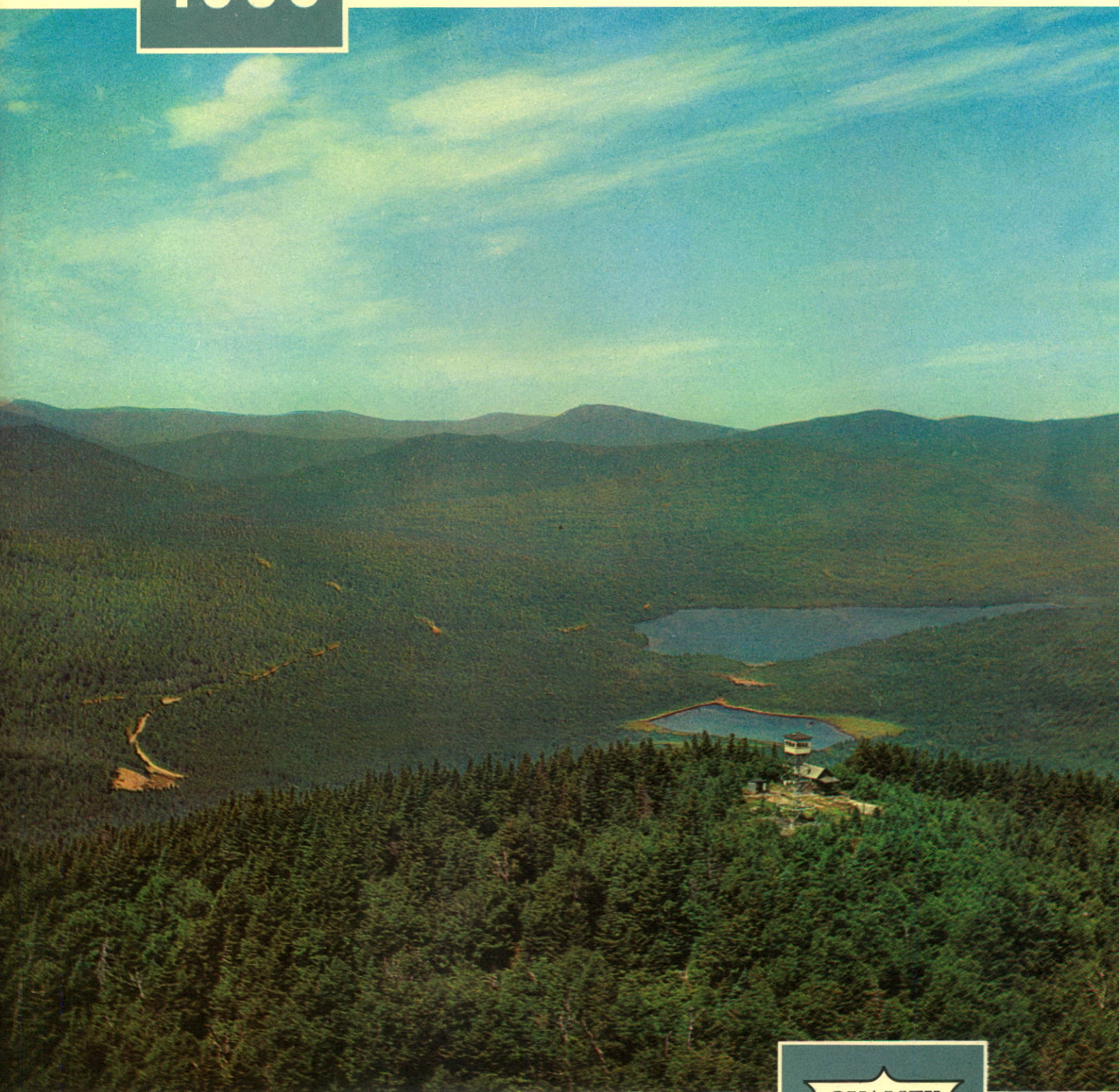


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1960

ANNUAL REPORT



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BROWN COMPANY





ABOUT THE COVERS



The panorama of mountains, ponds and forests on the front cover is typical of one of Brown Company's great resources, its timberlands. This view of Millsfield Pond, lying 20 miles northwest of Berlin, includes the Signal Mountain fire tower and mountains in the Townships of Millsfield, Dixville, Dix's Grant and Wentworth Location. The timberlands shown in this picture belong principally to the Company.



A part of the Towel Division's manufacturing facilities at the Cascade Mill in Gorham, N. H. are shown on the back cover. Here are manufactured over twelve billion wet strength towels and wipers each year.

COVERS BY VICTOR BEAUDOIN

The paper used for the cover of this Report is NIBROC OFFSET, Basis 120, and the text is printed on NIBROC OFFSET, Basis 80. The cover is REGULAR FINISH, inside pages are VELLUM FINISH. Both are products of Brown Company. The Report is offset-printed throughout.

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BROWN  COMPANY

BERLIN, NEW HAMPSHIRE

Diversified Forest Products

Nibroc Towels and Wipers; Bermico Pipe and Conduit; Engineered
Pulps, Papers and Floc; Plywood;
Onco Innersoles for Shoes; Chemicals.

MID-YEAR REPORT TO STOCKHOLDERS

For the six months ending May 31, 1961

BROWN COMPANY
MID-YEAR REPORT TO STOCKHOLDERS

To the Stockholders:

Sales for the first six months of the 1961 fiscal year totaled \$26,330,867, a decrease of \$4,314,382 from the previous year on a comparable basis. Notwithstanding the substantial reduction in sales volume, net income for the six months' period amounted to \$379,236, an increase of \$73,784 over net income for the first half of last year. Per share earnings of 15 cents included 2 cents of non-recurring profit resulting from the sale of the Company's interest in Bermico Products Limited, a Canadian producer of Bermico pipe.

Of the \$4,314,382 decline in sales, \$3,200,000 results from special or intentional reductions in softwood sulphite pulp, certain purchased plywoods, and lumber occasioned by the elimination of unprofitable grades of products. Paper sales, in common with the rest of the industry, were off substantially and thus contributed to the drop in total sales. Moreover, profits in the Paper and Pulp Divisions were adversely affected by softening in the general price structure.

The trend at this point is improving, as indicated by the fact that for the month of May sales and profits were considerably better than in the earlier months of the year. Present indications are that, with continuing improvement in the over-all economy, the results for the second half of the fiscal year will show increases over those for the first half.

In April the management announced the placing of orders for the construction of a new machine to make tissue type papers. Total cost of the project will amount to \$1,600,000. Since our cash position shows continued improvement, it is expected that the cost of this installation will not require outside financing. A new roll towel together with a unique and simple cabinet has found good acceptance in the industrial towel market.

Pre-finished plywood panels continue to show growth in sales.

At the annual meeting of stockholders on April 17, 1961, approximately 82% of the Common Stock entitled to vote was represented either in person or by proxy. The Board of Directors was re-elected without change.

Leonard A. Pierce

LEONARD A. PIERCE
President

Berlin, N. H.
June 21, 1961

BROWN COMPANY
MID-YEAR RESULTS

	Six Months Ended	
	May 31, 1961	May 31, 1960
Net Sales	\$26,330,867	\$30,645,249
Net Income before depreciation, depletion, and Federal income taxes...	2,522,501	2,329,604
Depreciation and depletion	1,900,265	1,813,431
Net Income before taxes.....	622,236	516,173
Federal Income taxes	243,000	210,721
<i>Net Income</i>	\$ 379,236	\$ 305,452
Average number of Common Shares outstanding during the period.....	2,587,095*	2,640,256
Earnings per share of Common Stock.....	\$.15	\$.12

*Excluding shares held by the Company as Treasury Stock which totaled 37,650 shares at May 31, 1961.

