OFFICERS:
President: Frank A. Augsburry, Jr.
Executive Vice President: Lloyd G. Bucklin
Vice President: Eric H. Lundin
Treasurer: Sol M. Rosenberg
Clerk (Secretary): Lloyd G. Bucklin

DIRECTORS:
*Wallace M. Fay,
  Chairman
*Frank A. Augsburry, Jr.
Lloyd G. Bucklin
Harry M. Ditishelm
L. James Gumpert
*Michael Joelson
*Lawrence R. Kessel
George J. Lyon
*Louis S. Rothschild

COUNSEL:
Thomas W. Lynch, Esq., Vermont
Stroock & Stroock & Lavan, Esqs.,
New York

CERTIFIED PUBLIC ACCOUNTANTS:
Haskins & Sells, Boston, Mass.

REGISTRAR:
United States Trust Company
of New York

TRANSFER AGENT:
Manufacturers Hanover
Trust Company

(* denotes members of the Executive Committee)
(† denotes members of the Webb Division Management Committee)
To The Stockholders:

The calendar year 1966 was a significant one for The Rutland Corporation. It marked the implementation of your Company's diversification program and the inception of its industrial income-producing operations. The Rutland Shopping Plaza opened for business on October 12, 1966. The David R. Webb Company, a leading manufacturer of quality veneers, became a division as of October 21, 1966.

The Shopping Plaza and the Webb Division were operational for only 67 and 53 business days respectively during our final quarter. They could not, therefore, contribute to any important extent to 1966 corporate revenue.

Accordingly, the accompanying Statement of Consolidated Income and Deficit for the year ended December 31, 1966, which reports a consolidated net loss of $96,512 includes the earnings of the David R. Webb Company Division and your Company's share of the Rutland Shopping Plaza rental income only for those limited periods.

The accompanying Consolidated Balance Sheet as at December 31, 1966 reflects the excellent financial condition of The Rutland Corporation. Current assets amounted to $5,234,196 compared with current liabilities of $1,735,962; a current ratio of 3 to 1.

Disposition of former railroad properties and related assets continued at a satisfactory rate. During the year 1966, your Company received $221,579 for properties sold, which amount is approximately equal to the estimated realizable value established for them in 1964. This brought the total proceeds realized from railroad assets during the period from 1962 to December 31, 1966 to approximately $8,500,000. Properties still held at December 31, 1966 for future disposal are shown in the accompanying Consolidated Balance Sheet at $182,124, their estimated realizable value (originally established in 1964).

Capitalization of The Rutland Corporation at December 31, 1966 consisted of 46,664 shares (1,000 shares held in treasury) of $65 par value, 6% cumulative Preferred stock (quarterly dividend of 97½¢ or $3.90 per year); 73,612 shares of Common stock; and 46,664 warrants entitled to purchase an equal number of Common shares commencing at a price of $40 per share. In addition, options to pur-
chase 3,000 shares of Common stock at $64 per share were outstanding at year end under your Company's Key Employees Qualified Stock Option Plan.

The accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Deficit at December 31, 1966 reflect a deficit of $2,886,258 based primarily on railroad accounting methods formerly required by the Interstate Commerce Commission. Under the Internal Revenue Code, however, your Company's 1966 Federal corporate income tax return will show an aggregate net operating loss carry forward of approximately $15,000,000. The Company's returns for the years in which such net operating losses were incurred have not yet been examined by the Internal Revenue Service.

Dividends on the 45,664 outstanding shares of $65 par value Preferred stock have been paid through December 31, 1966. On February 28, 1967 the Directors declared the regular dividend of 97½¢ per share on the Preferred stock payable March 31, 1967 to stockholders of record March 15, 1967.

During the year under review, the number of Directors was reduced from thirteen to nine. Messrs. Gordon W. Cutler, Donald H. Hackel, Eric H. Lundin, David S. Rosen and William H. Ross resigned. We wish to acknowledge their services and devotion to the interests and affairs of The Rutland Corporation and express our appreciation for their counsel and guidance. Mr. Michael Joelsson, formerly Executive Vice President of David R. Webb Company, Inc. was elected to the Board. We welcome him and look forward to the benefit of his knowledge and experience.

In the opinion of your Directors, The Rutland Corporation has firmly established an excellent basis for sizeable future earnings. Your Company is also vigorously continuing its investigations of various other opportunities for acquisitions.

The Directors and Officers wish to express their appreciation of the support and confidence of our stockholders and employees.

