

PROPERTY OF THE  
SEATTLE PUBLIC LIBRARY  
*File Copy*

BUSINESS  
CONTINUATION  
ROOM 204

FILE COPY  
RETURN TO  
INVESTMENT DIVISION  
TRUST DEPARTMENT  
THE NATIONAL BANK OF COMMERCE  
OF SEATTLE

*Please return*  
**49**

ANNUAL REPORT **PACIFIC**  
OF  
SUPERIOR PORTLAND CEMENT, INC.

1949

# ANNUAL REPORT

1949



## OFFICERS

C. N. REITZE  
President

N. H. NELSON  
Vice President  
and General Manager

J. B. LOUGHARY  
Secretary

H. E. THOMPSON  
Treasurer

P. R. BARRETT  
Assistant Secretary

F. W. BAILEY  
Assistant Treasurer

## BOARD OF DIRECTORS

THOMAS BALMER

N. H. NELSON

J. B. LOUGHARY

C. W. STIMSON

J. H. MCGOLDRICK

J. A. SWALWELL

C. N. REITZE

## STOCK TRANSFER AGENT

OFFICE OF THE COMPANY, Seattle 1

## STOCK REGISTRAR

SEATTLE-FIRST NATIONAL BANK, Seattle 14

## BOND TRUSTEE

SEATTLE-FIRST NATIONAL BANK, Seattle 14

## REPORT OF THE PRESIDENT

TO THE STOCKHOLDERS OF  
SUPERIOR PORTLAND CEMENT, INC.

Presented herewith is the Annual Report of the Company for the year 1949. This concludes the forty-first year of operation of the Company.

### EARNINGS

Profit for 1949, after provision for Federal income taxes, was \$450,378.78 or \$3.315 per share on the outstanding Common Stock. This result compared with 1948 profit of \$439,164.00 or \$3.232 per share on the outstanding Common Stock.

Dividends of \$1.00 per share, totalling \$135,854.00 were paid in 1949 and were at the same rate as paid in 1948.

### OPERATIONS

The demand for cement from the Concrete Plant remained strong throughout the year and our production and shipments were approximately the same as the previous year. For most of the year we were pressed in production, because of the sales demand being heavy and our rehabilitation program going forward at the same time. Our costs of cement manufacture were sharply increased because of increased labor, supplies, and transportation costs in and out of the plant. These increased costs were partially met by increases in our sales price of cement.

The price of our cement has not increased as rapidly as prices of most other commodities and has not moved up as fast as prices of other building materials.

Our labor relations have been satisfactory and the turnover in personnel has been at a minimum.

Superior Portland Cement, Inc. reacquired possession of the Pacific Coast Cement Company's cement properties in Seattle and Dall Island, Alaska, at midnight, August 31, 1949.

We have not tried to operate the Alaska Quarry since we took possession, although the property is available and ready as a source of raw material for the Seattle Plant. We have been supplying cement rock from our regularly operating Concrete Quarry to the Seattle Plant by rail.

*Tachman Creek*



The Diamond Plant in Seattle was returned to us August 31, 1949, and since that time we have had a large crew of men at work making heavy repairs. Since repossessing the property, we have served our Diamond customers with cement ground from clinker shipped from Concrete.

During the year 1949 we continued our repair program at Concrete, doing much necessary work to rehabilitate the Plant.

Superior, in both its plants, is in good condition to manufacture and supply cement demands for the coming year. Its policy of keeping physical equipment and manufacturing facilities in good operating condition will continue as time and material permit.

#### *STATUS OF LAWSUITS IN 1949*

Your Company was involved in two important lawsuits, which were pending in 1949.

The first is the Denver anti-trust case, which was started in 1946 and is still pending. This involves virtually the same issues as were presented in the now famous Cement Institute case, involving the alleged basing point system. Nearly every cement company in the country is a party to this suit. The case is now at issue, but no date has been set for the trial.

