

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

VULCAN INTERNATIONAL CORP  
Form 10-Q  
August 12, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10219

VULCAN INTERNATIONAL CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE 31-0810265  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

300 Delaware Avenue, Suite 1704, Wilmington, Delaware 19801  
(Address of principal executive offices) (Zip Code)

(302) 427-804  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Outstanding shares of no par value common stock at June 30, 2002:

1,098,105 shares

VULCAN INTERNATIONAL CORPORATION

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### VULCAN INTERNATIONAL CORPORATION

#### CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2002 UNAUDITED	DECEMBER 31, 2001
-ASSETS-		
CURRENT ASSETS:		
Cash	\$ 2,037,354	2,493,733
Marketable securities (At fair market value)	34,056,058	39,981,369
Accounts receivable	1,760,930	1,428,693
Inventories	645,768	356,290
Prepaid expense and tax	113,435	73,610
	-----	-----
TOTAL CURRENT ASSETS	38,613,545	44,333,695
	-----	-----
PROPERTY, PLANT AND EQUIPMENT-at cost	11,700,033	11,688,951
Less-Accumulated depreciation and depletion	9,469,749	9,571,475

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NET PROPERTY, PLANT AND EQUIPMENT	2,230,284	2,117,476
OTHER ASSETS:		
Investment in joint venture	-	69,010
Marketable securities (At fair market value)	34,457,225	37,040,858
Deferred charges and other assets	5,621,608	5,536,448
TOTAL OTHER ASSETS	40,078,833	42,646,316
TOTAL ASSETS	\$ 80,922,662	89,097,487
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
CURRENT LIABILITIES:		
Deferred income tax	\$ 8,476,301	10,480,454
Other	6,223,642	6,552,174
TOTAL CURRENT LIABILITIES	14,699,943	17,032,628
OTHER LIABILITIES:		
Deferred income tax	11,893,124	12,791,949
Commitments and contingencies	-	-
Joint venture and minority interest in partnership	206,249	15,251
Other liabilities	37,470	37,470
TOTAL OTHER LIABILITIES	12,136,843	12,844,670
SHAREHOLDERS' EQUITY:		
Capital stock	249,939	249,939
Additional paid-in capital	8,205,825	8,191,065
Retained earnings	27,197,692	26,562,597
Accumulated other comprehensive income	40,981,563	46,599,325
	76,635,019	81,602,926
Less-Common stock in treasury-at cost	22,549,143	22,382,737
TOTAL SHAREHOLDERS' EQUITY	54,085,876	59,220,189
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 80,922,662	89,097,487

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

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PART I - FINANCIAL INFORMATION  
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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UNAUDITED

	For the six months ended		For the three months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
REVENUES:				
Net sales	\$4,580,483	4,382,334	2,213,777	2,189,162
Dividends	1,146,033	1,084,602	574,402	551,603
	-----	-----	-----	-----
TOTAL REVENUES	5,726,516	5,466,936	2,788,179	2,740,765
	-----	-----	-----	-----
COST AND EXPENSES:				
Cost of sales	4,160,321	4,207,573	2,020,397	1,951,614
General and administrative	944,683	975,731	465,169	569,025
Interest expense	93,014	170,218	45,688	71,474
	-----	-----	-----	-----
TOTAL COST AND EXPENSES	5,198,018	5,353,522	2,531,254	2,592,113
	-----	-----	-----	-----
EQUITY IN JOINT VENTURE INCOME AND MINORITY INTEREST	139,992	84,174	71,489	18,504
	-----	-----	-----	-----
INCOME BEFORE GAIN ON SALE OF ASSETS	668,490	197,588	328,414	167,156
NET GAIN ON SALE OF PROPERTY AND EQUIPMENT	568,390	2,017,900	141,688	1,182,764
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,236,880	2,215,488	470,102	1,349,920
INCOME TAX PROVISION	160,944	494,785	35,469	328,354
	-----	-----	-----	-----
NET INCOME	\$1,075,936	1,720,703	434,633	1,021,566
	=====	=====	=====	=====
NET INCOME PER SHARE	\$ .98	1.52	.40	.90
	=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE	\$ .40	.40	.20	.20
	=====	=====	=====	=====

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

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PART I - FINANCIAL INFORMATION  
(Continued)

Item 1. Financial Statements.

