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VULCAN INTERNATIONAL CORP
Form 10-Q
November 09, 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 September 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) 427-5804
(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, 2001:

1,085,219 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, 2001 UNAUDITED	DECEMBER 31, 2000
-ASSETS-		
CURRENT ASSETS:		
Cash	\$ 1,403,525	1,008,649
Marketable securities (at fair market value)	41,570,141	50,383,925
Accounts receivable	1,967,777	3,072,529
Inventories	572,914	941,090
Prepaid expense and tax	144,368	87,301
TOTAL CURRENT ASSETS	45,658,725	55,493,494
PROPERTY, PLANT AND EQUIPMENT-at cost	11,626,453	11,715,635
Less-Accumulated depreciation and depletion	9,492,024	9,346,419
NET PROPERTY, PLANT AND EQUIPMENT	2,134,429	2,369,216

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OTHER ASSETS:		
Investment in joint venture	54,394	70,528
Marketable securities (at fair market value)	37,732,903	48,153,115
Deferred charges and other assets	5,190,201	5,057,605
TOTAL OTHER ASSETS	42,977,498	53,281,248
TOTAL ASSETS	\$90,770,652	111,143,958
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
CURRENT LIABILITIES:		
Deferred income tax	\$11,056,829	14,093,872
Note payable	565,000	1,700,000
Other	6,716,329	6,037,426
TOTAL CURRENT LIABILITIES	18,338,158	21,831,298
OTHER LIABILITIES:		
Deferred income tax	12,866,104	16,309,169
Commitments and contingencies	-	-
Minority interest in partnership	10,407	11,066
Other liabilities	33,285	33,285
TOTAL OTHER LIABILITIES	12,909,796	16,353,520
SHAREHOLDERS' EQUITY:		
Capital stock	249,939	249,939
Additional paid-in capital	7,745,102	7,745,102
Retained earnings	25,881,836	24,565,375
Accumulated other comprehensive income	48,197,564	60,846,586
	82,074,441	93,407,002
Less-Common stock in treasury-at cost	22,551,743	20,447,862
TOTAL SHAREHOLDERS' EQUITY	59,522,698	72,959,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$90,770,652	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

	Nine months ended September 30,		Three months ended September 30,	
	2001	2000	2001	2000
REVENUES:				
Net sales	\$6,241,465	7,272,115	1,859,131	2,440,152
Dividends and interest	1,637,021	1,550,809	552,419	514,960
	-----	-----	-----	-----
TOTAL REVENUES	7,878,486	8,822,924	2,411,550	2,955,112
	-----	-----	-----	-----
COST AND EXPENSES:				
Cost of sales	6,022,166	7,281,929	1,814,593	2,412,853
General and administrative	1,458,904	1,226,645	483,173	421,720
Interest expense	233,798	287,754	63,580	93,707
	-----	-----	-----	-----
TOTAL COST AND EXPENSES	7,714,868	8,796,328	2,361,346	2,928,280
	-----	-----	-----	-----
EQUITY IN JOINT VENTURE INCOME AND MINORITY INTEREST	84,524	333,597	350	100,773
	-----	-----	-----	-----
INCOME BEFORE GAIN ON SALE OF ASSETS	248,142	360,193	50,554	127,605
NET GAIN ON SALE OF PROPERTY, EQUIPMENT AND SECURITIES	2,185,289	718,760	167,389	550,228
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,433,431	1,078,953	217,943	677,833
INCOME TAX PROVISION (BENEFIT)	438,139	(116,582)	(56,646)	(184,941)
	-----	-----	-----	-----
NET INCOME	\$1,995,292	1,195,535	274,589	862,774
	=====	=====	=====	=====
NET INCOME PER SHARE	\$ 1.77	1.08	.25	.78
	=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE	\$.60	.60	.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, 2001	September 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 7,351,917	6,595,975
Cash paid to suppliers and employees	(6,529,945)	(8,044,999)
Dividends received	1,637,021	1,550,809
Interest paid	(51,267)	(140,418)
Income taxes paid	(480,000)	-
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,927,726	(38,633)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, equipment and marketable securities	2,258,544	301,404
Purchase of property and equipment	(58,735)	(192,877)
Cash distribution from joint venture	100,000	300,000
Collection on notes receivable	85,054	89,328
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,384,863	497,855
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under credit agreements	(1,135,000)	420,000
Sale of treasury shares	-	466,875
Purchase of common shares	(2,103,881)	(768,344)
Cash dividends paid	(678,832)	(660,971)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(3,917,713)	(542,440)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	394,876	(83,218)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,008,649	1,088,626
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,403,525	1,005,408
	=====	=====
RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	1,995,292	1,195,535
Adjustments-		
Depreciation and amortization	290,017	327,967
Deferred income taxes	36,054	(256,269)
Equity in joint venture income and minority interest	(84,524)	(333,597)
Net gain on sale of property and marketable securities	(2,185,289)	(718,760)

