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VULCAN INTERNATIONAL CORP

Form 10-Q

August 08, 2001

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, 2001

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, 2001:

1,134,719 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, 2001 UNAUDITED	DECEMBER 31, 2000
-ASSETS-		
CURRENT ASSETS:		
Cash	\$ 2,671,605	1,008,649
Marketable securities (At fair market value)	44,177,528	50,383,925
Accounts receivable	1,908,743	3,072,529
Inventories	361,727	941,090
Prepaid expense and tax	-	87,301
	-----	-----
TOTAL CURRENT ASSETS	49,119,603	55,493,494
	-----	-----
PROPERTY, PLANT AND EQUIPMENT-at cost	11,590,354	11,715,635
Less-Accumulated depreciation and depletion	9,395,664	9,346,419

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NET PROPERTY, PLANT AND EQUIPMENT	2,194,690	2,369,216
OTHER ASSETS:		
Investment in joint venture	54,394	70,528
Marketable securities (At fair market value)	43,361,531	48,153,115
Deferred charges and other assets	5,146,450	5,057,605
TOTAL OTHER ASSETS	48,562,375	53,281,248
TOTAL ASSETS	\$ 99,876,668	111,143,958
	=====	=====
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
CURRENT LIABILITIES:		
Deferred income tax	\$ 12,005,955	14,093,872
Note payable	-	1,700,000
Other	6,169,783	6,037,426
TOTAL CURRENT LIABILITIES	18,175,738	21,831,298
OTHER LIABILITIES:		
Deferred income tax	14,815,183	16,309,169
Commitments and contingencies	-	-
Minority interest in partnership	10,757	11,066
Other liabilities	33,285	33,285
TOTAL OTHER LIABILITIES	14,859,225	16,353,520
SHAREHOLDERS' EQUITY:		
Capital stock	249,939	249,939
Additional paid-in capital	7,745,102	7,745,102
Retained earnings	25,832,191	24,565,375
Accumulated other comprehensive income	53,629,146	60,846,586
	87,456,378	93,407,002
Less-Common stock in treasury-at cost	20,614,673	20,447,862
TOTAL SHAREHOLDERS' EQUITY	66,841,705	72,959,140
	=====	=====
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 99,876,668	111,143,958
	=====	=====

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, 2001	June 30, 2000	June 30, 2001	June 30, 2000
REVENUES:				
Net sales	\$4,382,334	4,831,963	2,189,162	2,314,917
Dividends	1,084,602	1,035,849	551,603	517,172
	-----	-----	-----	-----
TOTAL REVENUES	5,466,936	5,867,812	2,740,765	2,832,089
	-----	-----	-----	-----
COST AND EXPENSES:				
Cost of sales	4,207,573	4,869,076	1,951,614	2,344,735
General and administrative	975,731	804,925	569,025	386,092
Interest expense	170,218	194,047	71,474	92,088
	-----	-----	-----	-----
TOTAL COST AND EXPENSES	5,353,522	5,868,048	2,592,113	2,822,915
	-----	-----	-----	-----
EQUITY IN JOINT VENTURE INCOME AND MINORITY INTEREST	84,174	232,824	18,504	114,911
	-----	-----	-----	-----
INCOME BEFORE GAIN ON SALE OF ASSETS	197,588	232,588	167,156	124,085
NET GAIN ON SALE OF PROPERTY AND EQUIPMENT	2,017,900	168,532	1,182,764	81,048
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,215,488	401,120	1,349,920	205,133
INCOME TAX PROVISION	494,785	68,359	328,354	41,638
	-----	-----	-----	-----
NET INCOME	\$1,720,703	332,761	1,021,566	163,495
	=====	=====	=====	=====
NET INCOME PER SHARE	\$ 1.52	.30	.90	.15
	=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE	\$ .40	.60	.20	.40
	=====	=====	=====	=====

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, 2001	JUNE 30, 2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 5,549,892	4,573,062
Cash paid to suppliers and employees	(4,598,342)	(5,729,094)
Dividends received	1,084,602	1,035,849
Interest paid	(50,930)	(78,426)
Income taxes paid	(220,000)	-
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,765,222	(198,609)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	2,084,808	169,738
Purchase of property and equipment	(22,636)	(125,317)
Cash distribution from joint venture	100,000	150,000
Collections on notes receivable and other	56,262	62,074
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,218,434	256,495
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings (repayments) under credit agreements	(1,700,000)	565,000
Sale of treasury shares	-	466,875
Purchase of common shares	(166,811)	(715,640)
Cash dividends paid	(453,889)	(441,366)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(2,320,700)	(125,131)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,662,956	(67,245)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,008,649	1,088,626
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,671,605	1,021,381
	=====	=====
<b>RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,720,703	332,761
Adjustments-		
Depreciation and amortization	193,344	214,964
Deferred income taxes	136,172	111,741
Equity in joint venture income and minority interest	(84,174)	(232,824)
Net gain on sale of property and marketable securities	(2,017,900)	(168,532)
(Increase) decrease in accounts receivable	1,167,558	(258,901)
Decrease in inventories	579,363	49,748
Increase (decrease) in accounts payable, accrued expenses and other assets	70,156	(247,566)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,765,222	(198,609)
	=====	=====

