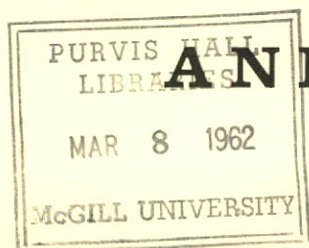
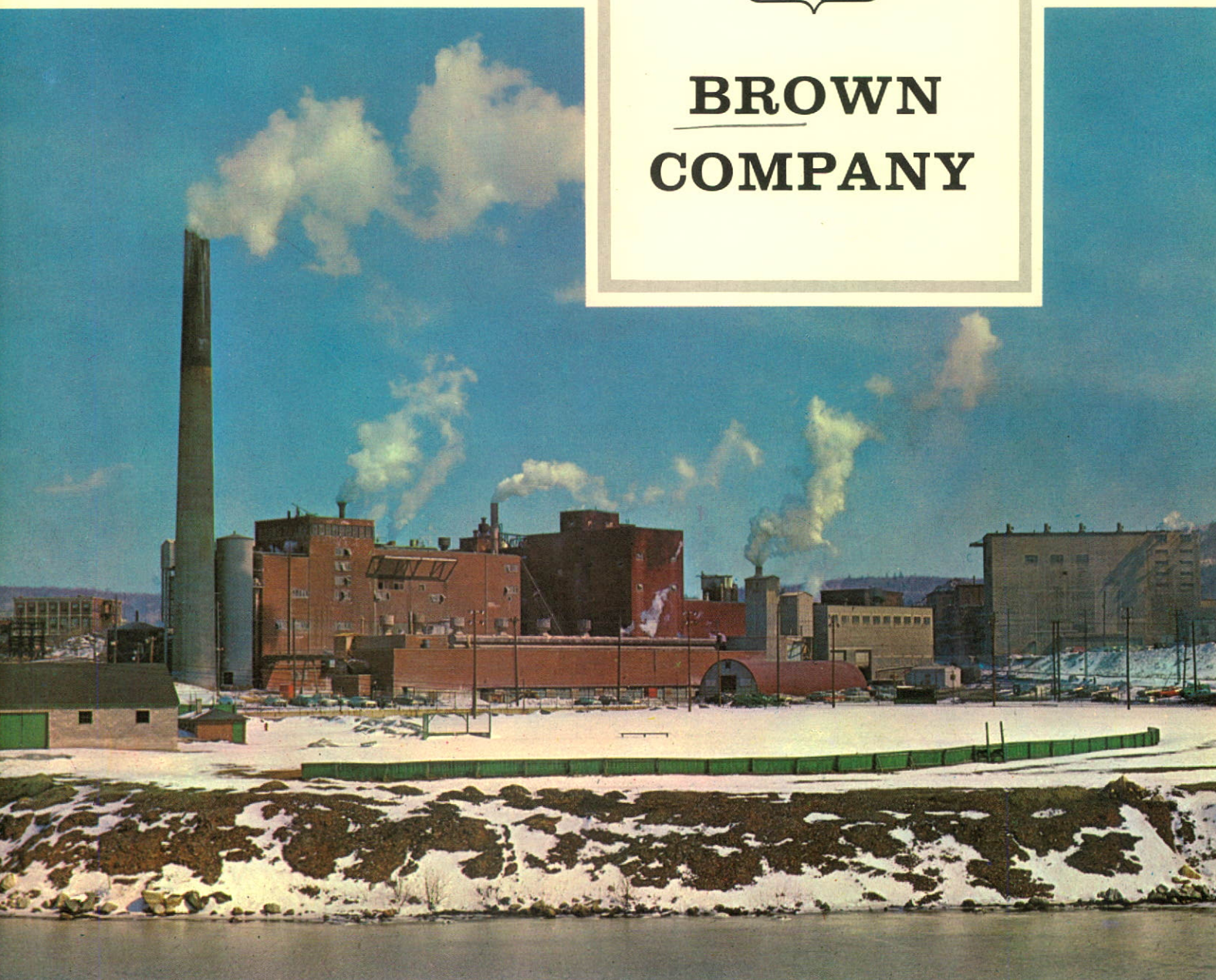


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BROWN COMPANY



ANNUAL REPORT - 1961



ABOUT THE COVERS



Kraft pulp for paper machines at the Cascade and Riverside paper mills is produced in the above group of plants. At left is the lime kiln, behind it the pulp mill and recovery furnace. In center is the pyrrhotite plant, producing sulphur dioxide from pyrites. At right are the kraft bleachery and chlorine dioxide plant. Buildings in the rear are part of the sulphite pulp mill. The Androscoggin River is in the foreground.



Company woodlands produce timber for internal use, for sale to others, as well as pulpwood for the mills. The finest hardwood logs, such as the yellow birch veneer log shown above, are used at the North Stratford plant for plywood panels.

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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HIGHLIGHTS OF THE REPORT

	<i>Year Ended November 30</i>	
	<i>1961</i>	<i>1960</i>
Net Sales	\$56,272,121	\$59,172,865
Net Income Before Taxes	\$ 2,291,071	\$ 2,287,468
Net Income	\$ 1,471,071	\$ 1,347,468
Earnings Per Share	\$.57	\$.51
Cash Flow Per Share	\$2.08	\$1.91
*Dividends Paid	—	—
Net Working Capital at End of Year	\$18,810,719	\$16,889,984
Ratio of Current Assets to Current Liabilities	4.3 to 1	4.1 to 1
Depreciation and Depletion Charges	\$ 3,891,718	\$ 3,698,596
Cash Flow from Operations	\$ 5,362,789	\$ 5,046,064
Total Assets, Year End	\$69,350,367	\$68,877,149
Total Fixed Assets, Net, Year End	\$43,713,730	\$45,065,048
Expenditures for Plant and Equipment, Gross	\$ 2,659,686	\$ 2,565,308
Long-Term Indebtedness	\$ 4,028,500	\$ 4,229,100
Stockholders' Equity at End of Year:		
Total	\$58,019,814	\$57,632,048
Per Share	\$22.64	\$21.98
Total Shares Common Stock Outstanding, Year End	2,562,681	2,621,981
Number of Stockholders	7,929	8,593
Acres of Timberlands Owned at End of Year	632,267	637,228
Average Number of Employees	3,353	3,623
Payrolls and Employee Benefits	\$20,215,659	\$20,648,475

*A dividend of 10¢ per share was declared during the 1961 fiscal year, payable December 1, 1961.



