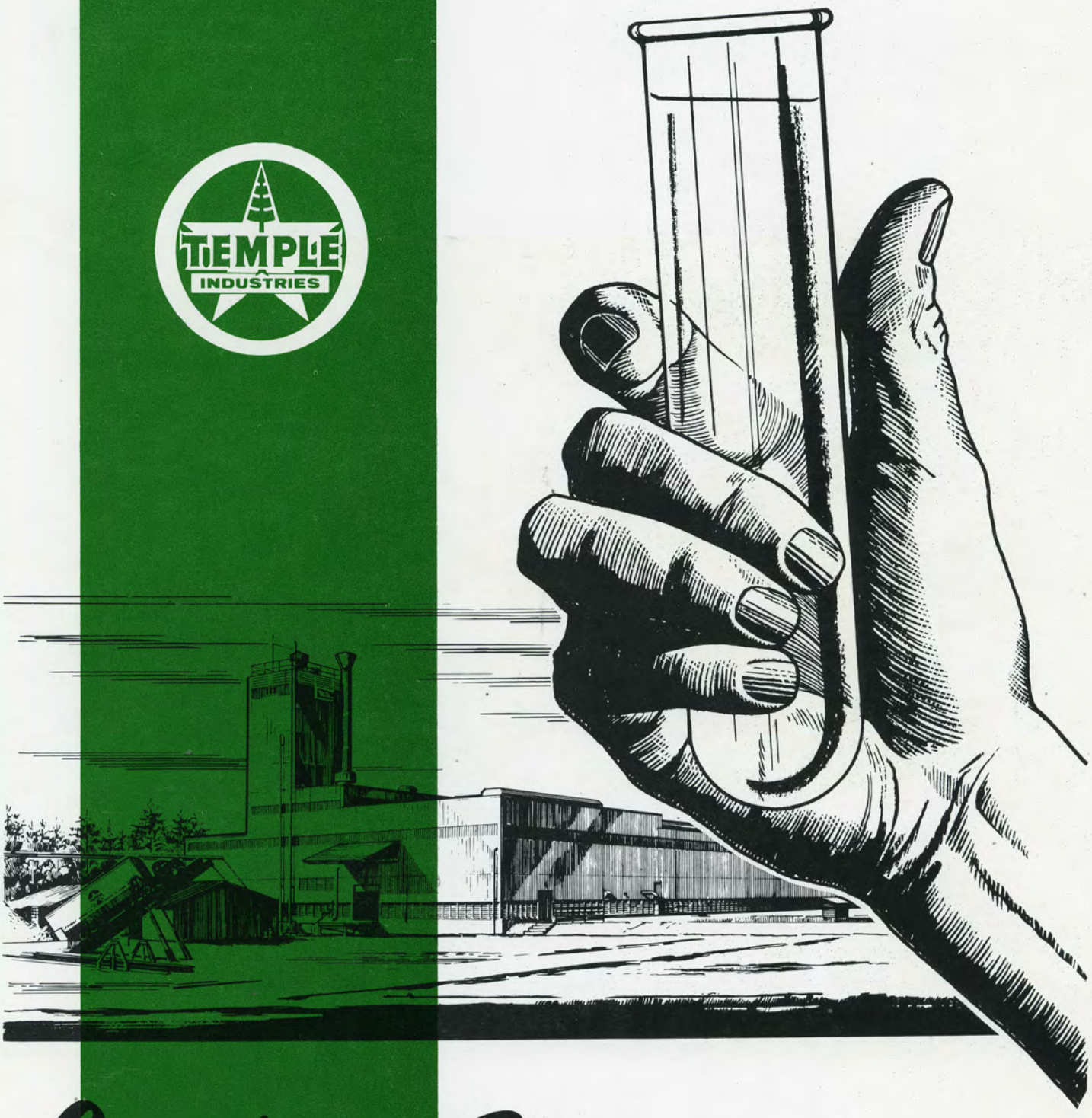
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# *sixty-seventh* ANNUAL REPORT / 1960

