TWENTY-FIFTH ANNUAL REPORT
OF THE
Lee Rubber & Tire Corporation
FOR THE
FISCAL YEAR ENDED OCTOBER 31, 1940

NEW YORK, DECEMBER 30, 1940
GENERAL OPERATING OFFICE
CONSHOHOCKEN, PA.

FACTORIES
CONSHOHOCKEN, PA.
YOUNGSTOWN, OHIO
DIRECTORS
1940

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

OFFICERS

President & General Manager
ALBERT A. GARTHWAITE

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

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

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

Vice-President Lee Tire & Rubber Co. of N. Y., Inc.
H. LAWTON PETTINGELL

Comptroller
ARTHUR S. POUCHOT

Treasurer
WILLIAM B. DUNLAP

Secretary
HENRY HOPKINS, Jr.

Assistant Treasurer
JOSEPH J. ROONEY

Assistant Secretary
JOHN M. DETTRA

Assistant Treasurer Republic Division
ERNEST M. IKIRT

Assistant Secretary Republic Division
T. C. BOASE

* Deceased August 29, 1940.
To the Stockholders of
Lee Rubber and Tire Corporation:

The Consolidated Balance Sheet of your Corporation and Subsidiary as of October 31, 1940, and the Consolidated Profit and Loss and Surplus Accounts for the year ended October 31, 1940, together with the report of our auditors, Messrs. Peat, Marwick, Mitchell & Co., are submitted herewith.

Consolidated Net Sales for the year, after all discounts and allowances, and after deduction of federal excise taxes, amounted to $13,966,711.34, the largest sales in the history of the Corporation.

Net profit for the year was $981,886.97, equal to $3.66 per share on the stock outstanding in the hands of the public. This Net Profit remained after an inventory valuation reserve of $450,000.00 was included in the operating costs for the year. Although all inventories of raw materials and manufactured goods have been valued at the lower of cost or market, your Directors considered it prudent to set up this reserve against inventories in view of possible adverse effects on commodity markets arising from the international situation.

Federal, state, county, and local taxes during the year totalled $1,237,163.19 as compared with $1,198,375.67 in 1939.

Current Assets, including cash of $2,235,652.94, were $8,057,417.41. Current Liabilities, including federal and state income taxes payable, were $1,389,507.70. The ratio of Current Assets to Current Liabilities was nearly 6 to 1. Net Current Assets were equal to $24.84 per share. With the net plant valuation included, total Net Worth was $9,964,656.58, equal to $37.13 per share on the stock outstanding.
During the year the new power plant at the Republic factory was completed, and expected savings in power costs arising from this installation are being fully realized.

Our plants have been kept in good repair and improvements have been made whenever possible to increase the quality of our products and to reduce the cost of manufacturing.

Lee DeLuxe Tires have gained in popularity. This is indicated by an increase in unit sales over our 1939 fiscal year, a period during which industry replacement sales declined.

Dividends were paid as follows: 75 cents per share on February 1st, 75 cents per share August 1st, and 75 cents per share October 28th - a total of $2.25 for the 1940 fiscal year.

Many of our stockholders have taken a keen interest in furthering sales of Lee Tires and Republic Mechanical Rubber Goods. I take this opportunity of expressing the appreciation of the management and of the entire organization for their cooperation.

By order of the Board of Directors.

Respectfully submitted,

A. A. GARTHWAITE
President
## COMPTROLLER'S REPORT

**LEE RUBBER AND TIRE CORPORATION AND SUBSIDIARY**

### Consolidated Balance Sheet as at October 31, 1940

#### ASSETS

<table>
<thead>
<tr>
<th>Current Assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Banks and on Hand</td>
<td>$2,235,652.94</td>
</tr>
<tr>
<td>Notes and Accounts Receivable:</td>
<td></td>
</tr>
<tr>
<td>Customers' Notes Receivable</td>
<td>$14,975.72</td>
</tr>
<tr>
<td>Customers' Accounts Receivable</td>
<td>1,439,152.26</td>
</tr>
<tr>
<td>Sundry Accounts Receivable</td>
<td>9,375.13</td>
</tr>
<tr>
<td>Less Reserve for Doubtful Accounts</td>
<td>124,245.18</td>
</tr>
<tr>
<td>&amp; Cash Discounts</td>
<td>20,238.29</td>
</tr>
<tr>
<td>Advances to Officers, Salesmen and Employees</td>
<td>14,595.89</td>
</tr>
</tbody>
</table>

### Inventories: (Note 1)

<table>
<thead>
<tr>
<th>At the lower of Cost or Market:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Materials and Supplies, on Hand and in Transit</td>
</tr>
<tr>
<td>In Process and Finished Goods</td>
</tr>
<tr>
<td>Less Valuation Reserve</td>
</tr>
<tr>
<td>Total Current Assets</td>
</tr>
</tbody>
</table>

