



Annual
1952
Report

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**BROWN
COMPANY**



Ernest H. Maling

The stockholders, officers and personnel of Brown Company owe a debt of gratitude to Ernest H. Maling, who retired as Senior Vice President in November after 32 years of service.

Vice president in charge of finance since 1943, after ten years as comptroller and, later, treasurer, Mr. Maling has in the truest sense been an unswerving source of inspiration and fortitude to others concerned with the company's welfare, through trying times as well as prosperity.

His retirement, fortunately, does not mean a total forfeit of his devoted services. Mr. Maling will continue to offer his valued advice and guidance to Brown Company as Vice-Chairman of the Board of Directors.

In the words of Ernest Martin Hopkins, engraved on a plaque presented to Mr. Maling recently by the Board of Directors: "The final measure of a man's accomplishment . . . is not whether he has been acclaimed a hero, or has been adjudged a worthy candidate for martyrdom. It is rather his success in acting as a coordinating, harmonizing, energizing, stimulating force upon diverse ambitions in an organization, which, if left to themselves, would too often become neutralized in conflict with one another."

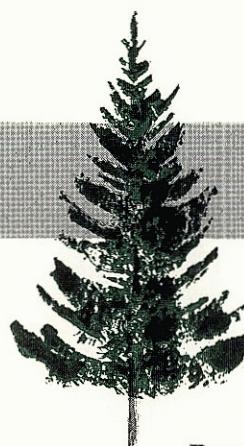
The Cover

Against a background of Brown Company timberland in the Parmachenee area in Maine, a log storage boom awaits the Spring drive down river to our Berlin mills for conversion into pulp, paper and other wood cellulose products.



THE YEAR IN BRIEF

Net sales	\$65,638,483
Sales of pulp, paper and towels (297,336 tons)	\$57,227,331
Sales of all other products	\$ 8,411,152
Expenditures for plant improvement	\$ 7,327,561
Net profit	\$ 4,396,967
Earnings per common share	\$ 1.69
Net working capital	\$17,818,787
Book value of Stockholders' Equity in net assets	\$44,075,765
Tons of pulp, paper and towels sold	297,336
Number of employees (not including seasonal woods labor)	4,734
Timberland acreage:	
Owned in United States and Canada	1,411,263
Cutting rights on Crown land in Canada	1,693,687
Total acreage	3,104,950



THE COMPANY IN BRIEF

Brown Company is an important producer of wood pulp, paper and kindred products, with plants concentrated at Berlin and Gorham, N. H. The Canadian subsidiary, Brown Corporation, has a kraft mill at La Tuque, Quebec. Pulp production capacity of the combined companies is more than 1,100 tons per day. A portion of this output is converted by Brown into finished paper and towel products, while slightly over half is sold to other users, principally manufacturers of paper and cellophane.

The company is in a strong position with respect to reserves of timberland, our principal source of raw materials. Good forestry practice over the years has encouraged re-growth of timber in once-harvested woodlands, providing for future needs.

A large and complete Research and Development Laboratory has been instrumental in keeping the company in the forefront through development of new products, new uses, and improved production techniques. Numerous Brown products are exclusive with the company.

Since the end of World War II, Brown has been engaged in a broad program of modernization and improvement of woods and plant facilities. An aggregate of \$31,300,000 has been invested for this purpose since 1945. This program is part of a larger plan of integration of operations, looking toward the most profitable utilization of products of the forest.

Board of directors

ORTON B. BROWN Berlin, New Hampshire <i>Director, New Hampshire Fire Insurance Co.</i>	WILLIAM B. JOYCE New York City <i>President, Wm. B. Joyce & Company, Inc.</i>
JOHN B. CHALLIES Montreal, Quebec <i>Consulting Engineer — Retired Senior Vice President, Shawinigan Water & Power Company</i>	CHARLES P. McTAGUE, Q. C. Toronto, Ontario <i>President, Eastern Canadian Greyhound Lines, Ltd.</i>
ARTHUR D. EMORY Montreal, Quebec <i>President, United Corporations, Ltd.</i>	JOHN L. SULLIVAN Washington, D. C. <i>Lawyer—Sullivan, Bernard, Shea & Kenney</i>
G. BLAIR GORDON Montreal, Quebec <i>President, Dominion Textile Company, Ltd.</i>	GENE TUNNEY New York City <i>Chairman of the Board, Denman Tire and Rubber Company</i>
ERNEST M. HOPKINS Hanover, New Hampshire <i>Chairman, National Life Insurance Company</i>	ARTHUR G. WALWYN Toronto, Ontario <i>President, Corporate Consultants, Ltd.</i>
EDWARD E. JOHNSON Toronto, Ontario <i>President, Great Lakes Lumber & Shipping, Ltd.</i>	LAURENCE F. WHITTEMORE Pembroke, New Hampshire <i>Director and Chairman of the Board</i>
ERNEST H. MALING Kennebunkport, Maine <i>Vice Chairman of the Board</i>	

Officers and executive staff

LAURENCE F. WHITTEMORE <i>President</i>	GEORGE A. DAY <i>Research Director</i>
HOWARD G. BRUSH <i>Vice President and Treasurer</i>	WARREN B. BECKLER <i>Vice President, Brown Corporation</i>
DOWNING P. BROWN <i>Vice President — Sales</i>	GORDON BROWN <i>Assistant to President, Brown Corporation</i>
WENTWORTH BROWN <i>Vice President — Development</i>	JAMES B. McNALLY <i>Woods Manager, Brown Corporation</i>
JOHN W. JORDAN <i>Vice President, General Counsel and Secretary</i>	WILLIAM J. OLESON, JR. <i>Controller, Brown Company</i>
ROBERT W. ANDREWS <i>Works Manager, Brown Company</i>	ALEXANDER B. WALKER <i>Controller, Brown Corporation</i>
NEWTON L. NOURSE <i>General Sales Manager</i>	LEONARD A. PIERCE <i>Clerk, Brown Company</i>
CLARENCE S. HERR <i>Vice President, Woods Operations, Brown Company</i>	

Registrars and transfer agents

Preference Stocks

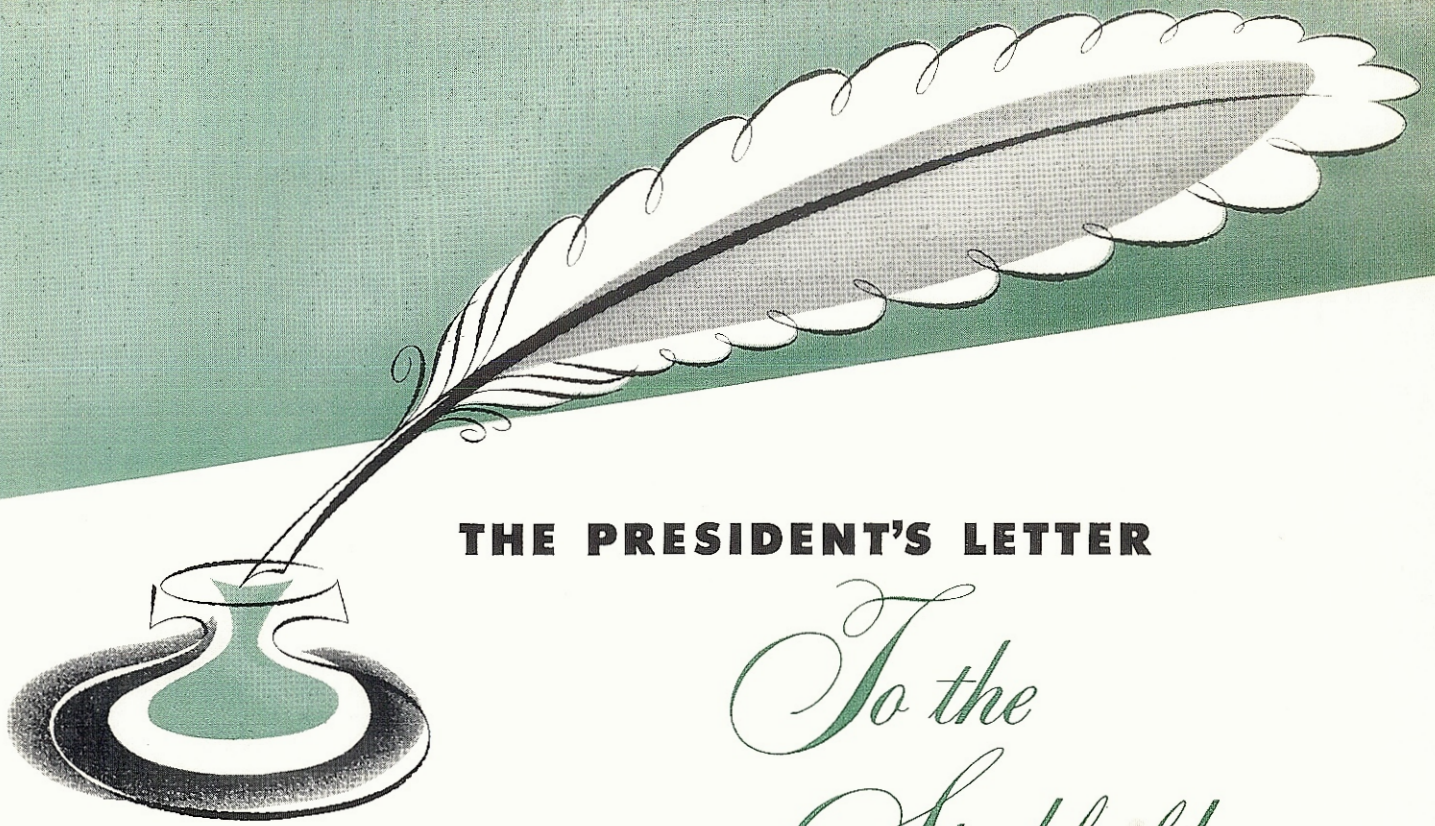
<i>Principal Transfer Agent</i>	Old Colony Trust Company, Boston
<i>Montreal Transfer Agent</i>	Guardian Trust Company
<i>New York Transfer Agent</i>	The Chase National Bank of the City of New York
<i>Toronto Transfer Agent</i>	The Royal Trust Company
<i>Principal Registrar</i>	State Street Trust Company, Boston
<i>Montreal Registrar</i>	Montreal Trust Company
<i>New York Registrar</i>	The National City Bank of New York
<i>Toronto Registrar</i>	Montreal Trust Company

