1942

One Hundred and Twenty-second

ANNUAL REPORT

The Lehigh Coal and Navigation Company
Statement Required by Regulation X-14A-1 (b) of the Proxy Rules of the Securities and Exchange Commission:

In accordance with the by-laws of the Company, the annual meeting of Stockholders will be held at the principal office of the Company, Philadelphia, Pa., on March 23, 1943, and the management contemplates that it will solicit proxies for such meeting, and that the proxy statement and form of proxy will be mailed to Stockholders on or about March 1, 1943.

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.

PRINTED IN U.S.A.
# The Lehigh Coal and Navigation Company and Subsidiary Companies

## SUMMARY of OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>1942</th>
<th>1941</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>$31,760,112.14</td>
<td>$26,410,563.23</td>
<td>$23,181,585.87</td>
</tr>
<tr>
<td>Income before provision for Federal Income Taxes</td>
<td>2,322,413.40</td>
<td>2,364,132.04</td>
<td>1,385,991.79</td>
</tr>
<tr>
<td>Federal Income Taxes</td>
<td>527,422.35</td>
<td>557,002.19</td>
<td>281,492.71</td>
</tr>
<tr>
<td>Adjustment for Minority Interests</td>
<td>2,671.02</td>
<td>2,072.95</td>
<td>2,645.25</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,792,320.03</td>
<td>1,805,056.90</td>
<td>1,101,853.83</td>
</tr>
<tr>
<td>Dividends paid by The Lehigh Coal and Navigation Company</td>
<td>1,253,932.55</td>
<td>1,253,932.55</td>
<td>578,738.10</td>
</tr>
</tbody>
</table>
Board of Managers

WILLIAM F. CAREY  
EDWARD WALTER CLARK  
WAYNE JOHNSON  
RALPH H. KNODE  
WILLIAM FULTON KURTZ  
E. B. LEISENRING  
FRANCIS A. LEWIS  
MARSHALL S. MORGAN  
GEORGE L. OHRSTROM  
J. HENRY SCATTERGOOD  
J. B. WARRINER  
ROBERT V. WHITE

Officers

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

A LEHIGH AND NEW ENGLAND TRAIN OF BULK CEMENT CARS AT CEMENT JUNCTION, BATH, PA.
To the Stockholders:

There is presented herein a review of the operations of your Company and its subsidiaries and related interests for the Year 1942, being the 122nd Annual Report, showing the Consolidated Balance Sheet as of December 31, 1942, and the Consolidated Statement of Income and the Consolidated Statements of Capital Surplus and Earned Surplus of the Company and its subsidiaries for the year ended on that date.

Earnings

For the year 1942 Consolidated Earnings, before Federal Income Taxes, amounted to $2,322,413.40, a decrease of $41,718.61 from the preceding year.
Consolidated Net Income in 1942, after provision for all taxes, amounted to $1,792,320.03 or 92.9 cents per share, as compared with $1,805,056.90 or 93.6 cents per share in 1941.

New freight-train cars were delivered to the Lehigh and New England Railroad Company during the years 1941 and 1942, for which Certificates of Necessity were granted by an Authorized Governmental Agency under the provisions of Section 124, as amended, of the Internal Revenue Code, which permits amortizing the equipment on a 5-year basis, whereas similar Lehigh and New England Railroad equipment has been depreciated on a 25-year life basis. The Company elected to amortize this equipment on a 5-year basis, and therefore net income, after taxes, for the year 1942 was $185,654.91 less than it would have been had this equipment been depreciated on a 25-year life basis.

No dividends were received in 1942 on the 700,000 shares of National Power & Light Company Common Stock owned by your Company, compared with $315,000 received from this source in the year 1941, and $420,000 in the year 1940.

Earnings of the Lehigh Navigation Coal Company Incorporated and the Lehigh and New England Railroad Company would have been considerably
greater if it had not been for enforced curtailment of coal production and shipments due to heavy floods in May, 1942, and high water thereafter, and to two strikes during the year, each of about ten days' duration. In addition to the above loss because of the flood you will see in the Statement of Income that the sum of $453,365.45 has been charged against current income because of damage to the canal which has not been repaired.

**Decreasing Funded Debt**

The total amount of funded debt of your Company and its subsidiaries, in the hands of the public as of December 31, 1942, was $29,216,800, a decrease of $704,200. during the year.

