PLAINTIFF'S EXHIBIT

CT-249

Annual Report

CERTAIN-TEED
PRODUCTS CORPORATION

For the Year ended
December 31, 1940

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*
A. H. MILLER	*Executive Vice President*
HORACE G. ROBERTS	*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

This report and the financial statements contained herein are submitted for the general information of the stockholders of the Corporation as such, and are not intended to induce, or to be used in connection with, any offer of sale or purchase of any stock or other securities of the Corporation.

CTD035722

CERTAIN-TEED PRODUCTS CORPORATION

100 EAST 42nd STREET, NEW YORK

To the Stockholders of
Certain-teed Products Corporation:

Herewith is submitted the consolidated balance sheet and related statement of income and surplus of Certain-teed Products Corporation for the year ended December 31, 1940.

Consolidated net income for the year, after all charges and provision for income taxes, was $610,383.15. Included in this figure, is an item of $129,901.69, representing the proceeds of the settlement of a lawsuit instituted in a prior year. Excluding this item, the consolidated net income for the year was $480,481.46, as compared with $348,099.29 for the previous year. The net sales for 1940 were $18,554,013 as against $15,516,550 for 1939.

Comparisons with previous years are as follows:

	1936	1937	1938	1939	1940
Net sales	$15,669,037	$16,490,156	$14,625,882	$15,516,550	$18,554,013
Net income, before interest & taxes	*46,350*	626,774	702,659	859,997	1,395,865
Interest	524,900	524,120	513,548	497,675	483,848
Provision for U. S. and Canadian income taxes	——	——	18,101	14,223	301,634
Net income	*571,250*	102,654	171,010	348,099	610,383

Of the net sales of $18,554,013 for the year 1940, the Canadian subsidiaries contributed $2,611,093, in contrast with net sales of $15,516,550 for the year 1939, of which $1,520,592 were by the Canadian subsidiaries.

The volume of net sales showed improvement, but the net income was adversely affected by increased taxes, raw materials and labor costs, and by a generally unsatisfactory condition in the roofing industry throughout the year.

For the Corporation's 20-year debentures, issued March 1, 1928, due March 1, 1948, there is a sinking fund requirement in accordance with which $400,000 principal amount of bonds must be retired yearly. Accordingly, bonds in the amount mentioned must be retired annually before consideration can be given to plant improvements or dividend requirements. This situation is pertinent when consideration is given to the arrearage which exists in preferred dividends and the fact that common stockholders have had no dividends in many years. No dividends on either the preferred or common stocks were paid or possible during the year.

During the year, manufacturing operations were improved and with a relatively small expenditure, some of the plant capacities were increased and unit costs reduced. Much,

CTD035723

however, remains to be done to bring operations up to accepted standards of modern efficiency. This is actively in hand and will be progressively corrected as conditions permit.

Included in this report is the annual report for the year 1940 of Sloane-Blabon Corporation, of which Certain-teed owns 24.37% of Class "A" 6% cumulative preferred stock, 63.85% of Class "B" 5% cumulative preferred stock and 56.74% of the common stock. The Sloane-Blabon report shows a net profit of $381,549.42 after all charges and provision for federal income taxes, as compared with a net profit of $448,455.85 in the previous year. Sloane-Blabon Corporation paid a dividend of $4.50 per share on its outstanding Class "A" preferred stock on December 14, 1940, of which Certain-teed received $26,545.50. Other than this dividend, no part of the earnings reported by Sloane-Blabon for the year 1940 is reflected in the Income Statement of Certain-teed Products Corporation for the same period.

In the opinion of the management and the Corporation's auditors, under existing laws, the Corporation's "Excess Profits Credit" against net income subject to U. S. Excess Profits Tax for the year ended December 31, 1940, is approximately $1,400,000 computed on the invested capital basis.

Business of the Corporation is now at high volume and the present indications are for near-capacity production at most of the plants during the current year.

PRESIDENT.

