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**FINANCIAL HIGHLIGHTS**

	1972	1971
Net Sales	\$249,225,000	\$205,558,000
Earnings Before Income Taxes	\$ 4,289,000	\$ 1,249,000
Income Taxes	\$ 1,022,000	\$ none
Net Earnings	\$ 3,267,000	\$ 1,249,000
Earnings Per Share	\$ 1.02	\$ .45
Shareholders' Equity Per Share	\$ 15.65	\$ 16.52
Common Shares Outstanding End of Year	3,626,000	2,882,000
Number of Shareholders	6,000	6,100
Number of Employees	8,300	7,200



## TO OUR SHAREHOLDERS

We are pleased to report that fiscal 1972 was a year of substantial progress for the Brown Company. Net sales rose to a new all-time high and net earnings were at the highest level since 1966.

Strength in the paper industry and further diversification into building materials were the two major factors that helped Brown Company show a substantial earnings gain for the fourth consecutive year. Net earnings for the fiscal year ended November 30, 1972 amounted to \$3,267,000 compared with \$1,249,000 in 1971 and earnings per share rose to \$1.02 from 45 cents. Sales for the year were \$249,225,000 versus \$205,558,000 in 1971.

By the acquisition in 1970 of a majority interest in Livingston Rock and Gravel Co., Inc., we began a move to diversify the company into the building materials field. In 1972, we made further progress in this direction by:

- ▶ acquisition of Symons Corporation. Symons is a major manufacturer and distributor of concrete forming and handling equipment with offices throughout the United States. Sales volume for 1972 was \$31,300,000.
- ▶ acquisition of a 48 percent interest in Shattuck Denn Mining Corporation, a manufacturer and distributor of accessories for concrete construction and other construction materials. Sales volume for 1972 was \$20,800,000. In November 1972, we announced that we had reached an agreement in principle to acquire the remaining 52 percent of Shattuck.

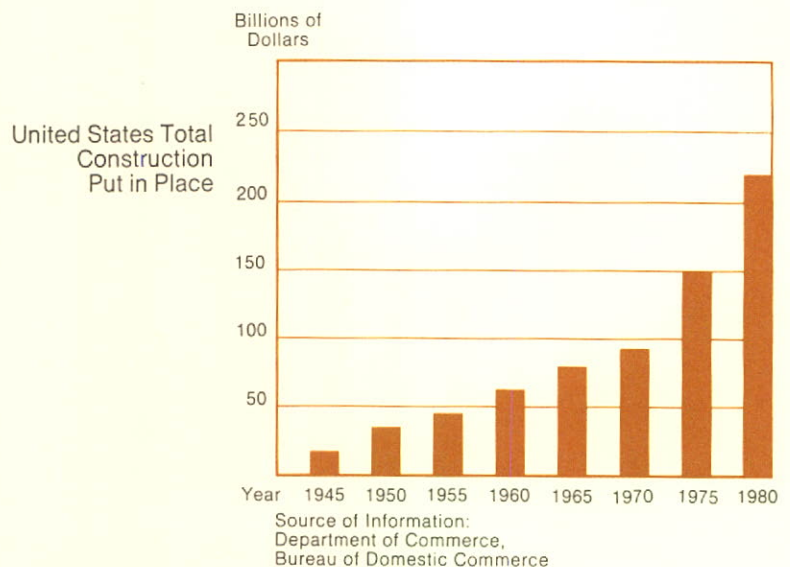
- ▶ acquisition of the remaining interest in Livingston Rock and Gravel Co., Inc., bringing our ownership to 100 percent. Sales volume for 1972 was \$30,417,000.

The outlook for the construction industry over the next few years is very encouraging. Now that approximately one-third of our sales is in this field, we are in a position to benefit significantly from this growth.

Another bright spot in 1972 was the strong recovery in the paper industry. Total production for the year is expected to be a new record, and strengthening prices are evident throughout the industry. This strength and the steps we have taken to improve our efficiency enabled us to reverse the downtrend in earnings in our paper group.

During the year we continued to streamline and update our paper production facilities by:

- ▶ completing a \$4 million modernization program at our pulp and paper mill complex at Berlin-Gorham, New Hampshire. The pulp mill is now producing at record levels.
- ▶ consolidating and modernizing the carton printing and finishing operations in Kalamazoo, Michigan, making it the largest facility of its type in the industry.
- ▶ rebuilding and reequipping our Service Products Division plant, materially increasing efficiencies.



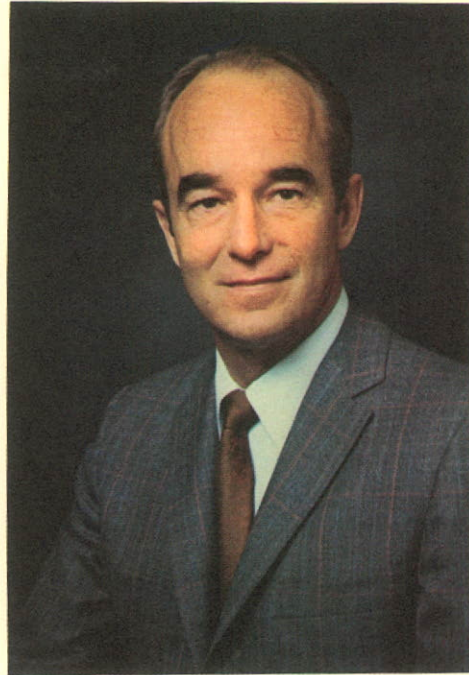


► sale of our Santa Clara, California, converting plant, completing our disposition of all paperboard cup and plate manufacturing facilities. The cash from this sale will be used for modernization of other operations.

In the area of environmental control, we are continuing to make progress toward full compliance with all government regulations for both air and water in accordance with approved timetables. The successful installation of a \$500,000 two-stage scrubber on the larger of the two recovery boilers at Berlin-Gorham has brought under control one of the major sources of particulate emission. A similar installation is planned for the second boiler. These improvements, combined with a black liquor oxidation system now under construction to control odors, will eliminate these two production units as sources of air pollution. At our Castleton-on-Hudson, New York plant agreement was reached with the village and the enforcement agencies to develop joint facilities in which pretreated waste water from our mill will receive final treatment in a proposed municipal plant.

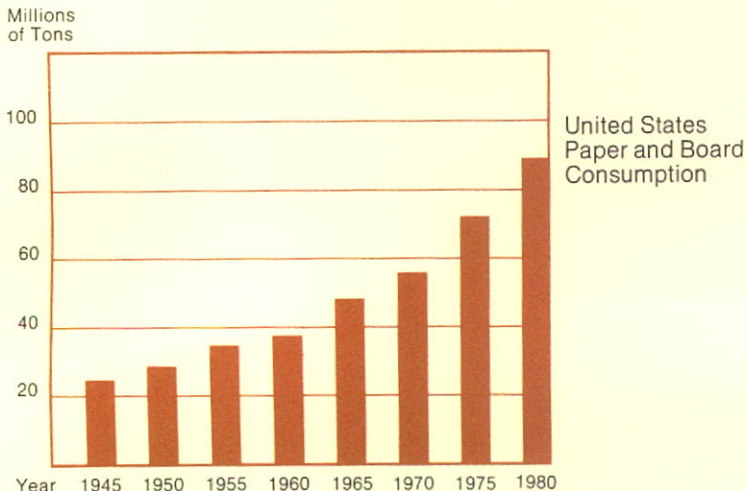
As we enter 1973, we have a solid position in two basic and growing industries—paper and building materials. The charts shown below demonstrate their historic and projected growth (through 1980). This strong uptrend in demand indicates a favorable climate for continued price improvement in the near future.

We are predicting that 1973 will be a good year with strong growth in both sales and earnings for Brown Company.