Early in the year 1942 The Panther Valley Water Company completed the sale of its $1,000,000. First Mortgage 3 3/4% Bonds dated December 1, 1941, and the proceeds of this issue, paid to The Lehigh Coal and Navigation Company, were deposited by that Company with the Trustee under its Consolidated Sinking Fund Mortgage, and were used for the retirement of Consolidated Bonds. The balance of the decrease in funded debt is due to the retirement of bonds through sinking funds, retirement of Serial Notes and Equipment Trust obligations, and the purchase, by The Lehigh Coal and Navigation Company, of Consolidated Sinking Fund Mortgage Bonds, and, by Lehigh and New England Railroad Company, of General Mortgage Bonds.

During the year Purchases of Equipment on deferred payment plan, as shown in the balance sheet, increased $799,691.10 due to additional purchases of new cars for Lehigh and New England Railroad Company. Such purchases on deferred payment plan, under the regulations of the Interstate Commerce Commission, have not been considered as Funded Debt, and are not included in the total amount of Funded Debt referred to above.

**Railroads**

As stated in the 1941 Annual Report (pages 8–10), the Trustees of The Central Railroad Company of New Jersey were directed by order of Court of May 6, 1941, to pay all arrears under the Lehigh and Susquehanna lease and the assignment of the Wilkes-Barre and Scranton lease; and by order of June 30, 1941, the Trustees were directed, until they should elect to affirm or disaffirm the lease and assignment, to pay amounts equal to the rents thereunder as the same accrued. These payments were made in due course.

At a hearing on June 2, 1941, on the Trustees' petition for extension of time within which to affirm or disaffirm the lease, the Trustees produced a report of Mr. William Wyer, an engineer employed by the Trustees, show-
ing the earnings of The Central Railroad Company of New Jersey for the year 1939 without the Lehigh and Susquehanna and the Wilkes-Barre and Scranton Railroads and the earnings for said year of the Lehigh and Susquehanna including the Wilkes-Barre and Scranton if operated independently. This report showed that these properties if operated independently of the lines in New Jersey would have earned approximately $780,000 more than the amount of the rental and that the net earnings of the Lehigh and New England Railroad Company, during the same period, would have been increased $371,000. These two amounts together make a total of $1,151,000 more than the actual rental. Today these earnings would be much greater.

Subsequently, on April 1, 1942, the Trustees applied to the Court for an order authorizing and directing them to adopt any leases or other agreements to which The Lehigh Coal and Navigation Company was a party or in which it had an interest, and pursuant to such application the Court made an order on April 6, 1942, authorizing and directing the Trustees to adopt the Lehigh and Susquehanna lease, the assignment of the Wilkes-Barre and Scranton lease and the assignment of the Allentown Terminal lease. Pursuant to said order the Trustees, on April 7, 1942, adopted said lease and assignments.

In September, 1942, on appeal by the Trustees from the New Jersey property and franchise tax assessments, Mr. Wyer, called as a witness on behalf of the Trustees, testified that the net railway operating income of the Pennsylvania lines of The Central Railroad Company of New Jersey was as follows: 1939, $3,500,000; 1940, $3,700,000; 1941, $4,650,000. This testimony was based upon detailed studies of the earnings of the lines in Pennsylvania. The amount of the rental paid to your Company is approximately $2,370,000 per year.

The net railway operating income as stated by the witness showed an excess for the three years of $4,717,000 above the total rentals, an average excess per annum of $1,572,000.

Lehigh and New England Railroad Company's Net Income, after all taxes and all charges, for the year 1942, was $1,144,510.54, an increase of $101,407.81 as compared with the previous year. The Net Income before taxes showed an increase of $408,341.10. The Railroad tax accruals for the year 1942 totaled $1,065,467.52, an increase of $306,933.29 as compared with the previous year.

The ratio of Operating Expenses to Operating Revenues for the year 1942 was 61.5%, compared with the previous year's ratio of 59.9%, which was the lowest the Company has enjoyed since 1916, during which year it was 59.8%.

Had Lehigh and New England Railroad Company not adopted the 5-year amortization plan in place of its usual 25-year depreciation basis on the freight-
train cars, the operating ratio in 1942 would have been 56.3% as compared with 58.0% in 1941, adjusted on the same basis.