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## VULCAN INTERNATIONAL CORPORATION

### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended  
UNAUDITED

	JUNE 30, 2002	JUNE 30, 2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 4,244,415	5,549,892
Cash paid to suppliers and employees	(5,847,852)	(4,598,342)
Dividends received	1,146,033	1,084,602
Interest paid	(15,298)	(50,930)
Income taxes paid	(145,000)	(220,000)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	(617,702)	1,765,222
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	583,945	2,084,808
Purchase of property and equipment	(289,913)	(22,636)
Cash distribution from joint venture	400,000	100,000
Collections on notes receivable and other	59,779	56,262
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	753,811	2,218,434
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings (repayments) under credit agreements	-	(1,700,000)
Sale of treasury shares	19,885	-
Purchase of common shares	(171,531)	(166,811)
Cash dividends paid	(440,842)	(453,889)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(592,488)	(2,320,700)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(456,379)	1,662,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,493,733	1,008,649
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,037,354	2,671,605
	=====	=====
<b>RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,075,936	1,720,703
Adjustments-		
Depreciation and amortization	167,195	193,344
Deferred income taxes	(8,979)	136,172
Equity in joint venture income and minority interest	(139,992)	(84,174)
Net gain on sale of property and marketable securities	(568,391)	(2,017,900)
(Increase) decrease in accounts receivable	(328,233)	1,167,558
Decrease in inventories	(289,478)	579,363
Increase (decrease) in accounts payable, accrued expenses and other assets	(525,760)	70,156
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (617,702)	1,765,222
	=====	=====

The accompanying notes to condensed consolidated financial statements are an

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integral part of these statements.

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PART I - FINANCIAL INFORMATION  
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION  
SCHEDULE SUPPORTING NET INCOME PER COMMON SHARE  
AND DIVIDENDS PER COMMON SHARE  
UNAUDITED

EXHIBIT 1

	For the six months ended		For the three months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
a) Net income	\$1,075,936 =====	1,720,703 =====	434,633 =====	1,021,566 =====
b) Cash dividends on common shares	\$ 440,842 =====	453,889 =====	220,421 =====	226,944 =====
Weighted Average Shares:				
c) Common shares issued	1,999,512	1,999,512	1,999,512	1,999,512
d) Common treasury shares	897,725 -----	864,491 -----	898,022 -----	864,491 -----
e) Common shares outstanding	1,101,787 =====	1,135,021 =====	1,101,490 =====	1,135,021 =====
f) Income per common share (a/e):	\$ .98	1.52	.40	.90
g) Dividends per common share	\$ .40	.40	.20	.20

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

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PART I - FINANCIAL INFORMATION  
(Continued)

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### Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended June 30, 2002 and 2001

On March 1, 1990 the United States of America filed a Complaint against the Company and others in the United States District Court for the District of Massachusetts claiming that the Company was a potentially responsible party with respect to the Re-Solve, Inc. Superfund Site in North Dartmouth, Massachusetts seeking to recover response costs incurred and to be incurred in the future in connection with this Site.

Although the Company had engaged counsel to represent it in that action, the Company was first informed on March 28, 2001 that the Court had entered, pursuant to prior rulings, an unopposed "Final Judgment" against the Company on September 22, 1999. The "Final Judgment" awarded damages against the Company in favor of the United States in the amount of \$3,465,438 for unreimbursed response costs and accrued interest, plus any additional past unreimbursed response costs, interest and certain future costs the United States incurs at the site. The United States filed a notice of lien in certain jurisdictions on real property of the Registrant and its subsidiary Vulcan Corporation in the dollar amount of the judgment, plus interest.

