Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

SIXTY-NINTH ANNUAL REPORT SOUTHERN PINE LUMBER COMPANY 1962



FIRST METHODIST CHURCH—LUFKIN, TEXAS / ENGINEERED LAMINATED ARCHES BY TEXLAM INCORPORATED / A SOUTHERN PINE LUMBER COMPANY AFFILIATE

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

OFFICERS

W. TEMPLE WEBBER
CHAIRMAN OF THE BOARD

ARTHUR TEMPLE, JR.
PRESIDENT

T. L. L. TEMPLE, III
VICE-PRESIDENT

CARROL B. ALLEN
VICE-PRESIDENT—FIBER BOARD DIVISION

JOE C. DENMAN, JR.
VICE-PRESIDENT—LUMBER PRODUCTION

KENNETH NELSON
VICE-PRESIDENT—LAND & TIMBER DIVISION

R. CLYDE THOMPSON
VICE-PRESIDENT—FOREST HARVEST DIVISION

W. AUBREY CANON
SECRETARY-TREASURER

JOHN W. NAGLE
ASSISTANT SECRETARY-TREASURER

JAMES J. NELSON
COMPTROLLER

DIRECTORS

CARROL B. ALLEN
NEWMAN B. GREGORY
ROBERT T. KEELER
THOMAS T. KEELER
NICHOLAS PEAY
E. G. PRUD'HOMME
H. J. SHANDS
*ARTHUR TEMPLE, JR.
*T. L. L. TEMPLE, III
R. CLYDE THOMPSON
*W. TEMPLE WEBBER
JULIAN H. ZIMMERMAN

* EXECUTIVE COMMITTEE

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

TO THE SHAREHOLDERS:

Sales of Southern Pine Lumber Company for the year 1962 were $14,125,000, an increase of $670,000 (5%) over the previous year. Net profits before taxes were $1,985,439.29 as compared with $1,615,731.78 in 1961, exclusive of capital gains. Earnings per share after taxes were $1.77 for 1962 compared with $1.45 per share for normal operations in the previous year. It will be remembered that Southern Pine disposed of its holdings in Southland Paper Mills in 1961 for a non-recurring gain of $5.48 per share.

The net overall improvement is accounted for by increased operating profits all down the line with the notable exception of fiberboard products. Although operating costs and volume were about in line with earlier optimistic forecasts, chaotic conditions in the insulation board market have been responsible for disappointing results in this division. However, we are fortunate to have taken up the slack by exceeding projected results elsewhere.

All of our plants are operating well and have done so for the past year. Costs remain good in spite of substantial wage increases which took effect October 1, 1962 and January 1, 1963. These increases will cost approximately $200,000 annually. Greatly expanded pension benefits were approved by the Board last year. In addition, bonuses totaling $157,000 were paid to employees for the year 1962 . . . and our vacation policy was revised to provide an additional week vacation for those employees who had been with the Company for 10 years or more. These substantial increases were absorbed in our operating costs without adversely affecting our earnings and we feel that our supervisory personnel are to be congratulated for sponsoring the additional effort which has apparently sustained our earnings level.

Numerous minor capital expenditures have increased our investment in our own property, plant and equipment by $650,000.

During 1962 what was formerly the retail division has been operating as a wholly owned subsidiary, Temple Builders Supply, Inc. This report excludes its sales and operating figures except where specifically noted. However, it should be mentioned that this subsidiary has continued to increase its sales, although profits have barely maintained previous levels as a result of increased central office expense calculated to strengthen chances of reaching our long term objective of adequate return on investment in keeping with the capital employed. The task of attaining proper return on investment in the retail building material distribution field is a difficult one, but we are of the opinion that this goal can be realized.

Scotch Investment Company, a wholly owned subsidiary, engaged in numerous real estate development transactions during the year and returned an excellent profit of almost 30% before taxes on our original investment of approximately $1,000,000. Under development at the present time are several highly desirable projects, including Emerald Cove, a 22 acre site

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

projecting into the bay immediately adjacent to the business district of Corpus Christi. Preliminary lease agreements for a multi-story resort type hotel have been arranged, subject to final approval by both parties, and complete development of this valuable piece of property should follow actual construction of the hotel. Announcement is being withheld until lease agreement is final. Consummation of this transaction is also subject to approval of title by the Attorney General of the State of Texas.