The 300 steel hopper coal cars, 100,000 pounds capacity, mentioned in our 1941 report, were delivered in January and February, 1942. The 100 special body, hatchway roof, hopper steel cement cars, mentioned in our 1941 report, were delivered in April and May, 1942. The delivery of these cars, during the year 1942, accounts for the increase in Purchases of Equipment on deferred payment plan, mentioned in the paragraph referring to Decreasing Funded Debt.

A substantial increase in earnings from hire of freight cars resulted from the acquisition of these additional cars. They also enabled the Railroad to render better service to its shippers in spite of the extremely heavy demands.

The following statements show certain ratios relating to Lehigh and New England Railroad Company freight traffic carried during the year 1942:

<table>
<thead>
<tr>
<th>Item</th>
<th>NET TONS</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthracite Coal</td>
<td>4,625,075</td>
<td>44.10</td>
</tr>
<tr>
<td>Bituminous Coal</td>
<td>2,422,008</td>
<td>23.09</td>
</tr>
<tr>
<td>Cement</td>
<td>2,058,078</td>
<td>19.62</td>
</tr>
<tr>
<td>All Other</td>
<td>1,383,423</td>
<td>13.19</td>
</tr>
<tr>
<td>Total</td>
<td>10,488,584</td>
<td>100.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>REVENUES</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthracite Coal</td>
<td>$2,653,149.30</td>
<td>43.31</td>
</tr>
<tr>
<td>Bituminous Coal</td>
<td>1,029,140.31</td>
<td>16.80</td>
</tr>
<tr>
<td>Cement</td>
<td>1,534,642.98</td>
<td>25.05</td>
</tr>
<tr>
<td>All Other</td>
<td>909,339.85</td>
<td>14.84</td>
</tr>
<tr>
<td>Total</td>
<td>6,126,272.44</td>
<td>100.00</td>
</tr>
</tbody>
</table>
General

The Lehigh Coal and Navigation Company owns 700,000 shares of National Power & Light Company common stock. 610,000 shares of this stock were acquired as a result of the sale in 1917 of Lehigh Navigation Electric Company stock to Lehigh Power Securities Corporation afterwards consolidated with National Power & Light Company. Some years later an additional 90,000 shares of National Power & Light Company stock were purchased in the open market. These 700,000 shares stand on our books at an average price of $4.08+ per share.


National Power & Light Company has retired all of its funded debt with cash on hand with the exception of about $26,000 of Lancaster County Railway & Light Company bonds upon which it is liable, and has retired, through exchange of Houston Lighting & Power Company stock, and through purchase, 46.4% of its preferred stock.

On November 3, 1941, the Commission ordered that the dividends of Pennsylvania Power & Light Company, Birmingham Electric Company and Carolina Power & Light Company be restricted to specific amounts, the effect of such order being that National Power & Light Company has not paid any dividends on its common stock since September, 1941.

The Commission has extended the time for dissolution of National Power & Light Company until August 23, 1943.

The dissolution plan submitted to the Commission by the management of National Power & Light Company proposes the sale of certain small assets and distribution of Pennsylvania Power & Light Company common stock and other remaining assets to stockholders of National Power & Light Company.
Before such distribution, recapitalization or reorganization of some of the subsidiary companies will probably be considered.

During the year 1942, a payroll deduction plan for the purchase of War Bonds was instituted for the employees of The Lehigh Coal and Navigation Company and its subsidiaries.

The development of Lake Harmony, Carbon County, Pa., which was authorized by the Board March 25, 1937, continued and Split Rock Lodge on Lake Harmony in the Poconos—a unique mountain resort, modern in its appointments—was opened in February, 1942. The large Club Room of Split Rock Club is located in this building but the Lodge itself is open to the public. The property leased to the Club by your Company and its subsidiaries embraces 45,000 acres of land and over 50 miles of stream, furnishing excellent hunting and fishing. The Club’s famous “dream mile” on Tobyhanna Creek is one of the finest trout streams in the Poconos.

**Dividends**

The Lehigh Coal and Navigation Company in the year 1942 paid dividends aggregating 65 cents a share on the 1,929,127 shares of common stock.

