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annual report · **1957**

BASIC INCORPORATED

fifty years of building for the future

BASIC INCORPORATED

DIRECTORS AND OFFICERS

Directors

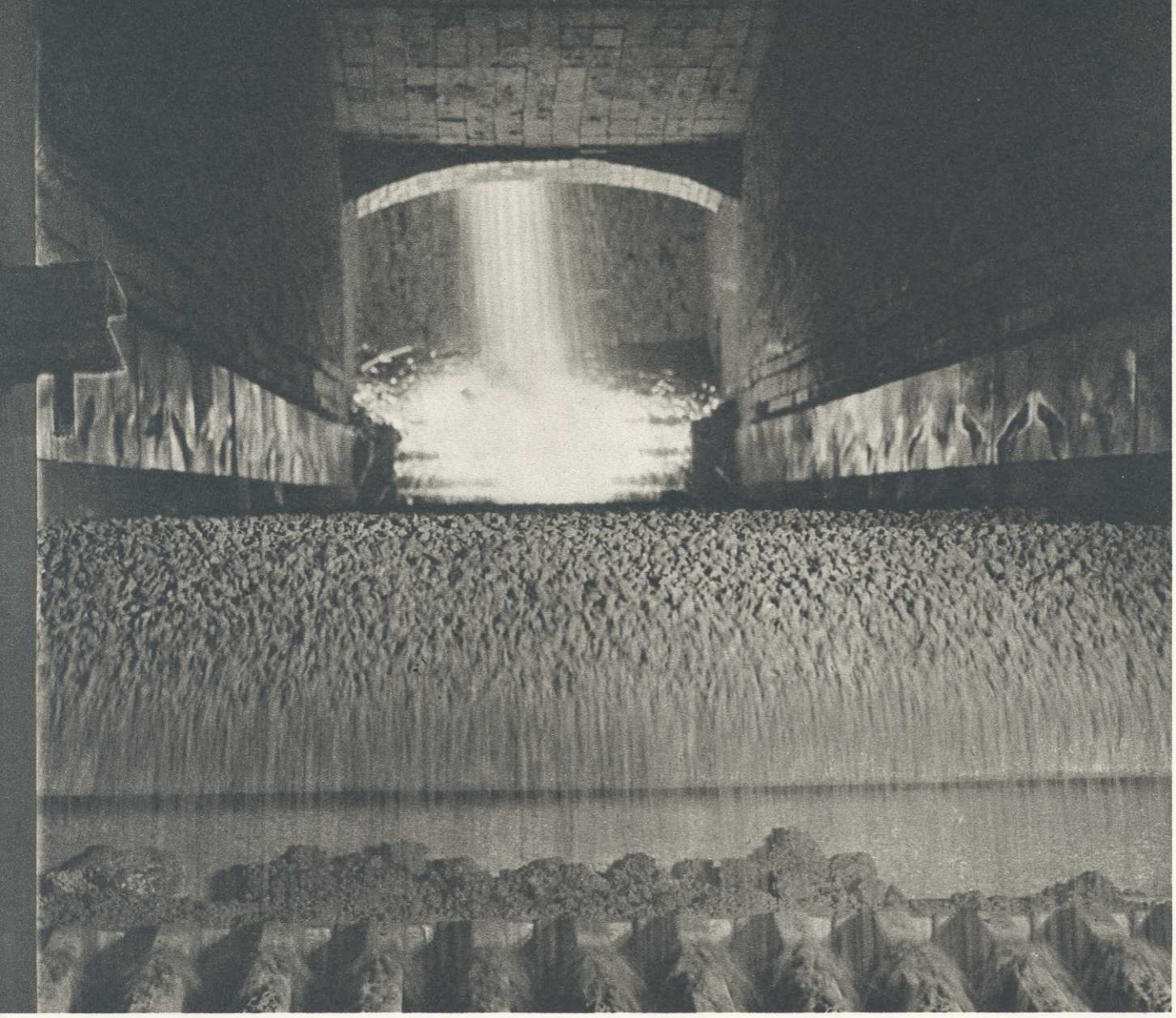
Howard P. Eells, Jr., *President and Treasurer of the Company*
John W. Garrett, II, *President*, Gar-Flo Oil Company
Loring L. Gelbach, *President*, Central National Bank
Walter M. Halle, *President*, The Halle Brothers Co.
Harley C. Lee, *Vice President of the Company*
H. Chapman Rose, *Attorney*, Jones, Day, Cockley & Reavis
John C. Wilson, Jr., *President*, Acro Welder Mfg. Co.

Honorary Officers

Dan P. Eells, *Chairman*
Samuel Eells, *Vice President*
William P. Kelly, *Treasurer*

Officers

Howard P. Eells, Jr., *President and Treasurer*
Harley C. Lee, *Vice President—Technical Services*
Mathew J. Ludwig, *Vice President—Controller*
Max Muller, *Vice President—Operations and Engineering*
Harvey N. Barrett, Jr., *Vice President—Industrial Sales*
John W. Rockwood, *Vice President—Dealer Sales*
William A. Melville, *Secretary*



annual report · 1957

1957 IN BRIEF

Total Income	$23,824,117
Cash Costs and Expenses	21,104,106
Net Cash Income	2,720,011
Depreciation, Depletion and Amortization	1,322,439
Net Income	$ 1,397,572
Common Shareholders	2,421
Common Shares Outstanding at Year End	773,777
Per Common Share (*After Preferred Dividends*)	
Net Cash Income	$3.43
Net Income	$1.72
Dividend Rate	$1.00
Market Price Range of Common Shares (American Stock Exchange)	High 18½ Low 11½

February 27, 1958

to the stockholders

PURSUANT to established pattern we submit herewith the record of your company's operations for the year 1957 and a statement evidencing its financial position at the close of the year.

Using our net cash income of $2,720,000 and working capital to the extent of $399,000 we improved and expanded our plants and added other assets at a cost of $1,829,000, amortized debt and retired preferred stock in the aggregate amount of $450,000, paid dividends of $66,125 on the latter and of $773,777, equal to one dollar per share, on the common stock.

The 1957 business originating in the company's "Old Line" properties at Maple Grove, Ohio and Gabbs, Nevada, consisting chiefly of the manufacture and sale of steel furnace refractories, maintained at the peak levels reached during the previous year in respect to both volume and net income in spite of a decline in steel industry activities that commenced early last year and became pronounced in the last quarter.