*Merrill L. Nash*

Merrill L. Nash  
Chairman of the Board and President



Source of Information:  
1945 through 1970 Actual  
1975 through 1980—Forecast by API Economics  
Department



**BROWN COMPANY IN 1968**

**SALES\***

1968

1969

1970

**EARNINGS PER**

(\$1.75)

\$ .02

\$ .21

**OPERATIONS CONTINUED**

**\$ 169,674**

BERLIN-GORHAM, NEW HAMPSHIRE  
pulp & paper

PARCHMENT, MICHIGAN  
fine paper

HOLYOKE, MASSACHUSETTS  
fine paper

KALAMAZOO, MICHIGAN  
folding cartons/board

CASTLETON-ON-HUDSON, NEW YORK  
folding cartons/board

CHICAGO, ILLINOIS  
matches

SAN JOSE, CALIFORNIA  
matches

CHEVERTON & LAIDLER, LTD.  
packaging products

**OPERATIONS SOLD**

**\$ 63,668**

PORTAGE, MICHIGAN  
cups & plates

SANTA CLARA, CALIFORNIA  
cups & plates

ESPANOLA, ONT., CANADA  
pulp & paper

GRIFFIN, GEORGIA  
converted papers

STURGIS, MICHIGAN  
converted papers

FRANKFORT, ILLINOIS  
resale matches

MILAN, ITALY  
luggage

NORTH STRATFORD, NEW HAMPSHIRE  
plywood

BERMICO DIVISION  
bituminous pipe

**TOTAL COMPANY**

**\$233,342**

PROFIT

LOSS

\*Annual Rate  
in Thousands









Brown Company—a  
different, stronger  
company—continues its  
upward trend after a  
dramatic turnaround



1971

1972

SALES\*

BROWN COMPANY IN 1972

SHARE

\$.45

\$1.02

\$190,406

**OPERATIONS CONTINUED**BERLIN-GORHAM, NEW HAMPSHIRE  
pulp & paperPARCHMENT, MICHIGAN  
fine paperHOLYOKE, MASSACHUSETTS  
fine paperKALAMAZOO, MICHIGAN  
folding cartons/boardCASTLETON-ON-HUDSON, NEW YORK  
folding cartons/boardCHICAGO, ILLINOIS  
matchesSAN JOSE, CALIFORNIA  
matchesCHEVERTON & LAIDLER, LTD.  
packaging products

\$ 82,517

**OPERATIONS ACQUIRED**LIVINGSTON-GRAHAM  
sand, gravel and transit mixed concreteSYMONS CORPORATION  
concrete forming and related equipmentSHATTUCK DENN MINING CORPORATION  
materials used in concrete construction

\$272,923

**TOTAL COMPANY**\*Annual Rate  
in Thousands



## BUILDING MATERIALS GROUP

By the acquisition of Symons Corporation and Shattuck Denn Mining Corporation, the Building Materials Group was transformed from a regional to a nationwide supplier of materials and services to the construction industry. At the end of the year, sales of the group were at an annual rate that represented about one-third of the total company sales volume.

Symons Corporation was acquired in 1972 and is one of the leaders in the field of prefabricated forming systems used in concrete construction. Its products are marketed throughout the continental United States through 21 distribution centers and 11 independent distributors. It was founded in 1902 and has grown steadily since then, with an accelerated rate of growth evident in the last five years.

The opportunity for continued rapid growth in this field is excellent. The costs of on-site construction work are escalating at an extremely high rate, thus the economies of prefabricated forming systems are becoming increasingly attractive to builders. This coupled with the expected increase in the rate of growth of the construction industry and the opportunity to distribute additional products through the Symons organization makes meaningful expansion in this area a reasonable expectation.

Brown Company acquired a 48 percent interest in Shattuck Denn Mining Corporation in 1972, and an agreement in principle has been reached to acquire the remaining 52 percent. Shattuck Denn is also a supplier to the construction industry. Formerly a mining company, it discontinued its mine operations

in 1967, having diversified by acquiring Richmond Screw Anchor Company and Fireproof Products Company in the early 1960's.

Richmond manufactures and distributes accessories used in building forms for concrete construction. It serves the industry primarily in the east, midwest and south from plants located in Pennsylvania, Ohio, Kansas, Texas and Georgia.

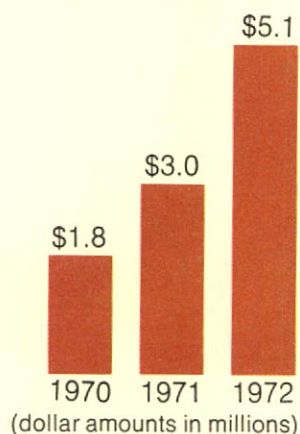
Fireproof Products is a producer and distributor of construction materials and services in the New York metropolitan area. Its earnings were down in 1972 after a record 1971, primarily because of the prolonged construction trades strike in New York.

During the year, Livingston completed its program of installing dust collecting and filtering systems on its concrete batching plants, thus bringing all of these plants in compliance with the air quality control standards of the Los Angeles basin.

Modernization of the truck fleet continued with the purchase of 35 diesel-powered mixer trucks, completing the transition from gasoline-powered units to the more efficient diesels. Utilization of trucking equipment was improved by the installation of a computerized truck dispatching and weighing system at the company's main plant, El Monte, California.

We are confident that the Building Materials Group will show strong growth trends in both sales and profits in the years ahead. The diversification that this group brings to Brown materially strengthens the company.

### OPERATING INCOME

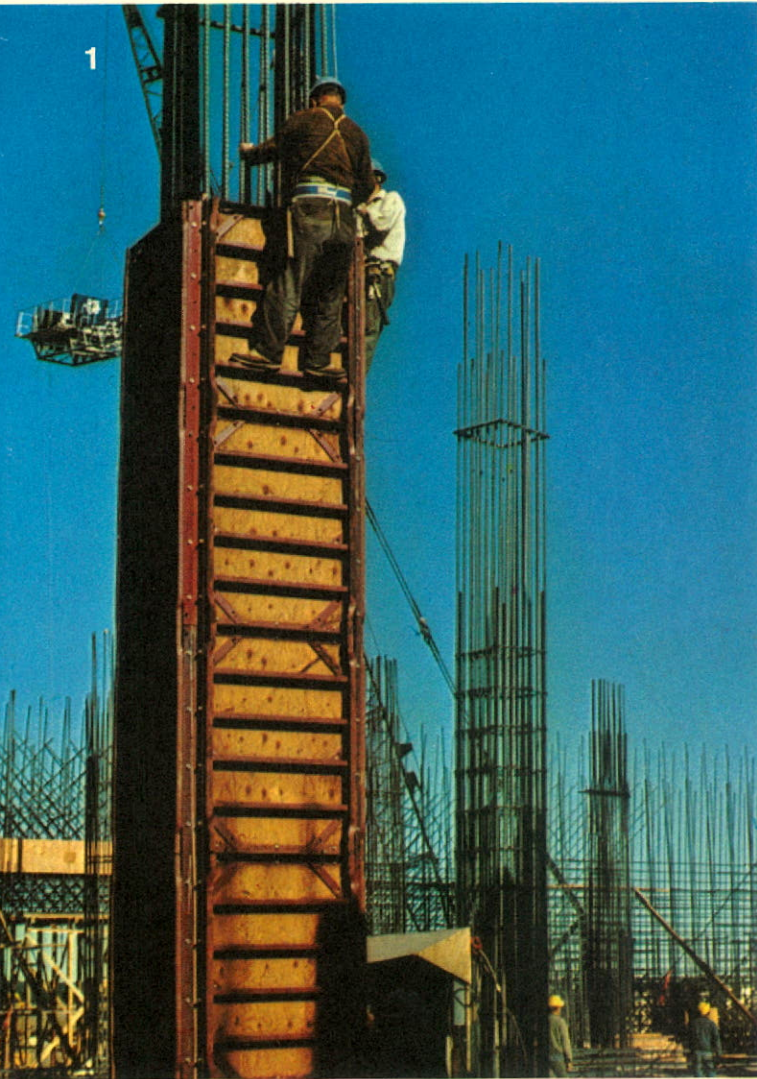


### GROUP SALES

	1970	1971	1972
Rock, sand, gravel and transit mixed concrete	\$22.9	\$27.3	\$30.4
Concrete forming equipment and related services	—	—	25.6
	\$22.9	\$27.3	\$56.0