AT RIGHT:
HERRINGBONE GEAR FOR DESTROYER—U. S. NAVY

CENTER:
INTERMEDIATE CYLINDER FOR 2500 H. P. TRIPLE EXPANSION ENGINE FOR "VICTORY" 10,000 TON BOATS

AT BOTTOM:
MACHINING A 75 MM GUN TUBE
Samuel Dexter Warriner, Chairman of the Board of Managers of The Lehigh Coal and Navigation Company, and former President of the Company, died at his home in Philadelphia, Pennsylvania, on April 3, 1942.

The following resolution was adopted at the meeting of the Board of Managers on April 23, 1942:

Resolved: That the members of the Board of Managers of The Lehigh Coal and Navigation Company have learned with deep sorrow of the death on April 3, 1942, of their comrade, Samuel Dexter Warriner, who served as President from the date of his election July 1, 1912, to April 1, 1937, a continuous term of twenty-five years, the longest in the history of the Company. Mr. Warriner continued as Manager and Chairman of the Board until the date of his death.

By reason of his education and wide business experience, Mr. Warriner was able to give to the Company invaluable service in the management of its mining and other properties. Always keenly interested in the mining and marketing of anthracite coal and the improvement of operating conditions, he was for many years the outstanding figure in the Anthracite Industry. His knowledge, experience and sound judgment will be greatly missed in the deliberations of the Board.

In the death of Mr. Warriner the Company has suffered a great loss, and the members of the Board, who had the privilege of intimate association with him, a deep personal bereavement. The Board desire to extend to his family their profound sympathy in their great sorrow.

The Management takes this opportunity of expressing its appreciation of the services rendered during the year by the Officers and Employees of The Lehigh Coal and Navigation Company and all affiliated companies.

By order of the Board of Managers.

ROBERT V. WHITE
President

February 25, 1943
1942, a year of war . . . with its abnormal conditions, its unprecedented heating problems . . . gave Anthracite an opportunity to demonstrate once again that it is the most dependable fuel.

COAL is an unrationed fuel, thanks to Nature's generous deposits of this unexcelled source of heat supply. That is why many former consumers of substitute fuels—to be sure of home comfort—are now burning Anthracite.

Old Company's Lehigh is proud to do its part in this emergency. Since it is the hardest of Anthracites, it is the most economical . . . It Lasts Longer. Thus, fewer tons will provide more heat for more homes.

The advantages of completely automatic heat are available with coal. Of course, the manufacture of new Anthracite burning equipment may have to wait until "Victory is Won", but it is wise to plan now for this ultimate in heating convenience, comfort and economy.

With a mechanical stoker, coal is fed automatically from a dust-proof storage bin and burned at the proper rate to provide healthful heat. The ashes are deposited automatically into a closed, dustless container, for removal once each year.

The engineers of Lehigh Navigation Coal Company Incorporated or any of its sales or branch offices listed on page 24 will be glad to advise you on how to get the maximum performance from your present equipment. Write for the free booklet . . .

"The Most Heat From Your Coal"
LYBRAND, ROSS BROS. & MONTGOMERY
Certified Public Accountants
Packard Building, Philadelphia

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

We have examined the consolidated balance sheet of
THE LEHIGH COAL AND NAVIGATION COMPANY
AND ITS SUBSIDIARY COMPANIES

as of December 31, 1942, and the related consolidated statements of income and surplus for the year ended that date, other than those of the Lehigh and New England Railroad Company and subsidiaries, which were examined by Messrs. Haskins & Sells, whose report we have received. In connection with these examinations, the systems of internal control and the accounting procedures of the companies were reviewed and, without making detailed audits of the transactions, the accounting records of the companies and other supporting evidence were tested, by methods and to the extent deemed appropriate, including the verification by inspection or confirmation with depositaries or trustees of the cash and securities owned at December 31, 1942. The examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which were considered necessary.