The second case is the action brought by your company against the Pacific Coast Cement Company to enforce its option rights to purchase the cement properties of the Pacific Coast Cement Company on the same terms and conditions as it offered to sell the same to the General Construction Company and its nominees, the Permanente Cement Company. As we reported in our 1948 annual report, the Superior Court denied relief to your Company, but an appeal was taken to the Supreme Court of the State of Washington, which, on the 14th day of April, 1949, unanimously reversed the lower court. As a result, the Diamond cement plant, in Seattle, the Dall Island Quarry, in Alaska, and related properties were awarded to Superior, which took over possession at midnight on August 31, 1949. The case has now been returned to the lower court for the purpose of determining the amount of the damages resulting from the unlawful withholding of the properties from January 1, 1947, until August 31, 1949, and related issues. Every effort is now being made to expedite the settlement or trial of these issues, but no trial date has been set.

Ancillary to the above case your Company has recently filed suit against the Per-

manente Cement Company, which operated the Pacific Coast Cement Properties during the greater portion of the period since the termination of our lease in order that there might be a full accounting for all damages suffered by Superior during the period of unlawful withholding. Permanente has already filed its answer, together with affirmative defenses and a cross complaint. It is hoped to have the two cases consolidated for trial in order that all remaining issues will be litigated.

The prosecution and defense of both of these actions has been a continuous expense to the Company, which it has not been possible to avoid.

With the exception of 5 shares of Superior Portland Cement, Inc. Class "A" Stock, all preferred stock has been converted into Debenture Bonds and Common Stock, as provided for in the Plan of Recapitalization approved in 1945. Also, there remain 46 shares of Class "B" Common Stock still outstanding that have not been exchanged for the new Common Stock.

Interest on Debenture Bonds was paid during the year 1949 and the Sinking Fund requirements were provided for, as required under the terms of the Bond Indenture.

The prospects for shipments of cement in the next year appear to be good, and indications are that sales will continue at high levels for some time.

The continued loyal support of our customers, stockholders, directors, officials and employees of the Company have contributed materially to the achievements of the Company during the past year and this is deeply appreciated by the management.

Respectfully submitted,

*C. N. Reitz*  
President

*Seattle, Washington*  
*January 16, 1950*



# PEAT, MARWICK, MITCHELL & Co.

NEW YORK  
ATLANTA  
BOSTON  
CHARLOTTE  
CHICAGO  
CLEVELAND  
DALLAS  
DENVER  
DETROIT  
GREENSBORO  
HOUSTON  
INDIANAPOLIS  
KANSAS CITY  
LOS ANGELES  
MEMPHIS  
MILWAUKEE  
MINNEAPOLIS  
NEW ORLEANS  
NEWARK  
PHILADELPHIA  
PITTSBURGH  
PORTLAND  
ST. LOUIS  
SALT LAKE CITY  
SAN FRANCISCO  
SEATTLE  
TULSA  
WASHINGTON  
WORCESTER  
CANADA  
GREAT BRITAIN  
EUROPE  
CUBA  
MEXICO  
GUATEMALA  
COSTA RICA  
SOUTH AMERICA

DEXTER HORTON BUILDING  
SEATTLE 4, WASH.

## ACCOUNTANTS' REPORT

To the Board of Directors,  
Superior Portland Cement, Inc.,  
Seattle, Washington.

We have examined the consolidated balance sheet of Superior Portland Cement, Inc. and its subsidiary as of December 31, 1949 and the related statements of consolidated income and surplus 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 accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of Superior Portland Cement, Inc. and its subsidiary at December 31, 1949 and the 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.