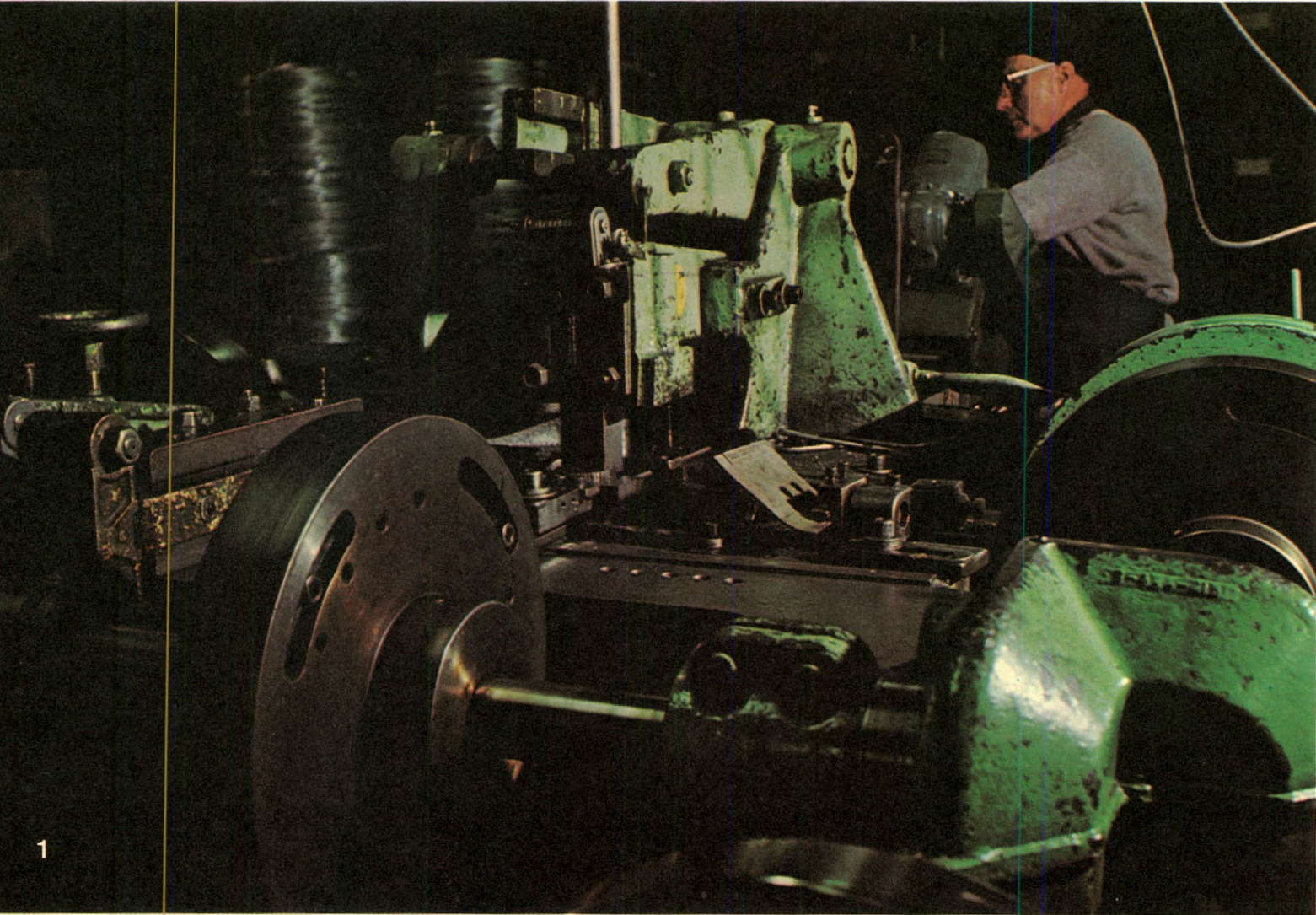
(1.) Symons forms being installed at Safeguard ABM construction site. (2.) Symons floor forming system being installed on a high rise building.



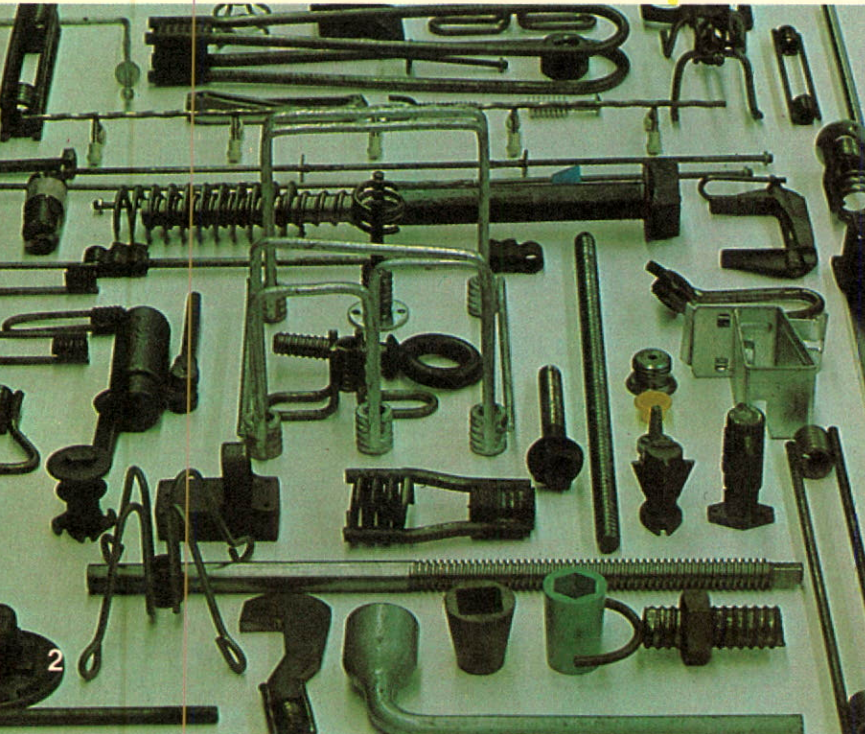
(3.) The Great Ape House, the focal point of Kansas City Swope Park Zoo. The six 56 foot high concrete pylons were shaped by Symons Steel Ply® forms.



(1.) Wire bending machine at the Richmond Screw Anchor plant, a division of Shattuck Denn.



1



2

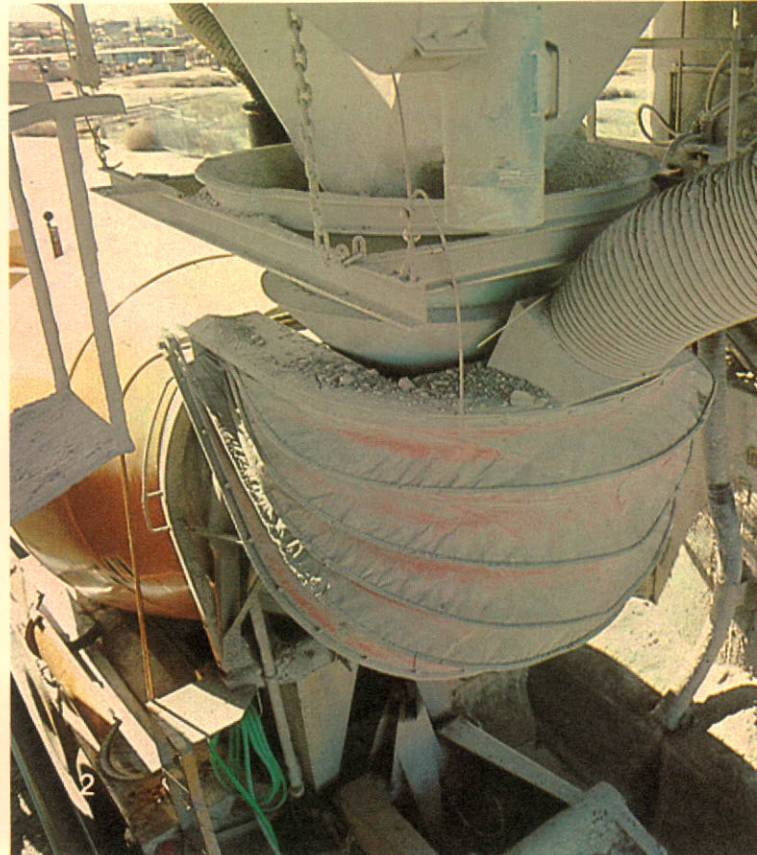
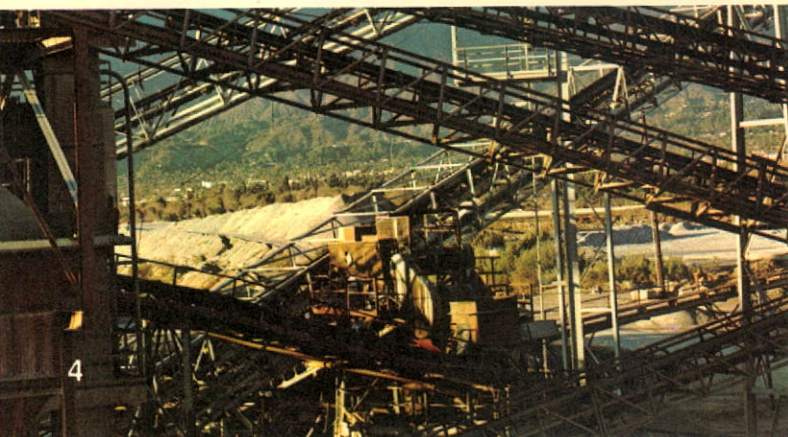


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(2.) Some of the more than 400 products that Shattuck Denn makes and distributes for the building construction industry. (3.) Welding operation at the Richmond Screw Anchor plant.



