NINETEENTH ANNUAL REPORT

OF THE

Lee Rubber & Tire Corporation

FOR THE

FISCAL YEAR ENDED OCTOBER 31, 1934

NEW YORK, JANUARY 3RD, 1935
NINETEENTH ANNUAL REPORT

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Lee Rubber & Tire Corporation

FOR

FISCAL YEAR ENDED OCTOBER 31, 1934

GENERAL OPERATING OFFICE

CONSHOHOCKEN, PA.

FACTORIES

Lee Rubber & Tire Corp.
Conshohocken, Pa.

The Republic Rubber Co.
Youngstown, O.
DIRECTORS

1934

JOHN J. WATSON, **Chairman**

JOHN G. BATES

CHARLES J. COTTEE

JOHN M. **DETTRA**

ALBERT A. GARTHWAITE

STANTON GRIFFIS

WALTER R. HERRICK

HENRY HOPKINS, Jr.

AMBROSE E. IMPEY

HORACE C. JONES

GEORGE S. MAHANA

OFFICERS

President

JOHN J. **WATSON**

Vice-President & Treasurer

ALBERT A. GARTHWAITE

Vice-President in Charge of Manufacturing

W. W. BENNER

Secretary

HENRY HOPKINS, Jr.

Assistant Treasurer

WILLIAM B. DUNLAP

Assistant Secretary

JOHN M. DETTRA
JANUARY 3, 1935.

To the Stockholders-of
Lee Rubber & Tire Corporation:

The Treasurer's report appended hereto shows the financial condition of the Corporation at the close of its fiscal year ended October 31, 1934, and the result of operations for the year ended that date.

The Corporation started the year in an exceptionally favorable position as to its inventory of raw materials. Selling prices of tires, however, remained at unreasonably low levels during the entire year. Therefore, a large part of the benefit which should have accrued to profits was passed on to the consumer in the form of low selling prices of tires.

The net profits for the year were $326,869.98. The Corporation closed the year with no bank debt, its common stock while carrying all equities still remains the senior security of the Corporation.

The volume of business showed an increase of approximately 40% over the sales for the previous year.

Our industry was confronted with wide fluctuations in the price of crude rubber, which advanced from 7¢ per pound to in excess of 15¢ per pound, caused largely by the new Rubber Restriction Plan. The price of cotton fabric was also affected by the drought, government restriction on cotton acreage planted and the process tax. These changing conditions forced artificial prices on our important raw materials and made operations very difficult as to marketing conditions.

In November there was a general increase of 5% in list prices of tires, with a shortening of trade discounts. The current selling price, however, is not yet adequate considering the present price of raw materials.

Our inventories of raw materials have been taken on the basis of cost or market, whichever was lower. The average values of the total position as to raw rubber and fabrics, including purchase commitments, are below market prices at October 31, 1934.
Our organization has been well maintained, and we feel that with the high reputation which Lee Tires and Republic Mechanical Rubber Goods enjoy we should secure our fair share of the business in the industry.

The plants and properties of the Corporation have been kept in up-to-date condition, and our equipment and processes are in keeping with modern efficiency.

I must call your attention to the heavy taxes that are being imposed upon our industry. This year the heavy burden of taxation called upon us to pay aggregate taxes in excess of $508,000.00, which includes Federal, State, Municipal and Processing taxes. This is over four and one-half times the amount we have paid to our stockholders in dividends on their investment.

During the year two dividends have been paid amounting to 40¢ per share, which called for a disbursement of $120,000.00,—however, the Corporation, holding in its Treasury 45,535 shares, the dividends on these shares amounting to $18,094.00, were returned to the Treasury of the Corporation.

During the year the Directors authorized further purchases of the Corporation's capital stock, which purchases were made out of surplus funds. As of October 31, 1934, the Corporation had in its Treasury 45,535 shares of its stock.

It has been gratifying to the management to see the increased demand for our tires and the interest taken in our Corporation's business by many of our stockholders. If each stockholder would realize that this is his business, and, whenever the opportunity presents itself, would urge his friends to use Lee Tires and Republic Mechanical Rubber Goods, it would be of inestimable assistance to the management.