In our opinion, based upon such examinations and upon the report of the aforementioned accountants, the accompanying consolidated balance sheet of The Lehigh Coal and Navigation Company and its subsidiary companies at December 31, 1942, and the related consolidated statements of income and surplus present fairly the consolidated position of The Lehigh Coal and Navigation Company and its subsidiary companies at December 31, 1942, and the consolidated results of their operations for the year ended that date, in conformity with generally accepted accounting principles and with respect to the Lehigh and New England Railroad Company, the requirements of the Interstate Commerce Commission, applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia, Penna.,
February 20, 1943.
# THE LEHIGH COAL AND NAVIGATION

## CONSOLIDATED BALANCE

### ASSETS AND OTHER DEBITS

#### CURRENT ASSETS:
- Cash on hand and demand deposits in banks: $4,467,704.06
- Customers' notes and accounts receivable, less reserve of $541,684 for accounts doubtful of collection: 2,755,711.86
- Sundry debtors: 158,544.32
- Coal (in storage and in transit), at cost: 852,654.17
- Materials and supplies, valued on the basis of cost: 958,335.42

**Total Current Assets:** $9,192,949.83

#### INVESTMENTS IN SECURITIES:
- Free (Note 1): $3,987,086.26
- Pledged: 222,500.00

**Total Investments in Securities:** 4,209,586.26

#### FIXED ASSETS:
- Coal lands, mining and marketing property (leased in part): $28,062,660.99
- Railroad property (leased in part): 42,474,255.41
- Lehigh Canal and equipment: $2,018,261.12
- Less flood loss in 1942: 453,364.5
- Water property (reservoirs, pumping stations, distribution systems, etc.): 3,335,144.93
- Other real estate (Note 4): 1,146,242.78

**Less:**
- Reserve for depreciation: $14,508,784.52
- Reserve for depletion, since December 1, 1937: 336,293.48

**Total Fixed Assets:** $62,683,199.78

#### DEFERRED ACCOUNTS:
- Stripping expenses deferred: $5,683,691.62
- Less reserve for stripping expenses: 5,057,068.68

**Total Deferred Accounts:** 626,622.94

#### SINKING FUNDS, CASH:
- Municipal tax claims: $168,365.59
- Rents and other receivables, net of reserve of $13,613: 20,974.40
- Miscellaneous: 57,775.73
- Loan to officer:
  - Collateral, 16,700 shares The Lehigh Coal and Navigation Company stock: 82,859.42
  - United States War Savings Bond Fund, cash in banks representing collections from employees for partial payments on bonds: 149,437.92

**Total Other Assets:** 479,413.06

**Total Other Assets and Sinking Funds, Cash:** $773,331,083.68

The Notes on page 21 are an integral part of this Balance Sheet.
COMPANY AND SUBSIDIARY COMPANIES

SHEET, December 31, 1942

LIABILITIES AND OTHER CREDITS

CURRENT LIABILITIES, exclusive of $216,566.89 payable to sinking funds in 1943:
- Audited vouchers and pay rolls ........................................ $1,659,990.23
- Sundry creditors .......................................................... 198,841.45
- Accrued taxes .................................................................... 1,060,673.63
- Matured and accrued interest .............................................. 537,862.90
- Dividends unclaimed .......................................................... 58,907.51
- Compensation claims determined, due in 1943 ....................... 53,214.62
- Funded debt and mortgages payable in 1943 ......................... 316,680.41
- Purchases of equipment on deferred payment plan due in 1943 .. 223,375.00
- Loan payable to bank ....................................................... 11,543.10

Funded Debt, as annexed:
- Outstanding .................................................................... $44,429,400.00
  - Less treasury bonds:
    - Pledged under Workmen's Compensation Act of Pennsylvania $400,000.00
    - Unpledged ................................................................. 14,812,800.00
  - Less obligations due in 1943 ............................................. 309,000.00
    - (Payments to sinking funds due in 1943 aggregate $216,566.89) $28,907,800.00

Mortgages Payable ............................................................. 254,740.86
- Less installments due in 1943 ............................................. 7,680.41

Purchases of Equipment on deferred payment plan .................. 1,667,406.25
- Less installments due in 1943 ............................................. 223,375.00
- 1,444,031.25

Deferred Liabilities:
- Compensation claims determined ....................................... $119,022.16
- Deferred and suspended accounts (Note 3) ......................... 430,733.34

Reserve Accounts:
- Workmen's compensation ................................................. $250,075.16
- Taxes .............................................................................. 253,268.25

Other Liabilities
- United States War Savings Bond collections held for account of employees .. 149,437.92
- Minority Interests ............................................................ 36,122.65

Capital Stock and Surplus

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

Surplus:
- Capital, as annexed (Excess of par value of stocks and bonds of certain subsidiaries over carrying value on the books of parent company, less $180,620.05 excess of carrying value over par or stated value of stocks of other subsidiaries) .................................................. $1,019,990.40

