TWENTY-FIRST ANNUAL REPORT

OF THE

Lee Rubber & Tire Corporation

FOR THE

FISCAL YEAR ENDED OCTOBER 31, 1936

NEW YORK, JANUARY 7TH, 1937
GENERAL OPERATING OFFICE
CONSHOHOCKEN, PA.

FACTORIES

LEE RUBBER & TIRE CORPORATION
CONSHOHOCKEN, PA.

THE REPUBLIC RUBBER COMPANY
YOUNGSTOWN, O.
DIRECTORS

1936

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

*Deceased June 13, 1936
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, 1936 and the result of operations for the year ended that date.

As shown by this report the Corporation has no bank indebtedness and has net current assets of $4,596,718.19, equal to $17.92 per share on each of the 256,465 shares of stock outstanding.

The statement of operations shows net profits for the year of $563,824.80, being equal to $2.19 per share earned during the fiscal year on the outstanding stock in the hands of the public.

We have enjoyed a good demand for Lee tires and also the mechanical rubber goods line made at our mechanical plant at Youngstown, Ohio.

The net sales for the year were $10,599,692.71, an increase of 25% in volume over the sales for the previous year.

During the year two dividends of 25¢ each per share were paid, one on February 1st and one on August 1st.

Our fiscal year ending as it does on October 31st, has relieved us of having to pay taxes on surplus earnings for the year not distributed to stockholders in the form of dividends, and will enable us to use a part of these surplus earnings for additional working capital and plant expansion, which may be needed to take care of our increasing business. We are fortunate this year in this respect.

Our inventories were taken at cost or market, whichever was lower. We have a reasonable supply of raw materials on hand and under purchase contract at prices lower than the current market price.

Your Corporation since 1923 has been the owner of all of the outstanding stock of The Republic Rubber Company of Youngstown, Ohio. In order that there might be tax savings and a better corporate structure for the efficient performance of the functions of this Corporation and The Republic Rubber Company, your directors considered it advisable that your Corporation take
over all of the assets of The Republic Rubber Company and liquidate that Company. Accordingly, The Republic Rubber Company has, since the close of our fiscal year, transferred all of its assets to this Corporation and is in the process of liquidation. In the future The Republic Rubber Company will be operated as the Republic Rubber Company Division of the Lee Rubber & Tire Corporation, and its former officers will become officers of the Lee Rubber & Tire Corporation.

The plants have been kept in good repair and many improvements in equipment have been installed.

The prices of many of our raw materials have had a substantial advance during the year. Crude rubber in the form of smoked sheets on November 1st, 1935 was 13 3/4¢ per pound, on November 2nd, 1936 was 17 7/8¢ and at the close of the calendar year was 21 1/4¢ per pound.

These figures show that there has been a substantial advance in the cost of the raw material making up the principal cost of many rubber products, and there should be an advance in selling prices to offset this additional cost.

Our factories during the year have been operating on a near capacity basis. We are employing in the operation of our works 15% more people than were employed a year ago.

Your Directors on December 31st, 1936 declared a dividend of 25¢ per share, payable February 1st, 1937 to stockholders of record on January 15th, 1937.

Again I wish to call the attention of our stockholders to the fact that there is no way they can help our Corporation more than by using Lee tires and Republic mechanical rubber goods, and to influence their use wherever it is possible. Many of our stockholders are taking a real interest in helping us in this direction, and thereby the Corporation and its stockholders are being benefited.

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.
Consolidated Balance Sheet as at October 31, 1936

ASSETS

CURRENT ASSETS:
CASH IN BANKS AND ON HAND ....................... $1,008,070.06

NOTES AND ACCOUNTS RECEIVABLE:
CUSTOMERS' NOTES RECEIVABLE ........... $ 36,604.78
CUSTOMERS' ACCOUNTS RECEIVABLE .......... 1,276,982.16
SUNDRY ACCOUNTS RECEIVABLE .............. 39,821.13

$1,353,408.07

LESS RESERVE FOR DOUBTFUL ACCOUNTS
$236,985.98 AND CASH DISCOUNTS
$20,367.72 .......................................... 257,353.70