The Company changed from a four-week to a calendar month accounting period on July 1, 1960.

(All figures are subject to audit and adjustment at end of fiscal year)

HIGHLIGHTS OF THE REPORT

	<i>Year ended November 30</i>	
	<i>1960</i>	<i>1959</i>
Tons of pulp, paper, and towels sold	184,324	189,113
Net sales	\$59,172,865	\$58,888,381
Net income before income taxes	\$ 2,287,468	\$ 944,203
Net income	\$ 1,347,468	\$ 714,203
Average number of common shares	2,639,173	2,623,495
Earnings per share	\$.51	\$.27
Net working capital at end of year	\$16,889,984	\$14,695,871
Ratio of current assets to current liabilities	4.1 to 1	2.9 to 1
Expenditures for plant and equipment	\$ 2,459,336	\$ 3,528,847
Depreciation and depletion charges	\$ 3,698,596	\$ 3,459,929
Acres of timberlands owned at end of year, including Brown Company share of jointly owned lands	637,228	636,549
Common stockholders' ownership in net assets at end of year:		
Total	\$57,632,048	\$56,546,334
Per share	\$21.98	\$21.43
Number of common stockholders at end of year	8,593	8,173
Cash dividends paid:		
Total	—	\$ 791,694*
Per share of common stock	—	\$.30*
Average number of employees (not including seasonal woods labor)	3,623	3,792
Payrolls and employee benefits	\$20,648,475	\$20,343,822

*In addition, a stock dividend of 2% was paid on March 1, 1959.



PRESIDENT'S LETTER

To Our Stockholders:

Since the new administration assumed office in April of 1960, our Company has been forced to do considerable tightening up and consolidating. We were obliged to discontinue five non-profitable segments of our business: softwood sulphite market pulp, hardwood lumber, softwood lumber and two very minor items — metal ends for paper cores and a specialty fertilizer made from chemicals and waste bark. This action, together with other drastic cutbacks in supervision and services, necessitated severe personnel reductions — largely in the Berlin area.

On the good side of the ledger, the \$3,500,000 of 90-day notes which we owed the banks the day of the last Annual Meeting of Stockholders were completely paid off by the end of the year. In addition, we had purchased \$1,000,000 worth of interest bearing short term notes.

Generally speaking, the year 1960 was not a good year for companies in our business. Over-capacity created a competitive situation which resulted in price cutting, and almost everyone's profits were adversely affected. It is certainly no exaggeration to say that most of them showed lower earnings in 1960 than they did in 1959. Despite this adverse trend, we showed some improvement; the 51 cents per share which we earned in 1960 was 89% higher than 1959's earnings. I would like to point out, however, that none of your officers and directors are satisfied with these earnings, and all of our efforts and resources are being diligently used to improve profits.

The operational savings which we were able to effect during 1960 give us a good start for 1961. I think that it is realistic to look to the future believing that the industry's prices have reached a relatively stable level. Assuming a reasonable demand for our products, I look forward to 1961 with hope and a carefully weighed conviction that our earnings in 1961 will be better than they were in 1960.

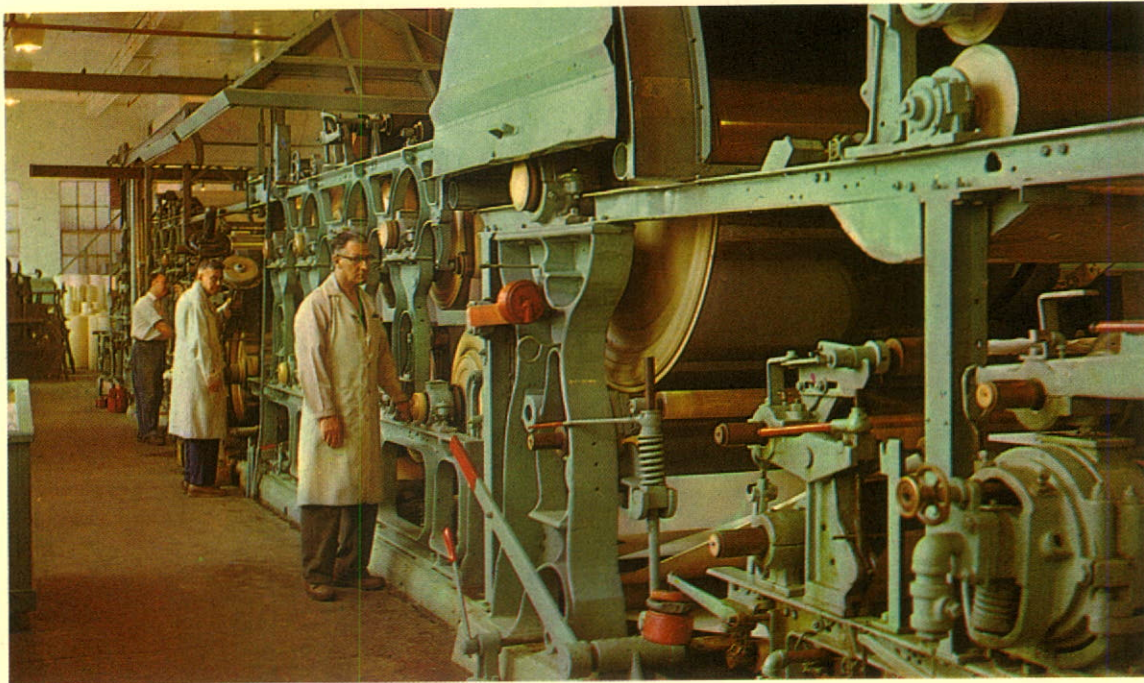
I urge you all to read the following pages which contain a more detailed summary of our accomplishments, our changes and our plans.

Sincerely,

A handwritten signature in dark ink that reads "Leonard A. Purie". The signature is written in a cursive style with a large, prominent "P" at the end.

President

February 27, 1961



This experimental paper machine in the Company's Research Department is extremely flexible and can produce almost any weight or type of paper, including specialty papers with supercalendered finish and extensible papers. In addition to commercial pulps, it can be supplied with special pulps made in Brown Company's pulp pilot plant and bleachery. From time to time at request of customers, this machine has made paper from pulp made from such odd fibers as rice, straw, bamboo, sugar cane, etc.

SUMMARY REPORT

Income and Sales

Consolidated net income for Brown Company in 1960 was \$1,347,468, an increase of 89% over 1959 earnings of \$714,203. Earnings per share of common stock were \$.51; earnings in 1959 were \$.27 per share. As a percentage of sales, earnings rose from 1.2% in 1959 to 2.3% in 1960.

Net sales in 1960 were \$59,172,865, slightly higher than the \$58,888,381 sold the year before. Substantial sales increases were developed in paper, plywood, synthetic resins and timber. Sales of sulphite pulp dropped as a result of the elimination of certain unprofitable grades.

Financial

At its September meeting the Directors approved the issuance of quarterly earnings reports. Formerly these were issued semi-annually.

No dividends were paid in 1960. It was the opinion of the Board of Directors that the in-

terests of the stockholders were best served by using earnings in the business.