Common Stock

<i>Principal Transfer Agent</i>	State Street Trust Company, Boston
<i>Montreal Transfer Agent</i>	Guardian Trust Company
<i>New York Transfer Agent</i>	Chemical Bank and Trust Company
<i>Toronto Transfer Agent</i>	The Royal Trust Company
<i>Principal Registrar</i>	The Second National Bank of Boston
<i>Montreal Registrar</i>	Montreal Trust Company
<i>New York Registrar</i>	The New York Trust Company
<i>Toronto Registrar</i>	Montreal Trust Company

Executive Offices: Berlin, New Hampshire *General Sales Offices:* 150 Causeway Street, Boston 14, Mass.

Mills: Berlin, New Hampshire — La Tuque, Quebec



THE PRESIDENT'S LETTER

To the Stockholders

In the fiscal year which ended November 30, 1952, the consolidated net sales of Brown Company and its wholly owned subsidiary Brown Corporation amounted to \$65,638,483, compared to \$72,729,617 in the previous year. Consolidated profit before income taxes amounted to \$7,676,967, compared to \$17,015,040. Consolidated profit after income taxes amounted to \$4,396,967, compared to \$7,430,040. While consolidated sales and profits fell substantially below those of the previous year, sales were, however, well above those of any year previous to 1951, and profit after taxes was also higher than in any other year. After provision for preferred dividends, which were paid in full, the equity of the common shareholders in the net profits for the year, figured on the actual dividends paid on the preferred during the year, amounted to \$1.69 per share, compared to \$3.17 the previous year and \$1.58 in 1950.

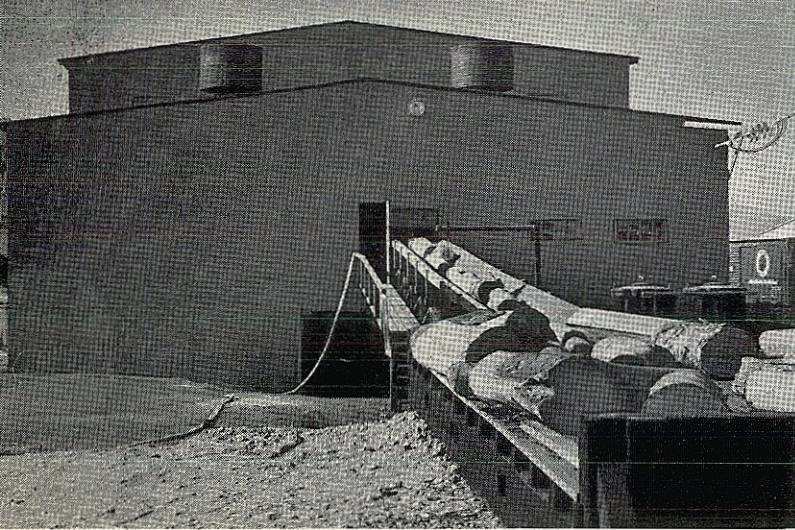
Changes in Market Conditions

During the year 1952 the demand for pulp and paper products, with the exception of newsprint and certain specialties, receded sharply. The lessening in demand caused general price reductions throughout the industry.

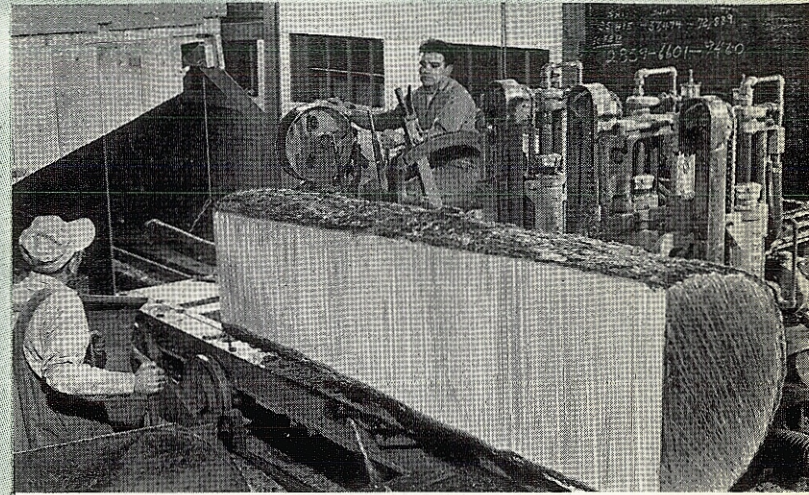
The demand for many of the Company's products followed the market pattern during the first part of the year and by the middle of the year many prices were substantially lower. It is felt that during this period of serious readjustment in demand and prices, the plant improvements installed during the past two years proved their worth by helping the Company and its subsidiary to operate with some profit, even in the summer months. A substantial increase in demand for the Company's products occurred in the last months of the year. While prices remained low, vigorous action taken to effect cost reduction is showing results.

Preferred Stock Sinking Fund Operations

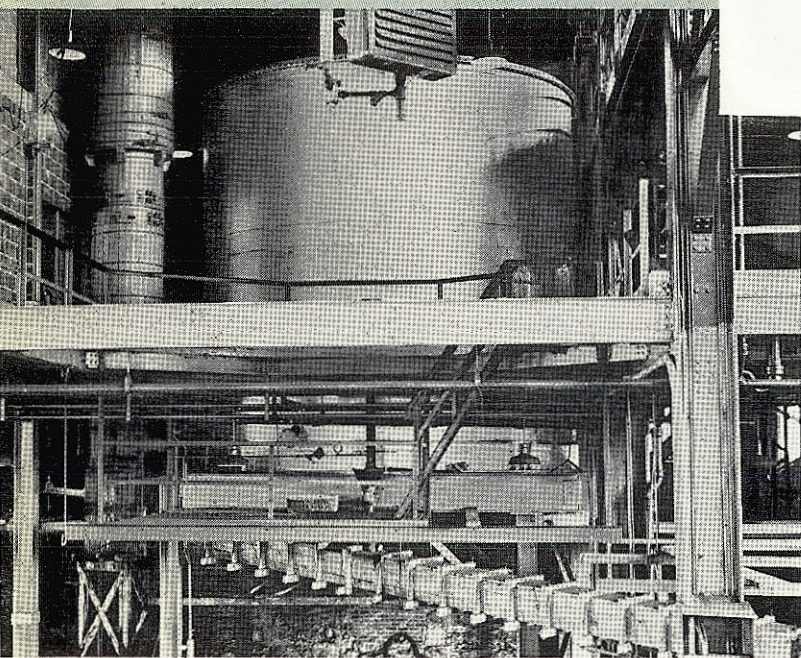
At the beginning of the year there were still outstanding 107,207 shares of the 143,456 shares of the new Second Preference Stock issued in 1951 as part of a plan to retire the old \$6 Preferred Stock and eliminate the dividend arrearages thereon



Operations began in September at our new sawmill, owned by Brown Company and operated by Heywood-Wakefield, furniture manufacturers. This mill represents an initial step in the company's integrated plan for gaining the most profitable utilization from products of the forest.