*Peat Marwick Mitchell Co.*

Seattle, Washington

January 13, 1950

# SUPERIOR PORTLAND CEMENT, INC., AND SUBSIDIARY

## COMPARATIVE CONSOLIDATED BALANCE SHEETS

As of December 31, 1949 and December 31, 1948

|   | ASSETS                |                      | LIABILITIES   |                              |
|---|-----------------------|----------------------|---|------------------------------|
|   | December 31,<br>1949  | December 31,<br>1948 | December 31,<br>1949  | December 31,<br>1948         |
| <b>CURRENT ASSETS:</b>  |                       |                      | <b>Current Liabilities:</b>   |                              |
| Cash in banks and on hand . . . . .   | \$1,432,391.81        | 1,215,238.99         | Accounts payable . . . . .  | \$ 132,056.27 184,851.23     |
| U. S. Government securities—at cost . . . . .   | 23,200.00             | 25,200.00            | Accrued expenses . . . . .  | 105,083.90 76,966.55         |
| Customers' accounts receivable, less reserve of<br>\$7,396.82 for 1949 and \$7,636.06 for 1948 . . . . .  | 190,479.62            | 164,072.75           | Provision for Federal taxes on income . . . . .   | 296,246.34 289,628.87        |
| Due from U. S. Government—refundable excess<br>profits tax . . . . .  | —                     | 100,543.48           | <b>TOTAL CURRENT LIABILITIES . . . . .</b>  | <b>533,386.51 551,446.65</b> |
| Prepaid expenses . . . . .  | 22,858.22             | 2,877.51             | Pacific Coast Cement Company (Note 1)   | 1,671,531.33 —               |
| Inventories, at cost, not in excess of replacement<br>market:   |                       |                      | 5% Debenture Bonds (subordinated)—due De-<br>cember 31, 1969 (sinking fund requirements in<br>1950, \$87,083.54, in 1949 \$86,895.09) . . . . . | 3,357,300.00 3,444,250.00    |
| Cement—finished and in process . . . . .  | 376,775.59            | 339,333.11           | Less in treasury . . . . .  | 217,500.00 218,500.00        |
| Raw materials . . . . .   | 399,980.50            | 111,685.39           | <b>5% 3,139,800.00 3,225,750.00</b>   |                              |
| Manufacturing supplies . . . . .  | 700,983.28            | 621,893.79           | <b>Capital Stock and Surplus:</b>   |                              |
|   | <u>1,477,739.37</u>   | <u>1,072,912.29</u>  | Class "A" \$2.50 Preferred stock, par value \$50.00<br>per share:   |                              |
| <b>TOTAL CURRENT ASSETS . . . . .</b>   | <b>3,146,669.02</b>   | <b>2,580,845.02</b>  | Outstanding 5 shares . . . . .  | 250.00 250.00                |
| Cash on deposit with the Superior Court of the State<br>of Washington for King County (Note 1) . . . . .  | 800,000.00            | 800,000.00           | Common Stock, no par value:   |                              |
| Investment in sundry stocks . . . . .   | 1,220.00              | 1,220.00             | Authorized—136,000 shares   |                              |
| <b>Fixed Assets:</b>  |                       |                      | Outstanding—135,854 shares . . . . .  | 891,980.50 891,980.50        |
| Lime rock quarries at values as determined by man-<br>agement in 1935, plus subsequent additions at<br>cost, less reserve for depletion . . . . . | 1,542,937.02          | 1,517,333.71         | Paid-in surplus . . . . .   | 154,815.93 154,815.93        |
| Real estate and properties . . . . .  | 216,169.94            | 136,130.27           | Earned surplus . . . . .  | 2,833,100.29 2,518,575.51    |
| Plant and equipment, at cost:   |                       |                      | <b>5% 3,880,146.72 3,565,621.94</b>   |                              |
| Buildings and structures . . . . .  | 1,612,672.96          | 1,278,516.60         |   |                              |
| Machinery and equipment . . . . .   | 2,777,496.75          | 1,841,847.02         |   |                              |
|   | <u>4,390,169.71</u>   | <u>3,120,363.62</u>  |   |                              |
| Less Reserve for depreciation . . . . .   | 2,146,990.79          | 2,090,992.50         |   |                              |
|   | <u>2,243,178.92</u>   | <u>1,029,371.12</u>  |   |                              |
| Potential Water Rights and Franchise—as valued by<br>Board of Directors in 1926 . . . . .   | 1,210,000.00          | 1,210,000.00         |   |                              |
| Deferred charges—Debenture expense less<br>amortization . . . . .   | 64,689.66             | 67,918.47            |   |                              |
|   | <u>\$9,224,864.56</u> | <u>7,342,818.59</u>  |   |                              |
|   |                       |                      | <u>\$9,224,864.56</u>   | <u>7,342,818.59</u>          |

For Notes to Financial Statements see following page.



