TWENTY-SECOND ANNUAL REPORT
OF THE
Lee Rubber & Tire Corporation
FOR THE
FISCAL YEAR ENDED OCTOBER 31, 1937

NEW YORK, JANUARY 6TH, 1938
GENERAL OPERATING OFFICE

CONSHOHOCKEN, PA.

FACTORIES

CONSHOHOCKEN, PA.

YOUNGSTOWN, O.
DIRECTORS

1937

JOHN J. WATSON, Chairman

JOHN G. BATES
JOHN M. DETTRA
ALBERT A. GARTHWAITE
STANTON GRIFFIS
WALTER R. HERRICK

HENRY HOPKINS, Jr.
AMBROSE E. IMPEY
HORACE C. JONES
GEORGE S. MAHANA
ROBERT P. RESCH

OFFICERS

President
JOHN J. WATSON

Vice-President & Treasurer
ALBERT A. GARTHWAITE

Vice-President in Charge of Manufacturing
W. W. BENNER

Vice-President in Charge of Sales Republic Division
O. S. DOLLTON

Vice-President in Charge of Manufacturing Republic Division
HERBERT W. CROYSDALE

Vice-President Lee Tire & Rubber Co. of IV. Y.
H. LAWTON PETTINGELL

Secretary
HENRY HOPKINS, Jr.

Assistant Treasurer
WILLIAM B. DUNLAP

Assistant Secretary
JOHN M. DETTRA

Assistant Treasurer Republic Division
E. M. IKIRT

Assistant Secretary Republic Division
T. C. BOASE
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, 1937 and the result of operations for the year ended that date.

The statement of Assets and Liabilities shows net current assets of $4,971,697.70, an amount equal to $19.31 per share for each of the 257,465 shares of stock outstanding in the hands of the public. The total net assets at book value are in excess of $32.89 for each share outstanding.

As shown by the statement the Corporation has no bank indebtedness. Its capital structure consists of an issue of 300,000 shares of stock, of which 257,465 shares are outstanding in the hands of the public.

Our inventories have been taken at cost or market, whichever was lower, and we are in no way burdened with contracts for raw materials for future delivery.

The net sales for the year were $13,769,152.21, an increase of more than 25% over the sales for the previous year.

The statement of operations shows net profits for the year of $596,318.76, being equal to earnings of $2.31 per share on each share of stock outstanding.

Before this net figure was arrived at, taxes of every character, including Federal, State, County, Local and estimated Undistributed Profits Taxes, aggregating $787,328.77 were deducted. These heavy taxes aggregate more than $3.00 per share on each share of stock outstanding, or nearly one-fourth of the total amount paid in wages to our two thousand employees for their entire year's work, and nearly twice the amount distributed to our stockholders in dividends during the year.

During the year three dividends were paid: 25¢ per share on February 1st, 75¢ per share on August 2nd, and 60¢ per share on October 26th; making a total of $1.60 per share paid during the fiscal year ended October 31, 1937.

The demand for Lee Tires has increased during the year, as has also the demand for our Mechanical Rubber products manufactured by the Republic Division at Youngstown, Ohio.

It is hoped that Congress at its present session will repeal or amend the Undistributed Profits Tax law, for otherwise because of the heavy Undistributed Profits taxes, corporations may feel forced to declare too large a proportion of their profits in divi-
dends and not set aside sufficient Surplus Reserves to keep them strong during years of declining business and decreased earnings.

In the past, surplus earnings retained in the business in excess of reasonable dividends have enabled many corporations to continue operations and give employment months after profits have decreased and even disappeared entirely.

In my opinion, this law, if not repealed or modified, will work a great hardship not only on employees, but also on the investors of this country, and we feel that all interested in industry, either employees or investors, should make their views known on this subject to their Senators and Representatives in Congress.

We believe the repeal or reasonable modification of this law will enable us to give greater assurance of steady employment for our workers and a more uniform return on capital investments.

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

Your Directors on December 30, 1937 declared a dividend of 25¢ per share, payable February 1, 1938 to stockholders of record on January 15, 1938. This is at the same rate as was paid for the corresponding period last year, and is the first dividend in our new fiscal year which began November 1st.

Our stockholders will be interested to know that the average number of men and women employed during the year was twelve per cent. in excess of the number employed during the previous year.

It is the desire of the Directors and Officers of the Corporation to conduct its operations in the mutual interest of its stockholders and employees, and I wish to express my appreciation to the entire organization for the results accomplished and for the progress made, which I feel is largely due to the splendid team work displayed by our Officers and Employees.

The number of our stockholders has increased during the year, our stock being owned by residents of 46 different states.