Furniture-grade boards cut from valuable hardwood logs are sold to Heywood-Wakefield at lumber prices, while the balance is used for pulp. Above, a band saw cuts yellow birch logs into these components.



Completion of the new Pyrrhotite plant during the year protects the company from sulphur shortages such as were experienced in the past. This plant now produces about three-quarters of our sulphur dioxide gas needs, through an economical process of roasting the waste residues from copper ore.

P progress and



amounting to \$7,784,154. During the year 11,435 additional shares were purchased and cancelled, and an expenditure of \$336,639 is necessary before April 1, 1953, to meet the full demands of the sinking fund based on 1952 earnings. These funds have been segregated from working capital in the accompanying balance sheet and have been largely expended at the date of the issuance of this report.

Financial Position

During the year net working capital increased \$433,131 from \$17,385,656 at November 30, 1951 to \$17,818,787 at November 30, 1952. The principal factors accounting for the change in working capital are summarized in the tabulation below.

At November 30, 1951 there were included in consolidated working capital cash balances in the amount of \$3,190,351 plus an additional amount of \$5,133,705 in short term government securities. There were no short term bank loans outstanding at that date. At November 30, 1952 cash balances amounted to \$2,370,296; there were no funds invested in government securities, and short term bank loans in the

amount of \$2,250,000 were outstanding. The principal cause of this change was the high accrual in 1951 payable in 1952 for United States and Canadian taxes on income. During 1951 taxes were accruing in much higher amounts than the payments due that year on the previous year's taxes. The accrued liability for income taxes on November 30, 1951 amounted to \$7,828,421. These accruals were due and paid in 1952, during which period taxes based on 1952 income and payable in 1953 were accruing in a lesser amount. The accrued liability for income taxes at November 30, 1952 amounted to \$2,362,787, a reduction of \$5,465,634 during the 1952 fiscal year.

Your attention is directed to the last two pages of this report entitled "Report of Stewardship." This report highlights the significant financial data for the post-war years. We believe that a careful study of these figures will permit you to better appraise the Company's progress.

Improvements and Modernization: Berlin

Steps were taken toward the improvement and modernization of all the

improvement

Additions to working capital:

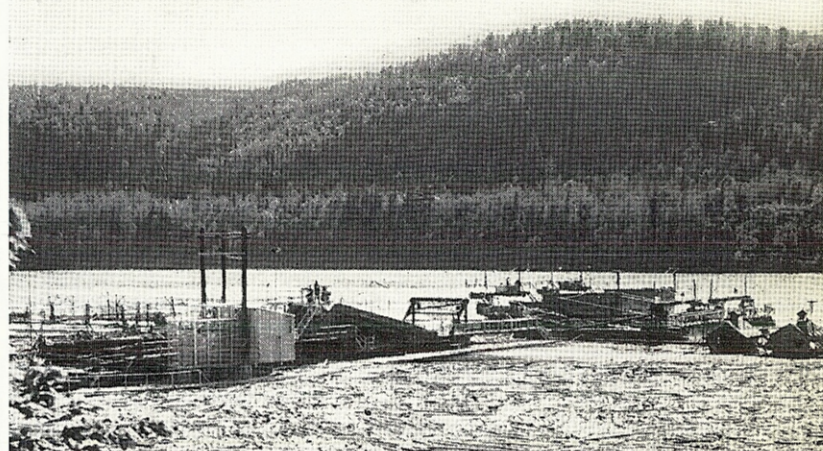
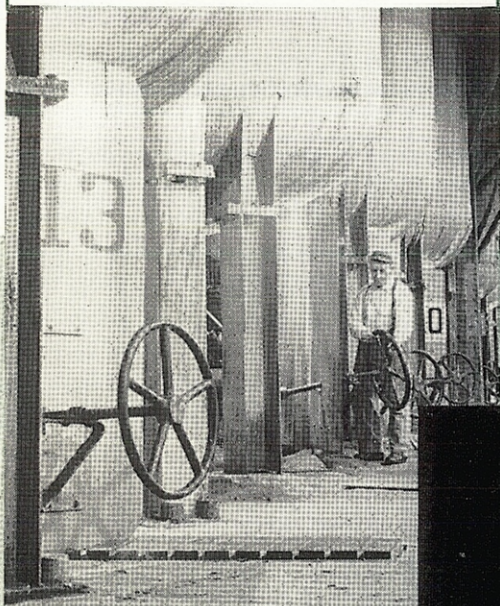
Profit for the year	\$4,396,967	
Add: Adjustment for unrealized gain on conversion of assets and liabilities of Brown Corporation	729,236	
All other sources — net	169,810	\$5,296,013

Working capital applied to:

Additions to plants and equipment and Timberlands		\$7,327,561
Less: Portion provided from special deposits for plant improvement	\$2,277,612	
Portion provided from earnings to the extent of depreciation and depletion charges	2,818,558	
Proceeds from disposal of plant items	67,084	5,163,254
Balance provided out of working capital		\$2,164,307
Dividends on Preferred Stock		1,027,940
Funds used and/or provided for retirement of Second Preference Stock		870,635
Retirement of funded debt		800,000
		<u>\$4,862,882</u>
Net Increase in Working Capital		<u>\$ 433,131</u>

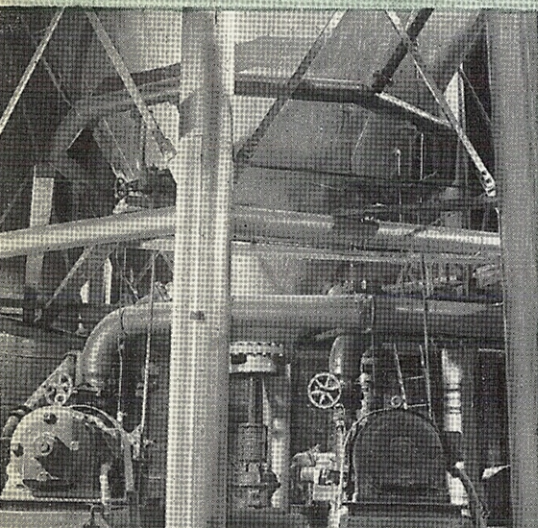
Thirty thousand acres of timber for future logging operations were added to our holdings last year with the purchase of Stetson town, together with a one-third interest in Davis town in Maine. These lands contain a fine reproduction of softwoods and a substantial amount of mature hardwood.

Production capacity at La Tuque was increased last year with the addition of two new digesters, in which wood chips are cooked in an alkaline solution to extract the cellulose fibers.



The machines at the sorting gap in the St. Maurice River at La Tuque, Quebec, were rebuilt and enlarged last year to sort both 4-ft. and 13-ft. logs. In 1952, 671,350 cords of pulpwood, of which 290,000 went to Brown mills, passed over these machines.