The books and accounts have been examined by Messrs. Peat, Marwick, Mitchell & Co., Accountants and Auditors, whose report is attached hereto.

By order of the Board of Directors.

Respectfully submitted,

John J. Watson,
President.
TREASURER’S REPORT

Consolidated Profit and Loss Account
For the Year Ended October 31, 1934

Net Sales after all Discounts and Allowances ........ $7,354,166.93
Cost of Sales including Freight, Selling Expenses, Administration and General Expenses, Adjustment of Inventories and Reserves and before Depreciation and Excise Taxes ......................... 6,565,437.70

Operating Profit, before Depreciation and Excise Taxes ....................... $788,729.23

Miscellaneous Charges:
Federal Excise Taxes ......................... $316,398.54
Interest Paid .................................. 2,209.63
Claims Paid ................................... 15,875.00
Miscellaneous ................................ 2,383.15

$336,866.32

Less Miscellaneous Income:
Interest Earned ....................... $7,000.19
Profit on Sale of Sundry Merchandise ............ 38,579.79
Profit on Foreign Exchange .................. 396.97
Profit on Sale of Assets ..................... 310.63
Miscellaneous ......................... 9,621.65 55,909.23

Miscellaneous Charges (Net) .................. 280,957.09

Net Income, before Depreciation .................. $507,772.14
Depreciation on Plants and Equipment .................. 180,902.16

Net Income ..................................... $326,869.98

Consolidated Surplus Account

Surplus as at October 31, 1933 ......................... $889,430.22
Add Net Income for the Year ended October 31, 1934 ........ 326,869.98

$1,216,300.20

Deduct:
Additional State Tax Assessment - Prior
Years .......................................... $3,809.33
Dividends Paid .................................. 101,906.00 105,715.33

Surplus as at October 31, 1934 ....................... $1,110,584.87
## Consolidated Balance Sheet as at October 31, 1934

### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash in Banks and on Hand</td>
<td>$806,418.19</td>
</tr>
<tr>
<td>Notes and Accounts Receivable</td>
<td></td>
</tr>
<tr>
<td>Customers' Notes Receivable, less Reserve</td>
<td>$76,051.91</td>
</tr>
<tr>
<td>Customers' Accounts Receivable</td>
<td>$1,000,490.68</td>
</tr>
<tr>
<td>Sundry Accounts Receivable</td>
<td>60,675.14</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$4,168,499.84</td>
</tr>
<tr>
<td><strong>INVENTORIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Raw Materials, Finished Goods, Etc.</td>
<td>$2,355,434.29</td>
</tr>
<tr>
<td>Raw Materials in Storage and in Transit</td>
<td>91,051.48</td>
</tr>
<tr>
<td>Total Inventories</td>
<td>2,446,485.77</td>
</tr>
<tr>
<td><strong>INVESTMENTS:</strong></td>
<td></td>
</tr>
<tr>
<td>Securities of Non-Affiliated Corporations, at Cost</td>
<td>$12,055.33</td>
</tr>
<tr>
<td>45,535 shares RE-ACQUIRED Capital Stock of Lee Rubber and Tire Corporation, at Cost (3,000 shares reserved under option to officer at $8.00 per share)</td>
<td>178,362.50</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,008.54</td>
</tr>
<tr>
<td>Total Investments</td>
<td>192,426.37</td>
</tr>
<tr>
<td><strong>CHARGES DEFERRED TO FUTURE OPERATIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Real Estate not used for Manufacturing Purposes</td>
<td>$37,401.39</td>
</tr>
<tr>
<td>Plant and Equipment</td>
<td>$93,396.83</td>
</tr>
<tr>
<td>Less Reserve for Depreciation of Plants and Equipment</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Total Charges Deferred to Future Operations</td>
<td>4,169,276.67</td>
</tr>
</tbody>
</table>

*These figures are based as to the plant of the Corporation located at Youngstown, Ohio, on an appraisal of the American Appraisal Company made June 1, 1917 and a readjustment thereof made in 1925, and as to the plant of the Corporation located at Conshohocken, Pa., on an appraisal of the American Appraisal Company made May 27, 1915 and adjusted by an appraisal of the Corporation's engineers made in 1928, plus subsequent additions at cost.*
Consolidated Balance Sheet as at October 31, 1934

