TWENTY-SIXTH ANNUAL REPORT

OF

Lee Rubber & Tire Corporation

FOR THE

FISCAL YEAR ENDED OCTOBER 31, 1941
GENERAL OPERATING OFFICE
CONSHOHOCKEN, PA.

FACTORIES
CONSHOHOCKEN, PA.
YOUNGSTOWN, OHIO
DIRECTORS

1941

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

HENRY HOPKINS, Jr.
AMBROSE E. IMPEY
GEORGE S. MAHANA
PAUL VAN ANDA

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
To the Stockholders of
Lee Rubber & Tire Corporation:

The Consolidated Balance Sheet of your Corporation and Subsidiary as of October 31, 1941, and the Consolidated Profit and Loss and Surplus Accounts for the year ended October 31, 1941, are submitted herewith, together with the report of our auditors, Messrs. Peat, Marwick, Mitchell & Co.

Consolidated Net Sales for the year, after all discounts and allowances and after deduction of federal excise taxes, amounted to $19,423,259.95 as compared with sales of $13,966,711.34 for the previous year, an increase of 39%.

Net Profit for the year was $1,482,954.22, equal to $6.14 per share on the 241,509 shares of stock outstanding. In the 1940 fiscal year Net Profit amounted to $981,886.97.

Current Assets were $9,249,842.02, of which $3,000,406.81 was cash. Current Liabilities, including federal and state income taxes payable, were $2,339,137.32, leaving net working capital of $6,910,704.70 equal to $28.61 per share. With the net plant valuation included, the total net worth of the corporation was equivalent to $41.34 per share.

Federal, state, county and local taxes for the fiscal year 1941 amounted to $1,809,642.21 as compared with taxes of $1,237,163.19 in 1940.

In view of the war in the Pacific and the additional uncertainties which have arisen regarding supplies of crude rubber from the Far East, resulting in restrictions on the sale of passenger car tires, your directors considered it advisable to increase the Reserve for Contingencies to $600,000.00. This required a charge of $230,449.60 against the Surplus Account.
A large percentage of the increase in our business last year was due to the defense program. In the last six months approximately 70% of our mechanical rubber goods operations at our Republic Rubber Division factory at Youngstown, Ohio, were on direct and indirect defense products. Your management is now converting some departments in our tire plant at Conshohocken to the production of military type tires and other products required in the war effort. This is physically possible because of the restrictions which have been placed on the manufacture and sale of passenger car tires.

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, making a total of $2.25 for the 1941 fiscal year.

On December 11th a dividend of 75 cents per share was declared payable February 2, 1942, to stockholders of record January 15, 1942.

By order of the Board of Directors.

Respectfully submitted,

A. A. GARTHWAITE

President
## COMPTROLLER'S REPORT

### LEE RUBBER & TIRE CORPORATION AND SUBSIDIARY

**Consolidated Balance Sheet as of October 31, 1941**

### ASSETS

<table>
<thead>
<tr>
<th>Current Assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Banks and on Hand</td>
<td>$3,000,406.81</td>
</tr>
<tr>
<td>U. S. Government Securities at Cost (Market Value $25,789.00)</td>
<td>25,000.00</td>
</tr>
<tr>
<td>Notes and Accounts Receivable:</td>
<td></td>
</tr>
<tr>
<td>Customers’ Notes Receivable</td>
<td>$25,969.08</td>
</tr>
<tr>
<td>Customers’ Accounts Receivable</td>
<td>2,150,958.08</td>
</tr>
<tr>
<td>Sundry Accounts Receivable</td>
<td>41,489.66</td>
</tr>
<tr>
<td>Less Reserve for Doubtful Accounts and Cash Discounts</td>
<td>250,000.00</td>
</tr>
<tr>
<td>Inventories (Note 1)</td>
<td></td>
</tr>
<tr>
<td>Raw Materials and Supplies, on Hand and in Transit</td>
<td>2,063,428.32</td>
</tr>
<tr>
<td>In Process and Finished Goods</td>
<td>2,551,820.79</td>
</tr>
<tr>
<td>Less Valuation Reserve</td>
<td>450,000.00</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>9,249,842.02</td>
</tr>
</tbody>
</table>