### Miscellaneous Notes and Accounts Receivable -

| Non-Current, less Reserve | 11,075.69 |
| Investments—Miscellaneous | 1,891.69 |
| Charges Deferred to Future Operations | 41,742.58 |
| Real Estate not used for Manufacturing Purposes | 34,027.92 |
| Property, Plant and Equipment... (Note 2) | 7,253,157.92 |
| Less Reserve for Depreciation | 3,483,942.31 |
| | $11,915,820.90 |

**Notes:**

1. The Reserve of $450,000.00 has been provided, as authorized by the Board of Directors, to minimize the undue effect on earnings of fluctuating prices of rubber and fabrics. 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 1940 but not reported as sold by the consignees until November 1940.
2. 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.
3. Represents undistributed earnings (Earned Surplus) and surplus of $2,204,562.53 credited in 1923 and arising from acquisition of properties for a consideration less than their book value.
4. The aggregate amount of purchase commitments for rubber and fabric, outstanding at October 31, 1940, was less than the indicated market value at that date.
LEE RUBBER AND TIRE CORPORATION
AND SUBSIDIARY

Consolidated Profit and Loss Account

For the Year ended October 31, 1940

Net Sales after all Discounts and Allowances,
and after deduction of Federal Excise
Taxes of $641,323.51 ........................................ $13,966,711.34

Cost of Sales, including Inventory Valuation Reserve
of $450,000.00 (See Balance Sheet Note 1) ........... 9,992,210.08

Gross Profit ................................................. 3,974,501.26

Selling, Administration and General Expenses ........ 2,674,575.39

Operating Profit ........................................... 1,299,925.87

Other Income:
Profit on Sale of Merchandise .............. $ 47,580.33
Interest Earned ................................. 4,007.73
Miscellaneous ........................................ 15,433.89

67,021.95

Less Miscellaneous Charges:
Loss (Net) on Disposal of Assets .... $ 4,025.32
Interest ............................................. 210.19
Miscellaneous .................. 1,968.39 6,203.90

Other Income (Net) ......................... 60,818.05

Net Income, before Income Taxes ............ 1,360,743.92

Provision for Federal and State Income Taxes .... 378,856.95

Net Income .............................................. $ 981,886.97

Note:—The provision for depreciation of Property, Plant and Equipment
for the year amounted to $275,783.40, which has been charged,
$257,457.21 to cost of production, $17,504.34 to Selling,
Administration and General Expenses and $821.85 to Miscellaneous Charges.
LEE RUBBER AND TIRE CORPORATION
AND SUBSIDIARY

Consolidated Surplus Account
For the Year ended October 31, 1940

Surplus as at October 31, 1939 ......................... $2,871,744.05
Add Net Income for Year ended October 31, 1940 ...... 981,886.97
                                      $3,853,631.02

Deduct Dividends Paid (less Dividends applicable to Stock in Treasury):
  Cash—$2.25 per share ............................. $603,771.75
  Surplus as at October 31, 1940 ....................... $3,249,859.27

Consolidated Capital Surplus Account
For the Year ended October 31, 1940

Capital Surplus as at October 31, 1939
  and October 31, 1940 ............................... $5,364,384.09