At the end of 1960, Brown Company had cash and marketable short term securities which totaled \$3,179,760, an increase of 130% from a year earlier, at which time total cash was \$1,378,220. In addition, all short term bank loans, which amounted to \$2,000,000 at the beginning of the year and at one point in the spring had risen to \$4,000,000, were completely paid by October; at the end of the year the Company owed nothing to banks. Other than normal commercial liabilities, at the end of 1960, the Company had no debt other than its long term debentures which amounted to \$4,229,100, a reduction of \$148,100 from the end of 1959.

Brown Company's working capital was \$16,889,984 at the end of 1960, representing an increase of \$2,194,113 from the beginning of the year. The ratio of current assets to current liabilities rose from 2.9 at the beginning of the year to 4.07 at the end of the year.



For certain types of logging, particularly small timber, horses still provide the most economical motive power.



Crawler type tractors serve a dual purpose in woods operations. Equipped with blade, they can clear and build woods roads. They possess the needed power to ground-skid, and log with sulkies, tree length hardwood timber to central yards where it can be graded and cut to most profitable lengths for veneer logs, sawlogs, boltwood and pulpwood.

During 1960, the Company, in accordance with By-Law authorization, purchased and retired 17,000 shares of its own common stock. This program, which is continuing, was initiated to prevent dilution of common stockholder equities by the exercise of stock options now outstanding or options which may be granted and exercised in the future.

In 1960, the Company purchased the remaining 20% minority interest in Resi-Chem Corporation, thus making Resi-Chem a wholly-owned subsidiary. In accordance with a plan adopted by the Board of Directors, the assets of eleven wholly-owned subsidiary corporations, including Resi-Chem and the veneer and plywood corporations, were acquired by Brown Company at the close of business November 30, 1960. Plywood and resins are now manufactured and sold through the Plywood and Resi-Chem Divisions, respectively.

The Company reduced its inventories by more than 10% (\$1,562,890) in 1960. The principal reduction was in sulphite pulp.

Capital Expenditures

During the year the Company spent \$2,459,336 for capital projects, 30% less than in 1959; the amount spent was the equivalent of 66% of depreciation and depletion. Included were the completion of three new plants: the Bermico plant at Birmingham, Alabama, the polyester resin plant at Swanton, Ohio, and the crossbanding veneer plant at North Stratford, New Hampshire. Of the balance, the greater part of the funds was used in the Paper Division; this is discussed more fully below.

It is anticipated that capital expenditures in 1961 will be greater than the amount spent in 1960.

Paper Division

The year 1960 was the most profitable for Brown Company's paper division in more than ten years. The year was also marked as one in which heavy emphasis was placed on improvement and modernization of paper making equipment with a goal of increased future profits from greater versatility, broader product lines, higher production rates and quality; additional paper converting equipment, including

NIBROC OFFSET paper reproduces colors brilliantly and accurately — and withstands the rough handling of children.



the trimmer which is pictured in this report, was also installed.

In 1960, the growth of the Company's printing paper sales continued; sales of these grades were 83% greater than in 1959. Additional new grades are at present in the process of development. In the latter part of the year, some sales price reductions became effective. In 1960, paper machine production rates were increased; excellent progress was also made in reducing production costs in the kraft pulp mill which supplies the machines. Purchases of pulp for paper manufacture were reduced substantially by an 8% increase in output from the Company's own kraft mill.

Towel and Tissue Division

The division showed a marked improvement in profit in 1960. The new, easy opening package for towels, first introduced in 1959, has now proved a complete success. New converting equipment designed to reduce costs was installed during the year and more is scheduled for 1961. New products put on the market in 1960 include a towel with temporary wet strength designed to disintegrate after use and thus avoid obstruction to plumbing waste pipes. Roll towels for industrial use are to be mar-



This modern, fully-automatic paper trimmer is one of the largest and most accurate in the industry. This machine spaces itself automatically, thus eliminating the human error in cutting sheets to size.



SOLKA FLOC, made from highly purified SOLKA pulp, has a wide variety of uses. This carload will go to a tobacco firm for use in cigarette filters.

Our SOLKA pulps are sold to manufacturers of fine and specialty papers throughout the United States and in Europe.



keted in 1961 and consideration is being given to further expansion of the product line. Plans have been made to increase the effectiveness of the Company's towel distribution system.

Plywood Division

This division once again produced a profit higher than the year before. The new cross-banding plant went into operation in July and has already contributed substantially to profits by reducing the cost of veneer. Pre-sealing and pre-finishing operations were improved during the year by addition of new equipment and consolidation of all processing facilities in one central location for maximum efficiency. The 1961 marketing effort will be concentrated on pre-finished plywood. Clouds on the 1961 horizon of this division are price weaknesses, the low level of new housing, and competition from imported plywood.

Sulphite Pulp and Floc Division

During the year, the inventories of sulphite pulp were reduced by half; while this had an adverse effect on profits in 1960, the inventory reduction released approximately \$1,000,000 in working capital. When the program is complete in March 1961, costly storage in rented warehouse space will be eliminated.

On September 1st, after three months of careful analysis, a new production plan was established for the sulphite mill; this plan, which was aimed at cost reduction, has shown promise. A number of sulphite research projects which showed no promise of eventually becoming contributors to profit were abandoned. The staff and overhead costs of the division were reduced drastically.

New sulphite sales outlets were obtained in the course of the year. In the last quarter, however, price reductions were announced by the Company's competitors — a result of oversupply in the wood pulp industry; Brown Company was forced to follow.

In 1960, greater use of sulphite pulp by the Company's own paper mills was accomplished; this increase in the use of sulphite within the Company is expected to continue.

Floc sales in 1960 declined somewhat as a result of depressed business conditions.

Bermico Division

The new Birmingham, Alabama, plant started production in June, 1960 and has already proved itself a low cost producer. At Berlin, a new storage yard has reduced shipping and handling costs. Operating procedures at Berlin are under study in order to devise the most economical method of production. Sales and profits of the division suffered in 1960 from overcapacity in the industry.

Resi-Chem Division

The new polyester resin plant at Swanton, Ohio, went into production late in the year. The usual startup problems were encountered, but by the end of the year these had been solved and Resi-Chem polyester resin was being marketed. There was sales growth in all of the division's products, especially in adhesives, sales of which more than doubled those of 1959.

Onco Division

Despite an extremely competitive year, sales of Onco shoe innersole material held up well. Sales of the new product, Wul-Tex, first introduced in 1959, continue to grow.

Chemicals and Contract Research Division

In addition to chlorine, for the first time in many years the division sold caustic soda and intends to continue these sales. Sales volume of Selectacel, an ion exchange cellulose derivative, increased 15%.

A program was started in 1960 to make available Brown Company's Research staff and equipment (including the experimental paper machine and pulp pilot plant) to other companies for use in their own research efforts. The facilities are already committed for specific periods of time to several companies in our industry.

