

The English
Pharaoh

"cavitated
version"
[on original
binder]

THE ENGLISH PHARAOH

AN ANALYTICAL HISTORY OF CHATTAHOOCHEE BRICK COMPANY

1878 - 1978



E. B. Tolliver
December, 1978

THE ENGLISH PHARAOH

Chattahoochee Brick Company was privately owned for a century and sold to General Shale Products Corporation on August 16, 1978. Its interesting beginnings were once well known to all involved but the years have taken their toll of men, memories and records so that much has now been lost even to the present survivors of the third and fourth generation.

This paper is an attempt to recapture the highlights of earlier days before they are further obscured by the passage of time and finally erased altogether. It is by no means an exhaustive work yet numerous interviews have been held and a fair amount of detailed research has been conducted. The personal interviews produced recollections of many yarns and legends which have been passed down by word of mouth and which, most probably, took on new color with each retelling.

The archives of the Atlanta Historical Society yielded much of value, both in the records on file as the "Chattahoochee Private Collection" and in other materials which shed light on the oft repeated folklore. The financial records and minute books of Chattahoochee were, of course, invaluable in the analytical portion of the narrative.

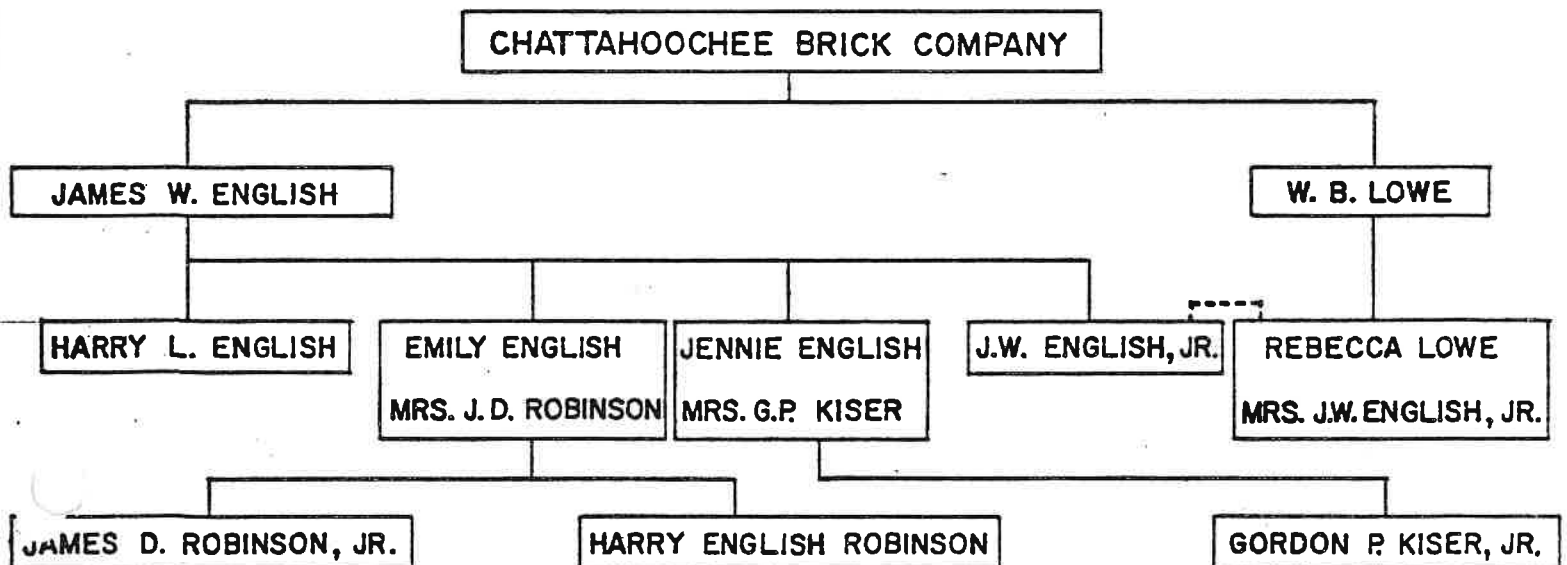
No claim is laid to detailed historical accuracy yet it is hoped that the following is factual enough to capture in a general way the pageantry and pathos of Chattahoochee's checkered past.

CHATTAHOOCHEE BRICK COMPANY

— HALL OF PRESIDENTS —

<u>THE REIGN</u>	<u>THE MAN</u>	<u>THE CHAIR</u>
1885 — 1925	JAMES W. ENGLISH	
1925 — 1937	HARRY L. ENGLISH	
1937 — 1949	GORDON P. KISER	1949 — 1957
1949 — 1957	HARRY G. THORNTON	1957 — 1960
1957 — 1970	H. ENGLISH ROBINSON	1970 — 1978
1970 — 1978	JOE M. YOUNG	

— GENEALOGY OF THE GENTRY —



-- GENESIS --

The roots of Chattahoochee Brick Company weave back into the dim shadows of century past where fact and fiction interlace. The original birth pangs of 1878 appear to have brought forth a partnership known as B. G. Lockett & Company, composed of James W. English, J. W. Murphy and Benjamin G. Lockett. This fraternity was apparently succeeded by one made up of James W. English, George W. Parrott, A. B. Steele and W. B. Lowe. The Parrott and Steele holdings were shortly retired and Chattahoochee Brick Company began its official corporate existence on June 2, 1885 with ownership split about 60-40 between English and Lowe.