PRESIDENT'S LETTER

To Our Stockholders:

Our earnings during 1961 were disappointing to all of us in Brown Company. Once again we had to buck industry reductions in price and consequently the improvements we made during 1960 enabled us to merely stay about even during 1961.

We did make real progress during the year, however. For the second consecutive year we were able to significantly reduce the cost of our pulpwood and we anticipate still further reductions during 1962. By increasing the speed of our paper machines, and with modest capital expenditures, we are now in a position to produce substantially more paper from these same machines. During the year, too, we completed the planning, the engineering, the purchasing, and much of the construction on a new and modern paper machine to produce tissue products, a new Bermico pipe plant in New Jersey, a new and drastically improved pulp handling system and a new building with appurtenances to improve and enlarge the materials flow in our plywood plant . . . all of which will be on stream before the end of 1962.

During the early part of your present management's regime, we proceeded with caution on our capital improvement program; now that our course is more positively plotted, however, we can move on at a faster pace. To this end we plan to spend \$4,800,000 this year against an average of only \$2,600,000 in each of the two preceding years.

During the year we explored several possible acquisitions, but to date have nothing specific to report; the program, however, continues.

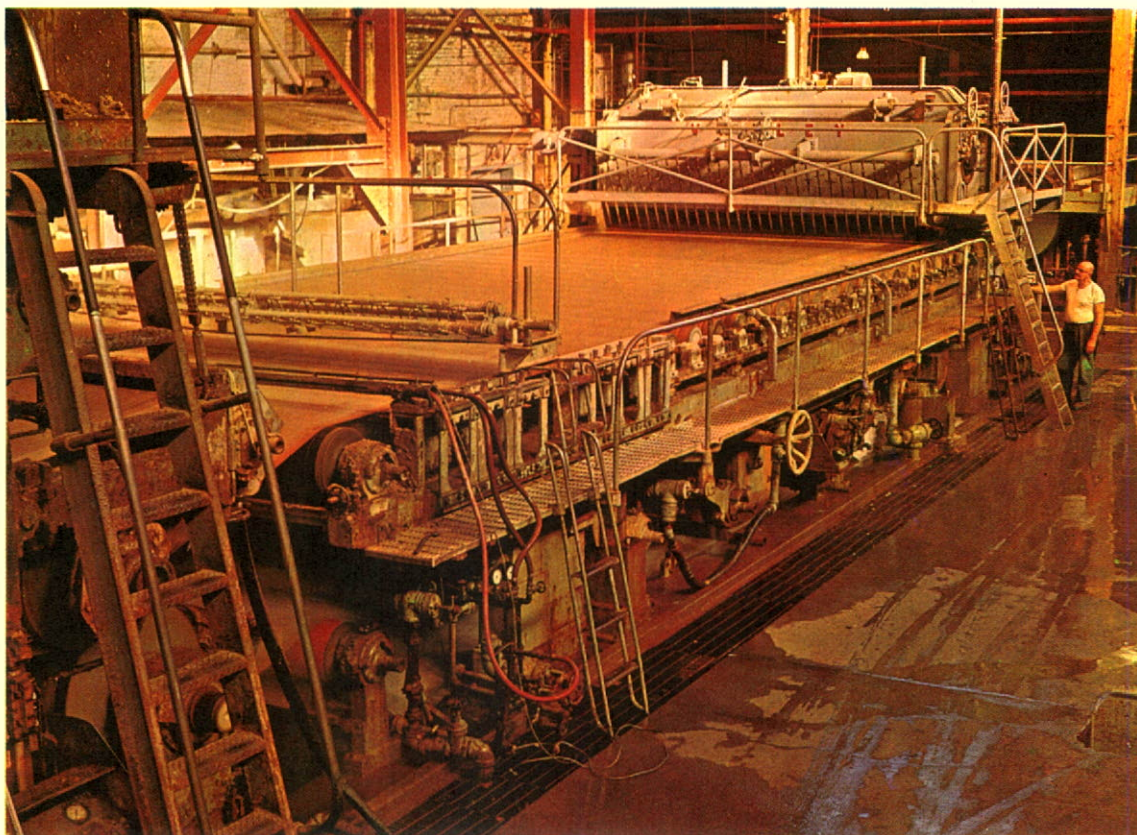
As to the future, I am sure we have spent our money on those facets of our business which are sound for the long pull; the bulk of the first phase of that program will be in and running during this year. Start-up problems coupled with the fact that much of this equipment will not be in operation until the latter part of the year will, of course, minimize the benefit to this year's earnings. Our strong financial position, however, coupled with a strengthened management gives us the tools we need to move vigorously forward. Lastly, the first two months of fiscal 1962 were a good deal better than the corresponding months a year ago. With all this in mind, plus a somewhat improved national economy, I foresee both growth and progress for our Company.

The following pages give a more detailed summary of our operations during 1961 and of the Company's condition at year's end.

Sincerely,

Leonard A. Pierce

February 16, 1962



The "wet end" of No. 9 paper machine (MISTER NIBROC), which produces creped kraft paper for Nibroc towels and wipers, was modified extensively in 1961 by installation of a new pressure headbox, which supplies stock to the rapidly moving Fourdrinier wire on which the sheet of paper is formed.

SUMMARY REPORT

Earnings and Sales

Net income for Brown Company in 1961 was \$1,471,071, an increase of \$123,603, or 9%, from 1960.

Although total earnings for the Company were greater than in 1960, operating income in 1961 was somewhat less than 1960 due principally to two factors: lower paper sales volume in the first half of the year and price reductions in Bermico products, sulphite pulp, and paper. Price reductions are estimated to have cost the Company \$1,250,000 before taxes in comparison with 1960. Fortunately, the decline in operating profit was more than offset by profits from the sale of land and the Company's minority interest in a Canadian fiber pipe plant. Further, because of the Company's improved cash position, 1961 produced a reduction of \$150,000 in net interest costs from 1960. Conversely, pre-tax earnings were adversely affected by the cost of removing the general sales office from Boston to New York (\$70,000) and the final liquidation of lumber inventories (\$90,000).