It will be noted, however, that the company's over-all net income in 1957 was less than in 1956. It follows that this decline was due essentially to an extension of the losses reported a year ago from our recently acquired business in building products. It is still too early to predict accurately the end of the costly transition toward the establishment of this division on a profitable plane. But we remain confident that in due course the rewards from it will generously compensate for the current losses.

Examples of the developments upon which this optimism is based in part are afforded by new products which have been added recently to this construction products "line" that we sell under the trademark "Tiger Brands." We now have a distributorship for the sale of polyethylene sheeting that parallels our relations with Owens-Corning Fiberglas Corporation for the sale of building insulation. "Polyroll," we believe, has a great many applications not only in the building industry but in agriculture as well. Early in 1958 further to diversify these sales and to participate in the mushrooming "do-it-yourself" market, the company began the production of a pre-mixed mortar

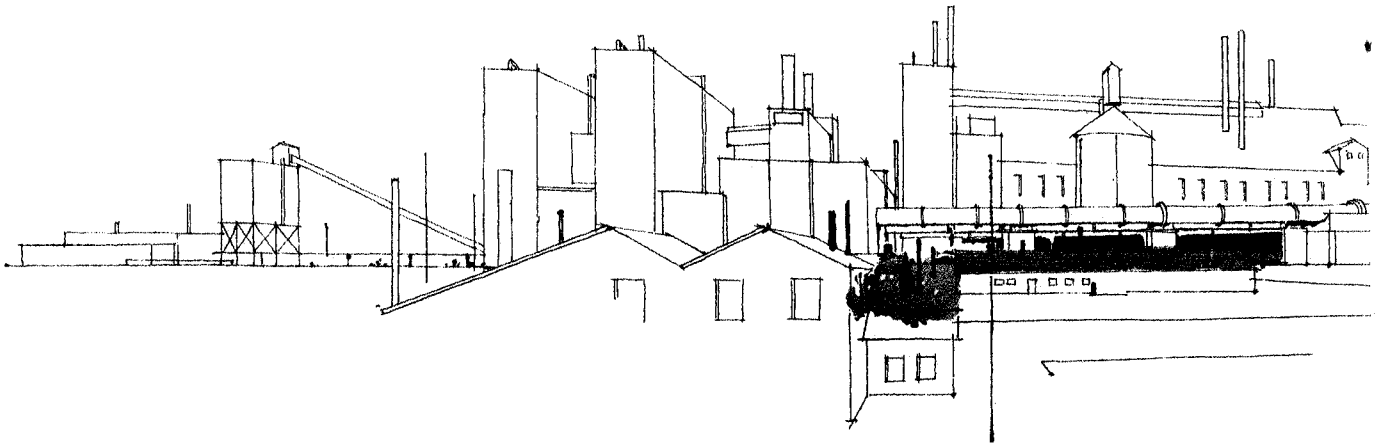
which it is selling under the trade name "Handi-Mix." Before mid-year we will have completed facilities at our Gibsonburg plant to manufacture an improved type of hydrated lime for the finish coat of plaster walls.

Similarly in the early stages of development are the company's sales of lime and magnesia as chemicals to the chemical industry, to glass and paper manufacturers, to processors of uranium ores and to users of magnesia cements. The promise held out by this expanding market is significant both intrinsically and from the standpoint of diversification.

The initial units of our plant for making block linings for basic oxygen converters are in production. It appears to us that the new steel process employing these vessels will develop rapidly and that the use of our products in connection with it will expand correspondingly and importantly.

Underway at our Gabbs plant are extensive additions to our ore dressing facilities that are designed to extend the life of the ore body and to improve the quality and broaden the usefulness of the products from this property where we mine and process magnesite and brucite for manufacture into magnesia refractories. We estimate that the cost of this development will be on the order of two million dollars which, taking into account the considerable sums spent on plant from working capital over the past two years, may entail new financing.

As heretofore announced, we occupy a major position in a syndicate formed to discover sulphide ore bodies by the use of recently invented air-borne electromagnetic instruments. Last year the talents of the scientists engaged in this work were applied for the most part to ground geochemical and geophysical investigation of the promising areas that



had been developed by the earlier air-borne instrument work. This study has uncovered a number of interesting prospects that will be further explored by core drilling during the current year.

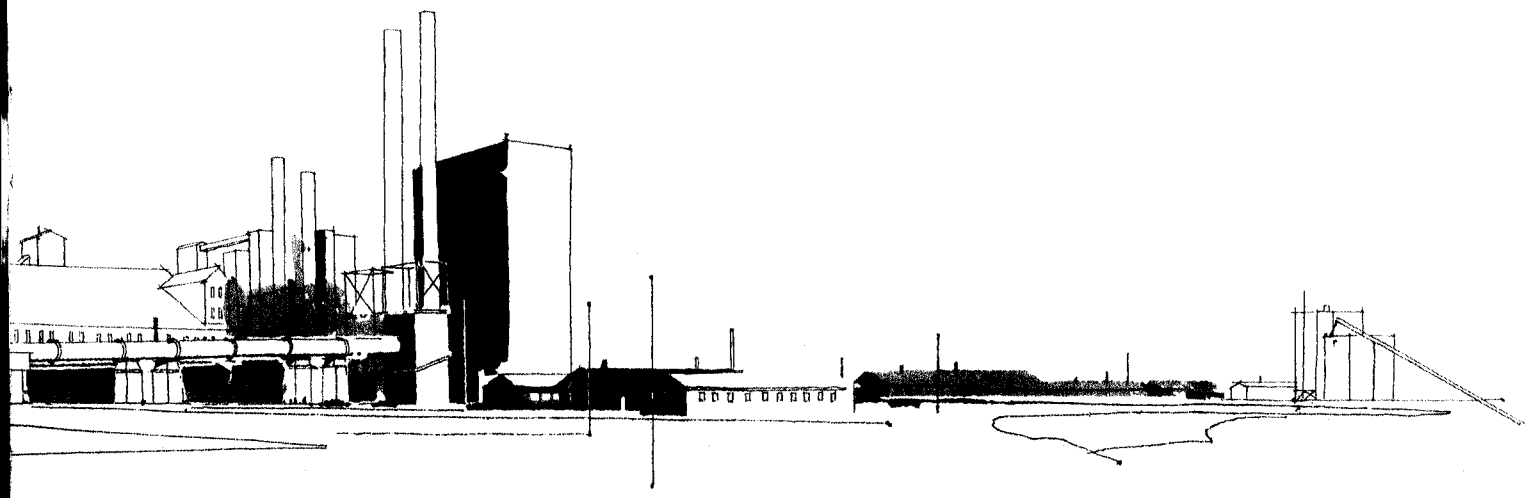
The present scope of the company's operations ranging this country over is in marked contrast to its modest beginning in February 1908 when Howard P. Eells, Senior organized The Holran Stone Company to acquire a semi-developed dolomite quarry at the crossing of the Nickel Plate and Pennsylvania Railroads in Seneca County, Ohio.

