1939

ONE HUNDRED AND NINETEENTH
ANNUAL REPORT

OF THE

BOARD OF MANAGERS

OF

The Lehigh Coal and Navigation Company

TO THE

STOCKHOLDERS

FISCAL YEAR ENDED DECEMBER 31, 1939

Note:
This report is issued for the purpose of providing information to the Stockholders. It is not a representation, prospectus or circular in respect of any stock or security of any corporation, and is not furnished in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued, or with any preliminary negotiation for such sale, or with other business transactions.
BOARD OF MANAGERS

OF

THE LEHIGH COAL AND NAVIGATION COMPANY

S. D. WARRINER, Chairman
P. M. CHANDLER
EDWARD WALTER CLARK
DEERING HOWE
RALPH H. KNODE*
WM. FULTON KURTZ

E. B. LEISENRING
MARSHALL S. MORGAN†
GEORGE L. OHRSTROM
JAMES D. SAWYER
ROBERT V. WHITE
PARKER S. WILLIAMS

OFFICERS

ROBERT V. WHITE ............... President
HENRY H. PEASE ............... Vice-President and Secretary
WILLIAM JAY TURNER .......... General Counsel
T. P. SCOTT .................... Treasurer and Assistant Secretary
F. M. FISHER ................... Comptroller
R. V. PIERCE ................... Assistant Secretary
GEORGE CRAIG .................. Assistant Treasurer
G. K. MCALLISTER .............. Assistant Comptroller

* Elected January 25, 1940.
† Elected January 9, 1940.
PHILADELPHIA, PA., February 9, 1940.

To the Stockholders of

The Lehigh Coal and Navigation Company:—

The Board of Managers respectfully submits the One Hundred and Nineteenth Annual Report covering the business of your Company for the fiscal year ended December 31, 1939:

INCOME

The net income of your Company for the year 1939, accruing from its direct operations and from railroad rentals, dividends from subsidiary and other companies, and income from other sources, after depletion, depreciation, and all other charges, but not including the undistributed earnings and losses of subsidiary companies, the stock of which is owned or controlled by your Company, was $1,010,081.36 as shown on the Income Account on page 15.

Giving effect to the earnings and losses of subsidiary companies, the consolidated net income of your Company amounted to $186,742.77 as shown on the Consolidated Income Statement on page 20, compared to a loss of $468,150.06 in the previous year.

For details of the financial condition of your Company, as well as the consolidated financial condition of your Company and its subsidiaries, as of December 31, 1939, together with the operating results during the year, reference is made to the report of your Company’s auditors, Messrs. Lybrand, Ross Bros. & Montgomery, Certified Public Accountants, on page 11, and to the following statements:

Income Account, page 15.
Earned Surplus Account, page 16.
Dividends Received, page 16.
Consolidated Balance Sheet, pages 18 and 19.
Consolidated Earned Surplus, page 21.
Consolidated Capital Surplus, page 22.
Statement of Funded Debt Outstanding, page 23.

FUNDED DEBT

Funding and Improvement Fifty-Year Four Per Cent. Gold Bonds of 1948, to the amount of $8,000.00, were redeemed during the year. The bonds thus redeemed were Series A, Nos. A 98 to
A 100, both inclusive, A 2557, and A 2660 to A 2663, both inclusive. At the end of the year, the amount of Funding and Improvement Mortgage Bonds outstanding in the hands of the public and not called for redemption was $3,479,000.00.

Consolidated Mortgage Sinking Fund Four and One-half Per Cent. Gold Bonds of 1954, to the amount of $108,000.00, were redeemed during the year. At the end of the year, the amount of Consolidated Mortgage Sinking Fund Gold Bonds outstanding in the hands of the public and not called for redemption was $19,219,000.00.

The total amount of funded debt of your Company outstanding in the hands of the public at the close of the year was $22,698,000.00, a decrease of $116,000.00 during the year.

The total amount of the outstanding funded debt of your Company and its subsidiaries in the hands of the public was $31,866,776.48, a decrease of $256,698.24 during the year.

A detailed statement of the funded debt outstanding of your Company and its subsidiaries appears on page 23.

CANALS

The Lehigh Canal was maintained, and water powers were operated throughout the year.

Canal operations of your Company (as distinguished from those of The Delaware Division Canal Company of Pennsylvania) for the year show a net loss of $38,676.10, compared with a net loss of $28,270.34 for the previous year.

By Acts of the General Assembly of Pennsylvania, approved June 21, 1939, the Secretary of Forests and Waters was authorized: (1) With the approval of the Governor, to acquire by donation any part of the property formerly constituting a system of canals, the use of which for transportation has been abandoned; and (2) To utilize such properties for park purposes, to sell for industrial or domestic purposes the waters of the canal, as heretofore, and to transfer to the Department of Highways such part of the property as he may deem undesirable to retain.

Pursuant to the authority so granted, the Department of Forests and Waters has asked The Delaware Division Canal Company of
Pennsylvania to state the terms on which it is prepared to turn over the Canal to the Commonwealth. The Department has been advised that the Company is prepared to turn over the Canal property without compensation, subject to its ability to do so. Negotiations in respect of the matter are progressing, but as yet no definite decision has been reached by the Commonwealth.

The operations of The Delaware Division Canal Company in 1939 resulted in a net loss of $6,242.27, compared with a net loss of $9,150.92 in the previous year.

WATER

The operations of The Panther Valley Water Company and the Summit Hill Water Company, controlled by your Company and serving the territory between Nesquehoning and Tamaqua, including the Borough of Summit Hill, resulted in a combined net income of $48,749.42, an increase of $13,950.62 as compared with the previous year.

LEHIGH AND SUSQUEHANNA RAILROAD

Under date of August 15, 1939, The Central Railroad Company of New Jersey submitted for arbitration certain questions arising out of the lease of 1871 and supplements.

In order to obtain a judicial determination of the questions which could properly be included in such arbitration, your Company filed a petition in the United States District Court for the Eastern District of Pennsylvania, in which proceeding no decision has been rendered and the matter is still pending.

On October 30, 1939, The Central Railroad Company of New Jersey filed a petition for reorganization under Section 77 of the Bankruptcy Act. The United States Court for the District of New Jersey on the same day approved the petition and entered the usual order for a hearing on November 27, 1939, at which time the Court appointed Messrs. Shelton Pitney and Walter P. Gardner as Trustees. These appointments were ratified by the Interstate Commerce Commission as of January 4, 1940, by its order Finance Docket 12620.

The rentals received by your Company during the year from The Central Railroad Company of New Jersey for the Lehigh and Susquehanna Railroad and Branches amounted to $2,279,119.92,
being the full rental to and including December 31, 1939. In addition thereto, The Central Railroad Company of New Jersey paid your Company as rental under assignment of lease of the Wilkes-Barre and Scranton Railway for the year 1939 $49,954.86, which included payments made in October 1939.

The Wilkes-Barre and Scranton rental, which is payable monthly, has not been paid since October 1939; and the quarterly instalment of the rental of the Lehigh and Susquehanna Railroad, due in advance on January 1, 1940, also remains unpaid. The matter is in the hands of counsel, who are taking the proper steps to protect our interests.

The figures which have been submitted to us by The Central Railroad Company of New Jersey indicate that the lease of the Lehigh and Susquehanna Railroad and Branches has been for years and still is profitable to the lessee.

**GENERAL**

One dividend of 10 cents per share, amounting to $192,912.70, was paid during the year on the 1,929,127 shares of the common capital stock of your Company without nominal or par value.

Your Company's investment in the capital stock of Lehigh Navigation Coal Company Incorporated amounts to $3,520,977.06. Advances to that corporation remain unchanged at the amount of $2,625,000.00, none having been made during the year. Lehigh Navigation Coal Company Incorporated owed your Company as of December 31, 1939, $1,991,136.03 for royalty, interest, power, and other items, an increase of $884,594.63 during the year.

The lease to the Merriam Coal Mining Company by your Company of its Alliance Breaker for a period of three years, referred to in the Annual Report for 1938, was terminated.

