ANNUAL REPORT

OF

# THE EAGLE-PICHER LEAD COMPANY AND SUBSIDIARIES

EAGLE EP PICHER

November 30, 1941

## ANNUAL REPORT

# The Eagle-Picher Lead Company and Subsidiaries

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To the Stockholders of
THE EAGLE-PICHER LEAD COMPANY:

The annual report of your Company for the eleven months fiscal period ended November 30, 1941 is submitted herewith, together with financial statements as reported upon by Messrs. Barrow, Wade, Guthrie & Company, Accountants and Auditors.

Annual reports are customarily devoted to presentation of the operating results of the period under review and the financial position of the company at the balance sheet date; comment upon the factors contributing to those results and financial position; and an expression of opinion as to the immediate future outlook for the company and the industry. At the present time, however, the crisis in which our nation is involved far transcends in importance the personal interests of any individual or group of individuals. It is a time that should provoke every citizen to consider the course the nation must follow to win the war and in what manner and to what extent he can contribute to the general effort; a time which leaves no room for differences of opinion as to the extent of national obligations and national peril, but demands national unity and complete exemplification of the name "United States". To achieve victory requires the confidence born of understanding. No possibility of failure can be admitted, but, if such a danger exists, it lies in complacency—and only the uninformed is complacent. To be informed one needs a clear understanding of the issues involved; a clear concept of the extent to which the war demands will tax the physical and financial resources of the country; a clear concept of the processes by which industry must work to meet the demands imposed upon it; preparation for the serious dislocations which will be experienced by many lines of business; appreciation of the strain which will be placed upon temperaments; and stern realization of the fact that many old traditions must be discarded and that conventional formulae of human and national behavior must be revised to meet changed world conditions. In an attempt to contribute to a broader appreciation of these facts and factors, your Management, like the management of many other corporations who are in almost constant contact with the governmental agencies charged with intensive prosecution of the war effort, is presenting something more than a mere financial report.

Individually, you have already felt, in varying degree, the impact of changes in the national economy resulting from the war. These changes will continue and will be accelerated and accentuated—and no man can escape their effect. No longer can the people of a nation at war go about "business as usual", and leave the work of winning to the Armed Forces. The personnel of the Army, the Navy, the Air Corps, and auxiliary services—however heroic—can not win without the undivided support of the great body of the American public in providing the required money, equipment and skills. However, individually, you will become increasingly conscious of these effects as the tempo of the transition to a war economy quickens. It is your Management's desire in this report to bring you to a clearer understanding of industry's contribution to the war effort.

The most immediate and visible effect upon corporate earnings results from the rising tide of taxation. The financial demands of this war surpass all previous standards and are beyond the conception of nearly all of us. The tax burden is already heavy, but even heavier impositions are under consideration by the Congress. Appropriations to date have been enormous, but even larger ones must be expected. But the appropriation of money is effective only if translated into manpower and productive capacity—promptly, efficiently and continuously applied to the task at hand. It is here that industry—with its essential human aggregations of engineering, research, production and management talents—plays its most effective part.

It is now more than a year since the President proclaimed a state of national emergency. During that time much has been accomplished, but much more remains to be done. For years the Axis Powers have been building up their productive facilities and these have been greatly augmented by the resources of occupied countries. The Allied Nations can only achieve superiority in the air, on the land and on the sea by overtaking and surpassing that productive capacity—and the day of victory will depend upon the rapidity with which that capacity is overtaken and surpassed. The supplying of the enormous volume of equipment required for waging modern warfare places a hitherto inconceived burden upon the vast productive capacity of American industry—but a burden which industry is manfully shouldering and will carry forward to a successful conclusion.

How long the war will last or what its cost will be in human life and suffering, in property, and in the destruction of cherished emblems of civilization, no one can foresee. There can be but one conceivable outcome—final victory for our cause and complete substantiation of those principles for which we and our allies are fighting. But even with the defeat of the aggressors, our job will not be completed. The demand upon industry in the post-war period will be as great or greater than during the actual conduct of military operations. Some adequate means must be worked out for maintaining employment during the period of transition from war to peace. Undoubtedly the economic demands will be endless and varied, and economic power must be provided to supply these demands. Your Management is aware of these problems and is earnestly striving to anticipate their implication to your Company and to prepare it to meet them.