In 1999 the Company recorded an estimated liability of \$2,981,000, net of \$1,734,000 tax, for the judgment, accrued interest for the past costs and a discounted present value for estimated future costs in connection with the site. This estimated liability was calculated based on the "Final Judgment" and using other information provided by the U.S. EPA. The Company expensed \$151,000 and \$140,000, after tax, for the years ended December 31, 2001 and 2000 and \$51,000 and \$25,000, after tax, for the six months and three months ended June 30, 2002, for accrued interest and amortization of estimated future costs related to this matter.

The liability for future costs is a significant estimate of the future costs and it is subject to change as actual costs are incurred and reported by the Environmental Protection Agency.

The Company is presently continuing an investigation into this matter and intends to vigorously pursue all available legal remedies to set aside all orders and liens relating to the asserted liability and to defend itself against the underlying allegations. Counsel for the Company is also vigorously pursuing settlement negotiations with counsel for the United States. To the extent that the Company is able to settle this liability, or to obtain judicial relief, for an amount less than it has accrued, the difference will be recorded as income in the year the obligation is settled.

The Company was advised by the U.S. Environmental Protection Agency several years ago that it was one of at least 122 large generator potentially responsible parties ("PRP's") with regard to remediation of the Union Chemical Company, Inc. Site, South Hope, Maine, where the potential joint and several liability was in the range of \$15 million. The Company, along with many other PRP's, entered into a consent agreement with U.S. EPA to remediate the Site, and the Company is now a party to a Remedial Design/Remedial

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PART I - FINANCIAL INFORMATION  
(Continued)

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### Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended June 30, 2002 and 2001  
(Continued)

Action Trust Agreement for the purpose of undertaking clean-up responsibilities at the Site. Most of the remedial work has now been completed. In 2000, PRP's estimated that additional funds of approximately \$1 million would be required to complete remediation of the Site. The Registrant's estimated share of that amount was approximately \$5,000 and was paid in 2000. If the projected cost of the remaining remediation tasks remains at approximately \$1 million, the Registrant will not have additional payments. There may be other potential clean-up liabilities at other sites of which the Registrant has no specific knowledge.

The Registrant has an interest in a partnership which owns certain real estate. On August 13, 1999 a Complaint for money damages, in excess of \$25,000, based upon breach of fiduciary duty was filed by the other partner in the Court of Common Pleas in Hamilton County, Ohio. Essentially, the plaintiff is seeking an adjustment of the capital account balances which would result in a higher distribution of cash flow. On March 27, 2001, the plaintiff threatened to file an Amended Complaint that alleges damages of \$1,062,000 and costs, plus punitive damages of \$2,000,000 on various grounds. The Registrant believes that the suit is without merit and has been defending itself vigorously against the issues raised.

CCBA appealed a real estate tax assessment from 1999 that had increased the annual real estate tax by approximately \$96,000. The local school board has appealed the revision and reduced its initial appraised value of the property. During 2001, the partnership received a \$96,000 refund of the additional tax paid in 1999. CCBA has recorded a liability of approximately \$119,000 related to this issue based on the revised value asserted by the local school board. If CCBA is successful, this liability will be recognized as income.

The Company is involved in other litigation matters and claims which are normal in the course of operations. Management believes that the resolution of these matters will not have a material effect on the Company's business or financial condition.

The accompanying condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to reflect a fair presentation of financial position, results of operations and cash flows for the interim periods. All such adjustments are of a normal recurring nature.

There were no securities of the Registrant sold by the Registrant during the six months ended June 30, 2002, that were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4(2) of the Act.