Again I wish to call the attention of our stockholders to the fact that they can be of great assistance to us by using and recommending the use of all LEE PRODUCTS. I am grateful to our many stockholders for the splendid assistance they are giving us in this respect.

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.
TREASURE:

LEE RUBBER AND TIRE CORPORATION
AND SUBSIDIARY

Consolidated Balance Sheet as at October 31, 1937

ASSETS

CURRENT ASSETS:

Cash = Banks & On Hand, ........................................... $ 952,156.66

NOTES AND ACCOUNTS RECEIVABLE:

Customers’ Notes Receivable ....................... $ 25,437.75
Customers’ Accounts Receivable .................. 1,253,126.01

Less Reserve for Doubtful Accounts ......... 22,130.85

$1,300,694.61

ADVANCES TO OFFICERS, SALES MEN AND EMPLOYEES .... 15,660.49

INVENTORIES, AT THE LOWER OF COST OR MARKET (DETERMINED BY RESPONSIBLE OFFICIALS ON THE BASIS OF PHYSICAL INVENTORIES FOR THE MAJOR PART, TAKEN PRINCIPALLY AT OCTOBER 31, 1937):

Raw Materials and Supplies, In Process and Finished Goods ...... $3,662,200.88

Raw Materials in Transit .............................. 144,779.36

3,806,980.24

TOTAL CURRENT ASSETS ........................................... $5,942,753.75

INVESTMENTS—Miscellaneous ................................. 2,004.33

CHARGES DEFERRED TO FUTURE OPERATIONS ................. 25,952.80

REAL ESTATE NOT SET ASIDE FOR MANUFACTURING PURPOSES .... 47,792.72

Property, Plant and Equipment ....................... $7,076,348.84

Less Reserve for Depreciation ......................... 3,172,253.60

3,904,095.24

$9,922,598.84

* 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 1912 was substantially in agreement with an appraisal made by the American Appraisal Company.
# Consolidated Balance Sheet as at October 31, 1937

## LIABILITIES

### CURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptances Payable in respect of crude rubber purchased</td>
<td>$61,033.56</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$461,436.31</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>$331,881.61</td>
</tr>
<tr>
<td>Provision for Federal Income Tax (including surtax on undistributed profits)-subject to review by Treasury Department</td>
<td>$116,704.57</td>
</tr>
</tbody>
</table>

**Total Current Liabilities:** $971,056.05

### MORTGAGE PAYABLE ON REAL ESTATE EMPLOYED IN RETAIL STORE OPERATION—CABBABLE AT ANY SEMI-ANNUAL INTEREST DATE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages Payable on Real Estate employed in Retail Store Operation—Callable at Any Semi-Annual Interest Date</td>
<td>$75,000.00</td>
</tr>
</tbody>
</table>

### RESERVES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workmen’s Compensation Insurance</td>
<td>$81,703.40</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$238,137.95</td>
</tr>
<tr>
<td>Adjustment of Tire Claims, etc</td>
<td>$40,250.00</td>
</tr>
<tr>
<td>Mechanical Goods Claims</td>
<td>$34,887.69</td>
</tr>
<tr>
<td>Allowances</td>
<td>$1,199.16</td>
</tr>
<tr>
<td>Miscellaneous Funds</td>
<td>$10,296.97</td>
</tr>
</tbody>
</table>

**Total Reserves:** $405,975.17

### CAPITAL STOCK:

<table>
<thead>
<tr>
<th>Description</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>$5,364,384.09</td>
</tr>
<tr>
<td>Surplus</td>
<td>$1,769,546.03</td>
</tr>
</tbody>
</table>

**Total Capital Stock:** $8,633,930.12

### LESS 42,535 SHARES REACQUIRED CAPITAL STOCK AT COST

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock at Cost</td>
<td>$163,362.50</td>
</tr>
<tr>
<td>Surplus</td>
<td>$8,470,567.62</td>
</tr>
</tbody>
</table>

**Total:** $9,922,598.84
## Lee Rubber and Tire Corporation
### Consolidated Profit and Loss Account
#### For the Year ended October 31, 1937

