

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

VULCAN INTERNATIONAL CORP
Form 10-Q
May 12, 2003

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 March 31, 2003

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 March 31, 2003:

1,004,707 shares

VULCAN INTERNATIONAL CORPORATION

INDEX

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

Part I. FINANCIAL INFORMATION	PAGE
Item 1. FINANCIAL STATEMENTS	
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Income	2
Condensed Consolidated Statements of Cash Flows	3
Schedule Supporting Net Income Per Common Share and Dividends Per Common Share	4
Notes to Condensed Consolidated Financial Statements	5-9
Independent Accountants' Report	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11-12
Item 3. Quantitative and Qualitative Disclosures About Market Risks	12
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	13-14
Item 6. Exhibits and Reports on Form 8-K	14

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2003	DECEMBER 31, 2002
	UNAUDITED	
-ASSETS-		
CURRENT ASSETS:		
Cash	\$ 1,495,586	1,682,049
Marketable securities (At fair market value)	26,295,085	30,237,923
Accounts receivable	1,400,950	1,437,170
Inventories	1,238,759	702,518
Prepaid expense and tax	83,440	44,825
	-----	-----
TOTAL CURRENT ASSETS	30,513,820	34,104,485
	-----	-----
PROPERTY, PLANT AND EQUIPMENT-at cost	11,681,000	11,679,978
Less-Accumulated depreciation and depletion	9,660,563	9,577,197
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	2,020,437	2,102,781
	-----	-----

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

OTHER ASSETS:		
Investment in joint venture	92,615	20,805
Marketable securities (At fair market value)	27,932,234	27,615,871
Deferred charges and other assets	5,813,159	5,771,763
	-----	-----
TOTAL OTHER ASSETS	33,838,008	33,408,439
	-----	-----
TOTAL ASSETS	\$66,372,265	69,615,705
	=====	=====
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
CURRENT LIABILITIES:		
Notes payable	\$ 1,261,711	1,861,711
Deferred income tax	5,832,401	7,133,396
Other	7,013,407	6,766,590
	-----	-----
TOTAL CURRENT LIABILITIES	14,107,519	15,761,697
	-----	-----
OTHER LIABILITIES:		
Deferred income tax	9,754,772	9,641,263
Commitments and contingencies	-	-
Minority interest in partnership	10,412	17,304
Other liabilities	37,470	34,531
	-----	-----
TOTAL OTHER LIABILITIES	9,802,654	9,693,098
	-----	-----
SHAREHOLDERS' EQUITY:		
Capital stock	249,939	249,939
Additional paid-in capital	8,253,926	8,205,825
Retained earnings	28,504,977	27,952,115
Accumulated other comprehensive income	31,693,113	34,013,394
	-----	-----
Less-Common stock in treasury-at cost	68,701,955	70,421,273
	26,239,863	26,260,363
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	42,462,092	44,160,910
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$66,372,265	69,615,705
	=====	=====

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

1

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

For the three months ended
UNAUDITED

	MARCH 31, 2003	MARCH 31, 2002
REVENUES:		
Net sales	\$ 2,208,036	2,366,706
Dividends	568,054	571,631
	-----	-----
TOTAL REVENUES	2,776,090	2,938,337
	-----	-----
COST AND EXPENSES:		
Cost of sales	2,160,796	2,139,924
General and administrative	482,363	479,514
Interest expense	37,795	47,326
	-----	-----
TOTAL COST AND EXPENSES	2,680,954	2,666,764
	-----	-----
EQUITY IN JOINT VENTURE INCOME AND MINORITY INTEREST		
	71,397	68,503
	-----	-----
INCOME BEFORE GAIN ON SALE OF ASSETS	166,533	340,076
NET GAIN ON SALE OF PROPERTY, EQUIPMENT AND SECURITIES		
	547,901	426,702
	-----	-----
INCOME BEFORE INCOME TAXES	714,434	766,778
INCOME TAX PROVISION		
	111,336	125,475
	-----	-----
NET INCOME	\$ 603,098	641,303
	=====	=====
NET INCOME PER COMMON SHARE		
	\$.60	.58
	=====	=====
DIVIDENDS PER COMMON SHARE		
	\$.05	.20
	=====	=====

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

2

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS For the three months ended March 31, UNAUDITED

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,246,208	2,166,271

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

Cash paid to suppliers and employees	(2,817,766)	(2,641,010)
Dividends received	568,054	571,631
Interest paid	(17,126)	(15,298)
Income tax paid	(75,000)	-
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	(95,630)	81,594
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, equipment and securities	553,796	432,865
Purchase of property and equipment	(18,743)	(164,052)
Collections on notes receivable and other	24,349	39,653
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	559,402	308,466
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) under credit agreement	(600,000)	-
Sale of treasury shares	-	19,885
Purchase of common shares	-	(4,531)
Cash dividends paid	(50,235)	(220,421)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(650,235)	(205,067)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(186,463)	184,993
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,682,049	2,493,733
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$1,495,586	2,678,726
	=====	=====
RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 603,098	641,303
Adjustments-		
Depreciation and amortization	97,923	81,482
Deferred income taxes	7,810	(11,527)
Equity in joint venture income and minority interest	(71,397)	(68,503)
Net gain on sale of property and marketable securities	(547,901)	(426,702)
(Increase) decrease in accounts receivable	38,172	(200,435)
(Increase) in inventories	(536,241)	(67,190)
Increase in accounts payable, accrued expenses and other assets	312,906	133,166
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (95,630)	81,594
	=====	=====

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

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

(Continued)

Item 1. Financial Statements.

