THIRTY-THIRD ANNUAL REPORT

OF

Lee Rubber & Tire Corporation

FOR THE

FISCAL YEAR ENDED OCTOBER 31, 1948
GENERAL OPERATING OFFICE
Conshohocken, Pa.

FACTORIES
Conshohocken, Pa.
Youngstown, Ohio
DIRECTORS
1948
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. McCREEERY
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, 1948, and the Statements of Consolidated Profit and Loss and Surplus for the year ended October 31, 1948, 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, 1948, after all discounts and allowances and after deduction of Federal excise taxes, amounted to $35,702,493.31, as compared with sales of $37,197,883.26 for the previous year, a decrease of 4%.

Net Profit for the year, after Federal and State income taxes, was $1,996,741.47, equal to $7.87 per share on the 253,584 shares of stock outstanding. In the 1947 fiscal year Net Profit amounted to $2,402,305.32, equal to $9.47 per share.

Current Assets were $16,067,338.47, of which $5,867,490.52 was in cash and U. S. Treasury Saving Notes. Current Liabilities were $2,307,844.63 and the ratio of Current Assets to Current Liabilities was 6.96 to 1.

The book value of the Corporation as of October 31, 1948 was equal to $65.76 per share on the outstanding stock. Dividends were declared during the fiscal year, payable as follows:

- February 2, 1948 - Regular $0.50
- May 1, 1948 - Regular $0.50
- August 2, 1948 - Regular $0.50
- October 28, 1948 - Regular $0.50
- October 28, 1948 - Extra $1.50

making a total of $3.50 per share as compared with $3.00 per share in cash and 5% stock dividend during the preceding year.

During the year the tire business and the mechanical rubber goods business returned to the normal pattern of selling and we are pleased to state that, although the tire industry only sold in our fiscal year in the replacement market 81% of the passenger tires sold during the previous 12 months, Lee had sales equal to 94% of its previous year, thereby increasing its position in the tire replacement market about 16%. In the Republic mechanical rubber goods division the backlog of demand was overtaken and both divisions are now operating on a 5 day week.
A decline in the price of certain raw materials, principally rubber and cotton cord occurred during the Fall months of 1948. This came at a time when dealers' stocks were ample and some price cutting developed at the dealer level, but we do not anticipate it will affect the company seriously.

Substantial progress has been made in the past year in the development and improvement of our products. In the tire division we re-arranged our manufacturing facilities for the use of a new compound ingredient called Philblack-0, a high abrasive resistant furnace black developed and manufactured by the Phillips Petroleum Company. We believe the incorporation of this new type of black into our tire tread compounds has resulted in greatly improved tire service and the use of this type of black in our tires is one of the important, if not the most important, compounding development of the last decade.

During the year the Copolymer Corporation, a synthetic rubber company, of which we are part owner, pioneered the development commercially of so-called "Cold" rubber and we were one of the first companies to use this rubber in our tires. Since July 1, 1948 all of our Super DeLuxe Tires have been compounded with "Cold" rubber which shows, by impartial road tests, increases in mileage and tread wear resistance up 20% to 30% when used with the above mentioned Philblack-0.

On December 3, 1948 the Lee Company presented the Franklin Institute of Philadelphia with a completely new exhibit of "Rubber in Industry" which was originally installed in 1934. We believe this exhibit will prove a valuable asset to your Company in both prestige and publicity for many years to come. Through the harmonious cooperation of the staff of our own laboratory and that of the Franklin Institute this magnificent exhibit has been given a new look in a new location, and is enlarged, modern, animated, intriguing and comprehensive. The presentation ceremony was attended by many leading industrialists, bankers, and technical experts. We hope all our stockholders will visit this remarkable exhibit. Meanwhile, we enclose a descriptive booklet in which we believe you will be interested.

Our management-employee relations throughout the year have been most satisfactory and on behalf of the management and directors I wish to express our appreciation of your support and confidence and to assure you that our entire organization will leave no stone unturned to make our fiscal year 1949 a satisfactory one.

By order of the Board of Directors.

