

ANNUAL  
REPORT

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BROWN



COMPANY

# THE DIVERSIFIED FOREST PRODUCTS OF BROWN COMPANY

## SOLKA PULPS

are highly purified wood cellulose fibres especially designed to meet the requirements of modern papermaking and chemical industries. For conversion into cellophane, photographic papers, letterheads, boxed stationery, invitations, printing, laminated plastic, parchment, facial tissue, etc.

## SOLKA-FLOC

a pure wood cellulose powder used in the manufacture of cigarette filters, welding rod coatings, rubber soles, heels, and flooring, and in the processing of pharmaceuticals and food. It is also used as an aid in the filtering of oils, caustic soda, chemicals, and for ion exchange purification.

## NIBROC PAPERS

are well-known lines of engineered papers, both bleached and unbleached, for conversion into bags for food products, sandpaper, gummed tape, laminated plastics, pressure sensitive tapes, etc. New bleached papers have been developed for the printing and allied trades, including such grades as envelope, offset, tablet, endleaf, coating raw stock and label paper.

## NIBROC INDUSTRIAL TOWELS AND TISSUES

Nibroc towels continue to be the leading brand in the industrial and institutional market. Combined with Nibroc Softwite and Softan Tissue, they provide an economical, efficient, quality washroom service.

## NIBROC WINDSHIELD AND INDUSTRIAL WIPERS

a rugged, efficient, and economical wiper was introduced to the service station trade early in 1957. We believe it is the finest product of its kind. Nibroc industrial wipers were engineered to provide an economical means of wiping machinery and equipment.

## BERMICO SEWER AND DRAINAGE PIPE

and connection fittings, made of tough wood fiber impregnated with special coal-tar pitch, are used as house connections to sewer or septic tank, for drains and downspouts, and for non-pressure irrigation systems. In addition, a complete line of perforated Bermico pipe is used for land drainage on farms, golf courses, marshlands, industrial areas, highways and airports. It is also used for septic tank disposal beds and foundation drains.

## BERMICO CONDUIT

also made of pitch impregnated cellulose fibers, is engineered specifically for encasing electrical wires beneath the ground. Widely used by electrical contractors and by public utilities.

## ONCO

is a strong, durable, leatherlike material made of Solka Pulp impregnated with compounds which give lasting resilience. It is used in making hat brims and cap fronts, handbags, belts, and imitation leathers. It is a leader in the field of innersoles as well as other shoe components for all types of footwear.

## CHEMICALS

include Chlorine and Soda Bleach for bleaching pulps, paper, and textiles, and for water purification by municipalities and schools; Chloroform for use as a solvent by pharmaceutical houses; Muriatic acid for general chemical processing.

## BROWN COMPANY HIGH GRADE LUMBER

principally yellow birch and hard maple for fine furniture, pianos, and panelling as well as for general use. The hard woods are sold through Atlantic Lumber Company of Boston. Brown Company also supplies spruce dimension lumber and graded white pine lumber to the building industry and to users of crating and boxing materials.

## PLYWOOD AND VENEER

from the mills of Brown Company's subsidiaries in North Stratford, New Hampshire, for high grade panelling in homes and offices and for doors, counter tops and cupboards, as well as interiors for house trailers.

### SALES AND PRODUCTION PERSONNEL

Gilford F. Henderson, *General Sales Manager, Paper Products* • Frederick L. Graham, *European Sales Representative*  
Harold E. Moley, *Manager Paper Sales* • William T. LaRose, *Manager Towel & Tissue Sales*  
John J. McDonald, *Manager Pulp & Floc Sales* • Robert J. Van Nostrand, *Assistant Manager Pulp & Floc Sales*  
Francois X. Guimond, *Manager—Pulp Manufacturing* • Carl A. von Ende, *Manager—Paper Manufacturing*  
Urban J. Dacier, *Manager Onco Sales* • Henry A. Eaton, *Manager Chemical & Floc Manufacturing*  
Allie E. Salls, *Executive Vice President & General Manager* { Granite State Veneer, Inc.  
Plywood Products Inc.  
Arthur R. Taylor—*General Manager Bermico Division*

## HIGHLIGHTS OF THE REPORT

	<i>Year ended November 30</i>	
	<i>1957</i>	<i>1956</i>
Tons of pulp, paper, and towels sold . . . . .	212,402	214,610
Net sales . . . . .	\$61,158,180	\$59,682,935*
Net income before income taxes . . . . .	\$ 3,180,305	\$ 4,571,504
Net income . . . . .	\$ 2,080,305	\$ 2,611,504
Average number of common shares . . . . .	2,589,836	2,591,976
Earnings per share . . . . .	\$ .80	\$1.01
Net working capital at end of year . . . . .	\$13,350,128	\$19,126,674
Ratio of current assets to current liabilities . . . . .	2.4 to 1	3.1 to 1
Expenditures for plant and equipment . . . . .	\$ 7,939,855	\$10,655,132
Acres of timberlands owned at end of year, including		
Brown Company share of jointly owned lands . . . . .	634,578	632,192
Depreciation and depletion charges . . . . .	\$ 2,855,592	\$ 2,433,571
Common shareholders' ownership in net assets at end of year:		
Total . . . . .	\$56,012,318	\$56,586,815
Per share . . . . .	\$21.64	\$21.83
Number of common shareholders at end of year . . . . .	7,648	7,114
Average number of employees (not including seasonal woods labor) . . . . .	4,155	4,044*
Payrolls and employee benefits . . . . .	\$20,943,718	\$20,309,832*

\* In 1956, sales, average number of employees, and payrolls included approximately half the normal figures for the veneer and plywood operations, based on the acquisition date of these subsidiaries.

The paper used in the body of this Report is Nibroc White Offset, Basis 80, a product of Brown Company. The Report is offset-printed throughout.

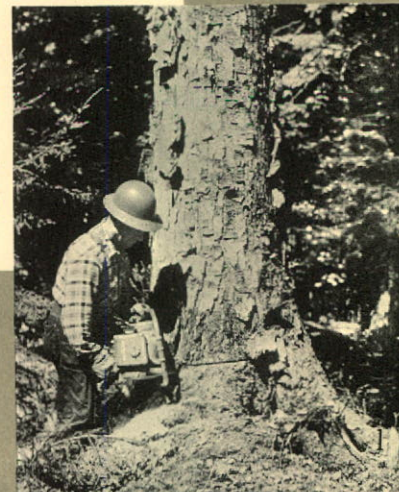
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### ABOUT THE COVER

The cover photograph shows modern harvesting of old growth yellow birch, used for high grade hardwood veneer, plywood and lumber, with slabs, edgings, and turnings going into chips for pulp. Brown Company is located near one of the greatest stands of northern hardwoods still in existence. Timberland owned by Brown Company, including its share of jointly owned lands, totals 634,578 acres.

(Photographed by Victor Beaudoin of Brown Co. f:8-1/50 sec. Ektachrome)



## REPORT TO THE STOCKHOLDERS

Net income for Brown Company's fiscal year ended November 30, 1957 was \$2,080,305, or 80¢ per share of Common Stock. In the previous fiscal year net income was \$2,611,504, or \$1.01 per share.

There are two principal reasons for the reduction in earnings. The first of these is the cost-price squeeze faced by the pulp and paper industry generally in the past year, with costs of material, labor and freight all increasing substantially. Our cost reduction and plant improvement programs have helped to an important extent, but selling prices have not advanced to compensate for the remainder of the cost increases, principally because of temporary over-capacity in the industry. There has in fact been a weakening of prices in some cases. We believe that in the course of the next year or two demand for pulp and paper products will again catch up with productive capacity, thus permitting us to use fully the plant and process improvements made in the last two years.

The second principal factor affecting earnings was the reduced operations due to unusually low water conditions on the Androscoggin River and its tributaries this past year, during which we have had the lowest amount of water in storage on record. Pollution controls necessitated by these unusually low water conditions forced a curtailment amounting to more than one-third of our normal Sulphite pulp production during the summer and early fall. Our new magnesium cooking and recovery system which has just gone into operation, replacing the previous sodium base system, will substantially reduce the effect on Brown Company of pollution controls in the future.

