Annual Report
and
Consolidated Balance Sheet
of
MACK TRUCKS, INC.
and Subsidiary Companies

December 31, 1926
MACK MODEL AB CHAIN DRIVE — CONTRACTOR'S SPECIAL — EQUIPPED WITH MACK STEEL BODY AND MACK SCREW HOIST

MACK MODEL AC — TRUCK WITH TRAILER
MACK 4 CYLINDER CITY TYPE BUS (Either Gas or Gas Electric)

MACK MODEL AL—6 CYLINDER PARLOR CAR (Gas or Gas Electric)

BUS CHASSIS USED IN COMMERCIAL WORK
MODEL AB — TRIPLE COMBINATION PUMPING ENGINE
CHEMICAL AND HOSE CAR

MODEL AC — AERIAL HOOK AND LADDER TRACTOR
(All AC Fire Apparatus Furnished in 4 and 6 Cylinders)
TO THE STOCKHOLDERS OF
MACK TRUCKS, INC.

Your Directors submit herewith consolidated balance sheet and profit and loss statement of Mack Trucks, Inc., and subsidiary companies (including Mack Acceptance Corporation and Mack Trucks Real Estate, Inc., which were not incorporated in consolidated balance sheet of Mack Trucks, Inc., for the year 1925) prepared by Arthur Young and Company, Members American Institute of Accountants, showing the condition of your Company as of December 31, 1926 compared with December 31, 1925.

Sales for the year 1926 were $69,032,203.48.

The combined net earnings for the year were $8,852,453.09 which, after paying dividends of 7% on the first and second preferred stock, amount to $10.81 per share on the outstanding 713,434 shares of common stock.

During the year the regular dividends of 7% were paid on the first and second preferred stock amounting to $1,136,617.36, and four quarterly dividends of $1.50 (amounting to $6.00 for the year) on the common stock, or $3,977,286.08.

Your attention is called to the excellent financial condition of your Company, with net quick assets amounting to $50,907,730.31 and particularly to the reduction in notes payable, the total of which, as of December 31, 1926, amounted to only $1,805,000.00 as compared with $13,743,500.00 on December 31, 1925 (Mack Acceptance Corporation). As the $1,805,000.00 has been retired since the end of the year, your Company now enjoys the unique position of being entirely without bank loans or discounted customer’s paper.

The plants have been fully maintained and the maintenance cost charged to operating expense. In addition $1,615,259.40 has been charged off as depreciation. The inventory has been priced at cost or market whichever was lower. No obsolete materials have been included in the inventory. All new trucks and buses are priced at cost. Used trucks and buses in inventory are less in number than last year and are marked down to lower values than current resale prices. Ample reserves have been set up for contingencies.

Your Company retains its leadership in the high quality field and produces more high-grade buses and heavy-duty trucks - 2 tons and up — than any other company.

During the last five years the truck and the bus have greatly enlarged their field of operation. This condition is likely to continue for some years. The operation of trucks and buses is now recognized as a business which in the future will be conducted by well-established and financially sound concerns.
Because the service rendered by trucks and buses is income producing, your management and Directors believe the sale of such equipment on time is justified when safe-guarded by sound credit policies. Your company is especially fortunate in having ample capital to extend credit to financially responsible and well-established operators.

During the year 1926 your Company has taken the leadership in correcting abuses which were creeping into the truck industry because of too easy credit terms. Early in the year the policy was adopted of confining its sales to financially responsible and well-established individuals, or firms, or to those whose prospects for successful operation justified the granting of credit.

Such customers are required to make a substantial down payment and to demonstrate their ability to pay the balance within a reasonable time. There are indications that some of the other better managed truck and bus manufacturers are endeavoring to improve the terms on which they sell their product. The effect of the new terms has been to reduce, temporarily, the volume of sales to the extent that the less desirable class of business is being eliminated. The ultimate effect of the new terms will be to improve conditions in the trucking and bus business by removing uneconomical competition and losses due to repossessions.

This new policy was not adopted by your Company because of losses that had been incurred, but because of the conviction that unless the tendency toward unsound terms was corrected, losses would inevitably occur in the future.

Because of the better class of business taken since July 1926, and the payments on sales previously made, and the repossession of trucks from buyers who were unable to pay, the notes and obligations now held by your Company are of high quality and no losses are anticipated or expected.

Operations for 1927 have been carefully budgeted. Expenses will be materially reduced and many economies will be effected. In the event the anticipated volume of business is secured the operations for the year should be very satisfactory.

The President takes this opportunity to express his appreciation of the loyal efforts of the employees and of the ever increasing spirit of cooperation which is being manifested.