LIABILITIES

**CURRENT LIABILITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$275,154.48</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>133,553.54</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$408,708.02</td>
</tr>
</tbody>
</table>

**Mortgage Payable on Real Estate Employed in Retail Store Operation**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$408,708.02</td>
</tr>
</tbody>
</table>

**MORTGAGE PAYABLE ON REAL ESTATE EMPLOYED IN RETAIL STORE OPERATION**

- $75,000.00

**RESERVES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment of Tire Claims, Etc.</td>
<td>$54,720.20</td>
</tr>
<tr>
<td>Workmen's Compensation Insurance</td>
<td>57,437.65</td>
</tr>
<tr>
<td>Volume Rebates</td>
<td>1,383.67</td>
</tr>
<tr>
<td>Contingencies</td>
<td>97,783.60</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td>211,325.12</td>
</tr>
</tbody>
</table>

**CAPITAL STOCK:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized and Issued—300,000 shares</td>
<td></td>
</tr>
<tr>
<td>Par Value $5.00 per share</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td><strong>Total Capital Stock</strong></td>
<td></td>
</tr>
<tr>
<td>Capital Surplus</td>
<td>5,355,384.09</td>
</tr>
<tr>
<td><strong>Total Capital Surplus</strong></td>
<td>6,855,384.09</td>
</tr>
<tr>
<td>Surplus</td>
<td>1,110,584.87</td>
</tr>
<tr>
<td><strong>Total Surplus</strong></td>
<td></td>
</tr>
</tbody>
</table>

**CONTINGENT LIABILITIES—NONE REPORTED.**

- $8,661,002.10

A. A. Garth Waite,  
Treasurer.
ACCOUNTANTS' REPORT

DECEMBER 22, 1934.

To the Board of Directors,

LEE RUBBER AND TIRE CORPORATION,
Conshohocken, Pa.

We have made an examination of the Consolidated Balance Sheet of the Lee Rubber and Tire Corporation and its subsidiaries, the Lee Tire and Rubber Company of New York, Inc., the Republic Rubber Company of Ohio and Lee of Conshohocken Tires, Inc., as at October 31, 1934, and of the Consolidated Profit and Loss and Surplus Accounts for the year ended on that date. In connection therewith, we examined or tested accounting records of the Companies and other supporting evidence and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The cash and bank balances have been confirmed by count or by certificates from the depositaries and custodians.

The securities representing investments were inspected by us.

The accounts and notes receivable, while not confirmed by communication with the debtors, were reviewed as to age and collectibility and, in our opinion, reasonable provision has been made for probable losses.

Merchandise, work in process, materials and supplies are stated in accordance with physical inventories taken and priced under the direction of the management and certified by officials of the Companies as to description, quantities and valuation on the basis of the lower of cost or market. We have tested the prices and computations of the inventories and satisfied ourselves as to the general basis of valuation. The average values of the total positions as to raw rubber and fabrics, including purchase commitments, are below market prices at October 31, 1934.

The values placed upon the plant and equipment and the adequacy of the reserve for depreciation were not verified by us.

All ascertained liabilities have been included in the accounts.

In our opinion, based upon such examination, and subject to the observations indicated, the accompanying Consolidated Balance Sheet and related Consolidated Profit and Loss and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year under review, their consolidated position at October 31, 1934 and the results of their operations for the year.

PEAT, MARWICK, MITCHELL & Co.
BRANCHES

ATLANTA .......... 312-U Spring St., N. W.
Baltimore .......... Fallsway & Bath Sts.
Boston .......... 76 Brookline Ave.
Bryn Mawr .......... 900 Lancaster Ave.
Chicago .......... 3666 Archer Ave.
Columbus .......... Cor. N. 5th & Long Sts.
Dallas .......... 806 Jackson St.
Los Angeles .......... 1120 E. 8th St.
Louisville .......... 710 E. Broadway

MEMPHIS .......... 103 5 Union Ave.
MINNEAPOLIS .......... 1011 Harmon Place
New York City .......... 655 Eleventh Ave.
Norristown .......... 411 W. Main St.
Philadelphia .......... Broad & Spring Garden
Pittsburgh .......... 953 Liberty Ave.
Portland, Ore .......... Broadway & Flanders
San Francisco .......... 511 Main St.