Earnings of subsidiaries and affiliates are not consolidated for this report.

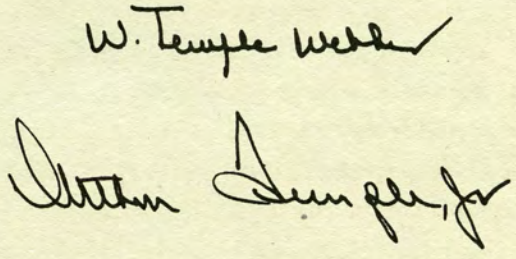
The Minerals Division contributed substantially to income in 1962 as a result of increased oil exploration activity in our area. Income from land rentals and oil leases totaled $567,000 as compared with $202,000 in 1961.

In June Southern Pine Lumber Company purchased approximately 50% of the outstanding stock of Texas Gypsum Company, Inc., El Paso, Texas, a manufacturer of gypsum wallboard products used extensively in the building trades. This popular product fits in with the other construction materials which we manufacture and market. The plant in El Paso was closed down in September, moved to Irving, Texas, near Dallas, was expanded and began production of wallboard at its new location in mid-January, 1963. We expect Texas Gypsum to be a substantial earner in future years, although it is presently experiencing customary and anticipated start-up problems.

During 1962 we purchased controlling interest in Lumbermen's Investment Corporation, Austin, which is a diversified financial institution operating throughout Texas and Oklahoma. LIC is principally engaged in the mortgage loan business and it is headed by former FHA commissioner Julian H. Zimmerman, who has become a member of Southern Pine's Board. Southern Pine also expanded its activities through LIC subsidiaries into the insurance and urban real estate development fields. Projects presently committed or in final negotiation will involve approximately $35,000,000, which will be financed on a non-recourse, limited liability basis customary in this field.

Southern Pine Lumber Company has under serious consideration at this time additional plants for the manufacture of paper, plywood, vinyl tile flooring, and building components.

As the past 15 years have been devoted primarily to expansion and improvement of our manufacturing facilities, the next 10 years will see increasing emphasis on perfection of our marketing organization. We trust that the efforts so expended will prove as rewarding as those of previous years.



Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

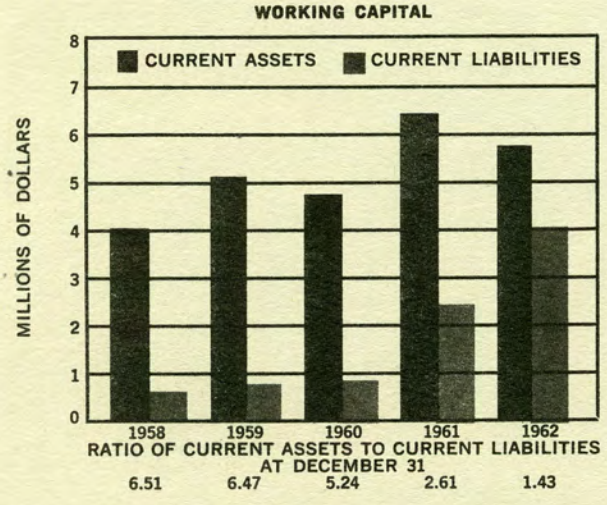
SOUTHERN PINE LUMBER COMPANY
FIVE YEAR SUMMARY
COMPARATIVE STATEMENTS OF FINANCIAL CONDITION
AT DECEMBER 31