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales after all Discounts and Allowances</td>
<td>$13,769,152.21</td>
</tr>
<tr>
<td>Cost of Sales, before Depreciation and Excise Taxes</td>
<td>9,910,391.23</td>
</tr>
<tr>
<td><strong>Gross Profit, before Depreciation and Excise Taxes</strong></td>
<td>$3,858,760.98</td>
</tr>
<tr>
<td>Selling, Administration and General Expenses, before Depreciation</td>
<td>2,458,612.63</td>
</tr>
<tr>
<td><strong>Operating Profit, before Depreciation and Excise Taxes</strong></td>
<td>$1,400,148.35</td>
</tr>
<tr>
<td><strong>Miscellaneous Charges</strong></td>
<td></td>
</tr>
<tr>
<td>Federal Excise Taxes</td>
<td>$501,584.08</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>2,619.55</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,988.76</td>
</tr>
<tr>
<td><strong>Less Miscellaneous Income</strong></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$1,523.72</td>
</tr>
<tr>
<td>Profit on Sale of Merchandise</td>
<td>66,056.04</td>
</tr>
<tr>
<td><strong>Provision for Depreciation of Plant and Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>127.86</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,321.51</td>
</tr>
<tr>
<td><strong>Net Income, before Depreciation and Federal Income Taxes</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Provision for Federal Income Tax (including $17,927.44 Surtax on Undistributed Profits) - Subject to Review by Treasury Department</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$596,318.76</td>
</tr>
</tbody>
</table>
LEE RUBBER AND TIRE CORPORATION
AND SUBSIDIARY

Consolidated Surplus Account
For the Year ended October 31, 1937

\[
\begin{align*}
\text{Surplus as at October 31, 1936} & \quad \ldots \quad \$1,598,402.35 \\
\text{Less Additional Provision (Net) for Federal Income Taxes for Prior Years} & \quad \ldots \quad 13,231.08 \\
\text{Additional Income for Year ended October 31, 1937} & \quad \ldots \quad 596,318.76 \\
\text{Deduct Dividends Paid (less Dividends Applicable to Stock in Treasury)} & \quad \ldots \quad 411,944.00 \\
\text{Surplus as at October 31, 1937} & \quad \ldots \quad \$1,769,546.03
\end{align*}
\]

Consolidated Capital Surplus Account
For the Year ended October 31, 1937

\[
\begin{align*}
\text{Capital Surplus as at October 31, 1936} & \quad \ldots \quad \$5,361,384.09 \\
\text{Add Excess of Amount Received for 1,000 Share of Reacquired Capital Stock Sold to Officer under Option, over Cost Thereto} & \quad \ldots \quad 3,000.00 \\
\text{Capital Surplus as at October 31, 1937} & \quad \ldots \quad \$5,364,384.09
\end{align*}
\]

A. A. GARTWHAITE,
Treasurer.
ACCOUNTANTS' REPORT

December 27, 1937.

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 Subsidiary, as at October 31, 1937, 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.

In accordance with the procedure established in prior years, there is included in the inventories the cost of merchandise out on consignment which was sold in the month of October 1937 but not reported as sold by the consignees until November 1937.

We are not in a position to express an opinion as to the amount at which the property, plant and equipment is carried nor as to the accumulated reserve for depreciation. Included in the provision for depreciation for the year is $156,000.00 (as compared with $126,000.00 for the previous year) in respect of certain depreciable plant and equipment carried at a net book value of $3,450,593.18.

The increase in the amount of the Reserve for Contingencies over that at the end of the previous year is principally occasioned by the transfer thereto of a portion of the Reserve for Doubtful Accounts presently not required. The remainder of the Reserve for Contingencies was more than adequate to cover the amount by which purchase commitments for rubber and fabric, outstanding at October 31, 1937 and representing partial requirements for November and December, exceeded the indicated market value at that date.

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, 1937 and the results of their operations for the year.