In addition to the foregoing factors, there was some slackening of demand for certain lines of product, as many of our customers experienced reduced sales of their own products. However, this was not a serious factor in the over-all results for 1957, as indicated by the fact that our sales

of pulp, paper and towels totaled 212,402 tons as compared with 214,610 tons in the previous year, a reduction of only 1%. When other products are included (among them veneer and plywood, lumber, Bermico sewer pipe, electrical conduit, and Onco innersoling for shoes), our total sales are slightly higher than the previous year.

Net sales of all products totaled \$61,158,180 in 1957 as compared with \$59,682,935 in 1956, a gain of 2.5%. This increase is attributable to the fact that in 1956 sales of the plywood producing subsidiaries were included in our consolidated net sales for only six months of the year, based on the date of acquisition of the companies, whereas in 1957 their sales are included for the full year. In the first half of 1957 profits from the veneer and plywood operations were relatively low, in large part because of lowered selling prices resulting from competition brought about by imported products from Japan. However, in the second half of the year our effective cost reduction program and intensified selling campaign brought about substantial improvement in the profit margins on plywood products.



*A typical stand of spruce and fir growth in Brown Company's forest in Adamstown, Maine. This area has been cut over twice in the last fifty years, first for saw logs and then for pulpwood. It is an example of the results of selective cutting and the regeneration of the forest.*



*Softwood logs on their way to the sawmills at Berlin are freed by these expert river drivers on the Androscoggin River. Transportation by water gives substantial savings as compared with trucking.*

### **Dividends on Common Stock**

Regular quarterly dividends of 25¢ per share were paid throughout the year. Although we did not earn in fiscal 1957 the full \$1.00 paid in dividends, our earnings for the years 1955, 1956 and 1957 combined exceed the total dividends paid on the Common Stock in those years. For many years the Common stockholders received no dividends, while the Company retained all of its earnings in the business, except for dividends and sinking fund requirements on the Preferred Stocks, which have since been retired.

On February 6, our Board of Directors declared a dividend of 15¢ per share, payable March 1, 1958 to Common stockholders of record at the close of business February 13, 1958. It is still too early to predict probable earnings per share in 1958, but we do foresee the need to retain a portion of our earnings in the business. As a general policy, dividends will depend largely on the trend and amount of earnings.

### **Disposition of Cash During the Year**

At the start of the year the Company still had approximately \$6,000,000 of cash in excess of its normal working requirements, which had been realized from the sale of the Canadian assets on December 1, 1954. During 1957, this \$6,000,000 together with an additional \$2,200,000 borrowed from banks, was used for the following purposes:

1. Replacement and improvement of plant and equipment	
\$7,939,855 less depreciation recovery \$2,688,593 . . . . .	\$5,251,262
2. Income taxes paid exceeded taxes chargeable against current year's income. More than half of this difference was due to the gain on sale of Canadian assets in a prior year . . . . .	1,372,810
3. Accounts payable were reduced by . . . . .	531,664
4. Dividends paid in the current year exceeded net income by . . . . .	509,346
5. All other factors affecting use of cash (approximately) . . . . .	534,918
Total . . . . .	\$8,200,000

### **Financial Position**

Working capital at November 30, 1957 (current assets minus current liabilities) amounted to \$13,350,128. The current ratio was 2.4. A year earlier, working capital was \$19,126,674 and the current ratio was 3.1. The reduction in working capital of \$5,776,546 during 1957 was caused primarily by investment of cash in plant replacements and improvement, in accordance with plans disclosed in previous annual reports to the stockholders. There was no Preferred Stock, and only \$4,862,600 of long term debt. Annual sinking fund requirements of \$213,000 have been paid in advance, so that no further payments are due until June 15, 1959.

### *Plant and Process Improvement*

The principal item in our 1957 program was the replacement of the sodium base cooking system used in the Sulphite pulp mill with a magnesium cooking and recovery system. The pressing need for this change was amply demonstrated in the summer and fall of 1957 when low water storage conditions and pollution controls on the Androscoggin River curtailed our Sulphite pulp operation by approximately one-third of normal output over a period of several months. Not only was there both loss of employment and loss of sales as a result, but in addition, the situation was aggravated by weekly shutdown and start-up costs. Pollution controls would not permit running for 10 or 12 days continuously; operating only 4½ to 5 days at a time increases costs and operating problems. The primary purpose of the new MgO cooking and recovery system is to prevent such conditions in future. The new system went into operation January 11, 1958.

Another important item was the installation of a 7500 KW turbine generator, which went into operation on May 4, 1957. Savings are now being realized over the cost of purchased power. At Corvallis, Oregon, the Bermico sewer pipe plant (which the Company had purchased from the Blacfiber Pipe Company on June 18, 1956) was expanded to provide approximately double its previous capacity. This will save transportation costs on shipments to West Coast customers and at the same time provide better service to these customers.

During 1957 we made substantial progress with our program of waste wood utilization. More sawmills were equipped with barkers and chippers. Also, the total waste of the plywood mill is now being used for pulp making.

Projects under consideration for 1958 include modernization of both our wood handling system and our Sulphite pulp bleachery. Further modernization of our other pulp and paper making equipment is planned.

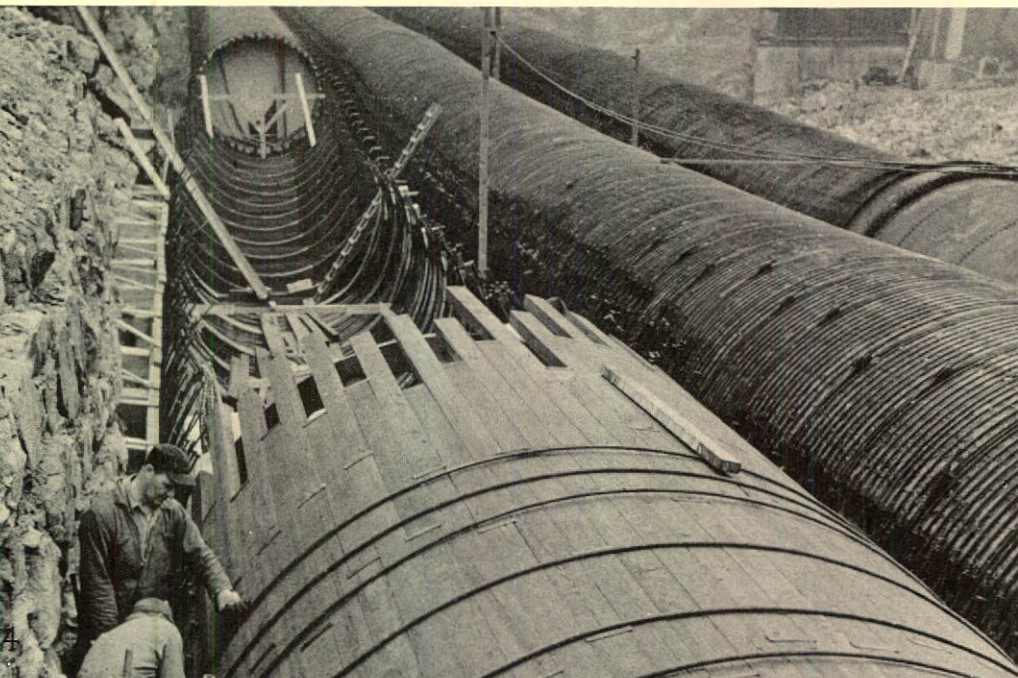
### *New Products*

During the past year, new white paper grades were introduced in the offset, endleaf, and tablet paper fields. Our offset paper is distinguished by its extra high brightness. A number of specialized technical papers were marketed, and others are under development.

Nibroc windshield wipers were introduced as part of a complete line of paper products for gasoline filling stations. In addition, Nibroc industrial wipers, designed to replace cloth rags in industrial plants, and recently approved for U. S. Government use, were marketed nationally.