Respectfully submitted,

A. A. GARTHWAITE
President
## ASSETS

### Current Assets:
- Cash in banks and on hand ........................................ $5,278,957.72
- U.S. Treasury Savings Notes, Series "C" - at cost, and accrued interest (less $1,265,967.20 applied against provision for Federal income taxes, per contra) ............................................................... 588,532.80

### Accounts Receivable:
- Customers .............................................................. $2,566,463.38
- Miscellaneous (including $17,697.85 due from officers and employees) 49,525.82

Less reserves for doubtful accounts and cash discounts ........................ 245,201.77 2,370,787.43

### Inventories (Note 1):
- Raw materials (including $522,317.53 for materials in transit and advance deposits) ........................................... 2,669,230.94
- Work in process .................................................. 841,925.55
- Finished goods .................................................. 4,370,809.62
- Supplies ............................................................ 319,500.18

Less valuation reserve ................................................................... 450,000.00

Total Current Assets ........................................................................ 16,067,338.47

### Investments, including capital stock of Copolymer Corporation carried at cost of $78,038.00 ................................................................. 79,444.33

### Property, Plant and Equipment (based substantially on cost) ........ 10,583,814.36
Less reserves for depreciation and amortization .................................. 5,947,488.71 4,636,325.65

$20,783,108.45

(See accompanying notes to...
LIABILITIES

Current Liabilities:
- Accounts payable (including acceptances $53,663.08, and customers' advance deposits, $67,050.90) ........ $ 1,256,268.59
- Accrued expenses and withholding taxes payable ........................................ 992,776.04
- Provision for Federal and State income taxes ................................................ $1,324,767.20
- Less U. S. Treasury Savings Notes, Series "C", and accrued interest. 1,265,967.20 58,800.00

Total Current Liabilities .................................. 2,307,844.63

Operating Reserves:
- Workmen's compensation insurance .......... 187,856.63
- Miscellaneous reserves for claims, etc. 110,777.45 298,634.08

Appropriation for General Contingencies  
(Note 2) .......................................................... 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 ........................................... 8,026,969.99
- Earned Surplus ........................................... 7,945,119.90

17,472,089.89

Less reacquired capital stock—
- 46,416 shares—at cost. ......... 795,460.15 16,676,629.74

$20,783,108.45

Financial statements, page 7)
LEE RUBBER & TIRE CORPORATION AND SUBSIDIARY

Statement of Consolidated Profit and Loss
For the Year ended October 31, 1948

Net sales .................. $35,702,493.31
Cost of sales ................. 27,415,273.19
Gross Profit ................ 8,287,220.12
Selling, administrative and general expenses .......... 5,109,365.25

Operating Profit (after Depreciation Charges of $482,418.00) ....... 3,177,854.87

Other income—net profit on sale of investments and capital assets, interest, service fees and sundry ........... 126,544.45

Profit, before Provision for Income Taxes. .............. 3,304,399.32

Provision for Income Taxes:
Federal normal tax and surtax ........ $ 1,258,200.00
State income taxes ............... 58,800.00
Adjustment of prior years' income taxes .......... (9,342.15) 1,307,657.85

Net Profit for Year ............... $ 1,996,741.47

(See accompanying notes to financial statements, page 7)
LEE RUBBER & TIRE CORPORATION AND SUBSIDIARY

Statement of Consolidated Surplus
For the Year ended October 31, 1948

Capital Surplus

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

Add amount segregated from surplus account, representing credit arising in 1923 from acquisition of properties for a consideration less than their book value at that time .................. 2,204,562.53

Balance as of October 31, 1948 ................................. $8,026,969.99

Earned Surplus

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

Less amount included therein, representing credit arising in 1923 from acquisition of properties for a consideration less than their book value at that time, now transferred to capital surplus .................. 2,204,562.53

Add net profit for year ................................. $1,996,741.47

Deduct cash dividends, $3.50 per share ........ 887,544.00

Balance as of October 31, 1948 ................................. $7,945,119.90

NOTES TO FINANCIAL STATEMENTS

(1) Inventories:
The amounts shown in the balance sheet are based on physical inventories taken on or about October 31, 1948 and are, in general, stated at cost (approximate average recent cost of raw material, labor and overhead) or replacement market, if lower. Reduced valuations are used in respect of inactive or obsolescent merchandise and materials.
The valuation reserve of $450,000.00 was established in 1940 to minimize the undue effect on earnings of fluctuating prices of rubber and fabrics.

(2) Contingencies:
The appropriation for contingencies has been set aside to provide for losses which may be expected to arise in the future due to reduced inventory values or other conditions 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.

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, 1948, and the related statements of consolidated profit and loss and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the consolidated position of Lee Rubber & Tire Corporation and subsidiary at October 31, 1948 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.