PEAT, MARWICK, MITCHELL & CO.
BRANCHES AND WAREHOUSES

ALAMEDA, CALIF. .................. Box 278
ALLENTOWN, PA. ....... 51 to 37 N. 4th St.
AMARILLO, TEXAS .. Jesse Bldg.
ASHBURY PARK, N. J ...... 705 S. Main St.
ATLANTA, GA ....... 312-15 Spring St. N. W.
ATLANTIC CITY, N. J .... 2116 Pacific Ave.
BALTIMORE, Md. .... 1101-03 Cathedral St.
BARTLETT, OKLA. ....
BIRMINGHAM, ALA ... 230 9 Avenue B So.
BOSTON, MASS ....... 76 Brookline Ave.
BRYN MAWR, PA ... 300 Lancaster Ave.
BUFFALO, N. Y. ...... 1435 Main St.
BUTTE, MONT. ...... 610 E. Platinum St.
CAMDEN, N. J ... 1101 Federal St.
CHARLOTTE, N. C .. First Nat'l Bank Bldg.
CHATTANOOGA, TN .... 71 7 Pine St.
CHICAGO, ILL ....... 3666 Archer Ave.
CINCINNATI, O ..... 3118-24 Spring Grove Ave.
CINCINNATI, OHIO ..... 1078 Gilbert Ave.
CLEVELAND, OHIO ...... 1850 Coltrane Rd.
COLUMBUS, S. C .... 1307 Lady St.
COLUMBUS, OHIO .... Long at Fifth
DALLAS, TEXAS ....... 806 Jackson St.
DENVER, COLO. .... 1325 W. 9th St.
DES MOINES, IOWA ... 9th & Walnut Sts.
DETROIT, MICH ...... 427 Randolph St.
DETROIT, MICH ...... 15091 La Salle Blvd.
EASTON, PA ......... 119 S. 3rd St.
ELMIRA, N. Y. ... 305 Merchants Bank Bldg.
EL PASO, TEXAS .... 525 E. 7th St.
EUGENE, ORE. ...... 10th & Oak Sts.
EVANSVILLE, IND ...... 521 Sycamore St.
FLORENCE, S. C ..... 113 N. Colt St.
FLORAL PARK, L. I .... 140 Jericho Turnpike
FORT WORTH, TEXAS, Houston & Weatherford
GLEN'S FALLS, N. Y ....... 52 Park St.
GREENVILLE, S. C. ... 209 E. Washington St.
HARRISBURG, PA ...... 151 N. Cameron St.
Hazelton, 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 .... 470 Central St.
KNOXVILLE, TENN ...... 525 N. Gay St.
Lancaster, Pa. ...... 314 W. Orange St.
LITTLE ROCK, ARK ...... 700 E. Markham St.
LOS ANGELES, CALIF ...... 811 W. 7th St.
LOS ANGELES WAREHOUSE, 1122 E. 8th St.
LOUISVILLE, KY ...... 705-07 E. Broadway
MADISONVILLE, KY ...... Court St.
MANCHESTER, N. H. ...... 27 Lowell St.
MEMPHIS, TENN ...... 202 Union Ave.
MELFORD, DEL ...... Main St.
MILWAUKEE, WIS .... 238 E. Juneau Ave.
MINNEAPOLIS, MINN ...... 820 Second Ave. N.
NASHVILLE, TN ...... 305 Second Ave. S.
NEWARK, N. J ...... 52 Dickerson St.
NEW HAVEN, CT ...... 685 Chapel St.
NEW ORLEANS, LA ...... 725 Julia St.
NEW YORK CITY ...... 855 Eleventh Ave.
NORFOLK, VA ...... 313-15 Granby St.
NORRISTOWN, PA ...... 411 W. Main St.
OMAHA, NEBR ...... 1441 N. 11th St.
PATERSON, N. J ...... 807 Market St.
PEORIA, ILL ...... 2301 N. Adams St.
PHILADELPHIA, PA ...... 501 N. Broad St.
PITTSBURGH, PA ...... 933 Liberty Ave.
PONTIAC, Mii. .......... 8 Free St.
PONTIAC, ORK ...... 136 W. Oak Street
POTTSTOWN, PA ...... 305 2 Arch St.
PROVIDENCE, R. I ...... 430 Hospital Trust Bldg.
READING, PA ...... 7 N. 3rd St.
RICHMOND, VA .... 1800 Hull St.
ROCHESTER, N. Y. .... 518 George Val. Tr. Bldg.
SCRANTON, PA ...... 328 N. Washington St.
SMATTE, WASH ...... 509 Securities Bldg.
SPARTANBURG, S. C ...... 112 N. Liberty Ave.
SPARKS, WASH ...... 157 S. Monroe St.
SPRINGFIELD, MASS ...... 64 Howard St.
SPRINGFIELD, OHIO ...... 315 York St.
ST. LOUIS, MO ...... 3232 Washington Blvd.
ST. PAUL, MINN ...... 461 Main Ave.
SYRACUSE, N. Y ...... 246 W. Willow St.
TAMPA, FLA ...... 311 S. Morgan St.
TAMAQUA, PA ...... 234 Center St.
Trenton, N. J ...... W. Hanover & Chancy St.
TULSA, OKLA ...... Philtower Bldg.
WASHINGTON, D. C ...... 627-29 K St., N. W.
WATERTOWN, N. Y ...... State & High Sts.
WICHITA, KS ...... 400 Ellis Singleton Bldg.
WILLIAMSPORT, PA ...... 245 W. 3rd St.
WILMINGTON, DEL ...... 10th & Washington Sts.
YAKIMA, WASH ......
YOUNGSTOWN, OHIO ...... 225 Belmont Ave.

158-160 West Fourth Street, New York, N.Y.