In view of general business conditions affecting the value of your Company's investments in some of its subsidiaries, which have been operating at more or less substantial deficits, certain reserves were set up, as shown on the General Balance Sheet, to provide for shrinkage in value of your Company's investments in and accounts due from subsidiaries.
Mr. Benjamin Rush, a valued member of the Board of Managers, resigned effective May 31, 1939.

The Board acknowledges its appreciation of the services rendered by the officers and employees during the year.

By order of the Board of Managers.

ROBERT V. WHITE,
President.
Lybrand, Ross Bros. & Montgomery
Certified Public Accountants
Packard Building
Philadelphia

February 8, 1940.

To the Board of Managers,
The Lehigh Coal and Navigation Company,
Philadelphia.

We have examined the balance sheets of
The Lehigh Coal and Navigation Company
and its Subsidiary Companies
other than the Lehigh and New England Railroad Company and its subsidiaries as of December 31, 1939, and the statements of income and surplus for the year then ended, have reviewed the systems 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, including the verification by inspection or confirmation with depositories or trustees, of the cash and securities owned at December 31, 1939.

The consolidated balance sheet of the Lehigh and New England Railroad Company and its subsidiaries as of December 31, 1939, and the statements of income and profit and loss for the year then ended were examined by Messrs. Haskins & Sells, whose report we have received.

In our opinion, based upon such examinations, the accompanying balance sheets and notes and related statements of income and surplus and schedules present fairly the position of The Lehigh Coal and Navigation Company at December 31, 1939, and the results of its operations for the year ended that date, in conjunction with the consolidated statements presented; also the consolidated position of The Lehigh Coal and Navigation Company and its subsidiary companies at December 31, 1939, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery
### THE LEHIGH COAL AND NAVIGATION COMPANY

#### ASSETS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and demand deposits in banks</td>
<td>$1,451,422.51</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>673.00</td>
</tr>
<tr>
<td>Sundry debtors (Note 2)</td>
<td>66,417.92</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>15,458.31</td>
</tr>
<tr>
<td>Subsidiary companies</td>
<td>19,578.79</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$1,553,550.53</td>
</tr>
<tr>
<td><strong>INVESTMENTS (Notes 1, 2 and 3)</strong></td>
<td></td>
</tr>
<tr>
<td>Bonds and stocks of subsidiary and affiliated companies</td>
<td>14,309,029.08</td>
</tr>
<tr>
<td>(Includes bonds and stocks aggregating $8,914,714.27 pledged under the funded debt)</td>
<td></td>
</tr>
<tr>
<td>Loans to subsidiary companies</td>
<td>6,403,910.48</td>
</tr>
<tr>
<td><strong>Less reserve for shrinkage in value of investments in subsidiary companies</strong></td>
<td>20,712,939.56</td>
</tr>
<tr>
<td><strong>Other investments</strong></td>
<td>19,599,849.07</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>3,512,993.89</td>
</tr>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Coal lands and mining property (leased in part to Lehigh Navigation Coal Company Incorporated, and subleased in part)</td>
<td>24,410,165.55</td>
</tr>
<tr>
<td>(Includes stripping costs of $1,403,373.36 to Dec. 1, 1937)</td>
<td></td>
</tr>
<tr>
<td>Lehigh &amp; Susquehanna Railroad (Note 2)</td>
<td>16,069,409.14</td>
</tr>
<tr>
<td>Lehigh Canal and equipment</td>
<td>2,116,023.37</td>
</tr>
<tr>
<td>Other fixed assets (Note 4)</td>
<td>1,481,358.82</td>
</tr>
<tr>
<td><strong>Less: Reserve for depreciation</strong></td>
<td>7,746,121.16</td>
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<tr>
<td>Reserve for depletion since Dec. 1, 1937</td>
<td>127,046.37</td>
</tr>
<tr>
<td><strong>Deferred Accounts</strong></td>
<td>7,873,167.53</td>
</tr>
<tr>
<td>Due from subsidiary companies for expenses, royalties, etc. (Note 1)</td>
<td>2,059,865.52</td>
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<tr>
<td>Less reserve for accounts due from subsidiary companies</td>
<td>630,000.00</td>
</tr>
<tr>
<td><strong>Suspended debit accounts</strong></td>
<td>1,429,865.52</td>
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<tr>
<td><strong>Other Assets (less reserve of $6,028.14)</strong></td>
<td>318,586.95</td>
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<tr>
<td><strong>Deferred Accounts</strong></td>
<td>1,748,452.47</td>
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<tr>
<td><strong>Other Assets</strong></td>
<td>298,309.99</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>$62,916,945.30</td>
</tr>
</tbody>
</table>

See accompanying notes, 1 to 4, inclusive, which are an integral part of this balance sheet.
The Lehigh Coal and Navigation Company

NAVIGATION COMPANY

EET, DECEMBER 31, 1939

LIABILITIES:

CURRENT LIABILITIES:
- Audited vouchers and pay rolls: $67,331.65
- Accrued taxes: 263,765.96
- Matured and accrued interest on funded debt: 505,327.50
- Dividends unclaimed: 23,875.26
- Sundry creditors: 10,772.90
- Affiliated companies: 14,399.50

Funded Debt, as annexed:
- Outstanding: 36,996,000.00
- Less treasury bonds:
  - Pledged under Workmen's Compensation Act of Pennsylvania: $400,000.00
  - Unpledged: 13,898,000.00

Deferred Credits: 8,220.61

Reserve for Taxes: 450,999.51

$24,042,692.89

CAPITAL STOCK AND SURPLUS:

Capital stock, authorized 3,000,000 shares:
- Issued:
  - 1,929,100 shares without par value: 32,152,116.67
  - 9 shares, $50 par value: 6,722,135.74

Earned surplus, as annexed (Notes 1, 2 and 3): 38,874,252.41

$62,916,945.30
1939

The Lehigh Coal and Navigation Company

THE LEHIGH COAL AND NAVIGATION COMPANY

NOTES TO GENERAL BALANCE SHEET

DECEMBER 31, 1939

1. Bonds, stocks and loans, subsidiary and affiliated companies, includes the following:
   Stock of Lehigh Navigation Coal Company Incorporated (Stated value, including $172,449.07 capital surplus, $3,172,949.07) .......... $3,520,977.06
   Loans to Lehigh Navigation Coal Company Incorporated .................. 2,625,000.00
   Stock of Greenwood Corporation (Stated value $1,250,000) .................. 1,250,000.00
   Loans to Greenwood Corporation .............................................. 2,290,785.00
   $6,145,977.06 *

   * In addition to this amount, deferred accounts on the accompanying balance sheet include $1,991,136.03 due from Lehigh Navigation Coal Company Incorporated (before intercompany adjustment of $929,25).

At December 31, 1939, Lehigh Navigation Coal Company Incorporated, on a consolidated basis, reports an accumulated deficit of $3,176,282.48 and Greenwood Corporation, on a consolidated basis, reports an accumulated deficit of $1,961,970.34. The Company's equity in the net assets of all subsidiaries as shown by their books of account as at December 31, 1939, is computed at approximately $1,303,000 in excess of the amount at which the investments therein are carried by the parent company net of reserves aggregating $2,130,000 for shrinkage in value of investments in and amounts due from subsidiary companies.

Giving effect to the reinstatement of a write-down of an investment in prior years, it would appear that reserves aggregating approximately $4,100,000 would be required to provide for shrinkage in value of investments in and amounts due from subsidiary companies referred to above. Of this amount, $2,130,000 has been provided in the accounts, and there has been charged against it $386,009.51 by writing down to $1.00 the investment in and loans to Delaware Division Canal Company of Pennsylvania, leaving approximately $1,744,000 available. For the reason that at December 31, 1939, there is an apparent appreciation on securities estimated at $3,000,000 as referred to in Note 3, the management deems it unnecessary to make a further provision for shrinkage in value of its investments in and amounts due from subsidiaries.

2. Bonds and stocks of subsidiary and affiliated companies include securities amounting to $2,777,100 issued by railroad companies whose lines are leased to Central RR Company of New Jersey of which $2,263,491.12 are pledged. Loans to subsidiary companies include $347,043.00 loaned to companies whose lines are leased to Central RR Company of New Jersey and Sundry Debtors include $17,801.09 due from Central RR Company of New Jersey (in reorganization).