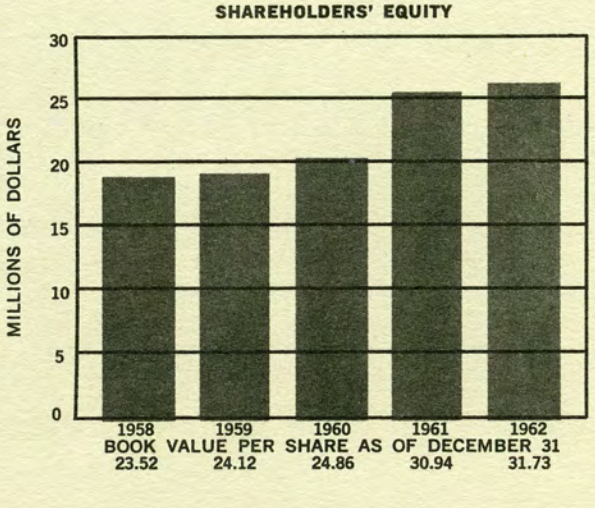
ASSETS

	1962	1961	1960	1959	1958
CURRENT ASSETS:					
Cash	$ 1,690,500	$ 2,122,300	$ 493,900	$ 929,500	$ 387,700
Receivables—Net	1,228,100	1,204,800	944,400	1,009,200	787,400
Inventories	2,717,700	2,844,900	3,109,200	2,922,500	2,673,200
Prepaid Expenses	153,700	239,200	92,500	184,800	154,400
Total Current Assets	$ 5,790,000	$ 6,411,200	$ 4,640,000	$ 5,046,000	$ 4,002,700
INVESTMENTS, at cost:					
Marketable Securities	$ 228,200	$ 43,500	$ 594,700	$ 586,700	$ 519,700
Retail Division		5,015,500	4,870,200	5,524,600	5,422,200
Subsidiary Companies	9,684,900	2,045,400	1,026,900	302,900	5,000
PROPERTY, PLANT & EQUIPMENT:					
Mills & Equipment—at cost	19,200,100	18,553,000	17,163,600	16,974,000	16,153,200
Accumulated Depreciation	(8,981,700)	(8,034,500)	(7,368,000)	(6,792,500)	(5,514,900)
Land & Timber—at cost or less	3,292,000	3,374,800	3,488,500	3,664,600	3,761,100
OTHER ASSETS	965,700	591,700	1,571,500	519,100	812,800
TOTAL ASSETS	$30,179,200	$28,000,600	$25,987,400	$25,825,400	$25,161,800

LIABILITIES

CURRENT LIABILITIES:					
Notes Payable	$ 2,890,600	$ 91,400	$ 43,700	$ 84,600	$ 12,000
Accounts Payable	104,700	37,800	331,600	130,700	310,900
Dividend Payable	572,600	327,200	245,400	245,400	
Accrued Expenses	340,400	202,900	164,700	193,600	179,500
Accrued Federal Income Taxes	135,000	1,800,000	100,000	125,400	112,500
Total Current Liabilities	$ 4,043,300	$ 2,459,300	$ 885,400	$ 779,700	$ 614,900
LONG-TERM NOTES PAYABLE	180,700	227,900	4,768,600	5,312,300	5,300,000
	$ 4,224,000	$ 2,687,200	$ 5,654,000	$ 6,092,000	$ 5,914,900
SHAREHOLDERS' EQUITY	25,955,200	25,313,400	20,333,400	19,733,400	19,246,900
TOTAL LIABILITIES	$30,179,200	$28,000,600	$25,987,400	$25,825,400	$25,161,800
Shareholder's Equity per share outstanding at December 31	$ 31.73	$ 30.94	$ 24.86	$ 24.12	$ 23.52





Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

SOUTHERN PINE LUMBER COMPANY
FIVE YEAR SUMMARY
COMPARATIVE STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31

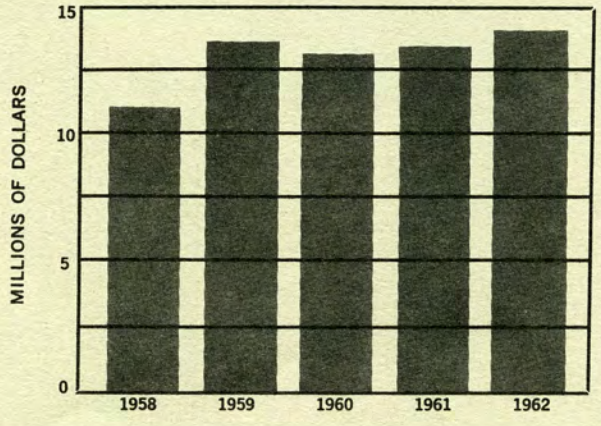
	1962	1961	1960	1959	1958
SALES:					
Lumber	$ 6,632,200	$ 6,305,000	$ 6,049,200	$ 6,861,500	$ 6,117,400
Furniture Parts	1,547,800	1,090,200	1,166,100	1,397,300	1,190,600
Treated Materials	1,012,400	1,070,000	1,001,100	960,800	829,000
Fiberboard	2,897,700	3,224,700	2,668,200	2,057,000	638,400
Seats	834,300	577,100	862,100	831,700	932,200
Chips	386,200	247,300	316,300	500,700	351,200
Other Products	814,100	844,100	933,300	918,700	844,700
Total Sales	$14,124,700	$13,358,400	$12,996,300	$13,527,700	$10,903,500
OTHER INCOME (Net)	705,400	6,525,500	456,200	356,000	491,900
Total	$14,830,100	$19,883,900	$13,452,500	$13,883,700	$11,395,400
COSTS AND EXPENSES:					
Costs of Goods Sold and Expenses, except items below	$11,111,100	$10,585,400	$10,393,600	$10,303,000	$ 9,123,800
Depreciation	1,072,400	1,067,900	975,300	1,150,200	966,800
Depletion of Company timber	124,500	188,900	195,600	204,900	199,200
Purchased timber and logs	311,900	226,000	760,200	772,900	912,100
Land Taxes	224,700	223,200	213,100	230,000	168,000
Federal Income Taxes (estimated)	535,000	1,924,500	180,000	172,700	(32,200)
Total Costs and Expenses	$13,379,600	$14,215,900	$12,717,800	$12,833,700	$11,337,700
NET INCOME—MILLS	$ 1,450,500	$ 5,668,000	$ 734,700	$ 1,050,000	$ 57,700
NET INCOME—Retail Division (After Income Taxes)		69,700	110,800	163,700	184,300
Total Net Income	$ 1,450,500	$ 5,737,700	$ 845,500	$ 1,213,700	$ 242,000
DIVIDENDS DECLARED	818,100	818,100	245,400	490,800	163,600
EARNINGS RETAINED IN THE BUSINESS	$ 632,400	$ 4,919,600	$ 600,100	$ 722,900	$ 78,400

Note: Sales for 1958 through 1961 include inter-division transfers to the Retail Division.

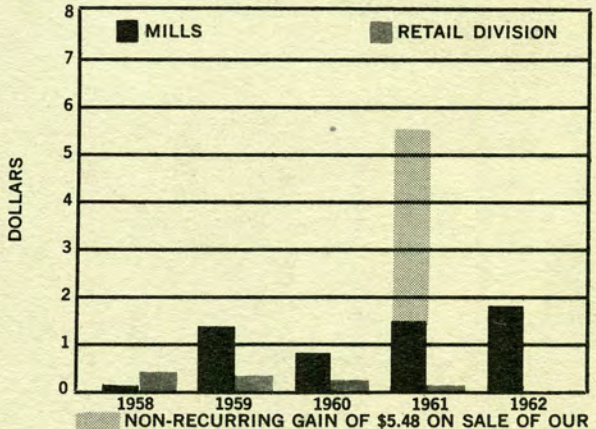
Per share outstanding at December 31:

Net Income: Mills	$ 1.77	$ 1.45	$ .90	$ 1.28	$ .07
Retail Division		.08	.13	.20	.23
Gain on Sale of Stock		5.48			
Dividends Declared	1.00	1.00	.30	.60	.20

ANNUAL SALES



EARNINGS PER SHARE



NON-RECURRING GAIN OF $5.48 ON SALE OF OUR MINORITY HOLDINGS IN SOUTHLAND PAPER MILLS, INC.