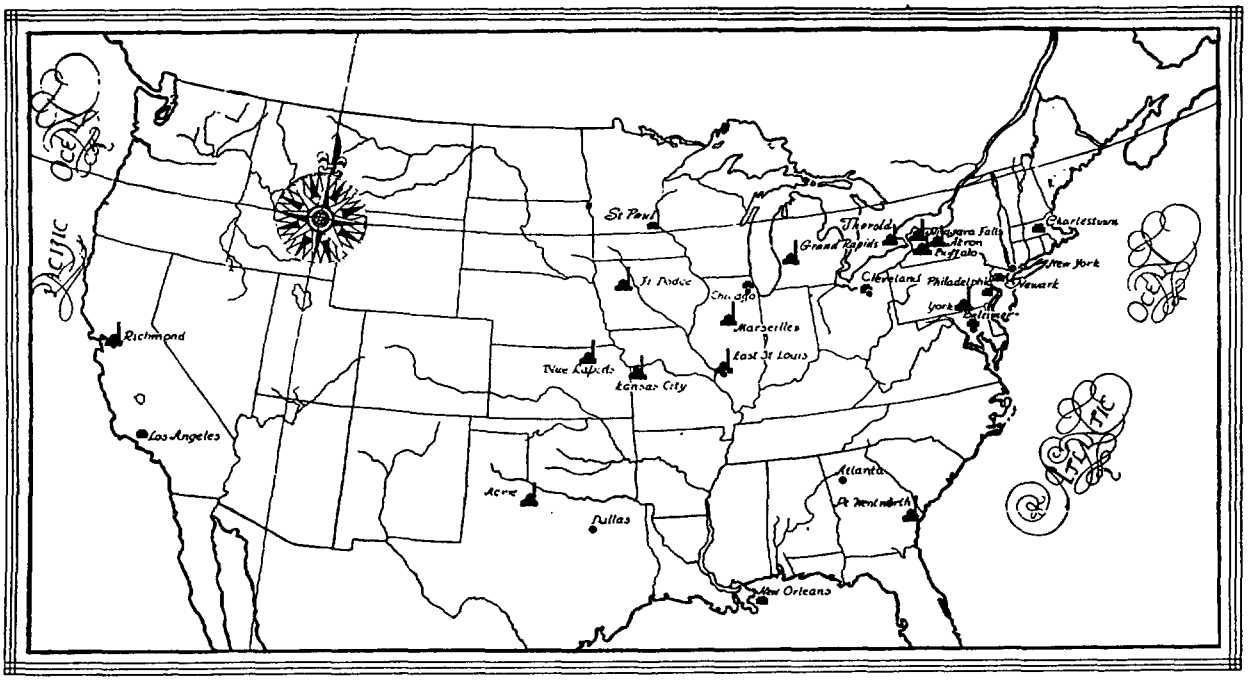
FOR THE BOARD OF DIRECTORS:

CHAIRMAN.

March 21, 1941.

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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
New York, N. Y.
Richmond, California

Warehouses

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

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 plant. The Sloane-Blabon Corporation, New York, N. Y., manufacturers of linoleum and floor coverings is a controlled subsidiary.

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CERTAIN-TEED PRODUCTS
AND WHOLLY-OWNED

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash		$ 1,023,970.43
Notes and accounts receivable:		
Notes receivable—trade	$ 122,441.84	
Accounts receivable—trade	2,270,831.80	
Miscellaneous accounts and notes receivable	363,402.61	
Total	$2,756,676.25	
Less reserve for bad debts, discounts and allowances	229,662.11	2,527,014.14
Advances for merchandise received on consignment and for resale—(secured by the merchandise)		50,343.27
Inventories—at lower of cost or market:		
Raw materials and supplies	$1,087,705.54	
Goods in process	182,424.08	
Finished goods	669,897.10	1,940,026.72
TOTAL CURRENT ASSETS		$ 5,541,354.56
INVESTMENT IN CAPITAL STOCK OF SLOANE-BLABON CORPORATION, at cost (equity based on balance sheet at December 31, 1940—$3,479,689.50)		3,031,925.39
OTHER INVESTMENTS, RECEIVABLES AND RESTRICTED BANK DEPOSITS (less reserve of $23,823.17)		47,057.57
DEPOSITS AND DEFERRED CHARGES		291,416.68
PROPERTY, PLANT AND EQUIPMENT (at cost, or reduced to appraised values):		
Operating plants and facilities:		
Land	$ 470,242.84	
Buildings, machinery and equipment (less reserve for depreciation of $8,421,335.78)	6,256,831.11	
Non-operating plants and departments:		
Land	201,724.59	
Buildings, machinery and equipment (less reserve for depreciation of $36,069.71)	93,695.80	
Gypsum and gypsite deposits (less reserve for depletion of $13,104.75)	431,053.61	
Oil development (less reserve for depletion of $133,590.46)	63,707.52	
Timber concessions and water power rights (at nominal values)	2.00	7,517,257.47
GOODWILL, TRADEMARKS, ETC.		1.00
TOTAL ASSETS		$16,429,012.67