The Lehigh & Susquehanna Railroad, carried in the accompanying balance sheet at $16,691,409.14, is leased to the Central RR Company of New Jersey, now in process of reorganization under Section 77 of the U. S. Bankruptcy Act. The quarterly installment of rental under the lease of $569,780.80, due January 1, 1940, had not been received at February 8, 1940. See President's letter.

3. Other investments, $3,512,993.89, include certain securities aggregating $2,868,070.71, which based on market quotations at December 31, 1939, amount to $5,964,000. The remaining securities included therein are not quoted.

4. Includes real estate and real estate improvements aggregating $905,754.90 not used in operations.
1939
The Lehigh Coal and Navigation Company

THE LEHIGH COAL AND NAVIGATION COMPANY
INCOME ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1939

REVENUES:
Railroad rental, net of $49,955.60 for expenses
(Note 1) .................................................. $2,295,770.80
Dividends:
Subsidiary companies ................................ $503,370.00
Others .................................................. 478,707.50
Interest charged to Lehigh Navigation Coal Company Incorporated. 39,921.88
Coal royalties charged to Lehigh Navigation Coal Company Incorporated. 333,392.52
Less special provision for possible future losses on accounts due from subsidiary companies 370,000.00
Interest:
Subsidiary companies ................................ 96,048.69
Others .................................................. 1,404.74
Coal royalties, other .................................. 33,714.14
Canal revenues ....................................... 44,321.70
Miscellaneous, net of $13,201.82 loss on real estate sold 218,766.30

EXPENSES:
Interest .............................................. $1,006,277.63
Taxes other than Federal income tax ............... 698,240.66
Provision for depreciation and depletion ........ 483,525.55
Canal operation ..................................... 82,997.80
Operating expenses ................................ 142,769.97
General expenses ................................... 175,400.34

Provision for Federal income tax .................. 1,086,206.32
Net income .......................................... $1,010,081.36

The net income as stated above does not include subsidiary losses aggregating $1,793,278.02 (provision for which has been made to the extent of $370,000 in the above income account) and profits aggregating $935,240.93 (of which $503,370 is included as dividends in the above income account) for the year 1939.

Note 1. Represents rental for railroad properties leased to Central R. R. Company of New Jersey, which railroad is now under Section 77 of the U. S. Bankruptcy Act. The rental due January 1, 1940, for the first quarter of 1940 had not been received at February 8, 1940.
1939

The Lehigh Coal and Navigation Company

THE LEHIGH COAL AND NAVIGATION COMPANY
EARNED SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1939

Balance, January 1, 1939 ........................................... $7,618,911.31
Add:
   Net income for the year ended December 31, 1939, as annexed 1,010,081.36
   Miscellaneous adjustments ........................................ 46,055.77
   Miscellaneous adjustments ........................................ 1,010,081.36
   Miscellaneous adjustments ........................................ 46,055.77
Deduct:
   For shrinkage in values of investments in subsidiary companies . $1,500,000.00
   (as of December 31, 1939 the carrying value of the investment in Delaware Division Canal Company of Pennsylvania was reduced from $281,910.51 to $1 and advances to that company of $105,000 were charged off resulting in reduction of $386,909.51 in the reserve)
   For possible future losses in the collection of accounts due from subsidiary companies 260,000.00
   Miscellaneous adjustments ........................................ 1,760,000.00
DIVIDEND:
1939 December 22, $.10 per share on 1,929,127 shares ........... 192,912.70
Balance, December 31, 1939 ........................................ $6,722,135.74

THE LEHIGH COAL AND NAVIGATION COMPANY
DIVIDENDS RECEIVED
DURING THE YEARS ENDED DECEMBER 31, 1939
AND 1938, RESPECTIVELY

<table>
<thead>
<tr>
<th>Company</th>
<th>1939</th>
<th>1938</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allentown Terminal Railroad Company</td>
<td>$11,250.00</td>
<td>$11,250.00</td>
<td>Decrease $250.00</td>
</tr>
<tr>
<td>Glen Alden Coal Company</td>
<td>500.00</td>
<td>750.00</td>
<td>Increase 462.50</td>
</tr>
<tr>
<td>Lehigh and Hudson River Railway Company</td>
<td>46,820.00</td>
<td>42,138.00</td>
<td>Increase 4,682.00</td>
</tr>
<tr>
<td>Lehigh and New England Railway Company</td>
<td>475,895.00</td>
<td>67,985.00</td>
<td>Increase 407,910.00</td>
</tr>
<tr>
<td>Lehigh and Wilkes-Barre Coal Company of New Jersey (Liquidating)</td>
<td>137.50</td>
<td>462.50</td>
<td>Decrease 325.00</td>
</tr>
<tr>
<td>National Power &amp; Light Company, Common</td>
<td>420,000.00</td>
<td>420,000.00</td>
<td>Increase 2,475.00</td>
</tr>
<tr>
<td>Summit Hill Water Company</td>
<td>2,475.00</td>
<td>2,475.00</td>
<td>Increase 2,475.00</td>
</tr>
<tr>
<td>Wilkes-Barre and Scranton Railway Company</td>
<td>25,000.00</td>
<td>25,000.00</td>
<td>Increase 2,475.00</td>
</tr>
<tr>
<td></td>
<td>$982,077.50</td>
<td>$567,585.50</td>
<td>Increase $414,492.00</td>
</tr>
</tbody>
</table>
1939
The Lehigh Coal and Navigation Company

THE LEHIGH COAL AND NAVIGATION
CONSOLIDATED BALANCE

ASSETS:

CURRENT ASSETS:
Cash on hand and demand deposits in banks......................... $3,105,328.63
Customers' notes and accounts receivable, less reserve of $610,481.93 for accounts doubtful of collection.................. 2,807,038.74
Coal (in storage and in transit) at less than cost in aggregate........... 865,518.47
Materials and supplies.................................................. 761,157.35
Sundry debtors (Note 1).................................................. 117,443.87

INVESTMENTS IN SECURITIES:
Free (Note 2).............................................................. $3,710,044.27
Pledged........................................................................... 222,500.00

FIXED ASSETS:
Coal lands, mining and marketing property (leased in part).................. $29,685,355.07
Railroad property (Note 1).............................................. 40,544,186.67
Lehigh Canal and equipment.............................................. 2,116,023.37
Water property (reservoirs, pumping stations, distribution systems, etc.)........... 3,311,535.11
Real estate........................................................................ 942,667.89

$76,399,968.11

Less: Reserve for depreciation. $14,001,078.20
Reserve for depletion, since December 1, 1937.................. 127,046.37

14,128,124.57

DEFERRED ACCOUNTS:
Stripping expenses deferred................................................ $4,374,411.53
Less reserve for stripping expenses..................................... 2,890,966.65

$1,483,444.88

Deferred and suspended accounts....................................... 785,240.75

2,268,685.63

SINKING FUNDS, CASH.......................................................... 8,674.20

475,561.14

OTHER ASSETS, net of reserves of $381,028.14 for accounts doubtful of collection.......................... $76,613,795.84

Certain investments in subsidiary companies having a par value of $12,146,600, carried in the accounts of the respective companies at $8,765,652.77, eliminated in consolidation, are pledged under the funded debt.