(1.) Truck and trailer units used for transporting sand and gravel. (2.) Dust collecting system at one of Livingston-Graham's concrete batch plants.



(3.) Stockpiles of gravel ready for shipment. (4.) Conveyor systems at the Livingston-Graham sand and gravel plant, El Monte, California.



**PAPER GROUP**

After two disappointing years during which paper industry profits fell drastically from record 1969 levels, the industry is bouncing back. A better supply-demand balance and a firming price trend combined to boost industry operations to near-capacity levels.

Many economists predict the GNP will increase by six percent or more next year, and if this is so, paper industry sales should expand at an even higher rate.

Supply and demand are likely to remain in better balance for nearly all paper products in 1973, because additions to plant and equipment in 1973 are not likely to exceed 1.4 percent of present capacity, a very low expansion rate. In fact, it is the slowest growth in capacity for the industry since World War II and contrasts sharply with the 4.4 percent average annual growth rate over the past 17 years.

During the year, Brown continued to upgrade and modernize its facilities. Completion of the modernization program at the Berlin-Gorham, New Hampshire, pulp and paper mill was a major step in increasing productivity and efficiency. This mill is now producing at record rates and further improvement is forecast. Removal of abandoned facilities was accelerated during the year, further contributing to better working conditions. Total production from this complex reached a new high in 1972.

Consolidation of folding carton manufacturing facilities at the Kalamazoo, Michigan, plant was completed during the year. Begun three years ago, this much-needed restructuring has greatly increased efficiencies by combining finishing operations, reducing crews and changing production methods.

A part of the consolidation was the recent move of three presses to the central printing department, which now consists of five five-color and two six-color lithographic presses, the largest installation of its kind in the industry.

Year-end found our Service Products Division completely recovered from the major fire, which occurred in August 1971. The replacement of older equipment with new, more productive units gives this division a stronger position in its field.

The rebuilding of two paper machines at our Specialty Papers Division, Parchment, Michigan, completed in November 1971, enabled this division to show record production and sales during 1972. We have made good progress toward our objective of increasing our participation in the lightweight paper field, one of the fastest growing segments of the industry. Major modernization of several more of the division's paper machines is under consideration.

Use of post-consumer recycled fiber at our Combination Paperboard Division exceeded 100,000 tons during the year. This product is in increasing demand, partly because of the growing interest in environmental problems. Production set a record in 1972 and is expected to increase again next year.

All other segments of the Paper Group performed well—the Absorbent Products Division, Eagle-A/Linweave Division, Match Division and our United Kingdom subsidiary, Cheverton & Laidler. We are actively planning further expansion and modernization of these units to insure their future growth.

We are particularly optimistic about the paper industry for the near future and we are confident the Paper Group will be a major factor in the expected earnings improvement of Brown Company.

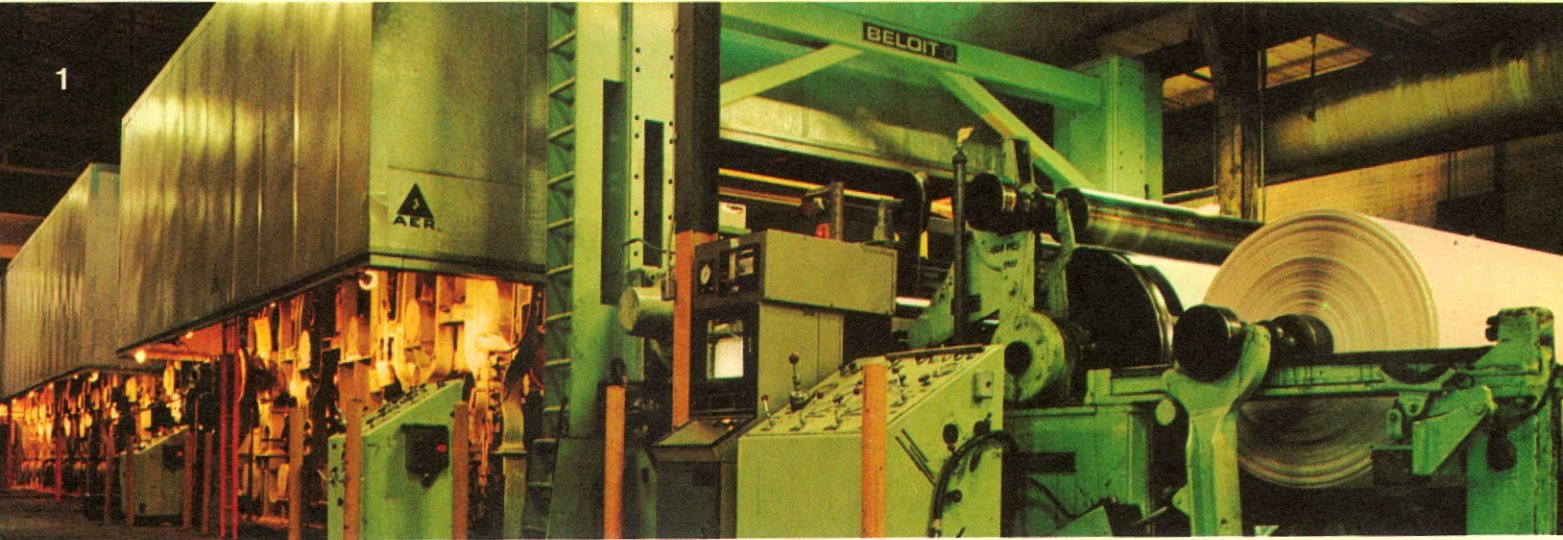


**GROUP SALES**

	1970	1971	1972
Timber, pulp, paper and paperboard	\$105.7	\$102.0	\$111.8
Folding cartons	35.8	33.1	36.6
Towels, tissues and food service disposables	42.5	35.2	36.3
Matches and other	10.0	7.9	8.5
	<u>\$194.0</u>	<u>\$178.2</u>	<u>\$193.2</u>



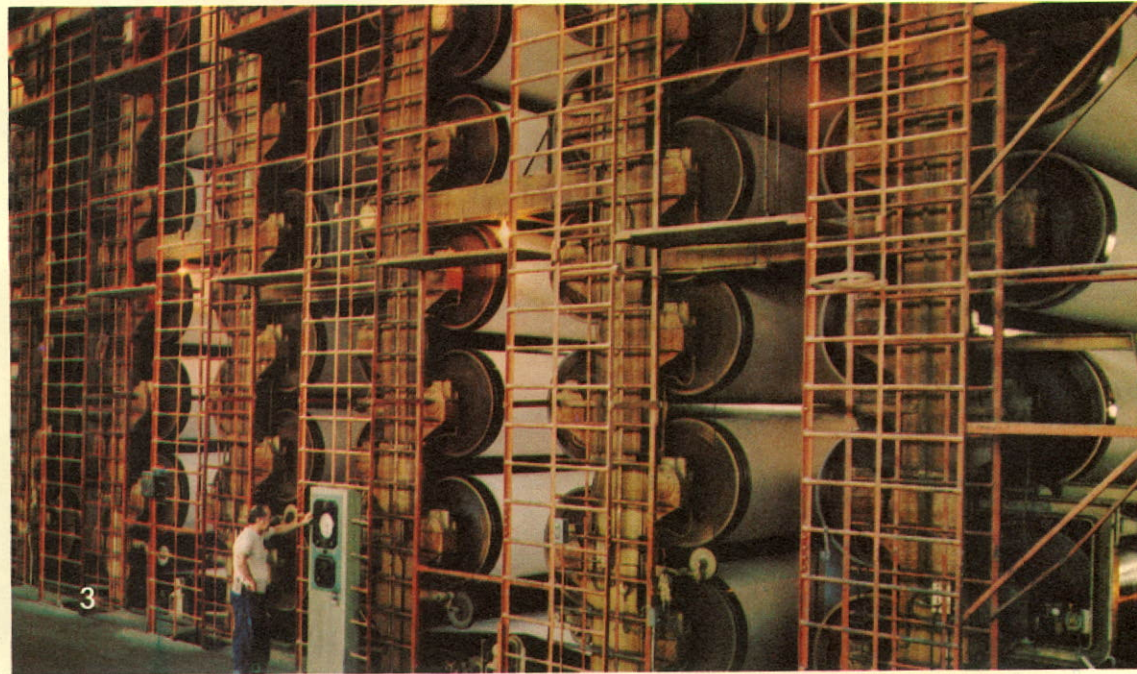
(1.) This rebuilt paper machine producing lightweight papers is part of a major modernization program in the Specialty Papers Division. (2.) Printed packaging papers are produced in the Specialty Papers Division. (3.) This machine at the Combination Paperboard Division produces board used for folding cartons and related items.