| Notes Receivable—Non-Current, at estimated value    | 13,476.72  |
| Investments—Miscellaneous                           | 1,893.69   |
| Charges Deferred to Future Operations               | 42,327.19  |
| Real Estate not used for Manufacturing Purposes     | 29,268.67  |
| Property, Plant and Equipment (Note 2)              | 7,421,273.66 |
| Less Reserve for Depreciation                        | 3,619,729.39 |
| Total Current Assets                                | 9,249,842.02 |

### LIABILITIES

<table>
<thead>
<tr>
<th>Current Liabilities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$971,979.53</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>803,987.79</td>
</tr>
<tr>
<td>Provision for Federal and State Income Taxes</td>
<td></td>
</tr>
<tr>
<td>(Including $13,405.00 Federal Excess Profits Tax)</td>
<td>563,170.00</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>2,339,137.32</td>
</tr>
</tbody>
</table>

| Reserves:                                            |       |
| Workmen’s Compensation Insurance                      | $129,584.71  |
| Contingencies                                        | 600,000.00  |
| Adjustment of Tire Claims, Etc.                      | 40,250.00   |
| Mechanical Goods Claims                               | 41,958.96   |
| Miscellaneous                                        | 4,631.12    |
| Total Reserves                                       | 816,424.79  |

| Capital Stock:                                       |       |
| Authorized and Issued—300,000 shares—Par Value $5.00 per share | 1,500,000.00 |
| Capital Surplus                                      | 5,364,384.09 |

<table>
<thead>
<tr>
<th>Surplus (Note 3)</th>
<th>3,938,843.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Capital Stock</td>
<td>10,803,227.23</td>
</tr>
</tbody>
</table>

Less 58,491 shares Reacquired Capital Stock at Cost... | 820,436.78  |
| Capital Stock at Cost                                 | 9,982,790.45 |

### Notes:

1. The Reserve of $450,000.00 was provided as of October 31, 1940, 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 on consignment which was sold in the month of October 1941 but not reported as sold by the consignees until November 1941.

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 fabric, outstanding at October 31, 1941, was less than the indicated market value at that date; rubber purchase commitments are insignificant.
## Consolidated Profit and Loss Account

For the Year ended October 31, 1941

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales after all Discounts and Allowances, and after deduction of Federal Excise Taxes of $989,049.69</td>
<td>$19,423,259.95</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>14,269,100.11</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>5,154,159.84</td>
</tr>
<tr>
<td>Selling, Administration and General Expenses</td>
<td>3,232,635.44</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1,921,524.40</td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
</tr>
<tr>
<td>Profit on Sale of Merchandise, Etc.</td>
<td>$92,638.28</td>
</tr>
<tr>
<td>Sale of Patent Licenses</td>
<td>28,500.00</td>
</tr>
<tr>
<td>Interest Earned</td>
<td>1,210.38</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>17,798.67</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td>140,147.33</td>
</tr>
<tr>
<td>Less Miscellaneous Charges</td>
<td></td>
</tr>
<tr>
<td>Loss (Net) on Disposal of Assets</td>
<td>$12,280.57</td>
</tr>
<tr>
<td>Interest</td>
<td>1,997.04</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,229.09</td>
</tr>
<tr>
<td><strong>Total Less Miscellaneous Charges</strong></td>
<td>15,506.70</td>
</tr>
<tr>
<td><strong>Other Income (Net)</strong></td>
<td>124,640.63</td>
</tr>
<tr>
<td>Net Income, before Income Taxes</td>
<td>2,046,165.03</td>
</tr>
</tbody>
</table>

Provision for Federal and State Income Taxes (including $13,405.00 Federal Excess Profits Tax) | 563,210.81 |