By Order of the Board of Directors

Wallace M. Fay
Chairman

Frank A. Augsberry, Jr.
President

March 31, 1967
WALLACE M. FAY
Chairman of the Board,
The Rutland Corporation.
Formerly Vice-President (Retired):
Vermont Marble Company.

FRANK A. AUGSBURY, Jr.
President
President: George Hall Corporation,
Hall Corporation of Canada,
Augsbury Oil Corporation, Augsbury
Terminals, Inc., Green Mountain
Petroleum Corporation.
Director: Empire State Chamber
of Commerce, Agricultural
Insurance Company, Ogdensburg
Trust Company, National Bank
of Northern New York.

LOUIS S. ROTHSCILD
Director
Formerly United States
Undersecretary of Commerce,
Chairman of the Federal Maritime
Board.
President: Transport Equities
Corporation, Standard Real Estate
Improvement Company.
Director: Mechanical Enterprises, Inc.

LAWRENCE R. KESSEL
Director
General Partner, Lawrence Kessel
& Associates, Investments.
Member of Board of Managers:
The Delaware and Hudson
Company.
Director: The Delaware and
Hudson Railroad Corporation,
Wood Harmon Corporation.
Director & Member of Executive
Committee: A. S. Beck Shoe
Corporation.
Harvey Probber's unusual "entertainment center" is beautifully finished in Webb teak and ebony veneers.

Webb Brazilian Rosewood veneer was chosen by Knoll Associates for this unique table-desk and matching storage cabinets.

DAVID R. WEBB COMPANY DIVISION The David R. Webb Company, now a division of The Rutland Corporation, is one of the leading manufacturers of high quality wood veneers for the furniture and plywood industries. The division also produces walnut lumber.

The business was founded 72 years ago. Its plant and executive offices are located in Edinburg, Indiana, approximately 35 miles from Indianapolis. Some 200 people are employed in well maintained facilities. Modern machinery and equipment account, in part, for the efficiency of Webb's operations and the consistently high standards of quality of all its products.

Webb showrooms are located in Edinburg, Indiana; High Point, North Carolina; and New York City. From these points, Webb sales personnel effectively sell customers throughout the United States, Canada, Europe and South America.

Webb produces and sells native (domestic) and imported wood veneers. Domestic varieties include: Cherry, Walnut, Maple, White Oak, Ash and Elm. Imported woods include: Brazilian Rosewood, Burmese Teak, Macassar Ebony, Japanese Ash, East Indian Laurel, Swedish Pine, Swiss Pearwood, Zebra Wood, Prima Vera, French Walnut, English Oak, German Oak, Carpathian Elm Burls and other exotic varieties.

The outstanding quality and wide variety of wood veneers produced by Webb make them of special interest to decorators, interior designers and architects. Typical of the corporate and institutional installations throughout the world in which Webb veneers are used are the International Monetary Fund Bank's main floor, Washington, D.C.; the

New York Hilton Hotel's main lobby, paneled in Webb walnut veneer.

THE RUTLAND SHOPPING PLAZA The Rutland Shopping Plaza is one of the first "downtown" shopping centers in the United States. It is a joint venture of The Rutland Corporation and Philip J. Levin, one of the country's leading developers of realty projects.

The Plaza is located in the heart of Rutland, Vermont on the site of what was formerly the Rutland Railway Company's freight and passenger depots and railroad yards. It contains 167,449 square feet of rentable space surrounded (except for a remaining Vermont Railway Company single track right of way at the rear of the site) by parking facilities for more than 1,000 cars.

Three prime tenants occupy more than 60% of the available space. The W. T. Grant Company leases 76,135 square feet; First National Stores leases 22,170 square feet; and Firestone Tire and Rubber Company leases 8,258 square feet, plus free standing space for customers' automobiles.


The first tenant unit opened for business on October 12, 1966. This was the W. T. Grant store, one of their largest outlets. At the end of the year under review, more than 75% of the rentable space was open for business including First National Stores, Firestone Tire and Rubber Company and other tenants. It is anticipated that the remaining space will open during 1967.

Permanent financing of the Plaza in the amount of $1,950,000 was completed February 20, 1967 with The New York Bank for Savings and is evidenced by a 20-year, 5 3/4% mortgage secured only by the property itself and assignments of certain of its leases.

The Rutland Shopping Plaza is an excellent investment for The Rutland Corporation. It has also stimulated widespread property improvements in downtown Rutland and is expected to have a favorable effect on the value of other real estate owned by your Company in Rutland, Vermont.