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PART I - FINANCIAL INFORMATION  
(Continued)



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### Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 For the six months ended June 30, 2002 and 2001  
 (Continued)

#### USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### INVENTORIES

	JUNE 30, 2002 UNAUDITED	DECEMBER 31, 2001
Inventories consisted of:		
Finished goods	\$ 309,034	142,846
Work in process	70,837	64,853
Raw materials	265,897	148,591
	-----	-----
Total inventories	\$ 645,768	356,290
	=====	=====

#### COMPREHENSIVE INCOME

During the six months ended June 30, 2002 and 2001 total other comprehensive income (loss) was as follows:

	For the six months ended		For the three months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Net income	\$ 1,075,936	1,720,703	434,633	1,021,566
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on marketable securities	(5,559,449)	(6,393,121)	(6,849,887)	(1,450,686)
Less: reclassification adjustment for gains included in net income	(58,313)	(824,319)	(3,313)	(549,747)
	-----	-----	-----	-----
Total comprehensive income (loss)	\$ (4,541,826)	(5,496,737)	(6,418,567)	(978,867)
	=====	=====	=====	=====

Accumulated comprehensive income consists of unrealized holding gains on securities available for sale of \$40,981,563 at June 30, 2002 and \$46,599,325 at December 31, 2001.

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## PART I - FINANCIAL INFORMATION (Continued)

### Item 1. Financial Statements.

#### VULCAN INTERNATIONAL CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six months ended June 30, 2002 and 2001 (Continued)

#### STOCK OPTIONS

In May 2002, the Company's Board of Directors adopted a resolution amending the Company's stock option plan to provide that the maximum time with which all currently outstanding stock options may be exercised is changed from three years to seven years. Options to purchase not more than 50,000 shares of treasury stock that were granted to the President of the Company in 2001 will expire in 2008.

#### BUSINESS SEGMENT INFORMATION

Reportable segments for the six months and three months ended June 30, 2002 are as follows:

	For the six months ended		For the three months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
NET SALES FROM CONTINUING OPERATIONS:				
Rubber and Foam Products	\$3,491,472	3,187,706	1,755,320	1,654,313
Bowling Pins	888,733	1,161,498	356,616	551,416
Real Estate Operations	465,146	542,418	211,105	235,978
Intersegment net sales	(48,359)	(184,603)	(21,007)	(126,299)
	4,796,992	4,707,019	2,302,034	2,315,408
Timber sales reported in gain on sale of property and equipment	(216,509)	(324,685)	(88,257)	(126,246)
	TOTAL SALES FROM CONTINUING OPERATIONS	4,382,334	2,213,777	2,189,162
	=====	=====	=====	=====
OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS:				
Rubber and Foam Products	\$ (104,077)	(380,471)	(60,683)	(41,753)
Bowling Pins	80,636	55,887	37,508	4,352
Real Estate Operations	193,178	250,244	75,364	90,016
	TOTAL OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS	169,737	52,189	52,615
	169,737	(74,340)	52,189	52,615
Interest expense - net	(93,014)	(170,218)	(45,688)	(71,474)
Other unallocated corporate income - net	1,160,157	2,460,046	463,601	1,368,779
Income tax provision	(160,944)	(494,785)	(35,469)	(328,354)
	NET INCOME	1,720,703	434,633	1,021,566
	=====	=====	=====	=====

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### REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at June 30, 2002, and for the six month period then ended have been reviewed, prior to filing, by the Registrant's independent accountants, J.D. Cloud & Co. L.L.P., whose report covering their review of the financial statements is included in this report.

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### INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Vulcan International Corporation  
Wilmington, Delaware

We have reviewed the accompanying condensed consolidated balance sheet of Vulcan International Corporation and subsidiaries as of June 30, 2002, and the related condensed consolidated statements of income and cash flows for the six month and three month periods ended June 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have audited, in accordance with U.S. generally accepted auditing standards, the consolidated balance sheet of Vulcan International Corporation and subsidiaries as of December 31, 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 14, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

J.D. CLOUD & CO. L.L.P.  
Certified Public Accountants

Cincinnati, Ohio  
July 31, 2002

PART I - FINANCIAL INFORMATION  
(Continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Net sales revenue for the six month period ended June 30, 2002, increased \$198,149 or 4.5% over the corresponding period in 2001. Cost of sales decreased \$47,252 or 1.1% during the six month period compared to the corresponding six month period in 2001. Net sales revenue for the second quarter of 2002 decreased \$24,615 or 1.1% and cost of sales increased \$68,783 or 3.5% compared to the corresponding quarter in 2001. These changes are due to increased sales in the Company's Rubber and Foam segment.