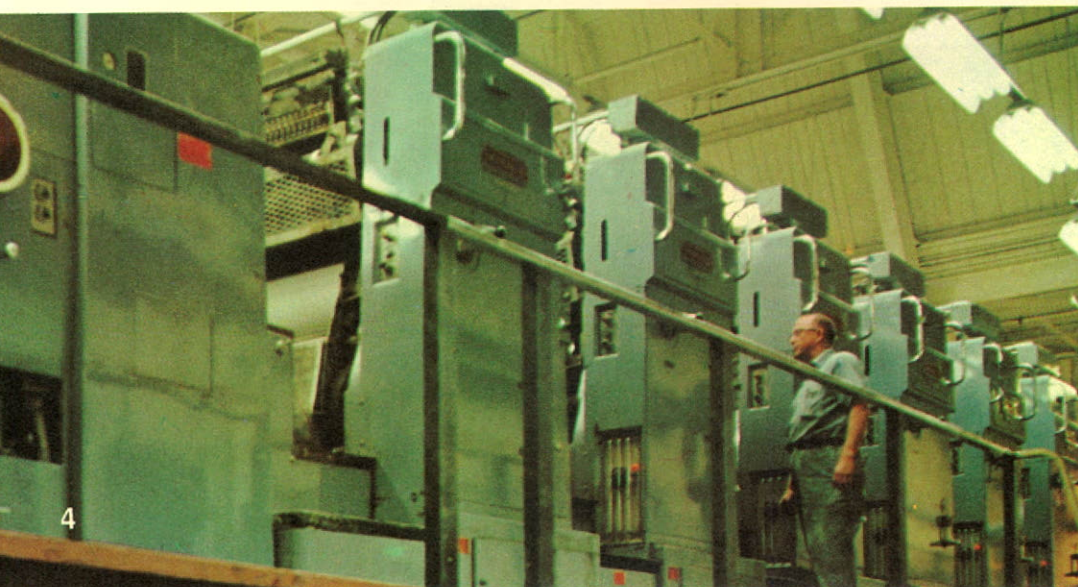
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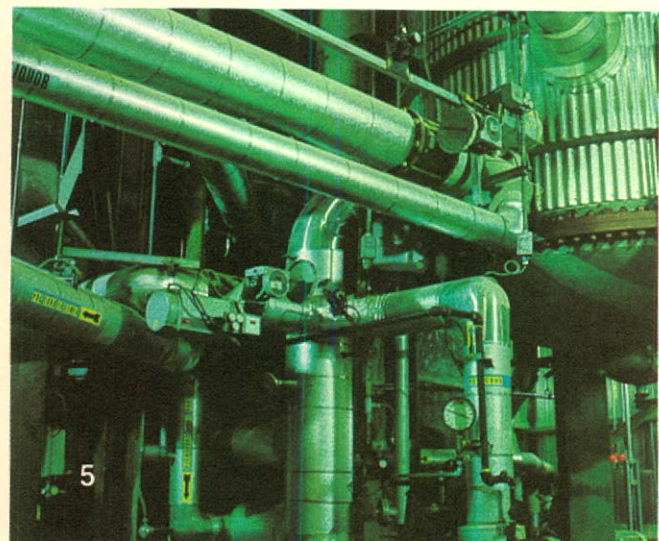
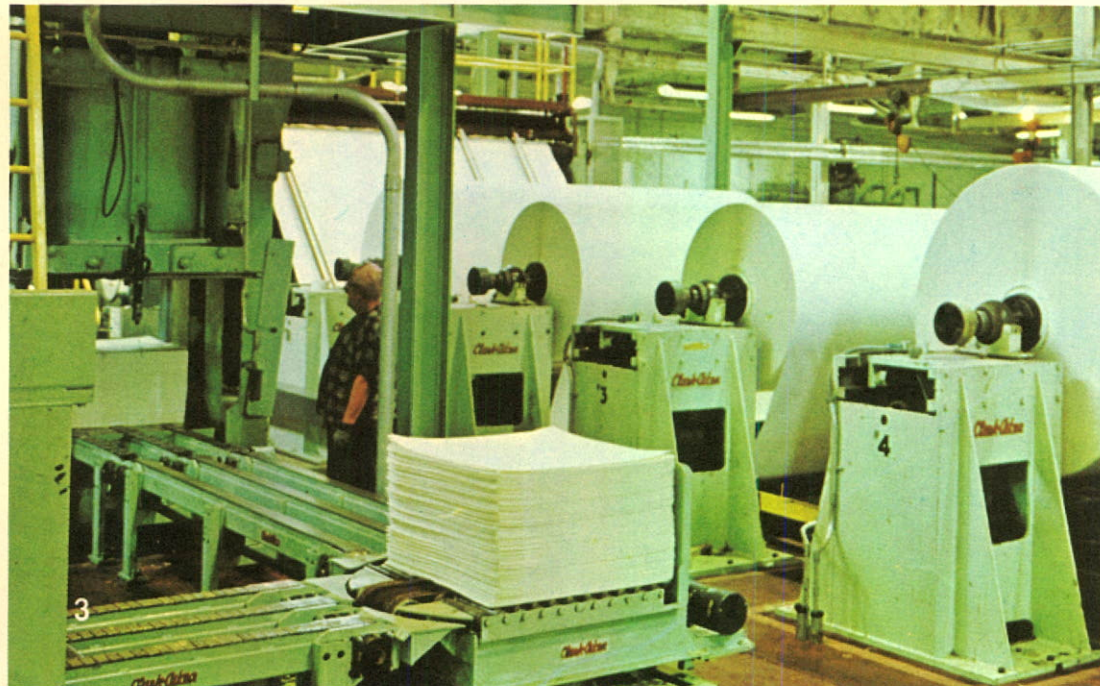
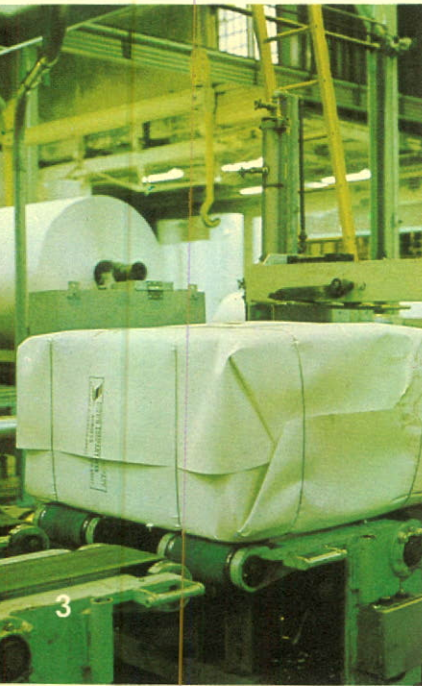


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(4.) A central printing department in Kalamazoo, Michigan, consisting of five five-color and two six-color presses is the largest installation of its kind in the folding carton industry. (5.) Printed cartons produced by the Folding Carton Division.