TEMPLE INDUSTRIES



# *Southern Pine* LUMBER COMPANY

Diboll, Texas

Since 1894

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## OFFICERS

| | |
|---|---|
| W. TEMPLE WEBBER | *Chairman of the Board* |
| ARTHUR TEMPLE, JR. | *President* |
| T. L. L. TEMPLE, III | *Vice-President - Retail Division* |
| JOE C. DENMAN, JR. | *Vice-President - Lumber Production* |
| KENNETH NELSON | *Vice-President - Land & Timber Division* |
| R. CLYDE THOMPSON | *Vice-President - Forest Harvest Division* |
| CARROLL B. ALLEN | *Vice-President - Fiber Board Division* |
| G. S. SMITH | *Secretary-Treasurer* |
| W. AUBREY CANON | *Assistant Secretary-Treasurer and Comptroller* |
| JOHN W. NAGLE | *Assistant Secretary-Treasurer* |

## DIRECTORS

| | |
|---|---|
| CARROLL B. ALLEN | H. J. SHANDS |
| NEWMAN B. GREGORY | G. S. SMITH |
| ROBERT T. KEELER | *ARTHUR TEMPLE, JR. |
| THOMAS T. KELLER | *T. L. L. TEMPLE, III |
| E.G. PRUD'HOMME | R. CLYDE THOMPSON |

*W. TEMPLE WEBBER

* Executive Committee

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March 9, 1961

TO SHAREHOLDERS:

1960 was the year in which we completed our ten year rebuilding program. Although several completely new subsidiaries and operations have been organized, our primary objective during the decade just closed was that of (1) making our existing manufacturing operations completely modern, flexible, and functional and (2) making our forests completely self sustaining. Both these objectives have been reached.

With the completion of the new planer, dress shed, rough shed, shipping facilities and the new furniture parts plant at Pineland, we find all of our facilities in both Pineland and Diboll as efficient as or better than any in the industry.

Our timber and timberlands were cruised by C. D. Shy & Co. and they report that our pine timber growth will easily exceed the normal capacity of our two sawmills. Hardwood lumber production will undoubtedly be a diminishing part of our production for many years to come. This favorable balance of timber growth over requirements is the result of many years of work and unusual expense in the proper cultivation of our forests and in the acquisition of substantial additional acreage. We trust that the heavy investment in timberlands, which has allowed us to reach our goal, will prove a wise one.

Net earnings per share for 1960 were $1.03 as compared with $1.42 for the previous year. This reduction can be accounted for almost entirely by the reduction in pine selling price. Operating costs continue to be good and in some instances outstanding.

We were saddened by the death of Mr. D. G. McNair on August 8, 1960. Mr. McNair had been with our company for 33 years and was Vice President and General Manager for the Retail Division at the time of his death. His loyalty and devotion were in large measure responsible for the success of the operation which he headed. Mr. T L. Latane Temple, III has been selected by the Board to fill this vacancy.

The Retail Division has been the subject of an intensive study by the consulting firm of Booz, Allen & Hamilton of Chicago. This study was made in an effort to strengthen the profit potential of that operation. The plan of action recommended by our consultant has been adopted by the Board and Mr. Latane Temple has been instructed to implement the program.

The Fiberboard Plant showed encouraging operating profits and we expect continued improvement in this department. Another lumber company in Arkansas has put in a small sheathing plant and could cause severe price competition, but we are hopeful that this will not occur.

SUBSIDIARIES

Our wholly owned subsidiary, Woodward, Inc., Austin, Texas, showed a small loss for 1960. The recession of 1960 was especially severe in the furniture business and was further aggravated by excessive inventories. Industry sources indicate that inventories now may have been adjusted.

Temple-White, a 50% owned subsidiary had a good year with profits down only slightly from the previous year. Mr. H. C. White, its President, died on January 14, 1961 as a result of a heart attack while hunting. Herb's absence will be keenly felt by our companies and by the Town of Diboll. No person did more to build community pride and spirit. Mr. White is succeeded as President of Temple-White by his son, H. C. White, Jr., who has been with the company since 1947 and has served as Vice President and Sales Manager for the past 8 years.