$1,096,054.37

ADVANCES TO OFFICERS, SALES MEN AND EMPLOYEES ...... 15,829.95

INVENTORIES (DETERMINED BY RESPONSIBLE OFFICIALS ON THE BASIS OF PHYSICAL INVENTORIES FOR THE MAJOR PART, TAKEN PRINCIPALLY AT OCTOBER 31, 1936 AND STATED AT THE LOWER OF COST OR MARKET):
RAW MATERIALS AND SUPPLIES, IN PROCESS AND FINISHED GOODS ...... $3,236,679.45
RAW MATERIALS IN TRANSIT ............. 99,681.83

$3,336,361.28

TOTAL CURRENT ASSETS ...................... $5,456,315.66

INVESTMENTS - MISCELLANEOUS ................. 9,004.33
CHARGES DEFERRED TO FUTURE OPERATIONS .... 37,850.71
REAL ESTATE NOT USED FOR MANUFACTURING PURPOSES .... 48,097.50

* PLANT AND EQUIPMENT ..................... $7,124,785.06
LESS RESERVE FOR DEPRECIATION ........... 3,160,099.61

$3,964,685.45

PATENTS .............................................. 1.00

$9,515,954.65

* 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.
## Consolidated Balance Sheet as at October 31, 1936

### LIABILITIES

**Current Liabilities:**

- Accounts Payable ........................................ $ 541,068.21
- Accrued Expenses ........................................... 229,329.26
- Provision for Federal Income Tax—Subject to Review by Treasury Department ........................................ 89,200.00

**Total Current Liabilities** ................................... $ 859,597.47

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

**Reserves:**

- Workmen’s Compensation Insurance .... $ 68,753.06
- Contingencies ............................................. 116,102.86
- Adjustment of Tire Claims, etc .............. 40,250.00
- Mechanical Goods Claims ...................... 33,380.65
- Volume Rebates .......................................... 14,406.15
- Miscellaneous ........................................... 17,040.52

**Total Reserves** ........................................... 289,933.24

**Capital Stock:**

- Authorized and Issued—300,000 shares—Par Value $5.00 per share ............... $1,500,000.00
- Capital Surplus ........................................... 5,361,384.09
- Surplus ................................................... 1,598,402.35

**Total Capital Stock** ......................................... $8,459,786.44

**Less 43,535 shares reacquired capital stock at cost (1,000 shares reserved under option to officer at $8.00 per share) ........................................ 168,362.50

**Total Capital and Surplus** ...................................... $9,515,954.65
Lee Rubber and Tire Corporation
And Subsidiaries

Consolidated Profit and Loss Account
For the Year ended October 31, 1936

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales after all Discounts and Allowances</td>
<td>$10,599,692.71</td>
</tr>
<tr>
<td>Cost of Sales, before Depreciation and Excise Taxes</td>
<td>7,222,285.31</td>
</tr>
<tr>
<td>Gross Profit, before Depreciation and Excise Taxes</td>
<td>$3,377,407.40</td>
</tr>
<tr>
<td>Selling, Administration and General Expenses, before Depreciation</td>
<td>2,163,338.01</td>
</tr>
<tr>
<td>Operating Profit, before Depreciation and Excise Taxes</td>
<td>$1,214,069.39</td>
</tr>
</tbody>
</table>

Miscellaneous Charges:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Excise Taxes</td>
<td>$402,417.91</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>3,614.21</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,969.39</td>
</tr>
<tr>
<td>Total Miscellaneous Charges</td>
<td>$411,001.51</td>
</tr>
</tbody>
</table>

Less Miscellaneous Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Earned</td>
<td>$4,713.87</td>
</tr>
<tr>
<td>Profit on Sale of Merchandise</td>
<td>48,144.69</td>
</tr>
<tr>
<td>Profit (Net) on Disposal of Assets</td>
<td>622.31</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,302.01 60,782.88</td>
</tr>
<tr>
<td>Total Miscellaneous Charges (Net)</td>
<td>$350,218.63</td>
</tr>
</tbody>
</table>