-- EXODUS --

Brick making was hard in those days. Power to run the crude machinery was largely furnished by mules but many hard tasks remained to be performed by the sweat, toil and abuse of human muscle. This was particularly true down by the Chattahoochee where the sad lot of the brickyarder differed little from the cruel bondage of the ancient Hebrew on the banks of the River Nile. The script can be read from the book of Exodus with but a few changes in the plot and cast of characters. The role of the Israelite is played by convicts leased from the state of Georgia under a system used by Chattahoochee and many others from the time of its inception until the abolition of the convict lease system in 1909. The Egyptian taskmaster who made the Hebrew to serve with rigor has been ably replaced by a burly whipping boss, duly approved, of course, by the governor himself so as to assure humane and proper treatment of the prisoners. The Pharaoh is none other than Captain English who, as mayor of Atlanta and a leading political figure, had little difficulty negotiating the lease of convicts

at a price which reflected the low regard of the times toward the ex-slave who had become a burden to the state because of his crimes.

*And the Israelites cried unto the Lord
by reason of their cruel bondage*

But here the parallel ends and both the cast and script are changed. This story has no Moses in the bulrushes, no death angel at midnight, no parting of the waters and no land of promise flowing with milk and honey.

— ACTS —

Any history of Chattahoochee Brick Company would be deficient that did not include a profile of its founder, Captain James Warren English. The "Atlanta Centennial Yearbook 1837-1937" developed such a profile about twelve years after his death.

...Born 1837...a youth of sterling character and high ideals...volunteer for the Confederate Army...settled in Atlanta, possessed with a strength of conviction regarding justice...a man of lofty intelligence, sound judgment, surpassing vision...first business venture was Chattahoochee Brick Company...founder of American Trust & Banking Company, forerunner of Fourth National Bank which became the First National Bank of Atlanta... established a large fortune...

A leader in all lines of humanitarian endeavor...a greatness of character...

splendid principles of honor, integrity and usefulness...a civic leader with intrepid courage, broad intelligence and tenacious adherence to high ideals...

Elected mayor of Atlanta in 1881...thirty consecutive years on police board, much of this as chairman...unfaltering determination and daring courage revealed in the routing of Atlanta's professional gambling element...

A vital interest in all matters pertaining to humanity...active leadership in numerous philanthropic undertakings...first trustee of Grady Hospital...Chairman of the Board, Y.M.C.A....Chairman of Finance Committee, First Presbyterian Church...elected Atlanta's "Grand Old Man"...died 1925.

But the Captain was not a hero to all men and the grapevine has its own stories to tell. It would not be surprising to find that some of these stories are less flattering than the account above. Neither would it be surprising if these legends sought to plug an obvious gap in the published account -- the source of the funds committed to the first business venture.

The Cinderella version tells the story of a penniless rebel returned from the war who finds a half dollar on a side street in Atlanta which he somehow parlays into a fortune. The true story of the half dollar, however, is best told by the Captain himself in a letter to his children dated February 18, 1916. This half dollar was found much earlier in Griffin, Georgia with the word "Eng-

lish" mysteriously stamped across its face, but is not alleged to have grown into a fortune.

Another parlor version finds our hero starting his business career as a clerk in an Atlanta Hotel. His job includes daily bank deposits in a neighborhood so tough that his wife carries the money bags while he walks alongside with two drawn pistols. He is so impressed with all the money in the bank vaults that he goes out and founds a bank of his own.

-- REVELATION --

There are, however, fully documented stories concerning the convict lease system which project another profile of Captain English.

The state of Georgia faced a crisis in 1866. The Civil War had depleted its treasury and flooded its penal system with thousands of ex-slaves as well as a great influx of adventurers and criminals from other sections. A plan was quickly adopted under which convicts would be farmed out to individuals and corporations. Thus was born the convict lease system which relieved the state of the support and maintenance of its non-paying guests. The state received in addition, during the forty year existence of the system, annual fees ranging from zero to a high of \$225 per capita with the usual fee in the \$10 to \$25 range. This offered economic relief to the state, an obvious bonanza to the lessee and, as subsequent events would reveal, a full-blown preview of hell to the hapless souls who fell under its curse.

Although the language of the act provided for humane and proper treatment, convicts were abused from the beginning and reports were soon widespread of cruel and inhuman treatment. With the system scarcely two years old, a committee of the General Assembly reported the infliction of cruel and inhuman punishment and suggested that "the Principal Keeper strive for more adequate regulation of the whipping of convicts." (1)

Cries for reform and abolition of the convict leasing system were sounded from many quarters over a period of forty years. The theme was always the same-- extreme cruelty.