Tex-Lam, 50% owned by Southern Pine, has moved its laminating operation into a new plant at Diboll. The outlook for its operation is good and we feel that this product has an outstanding potential.

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Security and Guaranty Abstract Co., of Lufkin, 50% owned by Southern Pine, has completed building its plant and operations are satisfactory.

The Minerals Division, created in late 1959, has done an outstanding job of managing the mineral interests of the company. Southern Pine Lumber Company has purchased all of the outstanding stock of Topaz Oil Company and Mr. Lowell Wood, Manager of our Minerals Division, has been elected President. Topaz is a small oil company owning a 50% working interest in one producing oil well on Southern Pine Lumber Company's fee land. The responsibilities of the Mineral Division will undoubtedly be delegated to Topaz at some future time. It is anticipated that Topaz will continue to develop likely prospects as funds are available. The Mineral Division reports that there are now six producing oil wells on our lands in which we have a royalty interest. In addition, there is one gas well in the process of completion.

The depressed present condition and unfavorable outlook for the housing industry make it impossible for us to predict any improvement in our markets. The near certainty of an increase in taxes and the enactment of higher minimum wage legislation will make it difficult for us to improve our operating profits until reduced prices of our products move upward. There is no reason for us to think that prices will improve during 1961 unless some political stimulus is applied. We have considerable doubt as to the effectiveness of such measures at this time.

Nevertheless, we are strong and able and will more than hold our own with the best in the industry.

W. TEMPLE WEBBER
Chairman of the Board

ARTHUR TEMPLE, JR.
President

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# Southern Pine Lumber Company

## Diboll, Texas

## CONDENSED BALANCE SHEET

## DECEMBER 31, 1960 and 1959

## ASSETS

| CURRENT ASSETS: | 1960 | 1959 |
|---|---|---|
| Cash in banks and on hand | $ 1,254,172.52 | $ 1,448,827.74 |
| Notes and Accounts Receivable (Net) | 2,263,892.81 | 2,496,373.02 |
| Real Estate for resale (including contract construction) | 719,127.81 | 1,124,135.85 |
| Inventories, at lower of cost or market | 4,878,599.05 | 4,763,245.48 |
| Prepaid Expenses | 129,818.64 | 216,066.70 |
| A/C Receivable - Advances to Subsidiaries | 218,824.83 | 148,104.13 |
| TOTAL CURRENT ASSETS | $ 9,464,435.66 | $10,196,752.92 |
| **OTHER ASSETS:** | | |
| Timber and Timberland, exclusive of unpaid Timber Contracts (Note A) | $ 3,623,013.38 | $ 3,786,216.66 |
| Mills and Equipment, after depreciation of $8,140,154.04 (Note B) | 11,531,672.72 | 11,137,628.22 |
| Stocks, at cost (Note C) | 1,653,010.71 | 1,007,299.67 |
| Plant Work Under Construction | | 77,594.70 |
| Other Assets, including notes and accounts receivable due subsequent to 12/31/61 & 60 | 552,927.99 | 495,270.49 |
| TOTAL ASSETS | $26,825,060.46 | $26,700,762.66 |

## LIABILITIES

| CURRENT LIABILITIES: | | |
|---|---|---|
| Notes Payable | $ 498,860.90 | $ 152,705.31 |
| Accounts Payable & Customers Credit Balances | 451,122.69 | 305,131.47 |
| Provision for taxes and accrued expenses | 376,140.21 | 298,068.50 |
| Dividend Payable | 245,419.50 | 245,419.50 |
| Provision for Federal Income Tax (Note D) | 100,000.00 | NONE |
| TOTAL CURRENT LIABILITIES | $ 1,671,543.30 | $ 1,001,324.78 |
| **OTHER LIABILITIES:** | | |
| Notes payable, due subsequent to 12/31/61 | $ 4,781,925.15 | $ 5,551,511.52 |
| TOTAL LIABILITIES | $ 6,453,468.45 | $ 6,552,836.30 |
| Deferred Income | 38,212.83 | 37,705.64 |
| **STOCKHOLDERS' EQUITY:** | | |
| Capital Stock 850,000 shares of $10.00 par value common stock authorized, issued and outstanding 818,065 shares | $ 8,180,650.00 | $ 8,180,650.00 |
| Retained earnings per statement of earnings and retained earnings | 12,152,729.18 | 11,929,570.72 |
| TOTAL STOCKHOLDERS' EQUITY | $20,333,379.18 | $20,110,220.72 |
| | $26,825,060.46 | $26,700,762.66 |