Earnings per share were 57 cents; 1960 earnings were 51 cents per share. As a percentage of sales, 1961 earnings were 2.6% in comparison with 2.3% in 1960.

Depreciation and depletion in 1961 totaled \$3,891,718, making a cash flow of \$5,362,789 (\$2.08 per share). The comparable figures for the prior year were: \$3,698,596 depreciation and depletion; \$5,046,064 cash flow (\$1.91 per share).

Sales declined 4.9% in 1961 to \$56,272,121. Major causes of the decline were the further elimination (continued from 1960) of certain unprofitable sulphite pulps and the discontinuance of the Company's lumber and sawmill operations.

Financial

Cash and securities at the end of 1961 amounted to \$7,145,781, an increase of \$3,966,021 from a year earlier; of the total increase, \$1,882,099 derived from a 15% reduction in inventories.

At the end of the year, the Company's only long-term indebtedness was \$4,028,500 repre-



In modern supermarkets, goods on shelves must sell themselves. Appearance of packages is of paramount importance. The superior printing qualities of NIBROC WHITE PRINT-PAK paper makes it a highly desirable medium for bags for consumer goods.

senting the amount of 4½% Debentures outstanding; this indebtedness was reduced by \$200,600 in 1961 and sinking fund requirements are met until 1963.

Working capital at the end of 1961 was \$18,810,719, an increase of \$1,920,735 from the year earlier. Current ratio rose slightly to 4.34.

In the course of the year, the Company purchased and retired 59,300 shares of its own common stock in furtherance of the program, described in last year's Report, to retire sufficient shares to prevent dilution by outstanding stock options. This goal has been accomplished.

At the end of the year, the Company's investment in pulpwood and log inventories stood at \$2,927,426, the lowest level in years; the reduction in this investment in the course of the past two years has about reached the end and it is not expected that any further significant release of cash can be obtained from this source.

Stockholders' equity (book value) in the Company at the end of 1961 was \$58,019,814 (\$22.64 per share). The comparable figures at the end of 1960 were \$57,632,048 (\$21.98 per share).

The Board of Directors declared a dividend of ten cents per share payable December 1, 1961; this was the first dividend paid by the Company since September, 1959. The Board has since declared another ten cent dividend payable March 1, 1962.

Capital Expenditures

The Company spent \$2,659,686 for new equipment and for improvement and replacement of production facilities in 1961; this expenditure was \$94,378 more than that of 1960. Of the 1961 total, 45% was used for paper machine modernization. Of the balance, the two most significant items were the installation of a new 50,000 lb. per hour oil fired boiler at the Cascade plant to provide badly needed additional steam capacity, and the replacement of 600 feet of penstock to the Riverside hydroelectric station.

At the end of the year, the backlog of unfinished capital projects amounted to \$2,948,854 in comparison with a backlog of only \$874,171 a year earlier.

Capital expenditures in 1962 are expected to be substantially greater than in 1961. The 1962 program is aimed primarily at completion of the paper machine work, installation of the new tissue machine, elimination of process bottlenecks in kraft pulp manufacturing, and completion of the Bermico plant in New Jersey.

Paper Division

1961 was a disappointing year in the Company's paper operations in contrast to 1960 when results were the best in many years. In 1961, sales dropped slightly but profits dropped severely, largely due to price reductions resulting from overcapacity in the industry. A portion of paper sales in 1961 was in new grades and was subject to the usual problems of high production costs incident to entry into new fields. During the year many capital projects were completed which are designed to put the Company's paper and kraft mills into first class, efficient condition; this program continues on into 1962. In 1961, paper manufacturing and sales staffs were strengthened by reorganization and new personnel.

Towel and Tissue Division

Sales increased but profits declined somewhat, primarily because of increased distribution costs. As mentioned in the mid-year report to stockholders, the Company is installing a new tissue machine complete with converting equipment at a cost of \$1,600,000; this machine is expected to be in operation in May. Production from this machine will replace the tissue which the Company now buys and sells as a companion product with its industrial towels. It is expected that tissue

quality and cost from the new machine will be such as to permit the Company to increase tissue sales and profits substantially.

Plywood Division

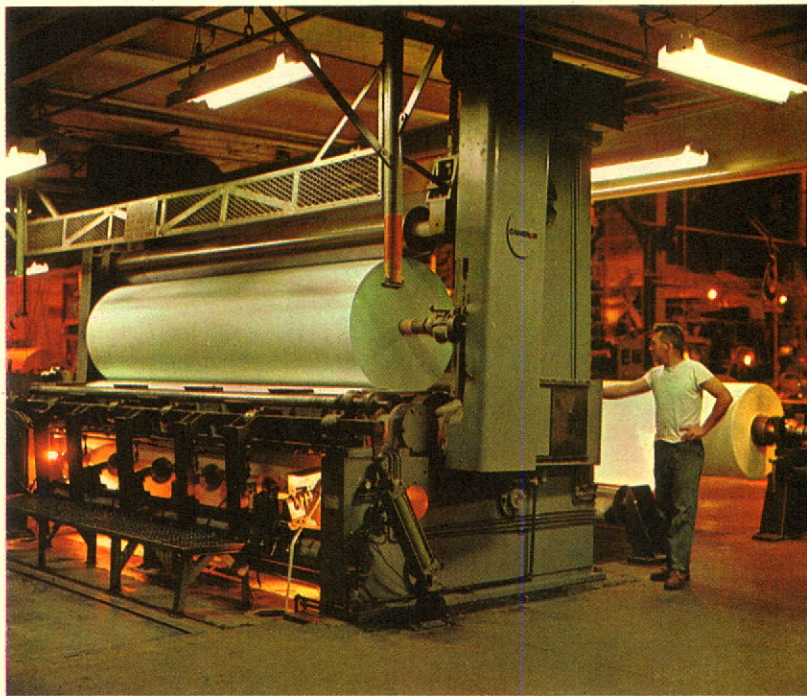
Despite a slight reduction in sales volume, plywood increased its earnings moderately over the preceding year. It was most fortunate, in this year of reduced home building and severe competition from foreign plywood, that the Company had invested in the new pre-finishing facilities at the plywood plant since sales of pre-finished plywood rose in 1961 almost enough to offset sales losses in the regular plywood product line. Price competition is expected to be severe in 1962 induced in large part by imported materials but, on the other hand, sales increases in pre-finished plywood and further production cost decreases are expected.

