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VULCAN INTERNATIONAL CORP  
Form 10-Q  
November 15, 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 September 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) 427-5804  
(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 September 30, 2002:

1,081,459 shares

VULCAN INTERNATIONAL CORPORATION

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### PART I - FINANCIAL INFORMATION

#### Item 1. Financial Statements.

#### VULCAN INTERNATIONAL CORPORATION

#### CONDENSED CONSOLIDATED BALANCE SHEETS

|  | SEPTEMBER 30,<br>2002<br>UNAUDITED | DECEMBER 31,<br>2001 |
|--|------------------------------------|----------------------|
| -ASSETS-                                     |                                    |                      |
| CURRENT ASSETS:                              |                                    |                      |
| Cash   | \$ 1,797,728                       | 2,493,733            |
| Marketable securities (at fair market value) | 25,940,691                         | 39,981,369           |
| Accounts receivable                          | 2,117,617                          | 1,428,693            |
| Inventories                                  | 476,459                            | 356,290              |
| Prepaid expense and tax                      | 74,124                             | 73,610               |
|  | -----                              | -----                |
| TOTAL CURRENT ASSETS                         | 30,406,619                         | 44,333,695           |
|  | -----                              | -----                |
| PROPERTY, PLANT AND EQUIPMENT-at cost        | 11,757,245                         | 11,688,951           |
| Less-Accumulated depreciation and depletion  | 9,565,430                          | 9,571,475            |
|  | -----                              | -----                |

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|  |              |            |
|--|--------------|------------|
| NET PROPERTY, PLANT AND EQUIPMENT                  | 2,191,815    | 2,117,476  |
|  | -----        | -----      |
| OTHER ASSETS:                                      |              |            |
| Investment in joint venture                        | -            | 69,010     |
| Marketable securities (at fair market value)       | 27,793,825   | 37,040,858 |
| Deferred charges and other assets                  | 5,663,465    | 5,536,448  |
|  | -----        | -----      |
| TOTAL OTHER ASSETS                                 | 33,457,290   | 42,646,316 |
|  | -----        | -----      |
| TOTAL ASSETS                                       | \$66,055,724 | 89,097,487 |
|  | =====        | =====      |
| -LIABILITIES AND SHAREHOLDERS' EQUITY-             |              |            |
| CURRENT LIABILITIES:                               |              |            |
| Deferred income tax                                | \$ 5,727,383 | 10,480,454 |
| Other  | 6,649,438    | 6,552,174  |
|  | -----        | -----      |
| TOTAL CURRENT LIABILITIES                          | 12,376,821   | 17,032,628 |
|  | -----        | -----      |
| OTHER LIABILITIES:                                 |              |            |
| Deferred income tax                                | 9,629,726    | 12,791,949 |
| Commitments and contingencies                      | -            | -          |
| Joint venture and minority interest in partnership | 137,202      | 15,251     |
| Other liabilities                                  | 37,470       | 37,470     |
|  | -----        | -----      |
| TOTAL OTHER LIABILITIES                            | 9,804,398    | 12,844,670 |
|  | -----        | -----      |
| SHAREHOLDERS' EQUITY:                              |              |            |
| Capital stock                                      | 249,939      | 249,939    |
| Additional paid-in capital                         | 8,205,825    | 8,191,065  |
| Retained earnings                                  | 27,394,167   | 26,562,597 |
| Accumulated other comprehensive income             | 31,227,578   | 46,599,325 |
|  | -----        | -----      |
|  | 67,077,509   | 81,602,926 |
| Less-Common stock in treasury-at cost              | 23,203,004   | 22,382,737 |
|  | -----        | -----      |
| TOTAL SHAREHOLDERS' EQUITY                         | 43,874,505   | 59,220,189 |
|  | -----        | -----      |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY         | \$66,055,724 | 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

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## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