NOTES:
1. Railroad property includes $18,965,089.67 for railroads leased to Central R. R. Company of New Jersey, and Sundry Debtors includes $17,801.99 due from that company.
   The quarterly installment of $569,780.80 due January 1, 1940, as rental of railroad properties by Central R. R. Company of New Jersey (now in reorganization under Section 77 of Bankruptcy Act) had not been received at February 8, 1940. See President's letter.
2. Of these investments, certain securities aggregating $2,868,070.71, based on market quotations at December 31, 1939, amount to $5,964,000. The remaining securities included herein are not quoted.
3. The investment in the stock of the Delaware Division Canal Company has been written down to $1.00 by the parent company and the canal property of the Delaware Division Canal Company is included in this balance sheet at $1.00, although the capital stock of the company has not been reduced by it to reflect this adjustment.
   The amount of $866,899, representing the difference between the par value of securities of subsidiary companies over the value carried on the books of the Lehigh and New England Railroad Company, previously included in capital surplus, is deducted from Railroad Property in this balance sheet.
## Current Liabilities:
- Audited vouchers and pay rolls: $1,390,188.94
- Sundry creditors: 320,301.46
- Accrued taxes: 681,660.51
- Matured and accrued interest: 616,399.46
- Compensation claims determined, due in 1940: 51,580.84
- Funded debt and mortgages payable in 1940: 365,862.40
- **Total Current Liabilities:** $3,425,993.61

## Funded Debt, as annexed:
- Outstanding: 46,219,776.48
- Less treasury bonds:
  - Pledged under Workmen's Compensation Act of Pennsylvania: $400,000.00
  - Unpledged: 13,953,000.00
- Less obligations due in 1940: 359,362.40
- (Payments to sinking funds due in 1940 aggregate $170,077.27)
- **Total Funded Debt:** 31,507,414.08

## Mortgages Payable:
- **Total Mortgages Payable:** $247,625.00
- Less installments due in 1940: 6,500.00
- **Total due:** 241,125.00

## Deferred Liabilities:
- Compensation claims determined: $102,741.94
- Deferred and suspended accounts: 204,829.54
- **Total Deferred Liabilities:** 307,571.48

## Reserve Accounts:
- Workmen's compensation insurance: $92,516.00
- Taxes: 450,999.51
- **Total Reserve Accounts:** 543,515.51

## Minority Interests:
- **Total Minority Interests:** 52,416.60

## Capital Stock and Surplus:
- **Total Capital Stock and Surplus:** $36,078,036.28

### Capital Stock, authorized 3,000,000 shares:
- Issued:
  - 1,929,100 shares without par value
  - 9 shares, $50 par value (Exchangeable for 27 shares without par value stock):
    - **Total issued:** $32,152,116.67

### Surplus:
- Capital-Excess of par value of stocks and bonds of certain subsidiaries over carrying value on the books of parent company, less $186,761.57 excess of carrying value over par or stated value of other subsidiaries (except as stated in Note 3): $1,032,889.34
- Appropriated under rulings of Interstate Commerce Commission: 48,905.11
- Appropriated-Sinking fund reserves: 94,846.91
- Funded debt retired through income and surplus: 250,525.21
- **Total Surplus:** 40,535,759.56
- **Total:** $76,613,795.84
## Consolidated Income Statement

For the year ended December 31, 1939

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earnings</td>
<td>$22,016,867.11</td>
</tr>
<tr>
<td>Operating expenses, excluding taxes and provision for depreciation and depletion</td>
<td>20,392,721.72</td>
</tr>
<tr>
<td>Railroad rental (Note 1)</td>
<td>$2,345,726.40</td>
</tr>
<tr>
<td>Dividends</td>
<td>$478,707.50</td>
</tr>
<tr>
<td>Interest</td>
<td>$46,294.53</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$83,760.86</td>
</tr>
<tr>
<td>Taxes, other than Federal income and excess-profits taxes</td>
<td>$1,305,027.65</td>
</tr>
<tr>
<td>Provision for depreciation and depletion</td>
<td>$944,895.81</td>
</tr>
<tr>
<td>Interest</td>
<td>$1,398,865.65</td>
</tr>
<tr>
<td>General expenses</td>
<td>$304,715.21</td>
</tr>
<tr>
<td>Special provision for doubtful accounts</td>
<td>$375,000.00</td>
</tr>
<tr>
<td>Profit before provision for Federal income taxes</td>
<td>$250,130.36</td>
</tr>
<tr>
<td>Provision for Federal income taxes</td>
<td>$227,763.23*</td>
</tr>
<tr>
<td>Net income apportioned to minority interests</td>
<td>$22,367.13</td>
</tr>
<tr>
<td>Income of The Lehigh Coal and Navigation Company and subsidiaries</td>
<td>$18,674.27</td>
</tr>
</tbody>
</table>

* Provision computed under individual tax returns of certain companies included in the consolidation.

**Note 1.** Represents rental for railroad properties leased to Central R. R. Company of New Jersey, which railroad is now under Section 77 of the U. S. Bankruptcy Act. The rental due January 1, 1940, for the first quarter of 1940 had not been received at February 8, 1940.
## Statement of Consolidated Earned Surplus

For the Year Ended December 31, 1939

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 1939.</td>
<td>$8,072,300.71</td>
</tr>
<tr>
<td>Income for the year ended December 31, 1939, as annexed.</td>
<td>18,674.27</td>
</tr>
<tr>
<td></td>
<td><strong>$8,090,974.98</strong></td>
</tr>
<tr>
<td>Canal property of Delaware Division Canal Company of Pennsylvania written down to $1.00:</td>
<td></td>
</tr>
<tr>
<td>Property account before adjustment, net of reserve</td>
<td>$1,607,352.18</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Portion of investment in company charged off by The Lehigh Coal and Navigation Company in prior years</td>
<td>$1,307,776.00</td>
</tr>
<tr>
<td>Excess of par value of stock over cost to parent company</td>
<td>13,763.49</td>
</tr>
<tr>
<td></td>
<td><strong>$1,321,539.49</strong></td>
</tr>
<tr>
<td>Canal property account as restated</td>
<td>$285,812.69</td>
</tr>
<tr>
<td></td>
<td><strong>$285,811.69</strong></td>
</tr>
<tr>
<td>Goodwill accounts on books of subsidiary companies charged off</td>
<td>519,370.71</td>
</tr>
<tr>
<td>Surplus appropriated for sinking fund</td>
<td>94,912.71</td>
</tr>
<tr>
<td>Sundry adjustments:</td>
<td></td>
</tr>
<tr>
<td>Debits</td>
<td>$168,545.77</td>
</tr>
<tr>
<td>Credits</td>
<td>128,412.21</td>
</tr>
<tr>
<td></td>
<td><strong>40,133.56</strong></td>
</tr>
<tr>
<td></td>
<td><strong>940,228.67</strong></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>193,042.70</td>
</tr>
<tr>
<td>Adjustment for minority interests, etc.</td>
<td>1,227.29</td>
</tr>
<tr>
<td>Balance, December 31, 1939</td>
<td><strong>$6,956,476.32</strong></td>
</tr>
</tbody>
</table>
## Statement of Consolidated Capital Surplus

**For the year ended December 31, 1939**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January I, 1939</td>
<td>$2,202,377.88</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Adjustment for goodwill charged off during 1939 by certain subsidiary companies</td>
<td>$519,370.71</td>
</tr>
<tr>
<td>Adjustment arising from change in minority interests during 1939</td>
<td>196.89</td>
</tr>
<tr>
<td>Adjustment of reserve provided by Lehigh Navigation Coal Company Incorporated for shrinkage in value of investment in Amboy Lehigh Coal Company</td>
<td>199,732.35</td>
</tr>
<tr>
<td></td>
<td>719,299.95</td>
</tr>
<tr>
<td></td>
<td>$2,921,677.83</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Excess of par value over carrying value of company's investment in Delaware Division Canal Company of Pennsylvania written off</td>
<td>$1,321,539.49</td>
</tr>
<tr>
<td>Excess of par value over carrying value of Lehigh and New England Railroad Company's investment in its subsidiaries, deducted from fixed assets in consolidated statement</td>
<td>566,899.00</td>
</tr>
<tr>
<td>Adjustment for bonds canceled through sinking fund</td>
<td>350.00</td>
</tr>
<tr>
<td></td>
<td>1,888,788.49</td>
</tr>
<tr>
<td>Balance, December 31, 1939</td>
<td>$1,032,889.34</td>
</tr>
</tbody>
</table>
### THE LEHIGH COAL AND NAVIGATION COMPANY AND SUBSIDIARY COMPANIES