In 1957 our Solka-Floc made an important contribution to the efficiency of cigarette filter tips; one form of this product is used in the tips of Kent cigarettes. Another type is used in the manufacturing process of L & M's. Still other types of Solka-Floc are used in the Chemical industry and the pharmaceutical field.

New grades of Onco were developed, primarily to meet changing needs in the shoe insole field. The new fibre formations developed for these products will lead to usage in other shoe components as well as increased acceptance in the handbag, cap front, and diversified imitation leather fields.



*Replacement of a 675-foot section of this 13-foot diameter penstock was accomplished during the low water period in 1957. The section being replaced here had been in service for 37 years. For long life, the staves are impregnated under pressure with modern preservatives.*

Every 24 hours, this 42-inch rubber belt conveyor carries approximately 1000 cords of carefully screened chips from the wood room to the digester house, for use in Brown Company's high quality pulps, papers and towels.



A new product bearing the trade name Grobark, was introduced to the market in 1957. This product is produced from selected yellow birch bark. Initially, it was offered for use by orchid growers. It is estimated that there are approximately 20,000 orchid growers in the United States, of whom about 15,000 are in the Eastern part of the country. Other horticultural uses for bark products are under study.

New types and finishes of plywood have been developed at the North Stratford plant. These products have enabled the Company to diversify and increase sales.

### ***Future Prospects***

As we start our new fiscal year, there is some evidence that the slackening of our orders attributable to a general slowing down in the national economy is continuing. However, it is too early in the year to draw any sound conclusions. We have an active selling campaign on all lines of product to offset as much as possible unfavorable developments in the economy as a whole.

As mentioned elsewhere in this report, we believe that in the course of the next year or two, the condition of over-capacity in the pulp and paper industry which has become evident during 1957 will approach a condition of more nearly balanced supply and demand, with resulting improvement in profits both for Brown Company and for the industry as a whole. Just how quickly this will come about is difficult to predict, but we do know that for the long term outlook, Brown Company is favored by its timber resources for pulpwood, veneer, and lumber, by its water supply for hydroelectric power generation and plant processes, and by the technical knowledge and skills of its employees.

At the close of 1956 we had made substantial progress toward the objective we had set, of attempting to recoup the earning power formerly derived from the Canadian subsidiary by rebuilding and improving the Berlin and Gorham facilities in a period of only three years under conditions of full production. Our timetable was upset in 1957 by matters largely beyond our control, but we are confident that the delay of progress is only temporary, and that given normally good general business conditions, our sales and earnings will be substantially improved. We now have capacity to take care of volume well in excess of our 1957 sales. We are engaged in an intensive cost reduction program, part of which is made possible by our capital expenditures. In addition to this, we have under way an aggressive plan of general quality improvement, as well as development of new products with sound long range sales potential. It seems clearly evident now that these projects were undertaken none too soon. They have already made possible the maintaining of our sales position in a competitive market and will also be extremely helpful in meeting conditions in 1958.

### ***Directors—Officers—Employees***

In April, Mr. Thomas L. Dunbar, Industrial Consultant in the pulp and paper industry, was elected to the Board of Brown Company. In December 1957, Mr. Ernest H. Maling, retired Financial Vice President of the Company, resigned as a Director but will continue as a Director Emeritus. Stuart W. Skowbo, Senior Vice President and Treasurer, was elected a Director at that time.



*Suggestion award winner Edwin Thresher (right) holds the company lead with awards totaling \$779. Glendon Utley (left) and Clarence Monahan (not shown) each have received \$500 awards. Since the Suggestion Plan went into effect on January 1, 1956, a total of \$7,747 has been awarded to Brown Company employees for money-saving ideas. In common with the general custom, awards amount to approximately 10% of the first year's savings to the company.*

During the year several important changes were made in our senior staff. In March, Mr. E. H. Petrick joined the Company as Vice President in charge of Sales, and in August, Mr. T. Richard Probst joined the Company as Vice President in charge of Operations. Both held corresponding positions in other well-known pulp and paper organizations. Mr. Alfred B. Clark also joined the Company in August 1957, as Director of Labor Relations. All of these men have wide experience in their respective fields, and we are confident that they will be instrumental in improving the general operations of the Company.

In the spring and summer of 1957 most of the pulp and paper companies in our area increased their labor rates by 9¢ to 10¢ per hour, and in some cases went beyond this figure with accompanying changes in fringe benefits. Brown Company departed from this pattern by increasing its base rates 6¢ per hour effective June 16, 1957, followed by an additional 3¢ per hour effective December 15, 1957. There was no significant increase in fringe benefits.

While labor relations generally were good during the year, we had a strike of six weeks' duration in our woodlands operations because of our refusal to accept unjustified demands. A reasonable settlement was made.

We sincerely appreciate the loyalty of our many valued customers and suppliers, as well as the work of those officers and employees who exerted their best efforts during the past year.