General and administrative expenses decreased \$31,048 or 3.2% in the six month period ended June 30, 2002, as compared to the corresponding six month period in 2001. General and administrative expenses for the second quarter of 2002 decreased \$103,856 or 18.3% compared to the corresponding quarter in 2001. The decreases are primarily due to decreased professional fees relating to environmental matters.

Interest expense for the six month period ended June 30, 2002 decreased \$77,204. Interest expense for the three month period ended June 30, 2002 decreased \$25,786. The decreases were due to decreased borrowings under the Company's line of credit agreement.

Gains on the sale of property, equipment and securities were \$568,390 for the six month period ended June 30, 2002, as compared to \$2,017,900 for the corresponding period in 2001. Gains in 2002 and 2001 were primarily the result of the sale of marketable securities and timber.

The Company has a 50% interest in a joint venture, Vulcan Brunswick Bowling Pin Company (VBBPC) which manufactures bowling pins in Antigo, Wisconsin for Brunswick and the Company. The Company received cash distributions of \$400,000 from VBBPC during the second quarter of 2002. The excess of cash distributions over the Company's investment in VBBPC is included in other liabilities at June 30, 2002.

Summarized income statement information for VBBPC consists of the following:

	Six Months Ended June 30,		Three Months ended June 30,	
	2002	2001	2002	2001
Net sales	\$3,106,068	2,120,883	1,588,129	804,982
Costs and expenses	2,823,698	1,953,152	1,443,753	768,067
	-----	-----	-----	-----
Net income	\$ 282,370	167,731	144,376	36,915
	=====	=====	=====	=====
Company's 50% equity in net income	\$ 141,185	83,865	72,188	18,457
	=====	=====	=====	=====

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## PART I - FINANCIAL INFORMATION (Continued)

- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the second quarter of 2002 were funded in part through earnings and noncash charges such as depreciation and amortization and from the sale of timber, equipment and marketable securities. The cash from these transactions was primarily used in operations. The Company expects to continue, when necessary, to use short-term borrowings to meet cash requirements not fully provided by earnings, depreciation and amortization. During the six months ended June 30, 2002, 4,114 shares of treasury stock were acquired for \$171,531 and 500 shares of treasury stock were sold to a director for \$19,885 pursuant to the right of any director to purchase up to 25,000 shares at market price in any 12 month period. There were approximately \$54,000 of commitments for capital expenditures as of June 30, 2002.

- Item 3. Quantitative and Qualitative Disclosures about Market Risks.

### MARKETABLE SECURITIES

The fair value of marketable securities has declined \$19,047,000 from December 31, 2001 to July 31, 2002. At July 31, 2002 the fair value of marketable securities was \$57,974,763 as compared to \$68,513,283 at June 30, 2002.

The net unrealized holding gain at July 31, 2002 was approximately \$34,026,000 net of deferred taxes of approximately \$17,529,000. The Company is subject to the risk that fair value securities could decline further.

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## PART II - OTHER INFORMATION

- Item 1. Legal Proceedings.

On March 1, 1990 the United States of America filed a Complaint against the Company and others in the United States District Court for the District of Massachusetts claiming that the Company was a potentially responsible party with respect to the Re-Solve, Inc. Superfund Site in North Dartmouth, Massachusetts seeking to recover response costs incurred and to be incurred in the future in connection with this Site.

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Although the Company had engaged counsel to represent it in that action, the Company was first informed on March 28, 2001 that the Court had entered, pursuant to prior rulings, an unopposed "Final Judgment" against the Company on September 22, 1999. The "Final Judgment" awarded damages against the Company in favor of the United States in the amount of \$3,465,438 for unreimbursed response costs and accrued interest, plus any additional past unreimbursed response costs, interest and certain future costs the United States incurs at the site. The United States filed a notice of lien in certain jurisdictions on real property of the Registrant and its subsidiary Vulcan Corporation in the dollar amount of the judgment, plus interest.