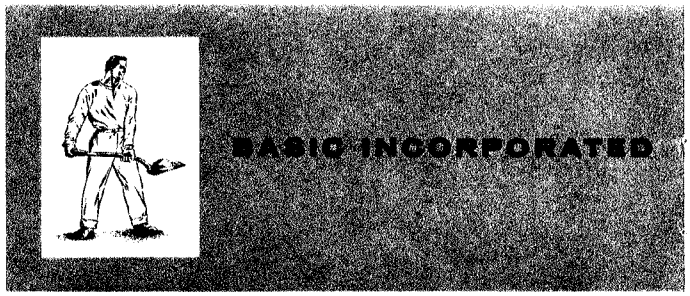
Since your company is a direct successor of that business it seems noteworthy to cite the fact that nineteen hundred and fifty-eight marks the fiftieth year of its existence. As in the development of most industrial enterprises it went through difficult periods prolonged at first by the premature death of Mr. Eells and subsequently by the effects of two world wars and of serious business depressions. In spite of these and owing primarily to a fixed policy of building for the future, the growth of the company has persisted until it has now attained a position of prominence in all spheres where it is active.

Respectfully submitted,

By Order of the Board of Directors
Basic Incorporated

H. P. Eells, Jr.
President





a ten year review

OPERATIONS

Year	Total Income	Cash Costs and Expenses	Net Cash Income	Depreciation and Depletion (1)	Net Income	Dividends Preferred	Dividends Common
1957	$23,824,117	$21,104,106	$2,720,011	$1,322,439	$1,397,572	$ 66,125	$773,777
1956	24,337,103	21,339,680	2,997,423	1,276,149	1,721,274	77,625	779,408
1955	20,766,183	17,780,731	2,985,452	1,411,234	1,574,218	89,125	540,978
1954	12,443,961	10,491,644	1,952,317	1,350,750	601,567	100,625	457,400
1953	15,891,820	13,778,758	2,113,062	1,363,192	749,870	107,333	457,400
1952	12,966,769	11,507,717	1,459,052	814,176	644,876	54,125	457,400
1951	12,986,510	11,801,974	1,184,536	647,594	536,942	—	350,000
1950	10,271,308	9,178,593	1,092,715	279,090	813,625	—	218,752
1949	8,040,441	7,195,609	844,832	269,844	574,988	—	175,003
1948	9,155,514	8,297,839	857,675	245,869	611,806	—	175,000

(1) Includes amortization of defense facilities

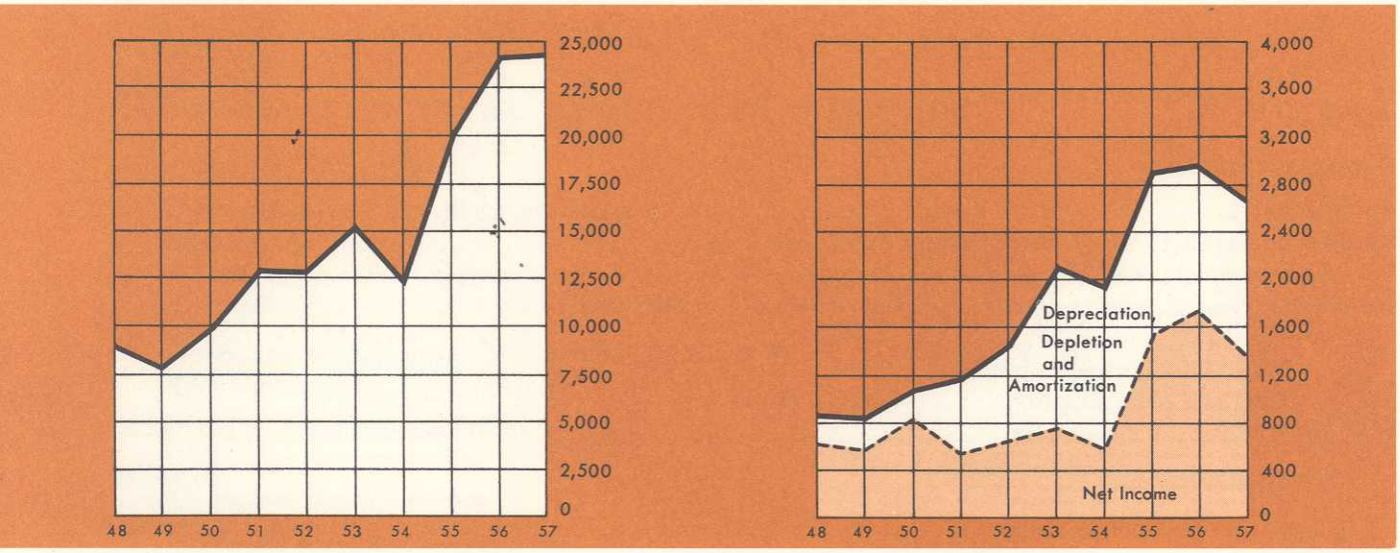
FINANCIAL CONDITION

	Net Assets				Capitalization		
		Fixed Assets					
Year	Net Current Assets	Cost	Net(2)	Other Assets	Long-Term Debt(3)	Preferred Stock(3)	Common Equity(4)
1957	$6,034,763	$16,902,763	$7,057,973	$708,364	$2,500,000	$ 950,000	$10,351,100
1956	6,434,073	15,209,209	6,636,276	623,424	2,750,000	1,150,000	9,793,773
1955	5,755,532	14,345,420	6,946,985	393,216	3,000,000	1,150,000	8,945,733
1954	4,396,400	13,521,886	7,416,223	196,492	3,606,000	1,350,000	7,053,115
1953	3,824,548	13,318,241	8,525,422	200,697	3,921,000	1,550,000	7,079,667
1952	3,315,109	12,774,039	9,114,046	193,429	4,705,000	950,000	6,967,584
1951	1,460,530	9,348,333	6,476,154	142,546	2,385,556	—	5,693,674
1950	2,499,802	7,221,513	4,967,235	410,987	2,400,000	—	5,478,024
1949	2,027,367	5,877,296	3,859,662	436,717	1,537,250	—	4,786,496
1948	2,171,847	4,800,887	3,026,783	402,191	1,200,000	—	4,400,821

