Originally issued	$13,500,000.00	
Less—Debentures retired	4,400,000.00	
	$ 9,100,000.00	
Less—Debentures redeemable within one year—above	400,000.00	8,700,000.00
CAPITAL:		
6% Cumulative Prior Preference Stock—		
Authorized—186,996 shares of $100.00 par value—outstanding 73,069.3 shares	$ 7,306,930.00	
Common stock—		
Authorized—1,000,000 shares of $1.00 par value—outstanding 625,340 shares	625,340.00	7,932,270.00
Capital surplus	$ 2,477,406.98	
Deficiency in earned surplus (from June 30, 1936)	*4,730,353.43*	*2,252,946.45*
TOTAL LIABILITIES AND CAPITAL		$15,838,959.88

CONTINGENT LIABILITIES: Unused balance of letters of credit—$17,175.00; discounted customers' drafts and notes—$59,315.90.
Dividends in arrears on the 6% Cumulative Prior Preference Stock aggregate $1,205,643.45, or $16.50 per share.
Options have been given for the purchase of an aggregate of 25,000 shares of unissued common stock at $12.00 per share.
The Consolidated Balance Sheet includes net current assets and deferred charges of Canadian subsidiaries aggregating $568,212.34, which have been converted into U. S. currency at the current rate of exchange at December 31, 1939, and exchange rates in effect at the time of acquisition have been applied to the Canadian fixed assets aggregating $985,049.93.

CERTAIN-TEED PRODUCTS CORPORATION AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1939

Sales (less discounts and allowances)		$15,516,550.33
Cost of sales—exclusive of depreciation and depletion, as set forth below	$11,104,515.33	
Depreciation and depletion	487,997.68	
Selling, general and administrative expenses	2,881,682.81	14,474,195.82
Operating profit		$ 1,042,354.51
Interest on debenture bonds		497,675.27
		$ 544,679.24
Provision for income taxes		14,222.84
Net income—before unrealized loss arising from foreign exchange decline, extraordinary items and charges applicable to prior years		$ 530,456.40
Deduct:		
Unrealized loss arising from decline in conversion value of Canadian net current assets and deferred charges	$ 52,540.66	
Loss on sales or demolition of plants and other capital assets—net	76,668.80	
Adjustment of reserves for discounts and allowances as at January 1, 1939, to conform to the basis at December 31, 1939	46,949.48	
Gypsum lease rentals capitalized in prior years, charged off	6,198.17	182,357.11
NET CREDIT TO SURPLUS		$ 348,099.29

The consolidated net income of $530,456.40 (before deducting unrealized loss arising from declines in conversion value of net current assets, extraordinary items and charges applicable to prior years) includes net income of $25,196.23 of Canadian subsidiaries. The net income of these subsidiaries has been converted into U. S. currency at approximate average rates of exchange prevailing during the year, except that depreciation has been converted at exchange rates prevailing at the time of acquisition of the related assets.

The portion of the net income of Sloane-Blabon Corporation for the year 1939, allocable to the securities of that corporation owned by Certain-teed Products Corporation (without giving effect to dividend arrearages aggregating $1,432,489.50 on the outstanding preferred stocks of the Sloane-Blabon Corporation) is $262,284.65. No part of such income has been included in the above income statement.

CERTAIN-TEED PRODUCTS CORPORATION
AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED SURPLUS ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1939

CAPITAL SURPLUS—DECEMBER 31, 1938 (*no change during year 1939*)			$2,477,406.98
DEFICIENCY IN EARNED SURPLUS (from June 30, 1936) AT DECEMBER 31, 1938			$ *281,780.73*
CREDITS:			
Net credit to surplus for the year, per consolidated income statement		$ 348,099.29	
Excess of par value over cost of debenture bonds purchased during year		36,388.75	
Fixed assets reduced to nominal values in prior years, transferred to operating equipment and revalued		49,476.96	433,965.00
			$ 152,184.27
CHARGES:			
Elimination of appreciation previously reflected in book values of—			
Land	$ 261,864.34		
Plant and equipment	107,895.40		
Gypsum and gypsite deposits	2,923,176.82	$3,292,936.56(1)	
To reflect the lower of cost or recent appraisal values of:			
Non-operating land	$ 265,919.07		
Gypsum and gypsite deposits	109,510.40	375,429.47(2)	
To reduce investment in Sloane-Blabon Corporation to cost of assets transferred therefor		334,877.37(3)	
Reduction in book value of timber concessions to nominal value		879,294.30(4)	4,882,537.70
DEFICIENCY IN EARNED SURPLUS (from June 30, 1936) AT DECEMBER 31, 1939			*$4,730,353.43*