"The prisoners complain that when they get sick and report so, generally, the first medicine given them is a good sound whipping; but if they fail to recover under its influence, the doctor is then sent for. The mode of punishment was whipping on the naked person with a heavy strap perforated with holes." (2)

"Unable from his physical ailments to keep up with the work, he was whipped most cruelly by the negro whipping boss—having been whipped earlier in the day by Mr. Lockett and a third time flogged in the afternoon by the negro boss under Mr. Lockett's orders. He then became quite ill and was removed to another part of the farm and kept there until his death." (2)

"Phillips threw him (an unsuccessful escapee) upon the ground, and taking up a pick-ax drove one point into the ground beside Mathews' neck, which was placed under the handle on which Phillips placed his foot, thus pinning the helpless man to the ground. Then Phillips, with his own hand, laid on the strap until the flesh parted and the blood oozed from the ugly wounds. One application was not enough and for two days at stated intervals, the dose was frequently repeated until Mathews' death prevented further cruelty." (3)

"Governor Alfred H. Colquitt stated that the convict lease system was working very well." (4)

"With a few exceptions we find all the camps in bad condition, and the convicts not well treated, and we most heartily condemn the present lease system." (5)

"An epitomized hell." (6)

"If opinions expressed by many legislators count for anything, the convict lease system is doomed...the convicts will be placed on the public roads of the state and taken from a position where they pile up fortunes for corporations and individuals." (7)

"A ghastly record of horrors and crimes done by public officials and employees." (8)

"It was nothing but cruelty and cursing all the time at the Chattahoochee Brick Company camp." (9)

"The evidence as to the treatment of convicts at the Chattahoochee Brick Company camp, the character of the food furnished at times, the filthiness of their sleeping quarters, the excessive and exhausting work exacted of them and the punishment inflicted have convinced us that many of the humane rules of the commission have been violated in this camp. The evidence shows that many of the men are worked overtime and excessively hard, and many of them regularly on Sunday." (9)

"J. S. Cochran told of a negro man being beaten to death at the Chattahoochee Brick yard. This negro had been assigned the task of pitching brick up in the kiln. He thought the job was too strenuous for him and told Captain Jim Casey, who was in charge of the camp, that he could not do it. Directly the Captain called the negro out and whipped him. He whipped him awhile and put him back on the barrel and made him work for a few minutes and then took him off the barrel and called two negroes and made them turn the negro across a barrel and hold him down while he whipped him again. After he turned him loose, the negro staggered off to one

side and fell across a lumber pile and laid there for a while. He died shortly afterwards. An inquest was held, with the coroner's jury consisting of the guards of the camp. Witnesses testified that the negro man had become overheated and had drunk a great deal of water while in that condition. The camp physician stated that in his opinion the death was caused by drinking too much water and that was the verdict reached by the jury." (9)

"I have surely seen the affliction of my people which are in Egypt, and have heard their cry by reason of their task-masters; for I know their sorrows." (10)

- (1) *Journal of the House of Representatives, state of Georgia, 1870.*
- (2) *Journal of the Senate, state of Georgia, 1881.*
- (3) *Columbus Enquirer, September 16, 1881.*
- (4) *House Journal, 1882.*
- (5) *House Journal, 1895.*
- (6) *My Memoirs of Georgia Politics, R. L. Felton, 1911.*
- (7) *Atlanta Georgian, June 2, 1908.*
- (8) *Atlanta Georgian, August 2, 1908.*
- (9) *Minutes of the joint committee of the Senate and House to investigate the convict lease system in Georgia.*
- (10) *Exodus 3:7.*

These are but selections from numerous documented reports and were taken largely from works referenced by Franklin Garrett, "Atlanta and Environs," Atlanta Historical Society.

Whether or not Captain English personally participated in these atrocities remains a matter of conjecture. That they occurred at a time when the Captain was President of Chattahoochee Brick Company is a matter of history. His awareness of these events is mandated by the wide publicity accorded the convict lease system over a period of many years. Tacit approval of the system is evidenced by his choice of associates which are closely identified with many of the reported

abuses. A more explicit approval is suggested by the plant superintendent hired upon the abolition of the convict lease system--Captain Jim Casey, the state deputy warden of the Chattahoochee Camp, who whipped the convict until he died, then blamed it on drinking too much cold water. But the times were different then and Captain English was not the only businessman to capitalize on the availability of free labor.

-- ROOT OF ALL EVIL --

The early financial history of Chattahoochee Brick Company is sketchy, but records are extant for the years immediately prior to the abolition of convict leasing in 1909. An examination of these records quickly reveals the motivation behind the use and abuse of convict labor--greed for inordinate gain.