#### STATEMENT OF FUNDED DEBT OUTSTANDING, DECEMBER 31, 1939

<table>
<thead>
<tr>
<th>Company</th>
<th>Dates of Maturity</th>
<th>Rates</th>
<th>In Hands of Public</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THE LEHIGH COAL AND NAVIGATION COMPANY:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding and Improvement Fifty Year Gold Bonds</td>
<td>1948 Jul 1</td>
<td>4%</td>
<td>$3,479,000.00</td>
</tr>
<tr>
<td>Consolidated Mortgage Sinking Fund Gold Bonds</td>
<td>1954 Jan 1</td>
<td>4½%</td>
<td>$33,517,000.00</td>
</tr>
<tr>
<td>Less amount in treasury</td>
<td></td>
<td></td>
<td>14,298,000.00*</td>
</tr>
<tr>
<td>* Treasury bonds aggregating $400,000 pledged under Workmen's Compensation Act of Pennsylvania</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUMMIT HILL WATER COMPANY:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Mortgage Sinking Fund Bonds</td>
<td>1955 Jan 1</td>
<td>5½%</td>
<td>$28,100.00</td>
</tr>
<tr>
<td>Less amount in treasury</td>
<td></td>
<td></td>
<td>4,000.00</td>
</tr>
<tr>
<td><strong>LEHIGH AND NEW ENGLAND RAILROAD COMPANY:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Bonds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Mortgage, Series “A”</td>
<td>1965 Apr 1</td>
<td>4%</td>
<td>$6,187,000.00</td>
</tr>
<tr>
<td>First Mortgage (not callable)</td>
<td>1945 Jul 1</td>
<td>5%</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td><strong>Serial Notes. Issue of 1936:</strong></td>
<td>1940 Sep 1 to</td>
<td>Various</td>
<td>7,187,000.00</td>
</tr>
<tr>
<td></td>
<td>1943 Sep 1</td>
<td>Various</td>
<td></td>
</tr>
<tr>
<td><strong>Equipment Trust Obligations:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans payable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Car and Foundry Company:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For bulk cement cars ($2,478.12 to be paid on the 17th of each month), interest at the rate of 3% per annum</td>
<td></td>
<td></td>
<td>109,037.28</td>
</tr>
<tr>
<td>For steel hopper cars ($802.08 to be paid on the 23rd of each month), interest at the rate of 2½% per annum</td>
<td></td>
<td></td>
<td>92,239.20</td>
</tr>
<tr>
<td>Philadelphia National Bank, Assignee of Bethlehem Steel Company:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For steel hopper cars ($20,000 to be paid yearly in semiannual payments), interest at the rate of 3% per annum</td>
<td></td>
<td></td>
<td>190,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>1,393,276.48</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td></td>
<td>$31,866,776.48</td>
</tr>
</tbody>
</table>
### Bonds and Stocks of Subsidiary and Affiliated Companies:

<table>
<thead>
<tr>
<th>Description</th>
<th>Ledger Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000 shs. Capital stock Allentown Iron Company, par value per share $41.60</td>
<td>$4,796.93</td>
</tr>
<tr>
<td>*4,500 a Capital stock Allentown Terminal Railroad Company, par value per share $50.</td>
<td>225,000.00</td>
</tr>
<tr>
<td>200 a Capital stock Blue Ridge Real Estate Company (10 pct. paid), par value per share $50.</td>
<td>1,000.00</td>
</tr>
<tr>
<td>*32,069 a Capital stock Delaware Division Canal Company of Pennsylvania, par value per share $50.</td>
<td>1.00</td>
</tr>
<tr>
<td>25,000 a Capital stock Greenwood Corporation, no par value</td>
<td>1,250,000.00</td>
</tr>
<tr>
<td>50,000 a Capital stock Lehigh Navigation Coal Company Incorporated, no par value</td>
<td>3,520,977.06</td>
</tr>
<tr>
<td>*135,970 a Capital stock Lehigh &amp; New England Railroad Company, par value per share $50.</td>
<td>5,597,699.09</td>
</tr>
<tr>
<td>100 a Capital stock Monroe Water Supply Company (10 pct. paid), par value per share $50.</td>
<td>500.00</td>
</tr>
<tr>
<td>*28,372 a Capital stock Nesquehoning Valley Railroad Company, par value per share $50.</td>
<td>1,422,100.00</td>
</tr>
<tr>
<td>*7,000 a Capital stock Panther Valley Water Company, par value per share $100.</td>
<td>700,000.00</td>
</tr>
<tr>
<td>2,475 a Capital stock Summit Hill Water Company, par value per share $10.</td>
<td>98,805.00</td>
</tr>
<tr>
<td>*2,600 a Capital stock Tresckow Railroad Company, par value per share $50.</td>
<td>130,000.00</td>
</tr>
<tr>
<td>*10,000 a Capital stock Wilkes-Barre &amp; Scranton Railway Company, par value per share $50.</td>
<td>500,000.00</td>
</tr>
<tr>
<td>*$377,000 Par value Panther Valley Water Company general mortgage sinking fund 6 pct. gold bonds, due 1943.</td>
<td>358,150.00</td>
</tr>
<tr>
<td>500,000 Par value Wilkes-Barre &amp; Scranton Railway Company first mortgage 4 3/4 pct. gold bonds extended to May I, 1948.</td>
<td>500,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$14,309,029.08</strong></td>
</tr>
</tbody>
</table>

### Other Investments:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,000 shs. Capital stock Glen Alden Coal Company, no par value</td>
<td>$8,750.00</td>
</tr>
<tr>
<td>9,364 a Capital stock Lehigh &amp; Hudson River Railway Company, par value per share $100.</td>
<td>627,691.94</td>
</tr>
<tr>
<td>500 a Capital stock Lehigh &amp; Wilkes-Barre Coal Company of New Jersey, no par value.</td>
<td>1.00</td>
</tr>
<tr>
<td>700,000 a Capital stock National Power &amp; Light Company common, no par value.</td>
<td>2,859,320.71</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,512,993.89</strong></td>
</tr>
</tbody>
</table>

* Pledged with the exception of qualifying shares, under the mortgages of The Lehigh Coal and Navigation Company.
YOU can be of great help to YOUR COMPANY.

You can benefit both yourself and your Company by using coal produced by its subsidiary, the Lehigh Navigation Coal Company Incorporated.

The Anthracite mined and sold by this Company is known as OLD COMPANY'S LEHIGH.

Because of geological conditions, the coal produced from your Company's mines is the hardest and most compact of any Anthracite. For that reason you get more heat units to a ton. This makes the fuel longer burning, giving steadier heat and greater economy.

Great strides have been made of late years in developing new equipment for burning Anthracite for all purposes—space heaters, kitchen ranges, house heating boilers, mechanical stokers, modern fireplaces, etc. Let our engineers help you in the selection of equipment best suited to your needs.

Ask for OLD COMPANY'S LEHIGH by name... the Old Company dealer displays the familiar trademark, or, if you wish, our nearest office will put you in touch with a reliable dealer.

Main Office:
1421 CHESTNUT STREET, PHILADELPHIA, PA.

Branch and Sales Offices:

143 LIBERTY STREET, NEW YORK, N. Y. • Barclay 7-0484
THIRD NATIONAL BANK BUILDING, SPRINGFIELD, MASS. • Springfield 4-5697

J. W. DYKSTRA & CO. Hammond Building, Detroit, Mich. Cadillac 5554
SHIPERS FUEL CORP. 111 W. Washington St., Chicago, Ill. Randolph 8282
GEORGE HALL CORP. 502-504 Riverside Ave., Ogdensburg, N. Y. Ogdensburg 60
THE CENTRAL WEST COAL CO. Brunson Building, Columbus, Ohio. Adams 1295
EMPIRE-HANNA COAL CO., LTD., 805 C.P.R. Building, Toronto, Ontario. Adelaide 3346
VIPOND-TOLHURST COAL CO., LTD., 845 Querbes Ave., Outremont, Montreal, Quebec Dollard 4601
J. S. MITCHELL & CO., LTD., 78-80 Wellington St., North, Sherbrooke, Quebec Sherbrooke 2300
ANNUAL REPORT OF
LEHIGH NAVIGATION COAL COMPANY INCORPORATED

The results of the operations of Lehigh Navigation Coal Company Incorporated for the year 1939, after deduction for interest, taxes, other fixed charges, and royalties, show a net loss of $1,673,450.88, as compared with a net loss of $1,050,547.97 in the previous year. Production and sales were substantially increased, as compared with 1938, and costs were reduced materially, but unusual competitive conditions in the Industry forced prices to extremely low levels. This more than counteracted the effect of the gains made in production and costs. If the same prices had been in effect in 1939 as in the previous year, the loss would have been reduced about $1,000,000.