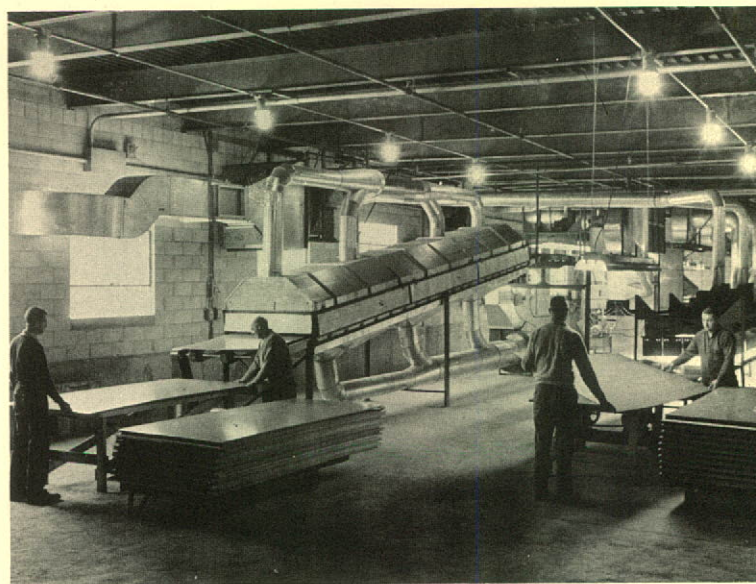
Lumber Division

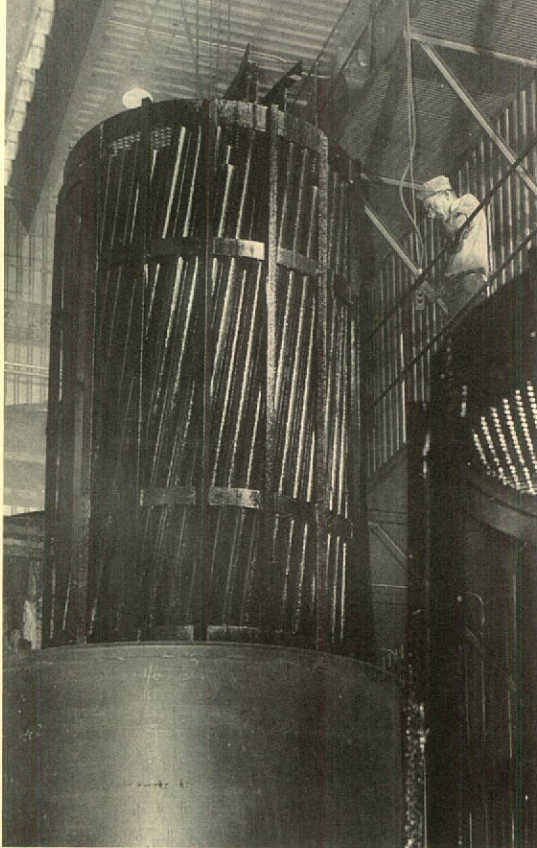
In the fall of 1960, it was decided that the Company should withdraw from the production of lumber and instead should sell saw logs. The general weakness of the lumber market, high



Modern house trailers of the more expensive type utilize hardwood panelling throughout for beauty and durability. Brown Company's veneer and plywood mill at North Stratford, New Hampshire, enjoys a high reputation among trailer manufacturers for the quality of its products.

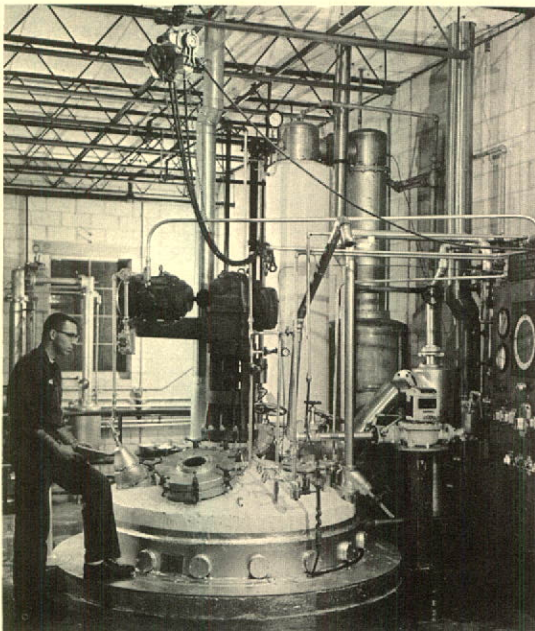
Infra-red heat lamps bake a lasting finish on plywood panels in the North Stratford plant's new pre-finishing department, which is designed for high speed production and quality finishing of a variety of woods in both natural and color-toned finishes.





BERMICO pipe and conduit is made in new and modern plants at Corvallis, Oregon and Birmingham, Alabama as well as in Berlin, New Hampshire. Geographical dispersal of plants in this way has overcome transportation problems which formerly existed.

Polyester resin, used for molding fibre glass boats, fishing rods, automobile parts and a variety of other products, is made in stainless steel kettles at Swanton, Ohio where the Resi-Chem Division has its headquarters. Other manufacturing facilities strategically located throughout the country provide quick service to manufacturers using Resi-Chem synthetic resins.



cost of logs, and high production costs in the Company's own sawmills forced this decision. The Company's operations at present are confined to the liquidation of existing inventories and to selling of logs, when available, to other sawmills.

Timberlands

Beginning in the summer of 1960, a vigorous program of selling timber cutting rights to others was started. This program is designed to market mature timber which cannot be used economically by Brown Company within the foreseeable future.

The Company is currently exploring the possibility of development of its timberlands for multi-purpose use — recreation as well as harvesting of timber — so as to realize maximum returns from its holdings.

In 1960, the Company signed an agreement with a major mining exploration firm permitting the latter to survey portions of the Company's timberlands in a search for copper. This survey will continue over a period of several years and will be at the expense of the exploration firm. If the search is successful (no conclusion can be drawn at this time), the Company will share in profits; if unsuccessful, the Company will have lost nothing.