<u>Year</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Av. Number of Convicts</u>
1901	\$ 56,917	\$ 38,132	175
1903	29,215	6,003	190
1904	32,554	(431)	178
1905	134,687	6,002	172
1906	228,536	41,997	167
1907	239,402	86,028	175
1908	169,003	20,138	171
1909	170,105	38,982	171

The average return on sales for these years exceeds 22% even with about three years of recession. Earnings of this magnitude reinforce the statement made to the General Assembly by Governor John B. Gordon in 1886, (after selling his own convict leases because they had become a political liability) "The convict lease system places pecuniary interests in conflict with humanity" (executive minutes 1886-1887). The disappearance of these profits upon the abolition of convict leasing led Captain English to remark to his Board of

Directors in 1912.

"Free labor is unsatisfactory and quite different from convict labor. The convicts worked from sun-up to sun-down while free labor works from 6 to 5 o'clock and only work when they want to." (Minutes July 22, 1912)

-- BACK TO THE BRICKYARD --

After the loss of the convict labor bonanza it had enjoyed for over thirty years, it appears that Chattahoochee Brick Company simply treaded water for four or five years. The financial records of the period are no longer available, but the minutes of stockholder and director meetings indicate a great deal of discontent with the lack of profits and dividends. Chief among the dissidents was the Baroness Rebecca Lowe English Rosenkrantz, daughter and heir of co-founder W. B. Lowe, ex-wife of James W. English, Jr., current wife of the German Baron Aaron Rosenkrantz and long-time thorn in the flesh to Captain English.

Time marches on. Company houses and commissary replace stockade and prison compound. Mule power gives way to steam driven belts and shafts. Coal edges out wood as fuel for the twelve Morrison up-draft scove kilns. The available financial information for years 1915-1939 is limited to nine complete years, but indicates a somewhat consistent performance at about 14% net return on sales. While considerably below the 22% of the good old days, it is still good brick plant performance.

<u>Year</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Cost Per M</u>	<u>Selling Price Per M</u>
1915	\$172,463	\$ 25,833	\$ 4.90	\$ 5.58
1916	179,971	28,192	5.10	5.87
1917	149,580	26,437	6.64	7.73
1918	176,188	23,920	11.73	12.44
1919	239,766	44,880	12.88	15.50
1936	197,493	9,132	7.12	8.68
1937	175,776	14,235	7.37	8.93
1938	173,626	22,216	6.87	8.99
1939	171,977	37,046	6.73	9.45

The records of Chattahoochee's welfare during the great depression are no longer available. The chief executive during this trying time was Harry L. English who served as President from 1925 until his death in 1937. Despite his reported characterization by Captain English as "not worth a damn," this number four son must have done a reasonably good job during the depression years. At any rate, Chattahoochee weathered the storm and was in financial condition to begin a rebuilding program under the guiding hand of Gordon P. Kiser in 1937. It is commonly felt, however, that survival during this period should be attributed to the sale of a great deal of the land which the Captain had wisely accumulated many years before.

-- ALL IN THE FAMILY --

Captain English had four sons and two daughters. It does not appear that Edgar or Edward ever had a part in Chattahoochee Brick Company. Harry appears on the scene in a minute book of 1903 as General Manager, a post which he held until he became President in 1925. The remaining son, James, Jr., was married to Rebecca Lowe, daughter of W. B. Lowe who owned about 40% of Chattahoochee

stock. An advertisement in the Atlanta city directory for the year 1900 listed W. B. Lowe as Vice President and James W. English, Jr., as General Manager at that time. Lowe died in 1903 with James, Jr. moving to Vice President and Harry to General Manager. The minutes of 1912 indicate that James, Jr. was a salaried but inactive Vice President and was even engaged for a considerable period as an active competitor. But his hand was plucked out of the cookie jar by Rebecca, who then controlled 44% of the stock and had divorced James and married the Baron Aaron.

The two daughters, Emily and Jennie, became, respectively, Mrs. James D. Robinson and Mrs. Gordon P. Kiser. Thus Gordon Kiser comes on the scene as President upon the death of Harry L. English in 1937. He remained in this capacity until 1949 and was Chairman of the Board from 1949 until his death in 1957.

-- THAT MAN KISER --

Despite the evils often associated with perennial nepotism, the Kiser years were good ones for Chattahoochee Brick Company. He is fondly remembered as having been a domineering individual who was difficult to work for and is said to have often kept workers waiting for their wages for two or three hours on Saturday afternoon so that they might come to have "respect for the boss."

The financial record is again incomplete and only covers about half the years involved. These years, however, show a net return on sales of 19%, by far the best years since the convicts went back to jail.