NOTES: (1) Appreciation recorded on books of—

Certain-teed Products Corporation in 1923—		
Land	$ 106,680.00	
Gypsum and gypsite deposits	2,923,176.82	$3,029,856.82
Southern Building Products Corp. in 1930		140,836.78
The Beaver Wood Fibre Co. in 1919		98,326.07
The Beaver Co., Ltd., in 1919		23,916.89
TOTAL		$3,292,936.56

(2) Reductions to appraisals made in December, 1939, with respect to Land under the direction of L. J. Sheridan & Co. and with respect to gypsum and gypsite deposits by Ford, Bacon & Davis, Inc.

(3) To reduce investment in Sloane-Blabon Corporation by the amount of appreciation in assets transferred therefor, recorded on books of Certain-teed Products Corporation in 1923.

(4) Reflects reduction to nominal value.

EISNER & LUBIN
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
WASHINGTON

To the Board of Directors,
Certain-teed Products Corporation:

We have examined the Consolidated Balance Sheet of CERTAIN-TEED PRODUCTS CORPORATION and its wholly-owned subsidiaries as at December 31, 1939, and the Consolidated Statements of Income and Surplus for the year then ended; we have reviewed the system of internal control and the Companies' accounting procedures, and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

The Board of Directors has authorized the elimination of the element of appreciation previously reflected in the assets of the Corporation, and also the reduction of the timber concessions to a nominal value of $1.00. Certain fixed assets and gypsum deposits were appraised during the year. As a result thereof, these assets are now reflected at the lower of cost or appraised values.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Income and Surplus fairly present the consolidated position of CERTAIN-TEED PRODUCTS CORPORATION and wholly-owned subsidiaries as at December 31, 1939, and the consolidated operating results for the year then ended, in conformity with generally accepted accounting principles.

Eisner & Lubin,
Certified Public Accountants.

New York, N. Y., March 8, 1940.

SLOANE-BLABON CORPORATION

295 FIFTH AVENUE
NEW YORK

HOULDER HUDGINS
PRESIDENT

March 15, 1940.

TO THE STOCKHOLDERS OF
SLOANE-BLABON CORPORATION:

We submit herewith the Balance Sheet and Statement of Income and Deficit for the year ended December 31, 1939, as certified to by our Auditors, Messrs. Eisner & Lubin.

Gross Operating Income for the year, before maintenance, repairs and depreciation, was $2,285,182.65. This compared with $1,199,955.74 for 1938, and represents an increase of 90.4%.

Net profit for the year after provision for depreciation and Federal income taxes was $448,455.85. This compares with a net loss of $209,986.76 for 1938. Adjustments made applicable to prior years amounted to $87,261.40, resulting in a credit to surplus of $535,717.25.

All Notes Payable to Banks and Trade Creditors, which on December 31, 1938, amounted to a total of $749,698.20, have been paid off. This is the first time in the history of the Company that there were no loans outstanding.

As of December 31, 1939, the ratio of Current Assets to Current Liabilities was 5.8 to 1 as compared with 3.2 to 1 last year.

In the opinion of the Management, the present prospects for 1940 are promising.

Respectfully submitted,

Houlder Hudgins

President.

For the Board of Directors,

Bror Dahlberg

Chairman.

SLOANE-BLABO

BALANCE SHEET A:

ASSETS

CURRENT ASSETS:		
Cash		$ 185,088.49
Accounts receivable (trade)	$1,299,701.41	
Less—Reserves for discounts and bad debts	101,066.68	1,198,634.73
Miscellaneous notes, accounts and claims receivable		26,204.26
Raw materials, work in process, finished goods and factory and shipping supplies—at the lower of cost or market		2,111,244.86
TOTAL CURRENT ASSETS		$3,521,172.34
Land, buildings, machinery and equipment (at cost in 1931 in common stock, plus net additions at cost and less reserves for depreciation)—		
Land, including $156,311.00 for property not in current use		722,046.02
Buildings, machinery and equipment	$5,481,582.78	
Less—Reserves for depreciation	1,873,425.78	3,608,157.00
Blocks and moulds		107,404.75
Factory stores, parts and supplies		66,873.53
Deferred charges—engravings, advertising supplies, unexpired insurance, etc.		133,873.12
Organization expense, goodwill, trademarks, etc.		1.00
TOTAL ASSETS		$8,159,527.76

To the Board of Directors,
Sloane-Blabon Corporation,
295 Fifth Avenue,
New York, N. Y.