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# Southern Pine Lumber Company

## Diboll, Texas

CONDENSED STATEMENT OF EARNINGS AND RETAINED EARNINGS

YEARS ENDING DECEMBER 31, 1960 and 1959

## INCOME

| | 1960 | 1959 |
|---|---|---|
| Sales of products wholesale and retail less freight, cash discounts and allowances | $18,990,381.16 | $19,685,989.94 |
| Cost of Goods Sold | $14,382,416.42 | 14,786,753.31 |
| | $ 4,607,964.74 | $ 4,899,236.63 |
| Operating Expenses | 3,003,227.27 | 2,872,320.63 |
| Net Operating Income | $ 1,604,737.47 | $ 2,026,916.00 |
| Income from Land Rentals and Oil Leases | $ 125,852.86 | $ 130,268.97 |
| Dividends Received | 108,548.50 | 104,050.50 |
| Gains from Sales of Assets | 198,756.07 | 104,410.15 |
| Interest Income | 58,246.11 | 54,130.62 |
| Other | 86,679.77 | 90,013.37 |
| | $ 578,083.31 | $ 482,873.61 |
| | $ 2,182,820.78 | $ 2,509,789.61 |

## OTHER EXPENSES

| | | |
|---|---|---|
| Land and Timber Department (includes land taxes) | $ 535,890.81 | $ 504,932.24 |
| Interest Expense | 276,687.05 | 263,531.73 |
| Other Expense | 224,787.47 | 177,585.66 |
| TOTAL OTHER EXPENSE | $ 1,037,365.33 | $ 946,049.63 |
| NET INCOME BEFORE INCOME TAXES | $ 1,145,455.45 | $ 1,563,739.98 |
| Provision for Federal Income Taxes (Est.) | 300,000.00 | 350,000.00 |
| NET EARNINGS FOR THE YEAR | $ 845,455.45 | $ 1,213,739.98 |

## RETAINED EARNINGS

| | | |
|---|---|---|
| Balance, beginning of year | $11,929,570.72 | $11,066,355.71 |
| Prior years adjustments - Net (Note E) | 376,877.49 | 140,314.03 |
| | $11,552,693.23 | $11,206,669.74 |
| Profit for year | 845,455.45 | 1,213,739.98 |
| | $12,398,148.68 | $12,420,409.72 |
| Dividends paid or declared | 245,419.50 | 490,839.00 |
| Balance at End of Year | $12,152,729.18 | $11,929,570.72 |

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# MISCELLANEOUS STATISTICAL DATA

