TWENTIETH ANNUAL REPORT
OF THE
Lee Rubber & Tire Corporation
FOR
FISCAL YEAR ENDED OCTOBER 31, 1935

GENERAL OPERATING OFFICE
Conshohocken, Pa.

FACTORIES
Lee Rubber & Tire Corp.
Conshohocken, Pa.
The Republic Rubber Co.
Youngstown, O.
DIRECTORS

1935

JOHN J. WATSON, Chairman

JOHN G. BATES

WALTER R. HERRICK

CHARLES J. COTTEE

HENRY HOPKINS, JR.

JOHN M. DETTRA

AMBROSE E. IMPEY

ALBERT A. GARTHWAITE

HORACE C. JONES

STANTON GRIFFIS

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
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, 1935, and the result of operations for the year ended that date.

The Corporation has no bank indebtedness and there are no mortgages on either of its manufacturing properties.

As shown by the Treasurer's report the net current assets are in excess of $15.50 per share on each of the 254,465 shares of capital stock outstanding in the hands of the public, and the total assets back of each share of stock outstanding are in excess of $30.00 per share.

The statement of operations shows a net profit of $184,586.16 for the year, being equal to 72¢ per share earned during the fiscal year on the outstanding stock in the hands of the public.

This is not satisfactory considering the favorable inventory position we had at the commencement of the year. The earnings were adversely affected by the highly competitive conditions which prevailed in our industry during the entire year. These conditions, however, have been largely corrected, still prices for tires ought to be materially higher than they are at the present time.

Dividends aggregating 50¢ per share were paid during the year, which amounted to a disbursement of $127,232.50 to our stockholders.

The enormous taxes which corporations are being called upon to pay have had a serious effect on our operations and earnings. Some of these figures may be of interest to our stockholders.

The total number of employees averages 1543. The total wages paid during the year amounted to $2,491,762.44. The
amount paid in direct taxes, including the heavy excise and processing taxes, were in excess of $550,000.00, or equal in amount to about one-quarter of the entire wages paid to our 1543 employees for their year’s labor, and over four times as much as the dividend paid to our stockholders during that period. Of the extraordinary taxes included in the above, $58,000.00 has been deposited in escrow awaiting the decision of the Supreme Court.

If we can obtain relief from excessive taxation and the withdrawal of unnecessary regulations by the Government, the Corporation should make a better showing for its stockholders.

Our tires and mechanical rubber goods stand in high favor with the trade as evidenced by an increasing demand for our products. Our sales show a gain of over 14% for the year.

Our inventories, including rubber and fabrics, which constitute our largest raw material purchases, were taken at prices at or below the market October 31, 1935. The Corporation is in a favorable position as to its inventories on hand and under contract.

We urge upon our stockholders that they not only use LEE of Conshohocken Tires, but that they also influence the use of them, as well as the use of mechanical rubber products which are manufactured by its subsidiary, The Republic Rubber Co. of Youngstown, Ohio.

The plants and properties of the Corporation have been kept in good repair and additional equipment has been installed in several new departments.

The books and accounts have been examined by Messrs. Peat, Mar-wick, 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, 1935

Net Sales after all Discounts and Allowances........ $8,451,447.59
Cost of Sales including Freight, Selling Expenses, Administration and General Expenses, Adjustment of Inventories and Reserves and before Depreciation and Excise Taxes. ............................. 7,727,646.93

Operating Profit, before Depreciation and Excise Taxes .......... $723,800.66

Miscellaneous Charges:
Federal Excise Taxes. ................................ $325,505.01
Interest Paid .................................. 2,382.76
Loss on Disposal of Assets .................. 23,891.35
Provision for Loss on Real Estate ....... 13,828.77
Provision for Contingencies ................... 7,000.00
Miscellaneous ............ 2,339.13

$374,947.02

Less Miscellaneous Income:
Interest Earned ............. $4,006.08
Profit on Sale of Merchandise 33,856.30
Miscellaneous ............. 8,971.13

328,113.51

Net Income, before Depreciation and Income Tax ........ $395,687.15
Provision for Depreciation of Plant and Equipment .......... 190,509.18

$205,177.97

Provision for Federal Income Tax-subject to Review by Treasury Department ........... 20,591.81

Net Income......................... $184,586.16

Consolidated Surplus Account

Surplus as at October 31, 1934: ......................... $1,110,584.87
Less Miscellaneous Adjustments applicable to Prior Years .......... 6,326.80