Borrowings from The Lehigh Coal and Navigation Company remained unchanged at the amount of $2,625,000. Accounts owing to The Lehigh Coal and Navigation Company for royalty, interest, power, and other items, increased $885,523.88 to $1,992,065.28.

The Balance Sheet as at December 31, 1939, and the related Income and Deficit Accounts of Lehigh Navigation Coal Company Incorporated, together with the report of the Company’s auditors, Messrs. Lybrand, Ross Bros. & Montgomery, Certified Public Accountants, will be found on pages 33 to 36.

The production of commercial anthracite by the Company for the year was 2,602,068 net tons, an increase, as compared with 1938, of 188,307 net tons, or 7.80 per cent. There were sold of the Company’s coal during the year 2,690,926 net tons, an increase, as compared with 1938, of 266,057 net tons, or 10.97 per cent. The production of anthracite from the Company’s lands by lessees was 548,640 net tons, an increase, as compared with 1938, of 541,363 net tons. This increase was due to the production of 547,857 net tons by the Edison Anthracite Coal Company from Nesquehoning Colliery, leased to it by this Company, effective February 16, 1939, as reported last year. The total production by this Company and its lessees was 3,150,708 net tons, an increase of 729,670 net tons, or 30.14 per cent., as compared with the previous year’s production. The production of anthracite by the Industry was approximately 12 per cent. greater than in 1938. This increased production is ascribable mainly to in-
increased demand caused by suspension of operations in the bituminous industry in early Spring, by the outbreak of war in Europe in September which particularly increased sales in Canada, and by somewhat colder weather throughout the year.

The wage agreement between the United Mine Workers of America and the anthracite producers expired on April 30, 1939. A new agreement was negotiated, effective May 27, 1939, for a period ending April 30, 1941. The new agreement provides only minor changes from the old one, none of which affect costs materially.

The operations were remarkably free from strikes throughout the year. Two strikes occurred early in the year, both of which were insignificant and continued but a few days. Since that time there have been no interruptions of this type.

The so-called bootleg mining of coal from the lands of the companies in the Southern Anthracite Field, reported in previous years, has continued with little change. However, an increase in the number and size of preparation plants catering to this particular trade is notable. It is hoped that progress can be made in 1940 in the correction of this situation.

The properties of the Company were fully maintained throughout the year, and development work necessary to maintain production was carried on. Improvements chargeable to capital were confined to the purchase of some necessary equipment at a total cost of $53,000 and the rebuilding of other worn-out equipment at a cost of approximately $100,000.

A plan for stabilization of the Anthracite Industry, under development during the latter part of the year, was completed and put into effect on January 29, 1940. Under this plan, each producer except a few very small ones who have not yet accepted the plan, has agreed not to produce more than his normal proportion of the total production of anthracite. The plan further provides that estimates of the market demand shall be made by a committee of producers and that administration of the plan shall be in the hands of a committee appointed by the Governor of Pennsylvania upon which there shall be equal representation of producers, United Mine Workers of America and the Commonwealth. This Company has accepted under this plan a percentage figure of 5.34 per cent., which
it considers its reasonable expectancy of the total production of anthracite. The plan should prevent the production of more coal than the market will absorb and its consequent sale at distress prices. As a result of the plan, the outlook in 1940 for the Anthracite Industry and for this Company is more promising.

The Board acknowledges its appreciation of the services rendered by the officers and employees during the year.

By order of the Board of Directors.

J. B. WARRINER,
President.

PHILADELPHIA, PA.,
February 9, 1940.
February 8, 1940.

To the Board of Directors,
Lehigh Navigation Coal Company Incorporated,
Philadelphia.

We have examined the balance sheet of
Lehigh Navigation Coal Company Incorporated
as of December 31, 1939, and the statements of income and deficit for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statements of income and deficit present fairly the position of the Lehigh Navigation Coal Company Incorporated at December 31, 1939, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery
LEHIGH NAVIGATION COAL

BALANCE SHEET,

ASSETS:

CURRENT ASSETS:
Cash on hand and demand deposits in banks... $217,524.23
Customers' accounts and notes receivable... $1,335,400.09
Less reserve for accounts doubtful of collection... 398,961.96
Sundry debtors... 936,438.13
Coal stock, at less than cost... 4,242.06
Materials and supplies... 522,030.55
Accounts receivable, affiliated companies... 273,315.89

INVESTMENTS:
Capital stock of and advances to wholly owned subsidiaries... $453,038.13
Less reserve for shrinkage in value of investments... 348,038.13
Other... 21,483.19

FIXED ASSETS:
Plant, coal mining and marketing property... $3,887,463.71
(Principally located on lands leased from The Lehigh Coal and Navigation Company)
Less reserve for depreciation... 1,664,869.57

DEFERRED ACCOUNTS:
Accounts receivable, subsidiary and affiliated companies (Note 1)... $1,748,718.36
Stripping expenses deferred... 2,971,038.17
Other advances and accounts receivable... $514,346.86
Less reserve for accounts doubtful of collection... 375,000.00
Suspended debit accounts... 34,680.87

OTHER ASSETS... 148,562.79

$9,358,499.09

NOTE 1: Includes $1,676,173.99 due from subsidiaries of Greenwood Corporation.
LIABILITIES:

CURRENT LIABILITIES:
Notes payable. ........................................ $11,100.00
Audited vouchers and pay rolls. ....................... 717,195.83
Accounts payable, affiliated companies. ............. 88,022.69
Sundry creditors. ...................................... 198,012.69
Accrued taxes. ........................................ 101,850.14
Compensation claims determined, payable in 1940 51,580.84
$1,167,762.19

Accounts payable,
The Lehigh Coal and Navigation Company ........... $1,992,065.28
Advances, 
The Lehigh Coal and Navigation Company ........... 2,625,000.00
$4,617,065.28

DEFERRED LIABILITIES:
Compensation claims determined. .................... $102,741.94
Suspended credit accounts. ............................. 62,796.57
165,538.51

RESERVE ACCOUNTS:
Workmen's compensation insurance reserve. ........ $41,744.15
For stripping expenses. .............................. 2,890,966.65
$8,883,076.78

CAPITAL:
Capital stock, 50,000 shares, without par value. .... $3,000,500.00
Capital surplus. ...................................... 172,449.07
$3,172,949.07
Deficit, as annexed. .................................. 2,697,526.76
475,422.31
$9,358,499.09
### LEHIGH NAVIGATION COAL COMPANY INCORPORATED

#### INCOME ACCOUNT

**FOR THE YEAR ENDED DECEMBER 31, 1939**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal: Revenue (including sales to affiliated companies) (Note 1).</td>
<td>$11,678,743.84</td>
</tr>
<tr>
<td>Expenses</td>
<td>$12,462,996.56</td>
</tr>
<tr>
<td>Depreciation</td>
<td>97,166.38</td>
</tr>
<tr>
<td>Special provision for accounts doubtful of collection</td>
<td>375,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>12,935,162.94</strong></td>
</tr>
<tr>
<td>Loss before general expenses, taxes and interest</td>
<td><strong>$1,256,419.10</strong></td>
</tr>
<tr>
<td>General expenses, taxes and interest:</td>
<td></td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>$76,056.32</td>
</tr>
<tr>
<td>Taxes</td>
<td>300,297.52</td>
</tr>
<tr>
<td>Interest expense</td>
<td>40,677.94</td>
</tr>
<tr>
<td></td>
<td><strong>417,031.78</strong></td>
</tr>
<tr>
<td>Loss for the year ended December 31, 1939</td>
<td><strong>$1,673,450.88</strong></td>
</tr>
</tbody>
</table>

Note 1: Includes sales amounting to **$2,155,671.51** to subsidiary companies of Greenwood Corporation.