| | 1960 | 1959 | 1958 | 1957 |
|---|---|---|---|---|
| Total Net Sales | $18,990,381 | $19,685,989 | $16,694,717 | $14,852,585 |
| PINE | | | | |
| Selling Price Per M B/M | $ 90.40 | $ 96.45 | $ 90.18 | $ 92.02 |
| Mfg. Costs Per M B/M | $ 71.78 | $ 68.60 | $ 73.73 | $ 78.17 |
| Margin Per M B/M | $ 18.62 | $ 27.85 | $ 16.45 | $ 13.85 |
| Total Margin | $ 1,028,981 | $ 1,452,430 | $ 738,195 | $ 636,530 |
| Footage Sold | 55,280,271 | 51,947,496 | 44,903,652 | 45,942,688 |
| Realization Per M B/M | $ 42.06 | $ 46.74 | $ 38.06 | $ 49.00 |
| HARDWOOD: | | | | |
| Selling Price Per M B/M | $ 67.85 | $ 71.26 | $ 67.52 | $ 64.82 |
| Mfg. Costs Per M B/M | $ 65.41 | $ 64.92 | $ 64.75 | $ 58.85 |
| Margin Per M B/M | $ 2.44 | $ 6.34 | $ 2.77 | $ 5.97 |
| Total Margin | $ 48,816 | $ 185,305 | $ 86,923 | $ 182,881 |
| Footage Sold | 20,009,217 | 29,211,719 | 31,440,239 | 30,669,670 |
| Realization Per M B/M | $ 16.69 | $ 18.62 | $ 9.80 | $ 14.33 |
| Total Lumber Footage Sold | 75,289,488 | 81,159,000 | 76,344,000 | 75,328,000 |
| FLOORING: | | | | |
| Selling Price Per M B/M | $ 126.61 | $ 138.58 | $ 122.17 | $ 105.20 |
| Mfg. Costs Per M B/M | $ 123.79 | $ 129.44 | $ 116.40 | $ 119.25 |
| Margin Per M B/M | $ 2.82 | $ 9.14 | $ 5.77 | $ (14.05) |
| Total Margin | $ 17,746 | $ 101,946 | $ 82,370 | $ (180,484) |
| Footage Sold | 6,295,676 | 11,150,041 | 14,281,277 | 12,848,075 |
| Lath & Pieces Produced | 7,423,800 | 8,687,613 | 7,602,753 | 7,486,508 |
| Squares: Profit | $ 92,913 | $ 103,197 | $ 89,723 | $ 84,735 |
| FIBERBOARD: | | | | |
| Sales | $ 2,672,558 | $ 2,057,233 | $ 638,466 | $ |
| Costs Per M S/F - ½" Count | $ 30.05 | $ 32.96 | $ 46.85 | $ |
| Net Profit | $ 369,319 | $ 108,187 | $ (204,172) | |
| Footage Sold - ½" Count | 76,646,699 | 59,084,128 | 17,955,686 | |
| TREATING: | | | | |
| Sales | $ 1,062,444 | $ 1,070,930 | $ 914,518 | $ 898,594 |
| Margin | $ 75,197 | $ 68,904 | $ 59,762 | $ 66,785 |
| Cu. Ft. Treated | 799,999 | 805,256 | 821,787 | 1,088,073 |
| CHIPS: Profit | $ 494,135 | $ 513,976 | $ 307,104 | $ 362,373 |
| ROAD TRUCKS: Profit | $ 95,292 | $ 91,823 | $ 88,022 | $ 76,575 |

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| DIMENSION: | 1960 | 1959 | 1958 | 1957 |
|---|---|---|---|---|
| Selling Price Per M B/M | $ 381.84 | $ 356.68 | $ 325.82 | $ 339.41 |
| Mfg. Costs Per M B/M | $ 372.00 | $ 341.27 | $ 327.63 | $ 336.11 |
| Net Profit | $ 30,043 | $ 30,603 | $ (6,640) | $ 12,792 |
| Footage Sold | 3,054,485 | 3,921,361 | 3,660,639 | 3,870,329 |
| SEATS: | | | | |
| Selling Price Each | $ 1.73 | $ 2.05 | $ 2.19 | $ 2.46 |
| Mfg. Costs Each | $ 1.57 | $ 1.97 | $ 2.10 | $ 2.53 |
| Total Margin | $ 82,213 | $ 32,239 | $ 35,623 | $ (18,779) |
| Seats Sold | 497,657 | 404,747 | 426,304 | 278,673 |
| Oil Leases & Delay Rentals | $ 107,758 | $ 113,085 | $ 143,140 | $ 209,226 |
| SELLING EXPENSES: | | | | |
| Company | $ 394,847 | $ 359,016 | $ 373,216 | $ 293,557 |
| Wholesale Commissions | $ 149,173 | $ 176,968 | $ 164,441 | $ 156,513 |
| Total | $ 544,020 | $ 535,984 | $ 537,657 | $ 449,070 |
| Retail Division Profit | $ 230,840 | $ 340,959 | $ 383,883 | $ 302,490 |
| Total Net Profit Before Taxes | $ 1,145,455 | $ 1,563,740 | $ 385,405 | $ 453,028 |
| Depreciation | $ 1,040,727 | $ 1,218,487 | $ 1,029,355 | $ 901,579 |
| *Depletion: Company Timber | $ 195,618 | $ 204,895 | $ 199,180 | $ 201,114 |
| Outside Timber Purchases | $ 760,190 | $ 772,925 | $ 912,056 | $ 1,345,152 |
| Land Taxes | $ 265,446 | $ 281,629 | $ 230,191 | $ 213,790 |

Where applicable, figures shown are for both Mills combined.