**Net Income** | $1,482,954.22 |

Note:—The provision for depreciation of Property, Plant and Equipment for the year amounted to $274,719.23, which has been charged, $255,300.10 to cost of production, $12,597.28 to Selling, Administration and General Expenses and $821.65 to Miscellaneous Income.
Consolidated Surplus Account

For the Year ended October 31, 1941

Surplus as of October 31, 1940 .................. $3,249,859.27
Add Net Income for Year ended
   October 31, 1941 .................. 1,482,954.22
   4,732,813.49

Deduct:
   Dividends Paid (less Dividends
      applicable to Stock in Treasury)—
      Cash—$2.25 per share .............. $563,520.75
   Transfer to "Reserve for Contingencies"
      to increase same to $600,000.00 to
      provide mainly for contemplated
      readjustments of operations con-
      sequent upon war conditions ...... 230,449.60  793,970.35

Surplus as of October 31, 1941 .................. $3,938,843.14

Consolidated Capital Surplus Account

For the Year ended October 31, 1941

Capital Surplus as of October 31, 1940
   and October 31, 1941 .................. $5,364,384.09

A. S. Pouchot
   Comptroller
To the Board of Directors,

Lee Rubber & Tire Corporation,
Conshohocken, Pa.

We have examined the Consolidated Balance Sheet of the Lee Rubber & Tire Corporation and its subsidiary as of October 31, 1941, and the statements of Consolidated Profit and Loss and Surplus for the fiscal year then ended, 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 of the Companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