CONTINGENT LIABILITIES:

Unused balance of letters of credit $7,395.52; discounted customers' drafts and notes $10,658.38; guarantees to banks covering drawings negotiated under letters of credit $154,352.45.

No litigation is pending or threatened against the Corporation which the management deems of substantial importance other than the following: On March 11, 1940, the United States Government filed a civil suit in New York against Masonite Corporation and its del credere agents charging that certain provisions of the del credere agreements imposed by Masonite Corporation upon its agents in respect of certain patented hard board products violated the Anti-Trust Laws. On June 28, 1940, a Grand Jury for the District Court of the United States for the District of Columbia returned two indictments against United States Gypsum Company and its licensees under its gypsum board and lath patents, charging that United States Gypsum Company and its licensees had violated the Anti-Trust Laws. On August 15, 1940, the United States Government

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CORPORATION
SUBSIDIARIES

AS AT DECEMBER 31, 1940

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:		
Notes payable		$ 22,500.00
Accounts payable and accrued expenses		756,205.53
Interest accrued on funded debt		156,841.67
Accrued taxes		139,823.35
Reserve for U. S. and Canadian income taxes		301,634.39
Debenture bonds redeemable within one year	$ 400,000.00	
Less bonds held in Treasury	145,000.00	255,000.00
TOTAL CURRENT LIABILITIES		$ 1,632,004.94
RESERVE FOR CONTINGENCIES (includes merchandise guarantees)		128,739.78
FUNDED DEBT:		
Twenty year 5½% Sinking Fund Gold Debentures due March 1, 1948 ($200,000.00 principal amount to be retired semi-annually):		
Originally issued	$13,500,000.00	
Less debentures retired	4,800,000.00	
	$ 8,700,000.00	
Less debentures redeemable within one year—above	400,000.00	8,300,000.00
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)	*4,041,409.03*	*1,564,002.05*
TOTAL LIABILITIES AND CAPITAL		$16,429,012.67

filed a civil suit against United States Gypsum Company and its licensees under its gypsum board and lath patents charging certain restrictive provisions of the license agreements violated the Anti-Trust Laws and seeking to perpetually enjoin said alleged violations. Certain-teed Products Corporation, as one of the agents and licensees, was included as a defendant in the above matters. The actions are being defended.

Dividends in arrears on the 6% Cumulative Prior Preference Stock aggregate $1,644,059.25, or $22.50 per share.

The consolidated balance sheet includes net current assets and deferred charges of Canadian subsidiaries aggregating $640,542.21, which have been converted into U. S. currency at .909, the rate fixed by the Canadian Control Board, and exchange rates in effect at the time of acquisition have been applied to the Canadian fixed assets aggregating $946,704.30.

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CERTAIN-TEED PRODUCTS CORPORATION
AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1940

Sales (less discounts and allowances)			$18,554,012.59
Cost of sales (including selling and administrative expenses, but exclusive of depreciation and depletion)		$16,812,415.38	
Depreciation		530,431.25	
Depletion (gypsum and gypsite deposits)		13,104.75	17,355,951.38
Operating profit			$ 1,198,061.21
Other income:			
Net recovery resulting from litigation	$129,901.69		
Oil and gas (less depletion of $127,040.08)	47,313.04		
Dividend received from Sloane-Blabon Corporation	26,545.50		
Miscellaneous income	97,615.68	$ 301,375.91	
Other deductions:			
Unrealized loss arising from conversion of Canadian net assets	$ 1,134.88		
Miscellaneous deductions	102,436.91	103,571.79	197,804.12
			$ 1,395,865.33
Interest on debenture bonds			483,847.79
			$ 912,017.54
Provision for U. S. and Canadian income taxes (no U. S. excess profits tax payable)			301,634.39
Net income			$ 610,383.15
Deficiency in earned surplus (from June 30, 1936) at January 1, 1940			*4,730,353.43*
			$ 4,119,970.28
Excess of par value over cost of debenture bonds purchased during year			78,561.25
DEFICIENCY IN EARNED SURPLUS (FROM JUNE 30, 1936) AT DECEMBER 31, 1940			*$ 4,041,409.03*