Copied from an original at The History Center, Diboll, Texas www.TheHistoryCenterOnline.com 1993:001



Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

SOUTHERN PINE LUMBER COMPANY
CONDENSED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
YEARS ENDING DECEMBER 31

STATEMENT OF EARNINGS

	1962	1961
Sales of Products, less freight, cash discounts and allowances	$14,124,652.33	$13,358,429.74
Cost of Goods Sold	10,425,885.93	10,050,428.63
	$ 3,698,766.40	$ 3,308,001.11
Operating Expenses	2,241,864.20	2,013,812.00
	$ 1,456,902.20	$ 1,294,189.11
Income from Land Rentals & Oil Leases	$ 566,752.65	$ 202,238.78
Gains on Sales of Assets	57,839.33	288,757.09
Interest Income	62,900.38	41,910.15
Dividends Received	17,950.60	15,934.50
	$ 705,442.96	$ 548,840.52
	$ 2,162,345.16	$ 1,843,029.63
Interest Expense	$ 88,553.12	$ 81,494.01
Other Expenses	43,232.77	145,803.84
Investment Credit Depreciation—Note C	45,119.98	
	$ 176,905.87	$ 227,297.85
Net Income Before Taxes	$ 1,985,439.29	$ 1,615,731.78
Provision for Federal Income Taxes (Estimated)—Note C	534,960.30	430,450.00
	$ 1,450,478.99	$ 1,185,281.78
Gain on Sales of Corporate Stock:		
$5,976,696.10 less $1,494,000.00 Estimated Federal Income Taxes Thereon		4,482,696.10
Net Earnings for the Year	$ 1,450,478.99	$ 5,667,977.88

STATEMENT OF RETAINED EARNINGS

	1962	1961
Balance—Beginning of Year	$17,132,734.42	$12,152,729.18
Net Adjustments for Prior Years	9,444.48	60,353.89
	$17,142,178.90	$12,213,083.07
Net Earnings for the Year:		
Mills	$ 1,450,478.99	$ 5,667,977.88
Retail Division—Note B		69,738.47
	$ 1,450,478.99	$ 5,737,716.35
	$18,592,657.89	$17,950,799.42
Dividends Paid or Declared	818,065.00	818,065.00
Balance—End of Year	$17,774,592.89	$17,132,734.42

The accompanying Notes to Financial Statements are an integral part hereof.

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

NOTES TO FINANCIAL STATEMENTS

NOTE A: Shares in savings and loan associations in the amounts of $31,250.00 at December 31, 1962 and $71,836.04 at December 31, 1961 are pledged to the respective associations to secure the payment of loans to customers or employees for purchases of houses from the Company.

NOTE B: Investments in subsidiary companies are shown at cost as follows:

	1962		1961	
	Shareholdings	Advances	Shareholdings	Advances
Wholly-Owned:				
Temple Builders Supply, Inc.	$5,233,462.10	$	$ 301,916.03	$105,000.00
Scotch Investment Company	1,000,000.00		1,000,000.00	
Fleishel Lumber Company	300,000.00		300,000.00	
Woodward, Inc.	125,000.00		125,000.00	
Topaz Oil Company	10,428.52		10,428.52	
Angelina Free Press, Inc.	6,000.00		6,000.00	
	$6,674,890.62	$	$1,743,344.55	$105,000.00
Related:				
Lumberman's Investment Corporation	$1,531,923.38	$	$ 77,487.00	$
Texas Gypsum Company, Inc.	229,278.75	1,105,574.28		
Temple-White Company, Inc.	48,096.88		48,096.88	
Tex-Lam, Inc.	35,000.00	4,000.00	35,000.00	
Love Wood Products of Texas	19,954.61		19,954.61	
Security & Guaranty Abstract Company	16,553.97		16,553.97	
Gulf Coast Lumberman	14,576.52			
Castile Mining Company	5,000.00			
	$1,900,384.11	$1,109,574.28	$ 197,092.46	
	$8,575,274.73	$1,109,574.28	$1,940,437.01	$105,000.00

The Company simplified its operations by the transfer on January 1, 1962 of all assets and liabilities of its Retail Division, Temple Lumber Company, to its wholly-owned subsidiary, Temple Builders Supply, Inc., in exchange for additional shares of Temple Builders Supply, Inc. common stock. All retail stores and Republic Building Materials Company will be operated by this subsidiary.