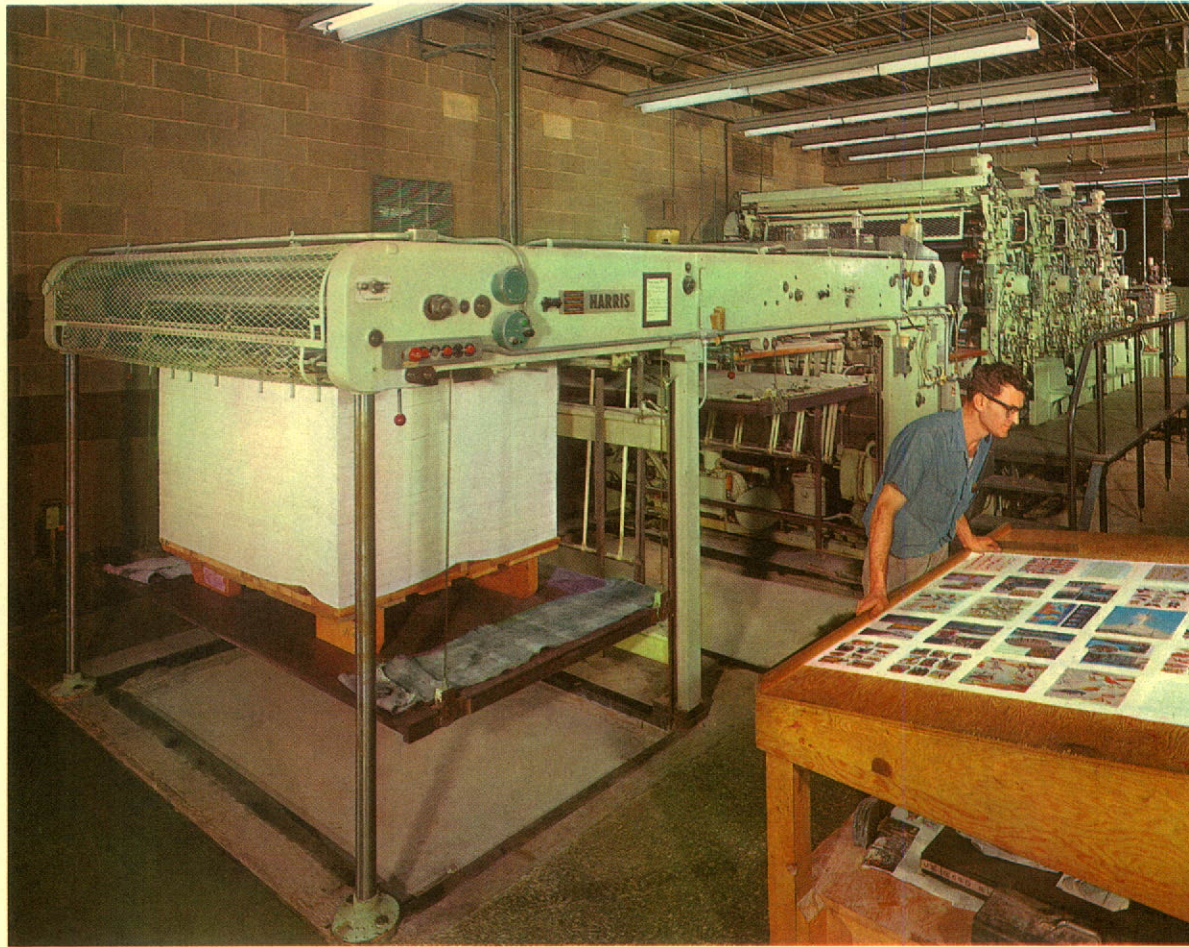
Personnel

We are sorry to report that Mr. Laurence F. Whittemore died on August 10th. He had served the Company continuously from 1941 until 1960: as a member of the Board of Directors for all of that time, as President from 1950 through 1955, and as Chairman of the Board from 1955 until April 1960, when he asked to be relieved due to ill health.

In June, the employees of the Company at the Berlin plants agreed to a two-year labor contract providing for two interim wage increases, each of two per cent in 1961. Both the negotiation of the contract and relations with the employees have been harmonious.

At the annual meeting of stockholders on April 18, 1960, Messrs. Greene, Haass, Holbert, McTague, Pierce, Scheetz, Skowbo, Sullivan and Tunney were elected Directors of the

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being printed on a modern,
high-speed, 4-color offset press.*



Company. Following the annual meeting, the Board of Directors elected Mr. L. A. Pierce as President. In August, Mr. Skowbo resigned as a Director; in December Mr. Everett Pixley, Senior Vice President of the Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania, was elected a Director in his stead. Mr. Scheetz was elected Chairman of the Board in April; he resigned that position in October but continues as a Director; no replacement has been made and, in accordance with the By-Laws, the President presides at meetings of the Board of Directors and will preside at the meeting of stockholders in April.

Changes in the management this year include, in addition to Mr. Pierce's election as President, the election of Joseph Hill Torras as Executive Vice President; Mr. Torras brings to the Company considerable experience in paper sales and production. Following the resignation of Mr. S. W. Skowbo, H. D. Jordan was elected Vice President and Treasurer. The fol-

lowing were elected Vice Presidents in charge of various divisions: J. J. McDonald, Sulphite Pulp and Floc; H. A. Raymond, Jr., Resi-Chem; A. E. Salls, Plywood; C. T. Waldie, Towels, Tissue and Onco. M. T. Murray, Vice President, was appointed Division Manager, Bermico, and Dr. P. M. Goodloe was appointed Division Manager, Chemicals and Contract Research.

In August 1960, the Board of Directors caused an examination to be made to determine the possibilities of conflicts of interest among the Company's key officers and employees. This was done; in the course of the investigation, detailed statements were obtained from employees as to any direct or indirect financial relations or business dealings which they might have with Brown Company (other than as employees). The investigation showed clearly that none of these employees have, or have had, any conflicts of interest. This matter will continue to be under constant surveillance.



BROWN COMPANY

AND CONSOLIDATED SUBSIDIARIES

ASSETS

Current Assets:	<i>November 30</i>	
	<i>1960</i>	<i>1959</i>
Cash	\$ 2,179,816	\$ 1,378,220
Marketable securities, at cost (approximate market)	999,944	—
Accounts receivable, trade, less allowance for doubtful accounts	5,259,343	5,500,809
Accounts receivable, other	259,314	197,808
Inventories (Note 2):		
Pulpwood, logs and logging operations in progress	\$ 4,674,482	\$ 4,606,046
Other materials and supplies	3,790,689	4,310,100
Pulp, paper and other manufactured products	4,381,217	5,493,132
Total inventories	\$12,846,388	\$14,409,278
Prepaid insurance, taxes and other expenses	851,180	946,220
Total current assets	<u>\$22,395,985</u>	<u>\$22,432,335</u>
 Fixed Assets (Note 3):		
Land and buildings	\$20,637,688	\$19,995,389
Machinery and equipment	62,449,388	60,309,099
Construction in progress	181,380	1,174,637
	<u>\$83,268,456</u>	<u>\$81,479,125</u>
Less — Depreciation	40,946,736	37,937,069
	<u>\$42,321,720</u>	<u>\$43,542,056</u>
Timberlands	\$ 8,749,920	\$ 8,732,610
Less — Depletion	6,006,592	5,920,039
	<u>\$ 2,743,328</u>	<u>\$ 2,812,571</u>
Total fixed assets	<u>\$45,065,048</u>	<u>\$46,354,627</u>
 Investments and Other Assets:		
Investments in unconsolidated subsidiaries and associated companies, at cost	\$ 544,290	\$ 272,297
Other assets and deferred charges	871,826	1,010,739
	<u>\$ 1,416,116</u>	<u>\$ 1,283,036</u>
	<u>\$68,877,149</u>	<u>\$70,069,998</u>

BALANCE SHEET

LIABILITIES AND CAPITAL

Current Liabilities:	<i>November 30</i>	
	1960	1959
Notes payable to banks	\$ —	\$ 2,000,000
Accounts payable	3,938,897	5,065,418
Accrued payrolls, interest and other expenses	680,389	602,474
Federal income taxes	886,715	68,572
Total current liabilities	<u>\$ 5,506,001</u>	<u>\$ 7,736,464</u>
 Funded Debt:		
4½% Debentures due June 15, 1975 (less \$234,500 at November 30, 1960 and \$299,400 at November 30, 1959 purchased in anticipation of \$213,000 annual sinking fund requirement)	<u>\$ 4,229,100</u>	<u>\$ 4,377,200</u>
 Deferred Income Taxes (relating to amortization of assets acquired under Certificates of Necessity)		
	<u>\$ 1,510,000</u>	<u>\$ 1,410,000</u>
 Capital and Retained Earnings:		
Common stock, par value \$1 per share:		
Authorized — 3,500,000 shares		
Issued — 2,659,631 shares at November 30, 1960, 2,691,195 at November 30, 1959 (Note 5)	\$ 2,659,631	\$ 2,691,195
Other capital in excess of par value of common stock	10,907,135	11,385,418
Retained earnings (Note 6)	44,706,637	43,359,169
	<u>\$58,273,403</u>	<u>\$57,435,782</u>
Less — Cost of issued common stock held in treasury — 37,650 shares at November 30, 1960, 52,214 at November 30, 1959	641,355	889,448
Total capital and retained earnings	<u>\$57,632,048</u>	<u>\$56,546,334</u>
	<u>\$68,877,149</u>	<u>\$70,069,998</u>