DISTRIBUTORS

AMBLER, PA .......... Race & Reading R. R.
Atlantic City, N. J .......... 2117 Pacific Ave.
Buffalo, N. Y .......... 1433 Main St.
Butte, Mont .......... 220 E. Broadway
Columbia, S. C .......... 70 7 Gervais St.
Detroit, Mich .......... 427 Randolph St.
Duluth, Minn .......... 21 3 W. State St.
Easton, Pa .......... Center & Lincoln Sts.
Elkins, Park, Pa .......... 8029 York Road
Evansville, Ind .......... 521 Sycamore St.
Florence, S. C .......... 162 E. Evans St.
Ft. Worth, Tex .......... Houston & Weatherford
Glenside, Pa .......... 110 S. Easton Road
Glen Falls, N. Y .......... 45 Warren St.
Greenville, S. C .......... 209 E. Washington St.
Hagerstown, Md .......... 53 W. Franklin St.
Hartford, Conn .......... 10 Chestnut St.
Hazleton, Pa .......... 19-25 W. Chestnut St.
Lancaster, Pa .......... 16 E. Walnut St.

MILFORD, DEL .......... Main St.
Millville, N. J .......... 30 0 Second Ave., S.
Newark, N. J .......... 52 Dickerson St.
New Haven, Conn .......... 685 Chapel St.
Ocean City, N. J .......... 220 Wesley Ave.
Pittston, Pa .......... 104 Luzerne Ave.
Pottsville, Pa .......... 70 W. Market St.
Richmond, Va .......... 1800 Hull St.
St. Louis, Mo .......... 3323 Washington Blvd.
Salems, Ore .......... 205 N. High St.
Scranton, Pa .......... 328 N. Washington St.
Spartanburg, S. C .......... 112 N. Liberty Ave.
Springfield, Ohio .......... 31 5 York St.
Tamaqua, Pa .......... 234 Center St.
Toledo, Ohio .......... 2313 Madison Ave.
Wildwood, N. J .......... Spicer & Park Aves.
Wilkes-Barre, Pa .......... 63 1 S. Main St.
Youngstown, Ohio .......... 450 W. Federal St.
York, Pa .......... 338 Market St.

WAREHOUSES

Allentown, Pa .......... 31 to 37 N. 4th St.
Bangor, Me .......... 213 Exchange St.
Camden, N. J .......... 1131 Federal St.
Chattanooga, Tenn .......... 717 Pine St.
Cincinnati, Ohio .......... 3118 Spring Grove Ave.
Cleveland, Ohio .......... 1850 Colman Road
Eugene, Ore .......... 89 Oak Street, East
Fresno, Calif .......... 212 6 Tuolumne St.
Harrisburg, Pa .......... 131 N. Cameron St.
Houston, Tex .......... Milam & Pierce
Huntington, W. Va .......... 12th St.
Little Rock, Ark .......... 100 W. 7th St.
Manchester, N. H .......... 2 7 Lowell St.
New Orleans, La .......... 755 St. Charles St.
Norfolk, Va .......... 102 W. Butte St.

Philadelphia, Pa .......... 229 N. 23rd St.
Portland, Me .......... Free St.
Reading, Pa .......... 7 N. Third St.
Sacramento, Calif .......... 11th & Y Sts.
Spartan, Wash .......... 157 S. Monroe St.
Springfield, Mass .......... 64 Howard St.
Syracuse, N. Y .......... 422 W. Onondaga Ave.
St. Paul, Minn .......... 376 - 8 Main Ave.
Tampa, Fla .......... 311 S. Morgan St.
Williamson, W. Va .......... Washington, D. C. 627-2 9 K St., N. W.
Williamsport, Pa .......... William's St.
Wilmington, Del .......... 3700 Market St.
Yakima, Wa .......... 351