UNAUDITED

|  | Nine months ended<br>September 30, |           | Three months ended<br>September 30, |           |
|--|------------------------------------|-----------|-------------------------------------|-----------|
|  | 2002                               | 2001      | 2002                                | 2001      |
| <b>REVENUES:</b>   |                                    |           |                                     |           |
| Net sales  | \$6,873,944                        | 6,241,465 | 2,293,461                           | 1,859,131 |
| Dividends and interest                                       | 1,723,113                          | 1,637,021 | 577,080                             | 552,419   |
|  | -----                              | -----     | -----                               | -----     |
| TOTAL REVENUES   | 8,597,057                          | 7,878,486 | 2,870,541                           | 2,411,550 |
|  | -----                              | -----     | -----                               | -----     |
| <b>COST AND EXPENSES:</b>                                    |                                    |           |                                     |           |
| Cost of sales  | 6,311,195                          | 6,022,166 | 2,150,874                           | 1,814,593 |
| General and<br>administrative                                | 1,423,529                          | 1,458,904 | 478,846                             | 483,173   |
| Interest expense   | 131,872                            | 233,798   | 38,858                              | 63,580    |
|  | -----                              | -----     | -----                               | -----     |
| TOTAL COST AND<br>EXPENSES                                   | 7,866,596                          | 7,714,868 | 2,668,578                           | 2,361,346 |
|  | -----                              | -----     | -----                               | -----     |
| EQUITY IN JOINT<br>VENTURE INCOME AND<br>MINORITY INTEREST   | 209,039                            | 84,524    | 69,047                              | 350       |
|  | -----                              | -----     | -----                               | -----     |
| INCOME BEFORE<br>GAIN ON SALE OF ASSETS                      | 939,500                            | 248,142   | 271,010                             | 50,554    |
| NET GAIN ON SALE OF<br>PROPERTY, EQUIPMENT<br>AND SECURITIES | 784,402                            | 2,185,289 | 216,012                             | 167,389   |
|  | -----                              | -----     | -----                               | -----     |
| INCOME FROM CONTINUING<br>OPERATIONS BEFORE<br>INCOME TAXES  | 1,723,902                          | 2,433,431 | 487,022                             | 217,943   |
| INCOME TAX PROVISION<br>(BENEFIT)                            | 235,164                            | 438,139   | 74,220                              | (56,646)  |
|  | -----                              | -----     | -----                               | -----     |
| NET INCOME   | \$1,488,738                        | 1,995,292 | 412,802                             | 274,589   |
|  | =====                              | =====     | =====                               | =====     |
| <br>   |                                    |           |                                     |           |
| NET INCOME PER SHARE   | \$ 1.36                            | 1.77      | .38                                 | .25       |
|  | -----                              | -----     | -----                               | -----     |
| <br>   |                                    |           |                                     |           |
| DIVIDENDS PER<br>COMMON SHARE                                | \$ .60                             | .60       | .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.

#### VULCAN INTERNATIONAL CORPORATION

#### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended  
UNAUDITED

|   | September 30,<br>2002 | September 30,<br>2001 |
|---|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                        |                       |                       |
| Cash received from customers  | \$ 6,191,072          | 7,351,917             |
| Cash paid to suppliers and employees                                | (7,867,171)           | (6,529,945)           |
| Dividends received  | 1,723,113             | 1,637,021             |
| Interest paid   | (15,298)              | (51,267)              |
| Income taxes paid   | (205,000)             | (480,000)             |
|   | -----                 | -----                 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                            | (173,284)             | 1,927,726             |
|   | -----                 | -----                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                        |                       |                       |
| Proceeds from sale of property, equipment and marketable securities | 796,734               | 2,258,544             |
| Purchase of property and equipment                                  | (347,125)             | (58,735)              |
| Cash distribution from joint venture                                | 400,000               | 100,000               |
| Collection on notes receivable                                      | 90,346                | 85,054                |
|   | -----                 | -----                 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES                            | 939,955               | 2,384,863             |
|   | -----                 | -----                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                        |                       |                       |
| Net borrowings (repayments) under credit agreements                 | -                     | (1,135,000)           |
| Sale of treasury shares   | 19,885                | -                     |
| Purchase of common shares   | (825,393)             | (2,103,881)           |
| Cash dividends paid   | (657,168)             | (678,832)             |
|   | -----                 | -----                 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES                            | (1,462,676)           | (3,917,713)           |
|   | -----                 | -----                 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                    | (696,005)             | 394,876               |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                    | 2,493,733             | 1,008,649             |
|   | -----                 | -----                 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD                          | 1,797,728             | 1,403,525             |
|   | =====                 | =====                 |
| <br><b>RECONCILIATION OF NET INCOME TO</b>                          |                       |                       |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>                    |                       |                       |
| Net income  | 1,488,738             | 1,995,292             |
| Adjustments-  |                       |                       |
| Depreciation and amortization                                       | 258,579               | 290,017               |
| Deferred income taxes   | 3,484                 | 36,054                |
| Equity in joint venture income and minority interest                | (209,039)             | (84,524)              |
| Net gain on sale of property and                                    |                       |                       |