The Rutland Corporation allocated approximately two-thirds of its total realty holdings in the heart of Rutland to the Plaza. The remaining one-third, including the modernized building housing the Company's corporate headquarters, adjoins the Shopping Plaza and is being held for future sale or development.
THE RUTLAND CORPORATION AND SUBSIDIARY

<table>
<thead>
<tr>
<th>CURRENT ASSETS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,117,260</td>
</tr>
<tr>
<td>Short-term marketable securities — at cost plus earned discount</td>
<td>1,419,644</td>
</tr>
<tr>
<td>Receivables (less allowance for doubtful accounts, $10,000):</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>$492,969</td>
</tr>
<tr>
<td>Other</td>
<td>134,672</td>
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<tr>
<td>Receivables (less allowance for doubtful accounts, $10,000):</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>627,641</td>
</tr>
<tr>
<td>Other</td>
<td>62,255</td>
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<tr>
<td>Inventories — at the lower of average cost or market</td>
<td>2,021,396</td>
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<tr>
<td>Prepaid expenses</td>
<td>48,525</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>$5,234,196</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY, PLANT, AND EQUIPMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>— at cost less accumulated depreciation of $163,948</td>
<td>$2,024,887</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTMENTS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rutland Shopping Plaza (Note 2)</td>
<td>30,540</td>
</tr>
<tr>
<td>French affiliate (Note 3)</td>
<td>118,947</td>
</tr>
<tr>
<td>Other</td>
<td>15,704</td>
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<tr>
<td><strong>Total investments</strong></td>
<td>165,191</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER ASSETS:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Excess of purchase price over net assets of acquired business (Note 1)</td>
<td>3,381,253</td>
</tr>
<tr>
<td>4% note receivable (Note 6)</td>
<td>500,448</td>
</tr>
<tr>
<td>Former railroad properties held for disposal — at estimated realizable value</td>
<td>182,124</td>
</tr>
<tr>
<td>Non-current instalment notes and other receivables</td>
<td>32,663</td>
</tr>
<tr>
<td>Restricted funds and deposits</td>
<td>16,072</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>4,112,560</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$11,536,834</td>
</tr>
</tbody>
</table>

See notes to financial statements.
CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1966

CURRENT LIABILITIES:
Notes payable — current portion (Note 4)...
Trade accounts payable..........................
Employee withholdings..........................
Accrued expenses:
Salaries, wages, bonuses,
and commissions..................................
Property, payroll, and other taxes.............
Professional services...........................
Portion of liabilities assumed from
David R. Webb Company, Inc. (Note 1):
Federal income taxes.........................
Accrued expenses..............................
Other...........................................

Total current liabilities

NON-CURRENT LIABILITIES:
Notes payable — less current portion
included above (Note 4)....................
Retirement benefits payable after
one year (Note 5)................................
Casualty and other claims, etc................

Total liabilities

SHAREHOLDERS' EQUITY (Notes 6 and 7):
Capital stock:
6% cumulative preferred, $65 par
value — authorized and issued,
46,664 shares; outstanding, 45,664
shares, after deducting 1,000
treasury shares below......................
Common, $1 par value — authorized,
606,916 shares; issued and
outstanding, 73,612 shares...............
Capital surplus.............................
Deficit........................................

Total.........................................

Less treasury stock — 1,000 shares of
6% cumulative preferred, at cost....... Shareholders' equity — net

Total liabilities and
SHAREHOLDERS' EQUITY

See notes to financial statements.
## Consolidated Income and Deficit

### Income:
- Sales of products—net
- Interest
- Rentals and other
- Total income

### Costs, Expenses, and Charges:
- Cost of products sold
- Selling expenses
- General and administrative expenses
  - (including expenses of investigating acquisition opportunities—Note 8)
- Cost of maintaining and disposing of former railroad properties
- Share of loss of Rutland Shopping Plaza (Note 2)
- Interest

### NET LOSS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Loss</td>
<td>$669,822</td>
</tr>
<tr>
<td>Selling Expenses</td>
<td>82,700</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>460,074</td>
</tr>
<tr>
<td>Cost of maintaining and disposing of former railroad properties</td>
<td>86,405</td>
</tr>
<tr>
<td>Share of loss of Rutland Shopping Plaza (Note 2)</td>
<td>46,872</td>
</tr>
<tr>
<td>Interest</td>
<td>63,031</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,312,392</td>
</tr>
</tbody>
</table>