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, 2001	June 30, 2000	June 30, 2001	June 30, 2000
a) Net income	\$1,720,703 =====	332,761 =====	1,021,566 =====	163,495 =====
b) Cash dividends on common shares	\$ 453,889 =====	661,291 =====	226,944 =====	439,850 =====
Weighted Average Shares:				
c) Common shares issued	1,999,512	1,999,512	1,999,512	1,999,512
d) Common treasury shares	864,491 -----	892,907 -----	864,491 -----	894,906 -----
e) Common shares outstanding	1,135,021 =====	1,106,605 =====	1,135,021 =====	1,104,606 =====
f) Income per common share (a/e):	\$ 1.52	.30	.90	.15
g) Dividends per common share	\$ .40	.60	.20	.40

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, 2001 and 2000

On March 1, 1990 the United States of America filed a Complaint against the Registrant and others in the United States District Court for the District of Massachusetts claiming that the Registrant 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 Registrant had engaged counsel to represent it in that action, the Registrant was first informed on March 28, 2001 that the Court had entered, pursuant to prior rulings, an unopposed "Final Judgment" against the Registrant on September 22, 1999. The "Final Judgment" awarded damages against the Registrant 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.

The Registrant has recorded a liability of \$3,909,200 including accrued interest of \$443,800 for past costs plus \$1,146,100, (representing a discounted present value of \$1,750,000) for estimated future costs in connection with the Site. The June 30, 2000 quarterly results were restated to recognize interest on the liability as reported in the Registrant's Form 10-K for the year ended December 31, 2000. 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 Registrant 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.

The Registrant 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 Registrant, along with many other PRP's, entered into a consent agreement with U.S. EPA to remediate the Site, and the Registrant is now a party to a Remedial Design/Remedial

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PART I - FINANCIAL INFORMATION  
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION

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### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2001 and 2000

(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.

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, 2001, 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.

#### ACCOUNTING CHANGES

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 133 requires an entity to recognize all derivatives, at their fair market value, as either assets or liabilities in the statement of financial position. The effect of adopting this standard was not significant.

#### NEW PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 141 will be effective for all business combinations initiated after June 30, 2001. Statement No. 142 is effective for all goodwill and other intangible assets acquired after June 30, 2001 and for all other goodwill and other intangible assets effective January 1, 2002. These standards are not expected to have a significant impact to the Company.

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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, 2001 and 2000  
 (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.

#### RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with current period presentation.

#### INVENTORIES

	JUNE 30, 2001 UNAUDITED	DECEMBER 31, 2000
Inventories consisted of:		
Finished goods	\$ 144,224	657,693
Work in process	50,616	72,992
Raw materials	166,887	210,405
	-----	-----
Total inventories	\$ 361,727	941,090
	=====	=====

#### COMPREHENSIVE INCOME

During the six months ended June 30, 2001 and 2000 total other comprehensive income (loss) was as follows:

	For the six months ended		For the three months ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Net income	\$ 1,720,703	332,761	1,021,566	163,495
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on marketable securities	(6,393,121)	1,392,099	(1,450,686)	(791,987)
Less: reclassification adjustment for gains included in net income	(824,319)	-	(549,747)	-
	-----	-----	-----	-----
Total comprehensive income (loss)	\$ (5,496,737)	1,724,860	(978,867)	(628,492)
	=====	=====	=====	=====

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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, 2001 and 2000 (Continued)

Accumulated comprehensive income consists of unrealized holding gains on securities available for sale of \$53,629,146 at June 30, 2001 and \$60,846,586 at December 31, 2000.

#### BUSINESS SEGMENT INFORMATION

Reportable segments for the six months and three months ended June 30, 2001 are as follows:

	For the six months ended		For the three months ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
<b>NET SALES:</b>				
Rubber and Foam Products	\$3,187,706	3,644,456	1,654,313	1,871,292
Bowling Pins	1,161,498	1,130,709	551,416	350,620
Real Estate Operations	542,418	425,623	235,978	213,372
Intersegment net sales	(184,603)	(200,737)	(126,299)	(38,263)
	4,707,019	5,000,051	2,315,408	2,397,021
Timber sales reported in gain on sale of property and equipment	(324,685)	(168,088)	(126,246)	(82,104)
	\$4,382,334	4,831,963	2,189,162	2,314,917
	=====	=====	=====	=====
<b>OPERATING PROFIT (LOSS)</b>				
<b>FROM CONTINUING OPERATIONS:</b>				
Rubber and Foam Products	\$ (380,471)	(613,249)	(41,753)	(296,373)
Bowling Pins	55,887	187,928	4,352	81,908
Real Estate Operations	250,244	154,896	90,016	81,582
	(74,340)	(270,425)	52,615	(132,883)
Interest expense - net	(170,218)	(194,047)	(72,074)	(92,088)
Other unallocated corporate income - net	2,460,046	865,592	1,369,379	430,104
Income tax provision	(494,785)	(68,359)	(328,354)	(41,638)
	\$1,720,703	332,761	1,021,566	163,495
	=====	=====	=====	=====

#### REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at June 30, 2001, and for the six month period then ended have been reviewed, prior to filing, by

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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, 2001, and the related condensed consolidated statements of income and cash flows for the six month and three month periods ended June 30, 2001 and 2000. 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, 2000, 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 10, 2001 and March 29, 2001, 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, 2000, 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  
August 3, 2001

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## 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, 2001, decreased \$449,629 or 9.3% over the corresponding period in 2000. Cost of sales decreased \$661,503 or 13.6% during the six month period compared to the corresponding six month period in 2000. Net sales revenue for the second quarter of 2001 decreased \$125,755 or 5.4% and cost of sales decreased \$393,121 or 16.8% compared to the corresponding quarter in 2000. These changes are due to decreased sales in the Company's Rubber and Foam and Bowling Pin segments.

General and administrative expenses increased \$170,806 or 21.2% in the six month period ended June 30, 2001, as compared to the corresponding six month period in 2000. General and administrative expenses for the second quarter of 2001 increased \$182,933 or 47.4% compared to the corresponding quarter in 2000. The increases are primarily due to increased professional fees relating to environmental matters.

Interest expense for the six month period ended June 30, 2001 decreased \$23,829. Interest expense for the three month period ended June 30, 2001 decreased \$20,614. 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 \$2,017,900 for the six month period ended June 30, 2001, as compared to \$168,532 for the corresponding period in 2000. Gains in 2001 were primarily the result of the sale of marketable securities and timber. Gains in 2000 were the result of sales of marketable securities, timber and equipment from the Company's rubber plant in Clarksville, Tennessee.

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's investment in VBBPC is included in other assets at June 30, 2001.

For the period May 1, 2001 through December 31, 2001, Vulcan will bear the economic risk of the joint venture and thus any profit or loss resulting from operations during this period shall be allocated for tax and accounting purposes to Vulcan.

Summarized income statement information for VBBPC consists of the following:

	Six Months Ended June 30, 2001	2000	Three Months ended June 30, 2001	2000
Net sales	\$2,120,883	4,296,148	804,982	2,151,060
Costs and expenses	1,953,152	3,829,123	768,067	1,920,233
	-----	-----	-----	-----
Net income	\$ 167,731	467,025	36,915	230,827
	=====	=====	=====	=====
Company's 50% equity in net income	\$ 83,865	233,512	18,457	115,413
	=====	=====	=====	=====

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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 2001 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, 2001, 4,805 shares of treasury stock were acquired for \$166,811. There were approximately \$2,000 of commitments for capital expenditures as of June 30, 2001.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

There have been no significant changes in the Company's market risk, primarily associated with marketable securities, since December 31, 2000.

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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 Registrant and others in the United States District Court for the District of Massachusetts claiming that the Registrant 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 Registrant had engaged counsel to represent it in that action, the Registrant was first informed on March 28, 2001 that the Court had entered, pursuant to prior rulings, an unopposed "Final Judgment" against the Registrant on September 22, 1999. The "Final Judgment" awarded damages against the Registrant 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

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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.

The Registrant has recorded a liability of \$3,909,200 including accrued interest of \$443,800 for past costs plus \$1,146,100, (representing a discounted present value of \$1,750,000) for estimated future costs in connection with the Site. The June 30, 2000 quarterly results were restated to recognize interest on the liability as reported in the Registrant's Form 10-K for the year ended December 31, 2000. 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 Registrant 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.

The Registrant 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 Registrant, along with many other PRP's, entered into a consent agreement with U.S. EPA to remediate the Site, and the Registrant is now a party to a Remedial Design/Remedial 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 the additional funds in the range of \$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.

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### PART II - OTHER INFORMATION

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

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.

The Registrant 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 Registrant believes that the final outcome of such matters will

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not have a materially adverse effect on its consolidated financial condition.

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PART II - OTHER INFORMATION

- 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, 2001.

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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

	By: /s/ Benjamin Gettler	-----
Date August 8, 2001	Benjamin Gettler	Chairman of the Board, President and Chief Executive Officer
	By: /s/ Vernon E. Bachman	-----
Date August 8, 2001	Vernon E. Bachman	Vice President, Secretary-Treasurer and Principal Accounting Officer