Sulphite Pulp and Floc Division

A new sulphite production and operating policy was applied shortly before the start of 1961. A year ago, management expected some success from the plan; results have exceeded expectations. Certain pulp grades which showed no possibility of becoming profitable were eliminated from the product line; as a result, total sales declined but the remaining sulphite grades are ones which the Company can produce to best advantage and sales of these latter grades increased.

Despite severe competition, old sulphite customers have remained faithful to the Company and some new customers have been obtained. Sales price reductions, enforced by the great overcapacity in market pulp, which became effective in late 1960, continued throughout 1961. Little optimism can be found about market pulp sales prices or the industry's overcapacity problem for the immediate future.

Floc (purified powdered wood cellulose) sales in 1961 declined somewhat due to the general state of the national economy; despite this factor, earnings were equivalent to those of 1960. In 1961, a sales agreement was made with the Great Lakes Carbon Company whereby Great Lakes will promote the sale of Floc for filtration purposes. Great Lakes has wide and complete sales coverage in this field and both companies look forward to this new arrangement being mutually profitable.



This new winder, at the end of No. 3 paper machine, was installed during 1961. It was needed to keep pace with increased production from the paper machine, and to slit the large reel of paper into smaller rolls of widths (down to 6" if necessary) required by envelope converters and other customers. Safety guard was elevated from normal position for convenience of photographer.

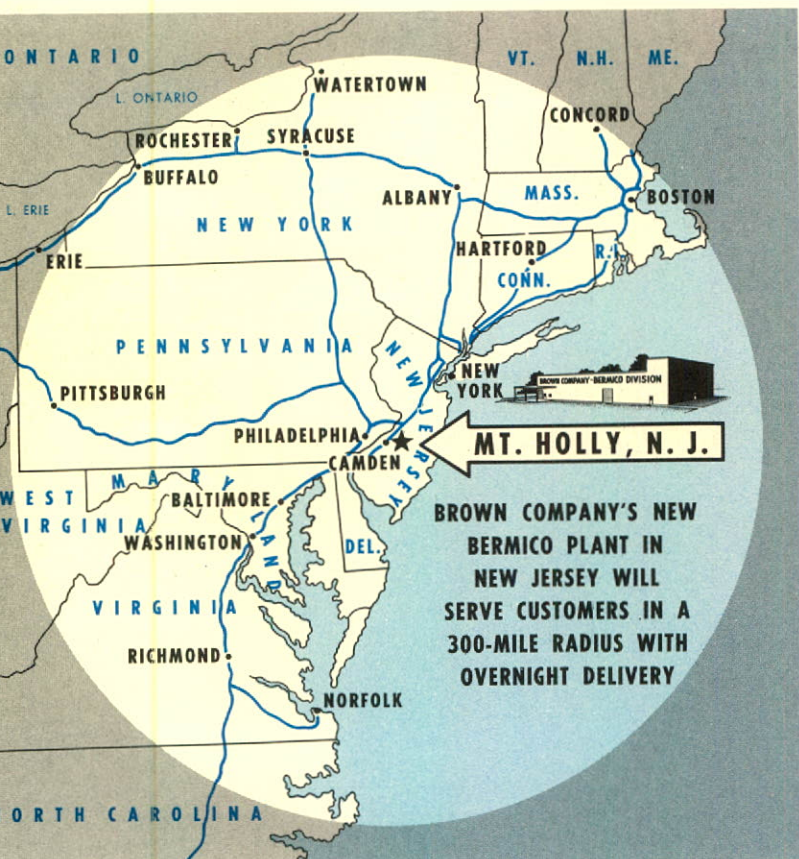
Bermico Division

Although market conditions were not good in 1961, Bermico sales increased moderately. More significantly, profits were improved. During the year the Board of Directors approved the construction of a new pipe plant at Mount Holly, New Jersey. This location, in the heart of the country's most populated area, was selected in order to obtain substantial reductions in freight costs both on incoming raw materials and on outgoing finished pipe. The new plant is also located to provide maximum customer service. The Mount Holly plant is expected to be in operation late in 1962 and will contribute to profits in that year.

Timberlands

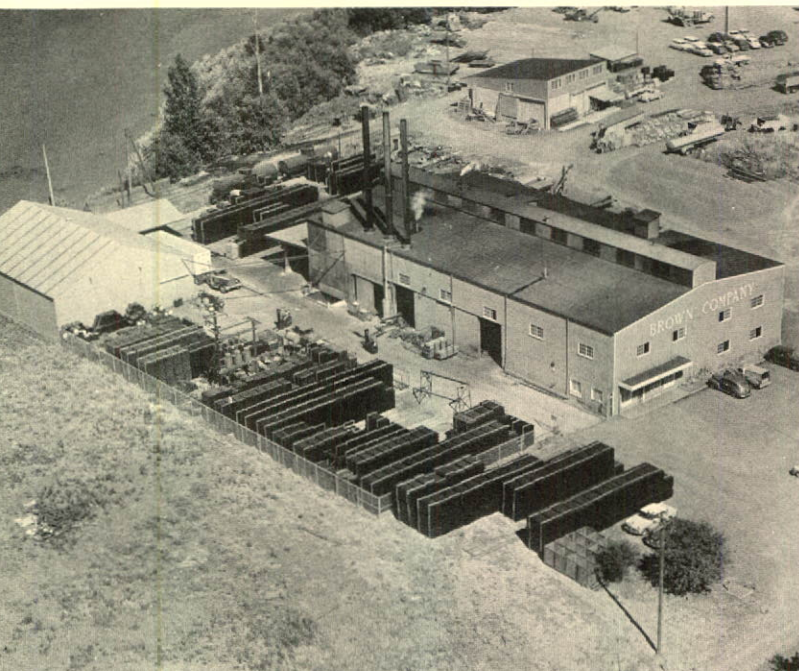
During 1961, the Company reduced the cost of pulpwood by establishing new and successful woods operating and procurement procedures. The policy of selling mature timber from land outside economic distance from the Berlin plants continued through 1961 (and will continue into the future). Sales of this nature in 1961 were triple those of 1960 and contributed to the Company's profit.