(2) After allowances for depreciation, depletion, and amortization of defense facilities
(3) Exclusive of amounts due within one year, classified as current liabilities
(4) Includes reserve for contingencies

TOTAL INCOME

In thousands of dollars



NET CASH INCOME

In thousands of dollars

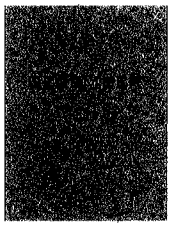
NET ASSETS

In thousands of dollars

CAPITALIZATION

In thousands of dollars

consolidated balance sheet



ASSETS

CURRENT ASSETS

Cash		$ 401,101.18
United States Treasury Notes—at cost and accrued interest		112,320.26
Trade accounts receivable, less allowance of $49,644.79		2,181,530.45
Inventories—average cost not in excess of replacement market:		
Finished products	$ 734,433.42	
Raw materials and in process	2,337,015.92	
Coal and other supplies	1,050,696.85	
Inventory of repair parts	908,958.30	5,031,104.49
Prepaid insurance		99,259.89
Total Current Assets		$ 7,825,316.27

PROPERTY, PLANT, AND EQUIPMENT

on the basis of cost—Note B		
Land, quarry land, plant site, and land improvements	$ 845,296.12	
Buildings	3,336,304.35	
Machinery and equipment	11,722,521.95	
Construction in progress	998,640.42	
	$16,902,762.84	
Less allowances for depreciation, depletion, and amortization	9,844,789.81	7,057,973.03

INVESTMENTS AND OTHER ASSETS

Investments in and advances to unconsolidated subsidiaries	$ 295,841.87	
Miscellaneous receivables, other investments, and deposits	170,473.64	466,315.51

DEFERRED CHARGES

Exploration and other miscellaneous deferred expenses		242,048.03
		$15,591,652.84

LIABILITIES, CAPITAL STOCK, AND SURPLUS

CURRENT LIABILITIES		
Accounts payable and miscellaneous items		$ 1,587,872.94
Accrued local taxes		202,680.00
Dividends payable—Common Stock	$ 193,444.25	
Less cash on deposit with dividend disbursing agent	193,444.25	—0—
Federal taxes on income—estimated—Notes A and B	$ 488,588.66	
Less United States Treasury Notes	488,588.66	—0—
Total Current Liabilities		$ 1,790,552.94
LONG-TERM DEBT—Note B		
Mortgage note payable, Series B		2,500,000.00
RESERVE		
For contingencies and possible additional federal taxes—Note A		409,928.22
CAPITAL STOCK AND SURPLUS—Notes B and C		
Capital stock:		
5¾% Cumulative Preferred Stock, par value $100.00 per share:		
Authorized 19,500—10,000 of which have been reacquired and canceled, and may not be reissued:		
Outstanding 9,500 shares	$ 950,000.00	
Common Stock, par value $1.00 per share:		
Authorized 1,250,000 shares		
Outstanding 773,777 shares, after deducting 30,756 shares in treasury	773,777.00	
Capital surplus	5,541,084.03	
Earned surplus	3,626,310.65	10,891,171.68
CONTINGENT LIABILITIES—Notes D and E		
		$15,591,652.84

See Notes to Financial Statements.

consolidated income

YEAR ENDED DECEMBER 31, 1957

INCOME		
Net sales		$23,723,198.00
Interest and discounts earned		44,771.42
Miscellaneous other income		56,147.60
Total Income		$23,824,117.02
COST AND EXPENSES		
Cost of goods sold	$18,392,445.25	
Administrative, selling, and research expenses	3,160,897.27	
Interest on long-term debt	117,578.16	21,670,920.68
Income before taxes thereon		$ 2,153,196.34
Provision for federal taxes on income—Note A		755,624.21
NET INCOME		$ 1,397,572.13

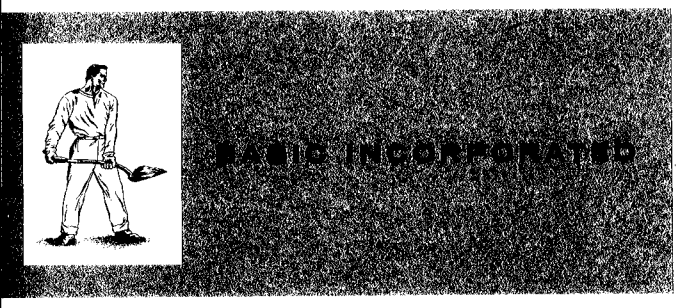
Provisions for depreciation, depletion, and amortization aggregated $1,322,438.76 (including $668,168.18 amortization of defense facilities)

consolidated surplus

YEAR ENDED DECEMBER 31, 1957

CAPITAL SURPLUS (no change during the year)		$ 5,541,084.03
EARNED SURPLUS		
Balance at January 1, 1957		$ 3,068,640.52
Net income for the year		1,397,572.13
		$ 4,466,212.65
Dividends declared:		
On Preferred Stock ($5.75 per share)	$ 66,125.00	
On Common Stock ($1.00 per share)	773,777.00	839,902.00
Balance at December 31, 1957		$ 3,626,310.65

See Notes to Financial Statements.



notes to financial statements

December 31, 1957

Note A

Federal income tax returns of the Company have been examined and settled through the year 1949. The Company considers the reserve for contingencies to be adequate to cover any additional federal taxes which may be due for the years through 1957.