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 Lee Rubber & Tire Corporation and subsidiary at October 31, 1941, and the results of their operations for the fiscal year, 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. 112 S. 7th Street 
Amarillo, Texas Rule Building 
Asbury Park, N. J. 705 Main Street 
Atlanta, Ga. 312-18 Spring St., N. W. 
Atlantic City, N. J., Missouri & Arctic Aves. 
Baltimore, Md. 1101-03 Cathedral St. 
Bartlesville, Okla. 
Billings, Mont. 3313 First Ave., S. 
Binghamton, N. Y. 227 Front St. 
Birmingham, Ala. 1000 N. 16th St. 
Boston, Mass. 76 Brookline Ave. 
Bridgeport, Conn. North & Main Sts. 
Brooklyn, N. Y. 1119 Atlantic Ave. 
Bryan, Ohio 400 Lancaster Ave. 
Buffalo, N. Y. 1438 Main St. 
Butte, Mont. 610 E. Platinum St. 
Cambridge, Mass. 159 Vassar St. 
Cameron, N. C. 1191 Federal St. 
Charlotte, N. C., Liberty Life Bldg. 
Chattanooga, Tenn. 717 Pine St. 
Chattanooga, Tenn. 1005 Chestnut St. 
Chico, Cali. 3666 Archer Ave. 
Cincinnati, Ohio. 318-24 Spring Grove Ave. 
Cleveland, Ohio. 1850 Colman Rd. 
Columbia, S. C. 1315 Taylor St. 
Columbus, Ohio. 1316 S. Front St. 
Dallas, Texas 4120 Commerce St. 
Dayton, Ohio 737 Watervliet Ave. 
Denver, Colo. 1236 W. 9th St. 
Des Moines, Iowa. 9th & Walnut Sts. 
Detroit, Mich. 15901 La Salle Blvd. 
Detroit, Mich. 3307-3327 St. 
Eaton, Ohio E. Dover St. & Penna. RR. 
Easton, Pa. 9th & Northampton Sts. 
Erie, Pa. 140 W. 13th St. 
Eugene, Ore. 39-49 10th Ave. 
Fall River, Mass. 130 Bedford St. 
Flint, Mich. 1512 S. Dort Highway 
Ft. Worth, Texas 140 Jericho Turnpike 
Glen Falls, N. Y. 62 Park St. 
Grand Rapids, Mich. 1819 Chicago Ave. 
Great Falls, Mont. 807 2nd St., So. 
Greenville, S. C., 125 Alexander Ave. 
Hagerstown, Md. 24 W. Antietam St. 
Hanover, Pa. 17-19 Walnut St. 
Harrisburg, Pa. 131 N. Cameron St. 
Hartford, Conn. 364 Hudson St. 
Hazelton, Pa. 15 W. Chestnut St. 
Hollywood, Calif. 7318 Sunset Blvd. 
Houston, Texas 7402 Washington Ave. 
Huntsville, Ala. 250 Jefferson St. 
Indianapolis, Ind. 644 E. 38th St. 
Jackson, Miss. Mill & Amite Sts. 
Jacksonville, Fla. 320 Lynch Bldg. 
Jamestown, N. Y. 1316 E. 2nd St. 
Kansas City, Mo. 4705 Central Ave. 
Knoxville, Tenn. 401 E. Jackson St. 
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. 963 S. 3rd St. 
Lowell, Mass. 160 Chelmsford St. 
Madisonville, Ky. Court St. 
Manchester, N. H. 27 Lowell St. 
Memphis, Tenn. 202 Union Ave. 
Miami, Fla. 200 S. Miami Ave. 
Minneapolis, Minn. 820 Second Ave., N. 
Milwaukee, Wis. 233 E. Juneau Ave. 
Nashville, Tenn. 300-2nd Ave., S. 
Newark, N. J. 52 Dickerson St. 
New Bedford, Mass. 510 County St. 
New Brunswick, N. J. 191 Easton Ave. 
New Haven, Conn. 685 Chapel St. 
New Orleans, La. 1013 Camp St. 
New York City, N. Y. 655 Eleventh Ave. 
Norfolk, Va. 615-15 Granby St. 
Norristown, Pa. 411 W. Main St. 
Oakland, Calif. 8020 Broadway 
Omaha, Neb. 1441 N. 11 St. 
Patterson, N. J. 807 Market St. 
Pearl, Ill. 1230 N. Adams St. 
Philadelphia, Pa., Broad & Spring Garden Sts. 
Pittsburgh, Pa. 503 Liberty Ave. 
Pittston, Pa. S. Main & Luzerne Sts. 
Poultney, N. Y. Front & Market Sts. 
Portland, Me. 402 Forest Ave. 
Portland, Ore. 505 W. St. Helens Road 
Pottsfield, Pa. 201 Mohantonga St. 
Reading, Pa. 3rd & Penn Sts. 
Richmond, Va. 1300 Hull St. 
Rocky, N. C. 1840 Wyellery Ave. 
Sacramento, Calif. 18th & Y Sts. 
Salisbury, Md. F. Main St. at Poplar Hill St. 
San Antonio, Texas. 729 E. Houston St. 
San Diego, Calif. 945 W. Hawthorne St. 
Scranton, Pa. 323 N. Washington St. 
Seattle, Wash. 508 Securities Bldg. 
Spokane, Wash. 222 E. Trent Ave. 
Springfield, Mass. 540 State St. 
Springfield, Ohio 723 E. Main St. 
St. Louis, Mo. 3328 Washington Blvd. 
St. Louis, Mo. 4331 Lindell Blvd. 
St. Paul, Minn. 461 Main Ave. 
Syracuse, N. Y. 755-757 Genesee St. 
Syracuse, N. Y. 540 Solar St. 
Tampa, Wash. 711 East "D" St. 
Tampa, Fla. 311 S. Morgan St. 
Trenton, N. J. W. Hanover & Chancerly St. 
Tulsa, Okla. 2313 Madison Ave. 
Utica, N. Y. 12th Main St. 
Washington, D. C. 627-29 K St., N. W. 
Watertown, N. Y. State and High Sts. 
Wichita, Kans. 400 Ellis Singleton Bldg. 
Wilmington, Del. 10th & Washington Sts. 
Worcester, Mass. 122 Main St. 
Yakima, Wash. 505 S. 1st Ave. 
York, Pa. 233-33 N. George St. 
Youngstown, Ohio 225 Belmont Ave.