$1,104,258.07

Add Net Income for the Year ended October 31, 1935: .... 184,586.16

$1,288,844.23

Deduct Dividends Paid: .................................. 127,232.50

$1,161,611.73
## Consolidated Balance Sheet as at October 31, 1935

### ASSETS

#### CURRENT ASSETS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Banks and on Hand</td>
<td>$761,227.75</td>
</tr>
<tr>
<td>Notes and Accounts Receivable:</td>
<td></td>
</tr>
<tr>
<td>Customers' Notes Receivable</td>
<td>$57,716.29</td>
</tr>
<tr>
<td>Customers' Accounts Receivable</td>
<td>1,102,903.69</td>
</tr>
<tr>
<td>Sundry Accounts Receivable</td>
<td>37,274.79</td>
</tr>
<tr>
<td><strong>Less Reserve for Doubtful Accounts</strong></td>
<td>$231,272.56</td>
</tr>
<tr>
<td><strong>Cash Discount</strong></td>
<td>247,728.21</td>
</tr>
<tr>
<td><strong>Advances to Officers, Salesmen and Employees</strong></td>
<td>23,766.89</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>$4,508,427.56</strong></td>
</tr>
</tbody>
</table>

#### INVESTMENTS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities of Non-Affiliated Corporations at Cost</td>
<td>$2,790.33</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>9,021.54</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>11,811.87</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges Deferred to Future Operations</td>
<td>34,330.50</td>
</tr>
<tr>
<td>Real Estate not Used for Manufacturing Purposes</td>
<td>76,311.31</td>
</tr>
<tr>
<td><strong>Plant and Equipment</strong></td>
<td><strong>$714,968.95</strong></td>
</tr>
<tr>
<td>Less Reserve for Depreciation</td>
<td>3,062,424.96</td>
</tr>
<tr>
<td><strong>Patents</strong></td>
<td><strong>1.00</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,718,126.23</strong></td>
</tr>
</tbody>
</table>

* These figures are based, as to the plant located at Youngstown, Ohio, on an appraisal of the American Appraisal Company made June 1, 1917, with downward revisions thereof in 1923 and 1925, plus subsequent additions at cost, and as to the plant at Conshohocken, Pa., on cost, which in 1915 was substantially in agreement with an appraisal made by the American Appraisal Company.
**LEE RUBBER AND TIRE CORPORATION**  
LEE TIRE & RUBBER COMPANY OF NEW YORK, INC.  
REPUBLIC RUBBER COMPANY OF OHIO  
LEE OF CONSHOHOCKEN TIRES, INC.

Consolidated Balance Sheet as at October 31, 1935

**LIABILITIES**

<table>
<thead>
<tr>
<th>Current Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$385,054.52</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>150,175.50</td>
</tr>
<tr>
<td>Reserve for Federal Income Tax-subject to review by Treasury Department</td>
<td>20,591.81</td>
</tr>
</tbody>
</table>

Total Current Liabilities: $555,821.83

| Mortgage Payable on Real Estate employed in Retail Store Operation-Callable at any semi-annual interest date | $75,000.00 |

<table>
<thead>
<tr>
<th>Reserves:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workmen’s Compensation Insurance</td>
<td>$62,779.69</td>
</tr>
<tr>
<td>Contingencies</td>
<td>122,891.34</td>
</tr>
<tr>
<td>Adjustments of Tire Claims, etc</td>
<td>40,250.00</td>
</tr>
<tr>
<td>Mechanical Goods Claims</td>
<td>18,854.10</td>
</tr>
<tr>
<td>Volume Rebates</td>
<td>1,423.53</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,472.42</td>
</tr>
</tbody>
</table>

Total Reserves: $248,671.08

<table>
<thead>
<tr>
<th>Capital Stock:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized and Issued-300,000 shares—Par Value $5.00 per share</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Capital Surplus</td>
<td>5,355,384.09</td>
</tr>
<tr>
<td>Surplus</td>
<td>1,161,611.73</td>
</tr>
</tbody>
</table>

Total Capital Stock: $8,016,995.82

Less 45,535 shares Reacquired Capital Stock at Cost (3,000 shares reserved under option to Officer at $8.00 per share): $178,362.50

Total: $7,838,633.32

**Total Capital Stock:** $8,718,126.23

A. A. Garth Waite,  
Treasurer.
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, as at October 31, 1935, 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 for the major part, 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, 1935.

We are not in a position to express an opinion as to the amount at which the plant and equipment is carried nor as to the accumulated reserve for depreciation. Included in the provision for depreciation for the year is $120,000.00 in respect of certain depreciable plant and equipment carried at a net book value of $3,536,541.94.

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, 1935 and the results of their operations for the year.

Peat, Marwick, Mitchell & Co.