February 6, 1958

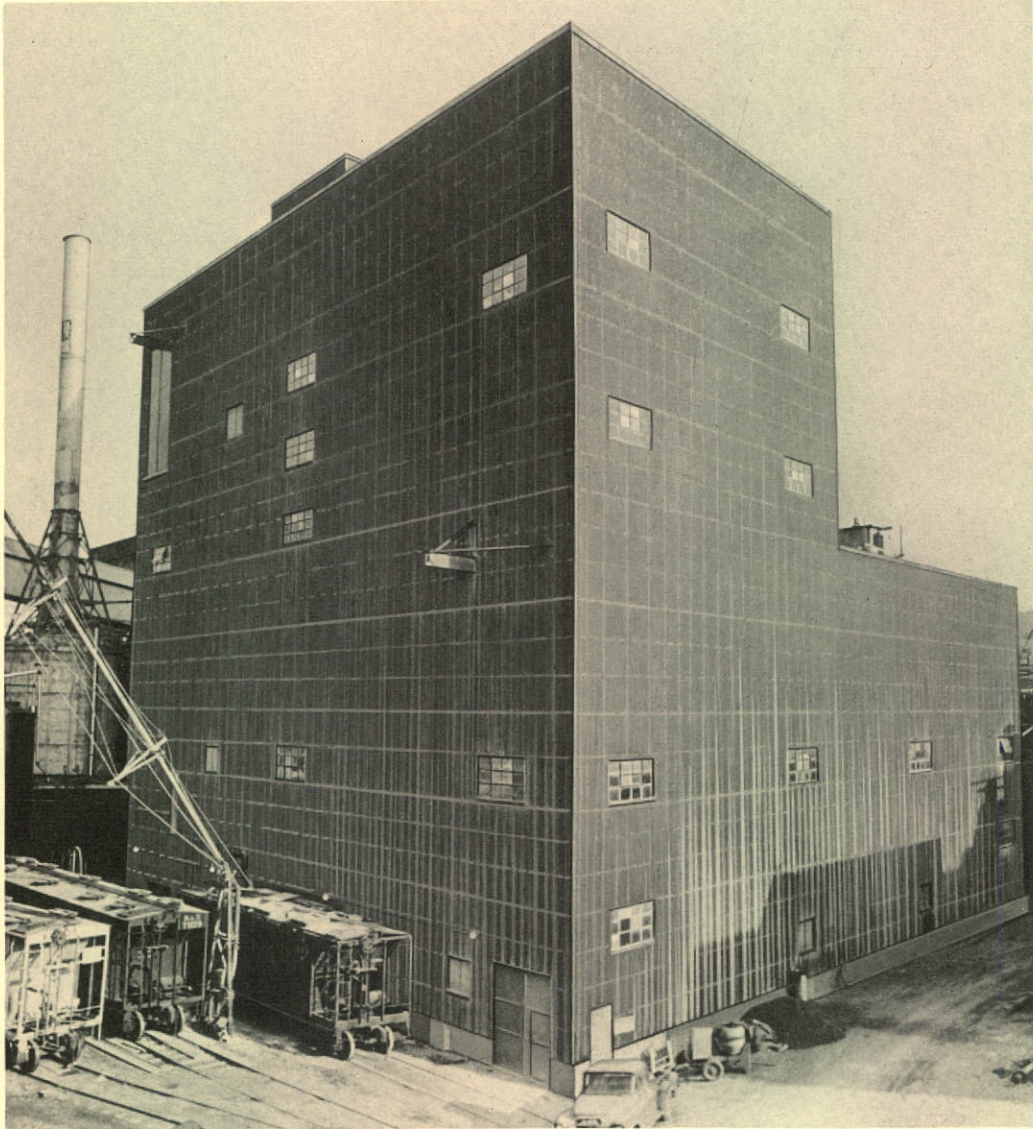
Sincerely,

L. F. Whittemore  
*Chairman of the Board*

A. E. H. Fair  
*President*

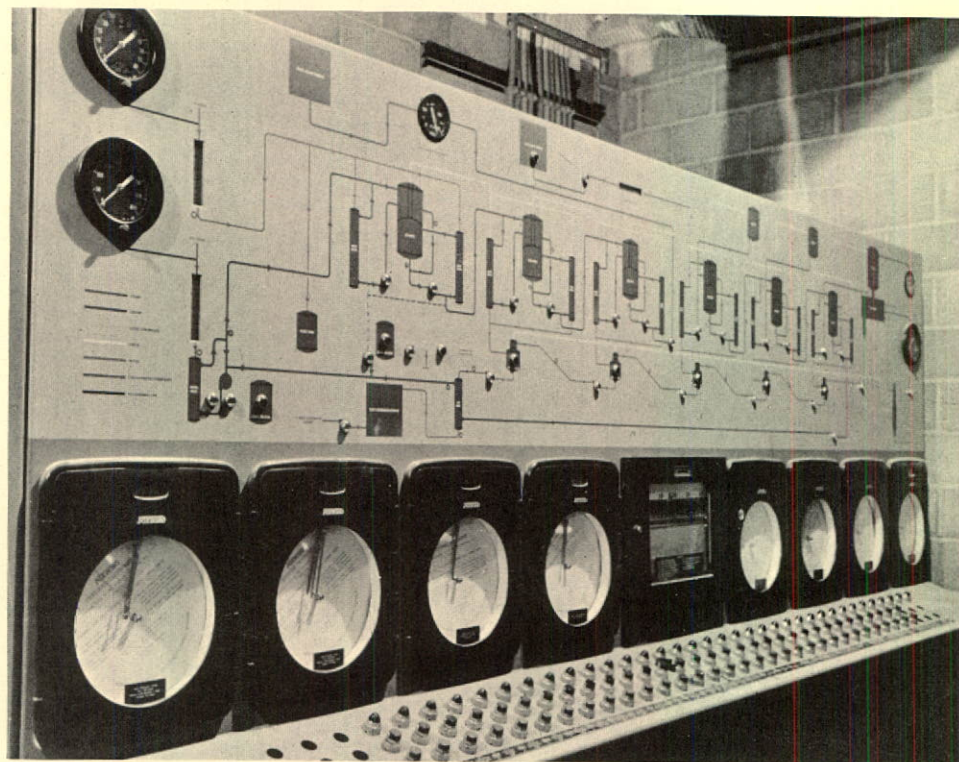


## PLANT AND PROCESS IMPROVEMENT

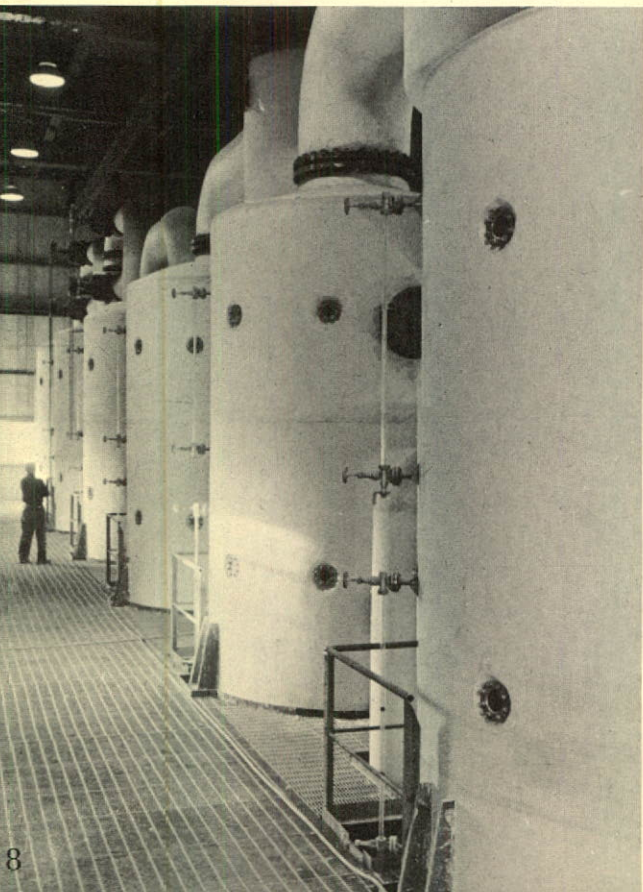


**The new magnesium acid preparation and recovery system** for Sulphite pulps, which replaces the former sodium base system, is located in this building. The new system's primary purpose is to reduce restrictions on pulp production caused by river pollution controls.

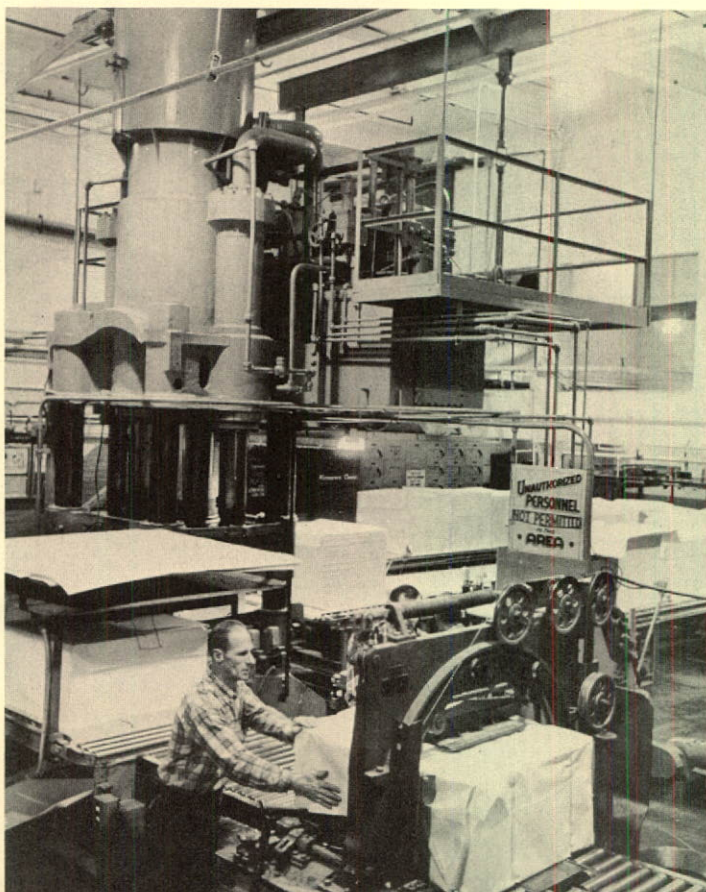
**Remote control panel**, for push-button operation (with minimum labor cost) of the new acid preparation and recovery system, is shown here. Recording gauges give a continuous visual indication as well as a written record of the system's performance. The schematic diagram of the system, with indicating lights, shown just above the panel, aids the operator in tracing material in process at a glance.