We now turn to the record of the Company's operations during the period herein reported upon.

## Earnings and Sales

During the period under review, your Directors authorized a change in the fiscal year of the Company from December 31 to November 30, in order to reflect more accurately the normal cycle of operations. As a result, the current income account covers only an eleven months period. However, the accomplishments compare favorably with those for the full year of 1940 and, hence, no attempt has been made to adjust the latter figures to a directly comparable basis. Consolidated net profit for the current period, after all charges including depletion and depreciation, taxes and the appropriation of $500,000 to a reserve for future decline in inventory values, was $1,423,666.26 or $1.55 per share on the common stock, after providing for preferred dividends, as compared to $1,290,160.18 or $1.40 per share for the full year 1940.

As a result of governmental control of the prices of strategic metals, there has been little change in average zinc and lead prices during the period under review. The price of zinc at St. Louis averaged $7.41 per cwt. during the current period, as compared to $6.34 for 1940; and the price of lead at New York averaged $5.79 per cwt. during the current period, as compared to $5.18 for 1940. The price of zinc at St. Louis remained at $7.25 per cwt. from October, 1940, to October, 1941, when the Federal Price Administrator raised the ceiling price to $8.25. The price of lead at the opening of 1941 was $5.50 per cwt., New York. This price was advanced 15c in February and 20c in March, bringing it up to $5.85, at which level it remained throughout the balance of the year. In January, 1942, the price was further advanced to $6.50 with the approval of the Federal Price Administrator.

Net sales for the eleven months ended November 30, 1941, were approximately 31% greater than for the year 1940. It is pertinent to observe that net sales for the full year of 1941 were $40,477,700.00, an increase of approximately $12,500,000.00 or 44% over 1940. Aggregate sales tonnage for the current fiscal period was approximately 13% in excess of the previous year, in which increase all products participated. Although the foregoing indicates that a larger portion of the dollar increase in sales was the result of increased prices rather than increased volume, the higher sales realization was practically offset by increased cost of production and raw materials. This is substantiated by the fact that the gross operating profit ratio showed but a slight increase over the corresponding percentage for the preceding year.

The Northeast Oklahoma Railroad Company, a wholly owned subsidiary, had a net income, after all charges, including interest of approximately $20,000.00 on obligations owned by other companies in the consolidated group, in excess of $127,000.00, in comparison with $108,000.00 for the preceding year.

## Interest Charges

During the first quarter of 1941, it seemed evident that the prospective greater volume of business and rising inventory values would require additional working capital; and it was considered preferable to provide those funds from an increase in our term loan, rather than by short term credits. The accompanying balance sheet reflects bank indebtedness of $4,000,000.00, incurred as of April 1, 1941, and representing an increase of $1,500,000.00 over December 31, 1940. The maturities of this loan are set forth in the explanatory notes following the financial statements. As a result of this additional indebtedness, interest charges of the current fiscal period are proportionately larger than those for the full year 1940.

## Taxes

Taxes paid and accrued during the current fiscal period were approximately $2,090,000.00, equivalent to $2.33 per share on the common stock, in comparison with $985,000.00 or approximately $1.10 per share in 1940. Of the increase of $1,105,000.00, almost 90% is accounted for by increased provision for Federal Income and Excess Profits Taxes, which amounted to $1,400,000.00 or almost three and one-half times the 1940 provision of $414.500,00.

## Dividends

Dividends have been regularly paid during the year on the Company's 6% cumulative preferred stock, and 60c per share was declared and paid on the common stock.

## Balance Sheet

Net working capital at November 30, 1941, as reflected by the excess of current assets over current liabilities, amounted to $7,433,433.22, as compared to $6,935,707.01 at December 31, 1940. However, in December, 1941, as set forth in the explanatory notes following the attached financial statements and given effect to as at November 30, 1941, the contingent obligation in respect of the purchase in 1938 of all shares of beneficial interest in Commerce Mining and Royalty Company was rearranged and converted to a fixed obligation. As a result, a substantial sum was transferred from deferred indebtedness to current liabilities. Hence, when the aggregate of current liabilities and deferred indebtedness is compared with current assets, the improvement in your Company's financial position is more evident. The net working capital so arrived at amounted to $2,916,255.72 at November 30, 1941, in comparison with $1,530,142.79 at December 31, 1940.