BROWN COMPANY

AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF INCOME

	<i>Year ended November 30</i>	
	<i>1960</i>	<i>1959</i>
Sales, less discounts, returns and allowances	\$59,172,865	\$58,888,381
Materials, services and other manufacturing costs, selling, general, administrative and research expenses — including depreciation and depletion of \$3,698,596 in 1960, \$3,459,929 in 1959	56,569,161	57,560,532
Net operating income	<u>\$ 2,603,704</u>	<u>\$ 1,327,849</u>
Other charges:		
Interest on funded debt	\$ 192,534	\$ 205,302
Other interest expense (net)	104,271	87,924
Miscellaneous other charges (net)	19,431	90,420
	<u>\$ 316,236</u>	<u>\$ 383,646</u>
Net income before federal income taxes	\$ 2,287,468	\$ 944,203
Provision for federal income taxes	940,000	230,000
Net income	<u>\$ 1,347,468</u>	<u>\$ 714,203</u>

STATEMENT OF OTHER CAPITAL AND RETAINED EARNINGS

Year Ended November 30, 1960

	<i>Other Capital</i>	<i>Retained Earnings</i>
Balance, November 30, 1959	\$11,385,418	\$43,359,169
Net income		1,347,468
Excess of cost over par value of 31,564 shares of common stock purchased and retired	(415,650)	
Excess of cost of 10,200 shares of treasury common stock used to fulfill stock option exercised, over amount received	(48,294)	
Excess of cost of 4,364 shares of treasury common stock issued in exchange for minority interest in Resi-Chem Corporation, over value attributed to minority interest (market value of Brown Company shares exchanged)	(14,339)	
Balance, November 30, 1960	<u>\$10,907,135</u>	<u>\$44,706,637</u>

BROWN COMPANY AND CONSOLIDATED SUBSIDIARIES

NOTE 1 — BASIS OF CONSOLIDATION

The accompanying financial statements include the accounts of Brown Company, three wholly-owned subsidiaries, Granite State Veneer, Inc., Plywood Products, Inc. and Stratford Realty Corporation, together with Resi-Chem Corporation, 80% owned at the beginning of the year with the 20% minority interest acquired during the year. As of the close of the year the four consolidated subsidiaries were liquidated into Brown Company and have operated subsequently as divisions of Brown Company. The accounts of unconsolidated subsidiaries are not significant.

NOTE 2 — INVENTORIES

Inventories of pulpwood and pulpwood content of pulp amounting to \$2,126,607 as at November 30, 1960 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

Land, buildings, machinery and equipment are carried substantially at cost, less depreciation provided. Timberlands are carried at \$1 per cord of estimated standing softwood at November 30, 1960, plus subsequent purchase acquisitions at cost, less depletion based on timber cut. The buildings, machinery and equipment accounts include approximately \$2,000,000 (net of depreciation provided) for currently idle facilities, as well as additional amounts for other facilities which are currently being operated, the future usefulness of which is being studied by the management. If a decision were made to dispose of large portions of these facilities, significant write-offs might become necessary.

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 \$4,800,000.

NOTE 5 — STOCK OPTIONS

At November 30, 1959 options to purchase 111,262 shares of the common stock of Brown Company were held by certain officers and employees under the company's restricted stock option plan. During the year ended November 30, 1960 options for 10,200 shares were exercised at \$12.30 per share, options for 31,518 shares expired due to termination of employment, and additional options were granted for 10,000 shares at \$10.41 per share and 15,000 shares at \$11.90 per share. At November 30, 1960 officers and employees held options to purchase 94,544 shares at prices ranging from \$10.41 to \$17.72 per share or an aggregate of \$1,223,370. The options, granted from 1955 to 1960, are exercisable during a nine year period beginning one year from the date granted. Under the option plan additional options may be granted which, together with options previously exercised and options then outstanding, will aggregate not more than 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. At November 30, 1960 there was a balance of 24,213 shares available for possible future options under the plan.

NOTE 6 — 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, 1960 such payments and applications were restricted to approximately \$4,700,000.

NOTES TO FINANCIAL STATEMENTS

To the Board of Directors and
Stockholders of Brown Company

In our opinion, the accompanying balance sheet and statements of income and of other capital and retained earnings present fairly the financial position of Brown Company and consolidated subsidiaries at November 30, 1960 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.

Boston, Mass.
January 13, 1961

PRICE WATERHOUSE & CO.

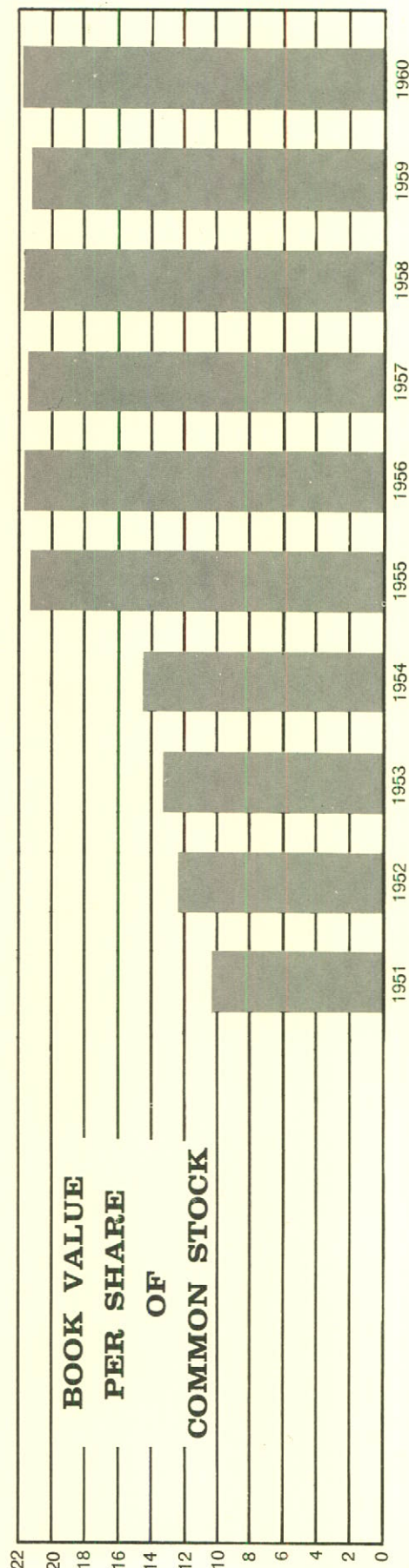
REPORT
OF
INDEPENDENT
ACCOUNTANTS

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION AND STOCKHOLDERS' OWNERSHIP

(in thousands of dollars)