As noted in last year's Report, the Company established a policy of disposing of certain timberland areas which, because of their loca-



**BROWN COMPANY'S NEW
BERMICO PLANT IN
NEW JERSEY WILL
SERVE CUSTOMERS IN A
300-MILE RADIUS WITH
OVERNIGHT DELIVERY**

The Bermico plant at Corvallis, Oregon, supplies fiber pipe and conduit to customers in the Far West.



tion, were of more value to others than to Brown Company. In 1961, sales totaling 4,961 acres (less than 1% of our total) were made; these were either blocks of timberland too far away from the manufacturing plants to be of possible value as a source of pulpwood and logs for the Company's mills, or shore lots for recreational purposes along the edges of lakes within the area of timberland which must be kept as a wood supply for the mills. None of these sales weakens the Company's position in relation to its supply of raw material; conversely, the sales do convert idle assets of the Company into cash.

Resi-Chem Division

Sales and profits improved in 1961. Sales of polyesters grew continuously throughout the year and by year end the plant was operating at near capacity. Both the sales and technical staffs of the Division were enlarged during the year. A new kettle for the production of alkyd and polyester resins will be in operation early in 1962, thus providing additional sales potential. Sales of wet strength resin and adhesives continued strong in 1961, with particular growth in the area served by the Lenoir, North Carolina, plant.

Onco Division

Sales and profits declined in 1961, the former because of a need for a lower cost competitive product which, through a crash research program, seems likely to be satisfied in 1962; profits were adversely affected by this development work.

Chemicals and Contract Research Division

Sales of chemicals rose in 1961. During the year, the Company closed permanently the older (built in 1898) of the two electrochemical plants and its companion direct current hydroelectric station in order to reduce production costs. Contract research was conducted for a number of companies during the year; efforts to obtain additional projects of this type continue into 1962.

Personnel

Robert W. Andrews, former Vice President and Works Manager, died on August 20, 1961, shortly after his retirement. Mr. Andrews had worked for the Company for 9 years.

In January, 1962, Harris O. Ware joined the Company as Vice President—Research. Mr. Ware has had extensive experience both in the role of a

supplier of chemicals to the paper industry and in actual paper production and development.

George Craig, who has served the Company as Chief Engineer for 12 years, was elected Vice President — Engineering.

Robert A. Larson joined the Company in August as General Manager of Paper Manufacturing. Mr. Larson has 15 years of wide and varied experience in this field and brings important abilities to the Company.

Concluding a reorganization of paper marketing, Eugene O. Hanson, a long-time member of the paper sales staff, was appointed Sales Manager — Converting Papers and Walter N. Kinsley was hired as Sales Manager — Printing Papers; both report to Harold E. Moley, General Sales Manager — Paper.

In October, William A. Greene was hired as Assistant to the President and resigned as a Director of the Company.

During the year, Stanley H. Wentzell, General Logging Superintendent of the Company with 24 years of service, retired and was replaced by John H. Bork who has been Mr. Wentzell's assistant in recent years. Henry A. Eaton, a veteran of 44 years with the Company in various positions and most recently as Production Manager, Chemical and Floc plants, retired. William B. Raymond and Earle D. Philbrick, both long-time Company employees, were appointed Managers of Chemical and Floc plants, respectively.

Relations with hourly employees at all plants of the Company were harmonious in 1961. This was particularly evident at the Berlin plants where personnel reductions resulting from changes in the sulphite, chemical, Bermico and lumber operations continued in 1961. The management of the Company is appreciative of the labor harmony in this past year and so expresses itself to the employees and their union representatives.

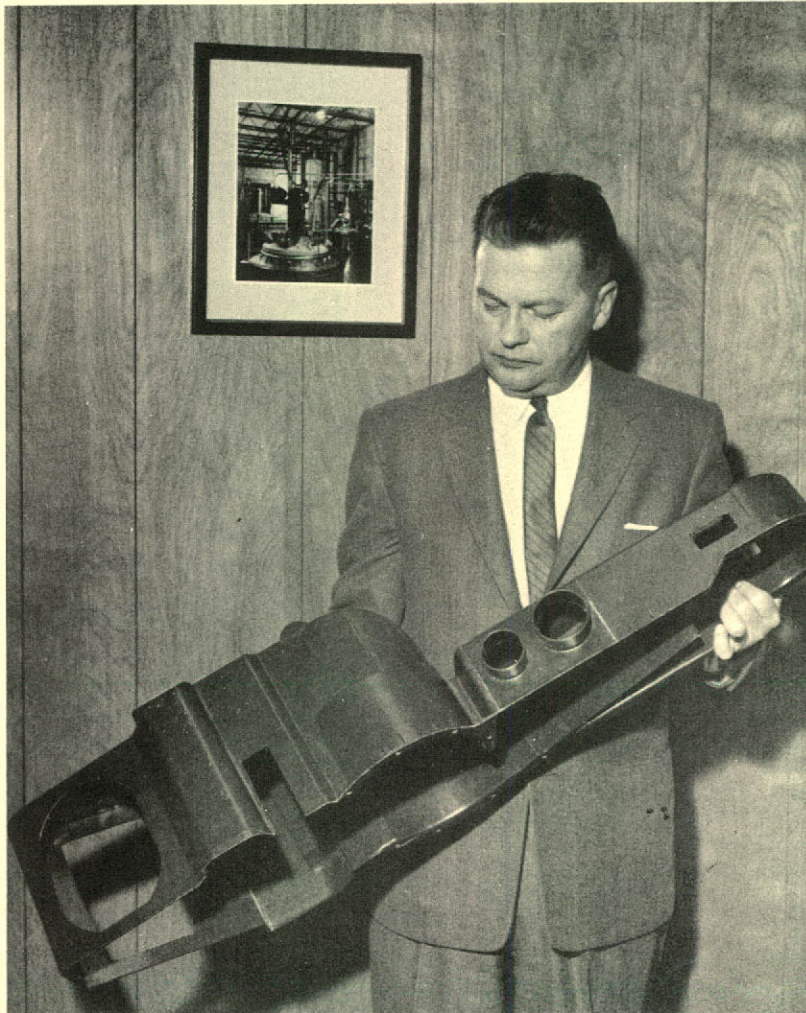
A new labor agreement was signed at the Birmingham plant in January. At the Berlin plants, the two-year labor agreement signed in 1960 was in force with a new negotiation due in June, 1962. In accordance with the 1960 agreement, two increases of 2% each went into effect in 1961: one in March, and one in June.