FOR THE DIRECTORS

A. J. Brosseau
President

New York City
February 23, 1927
# Consolidated Balance Sheet at December 31, 1926

**Mack Trucks, Inc.**

( Including Mack Acceptance Corporation )

<table>
<thead>
<tr>
<th>Assets</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$3,075,306.30</td>
<td>$5,782,125.31</td>
</tr>
<tr>
<td>Accounts and Notes Receivable</td>
<td>30,418,457.80</td>
<td>33,828,392.87</td>
</tr>
<tr>
<td>Inventories</td>
<td>23,870,089.08</td>
<td>25,914,355.29</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$57,363,853.18</td>
<td>$65,524,873.47</td>
</tr>
<tr>
<td><strong>Balance Receivable from Employees Under Stock Allotment</strong></td>
<td>$2,012,954.35</td>
<td>$1,725,197.01</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>$1,332,315.58</td>
<td>$1,095,024.77</td>
</tr>
<tr>
<td>Buildings and Building Equipment</td>
<td>11,928,576.60</td>
<td>8,345,294.74</td>
</tr>
<tr>
<td>Machinery and all other Equipment</td>
<td>15,206,694.28</td>
<td>11,694,069.01</td>
</tr>
<tr>
<td>Less: Reserve for Depreciation</td>
<td>$28,467,586.46</td>
<td>$21,134,388.52</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>$20,512,216.06</td>
<td>$14,794,331.52</td>
</tr>
<tr>
<td><strong>Sundry Investments</strong></td>
<td>$361,265.70</td>
<td>$76,589.70</td>
</tr>
<tr>
<td><strong>Deferred Charges</strong></td>
<td>$332,431.32</td>
<td>$608,689.65</td>
</tr>
<tr>
<td><strong>Licenses, Patents, Patent Rights and Goodwill</strong></td>
<td>$2,438,864.94</td>
<td>$2,434,864.94</td>
</tr>
</tbody>
</table>

**Total Assets:**

- **1926:** $83,021,639.55
- **1925:** $85,164,546.29
DECEMBER 31, 1926 AND DECEMBER 31, 1925

### LIABILITIES & CAPITAL:

#### CURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes Payable (Mack Acceptance Corporation)</td>
<td>$1,805,000.00</td>
<td>$15,743,500.00</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>1,479,474.82</td>
<td>3,439,794.22</td>
</tr>
<tr>
<td>Accrued Accounts</td>
<td>1,678,150.54</td>
<td>2,006,231.68</td>
</tr>
<tr>
<td>Customers’ Deposits</td>
<td>108,797.51</td>
<td>211,554.16</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>$5,071,422.87</strong></td>
<td><strong>$21,401,080.06</strong></td>
</tr>
</tbody>
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#### RESERVES:

<table>
<thead>
<tr>
<th>Description</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Current Year’s Federal Income Taxes</td>
<td>$1,384,700.00</td>
<td>$1,568,500.00</td>
</tr>
<tr>
<td>For Contingencies</td>
<td>1,520,949.58</td>
<td>1,547,431.61</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>$2,905,649.58</strong></td>
<td><strong>$3,115,931.61</strong></td>
</tr>
</tbody>
</table>

**SECONDS 6% NOTES SERIES “A,” 1926-1940**

Mack Trucks Real Estate, Inc. $2,800,000.00 $3,000,000.00

**EQUITY OF MINORITY STOCKHOLDERS IN SUBSIDIARIES**

<table>
<thead>
<tr>
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<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY OF MINORITY STOCKHOLDERS IN SUBSIDIARIES</td>
<td>$10,010.21</td>
<td>$12,728.38</td>
</tr>
</tbody>
</table>

#### CAPITAL STOCK:

<table>
<thead>
<tr>
<th>Description</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>1ST PREFERRED 7% CUMULATIVE STOCK.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized — 109,219 shares of a par value of $100 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued — 109,219 shares of a par value of $100 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2ND PREFERRED 7% CUMULATIVE STOCK.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized — 53,478 shares of a par value of $100 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued — 53,317 shares of a par value of $100 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMON.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized — 1,000,000 shares of no par value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued — 713,434 shares of no par value</td>
<td>$20,164,225.44</td>
<td>$19,619,790.44</td>
</tr>
<tr>
<td>Allotted under subscription contract — 68,693 shares</td>
<td>$29,606,702.56</td>
<td>$19,289,936.56</td>
</tr>
<tr>
<td>782,127 shares</td>
<td>$38,015,015.80</td>
<td></td>
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</tbody>
</table>

#### SURPLUS:

<table>
<thead>
<tr>
<th>Description</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Surplus, being excess consideration on Common Stock</td>
<td>$22,463,628.89</td>
<td>$18,725,079.24</td>
</tr>
<tr>
<td>included in Stated Capital</td>
<td>$29,606,702.56</td>
<td>$19,289,936.56</td>
</tr>
<tr>
<td>Earned Surplus</td>
<td>$22,463,628.89</td>
<td>$18,725,079.24</td>
</tr>
<tr>
<td><strong>Total Surplus</strong></td>
<td><strong>$52,070,331.45</strong></td>
<td><strong>$38,015,015.80</strong></td>
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$83,021,639.55 $85,164,546.29
MACK TRUCKS, INC., AND SUBSIDIARIES
( Including Mack Acceptance Corporation and Mack Trucks Real Estate, Inc.)