Note B

The long-term debt is represented by a 4½% Series B mortgage note payable in quarterly installments of $62,500.00 beginning March 1, 1959, and ending December 1, 1967, at which date the remaining balance of $312,500.00 will become payable. The Indenture of Mortgage and Deed of Trust contains certain restrictive covenants which, among other things, require (a) consolidated net current assets of $3,000,000.00 and (b) United States Treasury Tax Notes or other obligations of the United States equal to at least 75% of all accrued federal taxes of the Company. The Indenture also restricts the payment of dividends. At December 31, 1957 consolidated earned surplus in the amount of $1,091,547.32 was unavailable for such payments.

Note C

Provisions of the Preferred Stock require, among other things, that the Company shall deposit in a sinking fund to retire preferred shares on or before January 2 of each year the following amounts: $200,000.00 for each of the years 1959–1961, both inclusive; $300,000.00 in 1962; and $50,000.00 in 1963.

notes continued

Note D

The Company is the lessee of about 300 acres of mineral lands in Nye County, Nevada, from which it obtains brucite and magnesite. The Lessor asserted the right to forfeit the lease, which it has now waived, and is asking for damages because of alleged violations of the lease, which the Company denies. The Company brought an action in the District Court of the United States for Nevada praying for a declaratory judgment interpreting the lease and a finding that there have been no violations. The lessor filed an Answer and Counter-claims seeking an accounting for additional royalties alleged to be due and unpaid on the basis of the lessor's interpretation of the lease and for damages resulting from other alleged violations, and at the trial, asked for a reformation of the lease on the ground of mistake. The Company's replies placed in issue all of the claims asserted by the lessor. The case was tried in November of 1956 but the court has not as yet rendered a decision in the matter.

Note E

The Company is the guarantor of indebtedness of unconsolidated subsidiaries in the amount of $413,600.00.

accountants' report

ERNST & ERNST
Accountants and Auditors
Cleveland

BOARD OF DIRECTORS,
BASIC INCORPORATED,
CLEVELAND, OHIO

We have examined the consolidated financial statements of Basic Incorporated and consolidated subsidiaries for the year ended December 31, 1957. 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 accompanying balance sheet and statements of income and surplus present fairly the consolidated financial position of Basic Incorporated and consolidated subsidiaries at December 31, 1957, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
February 25, 1958

fifty years of building for the future

facilities
products
markets

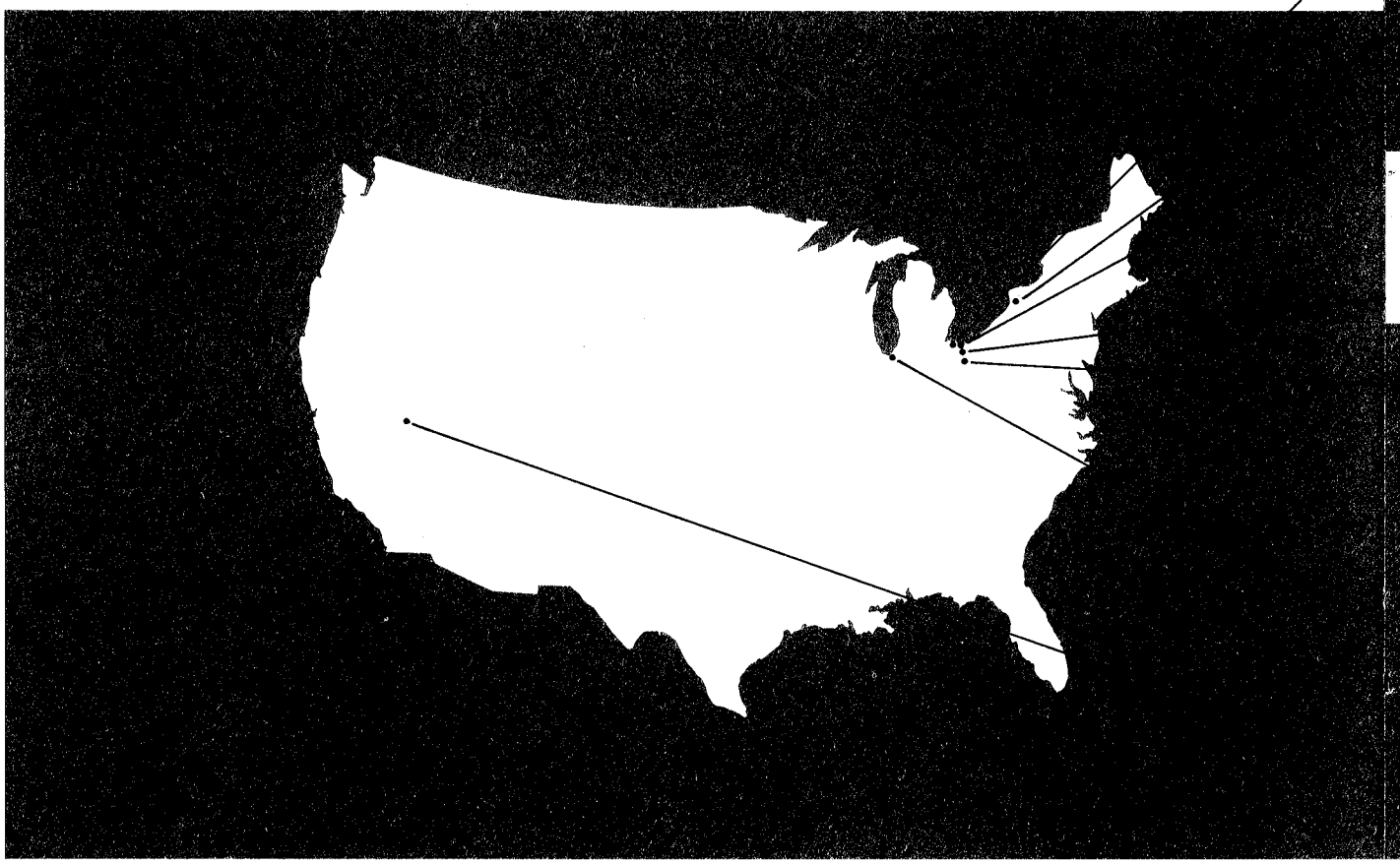
THE HISTORY OF Basic Incorporated typifies the dynamic growth pattern of American industry over the past fifty years. Before World War I the company's operations were limited to a "crossroads stone quarry" in northwestern Ohio. From this humble beginning Basic has emerged as the world's largest manufacturer of basic grain refractories.