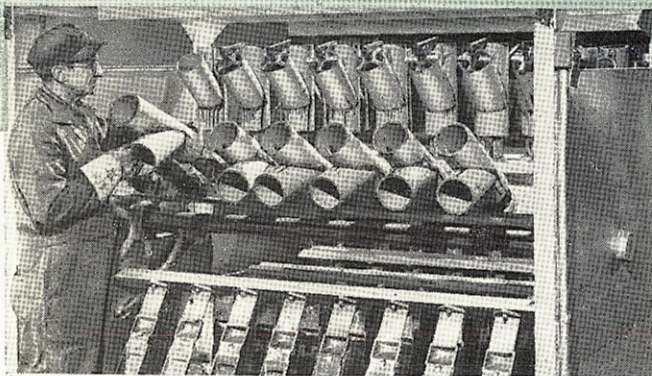
Progress and improvement



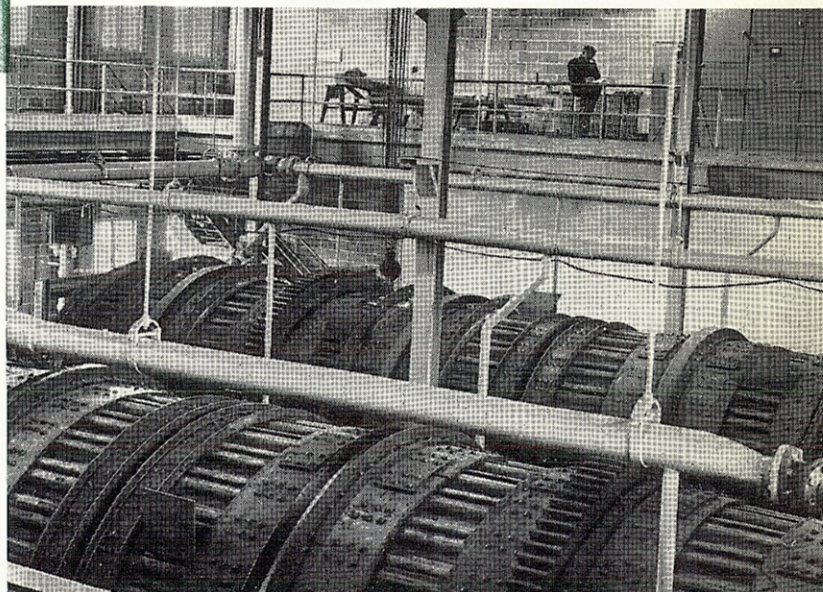
This new blow tank, together with additional pulp washers, was also installed at La Tuque to provide increased output. This tank receives the pulp from digester, and separates out the fibers.



Above is the exterior, and below an interior view of the new barking drum plant, which provides better, faster and more economical removal of bark from logs. Replacing less efficient equipment, the three new heavy duty drums are designed to tumble hard and softwoods.



Important new products were added to the Bermico line with the recent development of a process for making fittings or branch connections of the same impregnated cellulose used in Bermico straight piping. This process is exclusive with Brown Company. Above, finished "Y" fittings emerge from the curing oven.



plants of the Company to some degree. Of special significance are the following:

Pyrrhotite Plant: The production of sulphur dioxide gas from the roasting of pyrrhotite tailings from a copper mine in Vermont, mentioned in the 1951 report, became a reality in the Spring of 1952. This is believed to be the first plant of this sort using pyrrhotite as a raw material, and the operation has proved successful. The production of SO₂ gas has been in higher quantity than was anticipated. The plant is at present producing an amount of gas equal to that obtained from the burning of about 11,000 tons of sulphur on an annual basis. Thus it is indicated that at present production levels about three quarters of the Company's SO₂ gas requirements for its sulphite pulp mill are obtained.

Barking Drums: Substantial benefit to the Company's operations resulted from the completion of the Barking Drum and Wood Yard project mentioned in last year's report. It has improved quality through better bark removal, and at a lower cost. The difficulties encountered because of the size and weight of the hardwood put through the plant have been largely overcome.

Saw Mill: As a result of efforts started in 1951 to increase the return from that part of the hardwood on the Company's lands of a quality superior to what is necessary for pulp, a heavy sawmill was brought into production during the year. Arrangements were made with Heywood-Wakefield Company, large furniture manufacturers, to operate the mill and buy from the Company the high grade yellow birch suitable for their use. The plan of operation indicates a high degree of profit from that production with a minimum of wastage, since the inferior parts of the logs go from the sawmill into the pulpwood stream to the chippers. The operation to date has been successful and indicates that a very much enlarged program will bring about significant results during the coming years. Thus far, operations have been concerned mainly with the harvesting of yellow birch. Steps are now being taken to add maple and to some extent beech to the lumber products of the Company, thereby improving the utilization of all the major hardwood species present in the Company's forests.

Similar possibilities exist in the production of spruce and pine lumber, and vigorous steps are being undertaken to

bring about such production. It is important that mature trees be harvested before overmaturity causes disintegration.

Fifth Digester and Washer for the Kraft Mill: In an effort to realize the full potential capacity of the Kraft mill at Berlin, a fifth digester and an additional black stock washer were completed late this year. These installations will increase the output of the plant and will decrease the capital investment per ton of capacity.

Fittings Plant: The sale of Bermico sewer pipe has developed to a point where the Company has felt it necessary to proceed vigorously with the production of pipe fittings in the form of Y's, bends and T's. The necessary machinery has been designed and is being installed. Machines for making the Y's are already in successful operation.

Timberlands and Roads

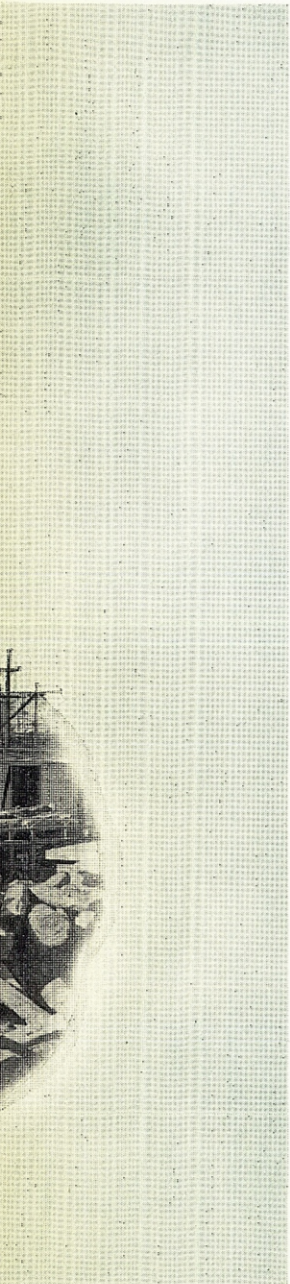
The Company's policy of consolidating its holding of woodlands was continued this year by the purchase of approximately 30,000 acres of timberlands in the Kennebago region represented by the Town of Stetson, Maine and a one third interest in Davis Town. These towns are contiguous to lands already in our ownership in whole or in part. The lands are in excellent growing condition, and their purchase gives the Company fuller control of roads already constructed through them to reach other towns in our ownership.

Because of the large amounts of mature timber available, a substantial rate of operation in the Parmachenee area will be advisable for several years. Consequently portable camps, access roads, bridges and other improvements have been constructed. The major costs of opening up this country have already been incurred, and further expenditures should be relatively light. It is anticipated that a favorable effect on the cost of harvesting the Company's timber growth in that area will be realized.

Improvements and Modernization: La Tuque

At the pulp mill in La Tuque, Quebec, a number of moves started during the previous year were completed.

New Sorting Equipment: The pulpwood drive that comes down the St. Maurice River past La Tuque contains wood for the down-river companies as well as for Brown Corporation. All the wood goes over



a series of sorting machines on which Brown Corporation's wood is recovered for use at La Tuque. The machines at the sorting gap were rebuilt in 1952 so that full flexibility is attained and Brown Corporation's wood can be recovered whether cut in 4-foot or 13-foot lengths. The decision as to which length is cut depends on the nature of the timber area being operated. The haul-out equipment at the mill has been extended, simplified, and made more efficient.

Digester House: Two new digesters and a new blow tank with increased heat recovery have been installed. This brings the total number of digesters up to 13 and provides additional cooking time, which permits the making of quality pulps at increased capacity. The new blow tank adds increased flexibility in operation.

Washers, Screens and Baling Equipment: A complete new black stock vacuum washer installation has been made. This brings about increased capacity, improved washing, and lower steam, raw material and operating costs. A complete new raw stock screenings system now handles the higher volume of production with greater effectiveness. A new hydraulic baling press for the No. 1 Minton pulp dryer now takes the place of two old presses and reduces the manpower needed at this location.

Employee Relations

Labor relations at both Berlin and La Tuque continued to remain stable throughout the year. On November 1, 1952, the first anniversary of the effective date of the Brown Company Retirement Plan, a total of 80 hourly paid and salaried employees, all of whom were 68 years of age or older, were retired. Under the terms of the Plan, employees in the future will retire on the first of the month following their 68th birthdays, unless requested to remain at work by the Board of Directors. Retirement between the ages of 65 and 68 is optional with the employee.

Board of Directors

At the Annual Meeting held April 21, 1952, Mr. Edward E. Johnson of Toronto, Ontario, president of Great Lakes Lumber & Shipping, Ltd., became a member of the Board of Directors. At the same meeting Mr. L. F. Whittemore was elected to the twelfth directorship created by the stockholders, and thus is deemed a representative on the Board of both the preferred and common stocks. The other directors remain unchanged from the previous year.