<u>Year</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Return on Sales</u>
1937	\$175,776	\$ 14,235	8.1%
1938	173,626	22,216	12.8
1939	171,977	37,046	21.5
1945	265,250	44,701	16.9
1946	375,850	83,695	22.3
1947	428,260	85,360	19.9
1948	479,373	97,331	20.3
1949	429,080	84,060	19.6

Ten down-draft round kilns were built between 1937 and 1939 and the fuel was changed from coal to natural gas. Although not the latest available kiln technology, these kilns were a vast improvement over the old scove kilns and were an immediate success. A continuing modernization philosophy brought two four-wide Allied tunnel kilns on stream in 1948 with two four-wide Miller kilns following in 1953 and 1956. These actions, too, were successful and very timely coming, as they did, just at a time when the preference for brick as a siding material was sweeping the South.

It was Kiser, also, which held the company together during the years of World War II. It was obviously a time of great crises for all in the Brick Industry and Chattahoochee was no exception. It produced a product considered non-essential to the war effort and the private construction segment had virtually disappeared. There were no able bodied men to run the plant and the black women which were hired turned out to be most unsatisfactory. Much of the credit for survival, however, should go, not to Kiser, but to Thomas A. Traylor, Plant Superintendent.

Traylor was the Chattahoochee superintendent for forty-seven years, 1920-1967, and is reported to have been a star performer. Perhaps much or most of

the credit previously given to Harry English and Gordon Kiser, and later to be accorded Harry Thornton, should be placed instead at the feet of Tom Traylor.

-- ENTER HARRY G. THORNTON --

Harry G. Thornton was a college roommate and later the campaign manager of Senator George. Either his ability or the patronage system led to his appointment as head of the war production board for the Atlanta region during World War II. This association brought him into contact with James D. Robinson, Jr., elder brother of English Robinson and President of the First National Bank of Atlanta.

James Robinson, Jr., was by this time a powerful figure in Atlanta. Himself the son of a wealthy banker married into the English family, he had married Josephine Crawford Rhodes, adopted daughter and sole heir to the Rhodes furniture fortune. For the purpose, it seems, of easing out Gordon Kiser, Harry Thornton was brought in as President with Kiser moving to Chairman of the Board--an office previously held by him as Chairman and President combined.

The Kiser-Thornton years, 1949-1957, must be looked at jointly inasmuch as Kiser remained as Chairman of the Board during the entire tenure of Thornton as President. Any evaluation of the Thornton years will therefore be deeply shadowed by a domineering character in the background.

For whatever reason, they were good years. Harry Thornton is described as having been both a gentleman and a very capable manager. This latter attribute is now a matter of history.

The financial records are a little more complete at this point and only two years are missing. The net return on sales averages 18% and closely tracks the 19% attributed to the Kiser reign.

<u>Year</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Return on Sales</u>
1949	\$ 429,080	\$ 84,060	19.6%
1952	781,229	148,133	10.0
1953	939,006	160,583	17.1
1954	988,054	176,345	17.8
1955	1,430,859	280,840	19.6
1956	1,434,060	248,828	17.4
1957	1,124,543	137,026	12.2

And so Chattahoochee Brick Company bored with a big auger through twenty years of Kiser-Thornton leadership--years of slow recovery from the great depression; years of wartime hardship and cessation of building activity; years of post-war expansion and boom.



It was all smiles on the banks of the Chattahoochee as 1957 drew to a close. Profits were great, there was no outstanding debt and the current ratio was six to one. The plant had been continuously modernized, was functioning properly at the hands of a capable superintendent and all systems were go.

How vivid the contrast between these affluent smiles and the haunted grimace of the wretched convict of half a century earlier. How welcome the changes that have brought Chattahoochee to this its finest hour.

-- EXIT HARRY G. THORNTON --

Gordon Kiser died early in 1957 and control passed to the other side of the family. Harry English Robinson, grandson of Captain English and younger brother of James D. Robinson, Jr. had been elected to the Board in 1953 along with Gordon Kiser, Jr.. Both these third generation contenders were elected to Vice-Presidencies in 1954 with the scales obviously tipped toward Robinson as Kiser went to an unsalaried inactive position while Robinson became a full time salaried executive Vice-President. English Robinson then became President upon the death of Gordon Kiser, Sr. and Harry Thornton was elevated to Chairman.

But Thornton was having personal problems and was discharged in July 1960. He is said to have spent a great deal of money bailing a son out of trouble and was living a life style which he could ill afford, including an expensive home in the fashionable West Paces Ferry Road area just a block behind James Robinson's home which was near the governor's mansion. For whatever reason, he could no longer cope with life and ended it all with a bullet in the head the same day he was fired.

-- THE ENGLISH ROBINSON-JOE YOUNG TEAM --

Like the Kiser-Thornton team before them, the Robinson-Young team held the scepter for a period of twenty years. And like the earlier team, the relationship between the two was so close that their separate influences cannot be identified. Joe Young became Controller upon the retirement of Gordon Kennimer in 1957, was elected Vice President in 1961, Executive Vice President in 1965, Director in 1968 and President in 1970 when English Robinson became Chairman of

the Board. From the beginning, Joe Young was the good man Friday and the right arm of English Robinson in the day to day operations of Chattahoochee Brick.