---

### LEHIGH NAVIGATION COAL COMPANY INCORPORATED

#### DEFICIT ACCOUNT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit, January 1, 1939</td>
<td>$1,065,077.35</td>
</tr>
<tr>
<td>Loss for year ended December 31, 1939, as annexed</td>
<td>1,673,450.88</td>
</tr>
<tr>
<td></td>
<td><strong>$2,738,528.23</strong></td>
</tr>
<tr>
<td>Adjustment of Pennsylvania capital stock taxes for years 1935 to 1937</td>
<td>$40,491.73</td>
</tr>
<tr>
<td>Miscellaneous adjustments</td>
<td>509.74</td>
</tr>
<tr>
<td></td>
<td><strong>41,001.47</strong></td>
</tr>
<tr>
<td>Deficit, December 31, 1939</td>
<td><strong>$2,697,526.76</strong></td>
</tr>
</tbody>
</table>
ANNUAL REPORT OF
LEHIGH AND NEW ENGLAND RAILROAD COMPANY

The Net Income of the Lehigh and New England Railroad Company for the year 1939 was $861,727.12, an increase of $523,928.78, as compared with the previous year.

The Consolidated Balance Sheet and the Statement of Income and Profit and Loss of this Company as of December 31, 1939, together with Certificate of Messrs. Haskins & Sells, Certified Public Accountants, will be found on pages 41 to 46.

The following statement shows the revenue freight traffic during the year 1939 as compared with 1938:

<table>
<thead>
<tr>
<th></th>
<th>1939</th>
<th>1938</th>
<th>Net Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthracite.</td>
<td>4,170,959</td>
<td>3,217,800</td>
<td>Increase 953,159</td>
</tr>
<tr>
<td>Bituminous Coal.</td>
<td>1,375,405</td>
<td>1,054,128</td>
<td>Increase 321,277</td>
</tr>
<tr>
<td>Cement.</td>
<td>1,428,624</td>
<td>1,259,950</td>
<td>Increase 168,674</td>
</tr>
<tr>
<td>Miscellaneous.</td>
<td>698,824</td>
<td>536,269</td>
<td>Increase 162,555</td>
</tr>
<tr>
<td>Total.</td>
<td>7,673,812</td>
<td>6,068,147</td>
<td>Increase 1,605,665</td>
</tr>
</tbody>
</table>

The Ratio of Expenses to Revenues for the year 1939 is 64.5, the lowest the Company has enjoyed since 1917. There have been but two other Operating Ratios under 73.3 during the past twenty years, one having been 65.3 in 1926 and the other 69.6 in 1927.

Fifty (50) special body, hatchway roof, hopper bottom, steel cars, 140,000 pounds capacity, were purchased to enable the Company to handle properly its cement tonnage.

One hundred (100) steel hopper cars, 100,000 pounds capacity, were purchased to handle more economically and efficiently its unprepared anthracite tonnage from Summit Hill, Pa. and to replace hopper coal cars retired.

Equipment retired during the year consisted of two (2) locomotives, two (2) gas-electric passenger cars, fifty-seven (57) steel hopper, thirty-eight (38) bulk cement, two (2) boarding and one (1) wood caboose cars.
Two and three-tenths miles of track in New Jersey, between Lewisburg and Sussex Junction, and three and six-tenths miles of track in Pennsylvania, between Berlinsville and Danielsville, all on the main line, were re-laid with 112-lb. new rail, replacing 100-lb. rail.

With the approval of the Interstate Commerce Commission, approximately ten miles of the Nazareth Branch, extending from a point five-tenths mile East of Northampton Junction to Broadway, Wind Gap, Pa., were abandoned. A small part of the tracks was sold to Bolger-Heller Slate Company and the remainder removed.

Tracks of the abandoned Saylorsburg Branch were removed.

With these exceptions the property has been fully maintained.

By order of the Board of Directors.

W. H. EDWARDS,
Vice-President and General Manager.

BETHLEHEM, PA.,
February 9, 1940.
Lehigh and New England Railroad Company:

We have made an examination of the consolidated balance sheet of Lehigh and New England Railroad Company and its subsidiaries, Campbell Hall Connecting Railroad Company and Pochuck Railroad Company, as of December 31, 1939, and of the statements of income and profit and loss of the Lehigh and New England Railroad Company for the year 1939. In connection therewith, we examined or tested accounting records of the companies (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. Such examination included the verification, by inspection or confirmation of depositaries or trustees, of the cash and securities owned at December 31, 1939. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying consolidated balance sheet of the Company and subsidiaries, and statements of income and profit and loss fairly present the financial condition at December 31, 1939, and the results of operations for the year ended that date.

Haskins & Sells

New York,
January 24, 1940.
### Lehigh and New England Railroad Company

#### LEHIGH AND NEW ENGLAND SUBSIDIA

**CONSOLIDATED GENERAL BALANCE SHEET**

#### ASSETS

**INVESTMENTS:**

Road and equipment:

- Road ................................ $13,950,578.96
- Equipment ................................ 7,197,801.34
- General expenditures .......................... 230,716.70

Total road and equipment ...................... $21,379,107.00

Sinking funds-general mortgage bonds .......... 621.27

Deposits in lieu of mortgaged property sold ........ 5,000.00

Miscellaneous physical property ................. 37,112.99

Investments in affiliated companies-advances .... 35,771.81

Other investments:

- stocks .................................. $5,500.00
- Bonds .................................. 4,475.00
- Advances ................................ 82,073.45
- Miscellaneous ........................... 10,800.00

Total other investments ....................... 102,848.45

Total investments ................................ $21,560,451.52

**CURRENT ASSETS:**

- Cash .................................. $1,038,108.86
- Traffic and car-service balances receivable ... 247,954.65
- Net balance receivable from agents and conductors ... 55,871.79
- Miscellaneous accounts receivable ........... 23,007.94
- Material and supplies ...................... 450,934.83
- Interest and dividends receivable ............ 236.39
- Other current assets ........................ 106.01

Total current assets .......................... 1,816,220.47

**DEFERRED ASSETS:**

- Working fund advances ........................ $3,000.00
- Insurance and other funds (Deposit-State Industrial Commission, New York) ........... 20,196.88
- Other deferred assets ........................ 15,967.80

Total deferred assets .......................... 39,164.68

**UNADJUSTED DEBITS:**

- Rents and insurance premiums paid in advance .. $2,503.79
- Discount on funded debt ........................ 114,216.76
- Other unadjusted debits ........................ 87,873.79
- Securities issued or assumed-unpledged (Mortgage bonds—$55,000.00) ........... 2,503.79

Total unadjusted debits ........................ 204,594.34

Total ........................................ $23,620,431.01
AND RAILROAD COMPANY  
RY COMPANIES  
CE SHEET, DECEMBER 31, 1939  

LIABILITIES

CAPITAL STOCK:
Lehigh and New England Railroad Company.... $6,800,000.00
Campbell Hall Connecting Railroad Company—Minority interest. 3,100.00
Total capital stock. $6,803,100.00

GOVERNMENTAL GRANTS—Grants in aid of construction. 20,608.84

FUNDED DEBT UNMATURED:
Mortgage bonds (less in treasury, $55,000.00). $7,187,000.00
Equipment obligations. 1,393,276.48
Serial notes, issue of 1936. 565,000.00
Total funded debt unmatured. 9,145,276.48

CURRENT LIABILITIES:
Traffic and car-service balances payable. $274,323.97
Audited accounts and wages payable. 142,752.12
Miscellaneous accounts payable. 11,719.75
Interest matured unpaid. 26,590.00
Unmatured interest accrued. 81,770.96
Other current liabilities. 24,554.42
Total current liabilities. 561,711.22

DEFERRED LIABILITIES—OTHER

UNADJUSTED CREDITS:
Tax liability (including companies' estimate of Federal taxes). $257,695.78
Premium on funded debt. 11,658.35
Insurance and casualty reserves. 48,682.94
Accrued depreciation—equipment. 3,379,469.26
Other unadjusted credits. 104,382.65
Total unadjusted credits. 3,801,888.98

CORPORATE SURPLUS:
Additions to property through income and surplus. $48,905.11
Funded debt retired through income and surplus. 154,609.94
Sinking fund reserves. 86,793.98
Total appropriated surplus. 290,309.03
Profit and loss balance. 2,992,259.96
Total corporate surplus. 3,282,568.99

Total. $23,620,431.01

NOTES: No provision, other than in corporate surplus, is made in the above Consolidated General Balance Sheet for $86,172.71 (representing 10% of net income for the year ended December 31, 1939) to be paid into the General Mortgage Sinking Fund on March 1, 1940. Certain investments in subsidiary companies having a par value of $638,750.00 and a carrying value of $73,438.50, eliminated in consolidation, are pledged under the general mortgage securing the Lehigh and New England Railroad Company's 4% bonds.