In October 1952 the Board elected Mr. L. F. Whittemore to serve as Chairman of the Board in addition to serving as President. Mr. E. H.



▲ A typical installation in Brown Company woods is this new garage and camp at Long Pond, Maine, on the new forest road built by the company to open up the Parmachenee region.



▲ Living and working conditions for loggers have improved greatly in recent years. This clean, attractive cookhouse is typical of those used in the many logging camps operated by the company.



▲ Four-foot pulpwood is efficiently unloaded from trucks at Berlin, N. H., by the use of a special sling which enables each tier of wood to be unloaded in one lift by the crane. When the sling-load strikes the pulpwood pile it is immediately released. Other cranes, visible in the distance, work on the same pile.

Maling, who planned to retire as Senior Vice President, and did retire on November 1, 1952, was elected to the position of Vice Chairman of the Board and in that capacity attends all meetings of the Board. The Board has thus secured to itself the wisdom and invaluable experience resulting from Mr. Maling's thirty years' service with the Company. Attempt is made elsewhere in this report to express our deep appreciation of his great value to this Company.

Future Prospects

It is not easy to give an opinion of the future prospects of the Company at this time. Such outlook is controlled in part by many conditions at the moment unsettled, particularly with reference to the world market for pulps and papers.

As will be seen elsewhere in this report, Brown Company has marched forward steadily since World War II, while the equity applicable to the common stock has increased 5.5 times since 1945. The experience of the Company since that time indicates that the book values of many of its assets are substantially below even the most conservative estimate of actual values.

The recapitalization plan has been in operation only since September 1, 1951, yet substantial

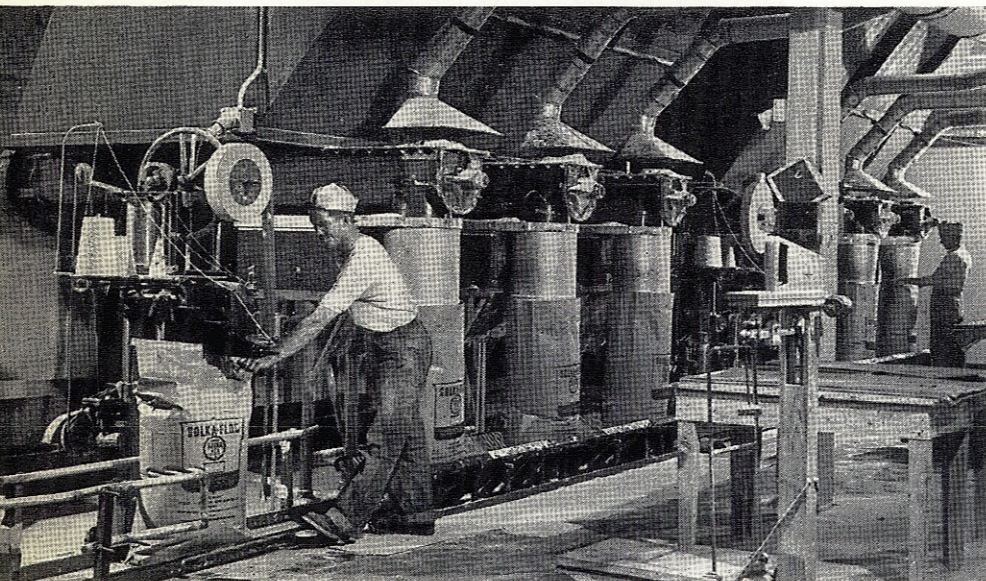
advancement in the campaign to erase the Second Preferred stock issued thereunder has been achieved. The spirit of the recapitalization plan implied a policy of early retirement of the Second Preference Stock which was issued to liquidate accumulated arrearages of dividends on the old preferred stock.

The matter of dividends on the common stock has been and is receiving serious consideration by the Board of Directors. It is felt that the events of the next few months in relation to the pulp and paper industry generally will have bearing on this question. As will be seen in this report, accelerated action has been taken in the campaign to make the plants of the Company and Corporation competitive.

Market conditions in this industry have emerged from the period of scarcity recently experienced. There has been substantial increase in the industry's capacity, which at times in the future may exceed the level of consumer demand. The past progress of the Company has been relatively steady and we expect it to continue although the rate of continuance may not be uniform and will depend upon conditions beyond our control.

February 7, 1953

L. F. Whittemore
President



In the new Solka-Floc plant completed during the year, Floc is bagged for shipment. The newest, most efficient equipment has been installed for bagging, weighing and conveying the Floc directly into railroad cars. This product is the most highly refined form of cellulose yet developed.

The company sponsors a broad program of employee welfare activities, including a pension plan, health insurance, training programs, and social and athletic activities. Among the latter is the employees' band, shown here in uniform, which performs at numerous community functions and gatherings.



BROWN

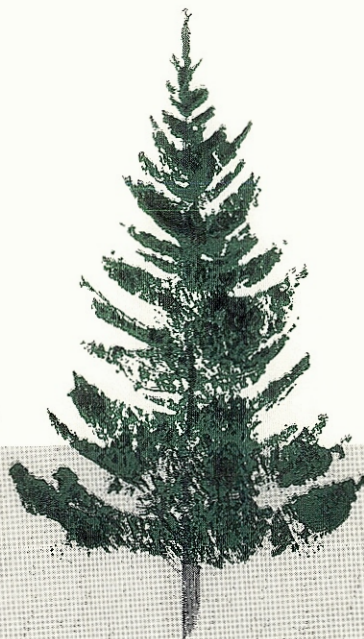
And its Wholly Owned Subsidiaries

Consolidated Statement of Income

Years Ended November 30, 1952 and 1951

	Year ended November 30	
	1952	1951
Net sales	\$65,638,483	\$72,729,617
Materials, services and other manufacturing costs, selling, general, administrative and research expenses, and other charges against operations (including depreciation and depletion of \$2,818,558 in 1952 and \$2,574,647 in 1951 and retirement plan contributions of \$919,657 in 1952 and \$892,280 in 1951 (Note H))	57,245,230	55,081,234
Net operating income	\$ 8,393,253	\$17,648,383
Other charges (credits):		
Interest on funded debt	\$ 512,658	\$ 532,290
Interest and dividend income, including \$89,000 in 1952 and \$83,000 in 1951 of dividends from St. Maurice Power Corporation (Note D)	(134,713)	(216,717)
Retirement allowances to former employees	186,581	177,513
Canadian tax withholdings on intercompany interest and dividends	144,097	220,576
Recapitalization expenses		142,210
Other charges (credits), net	7,663	(222,529)
	\$ 716,286	\$ 633,343
Net income before income taxes	\$ 7,676,967	\$17,015,040
Provision for United States and Canadian taxes on income (in 1952, less \$370,000 reduction in 1951 United States excess profits tax attributable to credit carry-back; in 1951, including \$950,000 provision for United States excess profits tax)	3,280,000	9,585,000
Net income for the year	\$ 4,396,967	\$ 7,430,040
Adjustment for unrealized exchange gain on conversion of assets and liabilities of Brown Corporation	729,236	98,627
Net income and exchange adjustment	\$5,126,203	\$ 7,528,667

(See accompanying notes to financial statements)



Consolidated Statement of Capital Surplus and Earned Surplus Year Ended November 30, 1952

	<i>Capital surplus</i>	<i>Earned surplus Reserved for retirement of preference stocks</i>	<i>Unreserved</i>
Balance, November 30, 1951	\$2,736,515	\$7,239,138	\$15,692,535
Additions (deductions):			
Net income, per accompanying statement			4,396,967
Adjustment for unrealized exchange gain on conver- sion of assets and liabilities of Brown Corpora- tion			729,236
Net income and exchange adjustment.			\$ 5,126,203
Dividends declared:			
First preference stock			(717,280)
Second preference stock			(310,660)
Excess of call and liquidating value over cost of 11,435 shares of second preference stock pur- chased and deposited with sinking fund agent for retirement.	38,347		
Reserved portion of earned surplus applicable to 11,435 shares of second preference stock pur- chased for retirement		(160,090)	
Balance, November 30, 1952	\$2,774,862	\$7,079,048	\$19,790,798

(See accompanying notes to financial statements)