AS OF NOVEMBER 30

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Current assets	\$34,525	\$28,162	\$28,156	\$28,722	\$37,155	\$28,382	\$22,600	\$21,591	\$22,432	\$22,396
Current liabilities	14,102	9,584	8,718	11,238	10,085	9,256	9,250	6,673	7,736	5,506
Net working capital	\$20,423	\$18,578	\$19,438	\$17,484	\$27,070	\$19,126	\$13,350	\$14,918	\$14,696	\$16,890
Plants and equipment, less depreciation	28,588	32,879	33,173	34,994	30,398	38,813	44,065	43,243	43,542	42,322
Timberlands, less depletion	5,294	5,438	5,295	5,315	3,129	3,054	2,909	2,914	2,812	2,743
Investments and other assets	666	872	513	1,041	708	1,618	1,816	1,511	1,283	1,416
Less —										
Funded debt (except portion in current liabilities)	14,400	13,600	12,800	12,000	5,181	5,059	4,863	4,677	4,377	4,229
Deferred income taxes	14	91	298	520	750	965	1,265	1,265	1,410	1,510
Net assets	\$40,557	\$44,076	\$45,321	\$46,314	\$55,374	\$56,587	\$56,012	\$56,644	\$56,546	\$57,632
Stockholders' ownership in net assets shown above:										
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	\$20,135	\$19,518	\$18,643	\$17,051	—	—	—	—	—	—
Common stock	20,422	24,558	26,678	29,263	\$55,374	\$56,587	\$56,012	\$56,644	\$56,546	\$57,632
Number of common shares outstanding at end of year	1,992,817	1,992,817	1,992,817	2,000,727	2,606,765	2,592,451	2,588,651	2,588,651	2,638,981	2,621,981
Common stock book value per share	\$10.25	\$12.32	\$13.39	\$14.63	\$21.24	\$21.83	\$21.64	\$21.88	\$21.43	\$21.98



SUMMARY OF CONSOLIDATED INCOME AND CERTAIN EXPENDITURES

(in thousands of dollars)

YEAR ENDED NOVEMBER 30

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Net sales	\$72,730	\$65,638	\$67,197	\$66,970	\$53,821	\$59,683	\$61,158	\$55,408	\$58,888	\$59,173
Net income before depreciation and depletion, interest on funded debt and income taxes	\$20,122	\$11,008	\$ 9,287	\$ 9,493	\$ 5,700	\$ 7,234	\$ 6,259	\$ 4,793	\$ 4,609	\$ 6,179
Charges for:										
Depreciation and depletion	\$ 2,575	\$ 2,818	\$ 3,134	\$ 3,081	\$ 2,116	\$ 2,433	\$ 2,856	\$ 3,185	\$ 3,460	\$ 3,699
Interest on funded debt	532	513	492	471	204	229	223	217	205	193
Provision for United States and Canadian taxes on income	9,585	3,280	2,610	2,530	1,350	1,960	1,100	410	230	940
Refunds of prior years' Federal income taxes								(315)		
Total of above charges	\$12,692	\$ 6,611	\$ 6,236	\$ 6,082	\$ 3,670	\$ 4,622	\$ 4,179	\$ 3,497	\$ 3,895	\$ 4,832
Net income	\$ 7,430	\$ 4,397	\$ 3,051	\$ 3,411	\$ 2,030	\$ 2,612	\$ 2,080	\$ 1,296	\$ 714	\$ 1,347
Dividends paid or accrued on preferred stocks	1,106	1,028	982	931	178					
Balance of net income applicable to common stock	\$ 6,324	\$ 3,369	\$ 2,069	\$ 2,480	\$ 1,852	\$ 2,612	\$ 2,080	\$ 1,296	\$ 714	\$ 1,347
Average number of common shares outstand- ing during the year	1,992,817	1,992,817	1,992,817	1,996,772	2,295,315	2,591,976	2,589,836	2,588,651	2,623,495	2,639,173
Earnings per share of common stock	\$3.17	\$1.69	\$1.04	\$1.24	\$.81	\$1.01	\$.80	\$.50*	\$.27	\$.51

Note — Amounts for 1951 through 1954 include the operations of Brown Corporation, Brown Company's wholly-owned Canadian subsidiary, which sold its assets on December 1, 1954.

*Including 12¢ per share attributable to refunds received of prior years' Federal income taxes.

Cash Expenditures For:

Reduction of funded debt	\$ 800	\$ 800	\$ 800	\$ 800	\$12,935	\$ 120	\$ 179	\$ 76	\$ 410	\$ 148
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:										
Properties in the United States	5,094	4,790	2,353	3,999	5,893	10,775	7,961	2,280	3,529	2,459
Properties in Canada which were sold on December 1, 1954	1,959	2,470	918	988						

BROWN COMPANY PRODUCTS

NIBROC PAPERS

Nibroc papers are manufactured from Brown Company bleached and unbleached pulps and are technically controlled for use by the converting industry and by the printing industry and allied fields. In the converting industry, Brown Company paper is sold for such end uses as food packaging, masking tape, decorative and electrical laminated plastics, abrasive backing papers, and battery separators. Offset paper, register bond, salesbook bond, tablet, and a complete line of envelope papers are supplied to the printing and allied fields.

NIBROC TOWELS

Nibroc towels, both plain and embossed, continue to be the leading brand in the industrial and institutional market. Nibroc tissues are supplied for economical, efficient, quality wash-room service. A special size and grade of Nibroc towel is sold to dairies as Kowtowl.

NIBROC WIPERS

Rugged, efficient and economical disposable paper wipers are being supplied to the service station trade and for industrial cleaning applications. These are the finest products of their kind. Nibroc industrial wipers are engineered to provide an economical means of wiping machinery and equipment.

SOLKA PULPS

Solka pulps are highly purified wood cellulose fibres especially designed to meet the requirements of modern papermaking and chemical industries. They are converted into cellophane, photographic papers, letterheads, boxed stationery, invitations, printing papers (including offset), laminated plastics, parchment, facial tissue, glassine, greaseproof papers, etc.

SOLKA-FLOC

Solka-Floc is a purified wood cellulose powder used in the manufacture of cigarette filters, welding rod coatings, rubber soles and heels, floor tiling, and in the processing of pharmaceuticals and foods. It is also used as an aid in the filtering of oils, caustic soda, chemicals, for extraction of fruit juices, and for purification of industrial water and high pressure boiler condensates.

BERMICO SEWER PIPE

Bermico sewer pipe and connection fittings, made of tough cellulose fibre impregnated with special pitch, are used as house connections to sewers and septic tanks and for downspout leaders.

BERMISEPTIC AND BERMIDRAIN PIPE

These products and their fittings form a complete line of perforated pipe for septic tank disposal fields, land drainage on farms, golf courses, marshlands, industrial areas, highways, airports, railroads, foundations, and slab drains.

BERMICO CONDUIT

Bermico conduit is also made of pitch impregnated fibres, and is engineered specifically for encasing electrical wires beneath the ground. It is used by electrical contractors, and by public utilities, including telephone companies.

ONCO

Onco is a strong, durable material technically designed for use as an innersole in the manufacture of shoes. It is made of Solka Pulp impregnated with elastomeric compounds scientifically formulated to meet the rugged requirements of various shoe constructions. Solkaf and Wul-Tex, two other innersole materials, are differentiated from Onco through their respective fiber formulations, special physical properties, and appearance.

CHEMICALS

Chemicals include chlorine and soda bleach for bleaching pulps, paper and textiles, and for water purification by municipalities and schools; muriatic acid for general chemical processing.

SELECTACEL

Selectacel ion-exchange cellulose derivatives (made from Solka-Floc) are used in hundreds of biochemical research laboratories and pilot plants for the isolation and purification of proteins, vaccines, enzymes, hormones, etc.

CONTRACT RESEARCH

Our complete research facilities and the services and experience of skilled personnel are now available to manufacturers and customers on a contract basis, and may be utilized for developmental work or refinement of processes. Included among facilities are a pulp pilot plant with both batch and Pandia continuous digesters, production-sized experimental paper mill, and other equipment.

PLYWOOD

Plywood made from carefully selected hardwood veneers, principally yellow birch and oak, is produced at North Stratford, N. H. for high grade panelling in houses and offices and for doors, counter tops and cupboards, as well as interiors for house trailers. New products from our plant, the largest hardwood plywood installation in the United States, include pre-finished plywood made from domestic walnut, cherry and imported African species in a wide variety of natural and color finishes.