The excess of the par value of securities of subsidiary companies over the value carried on the books of Lehigh and New England Railroad Company, $566,899.00, shown in prior years as capital surplus, is deducted from Investment in Road in the above Consolidated General Balance Sheet.
### LEHIGH AND NEW ENGLAND RAILROAD COMPANY

**STATEMENT OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 1939 AND 1938, AND COMPARISON**

<table>
<thead>
<tr>
<th></th>
<th>1939</th>
<th>1938</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RAILWAY OPERATING INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railway operating revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight</td>
<td>$4,256,219.05</td>
<td>$3,363,074.94</td>
<td>$893,144.11</td>
</tr>
<tr>
<td>All other transportation</td>
<td>13,611.68</td>
<td>13,801.93</td>
<td>190.25</td>
</tr>
<tr>
<td>Incidental</td>
<td>16,821.45</td>
<td>15,867.26</td>
<td>954.19</td>
</tr>
<tr>
<td>Total railway operating revenues</td>
<td>$4,286,652.18</td>
<td>$3,392,744.13</td>
<td>$893,908.05</td>
</tr>
<tr>
<td>Railway operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance of way and structures</td>
<td>$456,158.16</td>
<td>$360,398.60</td>
<td>$95,759.56</td>
</tr>
<tr>
<td>Maintenance of equipment</td>
<td>717,483.47</td>
<td>714,534.61</td>
<td>2,948.86</td>
</tr>
<tr>
<td>Traffic</td>
<td>80,348.83</td>
<td>82,659.78</td>
<td>2,310.95</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,328,051.94</td>
<td>1,226,225.90</td>
<td>101,826.04</td>
</tr>
<tr>
<td>General</td>
<td>184,091.39</td>
<td>162,563.67</td>
<td>21,527.72</td>
</tr>
<tr>
<td>Transportation for investment—Credit</td>
<td>115.90</td>
<td>164.86</td>
<td>48.96</td>
</tr>
<tr>
<td>Total railway operating expenses</td>
<td>$2,766,017.89</td>
<td>$2,546,217.70</td>
<td>$219,800.19</td>
</tr>
<tr>
<td>Ratio of operating expenses to operating revenues</td>
<td>64.52%</td>
<td>75.05%</td>
<td>10.53%</td>
</tr>
<tr>
<td>Net revenue from railway operations</td>
<td>$1,520,634.29</td>
<td>$846,526.43</td>
<td>$674,107.86</td>
</tr>
<tr>
<td>Railway tax accruals (including Company's estimate of Federal taxes)</td>
<td>351,538.43</td>
<td>220,960.87</td>
<td>130,577.56</td>
</tr>
<tr>
<td><strong>RAILWAY OPERATING INCOME</strong></td>
<td>$1,169,095.86</td>
<td>$625,565.56</td>
<td>$543,530.30</td>
</tr>
</tbody>
</table>

**RENT INCOME:**

<table>
<thead>
<tr>
<th></th>
<th>1939</th>
<th>1938</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire of freight cars-Credit balance</td>
<td>$205,588.69</td>
<td>$176,443.23</td>
<td>$29,145.46</td>
</tr>
<tr>
<td>Rent from locomotives</td>
<td>2,419.23</td>
<td>2,102.43</td>
<td>316.80</td>
</tr>
<tr>
<td>Rent from work equipment</td>
<td>62.30</td>
<td>396.3 1</td>
<td>334.01</td>
</tr>
<tr>
<td>Joint facility rent income</td>
<td>3,595.81</td>
<td>2,487.40</td>
<td>1,108.41</td>
</tr>
<tr>
<td>Total rent income.</td>
<td>$211,666.03</td>
<td>$181,429.37</td>
<td>$30,236.66</td>
</tr>
</tbody>
</table>

**RENTS PAYABLE—Joint facility rents**

<table>
<thead>
<tr>
<th></th>
<th>1939</th>
<th>1938</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net rents-Credit</td>
<td>$66,228.33</td>
<td>$80,415.76</td>
<td>$14,187.43</td>
</tr>
<tr>
<td><strong>NET RAILWAY OPERATING INCOME</strong> (Forward)</td>
<td>$1,235,324.19</td>
<td>$705,981.32</td>
<td>$529,342.87</td>
</tr>
</tbody>
</table>
LEHIGH AND NEW ENGLAND RAILROAD COMPANY
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1939 AND 1938, AND COMPARISON

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>1938</td>
</tr>
<tr>
<td><strong>Net Railway Operating Income</strong> (Forward)</td>
<td>$1,235,324.19</td>
</tr>
<tr>
<td></td>
<td>Decrease $529,342.87</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>$1,257,971.06</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td>$22,646.87</td>
</tr>
<tr>
<td></td>
<td>Decrease $1,546.12</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$1,257,971.06</td>
</tr>
<tr>
<td><strong>Miscellaneous Deductions from Income</strong></td>
<td>$25,320.20</td>
</tr>
<tr>
<td></td>
<td>Decrease $7,291.60</td>
</tr>
<tr>
<td><strong>Income Available for Fixed Charges</strong></td>
<td>$1,232,650.86</td>
</tr>
<tr>
<td><strong>Fixed Charges</strong></td>
<td>$370,923.74</td>
</tr>
<tr>
<td>Interest on funded debt-Fixed interest</td>
<td>$366,228.94</td>
</tr>
<tr>
<td></td>
<td>Decrease $3,348.93</td>
</tr>
<tr>
<td>Interest on unfunded debt</td>
<td>10.16</td>
</tr>
<tr>
<td></td>
<td>Decrease 19.08</td>
</tr>
<tr>
<td>Amortization of discount on funded debt</td>
<td>4,678.64</td>
</tr>
<tr>
<td></td>
<td>Decrease 61.62</td>
</tr>
<tr>
<td><strong>Total fixed charges</strong></td>
<td>$370,923.74</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$861,727.12</td>
</tr>
<tr>
<td><strong>Disposition of Net Income</strong></td>
<td></td>
</tr>
<tr>
<td>Income applied to sinking and other reserve funds</td>
<td>86,172.71</td>
</tr>
<tr>
<td><strong>Income Balance Transferred to Profit and Loss</strong></td>
<td>$775,554.41</td>
</tr>
<tr>
<td></td>
<td>$471,535.90</td>
</tr>
</tbody>
</table>
LEHIGH AND NEW ENGLAND RAILROAD COMPANY

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1939

CREDITS:
Credit balance, January 1, 1939................................. $2,840,984.17
Credit balance transferred from income......................... 775,554.41
Credits from retired road and equipment-Road.................. 1,550.65
Miscellaneous credits:
   Excess of face value over cost of general mortgage 4% series
   "A" bonds:
          Redeemed, $37,000.00 principal amount................... 3,477.04
          Purchased, $55,000.00 principal amount.................. 5,986.75
   Retirement of property, the value of which was originally
   credited to "Donations" account in prior year.............. 2,716.45
Total....................................................... $3,630,269.47

DEBITS:
Dividend appropriations of surplus............................ $476,000.00
Debits from retired road and equipment-Road:
   Nazareth Branch........................................... 129,094.51
   Other property............................................. 30,907.04
Miscellaneous debits:
   Uncollectible accounts written off......................... 248.67
   Debts from retired miscellaneous physical property........ 38.59
Unextinguished discount on general mortgage
4% series "A" bonds:
   Redeemed, $37,000.00 principal amount.................... 702.00
   Purchased, $55,000.00 principal amount.................... 1,018.70
Total......................................................... 638,009.51

CREDIT BALANCE, DECEMBER 31, 1939.............................. $2,992,259.96