Consolidated financial statements of the parent and subsidiary companies were not made because of diversity of operations and variations in closing dates.

NOTE C: The Company has elected to treat the investment credit of $45,119.98 allowed under Section 38 of the Internal Revenue Code as a reduction in the cost of equipment placed in use during 1962. The resulting increase in depreciation expense is shown separately on the accompanying Statement of Earnings, and the provision for taxes on income has been reduced by a corresponding amount.

NOTE D: A note payable to the First Security & Savings Bank, Elmwood, Illinois in the amount of $19,505.04 at December 31, 1962 is secured by a chattel mortgage on Orton cranes included in Mills and Equipment at an undepreciated balance of $45,372.33.

Notes payable to Republic National Bank, Dallas, Texas in the amount of $2,850,000.00 at December 31, 1962 were used for investments in and advances to subsidiary companies. All are due in less than one year from inception. The Company, at its option per agreement with the Bank, may defer payment of these notes for a period not to exceed five years from January 15, 1962.

NOTE E: Remaining cost of timber and land after providing for timber depletion.

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

CONTINGENT LIABILITIES

The Company is contingently liable as guarantor or endorser as follows:

(1) As guarantor of $1,250,000.00 in unsecured notes of Temple Builders Supply, Inc. to Republic National Bank, Dallas, Texas.

(2) As guarantor on notes of Scotch Investment Company, secured by Real Estate, as follows:

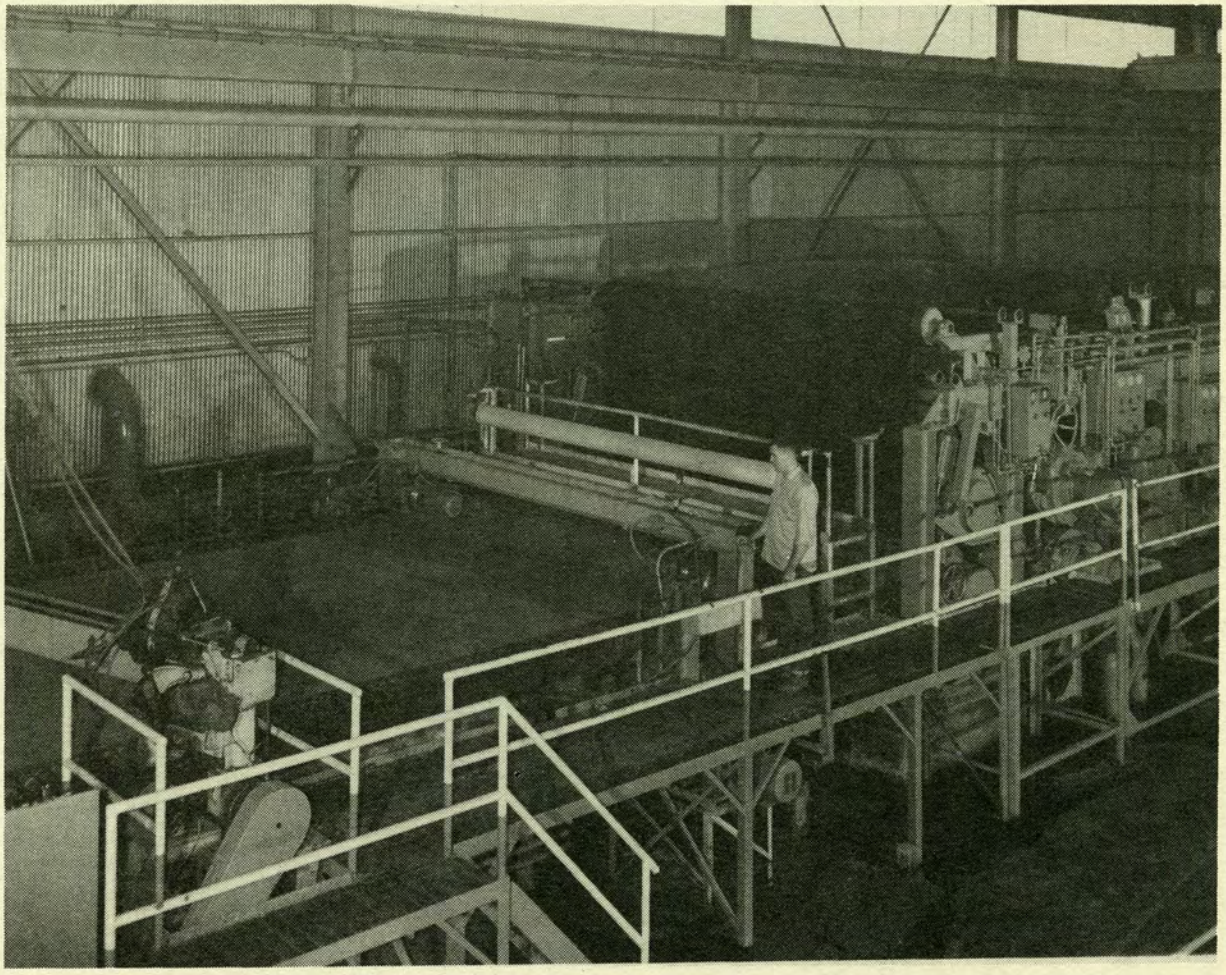
Alkek Oil Company	$ 45,000
Bayou Land Company	70,821
Freeway Development Company	308,200
	$424,021