RESI-CHEM SYNTHETIC RESINS

Resi-Chem wet strength resins are used extensively by leading manufacturers throughout the country to improve the characteristics of towels, wipers, and other papers and paper products, and include both alkaline and standard-curing types. Resi-Chem adhesives are bonding agents used principally by plywood and furniture manufacturers. Resi-Chem polyester resins, a recent development, are used in molding reinforced plastics such as boats, fishing rods, certain automobile parts, washing machine tubs, skylights, etc.

DIRECTORS

- William A. Greene . . . *New York City
Consultant to Crane Company*
- Irving B. Haass . . . *New York City
Partner, David J. Greene and Company
Members, New York Stock Exchange*
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- Charles P. McTague, Q.C. *Toronto, Ontario
Counsel: White, Bristol, Beck & Phipps*
- Leonard A. Pierce . . . *Wayland, Mass.
President*
- Everett H. Pixley . . . *Pittsburgh, Pa.
Senior Vice President, Mellon National
Bank and Trust Company*
- Henry F. Scheetz, Jr. . . . *Pittsburgh, Pa.
Partner, Penn Pacific Company*
- John L. Sullivan . . . *Manchester, N. H.
Lawyer — Sullivan and Wynot (Man-
chester, N. H.); Sullivan, Shea & Kenney
(Washington, D. C.)*
- Gene Tunney . . . *Stamford, Conn.
Chairman of the Board,
The McCandless Corporation*

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- Joseph Hill Torras
Executive Vice President
- Robert W. Andrews
Vice President
- Clarence S. Herr
Vice President — Woodlands
- Hugh D. Jordan
Vice President and Treasurer
- John W. Jordan
*Vice President, Secretary and
General Counsel*
- John J. McDonald
*Vice President — Sulphite Pulp and
Floc Divisions*
- Malcolm T. Murray
Vice President — Bermico Division
- Edward H. Petrick
Vice President — Paper Division
- H. A. Raymond, Jr.
Vice President — Resi-Chem Division
- Allie E. Salls
Vice President — Plywood Division
- Conrad T. Waldie, Jr.
*Vice President — Towel and Onco
Divisions*
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Assistant Treasurer
- William J. Oleson, Jr.
Controller
- Edward J. Reichert
Assistant Secretary

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Chief Engineer
- Dr. George A. Day
Technical Director
- Roland E. Fickett
Manager of Special Services
- Dr. Paul M. Goodloe
*General Manager, Chemical Products
Division and Contract Research*
- Van R. Woolsey
General Purchasing Agent

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- Principal Transfer Agent*
State Street Bank and Trust Company, Boston
- Guardian Trust Company, Montreal
Chemical Bank New York Trust Company, New York
The Royal Trust Company, Toronto

REGISTRARS

- Principal Registrar*
The First National Bank of Boston, Boston
- Montreal Trust Company, Montreal
The First National City Bank of New York, New York
Montreal Trust Company, Toronto

REGISTRAR FOR DEBENTURES

- Old Colony Trust Company, Boston

AUDITORS

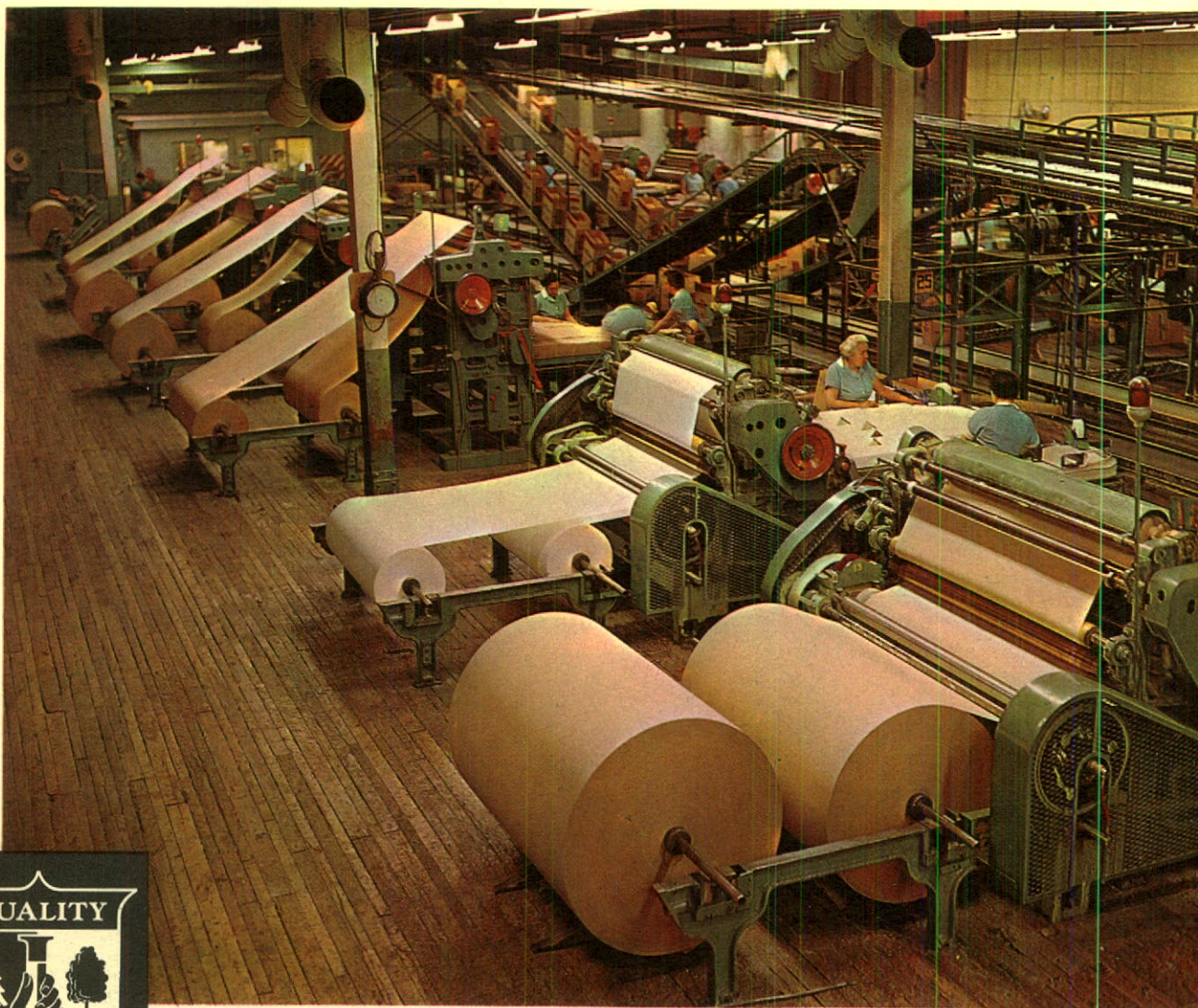
- Price Waterhouse & Company, Boston

General Offices: Berlin, New Hampshire.

General Sales Offices: 150 Causeway Street, Boston 14, Massachusetts.

Regional Sales Offices: Prudential Plaza, Chicago 1, Illinois; 500 Fifth Avenue, New York 17, New York.

Principal Plants: Berlin, Gorham and North Stratford, New Hampshire; Corvallis, Oregon;
Birmingham, Alabama; Swanton, Ohio.



BROWN COMPANY • BERLIN, NEW HAMPSHIRE