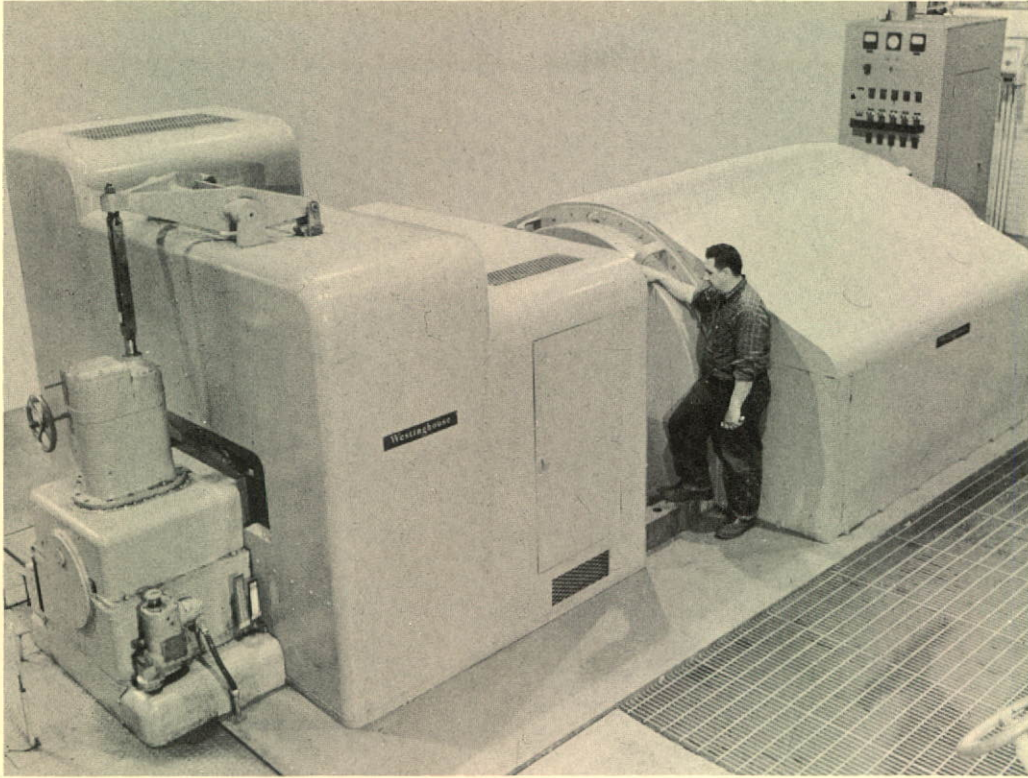


**Evaporators** in the new acid preparation and recovery system thicken the waste sulphite cooking liquor to the point where it may be burned rather than discharged into the river.

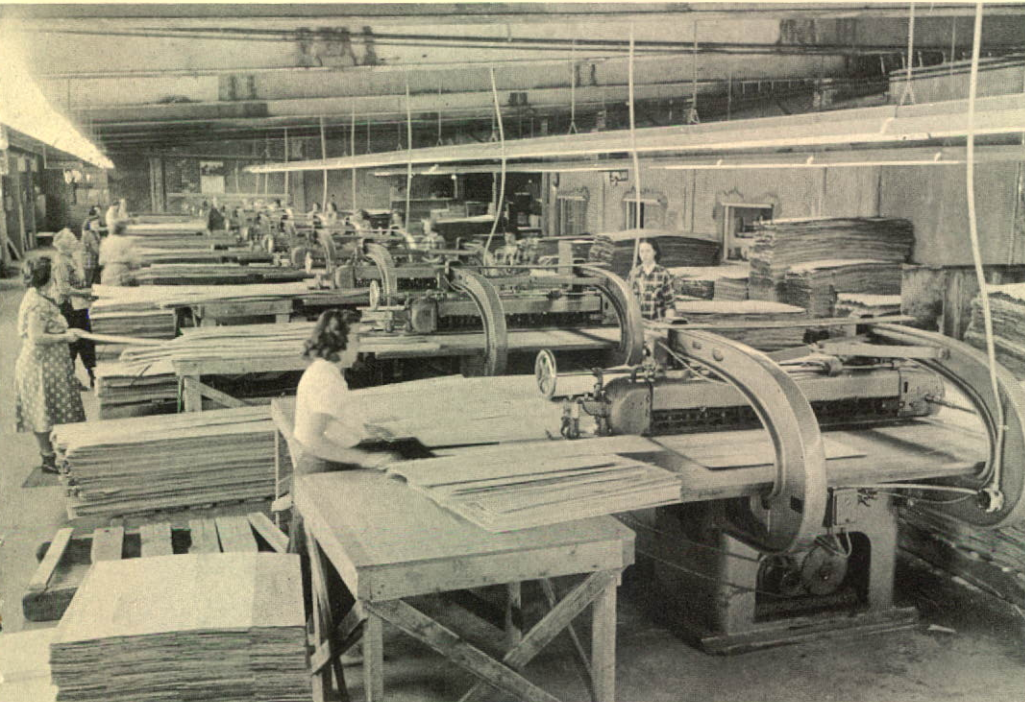


**This new 1000-ton vertical pulp baling press** is used to compress sheets of pulp into compact bales and pallets to permit maximum loading in freight cars and ships, as well as to give a controlled basis for tiering in warehouses.





**In May, 1957 this 7500 KW turbine generator** went on line, producing power previously purchased. Exhaust steam from the turbine is used in pulp manufacture, with resulting low net cost for power.



**Veneer is spliced** in this new wing of the North Stratford plant, which was completed March 1, 1957. Additional space made it possible to consolidate this important operation in one area and improve the orderly flow of materials, with resulting operating economies.

# BROWN



## AND CONSOLIDATED BALANCE

### ASSETS

	November 30	
	<u>1957</u>	<u>1956</u>
<b>Current assets:</b>		
Cash . . . . .	\$ 1,709,996	\$ 2,118,353
Marketable securities . . . . .	—	5,540,651
Accounts receivable, trade, less allowance for doubtful accounts . . . . .	5,046,442	5,256,684
Accounts receivable, other . . . . .	99,030	170,571
Inventories (Note 2) . . . . .	14,952,414	14,655,924
Prepaid insurance, taxes and other expenses . . . . .	792,599	640,268
Total current assets . . . . .	<u>\$22,600,481</u>	<u>\$28,382,451</u>
<b>Fixed assets (Note 3):</b>		
Plants and equipment . . . . .	\$76,706,008	\$69,241,960
Less—Depreciation . . . . .	32,641,195	30,429,329
	<u>\$44,064,813</u>	<u>\$38,812,631</u>
Timberlands . . . . .	\$ 8,732,824	\$ 8,710,372
Less—Depletion . . . . .	5,823,932	5,656,933
	<u>\$ 2,908,892</u>	<u>\$ 3,053,439</u>
Total fixed assets . . . . .	<u>\$46,973,705</u>	<u>\$41,866,070</u>
<b>Investments and other assets:</b>		
Investments in unconsolidated subsidiaries and associated companies, at cost or less . . . . .	\$ 358,007	\$ 358,007
Other assets and deferred charges . . . . .	1,458,078	1,260,164
	<u>\$ 1,816,085</u>	<u>\$ 1,618,171</u>
	<u>\$71,390,271</u>	<u>\$71,866,692</u>

# COMPANY

SUBSIDIARIES

SHEET

## LIABILITIES AND CAPITAL

November 30

### Current liabilities:

	<u>1957</u>	<u>1956</u>
Notes payable to banks . . . . .	\$ 2,200,000	—
Accounts payable . . . . .	4,847,231	\$ 5,392,129
Accrued payrolls, interest and other expenses . . . . .	577,060	563,826
Dividend payable . . . . .	647,163	648,113
Federal income taxes . . . . .	978,899	2,651,709
Total current liabilities . . . . .	<u>\$ 9,250,353</u>	<u>\$ 9,255,777</u>

### Funded debt:

4½% Debentures due June 15, 1975 (less \$240,000 at November 30, 1957, \$256,500 at November 30, 1956, purchased in anticipation of \$213,000 annual sinking fund requirement) . . . . .	<u>\$ 4,862,600</u>	<u>\$ 5,059,100</u>
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### Deferred income taxes (relating to amortization of assets acquired under Certificates of Necessity) . . . . .