BROWN

And its Wholly Owned

CONSOLIDATED

November 30,

ASSETS

CURRENT ASSETS:

	November 30	
	1952	1951
Cash	\$ 2,370,296	\$ 3,190,351
United States and Canadian Government obligations		5,133,705
Accounts receivable, trade, less allowance for bad debts	5,445,604	6,184,078
Accounts receivable, other	376,021	269,278

Inventories (Note C):

Pulp and other products	\$ 3,247,479	\$ 1,447,011
Pulpwood	7,345,419	4,467,770
Pulpwood operations in progress	4,774,417	6,038,501
Other materials and supplies	3,934,254	4,770,457

\$19,301,569 \$16,723,739

Total current assets \$27,493,490 \$31,501,151

INVESTMENTS AND OTHER ASSETS:

Investments in affiliated and associated companies (Note D)	\$ 259,571	\$ 262,774
Cash required for second preference stock sinking fund payment (Note F)	336,639	45,147
Special deposits — cash and United States and Canadian Government obligations reserved by the management for plant improvement program		2,277,612
Other assets	88,939	109,635

Total investments and other assets \$ 685,149 \$ 2,695,168

FIXED ASSETS (NOTE E):

Plants and equipment	\$71,160,913	\$64,929,110
Less — Depreciation	38,281,807	36,341,070

\$32,879,106 \$28,588,040

Timberlands	\$12,556,494	\$12,259,385
Less — Depletion	7,118,851	6,965,883

\$ 5,437,643 \$ 5,293,502

Total fixed assets \$38,316,749 \$33,881,542

DEFERRED CHARGES:

Prepaid insurance and taxes	\$ 668,394	\$ 746,348
Other deferred charges	186,686	247,931

Total deferred charges \$ 855,080 \$ 994,279

\$67,350,468 \$69,072,140

(See accompanying notes to financial statements)

COMPANY

Subsidiary, Brown Corporation

BALANCE SHEET

1952 and 1951

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

	November 30	
	1952	1951
Notes payable to banks	\$ 2,250,000	
Accounts payable	2,848,790	\$ 3,561,709
Accrued payrolls, interest and other expenses	1,161,977	1,665,640
Funded debt payable within one year	800,000	800,000
Dividends payable	251,149	259,725
United States and Canadian taxes on income	2,362,787	7,828,421
Total current liabilities	\$ 9,674,703	\$14,115,495

FUNDED DEBT OF BROWN COMPANY (NOTE B):

Serial note, 2½%, payable October 1, 1953		\$ 800,000
Collateral trust bonds, 3½%, payable serially October 1, 1954 to 1970	\$13,600,000	13,600,000
Total funded debt	\$13,600,000	\$14,400,000

CAPITAL STOCK OF BROWN COMPANY AND SURPLUS:

Convertible first preference stock, \$5 cumulative, without par value (Note F):		
Authorized to be issued, issued and outstanding — 143,456 shares, at stated value of \$60 per share (call and liquidating value, \$100 per share)	\$ 8,607,360	\$ 8,607,360
Second preference stock, \$3 cumulative, without par value (Note F):		
Authorized to be issued and issued — 106,107 shares at November 30, 1952, 143,456 shares at November 30, 1951		
Outstanding (after deducting from the issued shares, shares purchased and deposited with sinking fund agent for retirement) — 95,772 shares at November 30, 1952, 107,207 shares at November 30, 1951, at stated value of \$40 per share (call and liquidating value, \$54 per share)	3,830,880	4,288,280
Common stock, par value \$1:		
Authorized to be issued — 2,997,009 shares		
Issued and outstanding — 1,992,817 shares (1,004,192 unissued shares reserved for conversion of first preference stock in the ratio of 7 for 1)	1,992,817	1,992,817
Capital surplus, per accompanying statement	2,774,862	2,736,515
Earned surplus (Note G), per accompanying statement:		
Reserved for retirement of first and second preference stocks outstanding (excess of call and liquidating value over stated value above)	7,079,048	7,239,138
Unreserved	19,790,798	15,692,535
Total capital stock and surplus	\$44,075,765	\$40,556,645
	\$67,350,468	\$69,072,140

(See accompanying notes to financial statements)



Notes to financial statements

Note A—Basis of Consolidation and Conversion:

The accompanying consolidated financial statements include the accounts of Brown Company, a Maine corporation, and its wholly-owned Canadian subsidiary, Brown Corporation. The statements are expressed in United States currency. The assets and liabilities of Brown Corporation, other than fixed assets, have been converted to United States currency at the quoted rates of exchange prevailing at the respective balance sheet dates. Fixed assets acquired before September 1949 have been converted dollar for dollar, and those acquired subsequently, at the average of exchange rates in effect at or about the time of acquisition. The income accounts have been converted at average rates prevailing during the respective years except that in the case of depreciation and depletion averages of rates used for fixed assets have been applied.

The consolidated balance sheet as at November 30, 1952 includes the following amounts of Canadian assets and liabilities of Brown Corporation, expressed in United States dollars—current assets \$11,782,193, other assets \$11,407,500 and current liabilities \$2,839,448.

Note B—Pledge of Certain Assets:

The entire capital stock and the \$5,000,000 issue of first mortgage bonds of Brown Corporation, owned by Brown Company and eliminated in consolidation, are pledged to secure Brown Company's funded debt outstanding. Brown Corporation's mortgage bonds are secured by its plants and equipment and timberlands, by its investment in the capital stock of St. Maurice Power Corporation (Note D) and by a so-called "floating charge" on all its other assets which permits free use and disposition of the assets subject thereto unless and until the Trust Deed of mortgage itself becomes enforceable.

Note C—Inventories:

Brown Company's inventories of pulpwood and pulpwood content of pulp, carried at \$1,559,272 as at November 30, 1952, are stated at cost determined by the "last-in, first-out" method of valuation. Otherwise the in-

ventories are stated on the basis of cost or market, whichever lower, cost representing actual, current average or current standard cost.

Note D—Investments in Affiliated and Associated Companies:

Certain of the investments in affiliated and associated companies are carried at cost, and others at nominal amounts of \$1 each. Investments carried at nominal amounts of \$1 include a 50% interest of Brown Corporation in the capital stock of St. Maurice Power Corporation, which owns a power plant of 222,500 horsepower installation and furnishes power to the mills of Brown Corporation at La Tuque, Quebec under a long-term contract which is considered favorable to the latter company. Brown Corporation's proportionate share in the average yearly earnings of St. Maurice Power Corporation for the past three years amounts to approximately \$60,000. From these and other factors it would appear that the investment is of substantial value to the business.

Note E—Fixed Assets:

Plants and equipment are carried substantially at cost, less depreciation provided. Timberlands of Brown Company are carried at \$1 per cord of estimated standing softwood at November 30, 1904, plus subsequent additions at cost, and those of Brown Corporation, at cost plus carrying charges to March 15, 1915, less, in each case, depletion based on timber cut.

Note F—Sinking Fund for First and Second Preference Stocks:

On or before April 1 in each year Brown Company is required to pay to the sinking fund agent for the retirement of second preference stock an amount, in cash or in purchased shares at the cost thereof, equal to one-third of the balance of "net income" for the preceding fiscal year remaining after deducting therefrom required payments on principal of funded debt and dividends accrued

on preference stocks for such year, plus an amount equal to dividends, if any, declared on the common stock during such year. Except to the extent of \$336,639, for which cash has been separately classified in the accompanying balance sheet, the company, at November 30, 1952, had met the required April 1, 1952 and April 1, 1953 sinking fund payments of \$1,841,357 and \$856,342, respectively, by the purchase of shares of second preference stock and the deposit of such shares with the sinking fund agent.

There are similar sinking fund provisions for the first preference stock, except that the required payments do not include amounts equal to common stock dividends declared and such provisions become operative only after the retirement of all the second preference stock.

Note G—Earned Surplus:

The consolidated earned surplus represents undistributed earnings of Brown Company since November 30, 1941 and of Brown Corporation since November 30, 1940. Under provisions of the indenture covering funded debt there are dividend restrictions one of which, so long as the outstanding funded debt is \$10,000,000 or more, prevents the payment of dividends to the extent that "consolidated working capital" would thereby be reduced below \$10,000,000. The other restriction prevents the payment of dividends to the extent that any such payment, together with previous dividend payments and expenditures for the acquisition of shares of the company's capital

stock since November 30, 1949, would exceed 70% of the "consolidated net earnings" since November 30, 1949. The second, and currently more restrictive, of these provisions would have prevented the payment of further cash dividends as at November 30, 1952 in excess of approximately \$6,300,000.