The company's six-plant network is tailored to produce not only a complete line of grain refractories, but a variety of building products for its expanding Tiger Brands division. These facilities—manufacturing a broad range of related products—provide a firm foundation for continuing expansion.

Research and development have played an important role in the company's growth. In its new Bettsville laboratories Basic's research teams constantly seek to improve present products while developing new materials for such diversified customers as the steel, building, chemical, glass, paper and agricultural industries. With increased production facilities, accelerated product development and expanding marketing horizons, Basic is truly *building for the future.*

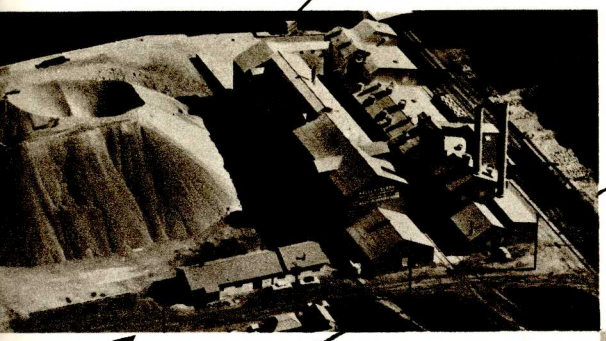
plants and facilities

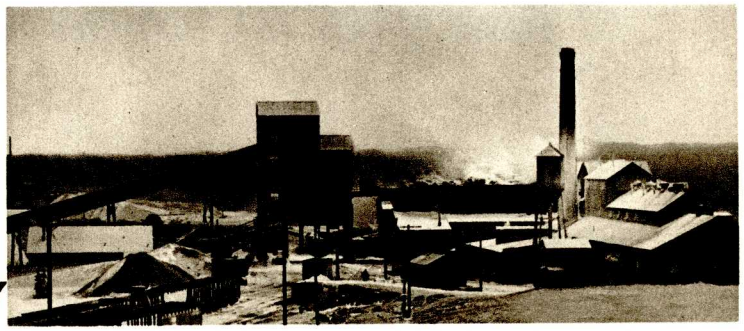
FROM NEW YORK TO NEVADA, plants of Basic Incorporated are meeting the challenge imposed by the company's growing markets. New expansion and modernization programs are constantly in process, allowing Basic to better serve its diversified customer groups. New facilities at Maple Grove are producing tar-bonded refractory products for oxygen steelmaking furnaces. At another Ohio plant, increased production capacity is manufacturing the company's recently introduced line of ready-to-use *Handi-Mix* products. In Nevada, plant improvements are enabling the company to furnish greater quantities of magnesium oxide to the chemical industry. Keeping abreast of its steadily expanding markets, Basic's plant facilities continue to *build for the future.*



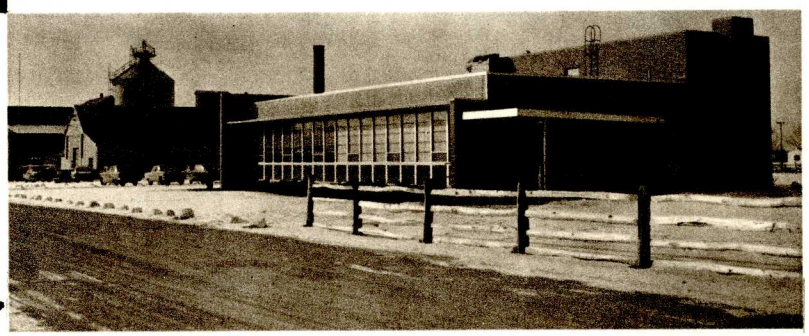
CLAY CENTER, OHIO
Building, Glass and Chemical Lime Products, Basic Grain Refractories, Agricultural Liming Materials, Dolomite Fluxing Stone

BUFFALO, NEW YORK
Metallurgical and Chemical Lime



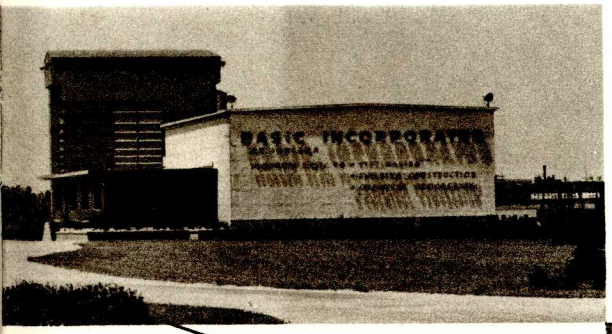


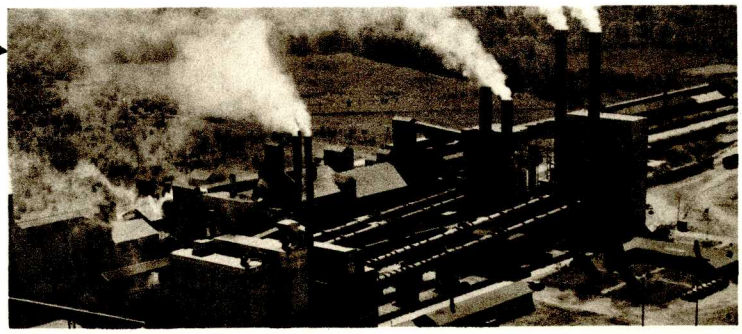
GIBSONBURG, OHIO
Building, Glass and Chemical Lime Products, Agricultural Liming Materials, Dolomite Fluxing Stone



BETTSVILLE, OHIO
Basic Grain Refractories, Research and Product Development Center

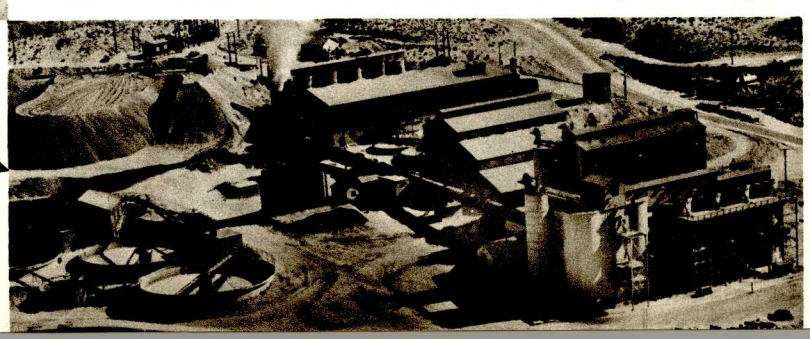
HAMMOND, INDIANA
Refractory Distribution Center