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|  |              |             |
|--|--------------|-------------|
| marketable securities  | (784,402)    | (2,185,289) |
| (Increase) decrease in accounts receivable                                 | (682,872)    | 1,110,452   |
| (Increase) decrease in inventories   | (120,169)    | 368,176     |
| Increase (decrease) in accounts payable, accrued expenses and other assets | (127,603)    | 397,548     |
|  | -----        | -----       |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                                   | \$ (173,284) | 1,927,726   |
|  | =====        | =====       |

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  
SCHEDULE SUPPORTING NET INCOME PER COMMON SHARE  
AND DIVIDENDS PER COMMON SHARE  
UNAUDITED

EXHIBIT 1

|                                       | Nine months ended<br>September 30, |           | Three months ended<br>September 30, |           |
|---------------------------------------|------------------------------------|-----------|-------------------------------------|-----------|
|                                       | 2002                               | 2001      | 2002                                | 2001      |
| a) Net income                         | \$1,488,738                        | 1,995,292 | 412,802                             | 274,589   |
|                                       | =====                              | =====     | =====                               | =====     |
| b) Cash dividends on<br>common shares | 657,168                            | 678,832   | 216,325                             | 224,943   |
|                                       | =====                              | =====     | =====                               | =====     |
| Weighted Average<br>Shares:           |                                    |           |                                     |           |
| c) Common shares<br>issued            | 1,999,512                          | 1,999,512 | 1,999,512                           | 1,999,512 |
| d) Common<br>treasury shares          | 902,375                            | 870,513   | 911,524                             | 882,061   |
|                                       | -----                              | -----     | -----                               | -----     |
| e) Common shares<br>outstanding       | 1,097,137                          | 1,128,999 | 1,087,988                           | 1,117,451 |
|                                       | =====                              | =====     | =====                               | =====     |
| f) Net income per<br>common share     | \$ 1.36                            | 1.77      | .38                                 | .25       |
| g) Dividends per<br>common share      | \$ .60                             | .60       | .20                                 | .20       |

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

PART I - FINANCIAL INFORMATION  
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the nine months ended September 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 Company 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 \$77,000 and \$26,000, after tax, for the nine months and three months ended September 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,

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and the Company is now a party to a Remedial Design/Remedial Action Trust

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### PART I - FINANCIAL INFORMATION (Continued)

#### Item 1. Financial Statements.

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

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 Company has no specific knowledge.

The Company 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 Company sold by the Company during the nine months ended September 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)

### Item 1. Financial Statements.

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

#### USE OF ESTIMATES

The preparation of financial statements in conformity with 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

|                           | SEPTEMBER 30,<br>2002<br>UNAUDITED | DECEMBER 31,<br>2001 |
|---------------------------|------------------------------------|----------------------|
| Inventories consisted of: |                                    |                      |
| Finished goods            | \$146,459                          | 142,846              |
| Work in process           | 90,174                             | 64,853               |
| Raw materials             | 239,826                            | 148,591              |
|                           | -----                              | -----                |
| Total inventories         | \$476,459<br>=====                 | 356,290<br>=====     |

#### COMPREHENSIVE INCOME

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

|  | Nine months ended<br>September 30, |              | Three months ended<br>September 30, |             |
|--|------------------------------------|--------------|-------------------------------------|-------------|
|  | 2002                               | 2001         | 2002                                | 2001        |
| Net income   | \$ 1,488,738                       | 1,995,292    | 412,802                             | 274,589     |
| Other comprehensive income, net of tax:                            |                                    |              |                                     |             |
| Unrealized gain (loss) on marketable securities                    | (15,313,434)                       | (11,749,849) | (9,753,985)                         | (5,356,728) |
| Less: reclassification adjustment for gains included in net income | (58,313)                           | (899,173)    | -                                   | (74,854)    |
|  | -----                              | -----        | -----                               | -----       |
| Total comprehensive income (loss)                                  | \$ (13,883,009)                    | (10,653,730) | (9,341,183)                         | (5,156,993) |
|  | =====                              | =====        | =====                               | =====       |

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## PART I - FINANCIAL INFORMATION (Continued)

### Item 1. Financial Statements.

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

#### COMPREHENSIVE INCOME (continued)

Accumulated comprehensive income consisted of unrealized holding gains on securities available for sale of \$31,227,578 at September 30, 2002 and \$46,599,325 at December 31, 2001.