Note H—Retirement Plan for Employees:

Brown Company has paid, or provided for, and charged to income \$919,657 in 1952 and \$892,280 in 1951 of contributions to the company's retirement plan fund, such contributions representing in each case the cost of current service benefits for one year and 10% of the past service cost, the maximum contributions believed to be deductible in each year for federal income tax purposes. The currently estimated amount, actuarially determined, required to complete the funding of the past service cost is approximately \$5,300,000.

Note I—Commitments:

At November 30, 1952 the consolidated companies had unexpended balances totaling approximately \$1,500,000 under approved authorizations for plant extension and improvement projects. In addition, Brown Corporation had a contingent construction commitment of \$300,000.



Report of independent accountants

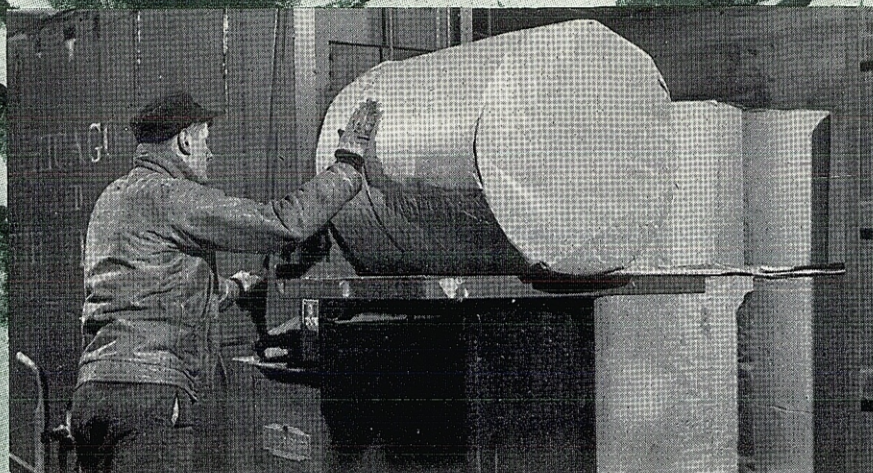
PRICE WATERHOUSE & CO.

75 Federal Street
Boston 10
January 26, 1953

*To the Board of Directors
of Brown Company:*

In our opinion, the accompanying consolidated balance sheet and related statements of income and surplus, with the notes thereto, present fairly the consolidated financial position of Brown Company and its subsidiary, Brown Corporation, at November 30, 1952 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

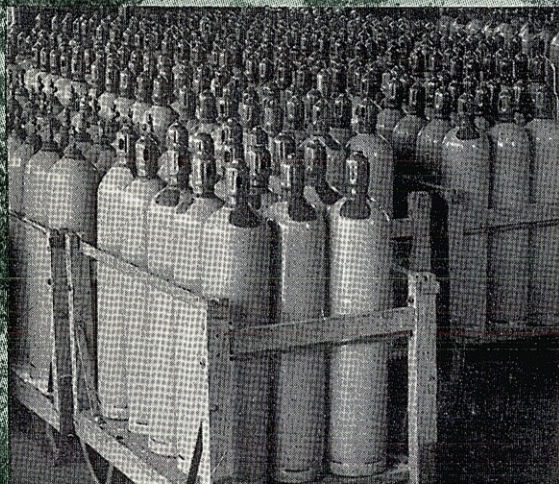


NIBROC PAPERS are made in wide variety and are engineered to conform to specifications of customers, who process them into products ranging from coffee bags and building insulation paper to sandpaper and decorative table tops. Nibroc specialty papers, product of Brown Company research, can be created to fulfill untold industrial needs. Many of our present grades are exclusive with Brown Company.



NIBROC TOWELS are familiar to everyone. They are the world's largest selling paper towels for industrial and institutional use. Processed to make them strong when wet, they are soft, absorbent and lint-free. They are made in several grades, and are used in offices, factories, restaurants, schools and hospitals, etc.

P roducts of



CHEMICALS, the only non-cellulose products of Brown Company, are produced primarily for our own use in making other products, but profitable markets have also been developed for them outside. Liquid chlorine, soda bleach, chloroform and caustic soda are Brown products used by other industries, municipalities and pharmaceutical houses.



CELLATE and **SOLKA** are world-famous trade names for a complete line of wood pulps, of which Brown is a leading producer. Pulps from hardwoods and softwoods, bleached and unbleached, are made to specification to give different combinations of physical and chemical properties. From these pulps, every conceivable type of paper is made, from soft facial tissue to tough shipping bags; also rayon, cellophane and other items.



ONCO is our trade name for a tough, durable material made of Solka fibres, impregnated with compounds which give the sheeting a lasting resilience. Its most common application is for shoe insoles, where it is a leader in the field. Onco products are also used in making handbags, wallets, belts and similar articles.

Brown Company

BERMICO products offer a fine example of the versatility of cellulose fibers. The Bermico division produces a line of underground electrical conduit tubes, sewer pipe, perforated drainage pipe and connection fittings. Light in weight, root proof and easy to install, Bermico pipe offers decided advantages in installation and in use.



NIBROC TOILET TISSUE, the newest product of Brown Company, has just been developed and introduced in the market. A line of tissue of the highest quality, it is now being marketed by Nibroc Towel distributors.



SOLKA-FLOC might be termed a "miracle" product. Developed by Brown Company research, Solka-Floc is highly refined wood cellulose, similar in appearance to flour. Its usefulness is practically unlimited, and new applications are constantly being developed. Currently it appears in such diverse products as plastics, rubber, welding rods, detergents and filter aids.



Advertising



Meet His Royal Nibs

NIBROC PAPER TOWELS

ABSORBENT: Nibroc paper towels absorb more liquid than any other paper towel. They are made from the world's finest, softest paper made in a soft, fluffy, absorbent, strong, heavy and long-lasting.

SOFT: Nibroc paper towels are delightfully soft and pleasant to use. They do not shed fibers, lint, and have no rough edges. They are more economical in use. Contains an antiseptic chlorine impregnation with Nibroc.

AND STRONG: Nibroc paper towels will stand up to the toughest stains. They will not tear, even though they are used for 100 paper towels. They are made of a dependable, strong, wring-resistant material. For more information, contact Brown only. Address Dept. 625.

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec

BERMICO SEWER PIPE

LIGHT! Bermico is a steel fiber pipe, unsegmented with joints in a continuous light weight and easily handled and installed.

TIGHT! Bermico fiber pipe has tapered ends, push-on joints that are tight, will not pull apart on a case of expansion. A few hundred fiber joints, some permanently, and no other material is needed.

STRONG! Bermico fiber pipe is efficient. No leaks and no rust. It is made of a steel fiber, which is stronger than steel. It is made of a steel fiber, which is stronger than steel. It is made of a steel fiber, which is stronger than steel.

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec

balanced for perfect performance

ONCO INNERSOLES

For just the right combination of the essential qualities in a shoe, Onco has made Onco the shoe with the most perfect performance. A lot of these qualities are:

- BALANCE:** Onco is perfectly balanced in the feet to function in a perfectly natural manner, thereby allowing the feet to breathe naturally and easily.
- COMFORT:** Onco is made with soft, airtight and highly purified cotton fibers, produced only for Brown Company, which means stronger, longer-lasting and longer wear.
- RESISTANCE:** Onco, by means of a controlled process, retains its flexibility under all conditions and will not break, stretch, or lead to break.
- UNIFORMITY:** Onco is uniformly made in production. Every Onco inner sole is exactly the same and has the same quality.
- STRENGTH:** Onco is made with soft, airtight and highly purified cotton fibers, produced only for Brown Company, which means stronger, longer-lasting and longer wear.

These are the qualities that make Onco the shoe with the most perfect performance. Onco is made with soft, airtight and highly purified cotton fibers, produced only for Brown Company, which means stronger, longer-lasting and longer wear. Onco is made with soft, airtight and highly purified cotton fibers, produced only for Brown Company, which means stronger, longer-lasting and longer wear.

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec



BUILT To Serve In The Finest BUILDINGS

The most important paper used in the construction of buildings is the paper used for the walls, floors, and ceilings. This paper must be strong, durable, and fire-resistant. It must also be easy to handle and install. This is why Brown Company's paper is the best choice for building construction.