(3) As guarantor and endorser for Tex-Lam, Inc.:

(a) The Company is guarantor on a first mortgage loan originally amounting to $200,000.00 payable over a period of fifteen years. The balance at December 31, 1962 was $187,080.64, of which $9,292.12 will become due within one year.

(b) On $100,000.00 in unsecured notes payable to First State Bank & Trust Company, Lufkin, Texas.

(4) As guarantor of $100,000.00 in unsecured notes of Woodward, Inc. to Austin National Bank, Austin, Texas. These notes are due January 2, 1964.



Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001

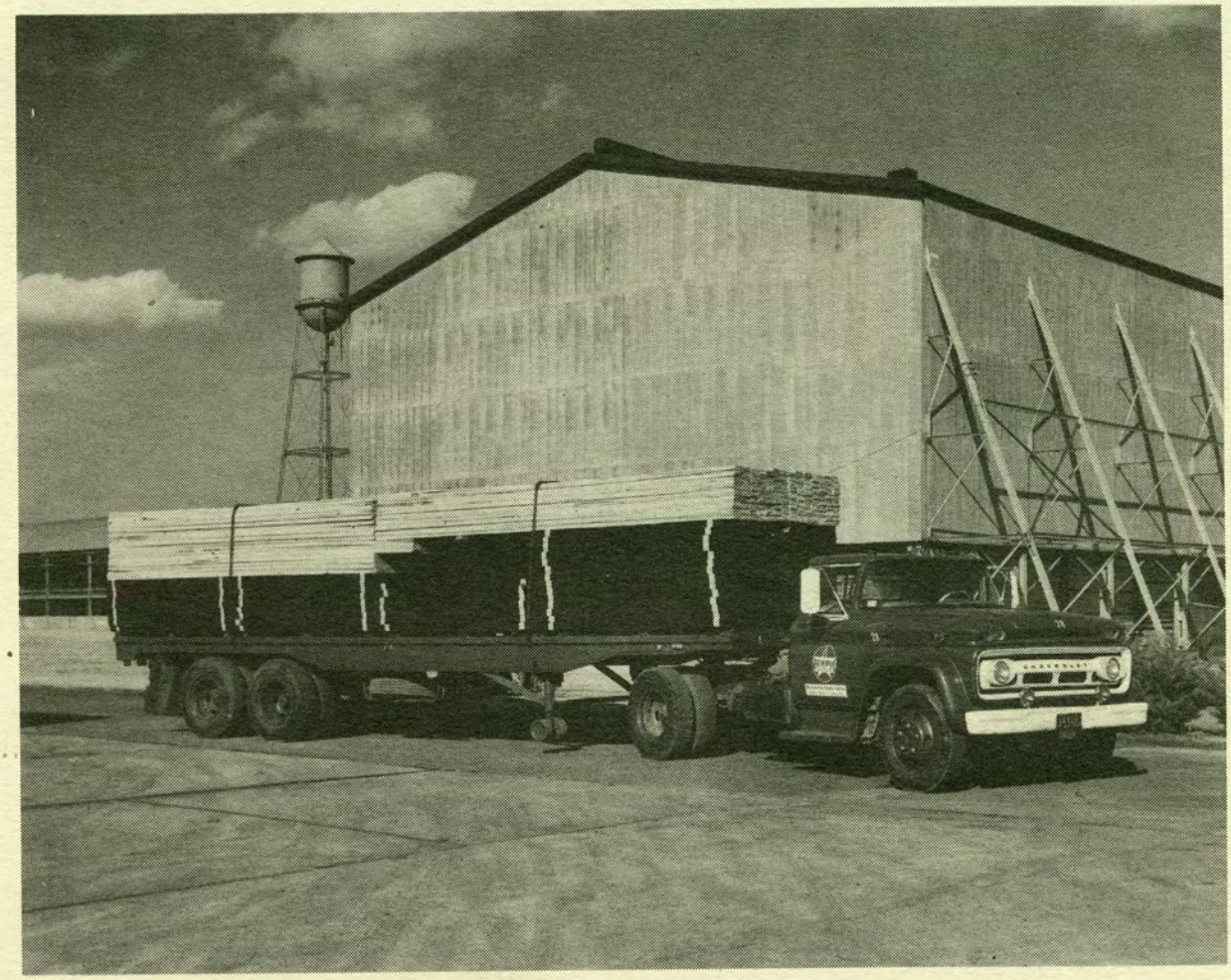
AXLEY & RODE
CERTIFIED PUBLIC ACCOUNTANTS
