THIRTY-SECOND ANNUAL REPORT

OF

Lee Rubber & Tire Corporation

FOR THE

FISCAL YEAR ENDED OCTOBER 31, 1947
GENERAL OPERATING OFFICE
CONSHOHOCKEN, PA.

FACTORIES
Conshohocken, PA.
Youngstown, Ohio
DIRECTORS
1947

JAMES CARSTAIRS
ALBERT A. GARTHWAITE
STANTON GRIFFIS
HENRY HOPKINS, Jr.

AMBROSE E. IMPEY
GEORGE S. MAHANA
THORPE NESBIT
DANIEL M. SHEAFFER
PAUL VAN ANDA

OFFICERS

President & General Manager
ALBERT A. GARTHWAITE

Vice-President & General Manager, Republic Division
O. S. DOLLISON

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

Vice-President in Charge of Manufacturing, Lee Division
ROBERT M. BRASAEMLE

Vice-President in Charge of Plants
ELDEN E. LEACH

Vice-President in Charge of Development & Research
ARTHUR H. NELLEN

Vice-President in Charge of Public Relations
GEORGE H. DUCK

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

Vice-President, Lee Tire & Rubber Co. of N. Y., Inc.
E. W. McCREERY

Assistant to President
W. F. HINDERSCHEID

Treasurer & Comptroller
ARTHUR S. POUCHOT

Secretary
HENRY HOPKINS, Jr.

Assistant Secretary
DANIEL H. HANDY

Assistant Treasurer
JOSEPH J. ROONEY

Assistant Treasurer, Republic Division
ERNEST M. IKIRT

Assistant Secretary, Republic Division
T. C. BOASE

Transfer Agent:
Guaranty Trust Company
of New York
New York, N. Y.

Registrar:
Lawyers Trust Company
New York, N. Y.
To the Stockholders of

Lee Rubber & Tire Corporation:

The Consolidated Balance Sheet of your Corporation and Subsidiary as of October 31, 1947, and the Statements of Consolidated Profit and Loss and Surplus for the year ended October 31, 1947, are submitted herewith, together with the report of our auditors, Messrs. Peat, Marwick, Mitchell & Company.

Consolidated Net Sales for the fiscal year ended October 31, 1947, after all discounts and allowances and after deduction of Federal excise taxes, amounted to $37,197,883.26, as compared with sales of $32,150,137.06 for the previous year, an increase of 15.7%.

Net Profit for the year, after Federal and State income taxes, was $2,402,305.32, equal to $9.47 per share on the 253,584 shares of stock outstanding. In the 1946 fiscal year Net Profit, after appropriation for Contingencies of $425,000.00, amounted to $2,153,338.47, equal to $8.91 per share on the 241,509 shares then outstanding.

The sales volume above stated increased $5,047,746.20 over the previous year, but the net profit declined from eight cents (8¢) per dollar of sales in 1946 to six and four-tenths cents (6.4¢) per dollar of sales in 1947. This was partly due to the reduction in tire prices in June and to the higher material and operating costs which prevailed in the last half of the year.

Current Assets were $15,823,723.42, of which $6,697,696.58 was in cash and Government securities. Current Liabilities were $3,142,518.43 and the ratio of Current Assets to Current Liabilities was 5.0 to 1.

The book value of the Corporation as of October 31, 1947 was equal to $61.38 per share on the outstanding stock.

During the fiscal year 1947 the following dividends were declared, payable as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1, 1947</td>
<td>Regular</td>
<td>$0.50</td>
</tr>
<tr>
<td>May 1, 1947</td>
<td>Regular</td>
<td>$0.50</td>
</tr>
<tr>
<td>August 1, 1947</td>
<td>Regular</td>
<td>$0.50</td>
</tr>
<tr>
<td>October 28, 1947</td>
<td>Regular</td>
<td>$0.50</td>
</tr>
<tr>
<td>October 28, 1947</td>
<td>Extra</td>
<td>$1.00</td>
</tr>
<tr>
<td>October 28, 1947</td>
<td>5% Stock Dividend</td>
<td></td>
</tr>
</tbody>
</table>
The tire division of the Corporation is currently operating at full capacity with some departments running on a six days per week schedule in order to supply current demands and to build up an inventory of tires for the Spring and Summer seasons.

The Republic Rubber Division, Youngstown, Ohio, which manufactures a full line of mechanical rubber goods, is operating in most departments at full capacity. Republic products are used by the mining, steel, petroleum and durable goods industries and the Division has a large backlog of orders on its books.

There were no work stoppages in either plant during the year and our management-employee relations have been on a high plane of cooperation. I wish to take this opportunity of expressing my appreciation and that of the Board of Directors for the splendid spirit displayed by the entire organization.

By order of the Board of Directors.

Respectfully submitted,

A. A. GARTHWAITE
President
## 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>$5,203,118.57</td>
</tr>
<tr>
<td>U.S. Government securities - at cost, and accrued interest:</td>
<td></td>
</tr>
<tr>
<td>Treasury Bonds</td>
<td>$504,687.51</td>
</tr>
<tr>
<td>Treasury Savings Notes, Series “C” (less $1,470,000.00 applied against provision for Federal income taxes, per contra)</td>
<td>989,890.50</td>
</tr>
<tr>
<td>Accounts Receivable:</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>2,936,979.85</td>
</tr>
<tr>
<td>Miscellaneous (including $19,511.09 due from officers and employees)</td>
<td>89,981.13</td>
</tr>
<tr>
<td>Accounts Receivable:</td>
<td>3,026,960.98</td>
</tr>
<tr>
<td>Less reserves for doubtful accounts and cash discounts</td>
<td>247,479.12</td>
</tr>
<tr>
<td>Inventories (Note 1):</td>
<td></td>
</tr>
<tr>
<td>Raw materials (including $474,672.21 for materials in transit and advance deposits)</td>
<td>2,184,254.79</td>
</tr>
<tr>
<td>Work in process</td>
<td>796,108.80</td>
</tr>
<tr>
<td>Finished goods</td>
<td>3,474,922.08</td>
</tr>
<tr>
<td>Supplies</td>
<td>341,259.31</td>
</tr>
<tr>
<td>Inventories (Note 1):</td>
<td>6,796,544.98</td>
</tr>
<tr>
<td>Less valuation reserve</td>
<td>450,000.00</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>15,823,723.42</td>
</tr>
</tbody>
</table>