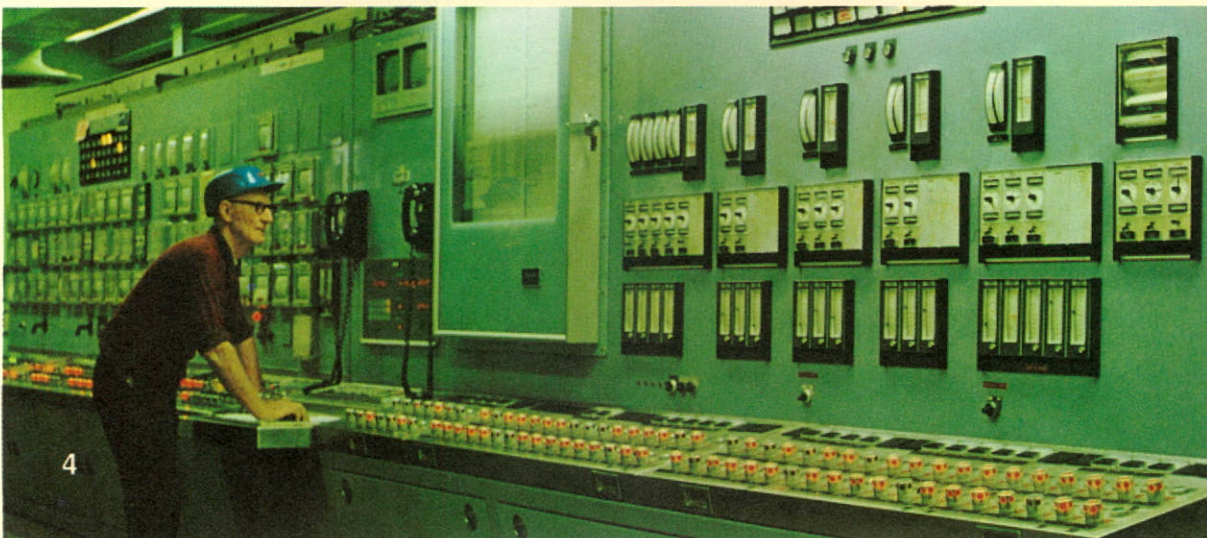
(1.) Consumer products marketed by the Service Products Division. (2.) Institutional meat and patty papers. (3.) Automatic baling machine used in cutting and wrapping pulp sheets for shipment from the Berlin-Gorham plant.



(4.) Paper towels, tissues and wipers produced by the Absorbent Products Division. (5.) Expansion and modernization of the Berlin-Gorham black liquor evaporators, reduced river pollution and improved efficiency of chemical recovery.



(1.) Advertising matches from the Superior and Monarch Match companies. (2.) Consumer and institutional products produced by Cheverton & Laidler.



(3.) The Eagle-A/Linweave Division specializes in fine papers for the office and printing industries. (4.) The new computerized bleaching control room provides better quality pulp and reduces chemical costs at Berlin-Gorham.







## CONSOLIDATED STATEMENT OF EARNINGS

Brown Company and Subsidiaries Years Ended November 30

		1972	1971
<b>REVENUES</b>	Net sales .....	\$249,225,000	\$205,558,000
	Other .....	71,000	43,000
		<u>249,296,000</u>	<u>205,601,000</u>
<b>OPERATING COSTS</b>	Cost of sales .....	209,952,000	178,815,000
	Selling, administrative and general expense ..	28,206,000	19,960,000
		<u>238,158,000</u>	<u>198,775,000</u>
<b>OPERATING INCOME</b>		11,138,000	6,826,000
<b>OTHER COSTS</b>	Interest expense (net of interest income of \$466,000 in 1972 and \$820,000 in 1971) . . . .	6,589,000	5,441,000
	Minority interest .....	260,000	136,000
	Income tax provision .....	1,022,000	—
		<u>7,871,000</u>	<u>5,577,000</u>
<b>NET EARNINGS</b>		<u>\$ 3,267,000</u>	<u>\$ 1,249,000</u>
<b>NET EARNINGS PER COMMON SHARE</b>		<u>\$ 1.02</u>	<u>\$ .45</u>

See financial review on pages 22 through 25.



## CONSOLIDATED BALANCE SHEET

Brown Company and Subsidiaries at November 30

ASSETS		1972	1971
<b>CURRENT ASSETS</b>	Cash and short-term investments . . . . .	\$ 16,207,000	\$ 10,558,000
	Accounts receivable (less allowances of \$671,000 in 1972 and \$484,000 in 1971) . . .	32,799,000	23,466,000
	Inventories . . . . .	39,175,000	29,618,000
	Prepaid expenses . . . . .	2,422,000	2,034,000
		<u>90,603,000</u>	<u>65,676,000</u>
<b>PROPERTIES</b>	Land and improvements . . . . .	8,553,000	5,521,000
	Timberlands and quarries . . . . .	9,204,000	9,205,000
	Buildings, machinery and equipment . . . . .	216,368,000	203,149,000
	Accumulated depreciation and depletion . . . .	<u>(141,513,000)</u>	<u>(133,421,000)</u>
	92,612,000	84,454,000	
<b>INVESTMENTS AND NON-CURRENT RECEIVABLES</b>		4,380,000	7,127,000
<b>DEFERRED CHARGES AND OTHER ASSETS</b>		2,211,000	2,455,000
		<u>\$189,806,000</u>	<u>\$159,712,000</u>

See financial review on pages 22 through 25.



<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1972</b>	<b>1971</b>
<b>CURRENT LIABILITIES</b>	Notes payable . . . . .	\$ 2,200,000	\$ —
	Accounts payable and accrued expenses . . . .	28,719,000	22,010,000
	Current long-term debt maturities . . . . .	4,950,000	2,685,000
		<u>35,869,000</u>	<u>24,695,000</u>
<b>OTHER LIABILITIES</b>	Long-term debt . . . . .	63,797,000	53,442,000
	Debentures payable in 1995 . . . . .	26,322,000	26,322,000
	Deferred income taxes . . . . .	4,119,000	4,047,000
	Other liabilities . . . . .	2,962,000	2,827,000
	Minority interest . . . . .	—	773,000
	<u>97,200,000</u>	<u>87,411,000</u>	
<b>SHAREHOLDERS' EQUITY</b>	Common stock . . . . .	3,637,000	2,893,000
	Treasury stock . . . . .	(156,000)	(156,000)
	Other capital . . . . .	33,556,000	28,436,000
	Retained earnings . . . . .	19,700,000	16,433,000
		<u>56,737,000</u>	<u>47,606,000</u>
	<u>\$189,806,000</u>	<u>\$159,712,000</u>	

See financial review on pages 22 through 25.



## CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION

Brown Company and Subsidiaries Years Ended November 30

		1972	1971
<b>FUNDS PROVIDED FROM OPERATIONS</b>	Net earnings .....	\$ 3,267,000	\$ 1,249,000
	Depreciation and depletion .....	8,382,000	7,666,000
	Deferred income taxes .....	394,000	(211,000)
	Debenture interest payable in common stock ..	2,369,000	2,288,000
	Minority interest .....	260,000	136,000
		<u>14,672,000</u>	<u>11,128,000</u>
<b>OTHER FUNDS PROVIDED</b>	Assets and investments sold .....	6,272,000	2,543,000
	Notes issued .....	9,551,000	—
	Debentures and warrants issued .....	25,000	1,011,000
	Stock issued to acquire Symons Corporation ..	3,728,000	—
	Other .....	898,000	199,000
		<u>20,474,000</u>	<u>3,753,000</u>
<b>TOTAL FUNDS PROVIDED</b>		35,146,000	14,881,000
<b>FUNDS USED</b>	Plant additions .....	9,935,000	11,556,000
	Long-term debt reduction .....	5,887,000	3,699,000
	Companies acquired, less net current assets ..	5,571,000	715,000
	Investments .....	—	1,898,000
		<u>21,393,000</u>	<u>17,868,000</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>		<u>\$ 13,753,000</u>	<u>\$ (2,987,000)</u>
<b>ELEMENTS OF CHANGE IN WORKING CAPITAL</b>	Cash and short-term investments .....	\$ 5,649,000	\$ (4,945,000)
	Accounts receivable .....	9,333,000	(2,406,000)
	Inventories .....	9,557,000	(1,844,000)
	Prepaid expenses .....	388,000	(427,000)
	Notes payable .....	(2,200,000)	1,200,000
	Accounts payable and accrued expense .....	(6,709,000)	1,985,000
	Current long-term debt maturities .....	(2,265,000)	3,450,000
		<u>\$ 13,753,000</u>	<u>\$ (2,987,000)</u>

See financial review on pages 22 through 25.



## CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

Brown Company and Subsidiaries Years Ended November 30

		1972	1971
<b>CHANGE IN RETAINED EARNINGS</b>	Beginning balance . . . . .	\$ 16,433,000	\$15,184,000
	Net earnings . . . . .	<u>3,267,000</u>	<u>1,249,000</u>
	Ending balance . . . . .	<u>\$ 19,700,000</u>	<u>\$16,433,000</u>
<b>CHANGE IN COMMON STOCK</b>	Beginning balance . . . . .	\$ 2,893,000	\$ 2,659,000
	Common stock issued to pay debenture interest . . . . .	211,000	234,000
	Common stock issued to acquire Symons Corporation . . . . .	533,000	—
	Ending balance . . . . .	<u>\$ 3,637,000</u>	<u>\$ 2,893,000</u>
	<b>CHANGE IN OTHER CAPITAL</b>	Beginning balance . . . . .	\$ 28,436,000
Common stock issued to pay debenture interest . . . . .	2,089,000	2,024,000	
Common stock issued to acquire Symons Corporation . . . . .	3,195,000	—	
Other . . . . .	(164,000)	(218,000)	
Ending balance . . . . .	<u>\$ 33,556,000</u>	<u>\$28,436,000</u>	
<b>SHARES OF COMMON STOCK RESERVED AT YEAR END</b>	Warrants exercisable to May 15, 1980 at \$16.50 a share . . . . .	1,670,000	1,670,000
	Warrants exercisable to January 1977 (at \$13.71 a share in 1972 and \$14.57 in 1971) . . . . .	280,000	264,000
	Employee stock options outstanding (total exercise price of \$1,276,000 in 1972 and \$1,191,000 in 1971) . . . . .	116,000	107,000
	Employee stock options available for grant . . .	<u>69,000</u>	<u>77,000</u>
	Total shares reserved . . . . .	<u>\$ 2,135,000</u>	<u>\$ 2,118,000</u>

See financial review on pages 22 through 25.



## FINANCIAL REVIEW

Brown Company and Subsidiaries Years Ended November 30, 1972 and 1971

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### SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the accounts of the Company and its majority owned subsidiaries.

The acquisition during 1972 of all of Symons Corporation for \$10,421,000 consisting of cash and common stock of the Company was accounted for as a purchase, and the financial statements reflect the consolidation of Symons from March 1972. The purchase in May 1972 of 48 percent of the stock of Shattuck Denn Mining Corporation for \$3,500,000 of cash and notes is carried at cost plus equity in earnings since acquisition.

Inventories are generally valued at lower of average cost or market.

Properties are stated at cost. Depreciation of buildings, machinery and equipment is, in general, computed using the straight line method over an average life of 40 years for buildings and 17 years for machinery and equipment.

Obligations to make payments under lease contracts are not shown on the balance sheet. Long-term lease obligations are described under contingencies.

Pension expense reflects current service cost plus amortization of past service cost over 40 years or less.

Federal income taxes are reduced by investment tax credits using the flow-through method.

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### PENSION EXPENSE

The Company has pension plans covering substantially all employees, and funds pension expense accrued. Operating costs include pension expense of \$3,453,000 in 1972 and \$2,802,000 in 1971. At the end of 1972 the actuarially computed value of vested benefits under the pension plans exceeded pension trust assets and balance sheet accruals by approximately \$19,000,000.

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### INCOME TAX PROVISION

The income tax provision is low in relation to earnings before tax due mainly to certain permanent differences between income subject to tax and income for financial reporting purposes and, in 1972, investment tax credits of \$405,000. At November 30, 1972, investment tax credit carryovers of approximately \$4,000,000 were available for future reductions of tax payments and tax provisions.



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**NET EARNINGS**

There was no dilutive effect on per share earnings because of shares issuable for outstanding warrants and options.

There were 3,210,000 average common shares outstanding during 1972 and 2,765,000 average common shares outstanding during 1971.

Symons Corporation and 48 percent of Shattuck Denn Mining Corporation were acquired by purchase in 1972. Had the Company owned Symons and 48 percent of Shattuck for all of 1972 and 1971, revenues, net earnings and net earnings per common share would have been as shown by the following pro forma summary:

	<u>1972</u>	<u>1971</u>
Revenues . . . . .	\$254,790,000	\$232,034,000
Net earnings . . . . .	\$ 3,701,000	\$ 2,140,000*
Average shares . . . . .	3,521,000	3,298,000
Net earnings per common share . . .	\$ 1.05	\$ .65*

In the determination of pro forma net earnings appropriate recognition has been given to interest costs, conforming accounting policies of the combined companies, and income tax benefits relating to the combination. Pro forma net earnings include investment tax credits of \$607,000 in 1972 and \$146,000 in 1971.

\*After deducting \$227,000 of extraordinary losses of subsidiaries acquired (\$.07 per common share).

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**SPECIAL RESERVE**

In 1968 the Company began a program to dispose of certain unprofitable or marginal operations and provided a reserve for estimated losses anticipated from this program. The balance in the reserve at the end of 1971 was \$1,272,000. During 1972 the Company charged the reserve with a \$1,140,000 loss arising from the repossession of a plywood plant previously sold and credited the reserve with the \$1,056,000 excess of proceeds over net carrying amount arising from the sale of a cup and plate plant. The balance in the reserve at November 30, 1972 was \$1,073,000.



## FINANCIAL REVIEW

Brown Company and Subsidiaries Years Ended November 30, 1972 and 1971

### LONG-TERM DEBT

Long-term debt at November 30, 1972 includes:

6½% Senior Notes payable to institutional investors 1973 to 1985 .....	\$48,635,000
9% Note payable to an institutional investor 1974 to 1983 .....	5,500,000
Notes payable to banks 1973 to 1979 at 1% above prevailing prime commercial loan rate .....	7,638,000
Other 5% to 9% notes payable in installments 1972 to 1987 .....	6,974,000
	<u>68,747,000</u>
Current maturities .....	4,950,000
	<u>\$63,797,000</u>

Long-term debt maturities during the five years 1973 to 1977 are listed below:

1973 .....	\$ 4,950,000
1974 .....	6,817,000
1975 .....	6,633,000
1976 .....	5,657,000
1977 .....	5,463,000

Requirements under note agreements applicable to the \$48,635,000 of 6½% Senior Notes and certain bank notes include the mortgage or pledge of substantially all properties and investments of Brown Company, restrictions that preclude the payment of interest on the 9% subordinated debentures in cash until consolidated net earnings (excluding Symons Corporation and certain other subsidiaries) for the preceding year equals or exceeds \$4,200,000, and restrictions that effectively preclude the payment of cash dividends on the common stock without consent of the noteholders.

### SUBORDINATED DEBT

The \$26,322,000 of 9% debentures are subordinated to the Senior Notes. Debenture interest is payable annually on June 1 at the Company's option in cash or common stock of the Company. The interest due on June 1, 1973 will be paid in stock. The value of the stock and the resulting number of shares to be issued will be based on the average market values on the New York Stock Exchange during the twenty consecutive business days beginning on April 3, 1973. The face amount of the debentures may be applied to pay the exercise price of the \$16.50 warrants.



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**CAPITAL  
STOCK**

There are 10,000,000 shares of \$1 par value common stock and 2,500,000 shares of preferred stock authorized. At November 30, 1972, 3,626,105 shares of common stock were outstanding which excludes 10,652 treasury shares. Each share is entitled to one vote. No preferred stock is outstanding.

The Company's stock option incentive plan provides for the grant of qualified stock options to key employees to buy common stock of the Company at a price not less than fair market value on date of grant. Options to buy 8,000 shares at a total purchase price of \$85,490 were granted during 1972. Options for 115,500 shares were outstanding at year end, of which options for 87,625 shares were exercisable. No options were exercised during 1972.

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**COMMITMENTS  
AND  
CONTINGENCIES**

The Company, other defendants and plaintiffs have agreed, with court approval, to settle class action suits relating to the June 1970 conversion of preferred stock of the Company into debentures and warrants. The Company's share of the settlement will not result in a charge against earnings and will have no material effect on the financial statements.

At November 30, 1972, total rental payments required under various leases, the unexpired terms of which were in excess of three years, totaled \$10,231,000. Payments required under such leases for the years 1973 through 1977 are as follows:

1973 .....	\$1,417,000
1974 .....	1,416,000
1975 .....	1,416,000
1976 .....	1,289,000
1977 .....	1,070,000

The Company has reached an agreement in principle to acquire the remaining 52 percent interest in Shattuck Denn Mining Corporation in exchange for one-half share of Company common stock and five-eighths of a Company warrant for each of 548,000 Shattuck shares.