The consolidated net income of $610,383.15 includes net income of $52,276.97 of Canadian subsidiaries. The net income of these subsidiaries has been converted into U. S. currency at the fixed rate of exchange established by the Control Board of the Canadian Government, except that depreciation of Canadian fixed assets has been converted at the exchange rates in effect at the time of acquisition of the related assets.

EISNER & LUBIN
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
WASHINGTON

February 26, 1941.

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, 1940, and the related consolidated income statement 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 the accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Further comments on the scope of our examination with respect to the principal assets and liabilities of the companies are submitted in the following paragraphs.

The cash in banks was confirmed by direct correspondence with the depositories. The accounts receivable were checked to the subsidiary records and substantially confirmed by direct correspondence. Physical inventories were taken by the companies' employees as at December 31, 1940. We reviewed the procedures outlined for determining quantities, and supervised and tested the count at certain locations. We also made comprehensive test checks of the valuation and mathematical accuracy of the inventories as at December 31, 1940. Certificates representing the investments of the corporation were examined by us. The deferred charges were reviewed as to composition and applicability to future operations. Property, plant and equipment are stated at cost or at reduced values as appraised in December 1939. Additions thereto during 1940, stated at cost, were reviewed by us and represent proper capital items.

Accounts payable were substantially confirmed by correspondence with the creditors, and the accuracy of the accrued liabilities was checked. The outstanding debenture bonds and capital stock were confirmed by the respective registrars.

In our opinion, the accompanying consolidated balance sheet and related summary of consolidated income, with the footnotes thereon, fairly present the financial condition of CERTAIN-TEED PRODUCTS CORPORATION and wholly-owned subsidiaries at December 31, 1940, and the results of their operations 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.

CTD035729

EISNER & LUBIN
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
WASHINGTON

February 28, 1941.

To the Board of Directors,
Sloane-Blabon Corporation:

We have examined the balance sheet of SLOANE-BLABON CORPORATION as at December 31, 1940, and the statements of income and deficit and capital surplus 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 the accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Further comments on the scope of our examination with respect to the principal assets and liabilities of the Company are submitted in the following paragraphs.

The cash in banks was confirmed by direct correspondence with the depositories. The accounts receivable were checked to the subsidiary records and substantially confirmed by direct correspondence. Physical inventories were taken by the Company's employees as at December 31, 1940. We reviewed the procedures outlined for determining quantities, and supervised and tested the counts at the plants and at one of the warehouses chosen by ourselves. We also made comprehensive test checks of the valuation and mathematical accuracy of the inventories. Property, plant and equipment are stated at cost in common stock in 1931, plus additions at cost. Additions during 1940 were reviewed by us and represent proper capital items. The deferred charges were reviewed as to composition and applicability to future operations.

Accounts payable were substantially confirmed by correspondence with the creditors, and the accuracy of the accrued liabilities was checked.

In our opinion, the accompanying balance sheet and related summary statements of income and deficit and capital surplus, with the footnotes thereon, fairly present the financial condition of SLOANE-BLABON CORPORATION at December 31, 1940, and the results of its operations 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.

CTD035730

SLOANE-BLABON CORPORATION

295 FIFTH AVENUE

NEW YORK

HOULDER HUDGINS
PRESIDENT

March 7, 1941.

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, 1940, as certified by our auditors, Messrs. Eisner & Lubin.

Gross operating income for the year, before maintenance, repairs and depreciation was $2,270,549.37. This compares with $2,285,182.65 for 1939.

Net profiit for the year after provision for depreciation and federal income taxes was $381,549.42. This compares with a net profit of $448,455.85 for 1939.