	<u>\$ 1,265,000</u>	<u>\$ 965,000</u>
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### Capital and retained earnings:

Common stock, par value \$1 per share:		
Authorized—3,500,000 shares		
Issued—2,640,865 shares in 1957, 2,644,865 shares in 1956 (Note 5) . . . . .	\$ 2,640,865	\$ 2,644,865
Capital in excess of par value of common stock (Note 6)	10,717,287	10,781,845
Retained earnings (Note 7), per accompanying statement . . . . .	<u>43,543,614</u>	<u>44,052,960</u>
	\$56,901,766	\$57,479,670
Less—Cost of issued common stock held in treasury 52,214 shares in 1957, 52,414 shares in 1956 . . . . .	<u>889,448</u>	<u>892,855</u>
Total capital and retained earnings . . . . .	<u>\$56,012,318</u>	<u>\$56,586,815</u>
	<u>\$71,390,271</u>	<u>\$71,866,692</u>

# BROWN COMPANY

AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF INCOME

	Year ended November 30	
	1957	1956
Sales, less discounts, returns and allowances . . . . .	\$61,158,180	\$59,682,935
Materials, services and other manufacturing costs, selling, general, administrative and research expenses—including depreciation and depletion of \$2,855,592 in 1957 and \$2,433,571 in 1956 . . . . .	57,653,781	55,154,843
Net operating income . . . . .	\$ 3,504,399	\$ 4,528,092
Other charges (income):		
Interest on funded debt . . . . .	\$ 223,068	\$ 228,825
Other interest expense . . . . .	72,372	—
Interest income . . . . .	(24,188)	(303,191)
Miscellaneous other charges, net . . . . .	52,842	30,954
	\$ 324,094	(\$ 43,412)
Net income before federal income taxes . . . . .	\$ 3,180,305	\$ 4,571,504
Provision for federal income taxes . . . . .	1,100,000	1,960,000
Net income . . . . .	\$ 2,080,305	\$ 2,611,504

## STATEMENT OF RETAINED EARNINGS

YEAR ENDED NOVEMBER 30, 1957

Balance, November 30, 1956 . . . . .	\$44,052,960
Net income, per accompanying statement . . . . .	2,080,305
Cash dividends on common stock—\$1 per share (deduct) . . . . .	(2,589,651)
Balance, November 30, 1957 . . . . .	\$43,543,614

## NOTES TO FINANCIAL STATEMENTS

### **Note 1—Basis of consolidation:**

The financial statements include the accounts of Brown Company and its wholly-owned subsidiaries, Granite State Veneer, Inc., Plywood Products, Inc. and Stratford Realty Corporation. The accounts of unconsolidated subsidiaries are not significant.

### **Note 2—Inventories:**

The inventories at November 30, 1957 and November 30, 1956 consisted of the following:

	1957	1956
Pulpwood and logs . . . . .	\$ 3,115,444	\$ 3,942,961
Pulpwood and logging operations in progress . . . . .	4,028,656	3,002,340
	\$ 7,144,100	\$ 6,945,301
Other materials and supplies . . . . .	3,860,465	4,171,474
Pulp, paper and other manufactured products . . . . .	3,947,849	3,539,149
	\$14,952,414	\$14,655,924

Inventories of pulpwood and pulpwood content of pulp, carried at \$3,125,725 as at November 30, 1957, are stated at cost determined by the last-in first-out method of valuation. Otherwise the inventories are stated on the basis of cost or market, whichever is lower, cost representing actual, current average or current standard cost.

### **Note 3—Fixed assets:**

Plants and equipment are carried substantially at cost, less depreciation provided. Timberlands are carried at \$1 per cord of estimated standing softwood at November 30, 1904 plus subsequent purchase acquisitions at cost, less depletion based on timber cut. The carrying values of timberlands do not reflect regrowth in areas which have been cut or current market values for stumpage which are believed to be substantially higher than carrying values.

### **Note 4—Retirement plan for employees:**

The currently estimated amount required to complete the funding of past service cost under Brown Company's retirement plan for employees is approximately \$4,900,000.

### **Note 5—Stock options:**

Options have been granted to certain officers and employees to purchase shares of the common stock of Brown Company, as follows:

Fiscal year granted	Option price per share	Options granted	Number of shares		Balance November 30, 1957.
			Changes to		
			November 30, 1957	November 30, 1957	
			Exercised	Expired*	
1955	\$13.39	20,000			20,000
1955	14.77	47,000	(2,100)	(1,500)	43,400
1956	18.07	4,000			4,000
1956	14.99	4,000		(2,000)	2,000
1957	13.39	6,500			6,500
1957	12.22	3,000			3,000
		84,500	(2,100)	(3,500)	78,900

\*Due to termination of employment

All options are exercisable during a nine-year period beginning one year from the date granted. Under the company's present option plan, additional options may be granted in the aggregate up to 5% of the then outstanding shares of common stock at a price not less than 85% of the fair market value of the stock at the time the option is granted.

### **Note 6—Capital in excess of par value of common stock:**

Capital in excess of par value of common stock has been reduced during the year by \$64,105, representing the excess of cost over par value of 4,000 shares of common stock purchased and retired, and by \$453, representing the excess of cost over the amount received for 200 shares of common stock held in the treasury which were used to fulfill stock options exercised.

### **Note 7—Dividend and other restrictions:**

In the indenture covering the 4½% debentures of Brown Company there are restrictions on the payment of cash dividends on the company's common stock and on the application of any property or assets to the purchase or retirement of its common stock. As of November 30, 1957 such payments and applications were restricted to approximately \$3,100,000.

## REPORT OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.

75 FEDERAL STREET

BOSTON 10

January 14, 1958

To the Board of Directors and  
Stockholders of Brown Company:

In our opinion, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of Brown Company and consolidated subsidiaries at November 30, 1957 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. Our examination of these 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.*

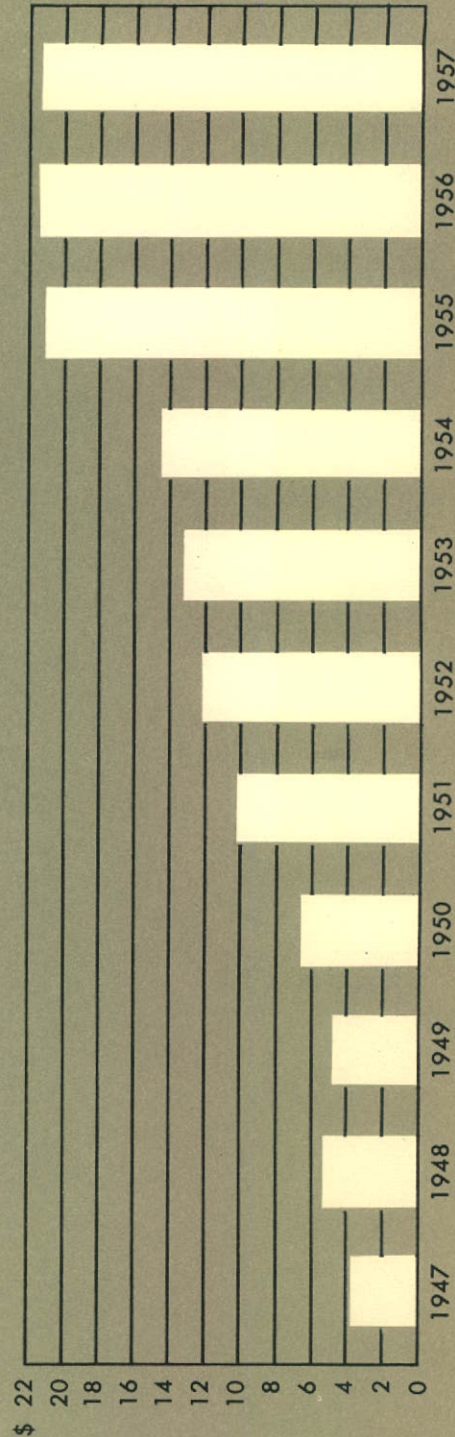


# CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION AND STOCKHOLDERS' OWNERSHIP

(in thousands of dollars)