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

Exhibit "11"

	Three months ended March 31,	
	2003	2002
a) Net income	\$ 603,098	641,303
	=====	=====
b) Cash dividends on common shares	\$ 50,235	220,421
	=====	=====
Weighted Average Shares:		
c) Common shares issued	1,999,512	1,999,512
d) Common treasury shares	994,916	897,425
	-----	-----
e) Common shares outstanding	1,004,596	1,102,087
	=====	=====
f) Income per common share (a/e):	\$.60	.58
g) Dividends per common share	\$.05	.20

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

4

PART I - FINANCIAL INFORMATION
 (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three months ended March 31, 2003 and 2002

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,

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

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, plus interest, for unreimbursed response costs, 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 its judgment, plus interest.

The Company has accrued an estimated liability of \$3,508,000, net of \$1,807,000 tax, for the judgment, accrued interest for 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. Environmental Protection Agency ("EPA"). The Company expensed \$91,000, after tax, for the year ended December 31, 2002 and \$14,000, after tax, for the three months ended March 31, 2003, for accrued interest and amortization of estimated future costs related to this matter.

The Company is presently continuing an investigation into this matter and is vigorously pursuing 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.

On March 10, 2003 the U.S. Department of Justice announced a tentative settlement of this matter for \$3,800,000 plus interest from November 2002. This proposed settlement is subject to various approvals concerning which no prediction can be made. 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 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 EPA.

There may be other potential clean-up liabilities, at other sites of which the Company has no specific knowledge.

5

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the three months ended March 31, 2003 and 2002 (Continued)

The Company has an interest in a partnership, CCBA, that 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. The plaintiff claims that it is entitled to 45.24 percent of \$827,000 and additional damages. 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 Company believes that the suit is without merit and has been defending itself vigorously against the issues raised.

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

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 \$123,000 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 three months ended March 31, 2003, 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.

6

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the three months ended March 31, 2003 and 2002 (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

	MARCH 31, 2003 UNAUDITED	DECEMBER 31, 2002
Inventories consisted of:		
Finished goods	\$ 479,470	506,240
Work in process	108,852	33,983
Raw materials	650,437	162,295
	-----	-----
Total inventories	\$1,238,759	702,518

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

=====

COMPREHENSIVE INCOME

During the three months ended March 31, 2003 and 2002 total other comprehensive income (loss) was as follows:

	2003	2002
Net income	\$ 603,098	641,303
Other comprehensive income, net of tax:		
Unrealized gain (loss) on marketable securities	(2,091,351)	1,290,388
Less: reclassification adjustment for gains included in net income	(228,930)	(55,000)
	-----	-----
Total comprehensive income (loss)	\$ (1,717,183)	1,876,691
	=====	=====

7

PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2003 and 2002
(Continued)

Accumulated comprehensive income consists of unrealized holding gains on securities available for sale of \$31,693,113 at March 31, 2003 and \$34,013,394 at December 31, 2002.

BUSINESS SEGMENT INFORMATION

Reportable segments for the three months ended March 31 are as follows:

	2003	2002
NET SALES FROM CONTINUING OPERATIONS:		
Rubber and Foam Products	\$1,552,675	1,736,152
Bowling Pins	648,791	532,117
Real Estate Operations	225,322	254,041
Intersegment net sales	(110,263)	(27,352)
	-----	-----
	2,316,525	2,494,958
Timber sales reported in gain on sale of property and equipment	(108,489)	(128,252)
	-----	-----
TOTAL SALES FROM CONTINUING OPERATIONS	\$2,208,036	2,366,706
	=====	=====
OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS:		
Rubber and Foam Products	\$ (226,747)	(43,394)

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

Bowling Pins	58,034	43,128
Real Estate Operations	88,591	117,814
	-----	-----
TOTAL OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	(80,122)	117,548
Interest expense - net	(37,795)	(47,326)
Other unallocated corporate income - net	832,351	696,556
Income tax provision	(111,336)	(125,475)
	-----	-----
NET INCOME	\$ 603,098	641,303
	=====	=====

8

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the three months ended March 31, 2003 and 2002 (Continued)

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at March 31, 2003, and for the three-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.