### Deficit at Beginning of Year

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET LOSS</strong></td>
<td>$669,822</td>
</tr>
<tr>
<td><strong>Deficit at Beginning of Year</strong></td>
<td>1,312,392</td>
</tr>
</tbody>
</table>

### Deficit at End of Year

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET LOSS</strong></td>
<td>$669,822</td>
</tr>
<tr>
<td><strong>Deficit at Beginning of Year</strong></td>
<td>1,312,392</td>
</tr>
<tr>
<td><strong>Deficit at End of Year</strong></td>
<td>2,886,258</td>
</tr>
</tbody>
</table>

### Consolidated Capital Surplus

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at Beginning of Year</strong></td>
<td>$5,206,571</td>
</tr>
<tr>
<td><strong>ADD:</strong></td>
<td>661,500</td>
</tr>
<tr>
<td>Excess of proceeds of sale of common stock over par value (Note 6)</td>
<td>661,500</td>
</tr>
<tr>
<td>Sundry credits</td>
<td>950</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,869,021</td>
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</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEDUCT—Cash dividends on 6% cumulative preferred stock—$3.90 per share</strong></td>
<td>178,091</td>
</tr>
<tr>
<td><strong>Balance at End of Year</strong></td>
<td>$5,690,930</td>
</tr>
</tbody>
</table>

See notes to financial statements.
# SOURCE OF FUNDS:

Operations:
- Charges (credits) not requiring current expenditures of funds:
  - Share of loss of Rutland Shopping Plaza (Note 2) $46,872
  - Provision for future retirement benefits (Note 5) 40,000
  - Depreciation 35,072
- Other — net (10,952)

Less — net loss for the year $96,512

Funds provided from operations
- Notes payable to bank (net of $200,000 instalment paid) 4,300,000
- Collection of receivable from Ogdensburg Bridge and Port Authority 625,500
- Cash distributions from Rutland Shopping Plaza (including return of advances) 230,000
- Sale of former railroad properties 221,579
- Sale of 13,500 shares of common stock (net of note received as partial payment) (Note 6) 174,552
- Increase in other current payables and accrued expenses 379,745

Total $6,114,719

# APPLICATION OF FUNDS:

Purchase of assets of David R. Webb Company, Inc. (Note 1)—Cash payment 8,007,500

Less — cash included in purchased assets — net of fees and assumed liabilities paid 1,029,168

Dividends on 6% cumulative preferred stock 178,091

Purchases of property items and all other — net 12,556

Total 7,168,979

EXCESS OF FUNDS APPLIED $1,054,260

# CASH AND SHORT-TERM INVESTMENTS:

Beginning of year $3,591,164

End of year 2,536,904

Decrease during the year $1,054,260

---

See notes to financial statements.
1. ACQUISITION AND PRINCIPLES OF CONSOLIDATION On October 21, 1966 The Rutland Corporation purchased all of the assets of David R. Webb Company, Inc. for a cash payment of $8,007,500 plus the assumption of all Webb liabilities. The operations thus acquired have been continued as the David R. Webb Company Division of the Corporation. The results of operations of this division and a related wholly-owned subsidiary, Webb Realty Corp., are included in the consolidated financial statements from the date of their acquisition.

2. INVESTMENT IN RUTLAND SHOPPING PLAZA
At December 31, 1966 the Corporation’s investment in the Rutland Shopping Plaza, a 50% joint venture, is stated at the approximate cost of land it contributed to the Plaza, $267,412, less (1) subsequent cash distributions (net), $190,000, and (2) the Corporation’s share of the net losses of the Plaza for the two years ended December 31, 1966 (primarily the construction period), $46,872.

The properties of the Plaza are mortgaged and certain leases are assigned to The New York Bank for Savings under a twenty-year, first mortgage loan agreement which provides that the joint venturers will not be liable for any deficiency between the loan balance and the proceeds of any foreclosure sale.

In connection with the leasing by the Plaza of an adjoining municipal parking area, the Corporation has guaranteed the payment of a promissory note of the City of Rutland, to be paid from the receipts of all City parking meters. As of December 31, 1966 the balance payable by the City under this note was $117,500 (originally $125,000).

3. INVESTMENT IN FRENCH AFFILIATE
The assets purchased from David R. Webb Company, Inc. included an investment in 53% of the outstanding capital stock of Societe de Fabrication et D’Exportation de Placages, a French Corporation in the process of liquidation. The cost of this investment, $118,947, approximates the estimated amount to be received as remaining liquidating distributions.