The plant expansion and modernization program already underway was continued under the new leadership. An eight-wide tunnel kiln was added in 1959. An entirely new plant was designed to "pace the industry" and appropriately dubbed "the Pacer plant." This project consisted of two Swindell-Dressler kilns with all supporting facilities. The first unit came on stream in 1965 and was followed by the second in 1970.

Unlike previous expansions, the Pacer plant was not an immediate success and it may well be questioned whether it ever became so. The quality of product left much to be desired but, fortunately, the market was strong enough to absorb the added capacity. In addition to quality and numerous technical problems, manufacturing costs were not reduced as anticipated and were, indeed, substantially higher at the Pacer plant than in the old facilities. This condition existed for a full five years with costs at the two plants finally brought into equilibrium in 1970 - not by cost reductions at the Pacer plant but by sharp increases at the main plant.

	Production Costs		Net Earnings	Brick Sold	Net Earnings Per M
	Main Plant	Pacer Plant			
1961	\$ 25.47		\$ 176 M	43,030 M	\$ 4.09
1962	24.67		147	54,335	2.71
1963	22.28		292	63,417	4.60
1964	23.49		316	65,688	4.81
1965	<u>24.54</u>	<u>\$ 33.08 *</u>	<u>252</u>	<u>76,008</u>	<u>3.32</u>
Average	\$ 24.09		\$ 237 M	60,495 M	\$ 3.92
1966	\$ 27.24	\$ 32.46	\$ 105 M	80,380 M	\$ 1.31
1967	28.88	34.72	139	82,747	1.68
1968	27.24	33.37	348	88,279	3.94
1969	30.88	34.69	219	78,939	2.77
1970	<u>35.91</u>	<u>36.96</u>	<u>9</u>	<u>80,235</u>	<u>.11</u>
Average	\$ 30.03	\$ 34.44	\$ 164 M	82,116 M	\$ 1.96

* Pacer plant came on stream in mid year.

Even a cursory appraisal of this track record will show that the first unit of the Pacer plant was not a howling success--a substantial investment had been made, costs were up, margins had been cut in half and, with volume up by a third, net earnings were down by a third.

With these facts in mind, it is somewhat surprising that a decision was made in late 1973 to build the super-sophisticated North plant--originally conceived to be another twin Swindell-Dressler installation. But prosperity, like love, blinds the eyes to reality and floods the heart with visions of lasting sunshine.

The sun did indeed shine on the Brick Industry during the building boom of 1971-1973. The second unit of the Pacer plant was completed in mid-1970 and provided added capacity just at a time when it was sorely needed. Costs had finally leveled out at the Pacer plant and were now about in line with those at the main plant. Moreover, profits had improved dramatically and were

at an all-time high.

	Production Costs		Net Earnings	Brick Sold	Net Earnings Per M
	Main Plant	Pacer Plant			
1971	\$ 38.34	\$ 38.14	\$ 408 M	119,940 M	\$ 3.40
1972	40.68	39.37	452	114,378	3.95
1973	<u>39.84</u>	<u>40.33</u>	<u>477</u>	<u>111,290</u>	<u>4.29</u>
Average	\$ 39.62	\$ 39.28	\$ 446 M	115,202	\$ 3.88

And so a different picture was seen in 1973 perspective and the euphoria of the moment carried the day. Little was it known that a major recession was just around the corner. Painful as they are, however, recessions have but a temporary impact. Far more devastating was an equally unknown fact regarding the Pacer plant, so recently thought to be a great success--the plateauing of costs in 1971-73 was a fluke. The unfolding of events would reveal by 1977, after the recession had come and gone, that costs had increased \$22.60 per M while selling prices were up only \$15.40. Gross margins, which had increased by \$6.60 during the 1971-73 boom, had backed off by \$7.20 at the mid-point of the next one. The ultimate success of the Pacer plant is thus open to question but there can be little question about its lack of success to the present.

Looking back over twelve years of Pacer performance, there is little to commend in Chattahoochee's decision to build the North plant except that the old facilities were obsolete and had to be replaced if the Company was to continue in business. It should have been evident to management that some of the ingredients of success were lacking--raw materials, physical facilities, technical competence, personnel, morale, or whatever. And having built the plant without any apparent effort to correct what was lacking, it is little wonder that costs came in higher than those at Pacer or that losses in the first

year were well over \$1,000,000.

Neither is it surprising that this chain of events led fourth generation owners to a willingness to sell the company. There was no market for the stock, the hope of dividends was dim, the fair promise of the Pacer plant had faded and the North plant had not lived up to expectations.

-- THE TWENTY-FIVE YEAR PROFILE --

The attached profile shows annual performance for twenty-five years and, more importantly, a five year moving average for twenty-one years. This shows us, then, the level of performance existing during the last five years of the Kiser-Thornton era and the direction of performance since that time. Three measurements are presented: Return on Sales, Return on Equity and Return on Total Assets. Extraordinary items are, of course, eliminated and only operating earnings are considered.