MAPLE GROVE, OHIO
Basic Grain Refractories, Agricultural Liming Materials, Dolomite Fluxing Stone

GABBS, NEVADA
Basic Grain Refractories, Calcined Magnesite



BASIC INCORPORATED

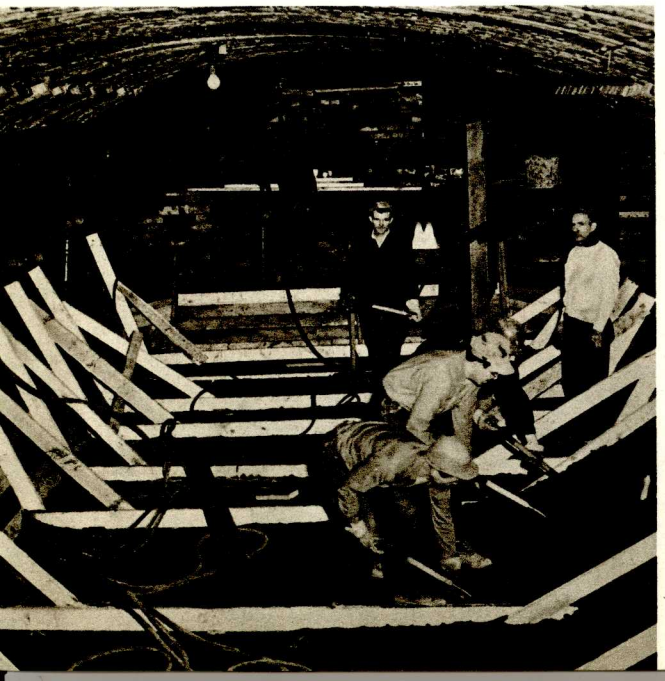
basic grain refractories

BASIC GRAIN REFRACTORIES are used on the interiors of steelmaking furnaces to resist the high temperatures and corrosive action of the molten metal. The production of all basic steel is dependent upon these loose, dry grains varying from pea size to powder.

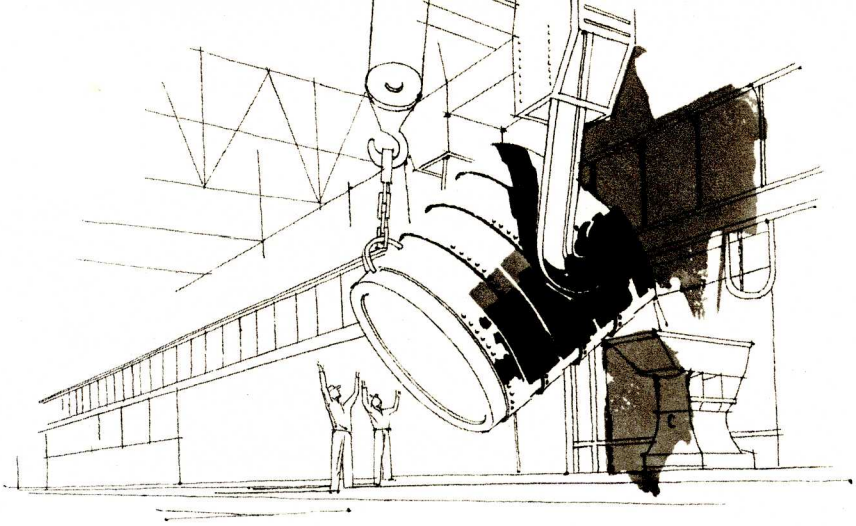
Primary raw materials from which the company's refractories are made fall into two general classifications — dolomite and magnesite. Extensive dolomite quarries in northwestern Ohio will satisfy the company's raw material requirements for well over 100 years at present rates of operation. The location of these resources, adjacent to the company's principal manufacturing plants, coincides almost exactly with the geographical center of steel production in the United States.

Basic's magnesite resources, situated in western Nevada, comprise the major part of one of the only two large known deposits in the United

Installing new banks and bottom in open hearth furnace to contain steel bath.



A "fettling gang" throws dead-burned dolomite onto banks and bottom of open hearth furnace to patch eroded areas.

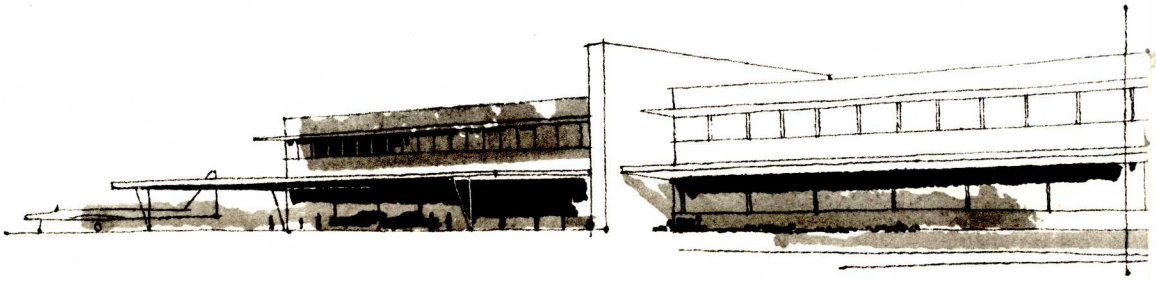


States. Refractories from these plants are shipped the country over. Fully competitive in all steel refining centers, these products are also accessible to foreign markets through the company's export facilities.

Closely paralleling recent development of the oxygen steelmaking process, Basic has engineered and is currently providing complete refractory linings for the new steel producing units. The widening acceptance of this new process promises to provide Basic with expanding markets for its tar-bonded brick and ramming mixes. Thus, the company continues to keep abreast of a steadily growing market.

Enjoying the confidence and "talking the language" of steelmakers and foundrymen, Basic is constantly in touch with practical refractory problems which, resolved in its laboratories, provide for its continuing progress and growth as a major supplier of basic grain refractories.

Repairing interior surfaces of open hearth steelmaking furnace with gun refractories utilizing latest of Basic's pneumatic gunning appliances, the BRI gun, model A 20-B.