We have examined the balance sheet of Sloane-Blabon Corporation as at December 31, 1939, and the condensed statement of income and deficit for the year then ended; we have reviewed the system of internal control and the company's accounting procedures, and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the above balance sheet and related statement of income and deficit fairly present the position of Sloane-Blabon Corporation as at December 31, 1939, and its operating results for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Eisner & Lubin,
Certified Public Accountants.

New York, February 23, 1940.

:ORPORATION

' DECEMBER 31, 1939

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	$ 244,751.28	
Customers' credit balances	3,426.35	$ 248,177.63
Accrued taxes, payroll, fees and expenses		278,746.80
Provision for sales allowances		88,205.21
TOTAL LIABILITIES		$ 615,129.64
Deferred income		4,382.51
CAPITAL STOCK AND SURPLUS—		
Class A, 6% preferred, cumulative from July 1, 1933, authorized 40,000 shares, par value $100.00 each, issued 24,208 shares	$2,420,800.00*	
Class B, 5% preferred, cumulative from July 1, 1933, authorized 20,000 shares, par value $100.00 each, issued 15,027 shares	1,502,700.00*	
Common stock, authorized 120,000 shares, no par value, issued 75,633 shares	1,890,825.00	
	$5,814,325.00	
Capital surplus	2,621,900.14	
Deficiency in earned surplus from May 1, 1932—as annexed	*896,209.53*	7,540,015.61
TOTAL LIABILITIES AND CAPITAL		$8,159,527.76

* Unpaid cumulative dividends to December 31, 1939, total $944,112.00 or $39.00 per share on the Class A preferred stock, and $488,377.50 or $32.50 per share on the Class B preferred stock.

CTD035718

SLOANE-BLABON CORPORATION

CONDENSED STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1939

Gross operating income, before maintenance, repairs and depreciation...		$2,285,182.65
Maintenance and repairs..........	$ 182,537.54	
Provision for depreciation..........	273,005.82	
Selling, general and administrative expenses..........	1,311,183.44	1,766,726.80
Net profit, before Federal income tax and items applicable to prior years		$ 518,455.85
Less Provision for income tax..........		70,000.00
Net profit, before items applicable to prior years..........		$ 448,455.85
Items applicable to prior years—		
Credits—		
Reserve for contingencies eliminated..........	$ 194,291.46	
Net refund on Federal income tax of prior years..........	4,636.28	
	$ 198,927.74	
Charges—		
Professional fees applicable to prior years..........	$ 35,000.00	
Moulds charged off..........	56,840.34	
Production development expenses charged off..........	19,826.00	
	$ 111,666.34	87,261.40
Net addition to surplus..........		$ 535,717.25
Deficiency in earned surplus from May 1, 1932, to December 31, 1938...		*1,431,926.78*
DEFICIENCY in earned surplus from May 1, 1932, to December 31, 1939—per balance sheet..........		$ *896,209.53*

SLOANE-BLABON CORPORATION

DIRECTORS

BROR DAHLBERG
WILLIAM D. GARDNER
JOHN G. GETZ, Jr.
W. E. S. GRISWOLD
JOHN HENRY HAMMOND
HENRY J. HARTLEY
HOULDER HUDGINS
JOHN SLOANE
M. B. WIMBER

OFFICERS

BROR DAHLBERG	*Chairman of the Board*
HOULDER HUDGINS	*President*
WILLIAM A. SALE	*Vice President*
WILLIAM C. WEIGLE	*Vice President*
M. B. WIMBER	*Secretary and Treasurer*
J. W. MAHONEY	*Assistant Secretary and Assistant Treasurer*
WILLIAM C. DRAPER, Jr	*Comptroller*
WILLIAM A. KING	*Auditor*

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