#### 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.

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## PART I - FINANCIAL INFORMATION (Continued)

### Item 1. Financial Statements.

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

#### BUSINESS SEGMENT INFORMATION

Reportable segments for the nine months and three months ended September 30, 2002 and 2001 are as follows:

|                          | Nine months ended |           | Three months ended |           |
|--------------------------|-------------------|-----------|--------------------|-----------|
|                          | September 30,     |           | September 30,      |           |
|                          | 2002              | 2001      | 2002               | 2001      |
| NET SALES:               |                   |           |                    |           |
| Rubber and Foam Products | \$4,830,187       | 4,446,327 | 1,338,715          | 1,258,621 |
| Bowling Pins             | 1,776,811         | 1,737,407 | 888,078            | 575,909   |
| Real Estate Operations   | 659,786           | 658,419   | 194,640            | 116,001   |
| Intersegment net sales   | (104,568)         | (276,003) | (56,209)           | (91,400)  |
|                          | -----             | -----     | -----              | -----     |

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|   |              |           |           |           |
|---|--------------|-----------|-----------|-----------|
|   | 7,162,216    | 6,566,150 | 2,365,224 | 1,859,131 |
| Timber sales reported in gain on sale of property and equipment | (288,272)    | (324,685) | (71,763)  | -         |
| TOTAL SALES   | \$6,873,944  | 6,241,465 | 2,293,461 | 1,859,131 |
| OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS:             |              |           |           |           |
| Rubber and Foam Products  | \$ (310,086) | (582,164) | (206,009) | (201,693) |
| Bowling Pins  | 202,128      | 64,214    | 121,492   | 8,327     |
| Real Estate Operations  | 240,705      | 213,609   | 47,527    | (36,635)  |
| TOTAL OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS        | 132,747      | (304,341) | (36,990)  | (230,001) |
| Interest expense - net  | (131,872)    | (233,798) | (38,858)  | (63,580)  |
| Other unallocated corporate income - net                        | 1,723,027    | 2,971,570 | 562,870   | 511,524   |
| Income tax (provision) benefit                                  | (235,164)    | (438,139) | (74,220)  | 56,646    |
| NET INCOME  | \$1,488,738  | 1,995,292 | 412,802   | 274,589   |

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PART I - FINANCIAL INFORMATION  
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2002 and 2001  
(Continued)

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at September 30, 2002, and for the nine-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 ACCOUNTANT'S REPORT

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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 September 30, 2002, and the related condensed consolidated statements of income for the nine-month and three-month periods ended September 30, 2002 and 2001 and the related statements of cash flows for the nine-months ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established 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 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 generally accepted accounting principles.

We have previously 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.

/s/J.D. CLOUD & CO. L.L.P.

-----  
Certified Public Accountants

Cincinnati, Ohio  
October 31, 2002

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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 from continuing operations increased \$632,479 or 10.1% and cost of sales increased \$289,029 or 4.8% during the nine months ended September 30, 2002 compared to the corresponding period in 2001. Net sales revenue for the third quarter of 2002 increased \$434,330 or 23.4% and cost of sales increased \$336,281 or 18.5% compared to the corresponding quarter in

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2001. These changes are due to increased sales in the Company's Rubber and Foam and Bowling Pin segments.

General and administrative expenses decreased \$35,375 or 2.4% in the nine months ended September 30, 2002, as compared to the corresponding period in 2001. General and administrative expenses for the third quarter of 2002 decreased \$4,327 or 0.9% compared to the corresponding quarter in 2001. These decreases are primarily due to decreased professional fees relating to environmental matters.

Interest expense decreased \$101,926 for the nine months ended September 30, 2002. Interest expense for the three month period ended September 30, 2002 decreased \$24,722. These decreases were due to decreased borrowings under the Company's line of credit agreement.

Gains on the sale of property, equipment and marketable securities were \$784,402 for the nine months ended September 30, 2002, as compared to \$2,185,289 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 first nine months of 2002. The excess of cash distributions over the Company's investment in VBBPC of \$120,245 is included in other liabilities at September 30, 2002. As income is earned by VBBPC, the liability will be decreased. Any balance remaining at December 31 will be recognized as income.