Sales in 1940 showed an increase both in yards and dollar volume but the additional profit that would normally have been produced by such an increase in sales was offset by intense price competition in the industry, by added labor costs of $216,584.80, increased cost of raw materials of $387,821.72, and increased taxes of $54,648.70.

As of December 31, 1940, the ratio of current assets to current liabilities was 6.1 to 1 as compared with 5.8 to 1 last year.

On December 14, 1940, a dividend of $4.50 per share was paid to holders of Class A 6% preferred stock, applicable to the accumulated arrearages of $45.00 per share thereon as of December 31, 1940. An additional payment of $1.50 per share was declared in January, 1941, and paid in February, 1941.

Disturbed world conditions affected the markets for raw materials such as cork, drying oils, felt ingredients and burlap, resulting in constantly increasing cost of procurement. Your Company has protected itself to a balanced degree against the impact of this situation and the management forsees no unexpected stoppage in production arising from shortage of materials.

In the light of the present operations the management anticipates that the business for the current year will be continued practically at capacity.

Respectfully submitted,

Houlder Hudgins

President.

For the Board of Directors,

Bror Dahlberg

Chairman.

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ASSETS

Current Assets:		
Cash		$ 621,154.00
Accounts receivable (trade)	$1,328,240.32	
Less reserves for discounts and bad debts	109,703.11	1,218,537.21
Miscellaneous trade accounts and claims receivable		43,634.83
Inventories—at the lower of cost or market:		
Raw materials and supplies	$ 511,445.91	
Work in process	493,898.98	
Finished goods at plants and warehouses	1,082,337.30	2,087,682.19
Total Current Assets		$3,971,008.23
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	$ 727,397.92	
Buildings, machinery and equipment $5,487,435.44		
Less reserves for depreciation 2,147,743.75	3,339,691.69	
Improvements under construction	128,764.29	4,195,853.90
Blocks and moulds		106,670.87
Factory stores, parts and supplies		67,687.89
Deferred charges—engravings, advertising supplies, unexpired insurance, etc.		130,999.59
Organization expense, goodwill, trademarks, etc.		1.00
TOTAL ASSETS		$8,472,221.48

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)RPORATION

' DECEMBER 31, 1940

LIABILITIES AND CAPITAL

Current Liabilities:		
Accounts payable		$310,934.15
Accrued taxes, payroll and expenses		185,003.46
Reserve for Federal income tax		123,375.02
Reserve for sales allowances		34,692.04
Total Liabilities		$ 654,004.67
Deferred income		3,750.00
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 (as annexed)	2,512,964.14	
Deficiency in earned surplus from May 1, 1932 (as annexed)	*512,822.33*	7,814,466.81
TOTAL LIABILITIES AND CAPITAL		$8,472,221.48

Unpaid cumulative dividends to December 31, 1940 total $40.50 per share or $980,424.00 on the Class A preferred stock and $37.50 per share or $563,512.50 on the Class B preferred stock.

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SLOANE-BLABON CORPORATION

CONDENSED STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1940

Gross operating income, before maintenance, repairs and depreciation..		$2,270,549.37
Maintenance and repairs	$ 204,895.07	
Provision for depreciation	283,166.37	
Selling, general and administrative expenses	1,279,105.09	1,767,166.53
Operating profit		$ 503,382.84
Other income	$ 9,128.73	
Less other deductions	7,587.13	1,541.60
Net profit, before income tax and item applicable to prior year		$ 504,924.44
Less provision for income tax (no excess profits tax payable)		123,375.02
Net profit, before item applicable to prior year		$ 381,549.42
Add excess income tax provision of prior year		1,837.78
Net credit to deficiency in earned surplus		$ 383,387.20
Deficiency in earned surplus from May 1, 1932 to January 1, 1940		*896,209.53*
DEFICIENCY in earned surplus from May 1, 1932 to December 31, 1940—Per balance sheet		*$ 512,822.33*

RECONCILIATION OF CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1940

Capital surplus at January 1, 1940	$2,621,900.14
Deduct dividend of $4.50 per share paid on 24,208 shares of Class A preferred stock	108,936.00
CAPITAL SURPLUS at December 31, 1940—per balance sheet	$2,512,964.14

CTD035734

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*

CTD035735