Accounts receivable, reflecting the increase in the volume of business transacted by your Companies, increased approximately $1,960,000.00 during the period under review. Inventories of ores, metals and metal-bearing products showed but little change, either in tonnage or dollar value, and are at about the lowest possible levels consistent with present volume of business. Inventories of products and merchandise for resale, manufacturing supplies and stores, and repair parts, maintenance supplies, etc., increased approximately $830,000.00, which increase was essential to current sales volume and to the maintenance of your plants and properties in efficient operating condition under the stress of present operating demands.

Net income for the current fiscal period, before provision for depletion and depreciation of $1,632.160.32 and an appropriation of $500,000.00 for future decline in inventory values (which did not involve a cash outlay), amounted to $3,555,826.58. Cash of $1,500,000.00, realized from increased bank indebtedness, produced funds available from the year's operations of $5,055,826.58. Of this amount, $1,365,594.29 was paid to the former owners of Commerce Mining and Royalty Company; $1,091,300.74 was expended for plant extensions, improvements and replacements; $253,150.00 was paid in connection with the settlement of litigation as explained in a note relating to the attached financial statements; and $564,379.60 was disbursed in dividends to shareholders. These disbursements aggregated $3,274,424.63, leaving a balance retained in the business of $1,781,401.95, which is reflected in working assets required in the conduct of the Company's operations. The necessity for this retention is evidenced by the increase in receivables and inventories commented upon in the preceding paragraph.

## Mining and Smelting Operations

The demand for zinc was accentuated throughout 1941 and pressure for increased production continues. Both zinc and lead are vitally needed in war production and your Management has made every effort to assist in meeting this demand. Milling and smelting facilities were expanded to the fullest practicable extent and plans are presently under consideration for some further extensions. Ore received at mills during the eleven months ended November 30, 1941, aggregated 3,693,000 tons or approximately 12% in excess of the 3,296,000 tons handled during the preceding twelve months. Production of zinc and lead concentrates totalled 224,750 tons, in comparison with 207,150 tons in the previous year. As commented upon in the 1940 report, it was necessary to mine lower grade ores in order to obtain increased production. This factor accounts for the proportionately lower recovery on the tonnage treated.

Stockholders should realize that their mines are presently being worked at a rate which does not lend itself to high efficiency. Likewise, some of the expenditures for added facilities may be of doubtful future value. However, these factors can not now be considered, as maximum production is the governing consideration.

## General

Any attempt to forecast the probable results for the forthcoming fiscal year would be a bold venture indeed. Your mining and smelting operations will doubtless continue at capacity throughout the coming year and the demands of the war program will require that these capacities be increased wherever possible. Operation of your Company's fabricating plants will depend to a major extent upon continued ability to utilize our own production of zinc concentrates; and the availability of metallic lead, now under allocation by the War Production Board, of which your Company is a large purchaser. However, even though sales realization may show a substantial increase, the ratio of net income will doubtless be reduced by increasing cost of labor and purchased supplies and rising levels of taxation.

Your Board of Directors and Management can only again pledge themselves to continued fidelity and loyalty to the trust imposed upon them; to intelligent administration under policies and principles, the soundness of which has been tested and proved by the vicissitudes of nearly a century; and to the maintenance of those traditions which have been built up around your Company. On your behalf, they face the new year with determination, in somber acceptance of the national peril, but with gratification that your Company is privileged to make a substantial contribution to the national effort.