9

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 March 31, 2003, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2003 and 2002. 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

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

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 audited, in accordance with U.S. generally accepted auditing standards, the consolidated balance sheet of Vulcan International Corporation and subsidiaries as of December 31, 2002, 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 11, 2003, 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, 2002, 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
May 1, 2003

10

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 for the three months ended March 31, 2003, decreased \$158,671 or 6.7% over the corresponding period in 2002. Cost of sales increased \$20,872 or 1.0% during the three months ended March 31, 2003 compared to the corresponding period in 2002. These changes are primarily due to decreased sales and increased costs in the Company's Rubber and Foam segment.

General and administrative expenses increased \$3,849 or 0.8% in the three months ended March 31, 2003, as compared to the corresponding period in 2002. This increase is primarily due to increased professional fees relating to environmental matters.

Interest expense decreased \$9,531 for the three months ended March 31, 2003. This decrease is primarily due to decreased interest rates. Interest of \$20,669 was incurred for the accrued EPA liability.

Gains on the sale of property, equipment and securities were \$547,901 for the three months ended March 31, 2003, as compared to \$426,702 for the corresponding period in 2002. Gains in 2003 and 2002 were the result of sales of marketable securities and timber.

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

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 March 31, 2003.

Summarized income statement information for VBBPC consists of the following:

	Three Months ended March 31,	
	2003	2002
Net sales	\$1,579,816	1,517,939
Costs and expenses	1,436,196	1,379,945
	-----	-----
Net income	\$ 143,620	137,994
	=====	=====
Company's 50% equity in net income	\$ 71,810	68,997
	=====	=====

11

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 first quarter of 2003 were funded in part through earnings and noncash charges such as depreciation and amortization and from the sale of timber 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. In addition, the Company expects to fund its proposed settlement regarding the Re-Solve Inc. Superfund site by accessing its existing line of credit, the possible sale of securities and from its operating cash flow.

During the three months ended March 31, 2003, 2,000 shares of treasury stock valued at \$66,600 were issued to the president as bonus compensation. There were approximately \$29,000 of commitments for capital expenditures as of March 31, 2003.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

MARKETABLE SECURITIES

The fair value of marketable securities has increased \$5,113,741 from March 31, 2003 to April 30, 2003. At April 30, 2003 the fair value of marketable securities was \$59,341,060 as compared to \$54,227,319 at March 31, 2003.

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

The net unrealized holding gain at April 30, 2003 was approximately \$35,068,000 net of deferred taxes of approximately \$18,065,000. The Company is subject to the risk that the fair value of marketable securities could decline in value.

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.

12

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.

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, plus interest, for unreimbursed response costs, 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 its judgment, plus interest.

The Company has accrued an estimated liability of \$3,508,000, net of \$1,807,000 tax, for the judgment, accrued interest for 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. Environmental Protection Agency (EPA). The Company expensed \$91,000, after tax, for the year ended December 31, 2002 and \$14,000, after tax, for the three months ended March 31, 2003, for accrued interest and amortization of estimated future costs related to this matter.

The Company is presently continuing an investigation into this matter and is vigorously pursuing all available legal remedies to set aside all orders

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

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.

On March 10, 2003 the U.S. Department of Justice announced a tentative settlement of this matter for \$3,800,000 plus interest from November 2002. This proposed settlement is subject to various approvals concerning which no prediction can be made. 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 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 EPA.

There may be other potential clean-up liabilities, at other sites of which the Company has no specific knowledge.

13

PART II - OTHER INFORMATION (Continued)

Item 1. Legal Proceedings. (continued)

The Company has an interest in a partnership, CCBA, that 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. The plaintiff claims that it is entitled to 45.24 percent of \$827,000 and additional damages. 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 Company 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 \$123,000 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.

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

a. Exhibits

Exhibit 11 - Statement regarding computation of per share earnings included in Part 1, Item 1 of this Form 10Q, page 4.

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

Exhibit 15 - Letter regarding unaudited interim financial information included in Part 1, Item 1 of this Form 10Q, page 10.

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.

- b. The Company was not required to file Form 8-K for the quarter ended March 31, 2003.

14

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 May 12, 2003

Benjamin Gettler
Chairman of the Board, President
and Chief Executive Officer

By: /s/ Vernon E. Bachman

Date May 12, 2003

Vernon E. Bachman
Vice President, Secretary-Treasurer
and Principal Accounting Officer

15

CERTIFICATIONS

In connection with the Quarterly Report of Vulcan International Corporation on Form 10-Q for the period ending March 31, 2003, 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:

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

- (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 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

Benjamin Gettler

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

Chairman of the Board and
Chief Executive Officer
May 12, 2003

16

CERTIFICATIONS

In connection with the Quarterly Report of Vulcan International Corporation on Form 10-Q for the period ending March 31, 2003, 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

Edgar Filing: VULCAN INTERNATIONAL CORP - Form 10-Q

- 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/ Vernon E. Bachman

Vernon E. Bachman
Vice President and
Secretary-Treasurer
May 12, 2003