## AUDITORS' REPORT

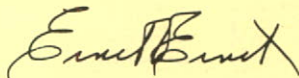
Brown Company and Subsidiaries Year Ended November 30, 1972

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### TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BROWN COMPANY

We have examined the consolidated financial statements of Brown Company and consolidated subsidiaries for the year ended November 30, 1972. Our examination 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. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of earnings, change in shareholders' equity and change in financial position present fairly the consolidated financial position of Brown Company and consolidated subsidiaries at November 30, 1972, and the consolidated results of their operations, changes in shareholders' equity, and changes in financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



New York, New York  
December 28, 1972



## FIVE YEAR FINANCIAL STATISTICS

Brown Company and Subsidiaries Years Ended November 30

		1972(a)	1971	1970(b)	1969	1968
<b>FOR THE YEAR (000*)</b>	Net sales .....	\$249,225	\$205,558	\$216,828	\$195,675 (c)	\$197,526 (c)
	Net earnings (loss) .....	3,267	1,249	1,381	1,693	(3,068) (d)
	Net earnings (loss) per share .....	\$ 1.02	\$ .45	\$ .21	\$ .02	\$ (1.75) (d)
	Depreciation and depletion .....	8,382	7,666	7,512	6,872	9,826
	Plant additions .....	9,935	11,556	7,335	4,408	4,971
<b>END OF YEAR (000*)</b>	Working capital .....	\$ 54,734	\$ 40,981	\$ 43,968	\$ 42,788	\$ 42,701
	Net properties .....	92,612	84,454	83,390	73,847	106,000
	Total assets .....	189,806	159,712	166,727	153,157	186,693
	Long-term debt .....	63,797	53,442	57,141	54,881	67,500
	Debentures payable 1995 .....	26,322	26,322	25,323	—	—
	Common shareholders' equity .....	56,737	47,606	44,317	27,219	25,435
	Book value per share .....	\$ 15.65	\$ 16.52	\$ 16.73	\$ 9.30	\$ 9.28

\*Except per-share amounts

- (a) Includes Symons Corporation from March 1, 1972 and 48 percent of Shattuck Denn Mining Corporation from June 1, 1972.
- (b) Includes Livingston Rock & Gravel Co., Inc. from April 1, 1970 and the conversion of preferred stock into debentures and warrants.
- (c) Excludes sales of operations sold.
- (d) Excludes extraordinary charge of \$20,368,000 (\$7.55 per share).



**DIRECTORS**

- |  |   |
|--|---|
| <p>*ROY T. ABBOTT, JR.<br/>Senior Vice President<br/>Gulf + Western Industries, Inc.</p> <p>SHERWOOD C. CHILLINGWORTH<br/>Partner<br/>Kalmbach, DeMarco, Knapp &amp;<br/>Chillingworth</p> <p>DAVID D. DAVIS<br/>Group Vice President</p> <p>JOEL DOLKART<br/>Senior Partner<br/>Simpson Thacher &amp; Bartlett</p> <p>*DON F. GASTON<br/>Executive Vice President<br/>Gulf + Western Industries, Inc.</p> <p>*DAVID N. JUDELSON<br/>President<br/>Gulf + Western Industries, Inc.</p> <p>*Executive Committee</p> | <p>*CHARLES S. LOCKE<br/>Vice President—Finance</p> <p>JAMES R. MAURER<br/>Vice President, Secretary<br/>and General Counsel</p> <p>*MERRILL L. NASH<br/>Chairman of the Board<br/>and President</p> <p>WILLIAM T. PASCOE, III<br/>President<br/>American Cement<br/>Corporation</p> <p>JOHN L. SULLIVAN<br/>Partner<br/>Sullivan &amp; Wynot and<br/>Sullivan,<br/>Beauregard, Meyers &amp;<br/>Clarkson</p> <p>GENE TUNNEY<br/>Director of various corporations</p> |
|--|---|

**OFFICERS**

- |  |  |
|--|--|
| <p>MERRILL L. NASH<br/>Chairman of the Board<br/>and President</p> <p>CHARLES S. LOCKE<br/>Vice President—Finance</p> <p>DAVID D. DAVIS<br/>Group Vice President</p> <p>WILLIAM T. CRESON<br/>Group Vice President</p> <p>MICHAEL A. HOFFMANN<br/>Group Vice President</p> | <p>JAMES R. MAURER<br/>Vice President, Secretary<br/>and General Counsel</p> <p>ROBERT J. SHERRY<br/>Vice President</p> <p>CHARLES M. WILLIAMS<br/>Vice President</p> <p>JOHN E. CHERRIX<br/>Treasurer</p> <p>LEONARD E. HICKEY<br/>Controller</p> |
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## BROWN COMPANY

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**COMMON  
STOCK  
TRANSFER  
AGENTS**

BANK OF AMERICA  
111 West Seventh Street  
Los Angeles, California 90014

FIRST NATIONAL CITY BANK  
111 Wall Street  
New York, New York 10015

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**COMMON  
STOCK  
REGISTRARS**

BANK OF AMERICA  
111 West Seventh Street  
Los Angeles, California 90014

REGISTRAR AND TRANSFER  
COMPANY  
140 Cedar Street  
New York, New York 10006

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**DEBENTURE  
TRUSTEE  
AND  
WARRANT  
AGENT**

MANUFACTURERS HANOVER  
TRUST COMPANY  
40 Wall Street  
New York, New York 10015

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**STOCK  
EXCHANGE  
LISTINGS**

COMMON STOCK—New York Stock Exchange and Pacific Coast Stock Exchange  
\$16.50 WARRANTS—American Stock Exchange and Pacific Coast Stock Exchange  
DEBENTURES PAYABLE IN 1995—Pacific Coast Stock Exchange

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**AUDITORS**

ERNST & ERNST  
140 Broadway  
New York, New York 10005

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**EXECUTIVE  
OFFICES**

251 South Lake Avenue  
Pasadena, California 91101

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## DIVISIONS, SUBSIDIARIES AND AFFILIATES

### PRODUCTS

<b>LIVINGSTON-GRAHAM</b>	Sand, gravel and transit mixed concrete.
<b>SYMONS CORPORATION</b>	Concrete forming systems, conveyors, scaffolding, shoring and accessories.
<b>SHATTUCK DENN MINING CORPORATION</b>	Accessories used in building forms for concrete construction, fabrication of reinforcing steel, distribution of construction materials.
<b>ABSORBENT PRODUCTS DIVISION</b>	Industrial towels, toilet tissue, facial tissue, windshield towels, towel and tissue dispensers.
<b>BERLIN-GORHAM DIVISION</b>	Pulp, corrugating medium, converting papers, Solka-Floc®.
<b>CHEVERTON &amp; LAIDLER LTD.</b>	Folding cartons, paper and plastic containers, paper liners, delicatessen paper, cellulose and polyethylene film, waxed paper rolls.
<b>COMBINATION PAPERBOARD DIVISION</b>	Paperboard.
<b>EAGLE-A/LINWEAVE DIVISION</b>	Business and communication papers, creative papers, sulphite grades and translucent papers.
<b>FOLDING CARTON DIVISION</b>	Folding cartons.
<b>SUPERIOR AND MONARCH MATCH COMPANIES</b>	Paper match books.
<b>SERVICE PRODUCTS DIVISION</b>	Converted papers for food service and food packaging.
<b>SPECIALTY PAPERS DIVISION</b>	Converting papers, publishing papers, industrial/technical papers and flexible packaging.







**FRONT COVER** —The Problem: to cast giant piers to support a bridge spanning the Cumberland River near Nashville, Tennessee. The Solution: the piers, rising from the river bottom, were completed on time using Symon's heavy-duty Superform System®.

**INSIDE COVER** —Brown Company owns more than 600,000 acres of timberlands in New England.







COVER - Linweave Velvet Sheen Bright White Satin, sub 80 - cover  
PARCHMENT INSERT - 55 lb. Litho Parchment - Green Mottled,  
TEXT - Linweave Velvet sheen Bright White Satin, sub 80 - text  
FINANCIAL SECTION - Eagle-A Quality text, Ivory Laid, sub 70 - text weight