### Investments, including capital stock of National Synthetic Rubber Corporation carried at cost of $105,000.00

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>110,908.33</td>
</tr>
</tbody>
</table>

### Property, Plant and Equipment (Note 2)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, Plant and Equipment</td>
<td>10,184,142.34</td>
</tr>
<tr>
<td>Less reserves for depreciation and amortization</td>
<td>5,684,976.90</td>
</tr>
<tr>
<td>Charges deferred to Future Operations</td>
<td>70,015.58</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>4,499,165.44</td>
</tr>
<tr>
<td>Charges deferred to Future Operations</td>
<td>70,015.58</td>
</tr>
<tr>
<td>Total</td>
<td>20,503,812.77</td>
</tr>
</tbody>
</table>

(See accompanying notes to...
### LIABILITIES

**Current Liabilities:**

- Accounts payable (including acceptances $32,032.02) .... $1,845,695.63
- Accrued expenses and withholding taxes payable ............. 1,221,072.80
- Provision for Federal and State income taxes (subject to review by Treasury Department) ........ $1,545,750.00
- Less U. S. Treasury Savings Notes, Series “C”, and accrued interest. **1,470,000.00** 75,750.00

**Total Current Liabilities .................... 3,142,518.43**

**Operating Reserves:**

- Workmen’s compensation insurance ............. 174,716.86
- Miscellaneous reserves for claims, etc. ........... 119,145.21 293,862.07

**Appropriation for General Contingencies**

(Note 3) ........................................... 1,500,000.00

**Capital Stock and Surplus:**

- Capital stock—authorized and issued, 300,000 shares—par value $5.00 per share .......... 1,500,000.00
- Capital surplus .................................. 5,822,407.46
- Surplus (Note 4) .................................. 9,040,484.96

**Less reacquired capital stock—**

46,416 shares—at cost. ......................... 795,460.15 15,567,432.27

**$20,503,812.77**

(financial statements, page 7)
Statement of Consolidated Profit and Loss
For the Year ended October 31, 1947

Net sales

Cost of sales

Gross Profit

Selling, administrative and general expenses

Operating Profit (after Depreciation Charges of $529,066.71)

Other income—interest, service fees and sundry

Less net loss on disposal of capital assets

Other Income (Net)

Profit, before Provision for Income Taxes

Provision for Income Taxes:

Federal normal tax and surtax

State income taxes

Adjustment of income taxes applicable to prior years

Net Profit for Year

(See accompanying notes to financial statements, page 7)
Statement of Consolidated Surplus
For the Year ended October 31, 1947

Capital Surplus

Balance as of October 31, 1946 .................. $5,364,384.09

Add assigned value ($40.00 per share)
of 12,075 shares of treasury stock,issued as stock dividend ........ $483,000.00
Less cost of acquisition .................. 24,976.63 458,023.37

Balance as of October 31, 1947 .................. $5,822,407.46

Surplus (Note 4)

Balance as of October 31, 1946 .................. $7,845,706.64
Net profit for year .................. 2,402,305.32

Deduct Dividends:
In cash, $3.00 per share ........ $724,527.00
In stock, 5%, consisting of 12,075
shares, issued out of treasury stock, at assigned value of
$40.00 per share .................. 483,000.00 1,207,527.00

Balance as of October 31, 1947 .................. $9,040,484.96

NOTES TO FINANCIAL STATEMENTS

(1) Inventories:
The inventories shown in the balance sheet and those used in computing cost of sales are, in general, stated at cost (approximate average recent costs of raw materials, labor and overhead) or replacement market if lower, except as applied to materials and supplies in transit, which are stated at actual cost. Reduced valuations are used in respect of inactive or obsolescent merchandise and materials. No intercompany profit is included in inventories. The valuation reserve of $450,000.00 was established as of October 31, 1940 to minimize the undue effect on earnings of fluctuating prices of rubber and fabrics.

(2) Property, Plant and Equipment:
Valuations are based substantially on cost; certain plant properties are stated on basis of appraisal in 1917. The cost of certified emergency facilities which are fully amortized amounts to $1,502,097.22. Commitments for new construction amount to approximately $500,000.00.

(3) Contingencies:
The appropriation, authorized by the Board of Directors, has been provided for general contingencies which may be expected to arise in the future due to decline in inventory values or other causes incident to a period of decline. It is believed that no material specific claims or losses of a contingent nature exist at the present time.

(4) Surplus:
The balance in this account represents undistributed earnings (earned surplus) and surplus of $2,204,562.53 credited in 1923 which arose from acquisition of properties for a consideration less than their book value.

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

LEE RUBBER & TIRE CORPORATION,
CONSHOHOCKEN, PA.

We have examined the consolidated balance sheet of Lee Rubber & Tire Corporation and subsidiary as of October 31, 1947, 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 and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus present fairly the consolidated position of Lee Rubber & Tire Corporation and subsidiary at October 31, 1947 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.