AS OF NOVEMBER 30

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Current assets . . . . .	\$25,242	\$26,271	\$22,813	\$28,714	\$34,525	\$28,162	\$28,156	\$28,722	\$37,155	\$28,382	\$22,600
Current liabilities . . . . .	4,602	4,927	3,057	7,387	14,102	9,584	8,718	11,238	10,085	9,256	9,250
Net working capital . . . . .	\$20,640	\$21,344	\$19,756	\$21,327	\$20,423	\$18,578	\$19,438	\$17,484	\$27,070	\$19,126	\$13,350
Plants and equipment, less depreciation . . . . .	20,591	23,096	23,597	24,057	28,588	32,879	33,173	34,994	30,398	38,813	44,065
Timberlands, less depletion . . . . .	5,588	5,498	5,422	5,284	5,294	5,438	5,295	5,315	3,129	3,054	2,909
Investments and other assets . . . . .	1,299	568	470	571	666	872	513	1,041	708	1,618	1,816
Less—											
Funded debt (except portion in current liabilities) . . . . .	18,799	17,300	16,777	15,200	14,400	13,600	12,800	12,000	5,181	5,059	4,863
Deferred income taxes . . . . .	—	—	—	—	14	91	298	520	750	965	1,265
Net assets . . . . .	\$29,319	\$33,206	\$32,468	\$36,039	\$40,557	\$44,076	\$45,321	\$46,314	\$55,374	\$56,587	\$56,012
Stockholders' ownership in net assets shown above:											
Convertible preferred stock, \$6 . . . . .	\$21,695	\$22,560	\$22,560	\$22,560	—	—	—	—	—	—	—
Convertible first preference stock, \$5 . . . . .	—	—	—	—	\$14,346	\$14,346	\$14,346	\$14,233	—	—	—
Second preference stock, \$3 . . . . .	—	—	—	—	5,789	5,172	4,297	2,818	—	—	—
Total preferred stocks . . . . .	\$21,695	\$22,560	\$22,560	\$22,560	\$20,135	\$19,518	\$18,643	\$17,051	—	—	—
Common stock . . . . .	7,624	10,646	9,908	13,479	20,422	24,558	26,678	29,263	\$55,374	\$56,587	\$56,012
Number of common shares outstanding at end of year . . . . .	1,992,817	1,992,817	1,992,817	1,992,817	1,992,817	1,992,817	1,992,817	2,000,727	2,606,765	2,592,451	2,588,651
Common stock book value per share . . . . .	\$3.83	\$5.34	\$4.97	\$6.76	\$10.25	\$12.32	\$13.39	\$14.63	\$21.24	\$21.83	\$21.64



**COMMON STOCK  
BOOK VALUE  
PER SHARE**

## SUMMARY OF CONSOLIDATED INCOME AND CERTAIN EXPENDITURES

(in thousands of dollars)

### YEAR ENDED NOVEMBER 30

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Net sales	\$48,070	\$43,263	\$53,102	\$72,730	\$65,638	\$67,197	\$66,970	\$53,821	\$59,683	\$61,158
Net income before depreciation and depletion, interest on funded debt and income taxes	\$ 8,860	\$ 4,826	\$10,172	\$20,122	\$11,008	\$ 9,287	\$ 9,493	\$ 5,700	\$ 7,234	\$ 6,259
Charges for:										
Depreciation and depletion	\$ 1,908	\$ 2,291	\$ 2,424	\$ 2,575	\$ 2,818	\$ 3,134	\$ 3,081	\$ 2,116	\$ 2,433	\$ 2,856
Interest on funded debt	838	807	751	532	513	492	471	204	229	223
Provision for United States and Canadian taxes on income	2,250	711	2,975	9,585	3,280	2,610	2,530	1,350	1,960	1,100
Total of above charges	\$ 4,996	\$ 3,809	\$ 6,150	\$12,692	\$ 6,611	\$ 6,236	\$ 6,082	\$ 3,670	\$ 4,622	\$ 4,179
Net income	\$ 3,864	\$ 1,017	\$ 4,022	\$ 7,430	\$ 4,397	\$ 3,051	\$ 3,411	\$ 2,030	\$ 2,612	\$ 2,080
Dividends paid or accrued on preferred stocks	865	865	865	1,106	1,028	982	931	178		
Balance of net income applicable to common stock	\$ 2,999	\$ 152	\$ 3,157	\$ 6,324	\$ 3,369	\$ 2,069	\$ 2,480	\$ 1,852	\$ 2,612	\$ 2,080
Average number of common shares outstanding during the year	1,992,817	1,992,817	1,992,817	1,992,817	1,992,817	1,992,817	1,996,772	2,295,315	2,591,976	2,589,836
Earnings per share of common stock	\$1.50	\$ .08	\$1.58	\$3.17	\$1.69	\$1.04	\$1.24	\$ .81	\$1.01	\$ .80

Note—Amounts for 1948 through 1954 include the operations of Brown Corporation, Brown Company's wholly-owned Canadian subsidiary, which sold its assets on December 1, 1954.

#### Cash Expenditures For:

Reduction of funded debt	\$ 300	\$ 1,473	\$ 1,301	\$ 800	\$ 800	\$ 800	\$ 800	\$ 12,935	\$ 120	\$ 179
Purchase and retirement of preferred stocks				1,905	579	824	1,487	3,495		
Plant improvements, additions, and acquisitions, and additions to timberlands, less proceeds of disposal*	4,189	2,734	2,973	7,053	7,260	3,271	4,987	5,893	10,775	7,961

\*Including the following amounts for improvements and additions to Canadian properties which were sold on December 1, 1954

1,788      1,535      833      1,959      2,470      918      988

## Directors

ORTON B. BROWN.....Berlin, New Hampshire Director, New Hampshire Fire Insurance Co.	CHARLES P. McTAGUE Q. C.....Toronto, Ontario Lawyer—White, Bristol, Beck & Phipps
JOHN B. CHALLIES.....Montreal, Quebec Consulting Civil Engineer—Retired Senior Vice President, Shawinigan Water & Power Company	G. A. MORRIS.....Montreal, Quebec Chairman, Habitant Food Products Limited Director, Consolidated Bakeries of Canada Limited
THOMAS L. DUNBAR.....Montreal, Quebec Industrial Consultant	STUART W. SKOWBO.....Berlin, New Hampshire Senior Vice President and Treasurer
ARTHUR D. EMORY.....Montreal, Quebec Chairman, United Corporations Limited	JOHN L. SULLIVAN.....Manchester, New Hampshire Lawyer—Sullivan and Wynot (Manchester, N. H.) —Sullivan, Bernard, Shea & Kenney (Washington, D. C.)
A. E. HAROLD FAIR.....Newton, Massachusetts President	GENE TUNNEY.....New York City Chairman of the Board, The McCandless Corporation
MAURICE FORGET, Q. C.....Montreal, Quebec Partner, Forget & Forget	ARTHUR G. WALWYN.....Toronto, Ontario President, Corporate Consultants Limited
ERNEST M. HOPKINS.....Hanover, New Hampshire Chairman, National Life Insurance Company	LAURENCE F. WHITTEMORE.....Pembroke, New Hampshire Chairman of the Board
WILLIAM B. JOYCE.....New York City President, Wm. B. Joyce & Company, Inc.	