CONSOLIDATED STATEMENT OF EARNINGS
FOR YEAR ENDED DECEMBER 31, 1926

Net Profit for Year after providing for Depreciation but before providing for Reserve for Federal Taxes ........................................... $10,237,153.09

Deduct:
Reserve for Federal Income Taxes ........................................... 1,384,700.00

$ 8,852,453.09

CONSOLIDATED STATEMENT OF SURPLUS
AT DECEMBER 31, 1926

SURPLUS AT DECEMBER 31, 1925,
per Certified Accounts ..................................................... $37,900,233.00

Add:
Surplus not then Consolidated —
Mack Acceptance Corporation........... 76,613.86
Mack Trucks Real Estate, Inc........... 38,168.94

$38,015,015.80

Add:
Net Profit for 1926, per accompanying statement of earnings........... 8,852,453.09
Additional Common Stock issued........... 9,530,386.00
Additional Common Stock Allotted........... 786,380.00

$57,184,234.89

Deduct:
Cash Dividends on 1st Preferred,
2nd Preferred and Common Stocks from January 1, 1926 to December 31, 1926........... 5,113,903.44

SURPLUS AT DECEMBER 31, 1926........... $52,070,331.45

CERTIFICATE OF AUDITORS
We have audited the books and records of MACK TRUCKS, INC., AND SUBSIDIARIES (including Mack Acceptance Corporation and Mack Trucks Real Estate, Inc.) for the year ended December 31, 1926. We hereby certify that, in our opinion, the Consolidated Balance Sheet and Statement of Earnings prepared therefrom correctly set forth the consolidated financial position of Mack Trucks, Inc., and Subsidiaries, including Companies mentioned above, at December 31, 1926, and the consolidated result of operations for the year ended that date.

ARTHUR YOUNG & COMPANY,
Members American Institute of Accountants.
BOARD OF DIRECTORS

A. J. Brosseau, Chairman

F. B. Adams
J. A. Bower
W. A. Bradford
T. L. Chadbourne
Wm. E. Corey
H. W. Croft
E. C. Fink

EXECUTIVE COMMITTEE

A. J. Brosseau, Chairman

J. A. Bower
W. A. Bradford
T. L. Chadbourne

TRANSFER AGENT OF STOCK

Guaranty Trust Company, New York City

REGISTRAR OF STOCK

Bankers Trust Company, New York City

OFFICERS

A. J. Brosseau, President
R. E. Fulton, Vice President
E. C. Fink, Vice President
A. F. Masury, Vice President
W. R. Edson, Vice President
J. E. Savacool, Vice Pres. & Comptroller
C. W. Haseltine, Secretary-Treasurer
T. V. Homan, Asst. Sec. & Asst. Treas.
R. G. Castleman, Asst. Treasurer
F. R. Harrison, Asst. Secretary
I. G. Hopkins, Asst. Treasurer
H. S. Conklin, Auditor
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Thos. E. Rush
W. Hinckle Smith
Andrew V. Stout
Albert H. Wiggin

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I. G. Hopkins, Asst. Treasurer
H. S. Conklin, Auditor
If the One Hundred and Four Mack Branches, the three great Factories and the homes of the workers were brought together from every quarter of the United States and assembled at one point, the result would be as shown in the above picture.

Building a Motor Truck or Bus is Only the First Gesture of a Big Undertaking

From the time the first completed chassis rolls from the shop, it takes years of practical road testing and experimenting to bring succeeding units to the point where they can be considered in any way as dependable commercial transport vehicles. In addition to the necessity for this definite background, measured in terms of experimental years, the whole must finally be supported by progressive and intelligent service, or the product can never be classed as the highest type of investment.

The Mack Background

The Corner Stone of the City of Mack was laid in the year 1906. Its present resources exceed Fifty Million Dollars—an excellent assurance that every investment in a Mack product will continue to be protected.

MACK TRUCKS, Inc.

23 Broadway

INTERNATIONAL MOTOR COMPANY

New York City

One hundred and four direct MACK Factory Branches operate under the titles of: "MACK-INTERNATIONAL MOTOR TRUCK CORPORATION," "MACK MOTOR TRUCK COMPANY," and "MACK TRUCKS OF CANADA, LTD."