In 1999 the Company recorded an estimated liability of \$2,981,000, net of \$1,734,000 tax, for the judgment, accrued interest for the past costs and a discounted present value for estimated future costs in connection with the site. This estimated liability was calculated based on the "Final Judgment" and using other information provided by the U.S. EPA. The Company expensed \$151,000 and \$140,000, after tax, for the years ended December 31, 2001 and 2000 and \$51,000 and \$25,000, after tax, for the six months and three months ended June 30, 2002, for accrued interest and amortization of estimated future costs related to this matter.

The liability for future costs is a significant estimate of the future costs and it is subject to change as actual costs are incurred and reported by the Environmental Protection Agency.

The Company is presently continuing an investigation into this matter and intends to vigorously pursue all available legal remedies to set aside all orders and liens relating to the asserted liability and to defend itself against the underlying allegations. Counsel for the Company is also vigorously pursuing settlement negotiations with counsel for the United States. To the extent that the Company is able to settle this liability, or to obtain judicial relief, for an amount less than it has accrued, the difference will be recorded as income in the year the obligation is settled.

The Company was advised by the U.S. Environmental Protection Agency several years ago that it was one of at least 122 large generator potentially responsible parties ("PRP's") with regard to remediation of the Union Chemical Company, Inc. Site, South Hope, Maine, where the potential joint and several liability was in the range of \$15 million. The Company, along with many other PRP's, entered into a consent agreement with U.S. EPA to remediate the Site, and the Company is now a party to a Remedial Design/Remedial

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### PART II - OTHER INFORMATION

#### Item 1. Legal Proceedings. (Continued)

Action Trust Agreement for the purpose of undertaking clean-up responsibilities at the Site. Most of the remedial work has now been completed. In 2000, PRP's estimated that additional funds of approximately \$1 million would be required to complete remediation of the Site. The Registrant's estimated share of that amount was approximately \$5,000 and was paid in 2000. If the projected cost of the remaining remediation tasks remains at approximately \$1 million, the Registrant will not have additional payments. There may be other potential clean-up liabilities at other sites

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of which the Registrant has no specific knowledge.

The Registrant has an interest in a partnership which owns certain real estate. On August 13, 1999 a Complaint for money damages, in excess of \$25,000, based upon breach of fiduciary duty was filed by the other partner in the Court of Common Pleas in Hamilton County, Ohio. Essentially, the plaintiff is seeking an adjustment of the capital account balances which would result in a higher distribution of cash flow. On March 27, 2001, the plaintiff threatened to file an Amended Complaint that alleges damages of \$1,062,000 and costs, plus punitive damages of \$2,000,000 on various grounds. The Registrant believes that the suit is without merit and has been defending itself vigorously against the issues raised.

CCBA appealed a real estate tax assessment from 1999 that had increased the annual real estate tax by approximately \$96,000. The local school board has appealed the revision and reduced its initial appraised value of the property. During 2001, the partnership received a \$96,000 refund of the additional tax paid in 1999. CCBA has recorded a liability of approximately \$119,000 related to this issue based on the revised value asserted by the local school board. If CCBA is successful, this liability will be recognized as income.

The Company and its subsidiaries are party to other matters and claims which are normal in the course of operations. While the results of litigation and claims cannot be predicted with certainty, based on advice of counsel, the Company believes that the final outcome of such matters will not have a materially adverse affect on its consolidated financial condition.

- Item 6. Exhibits and Reports on Form 8-K.
- a. Exhibits  
None
  - b. The Company was not required to file Form 8-K for the quarter ended June 30, 2002.

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### PART II - OTHER INFORMATION (Continued)

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VULCAN INTERNATIONAL CORPORATION

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By: /s/ Benjamin Gettler  
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Benjamin Gettler  
Chairman of the Board, President  
and Chief Executive Officer

Date August 12, 2002

By: /s/ Vernon E. Bachman  
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Vernon E. Bachman  
Vice President, Secretary-Treasurer  
and Principal Accounting Officer

Date August 12, 2002