Net Income, before Depreciation and Federal Income Tax | $863,850.76 |

 Provision for Depreciation of Plant and Equipment | $210,825.96 |

 Provision for Federal Income Tax—Subject to Review by Treasury Department | $653,024.80 |

Net Income | $563,824.80
LEEE RUBBER AND TIRE CORPORATION
AND SUBSIDIARIES

Consolidated Surplus Account

For the Year ended October 31, 1936

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus as at October 31, 1935</td>
<td>$1,161,611.73</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Excess of Provision for Federal Income</td>
<td></td>
</tr>
<tr>
<td>Tax for Year ended October 31, 1935 over Amount Paid</td>
<td>$1,198.32</td>
</tr>
<tr>
<td>Net Income for Year ended October 31, 1936</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,726,634.85</td>
</tr>
<tr>
<td>Deduct Dividends Paid (less Dividends applicable to Stock in Treasury)</td>
<td>128,232.50</td>
</tr>
<tr>
<td>Surplus as at October 31, 1936</td>
<td>$1,598,402.35</td>
</tr>
</tbody>
</table>

Consolidated Capital Surplus Account

For the Year ended October 31, 1936

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Surplus as at October 31, 1935</td>
<td>$5,355,384.09</td>
</tr>
<tr>
<td>Add Excess of Amount received for 2,000 shares of Reacquired Capital Stock</td>
<td></td>
</tr>
<tr>
<td>sold to Officer under Option, over cost thereof</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Capital Surplus as at October 31, 1936</td>
<td>$5,361,384.09</td>
</tr>
</tbody>
</table>

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

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, 1936, 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. In accordance with the procedure established in prior years, there is included in the inventories the cost of consigned merchandise which was sold in the month of October 1936 but not reported as sold by consignees until November 1936. 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, 1936.

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 $126,000.00 in respect of certain depreciable plant and equipment carried at a net book value of $3,464,398.02.

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, 1936 and the results of their operations for the year.
BRANCHES AND WAREHOUSES