4. NOTES PAYABLE
On September 30, 1966 the Corporation entered into a loan agreement with the Chemical Bank New York Trust Company whereby it received $4,500,000 which is payable, with interest at 6 1/4% (6 1/4% effective January 30, 1967), in varying instalments from December 31, 1966 to June 30, 1968. On October 21, 1966 the Corporation entered into a loan agreement with Massachusetts Mutual Life Insurance Company whereby it will receive $3,300,000 in July 1967, subject to certain conditions having first been met, which proceeds will be applied in partial payment of the aforementioned bank loan. This latter loan will be payable in annual instalments of $236,000 from July 1, 1969 through July 1, 1981 and a final installment of $232,000 on July 1, 1982, together with interest at 6 1/2% and supplemental annual fee payments based upon consolidated net earnings.

The aforementioned loan agreements contain certain restrictive provisions including requirements as to the maintenance of consolidated working capital and restrictions on the payment of dividends and other distributions, except for stock dividends and regular dividends on the 6% cumulative preferred stock; no cash dividends may be paid on the Corporation’s common stock prior to July 1, 1968.

5. RETIREMENT BENEFITS PAYABLE, ETC.
The Corporation has assumed the obligations of David R. Webb Company, Inc. in respect to a trusteed pension plan for salaried employees. This plan provides monthly retirement income upon a participant’s retirement through the purchase of annuity contracts, as well as certain life insurance benefits. The Corporation has charged $7,856 against income representing that portion of the annual cost of the
计划适用的期间从10月21日至12月31日，1966年。没有过去的服务义务与此计划有关。

该公司还承担了某些未资助的养老金义务，根据公司根据精算基础确定的义务，包括在合并资产负债表中。此外，公司已与两名高级管理人员签订了协议，为特定的养老金支付提供。该义务确定的，根据精算基础，包括在完成期间的高级管理人员的任期。公司提供了$40,000用于支付养老金的义务。

公司已进入与高级管理人员签订的协议，为特定的养老金支付提供。该义务在完成期间的高级管理人员的任期。公司提供了$40,000用于支付养老金的义务。

公司已进入与高级管理人员签订的协议，为特定的养老金支付提供。该义务在完成期间的高级管理人员的任期。公司提供了$40,000用于支付养老金的义务。

6. 变更授权资本股票和普通股销售

1966年9月23日，股东们批准了普通股从106,916股增加到606,916股的授权普通股。公司出售了13,500股普通股，每股售价$50。这些股票作为抵押物出售给一家公司，由某些高级管理人员和David R. Webb公司提供。公司以普通股的公平市场价值为抵押人，于1969年10月21日支付$500,448。其余668股股票出售给另一名关键员工。出售的销售额与普通股票面价值的差额被计入资本盈余。

7. 普通股股票期权计划和认股权证

1966年9月23日，股东们批准了关键员工合格股票期权计划。根据计划，股票期权将被授予，直到1976年8月23日，符合条件的关键员工可以购买最多7,500股普通股，价格至少等于授予时股票的公平市场价值。期权可以在授予后的五年内行使。1966年11月17日，公司授予3,000股股票，$64，授予五名员工。这些期权中的三分之一在第一三年内可以行使，其余部分在12月31日，1966年。

1966年12月31日，公司发行的46,664股普通股和公司的普通股股票是未上市的，而且没有保留任何普通股股票。每个股票，1964年与公司的普通股股票交换，使普通股股票持有人有权在10年期间以$40每股价格购买其普通股股票的优先股股票。股票期权不实益，十一年期间不生效，直到注册陈述书根据1933年证券交易法生效。

8. 收购计划和联邦所得税状态

公司的管理一直在调查新的收购机会，可能导致投资现金和/或资本股票的发行。

1965年的联邦所得税的税单由公司显示，由于公司的净营业损失而发生的。这些净经营损失可以向前追溯，以未来可税的收入减少至少五年的时间。这些年的净经营损失发生在前五年，将来可能被征税。

注：上述内容摘自一家公司1966年财务报表的注释。
The Rutland Corporation:

We have examined the consolidated balance sheet of The Rutland Corporation (formerly Rutland Railway Corporation) and subsidiary as of December 31, 1966 and the related statements of consolidated income and deficit, capital surplus, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the companies at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

March 17, 1967
The RUTLAND CORPORATION
RUTLAND, VERMONT