A. S. Pouchot
Comptroller
To the Board of Directors,
LEE RUBBER AND TIRE CORPORATION,
Conshohocken, Pa.

We have examined the Consolidated Balance Sheet of the Lee Rubber and Tire Corporation and its Subsidiary as at October 31, 1940 and the statements of Consolidated Profit and Loss and Surplus for the year ended on that date, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Consolidated Profit and Loss and Surplus present fairly the consolidated position of the Companies at October 31, 1940, and the results of their operations for the year after deducting inventory valuation reserve, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Alameda, Calif. 2301 Blanding Ave.
Albany, N. Y. 133 Sheridan Ave.
Allentown, Pa. 115 S. 7th Street
Amarillo, Texas. Rule Building
Ashbury Park, N. J. 705 Main Street
Atlanta, Ga. 312-18 Spring St., N. W.
Atlantic City, N. J. 2116 Pacific Ave.
Baltimore, Md. 1101-05 Cathedral St.
Bartlesville, Okla.
Billings, Mont. 3315 First Ave., S.
Binghamton, N. Y. 227 Front St.
Birmingham, Ala. 1003 C. 6th St.
Birmingham, Ala. 2838 Ave. "B", S.
Boston, Mass. 76 Brookline Ave.
Bridgeport, Conn. 287 Bishop Ave.
Brooklyn, N. Y. 1119 Atlantic Ave.
Bryn Mawr, Pa. 900 Lancaster Ave.
Buffalo, N. Y. 1433 Main St.
Butte, Mont. 610 E. Platinum St.
Cambridge, Mass. 159 Vassar St.
Camden, N. J. 1131 Federal St.
Charlotte, N. C. Liberty Life Bldg.
Chattanooga, Tenn. 717 Pine St.
Chattanooga, Tenn. 1006 Chestnut St.
Chicago, Ill. 3606 Archer Ave.
Cincinnati, Ohio 3118-24 Spring Grove Ave.
Cleveland, Ohio 1850 Coltman Rd.
Columbia, S. C. 1815 Taylor Ave.
Columbus, Ohio Long at Fifth
Dallas, Texas 4120 Commerce St.
Dayton, Ohio 797 Watervilet Ave.
Denton, Colo. 1255 W. 9th St.
Des Moines, Iowa 928th & Walnut Sts.
Detroit, Mich. 15091 La Salle Blvd.
Detroit, Mich. 3307 - 29th St.
Easton, Md. E. Dover St. & Penna. RR
Easton, Pa. 119 S. 3rd St.
Erie, Pa. 110 K. 12th St.
Eugene, Ore. 89 - 10th Ave.
Fall River, Mass. 196 Bedford St.
Flint, Mich. 1512 S. Dort Highway
Floral Park, L. I. 140 Jericho Turnpike
Glen Falls, N. Y. 52 Park St.
Grand Rapids, Mich. 1619 Chicago Ave.
Great Falls, Mont. 417 First Ave., S.
Greenville, S. C. 123 Alexander St.
Hagerstown, Md. 24 W. Antietam St.
Hannover, Pa. 17-19 W. Walnut St.
Harrisburg, Pa. 131 N. Cameron St.
Hartford, Conn. 554 Hudson Ave.
Hazelton, Pa. 16 W. Chestnut St.
Hollywood, Calif. 7919 Sunset Blvd.
Houston, Texas 7402 Washington Ave.
Huntington, Ala. 2307 Jefferson St.
Indianapolis, Ind. 644 E. 38th St.
Jackson, Miss. Mill & Armitie Sts.
Jacksonville, Fla. 930 Lynch Bldg.
Jamestown, N. Y. 1315 E. 2nd St.
Kansas City, Mo. 4706 Central Ave.
Knoxville, Tenn. 401 E. Jackson St.
Kingston, Pa. 901 Wyoming Ave.
Lancaster, Pa. 214 W. Orange St.
Long Beach, Calif. 2700 Atlantic Blvd.
Los Angeles, Calif. 1120-22 E. 8th St.
Los Angeles, Calif. 811 W. 7th St.
Louisville, Ky. 983 S. 3rd St.
Lowell, Mass. 150 Chelmsford St.
Madisonville, Ky. Court Street
Manchester, N. H. 27 Lowell St.
Memphis, Tenn. 202 Union Ave.
Miami, Fla. 436 Flagler St.
Minneapolis, Minn. 230 Second Ave., N.
Milwaukee, Wis. 208 E. Juneau Ave.
Nashville, Tenn. 300 - 2nd Ave., S.
Newark, N. J. 52 Dickinson St.
New Bedford, Mass. 510 County St.
New Brunswick, N. J. 191 Easton Ave.
New Haven, Conn. 693 Chapel St.
New Orleans, La. 1001 N. Rampart St.
New York City, N. Y. 655 Eleventh Ave.
Norfolk, Va. 813-15 Granby St.
Norristown, Pa. 411 W. Main St.
Oakland, Calif. 3309 Broadway
Omaha, Neb. 1441 N. 11th St.
Paterson, N. J. 507 Market St.
Peoria, Ill. 2301 N. Adams St.
Pittsburgh, Pa. 958 Liberty Ave.
Pittston, Pa. 308 S. Main St.
Pocatello, Idaho 310 Main St. at Poplar Hill St.
San Antonio, Texas 779 Houston St.
San Diego, Calif. 946 W. Hawthorne St.
San Francisco, Calif. 1809 Broadway
Scranton, Pa. 528 Washington St.
Seattle, Wash. 509 Securities Bldg.
Spartanburg, S. C. 112 N. Liberty Ave.
Syracuse, N. Y. 755-57 Genesee St.
Tacoma, Wash. 711 East "D" St.
Tampa, Fla. 234 Center St.
Tampa, Fla. 311 S. Morgan St.
Toledo, Ohio 2313 Madison Ave.
Trenton, N. J. 144 Washington & Chancer Sts.
Tulsa, Okla. 2001 N. 1st St.
Utica, N. Y. 125 Oriskany St.
Washington, D. C. 627-28 K St., N. W.
Watertown, N. Y. State & High Sts.
Wichita, Kans. 400 Ellis Singleton Bldg.
Wilkes-Barre, Pa. N. Main & Union Sts.
Williamsport, Pa. Grant Street
Wilmington, Del. 10th & Washington Sts.
Worcester, Mass. 122 Main St.
Yakima, Wash. 505 S. 1st Ave.
York, Pa. 233-35 N. George St.
Youngstown, Ohio 225 Belmont Ave.