- Appropriated under rulings of Interstate Commerce Commission .......... 50,277.56
- Appropriated—Sinking fund reserves .................................... 114,856.50
- Funded debt retired through income and surplus ...................... 196,044.40
- Earned surplus, as annexed (Notes 1, 2 and 3) ....................... 7,411,477.71

9,192,646.57
$41,344,763.24
$77,331,083.68

The Notes on page 21 are an integral part of this Balance Sheet.
# THE LEHIGH COAL AND NAVIGATION

## CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1942

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earnings</td>
<td>$31,760,112.14</td>
</tr>
<tr>
<td>Operating expenses, excluding taxes and provision for depreciation and depletion</td>
<td>27,451,687.35</td>
</tr>
<tr>
<td>Railroad rental</td>
<td>$2,346,182.92</td>
</tr>
<tr>
<td>Dividends</td>
<td>90,162.00</td>
</tr>
<tr>
<td>Interest</td>
<td>43,706.19</td>
</tr>
<tr>
<td>Adjustment of special provision for doubtful accounts</td>
<td>171,400.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>96,465.68</td>
</tr>
<tr>
<td>Taxes, other than Federal income and excess-profits taxes</td>
<td>$1,473,189.79</td>
</tr>
<tr>
<td>Provision for depreciation and depletion</td>
<td>1,087,426.03</td>
</tr>
<tr>
<td>Interest</td>
<td>1,318,935.26</td>
</tr>
<tr>
<td>General expenses</td>
<td>401,011.65</td>
</tr>
<tr>
<td>Loss from damage to canal by flood</td>
<td>453,365.45</td>
</tr>
<tr>
<td>Income before provision for Federal income taxes</td>
<td>$2,322,413.40</td>
</tr>
<tr>
<td>Provision for Federal income taxes (Note)</td>
<td>527,422.35</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,794,991.05</td>
</tr>
<tr>
<td>Income apportioned to minority interests</td>
<td>2,671.02</td>
</tr>
<tr>
<td>Income available to The Lehigh Coal and Navigation Company and subsidiaries</td>
<td>$1,792,320.03</td>
</tr>
</tbody>
</table>

**Note:** A Federal income tax return is being filed on a consolidated basis and it is believed that no excess profits tax is payable for the year 1942.
COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

for the year ended December 31, 1942

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 1942</td>
</tr>
</tbody>
</table>

Deduct:

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment for bonds canceled through sinking fund</td>
</tr>
<tr>
<td>Adjustment for minority interests</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Balance, December 31, 1942 | $1,019,990.40 |

NOTES TO CONSOLIDATED BALANCE SHEET

Certain investments in subsidiary companies having a par value of $11,769,600, carried in the accounts of the respective companies at $8,407,502.77, eliminated in consolidation, are pledged under the funded debt.

Notes:

1. Of these investments, certain securities with a book value of $3,175,110.71, had an indicated value of $1,830,606.26 based on market quotations at December 31, 1942. The remaining securities included herein are not quoted.

2. The Lehigh and New England Railroad Company purchased and redeemed certain of its bonds at $13,898.18 less than par, and credited the amount of $13,898.18 to Profit and Loss (Surplus) under regulations of the Interstate Commerce Commission. Profit and Loss was charged with $7,245.84, representing unextinguished discount and excess of face value over proceeds of bonds sold to trustee of sinking fund.

3. The Lehigh Coal and Navigation Company purchased certain of its bonds during 1942, at $199,177.57 less than par. The latter amount, together with $225,270.75 arising from the same source in prior years, less $284,594.40 applicable to bonds retired during 1942, or an aggregate of $139,853.92 is included in the credit balance of deferred and suspended accounts.

4. Includes real estate and real estate improvements aggregating $1,037,673.70 not used in operations.
LEHIGH NAVIGATION COAL COMPANY INCORPORATED

Main Office
FIDELITY PHILADELPHIA TRUST BUILDING • PHILADELPHIA, PA.
Telephone: KINGSLEY 2610

Branch and Sales Offices

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SPRINGFIELD, MASS. • Third National Bank Bldg., Springfield 4-5697

DETROIT, MICH. • J. W. Dykstra & Co. • Cadillac 5554
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