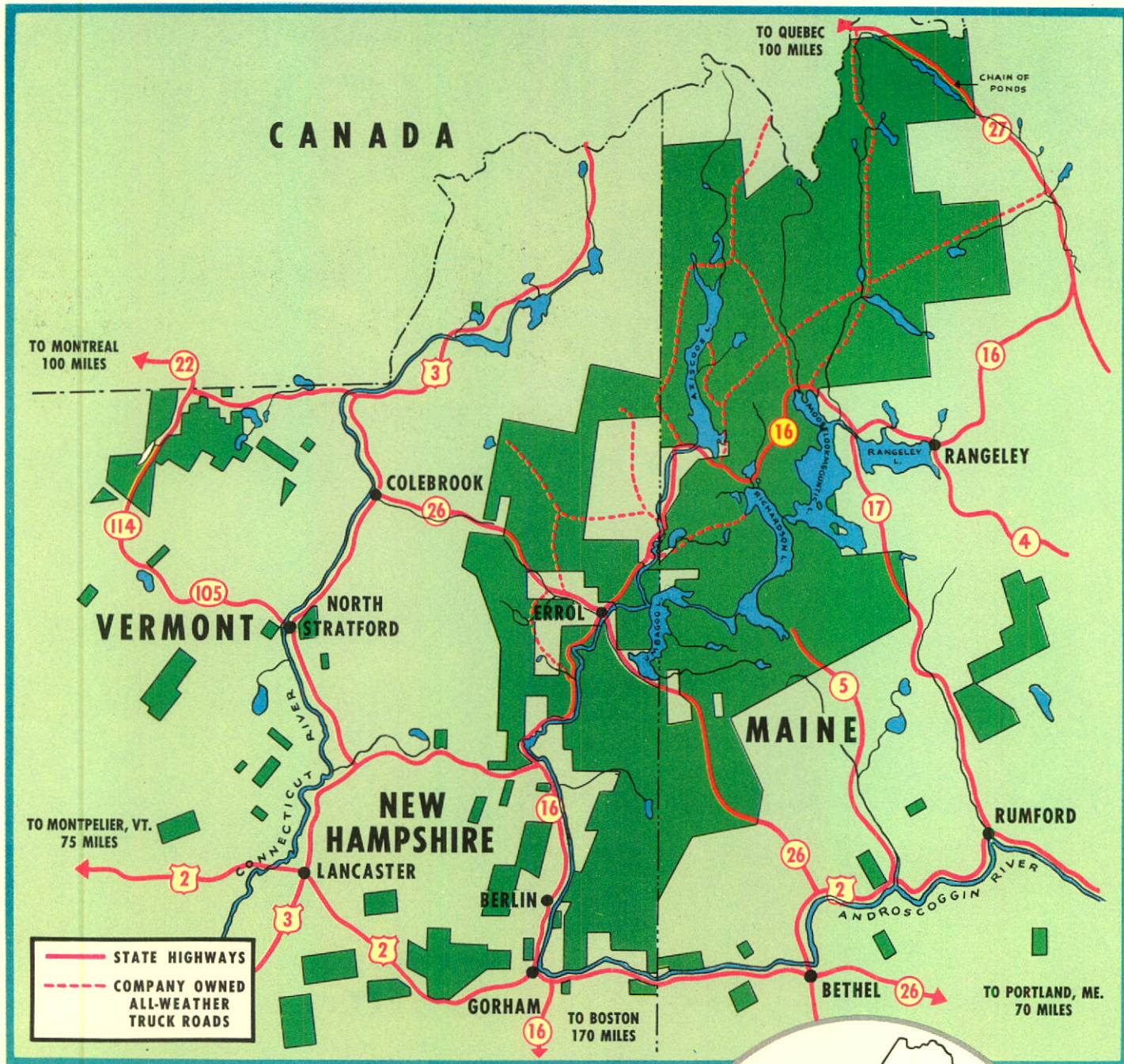
In October, 1961, employees of the Plywood Division voted the International Brotherhood, Pulp, Sulphite and Paper Mill Workers Union, AFL-CIO, as their bargaining representative; negotiations for a labor contract are proceeding.



All trucks delivering purchased pulpwood to the Company pass through this central station, where those carrying hardwood (left) are weighed, and those carrying softwood (right) are scaled. Payment for purchased wood is made on the spot.

Automobile heater housing made from polyester resin, an important Resi-Chem Division product, is held by H. A. Raymond, Jr., vice president and general manager of the Division. Heater housings in many 1961 and 1962 automobiles were made from Brown Company polyesters. The wall behind Mr. Raymond is panelled with birch plywood from the Company's plant at North Stratford, N.H. The picture on the wall is of the interior of the polyester plant, at Swanton, Ohio.



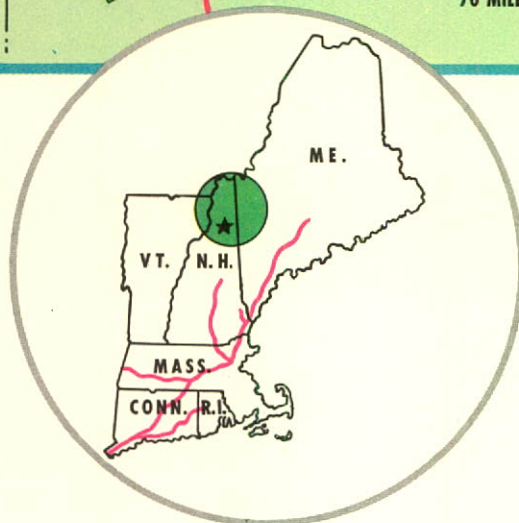


Stretching across northwestern Maine, northern New Hampshire and into Vermont, Company woodlands are strategically located to supply the mills, and are operated on a sustained yield basis with purchased wood and chips making up the balance of mill requirements.

All-weather truck roads, open to the public in most areas except during hazardous fire periods, provide access for development, logging and protection as well as for recreation, hunting and fishing.

The shaded area above encompasses 819,025 acres held in outright or undivided ownership. Brown Company's share of this is 632,267 acres.

Modern superhighways make this area accessible to 40,000,000 people who live within a one-day driving distance.