The direction of performance is down. It is down when measured by either of the yardsticks and each is down to about the same extent. Although the trend accelerates with the building of the North plant and a simultaneous recession, it must be observed that the overall direction is steadily downward for the past twenty years. In all candor it should be noted that these measurements were taken at the worst possible time and they do not reflect the growth in market value of the land and physical facilities during this twenty year period. Still, these are the facts at this particular point in time and hence must forever stand as the score when the game was called.

made in late 1973 to "go for broke" on the super-sophisticated North plant--- originally conceived to be another twin Swindell-Dressler installation. But prosperity, like love, blinds the eyes to reality and floods the heart with visions of lasting sunshine.

The sun did indeed shine on the Brick Industry during the building boom of 1971-1973. The second unit of the Pacer plant was completed in mid-1970 and provided added capacity just at a time when it was sorely needed. Costs had finally leveled out at the Pacer plant and were now about in line with those at the main plant. Moreover, profits had improved dramatically and were at an all-time high.

	Production Costs		Net	Brick	Net Earnings
	<u>Main Plant</u>	<u>Pacer Plant</u>	<u>Earnings</u>	<u>Sold</u>	<u>Per M</u>
1971	\$ 38.34	\$ 38.14	\$ 408 M	119,940 M	\$ 3.40
1972	40.68	39.37	452	114,378	3.95
1973	<u>39.84</u>	<u>40.33</u>	<u>477</u>	<u>111,290</u>	<u>4.29</u>
Average	\$ 39.62	\$ 39.28	\$ 446 M	115,202	\$ 3.88

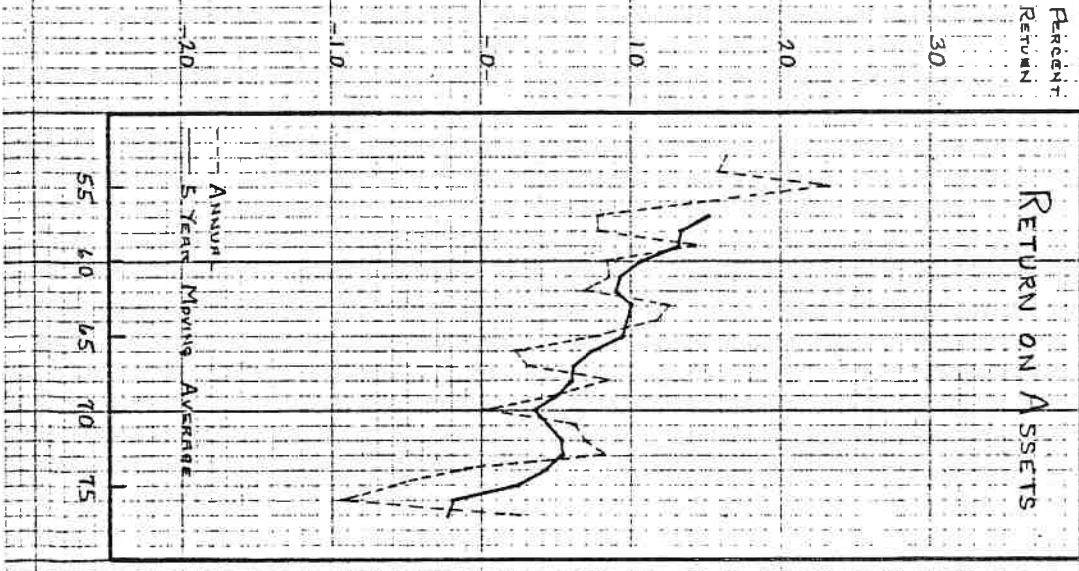
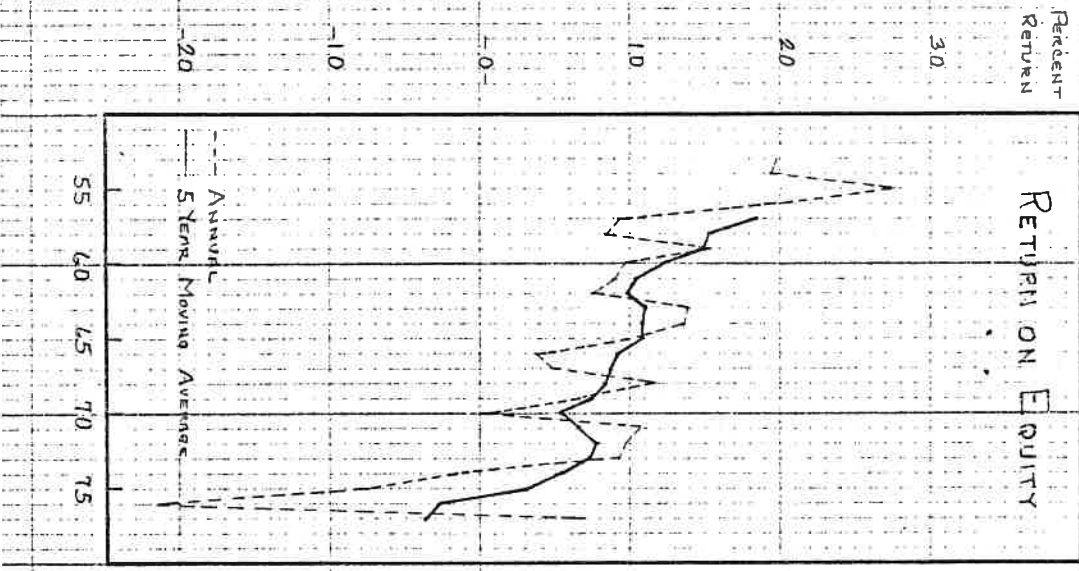
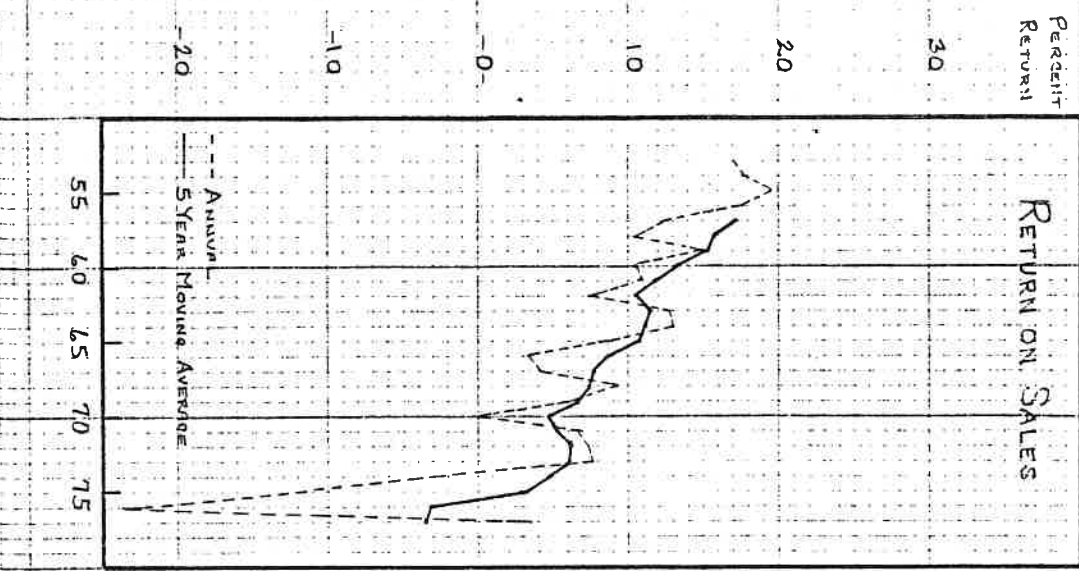
And so a different picture was seen in 1973 perspective and the euphoria of the moment carried the day. Little was it known that a major recession was just around the corner. Painful as they are, however, recessions have but a temporary impact. Far more devastating was an equally unknown fact regarding the Pacer plant, so recently thought to be a great success--the plateauing of costs in 1971-73 was a fluke. The unfolding of events would reveal by 1977, after the recession had come and gone, that costs had increased \$22.60 per M while selling prices were up only \$15.40. Gross margins, which had increased