For the Board of Directors,

JOSEPH HUMMEL, Jr.
*Chairman*

JOEL M. BOWLBY,
*President*

Cincinnati, Ohio
February 28, 1942

# THE EAGLE-PICHER LEAD

## CONSOLIDATED BALANCE SHEETS AS AT

ASSETS

| | NOVEMBER 30, 1941 | | DECEMBER 31, 1940 | |
|---|---|---|---|---|
| **CURRENT ASSETS:** | | | | |
| Cash in Banks and on Hand | | $ 1,783,021.60 | | $ 1,622,833.24 |
| Accounts and Notes Receivable—Trade | $ 4,832,052.28 | | $2,884,394.41 | |
| Accounts and Notes Receivable—Other | 158,267.53 | | 146,540.88 | |
| | 4,990,319.81 | | 3,030,935.29 | |
| *Less:* Reserves for Doubtful Accounts and Notes | 418,647.12 | 4,571,672.69 | 380,476.58 | 2,650,458.71 |
| Advances on Purchase Contracts | | 3,520.94 | | 20,530.98 |
| U. S. Treasury Tax Anticipation Notes—at cost | | 50,006.00 | | |
| Inventories of Raw Materials, Work in Process and Finished Products (including products on consignment to customers): | | | | |
| Ores, Metals and Metal-bearing Products—valued at cost or market price of metal content, whichever was lower at balance sheet dates, plus manufacturing costs on Materials in Process and Finished Products | 5,035,139.23 | | 4,569,905.56 | |
| Other Products and Merchandise for Resale—at cost | 688,620.62 | | 422,950.47 | |
| | 5,723,759.85 | | 4,992,856.03 | |
| Manufacturing Supplies and Stores—at cost | 619,683.85 | 6,343,443.70 | 336,208.93 | 5,329,064.96 |
| | | 12,751,664.93 | | 9,622,887.89 |
| **OTHER ASSETS:** | | | | |
| Repair Parts, Maintenance Supplies, etc. | 721,132.08 | | 440,841.32 | |
| Employees' Expense Advances and Loans | 24,400.79 | | 21,708.64 | |
| Miscellaneous Accounts, Advances, etc. | 69,514.84 | 815,047.71 | 20,849.79 | 483,399.75 |
| **FIXED ASSETS:** | | | | |
| Mining Lands and Leases; Mills, Smelters and Fabricating Plants and Equipment; Railroad Properties; Pipe Lines; Automotive and Haulage Equipment; Warehouses; Furniture and Fixtures, etc. (including $64,777.33 excess cost of acquisition over book value of net assets acquired) | 32,240,784.84 | | 31,707,469.53 | |
| *Less:* Reserves for Depletion, Depreciation, etc. | 21,551,550.26 | | 20,404,371.12 | |
| | 10,689,234.58 | | 11,303,098.41 | |
| Construction Work in Progress | 393,648.20 | 11,082,882.78 | 444,762.70 | 11,747,861.11 |
| **SELF-INSURANCE FUND SECURITIES:** | | | | |
| U. S. Government Obligations—at cost (Market value at November 30, 1941—$114,338.44) | | 106,068.44 | | 105,668.44 |
| **OTHER INVESTMENTS:** | | | | |
| Sundry Securities—at cost or estimated recoverable values | 15,619.70 | | 16,697.48 | |
| Common Stock of wholly owned Subsidiary not consolidated | 20,624.74 | 36,244.44 | | 16,697.48 |
| **TREASURY STOCK**—at cost: (SHARES AT Nov. 30, '41) | | | | |
| Preferred ... 65 | 2,330.75 | | 2,330.75 | |
| Common ... 5,924 | 21,797.56 | | 21,797.56 | |
| Common—purchased by Subsidiary for resale ... 6,458 | 88,984.17 | 113,112.48 | 120,554.17 | 144,682.48 |
| **PREPAID AND DEFERRED CHARGES:** | | | | |
| Prepaid Freight, Insurance, etc. | 202,024.66 | | 161,564.76 | |
| Royalty Advances | 19,849.99 | | 42,898.05 | |
| Other Deferred Charges | 275,556.59 | 497,431.24 | 223,698.55 | 428,161.36 |
| **PATENTS, GOODWILL, ETC.** | | 1.00 | | 1.00 |
| | | $25,402,453.02 | | $22,549,359.51 |