Lake Mooselookmeguntic, west of Rangeley, Maine, is one of the largest lakes within the Company timberland area. Most of the lake shown in this picture is bordered by Company property; the mountains in the background are within Company timberlands.



Camping facilities on Company lake shore properties are made available for public use on a lease basis, through state and privately operated campgrounds.



This view of children enjoying Cupsuptic Lake's pure waters is typical of the multiple-use potential of these properties.

Sales of these shore properties are handled by the Company's Woods Department, located at Berlin, N. H.



BROWN COMPANY

ASSETS

	November 30	
	1961	1960
Current Assets:		
Cash	\$ 1,559,440	\$ 2,179,816
Short-term marketable securities, at cost (approximate market)	5,586,341	999,944
Accounts receivable, trade, less allowance for doubtful accounts	5,472,785	5,259,343
Accounts receivable, other	85,898	259,314
Inventories (Note 1):		
Pulpwood, logs and logging operations in progress	\$ 2,927,426	\$ 4,674,482
Other materials and supplies	3,895,491	3,790,689
Pulp, paper and other manufactured products	4,141,372	4,381,217
Total inventories	\$10,964,289	\$12,846,388
Prepaid insurance, taxes and other expenses	769,019	851,180
Total current assets	\$24,437,772	\$22,395,985
Fixed Assets (Note 2):		
Land and buildings	\$20,616,262	\$20,637,688
Machinery and equipment	63,402,581	62,449,388
Construction in progress	1,177,582	181,380
	\$85,196,425	\$83,268,456
Less — Depreciation	44,116,217	40,946,736
	\$41,080,208	\$42,321,720
Timberlands	\$ 8,691,087	\$ 8,749,920
Less — Depletion	6,057,565	6,006,592
	\$ 2,633,522	\$ 2,743,328
Total fixed assets	\$43,713,730	\$45,065,048
Investments and Other Assets:		
Investments in associated companies, at cost	\$ 255,000	\$ 544,290
Other assets and deferred charges	943,865	871,826
	\$ 1,198,865	\$ 1,416,116
	\$69,350,367	\$68,877,149

BALANCE SHEET

LIABILITIES AND CAPITAL

	November 30	
	1961	1960
Current Liabilities:		
Accounts payable	\$ 4,209,165	\$ 3,938,897
Accrued payrolls, interest and other expenses	564,445	680,389
Dividend payable	256,268	
Federal income taxes	597,175	886,715
Total current liabilities	<u>\$ 5,627,053</u>	<u>\$ 5,506,001</u>
 Funded Debt:		
4½% Debentures due June 15, 1975, less \$222,100 at November 30, 1961 (\$234,500 at November 30, 1960) purchased in anticipation of \$213,000 annual sinking fund requirement	<u>\$ 4,028,500</u>	<u>\$ 4,229,100</u>
 Deferred Income Taxes	<u>\$ 1,675,000</u>	<u>\$ 1,510,000</u>
 Capital and Retained Earnings:		
Common stock, par value \$1 per share:		
Authorized — 3,500,000 shares		
Issued — 2,600,331 shares at November 30, 1961, 2,659,631 at November 30, 1960 (Note 4)	\$ 2,600,331	\$ 2,659,631
Other capital, in excess of par value of common stock	10,139,398	10,907,135
Retained earnings (Note 5)	45,921,440	44,706,637
	<u>\$58,661,169</u>	<u>\$58,273,403</u>
Less — Cost of 37,650 shares of issued common stock held in treasury	641,355	641,355
Total capital and retained earnings	<u>\$58,019,814</u>	<u>\$57,632,048</u>
	<u>\$69,350,367</u>	<u>\$68,877,149</u>



BROWN COMPANY

STATEMENT OF INCOME

	<i>Year ended November 30</i>	
	<i>1961</i>	<i>1960</i>
Sales, less discounts, returns and allowances	\$56,272,121	\$59,172,865
Materials, services and other manufacturing costs, selling, general, administrative and research expenses — including depreciation and depletion of \$3,891,718 in 1961, \$3,698,596 in 1960.	54,056,673	56,569,161
Net operating income	<u>\$ 2,215,448</u>	<u>\$ 2,603,704</u>
Other income (charges):		
Net gains (losses) on disposal of plant and timberland properties	\$ 292,150	\$ (50,319)
Interest on funded debt	(181,971)	(192,534)
Other interest — net	34,901	(104,271)
Miscellaneous — net	(69,457)	30,888
	<u>\$ 75,623</u>	<u>\$ (316,236)</u>
Net income before federal income taxes	\$ 2,291,071	\$ 2,287,468
Provision for federal income taxes	820,000	940,000
Net income	<u><u>\$ 1,471,071</u></u>	<u><u>\$ 1,347,468</u></u>

STATEMENT OF OTHER CAPITAL AND RETAINED EARNINGS

Year Ended November 30, 1961

	<i>Other capital</i>	<i>Retained earnings</i>
Balance, November 30, 1960	\$10,907,135	\$44,706,637
Net income		1,471,071
Cash dividend declared — \$.10 per share		(256,268)
Excess of cost over par value of 59,300 shares of common stock purchased and retired	(767,737)	
Balance, November 30, 1961	<u><u>\$10,139,398</u></u>	<u><u>\$45,921,440</u></u>

NOTE 1 — INVENTORIES

Inventories of pulpwood and pulpwod content of pulp, amounting to \$2,056,526 as at November 30, 1961, 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 2 — FIXED ASSETS

Land, buildings, machinery and equipment are carried substantially at cost, less depreciation provided. Timberlands are carried at appraisal value determined in 1904, plus subsequent purchase acquisitions at cost, less depletion based on timber cut. The buildings, machinery and equipment accounts include approximately \$1,700,000 (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 3 — 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 \$4,700,000.

NOTE 4 — STOCK OPTIONS

At November 30, 1960 options to purchase 94,544 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, 1961 options for 27,030 shares expired due to termination of employment and additional options were granted for 21,700 shares at prices ranging from \$11.48 to \$12.64 per share, an aggregate of \$253,048. No options were exercised during the year. At November 30, 1961 officers and employees held options to purchase 89,214 shares at prices ranging from \$10.41 to \$17.72 per share, an aggregate of \$1,109,095. The options, granted from 1955 to 1961, are exercisable during a nine year period beginning one year from the date granted. At November 30, 1961 there was a balance of 26,578 shares available for possible future options under the plan, at a price not less than 85% of the fair market value of the stock at the time the option is granted.