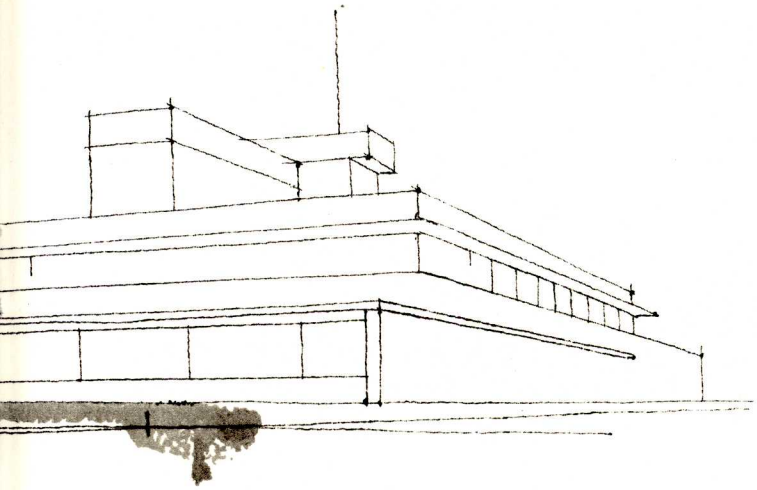


tiger brand products

THROUGH ITS Tiger Brands division, Basic Incorporated markets a wide variety of products to the building industry. These materials are sold through a national distribution network comprising more than 3,500 dealers and jobbers. This extensive sales coverage provides Tiger Brands with a sound foundation for its constantly expanding building materials line.

Products manufactured by Tiger Brands include a complete range of plasters and mortars sold under the *Tiger* name. Known and respected for more than 70 years in the plastering and masonry fields, these products are manufactured at the company's Gibsonburg and Clay Center, Ohio plants. Also produced at Clay Center is *Kilnoise*, a foamed acoustic plaster which blends quiet beauty with modern design. Kilnoise is considered by many architects, contractors and owners as the ideal solution to sound conditioning of ceilings and walls in schools, churches, hospitals and homes. Kilnoise and the company's other lime products are

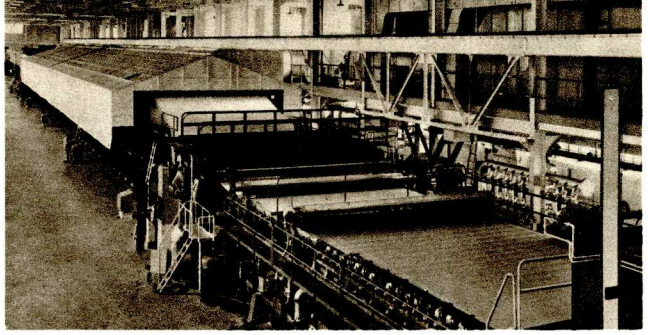
Tiger Insulation shown here being installed in attic area is also applied in roll form or as pouring wool.



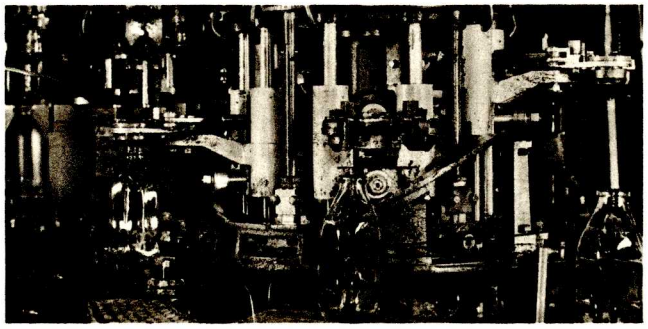
widely accepted throughout the United States and in many foreign countries. Recently introduced Tiger *Handi-Mix* is also manufactured at Clay Center. Available in three mixes, Handi-Mix is a ready-to-use product uniquely suitable for all concrete work, brick laying and cement patching. Used both commercially and in the home, sales of this product are presently confined to Ohio and neighboring states.

Tiger Brands also markets home insulation and polyethylene sheeting. Tiger *Fiberglas* building insulation is widely used by builders and owners to insulate walls, floors and ceiling areas of today's comfort conditioned homes. Polyethylene roll sheeting, sold under the name Tiger *Polyroll*, is a newly introduced product that is gaining increased acceptance as a protective covering and moisture barrier in construction, agriculture and many other industries. Available in a variety of thicknesses and widths, Polyroll—with thousands of applications—is an important addition to the Tiger family of quality building products.

Kilnoise acoustic plaster lends quiet beauty and distinction to the ceilings of Terrance Hall, new dormitory at Kent State University, Kent, Ohio.



Processing of paper pulp involves the addition of chemical lime.



An important ingredient used in the manufacture of these glass bottles is Basic's high-magnesia lime.

Trucks spreading Basic's agricultural lime for soil improvement.

chemical and agricultural products

BASIC INCORPORATED supplies to the chemical and metallurgical industries many diversified limestone products. High-calcium metallurgical lime produced at the company's Buffalo, New York plant is employed by steel producers as an essential addition to the molten metal bath. From the company's northwestern Ohio plants high-magnesia lime is supplied to the glass, paper and chemical industries.

Basic's agricultural lime products — both bulk and bagged — are shipped throughout Ohio and portions of an adjacent five-state area. Manufactured from finely ground dolomite, these materials are used extensively to neutralize the excess soil acidity of most farm areas.

With ample production capacity and ore reserves Basic is steadily increasing its volume of sales to these important markets.

BASIC INCORPORATED

General Offices	Hanna Building, Cleveland, Ohio
Industrial and Refractory Sales Offices	Hanna Building, Cleveland, Ohio Farmers Bank Building, Pittsburgh, Pennsylvania Indianapolis Boulevard, Hammond, Indiana Haverford, Philadelphia, Pennsylvania Clayton, St. Louis, Missouri
Building Products Sales Offices	Hanna Building, Cleveland, Ohio Graybar Building, New York, New York Indianapolis Boulevard, Hammond, Indiana Fulton Federal Building, Atlanta, Georgia
Transfer Agents	The Chase Manhattan Bank Central National Bank of Cleveland
Registrars	The Hanover Bank Central National Bank of Cleveland