ALAMEDA, CALIF. .................................. Box 278
ALLENTOWN, PA ................................ 31 to 37 N. 4th St.
AMARILLO, TEXAS ................................. Rule Bldg.
ABBURY PARK, N. J. ............................... 705 Main St.
ATLANTA, GA ...................................... 312-18 Spring St., N. W.
ATLANTIC CITY, N. J. ........................... 2117 Pacific Ave.
BALTIMORE, MD ................................. 1101-03 Cathedral St.
BARTLESVILLE, OKLA. ........................... ..........................
BIRMINGHAM, ALA. .............................. 2809 Avenue B. So.
BOSTON, MASS. ................................. .76 Brookline Ave.
BRYN MAWR, PA ..................................... 900 Lancaster Ave.
BUFFALO, N. Y. ..................................... 1433 Main St.
BUTTE, MONT. ................................. 220 E. Broadway
CAMDEN, N. J. ...................................... 1131 Federal St.
CHARLOTTE, N. C. ................................ First National Bank Bldg.
CHATTANOOGA, TENN. ....................... 717 Pine St.
CHICAGO, ILL. ...................................... 3668 Archer Avenue
CINCINNATI, OHIO ............................. 3118-24 Spring Grove Ave.
CLEVELAND, OHIO ............................... 1850 Coltman Rd.
COLUMBUS, S. C. ................................. 1507 Lady St.
COLUMBUS, OHIO .................................. Long at Fifth
DALLAS, TEXAS .................................... 806 Jackson St.
DENVER, COLORADO ............................. 1325 W. 9th St.
DUBUQUE, IOWA ................................... 9th & Walnut Sts.
DETROIT, MICH. ................................. 427 Randolph St.
DETROIT, MICH. ..................................... 15091 La Salle Blvd.
EASTON, PA ....................................... 119 S. 3rd St.
ELMIRA, N. Y. ..................................... 434 Realty Bldg.
EL PASO, TEXAS ................................... 1525 Magoffine Ave.
EUGENE, ORE. ...................................... 10th & Oak Sts.
EVANSVILLE, INDIANA ........................... 521 Sycamore St.
FLORENCE, S. C. ................................. 113 N. Coit St.
FLORAL PARK, N. Y. ........................... 140 Jericho Turnpike
FORT WORTH, TEXAS ............................ Fort Worth, Texas
HOUSTON & WEATHERFORD .................. Houston & Weatherford
GLENS FALLS, N. Y. ............................. .52 Park St.
GREENVILLE, S. C. ............................. 209 E. Washington St.
HARRISBURG, PA. ............................... 131 N. Cameron St.
HAZLETON, PA. ................................. 15 W. Chestnut St.
HOUSTON, TEXAS ................................ Milam & Pierce
HUNTINGTON, W. VA. ......................... Twelfth St.
INDIANAPOLIS, IND. ........................... 644 E. 38th St.
JACKSONVILLE, FLA. ........................... 930 Lynch Bldg.
KANSAS CITY, MO. ............................. Chase Bldg.
LANCASTER, PA. .................................. 16 E. Walnut
LITTLE ROCK, ARK. ............................ 700 E. Markham St.
LOS ANGELES, CALIF. .......................... Metropolitan Box 5840
LOUISVILLE, KY. ...................... 705-07 E. Broadway
MANCHESTER, N. H. ......................... 27 Lowell St.
MEMPHIS, TENN. .............................. 202 Union Ave.
MILFORD, DEL. ................................. Main St.
MILWAUKEE, WIS. .............................. 233 E. Juneau Ave.
MINNEAPOLIS, MINN. ....................... 820 Second Ave. N.
NASHVILLE, TENN. ........................... 300 Second Ave. S.
NEWARK, N. J. ................................. 52 Dickerson St.
NEW HAVEN, CONN. ......................... 685 Chapel St.
NEW ORLEANS, LA. ........................... 725 Julia St.
NEW YORK CITY .............................. 655 Eleventh Ave.
NORTHFIELD, OHIO ........................... 813-15 Granby St.
NORRISTOWN, PA. ............................. 411 W. Main St.
OMAHA, NEBR. .................................. 1441 N. 11th St.
PATERSON, N. J. ............................... 807 Market St.
PEORIA, ILL. ..................................... 832 Main St.
PHILADELPHIA, PA. ........................... Broad & Spring Garden Sts.
PITTSBURGH, PA. ............................... 933 Liberty Ave.
PORTLAND, ME. ................................. 8 Free St.
PORTLAND, ORE. ............................. Box 4380
POTTSTOWN, PA. ............................... 602 Arch St.
PROVIDENCE, R. I. ............................. 430 Hospital Trust Bldg.
READING, PA. ...................................... 7 N. 3rd St.
RICHMOND, VA. ............................... 1800 Hull St.
ROCHESTER, N. Y. .............................. 518 Genesee Valley Tr. Bldg.
SCRANTON, PA ................................. 328 N. Washington St.
SEATTLE, WASH. .............................. 509 Securities Bldg.
SPARTANBURG, S. C. ......................... 112 N. Liberty Ave.
SPokane, Wash. ............................... 157 S. Monroe St.
SPRINGFIELD, MASS. .......................... 64 Howard St.
SPRINGFIELD, OHIO ............................ 315 York St.
ST. LOUIS, MO. ................................. Chase Bldg.
ST. LOUIS, MO. ................................. 3223 Washington Blvd.
ST. PAUL, MINN. ............................... 376-8 Main Ave.
SYRACUSE, N. Y. ............................... 246 W. Willow St.
Tampa, Fla. ..................................... 311 S. Morgan St.
TAMPA, FLA. ..................................... 234 Center St.
TOLEDO, OHIO ................................. 2313 Madison Ave.
TRENTON, N. J. ................................. W. Hanover & Chancery St.
TULSA, OKLA. ................................. Philtower Bldg.
WASHINGTON, D. C. .......................... 627-29 K St., N. W.
WATERTOWN, N. Y. ........................... State & High Sts.
WICHITA, KANS. ............................... 400 Ellis Singleton Bldg.
WILMINGTON, DEL. ........................... 10th & Washington
YAKIMA, WASH. .................................. 425 W. 3rd St.
YOUNGSTOWN, OHIO .......................... 450 W. Federal St.