NOTE 5 — 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, 1961 such payments and applications were restricted to approximately \$4,500,000.

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 at November 30, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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, Massachusetts
January 18, 1962

PRICE WATERHOUSE & CO.

REPORT OF INDEPENDENT ACCOUNTANTS



BROWN COMPANY

	1961	1960	1959	
OPERATING DATA				
Net Sales	\$56,272	\$59,173	\$58,888	
Operating Income	2,215	2,604	1,328	
Income Before Taxes	2,291	2,287	944	
Income Taxes	820	940	230	
Net Income	1,471	1,347	714	
Depreciation and Depletion	3,892	3,699	3,460	
Cash Flow (income plus depreciation and depletion)	5,363	5,046	4,174	
Capital Expenditures, gross	2,660	2,565	3,600	
BALANCE SHEET DATA				
Working Capital	\$18,811	\$16,890	\$14,696	
Current Ratio	4.3	4.1	2.9	
Plant and Equipment, net	41,080	42,322	43,542	
Timberlands, net	2,634	2,743	2,812	
Total Fixed Assets, net	43,714	45,065	46,354	
Total Assets	69,350	68,877	70,070	
Long-Term Debt (due after one year)	4,028	4,229	4,377	
Stockholders' Equity				
Preferred Stocks	—	—	—	
Common Stock	58,020	57,632	56,546	
COMMON STOCK				
Common Shares Outstanding—end of year	2,562,681	2,621,981	2,638,981	
Number of Stockholders	7,929	8,593	8,173	
Per Share {	Earnings	\$.57	\$.51	\$.27
	Dividends Declared10(c)	—	.30(a)
	Book Value (equity)	22.64	21.98	21.43
	Cash Flow	2.08	1.91	1.59
	Market Value: High	16.25	17.37	15.50
	Low	12.50	10.25	9.87

NOTE: Amounts for 1952, 1953 and 1954 include the operations of Brown Corporation, Brown Company's wholly-owned subsidiary, which sold its assets on December 1, 1954.

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

(b) Includes 12¢ per share attributable to refunds received of prior years' Federal income taxes.

(c) Paid December 1, 1961.

TEN-YEAR FINANCIAL REVIEW

Years ending November 30

(\$000 omitted)

1958	1957	1956	1955	1954	1953	1952
\$55,408	\$61,158	\$59,683	\$53,821	\$66,970	\$67,197	\$65,638
1,776	3,504	4,611	3,343	6,573	6,363	8,393
1,390	3,180	4,572	3,380	5,941	5,661	7,677
94	1,100	1,960	1,350	2,530	2,610	3,280
1,296	2,080	2,612	2,030	3,411	3,051	4,397
3,185	2,856	2,433	2,116	3,081	3,134	2,818
4,481	4,936	5,045	4,146	6,492	6,185	7,215
2,302	8,059	10,827	5,966	5,108	3,444	7,328
\$14,918	\$13,350	\$19,126	\$27,070	\$17,484	\$19,438	\$18,578
3.2	2.4	3.1	3.7	2.6	3.2	2.9
43,243	44,065	38,813	30,398	34,994	33,173	32,879
2,914	2,909	3,053	3,129	5,315	5,295	5,438
46,157	46,974	41,866	33,527	40,309	38,468	38,317
69,259	71,390	71,867	71,390	70,073	67,137	67,350
4,677	4,863	5,059	5,181	12,000	12,800	13,600
—	—	—	—	17,051	18,643	19,518
56,644	56,012	56,587	55,374	29,263	26,678	24,558
2,588,651	2,588,651	2,592,451	2,606,765	2,000,727	1,992,817	1,992,817
7,622	7,648	7,114	5,852	N.A.	N.A.	N.A.
\$.50(b)	\$.80	\$ 1.01	\$.81	\$ 1.24	\$ 1.04	\$ 1.69
.30	1.00	1.00	.50	—	—	—
21.88	21.64	21.83	21.24	14.63	13.39	12.32
1.73	1.91	1.95	1.73	2.79	2.61	3.11
15.12	19.00	24.87	19.25	17.50	12.37	15.50
9.25	8.87	15.75	14.75	8.75	7.12	8.62

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 creped and embossed, continue to be the leading brand in the industrial and institutional market.

NIBROC TISSUE

During 1962 Nibroc Tissue will be manufactured and converted in Berlin, which will give Brown Company an economical companion item to Nibroc towels for washroom service.

NIBROC SPECIALTY ITEMS

Kowtowls — For use on dairy farms for sanitary purposes.

Windshield Wipers — General purpose towel for use in service stations.

Industrial Wipers — Engineered to provide an economical safe method for wiping machinery and equipment.

SOLKA PULPS

Solka pulps are highly purified wood cellulose fibers 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 fiber 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 fibers, 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, flexible material technically designed for use as an innersole in the manufacture of women's shoes. It is made of Solka Pulp impregnated with elastomeric compounds scientifically formulated to meet the rugged requirements of various shoe constructions. Solka-F 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 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 plant with both batch and Pandia continuous digesters, production-sized experimental paper mill, and other equipment.

RESI-CHEM SYNTHETIC RESINS

Resi-Chem synthetic resins are used extensively throughout the country by many of the leading paper, plywood, furniture, automotive, and paint manufacturers.

The wet strength resins are used to improve the characteristics of various paper products such as toweling, wrapping, bag, boxboard, etc. The adhesives are the bonding agents used in the manufacturing of quality plywood and furniture. Polyester resins are used in the manufacturing of reinforced plastic articles such as heater housings by the automotive industry, plastic chairs, boats, etc. It is also used in substantial volume in the manufacturing of buttons for the shirt industry. Alkyd resins are used as the base material in the manufacturing of paints.

PLYWOOD

Plywood made from carefully selected hardwood veneers, principally yellow birch and oak, is produced at North Stratford, N. H., for high grade paneling in houses and offices and for doors, counter tops and cupboards, as well as interiors for house trailers. New products from this 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.

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Prudential Plaza, Chicago 1, Illinois

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**BROWN COMPANY
BERLIN • NEW HAMPSHIRE**