-- THE PERFORMANCE BEHIND THE PERFORMANCE --

Earnings are only the bottom line and they tell an incomplete story standing alone. The big picture cannot be seen without a knowledge of volume, revenue, costs and expenses. Sales volume at Chattahoochee has increased somewhat steadily from 34 million brick in 1953 to 120 million in 1977.

The other parts to the picture are shown on the attached chart, "Index of unit costs and revenues in constant dollars." Constant dollars are used in an attempt to adjust for inflation and an index basis is used to make all figures directly comparable. The five year moving average minimizes annual fluctuations and is the more meaningful trend line.

CHATTAHOOCHEE
 BRICK COMPANY
 TWENTY FIVE YEAR
 PROFILE OF PERFORMANCE
 1953-1977



The charts themselves tell the story: production costs are up 50%, other costs up 50% to 100%, selling price up 6%. With a base line for deflated figures standing at 100, the selling price index of 106 indicates good performance even though it might be debated whether it was good enough under the circumstances. The long term downtrend in performance is thus traced to an inability to control costs at all levels--production, overhead, corporate.

This analysis stops here and no attempt is made to explain why costs have behaved improperly or whether it was indeed inevitable that they so behave. Chattahoochee Brick Company has ~~been~~ been sold and the torch passed to other hands. Thus does a new era begin with its own set of problems, opportunities and challenges.



One wonders if there will be smiles or grimaces along the banks of the Chattahoochee twenty years from now.

CHATTANOOGHEE BRICK COMPANY
 INDEX OF UNIT COSTS & REVENUES IN CONSTANT DOLLARS
 1953-1957 = 100