SUPERIOR PORTLAND CEMENT, INC. AND SUBSIDIARY

COMPARATIVE STATEMENT OF CONSOLIDATED INCOME

For the Years Ended December 31, 1949 and December 31, 1948

|   | December 31,<br>1949 | December 31,<br>1948 |
|---|----------------------|----------------------|
| Net operating profit after deduction of depreciation and depletion (\$130,787.95 for 1949 and \$95,948.57 for 1948) and selling and administrative expenses . . . . . | \$ 863,551.23        | 847,605.71           |
| Other income including interest, rents, etc. . . . .  | 44,868.92            | 49,552.33            |
|   | <u>908,420.15</u>    | <u>897,158.04</u>    |
| Income deductions:  |                      |                      |
| Interest on 5% debentures . . . . .   | 158,566.22           | 165,136.36           |
| Debenture expense amortized . . . . .   | 3,228.81             | 3,228.81             |
|   | <u>161,795.03</u>    | <u>168,365.17</u>    |
| Income before Federal taxes on income . . . . .   | 746,625.12           | 728,792.87           |
| Provision for Federal taxes on income . . . . .   | 296,246.34           | 289,628.87           |
| Net income . . . . .  | <u>\$ 450,378.78</u> | <u>439,164.00</u>    |

STATEMENT OF CONSOLIDATED SURPLUS

|   | <u>Earned<br/>Surplus</u> | <u>Paid-in<br/>Surplus</u> |
|---|---------------------------|----------------------------|
| Amount at December 31, 1948 . . . . .                                     | \$2,518,575.51            | 154,815.93                 |
| Consolidated net income for the year ended<br>December 31, 1949 . . . . . | 450,378.78                | —                          |
|   | <u>2,968,954.29</u>       | <u>154,815.93</u>          |
| Deduct—dividends paid—\$1.00 per share . . . . .                          | 135,854.00                | —                          |
| Amount at December 31, 1949 . . . . .                                     | <u>\$2,833,100.29</u>     | <u>154,815.93</u>          |

*For Notes to Financial Statements see following page.*

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1—PACIFIC COAST CEMENT COMPANY:

On April 14, 1949, the Supreme Court of the State of Washington unanimously reversed the Superior Court for King County in the action of *Superior Portland Cement, Inc. v. Pacific Coast Cement Company*, and held that Superior was entitled to a decree of specific performance granting it the right to purchase Pacific's cement properties at the price of \$1,170,240.90. Pursuant to stipulation and a preliminary decree entered in said action, both title to and possession of said cement properties were delivered to Superior Portland Cement, Inc. at midnight, August 31, 1949. In addition thereto, Superior agreed to purchase certain inventories and supplies for the sum of \$501,290.43. The assets representing the above liability of \$1,671,531.33 are included in the accounts under their respective classifications.

Superior has filed supplemental complaints both against Pacific Coast Cement Company and Permanente Cement Company for damages resulting from the unlawful withholding of the cement properties from January 1, 1947 and for its costs and other items. The Permanente Cement Company has filed its answer and certain affirmative defenses and a cross complaint. It is not possible pending settlement or the trial of these issues to determine the amount of the claims or credits which Superior may have which may be less than or exceed the amount of \$1,671,531.33 shown as due to Pacific Coast Cement Company and, therefore, no effect has been given to these claims or credits in the balance sheet.

The cash deposit of \$800,000.00 represents the amount deposited in court by Superior Portland Cement, Inc. to be applied upon the payment of any balance which may be due upon the purchase price. Both by stipulation and the terms of the preliminary decree, this money will remain on deposit pending final settlement or termination of the litigation.

### NOTE 2—OPERATIONS OF ACQUIRED CEMENT PROPERTIES:

Shipments and operations of the Diamond plant from midnight, August 31, 1949 (date of possession of the cement properties) to December 31, 1949 have been on a limited basis and such income received and expenses incurred are included in the statement of consolidated income for the year ended December 31, 1949.

The entire annual report, including financial statements, is presented for the information of stockholders and nothing herein contained is submitted or shall be taken as an inducement to buy, hold or sell any shares or other securities of the Company.