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(Increase) decrease in accounts receivable	1,110,452	(676,140)
Decrease in inventories	368,176	460,268
Decrease in accounts payable, accrued expenses and other assets	397,548	(37,637)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,927,726	(38,633)
	=====	=====

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 September 30,		Three months ended September 30,	
	2001	2000	2001	2000
a) Net income	\$1,995,292	1,195,535	274,589	862,774
	=====	=====	=====	=====
b) Cash dividends on common shares	678,832	660,971	224,943	-
	=====	=====	=====	=====
Weighted Average Shares:				
c) Common shares issued	1,999,512	1,999,512	1,999,512	1,999,512
d) Common treasury shares	870,513	895,730	882,061	901,314
	-----	-----	-----	-----
e) Common shares outstanding	1,128,999	1,103,782	1,117,451	1,098,198
	=====	=====	=====	=====
f) Net income per common share	\$ 1.77	1.08	.25	.78
g) Dividends per common share	\$.60	.60	.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, 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 \$3,968,300 including accrued interest of \$502,900 for past costs plus \$1,151,600, (representing a discounted present value of \$1,750,000) for estimated future costs in connection with the Site. The September 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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Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 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 nine months ended September 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.

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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, 2001 and 2000
(Continued)

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NEW PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement No. 141, Business Combinations, effective for combinations after June 30, 2001, Statement No. 142, Goodwill and Other Intangible Assets, effective for goodwill and other intangible assets acquired after June 30, 2001 and for other goodwill and other intangible assets effective January 1, 2002, Statement No. 143, Accounting For Asset Retirement Obligations, effective January 1, 2003, Statement No. 144, Accounting For The Impairment or Disposal of Long-Lived Assets And For Long-Lived Assets To Be Disposed Of, effective January 1, 2002. These standards are not expected to have a significant impact on the Corporation's results of operations.

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.

RECLASSIFICATIONS

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

INVENTORIES

	SEPTEMBER 30, 2001 UNAUDITED	DECEMBER 31, 2000
Inventories consisted of:		
Finished goods	\$145,260	657,693
Work in process	132,811	72,992
Raw materials	294,843	210,405
	-----	-----
Total inventories	\$572,914	941,090
	=====	=====

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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, 2001 and 2000 (Continued)

COMPREHENSIVE INCOME

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

Nine months ended Three months ended

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	September 30,		September 30,	
	2001	2000	2001	2000
	c>			
Net income	\$ 1,995,292	1,195,535	274,589	862,774
Other comprehensive income, net of tax:				
Unrealized gain (loss) on marketable securities	(11,749,849)	9,001,815	(5,356,728)	7,609,716
Less: reclassification adjustment for gains included in net income	(899,173)	(352,455)	(74,854)	(352,455)
	-----	-----	-----	-----
Total comprehensive income (loss)	\$ (10,653,730)	9,844,895	(5,156,993)	8,120,035
	=====	=====	=====	=====

Accumulated comprehensive income consisted of unrealized holding gains on securities available for sale of \$48,197,564 at September 30, 2001 and \$60,846,586 at December 31, 2000.

INCOME TAXES

The provision for income taxes is a tax benefit for the nine months ended September 30, 2000 and for the three months ended September 30, 2001 and 2000 due primarily to the use of the dividend received deduction which had been limited in prior quarters. It is anticipated the full dividend received deduction will be utilized during 2001. The full dividend received deduction was utilized during 2000.