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec

To acquaint the broad reading public with the importance of Brown Company products and their manifold uses, last year's advertising included campaigns in magazines of general circulation. This provided a foundation for sustained direct-selling advertisements in trade journals, which reach selected audiences of potential users of our products. Thus, Nibroc Papers were advertised in journals reaching converters and packagers, pulps were advertised to the paper making industry, Onco products were promoted in shoe trade papers, Bermico products were addressed to the plumbing and building trades, Nibroc Towels to purchasing agents, Solka-Floc to the chemical and rubber fields, and so on. More than fifty publications carry our advertising on a regular basis.



Brown Company Pulps DID IT FOR OZALDI!

One of the world's most versatile reproduction papers is "Ozalid" - a product of the United Chemical & Film Corporation. With it, complete, life-photographic prints can be produced in a few weeks.

A special paper, "Ozalid" is called for a special chemical pulp, carefully engineered. And Brown Company produces special pulps that had just the required characteristics.

Coming up with the right pulp for special papers is what Brown Company has been doing for more than half a century. For this work our chemists and technicians are successful.

Follow the experts of our Technical Service Division to do for you - what they did for Ozaldi. If you have a paper problem write to Dept. 625, A.P. our headquarters.

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec

SEE what this paper CAN DO FOR YOUR PACKAGE!

For sparkling clean effect, precise make appeal, you need a fast paper that will hold its shape - particularly if your product is packaged in a bag or sack.

Onco is an exceptionally tough, highly flexible sheet with a fine printing surface, especially for off-color printing. It gives better performance - greater wear strength - in more pleasurable - helps make packages more salable!

For more than 10 years we have been developing outstanding sheets like Onco. We have engaged in more a wide variety of packaging needs. Papers that handle better, print better, stand up to rough use.

Our Technical Service people will be glad to work with you to get a paper "tailored" in your specific needs - paper that will do the job better. Write, please, to Dept. 625, A.P., Berlin.

PAPER helps the PACKAGE make the SALE

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec



SOLKA-FLOC BRACKETS PASTERS!

When used in making up other products, Solka-Floc makes a difference. It is made of a special chemical pulp, carefully engineered. And Brown Company produces special pulps that had just the required characteristics.

BROWN COMPANY, Berlin, New Hampshire CORPORATION, La Tuque, Quebec

Report of

Stewardship

Many of our shareholders have observed the progress of Brown Company through the several important changes which have been effected in its capital structure since the end of World War II.

These changes, the re-funding of debt, the re-capitalization, and the reinvestment of earnings in plant and equipment, are highlighted in the following post-war financial history, which merits the close attention of every shareholder.

The final chart, headed "Common Stock Equity," reflects the increase in asset value of each share of common stock after all liabilities have been provided for, over the seven-year period.

Summary of consolidated income and certain expenditures

YEARS ENDED NOVEMBER 30

	1946	1947	1948	1949	1950	1951	1952
Net sales	\$36,760,490	\$42,630,468	\$48,070,000	\$43,263,495	\$53,102,469	\$72,729,617	\$65,638,483
Net income before depreciation and depletion, interest on funded debt and income taxes	\$ 4,864,523	\$ 7,139,766	\$ 8,859,673	\$ 4,826,372	\$10,171,674	\$20,121,977	\$11,008,183
Charges for:							
Depreciation and depletion	\$ 1,612,844	\$ 1,527,158	\$ 1,907,875	\$ 2,290,716	\$ 2,423,423	\$ 2,574,647	\$ 2,818,558
Interest on funded debt	772,493	842,152	838,292	807,509	751,311	532,290	512,658
Provision for United States and Canadian taxes on income	975,000	2,025,000	2,250,000	711,437	2,975,000	9,585,000	3,280,000
Total of above charges	\$ 3,360,337	\$ 4,394,310	\$ 4,996,167	\$ 3,809,662	\$ 6,149,734	\$12,691,937	\$ 6,611,216
Net income	\$ 1,504,186	\$ 2,745,456	\$ 3,863,506	\$ 1,016,710	\$ 4,021,940	\$ 7,430,040	\$ 4,396,967
Dividends paid or accrued on preference and preferred stocks	864,906	864,906	864,906	864,906	864,906	1,105,970	1,027,940
Balance of net income applicable to common stock	\$ 639,280*	\$ 1,880,550	\$ 2,998,600	\$ 151,804*	\$ 3,157,034*	\$ 6,324,070*	\$ 3,369,027*
Earnings per share of common stock	\$.32*	\$.94	\$ 1.50	\$.08*	\$ 1.58*	\$ 3.17*	\$ 1.69*
Expenditures made during the year for:							
Plant improvements and additions to timberlands, less proceeds of disposal	\$3,248,515	\$3,864,243	\$4,188,887	\$2,733,657	\$2,973,319	\$7,052,855	\$7,260,477
Reduction in funded debt (increase in 1946)	(3,790,727)	300,000	1,473,000	1,301,400	800,000	800,000	800,000
Purchase and retirement of second preference and preferred stocks						1,904,977	579,143
*Exclusive of unrealized exchange gains (loss) on conversion of assets and liabilities of Canadian subsidiary, credited (charged) to surplus:							
Exchange gain (loss)	\$695,429		(\$889,384)		\$413,696	\$98,627	\$729,236
Amount per share of common stock	\$.35		(\$.45)		\$.21	\$.05	\$.37

The data for the years 1946 to 1949, inclusive, have been restated in certain respects, as compared with amounts previously reported to stockholders, to give effect in the income account of prior applicable years to charges and credits made to the earned surplus account or made to the income account in a year subsequent to the applicable year, and to give effect in the applicable years to final determinations of taxes on income and other adjustments necessary to make the data comparable.

Condensed statement of consolidated financial position and stockholders' equity

AS OF NOVEMBER 30

	1945	1946	1947	1948	1949	1950	1951	1952
Current assets, deferred charges and special deposits for plant improvements	\$19,765,003	\$24,354,241	\$25,387,885	\$26,412,810	\$22,885,053	\$28,864,287	\$34,773,042	\$28,348,570
Current liabilities	3,007,297	3,108,701	4,601,845	4,927,121	3,057,431	7,386,776	14,115,495	9,674,703
Net working capital and special deposits	\$16,757,706	\$21,245,540	\$20,786,040	\$21,485,689	\$19,827,622	\$21,477,511	\$20,657,547	\$18,673,867
Plants and equipment, less depreciation	13,365,028	15,270,514	20,590,627	23,095,916	23,597,519	24,057,281	28,588,040	32,879,106
Timberlands, less depletion	8,384,073	8,189,654	5,587,576	5,498,140	5,422,526	5,284,267	5,293,502	5,437,643
Investments and other assets	949,914	966,873	1,153,794	426,430	397,928	419,866	417,556	685,149
Total assets, less current liabilities	\$39,456,721	\$45,672,581	\$48,118,037	\$50,506,175	\$49,245,595	\$51,238,925	\$54,956,645	\$57,675,765
Funded debt (except portion in current liabilities)	15,098,573	19,099,300	18,799,300	17,300,400	16,777,400	15,200,000	14,400,000	13,600,000
Net assets	\$24,358,148	\$26,573,281	\$29,318,737	\$33,205,775	\$32,468,195	\$36,038,925	\$40,556,645	\$44,075,765
Stockholders' equity in net assets:								
Convertible preferred stock, \$6	\$19,964,914	\$20,829,820	\$21,694,726	\$22,559,632	\$22,559,632	\$22,559,632		
Convertible first preference stock, \$5							\$14,345,600	\$14,345,600
Second preference stock, \$3							5,789,178	5,171,688
Total preferred and preference stocks	\$19,964,914	\$20,829,820	\$21,694,726	\$22,559,632	\$22,559,632	\$22,559,632	\$20,134,778	\$19,517,288
Common stock	4,393,234	5,743,461	7,624,011	10,646,143	9,908,563	13,479,293	20,421,867	24,558,477
Total	\$24,358,148	\$26,573,281	\$29,318,737	\$33,205,775	\$32,468,195	\$36,038,925	\$40,556,645	\$44,075,765
Common stock equity per share	\$2.20	\$2.88	\$3.83	\$5.34	\$4.97	\$6.76	\$10.25	\$12.32

The figures as of November 30, 1945 to 1949, inclusive, have been restated in certain respects, as compared with amounts previously reported to stockholders, to give effect to the adjustments referred to in the footnote on the preceding page.

Common stock equity