## Director Emeritus

ERNEST H. MALING.....Kennebunkport, Maine  
Retired Vice President—Finance

## Principal Officers

Laurence F. Whittemore, Chairman of the Board • A. E. Harold Fair, President  
Stuart W. Skowbo, Senior Vice President & Treasurer • Clarence S. Herr, Vice President  
Edward H. Petrick, Vice President • T. Richard Probst, Vice President  
John W. Jordan, Vice President & Secretary • Hugh D. Jordan, Assistant Treasurer  
William J. Oleson, Jr., Controller

## Other Senior Staff

Robert W. Andrews, Vice President • Newton L. Nourse, Vice President  
George A. Day, Technical Director • Paul M. Goodloe, Assistant Technical Director  
Douglas H. McMurtrie, Research Director • Alfred B. Clark, Director of Labor Relations  
Alexander B. Walker, Budget Director • Van R. Woolsey, General Purchasing Agent  
Edward J. Reichert, Assistant Secretary • Roland E. Fickett, Executive Assistant  
Leonard A. Pierce, Clerk

## Registrars and Transfer Agents for Common Stock

Principal Transfer Agent Second Bank—State Street Trust Company, Boston	Principal Registrar.....The First National Bank of Boston
Montreal Transfer Agent.....Guardian Trust Company	Montreal Registrar.....Montreal Trust Company
New York Transfer Agent...Chemical Corn Exchange Bank	New York Registrar.....The New York Trust Company
Toronto Transfer Agent.....The Royal Trust Company	Toronto Registrar.....Montreal Trust Company

## Registrar for the Company's 4½% Debentures

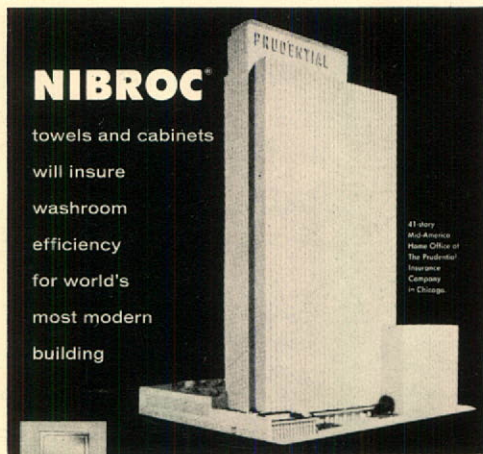
Old Colony Trust Company.....Boston

## Auditors

Price Waterhouse & Co.....Boston

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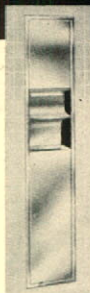
General Office: Berlin, New Hampshire      Executive and General Sales Offices: 150 Causeway Street, Boston 14, Mass.  
Mills: Berlin, Gorham and North Stratford, New Hampshire; Corvallis, Oregon



## NIBROCO

towels and cabinets  
will insure  
washroom  
efficiency  
for world's  
most modern  
building

41 story  
Mid-America  
Home Office of  
The Prudential  
Insurance  
Company  
in Chicago.



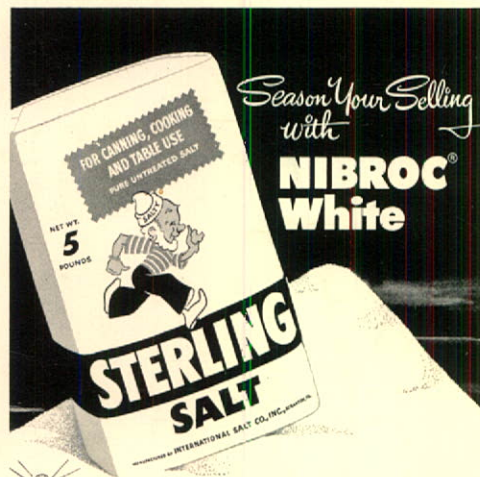
The Prudential Insurance Company of America, meticulous in its choice of quality products for its new Mid-America Home Office building in Chicago, on a competitive basis is installing Nibroco Towels and Nibroco Recessed Cabinets. First wet strength towels—and still the finest—Nibroco Towels are super-absorbent, strong, sanitary, soft-textured. They speed up washroom traffic... stop waste because one towel dries both hands... cut maintenance costs. More and more architects specify Nibroco Cabinets because...

Nibroco multifield cabinets hold 50% more—require less servicing. Available in 3 models—wall, floor and recessed. Wall cabinets in durable white enamel (with or without mirror) and easy-to-clean chromium plate or stainless steel.

New, improved recessed dispenser with waste receptacle—loads faster, holds far more towels for washrooms with heavy traffic. Handmade 22-gauge stainless steel for long, trouble-free service. Dispenser and waste receptacle available separately for washrooms where desirable to stagger towel cabinets and receptacles.

Use the finest—Nibroco Towels and Cabinets. For name of distributor see "Nibroco" in your classified directory or write Dept. NU-7, our Boston office.

**BROWN** COMPANY, Berlin, New Hampshire  
General Sales Office  
150 Causeway Street, Boston 14, Mass.



Season Your Selling  
with  
**NIBROCO**  
White



Today's food package is called upon, as never before, to stand up and give a first-rate account of itself in stores and supermarkets. It has to be seen—quickly, impressively, persuasively. It must start the sale as well as protect the product.

That's why International Salt Company chose Nibroco White for its 5-pound bag of Sterling Salt. Nibroco's bright white surface makes a perfect background for the eye-catching package design featuring "Salty," Sterling's colorful trade character. Nibroco White is strong, clean, economical, perfect for bag forming, filling and closing machines.

For superior visibility, printability, workability use Nibroco White—super-calendered and/or embossed. You'll find it unsuicidal for giving products such as salt, flour, mixers, sugar, rice, coffee, cocoa, maximum package appeal. Bring in your problem. Let our local representative show you samples. Write our Paper Sales Division, Dept. RC-7, 150 Causeway Street, Boston 14, Mass. Miller, Berlin, N. H.

**BROWN** COMPANY

White Salt Ever by New "WHITE MAGIC" Bleaching Process



modern construction



calls for



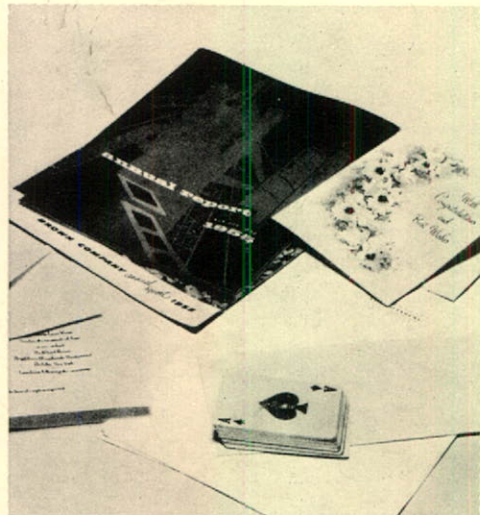
modern sewer pipe

## BERMICO®

Streamlined modern construction methods call for the most efficient and most easily installed products. That's why building material wholesalers and dealers recommend—why more architects are specifying—Bermico Sewer Pipe.

And it's why more and more builders and contractors are using this lightweight bituminized fibre pipe—root-proof and corrosion-proof—for house-to-sewer or septic tank connections.

Bermico Sewer Pipe and Bermisepti® Perforated Pipe for septic-tank disposal beds are produced in 8-foot lengths, from 2" to 6" in diameter. And only Bermico has a complete line of fittings made of the same material as the pipe! Send today for information about this modern pipe. Write to Brown Company, Dept. BQ-4, 150 Causeway Street, Boston 14, Massachusetts.



The best looking papers start with the best pulps!

Specialty papers created from Brown Company pulps give you the finest, clearest, most eye-appealing printing possible.

That's why so many leading makers of fine specialty papers...to be used for illustrated brochures, annual reports, point-of-

sale and similar printed matter...come to Brown Company. Because our pulps are scientifically engineered to meet specific needs.

If you are looking for an engineered pulp for a special paper, we can supply it. Just let us

know your problem. Write today to Dept. XX-06, our Boston office.

**BROWN** COMPANY  
150 Causeway Street, Boston 14, Mass.  
Miller, Berlin and Gorham, N. H.

Four typical advertisements from the Brown Company's current advertising program reflect the diversification of the company's products.