LUFKIN, TEXAS

Board of Directors
Southern Pine Lumber Company
Diboll, Texas

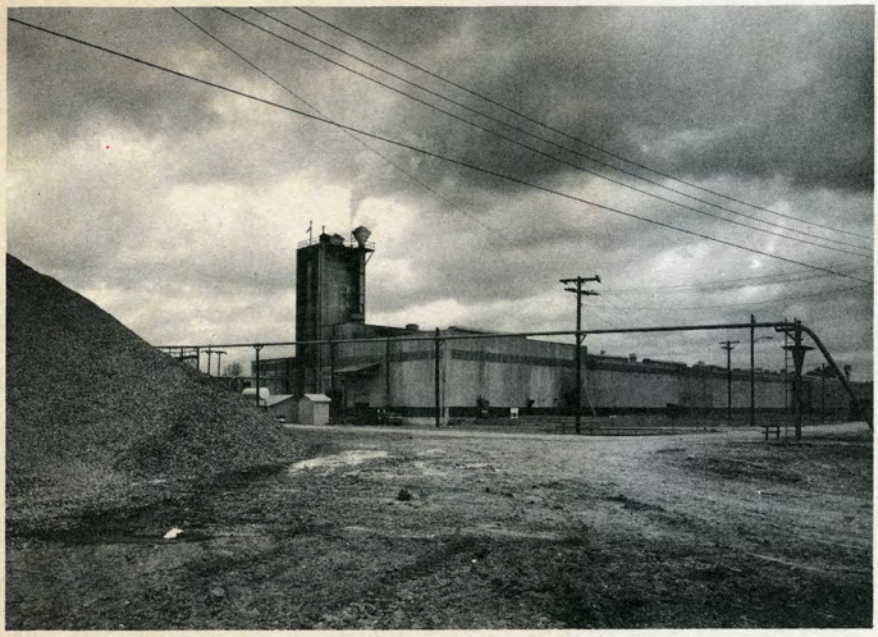
We have examined the statement of financial condition of Southern Pine Lumber Company as of December 31, 1962 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statement of financial condition and statements of income and retained earnings present fairly the financial position of Southern Pine Lumber Company at December 31, 1962 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.

Axley & Rode



Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 1993:001



Southern Pine
LUMBER COMPANY

DIBOLL, TEXAS ⟨ SPIB 77 ⟩ Since 1894

TEMPLE INDUSTRIES