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### PART I - FINANCIAL INFORMATION (Continued)

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

Summarized income statement information for VBBPC consists of the following:

|                                       | Nine Months Ended<br>September 30, |           | Three Months ended<br>September 30, |         |
|---------------------------------------|------------------------------------|-----------|-------------------------------------|---------|
|                                       | 2002                               | 2001      | 2002                                | 2001    |
| Net sales                             | \$4,636,356                        | 2,935,079 | 1,530,288                           | 503,741 |
| Costs and expenses                    | 4,214,866                          | 2,767,348 | 1,391,168                           | 503,741 |
|                                       | -----                              | -----     | -----                               | -----   |
| Net income                            | \$ 421,490                         | 167,731   | 139,120                             | -       |
|                                       | =====                              | =====     | =====                               | =====   |
| Company's 50% equity<br>in net income | \$ 210,745                         | 83,865    | 69,560                              | -       |
|                                       | =====                              | =====     | =====                               | =====   |

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### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the third 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 nine months ended September 30, 2002, the Company acquired 20,760 shares of treasury stock for \$825,393 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 the current market price in any twelve month period. There were approximately \$68,000 of commitments for capital expenditures as of September 30, 2002.

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

#### MARKETABLE SECURITIES

The fair value of marketable securities has declined \$23,287,711 from December 31, 2001 to October 31, 2002. At October 31, 2002 the fair value of marketable securities was \$56,346,697 as compared to \$53,734,516 at September 30, 2002.

The net unrealized holding gain at October 31, 2002 was approximately \$33,019,000 net of deferred taxes of approximately \$17,010,000. The Company is subject to the risk that the fair value of marketable securities could decline further.

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## PART I - FINANCIAL INFORMATION (Continued)

### Item 4. Controls and Procedures

The Chief Executive Officer and the principal financial officer have reviewed, as of a date within 90 days of this filing, the disclosure controls and procedures that ensure that information relating to the Company required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported in a timely and proper manner. Based upon this review, the Company believes that there are adequate controls and procedures in place. There are no significant changes in the internal controls or other factors that could affect these controls after the date of the evaluation.

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## PART II - OTHER INFORMATION

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### 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.

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 Company 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 \$77,000 and \$26,000, after tax, for the nine months and three months ended September 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 Action Trust

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PART II - OTHER INFORMATION  
(Continued)

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

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 Company has no specific knowledge.

The Company 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 Company sold by the Company during the nine months ended September 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 II - OTHER INFORMATION (Continued)

#### Item 6. Exhibits and Reports on Form 8-K.

##### a. Exhibits

Exhibit 99.1 - Officer's Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.



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Exhibit 99.2 - Officer's Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.

- b. The Company was not required to file Form 8-K for the quarter ended September 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

November 14, 2002  
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Date

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

November 14, 2002  
-----

Date

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

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CERTIFICATIONS

In connection with the Quarterly Report of Vulcan International Corporation on Form 10-Q for the period ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Benjamin Gettler, Chairman of the Board and Chief Executive Officer of Vulcan International Corporation, certify, that:

- (1) I have reviewed this quarterly report on Form 10-Q of Vulcan International Corporation;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect

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to the period covered by this quarterly report;

- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- (4) The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, as defined in Exchange Act Rules 13a-14 and 15d-14, for the Registrant and have:
- a. Designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the quarterly report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure control and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
- (5) The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
- a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

(6) The Registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Benjamin Gettler

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Benjamin Gettler  
Chairman of the Board and  
Chief Executive Officer  
November 14, 2002

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### CERTIFICATIONS

In connection with the Quarterly Report of Vulcan International Corporation on Form 10-Q for the period ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vernon E. Bachman, Vice President and Secretary-Treasurer of Vulcan International Corporation, certify, that:

- (1) I have reviewed this quarterly report on Form 10-Q of the Vulcan International Corporation;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- (4) The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, as defined in Exchange Act Rules 13a-14 and 15d-14, for the Registrant and have:
  - a. Designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the quarterly report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure control and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
- (5) The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
  - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
- (6) The Registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent

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evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Vernon E. Bachman

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Vernon E. Bachman  
Vice President and  
Secretary-Treasurer  
November 14, 2002

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