Sales figures include Inter-company Transfers.

*Technical allowance which reflects the total value of timber harvested from our lands, from timber rights purchase contracts and from cutting contracts, in accordance with Internal Revenue Service practices.

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NOTE: (A) Southern Pine Lumber Company entered into a timber cutting contract with a certain paper company on April 13, 1956, which is to run for a period of five (5) years, or until eighty million feet of timber has been cut, whichever event comes first. This contract was extended one additional year in 1959. The company has obligated itself to pay in full for eighty million feet Doyle log scale of pine timber at a price of $49.00 per thousand feet Doyle scale by the beginning of the fifth year of the contract and at slightly increased prices thereafter, and the paper company obligated itself to furnish and make this quantity of timber available to the lumber company during the term of the contract. Title to the timber is to remain in the hands of the paper company until severed and paid for and title to all timber not cut and removed by April 13, 1962 is to continue in the paper company. To secure performance of this contract, the company has pledged approximately 14,000 acres of its land in the northern part of Nacogdoches County, Texas, and the southern part of Rusk County, Texas. Through December 31, 1960, the company had cut 76,155,167 feet Doyle scale on its contract dated April 13, 1956, and has either paid or accrued on its records the amount due the paper company for this amount of stumpage.

The company is obligated to cut by January 22, 1962 at least 4,000,000 feet L/S of hardwood or cypress timber at $13.50 and $35.00 per M respectively. Very little cypress will be cut due to its scarcity. What remaining hardwood or cypress timber the owner has may be cut at the option of the company between January 22, 1962 and January 22, 1964 at the same prices.

NOTE: (B) Note payable to First Security & Savings Bank, Elmwood Park, Illinois in the amount of $48,762.96 is secured by a chattel mortgage on cranes shown in buildings, machinery and equipment with an undepreciated balance of $70,894.29.

NOTE: (C) Stock in each wholly owned subsidiary is carried at the company's costs in the amount shown:

| | |
|---|---|
| Scotch Investment Company | $600,000.00 |
| Woodward, Inc. | $125,000.00 |
| Temple Builders Supply, Inc. | $301,916.03 |

The amounts shown closely approximate the net worth on the balance sheets of these companies as of December 31, 1960. No consolidation of these wholly owned subsidiaries has been made in preparing either the balance sheet or statement of earnings of Southern Pine Lumber Company.

Shares in savings and loan associations in the amounts of $63,000.68 are pledged to secure the payment of loans to customers or employees for the purchase of houses from the company.

NOTE: (D) As of December 31, 1959 the company estimated its Federal income tax liability to be $350,000.00 and had paid this amount on that date.

NOTE: (E) During the years ended December 31, 1958 and 1959 the company used the "double declining balance" method in computing its depreciation charges for its Federal Income Tax Returns and the "straight line" method on the company's records on certain items of equipment. An adjustment has been recorded as a charge to retained earnings as of December 31, 1960 in order to bring the two methods of accounting in line.

During the year ended December 31, 1960 the company elected to change from the "double declining balance" method to the "straight line" method of computing depreciation on some of the items of equipment on the "double declining balance" method and this has been recorded in the company's records. This election increased earnings by $97,929.75 for this year and reduced allowable depreciation accordingly.

## CONTINGENT LIABILITIES

The company is contingently liable as guarantor as follows:

(1) Note of Scotch Investment Company for $500,000.00 to Texas National Bank.

(2) The company is committed to guarantee a first mortgage loan of $200,000.00 for Tex-Lam, Inc. (a partially owned subsidiary) payable over a period of fifteen years.

(3) To the extent of $42,000.00 on an unsecured loan made by First State Bank & Trust Company, Lufkin, Texas to Love Wood Products Company (a partially owned subsidiary) which is payable in monthly installments.

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