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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, 2001 and 2000
(Continued)

BUSINESS SEGMENT INFORMATION

Reportable segments for the nine months and three months ended September 30, 2001 and 2000 are as follows:

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2001	2000	2001	2000
NET SALES:				
Rubber and Foam Products	\$4,446,327	5,289,943	1,258,621	1,645,487
Bowling Pins	1,737,407	1,971,656	575,909	840,947
Real Estate Operations	658,419	571,722	116,001	146,099
Intersegment net sales	(276,003)	(376,912)	(91,400)	(176,175)
	-----	-----	-----	-----

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	6,566,150	7,456,409	1,859,131	2,456,358
Timber sales reported in gain on sale of property and equipment	(324,685)	(184,294)	-	(16,206)
	-----	-----	-----	-----
TOTAL SALES	\$6,241,465	7,272,115	1,859,131	2,440,152
	=====	=====	=====	=====
OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS:				
Rubber and Foam Products	\$ (582,164)	(908,877)	(201,693)	(295,628)
Bowling Pins	64,214	304,065	8,327	116,137
Real Estate Operations	213,609	124,776	(36,635)	(30,120)
	-----	-----	-----	-----
TOTAL OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS	(304,341)	(480,036)	(230,001)	(209,611)

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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, 2001 and 2000
(Continued)

	Nine months ended September 30,		Three months ended September 30,	
	2001	2000	2001	2000
Interest expense - net	(233,798)	(287,754)	(63,580)	(93,707)
Other unallocated corporate income - net	2,971,570	1,846,743	511,524	981,151
Income tax (provision) benefit	(438,139)	116,582	56,646	184,941
	-----	-----	-----	-----
NET INCOME	\$1,995,292	1,195,535	274,589	862,774
	=====	=====	=====	=====

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at September 30, 2001, 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

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, 2001, and the related condensed consolidated statements of income for the nine-month and three-month periods ended September 30, 2001 and 2000 and the related statements of cash flows for the nine-months ended September 30, 2001 and 2000. 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, 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
October 31, 2001

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PART I - FINANCIAL INFORMATION
(Continued)

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

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Net sales revenue from continuing operations for the nine months ended September 30, 2001, decreased \$1,030,650 or 14.2% over the corresponding period in 2000. Cost of sales decreased \$1,259,793 or 17.3% during the nine months ended September 30, 2001 compared to the corresponding period in 2000. Net sales revenue for the third quarter of 2000 decreased \$581,021 or 23.8% and cost of sales decreased \$598,260 or 24.8% 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 \$232,259 or 18.9% in the nine months ended September 30, 2001, as compared to the corresponding period in 2000. General and administrative expenses for the third quarter of 2001 increased \$61,453 or 14.6% compared to the corresponding quarter in 2000. These increases are primarily due to increased professional fees relating to environmental matters.

Interest expense decreased \$53,956 for the nine months ended September 30, 2001. Interest expense for the three month period ended September 30, 2001 decreased \$30,127. 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 \$2,185,289 for the nine months ended September 30, 2001, as compared to \$718,760 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 the 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 received cash distributions of \$100,000 from VBBPC during the first nine months of 2001. The Company's interest in VBBPC is included in other assets at September 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 to Vulcan.

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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 September 30,		Three Months ended September 30,	
	2001	2000	2001	2000
Net sales	\$2,935,079	6,344,149	503,741	2,048,001
Costs and expenses	2,767,348	5,675,261	503,741	1,846,138

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Net income	\$ 167,731	668,888	-	201,863
Company's 50% equity in net income	\$ 83,865	334,444	-	100,932

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the third quarter of 2000 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, 2001, 54,305 shares of treasury stock were acquired for \$2,103,881. There were approximately \$101,000 of commitments for capital expenditures as of September 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 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 \$3,968,300 including accrued interest of \$502,900 for past costs plus \$1,151,600, (representing a discounted present value of \$1,750,000) for estimated future costs in connection with the Site. The September 30, 2000 quarterly results were restated to recognize interest on the liability as reported in the

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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

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings. (Continued)

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

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

- a. Exhibits

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None

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

November 9, 2001

Date

By: /s/Benjamin Gettler

Chairman of the Board, President
and Chief Executive Officer

November 9, 2001

Date

By: /s/Vernon E. Bachman

Vice President, Secretary-Treasurer
and Principal Accounting Officer

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