## MPANY AND SUBSIDIARIES

### NOVEMBER 30, 1941 AND DECEMBER 31, 1940

### LIABILITIES

| | NOVEMBER 30, 1941 | | DECEMBER 31, 1940 | |
|---|---|---|---|---|
| **Current Liabilities:** | | | | |
| Bank Indebtedness (Note "A") | | $ 500,000.00 | | $ 500,000.00 |
| Purchase Money Obligation (Note "B") | | 898,663.68 | | |
| Accounts Payable | | 1,362,871.69 | | 1,361,480.42 |
| Quarterly Dividend on Preferred Stock—payable Jan. 2, 1942 | | 8,233.50 | | 8,233.50 |
| Dividend on Common Stock—payable December 20, 1941 | | 265,972.80 | | |
| Accrued Liabilities: | | | | |
| Taxes—other than taxes on income | $ 229,902.94 | | $ 185,571.31 | |
| Wages and Salaries | 297,526.69 | | 63,206.31 | |
| Compensation Awards, etc. | 36,952.14 | | 28,405.84 | |
| Provision for Federal and State Taxes on Income | 1,517,724.26 | | 478,040.84 | |
| Other Accrued Liabilities | 170,247.27 | 2,252,353.30 | 28,262.20 | 783,486.50 |
| Customers' Credit Balances | | 30,126.74 | | 33,980.46 |
| | | 5,318,221.71 | | 2,687,180.88 |
| **Deferred Indebtedness:** | | | | |
| Bank Indebtedness (Note "A") | 3,500,000.00 | | 2,000,000.00 | |
| Purchase Money Obligation (Note "B") | 1,017,187.50 | 4,517,187.50 | 3,405,564.22 | 5,405,564.22 |
| **Reserves for Self-Insurance:** | | | | |
| Workmen's Compensation Liability | 212,854.59 | | 215,326.03 | |
| Fire and Tornado Coverage | 70,690.39 | 283,544.98 | 63,926.21 | 279,252.24 |
| **Reserve for Future Decline in Inventory Values** | | 500,000.00 | | |
| **Reserves for Contingencies:** | | | | |
| Appropriated from Capital Surplus as at January 1, 1935 | 600,000.00 | | 600,000.00 | |
| *Less:* Charges to January 1 | 344,611.64 | | 339,241.51 | |
| Charges for Period | 253,150.00 | | 5,370.13 | |
| Restored to Capital Surplus | 2,238.36 | | | |
| | 600,000.00 | — | 344,611.64 | 255,388.36 |
| **Capital Stock:** | | | | |
| Preferred 6% Cumulative: | | | | |
| Par Value $100; redeemable at $105: | | | | |
| Authorized and Outstanding .... 5,554 shares | 555,400.00 | | 555,400.00 | |
| Common—Par Value $10: | | | | |
| Authorized ........ 1,000,000 shares | | | | |
| Issued and Outstanding ....... 900,000 shares | 9,000,000.00 | 9,555,400.00 | 9,000,000.00 | 9,555,400.00 |
| **Surplus:** | | | | |
| Capital Surplus: | | | | |
| Balance at January 1 | 1,898,760.96 | | 1,898,760.96 | |
| Reserve for Contingencies—restored | 2,238.36 | | | |
| | 1,900,999.32 | | 1,898,760.96 | |
| Earned Surplus since January 1, 1935—per accompanying Statement | 3,327,099.51 | 5,228,098.83 | 2,467,812.85 | 4,366,573.81 |
| | | $25,402,453.02 | | $22,549,359.51 |

Contingent Liabilities—See Notes Attached

# The Eagle-Picher Lead Company and Subsidiaries

## CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

For the Eleven Months Ended November 30, 1941 and the Year Ended December 31, 1940

| | ELEVEN MONTHS ENDED *NOVEMBER 30, 1941* | | YEAR ENDED *DECEMBER 31, 1940* | |
|---|---|---|---|---|
| NET SALES | | $36,742,186.87 | | $27,994,175.79 |
| PRODUCTION AND MANUFACTURING COSTS | | 29,461,562.12 | | 22,897,367.04 |
| GROSS OPERATING PROFIT—before Depletion and Depreciation | | 7,280,624.75 | | 5,096,808.75 |
| EXPENSES: | | | | |
| Selling | $ 887,064.18 | | $ 947,775.78 | |
| Traffic, Warehousing and Shipping | 289,726.46 | | 244,862.25 | |
| General and Administrative (Note "C") | 1,140,289.12 | | 883,496.05 | |
| Bad Debt Provision—less Recoveries | 113,215.17 | 2,430,294.93 | 83,289.36 | 2,159,423.44 |
| NET OPERATING INCOME—before Depletion and Depreciation: | | | | |
| Mining and Manufacturing | | 4,850,329.82 | | 2,937,385.31 |
| Northeast Oklahoma Railroad Company | | 334,845.07 | | 281,873.16 |
| | | 5,185,174.89 | | 3,219,258.47 |
| OTHER INCOME: | | | | |
| Royalties | 125,981.48 | | 98,284.85 | |
| Interest and Dividends | 4,550.37 | | 11,384.64 | |
| Miscellaneous | 15,190.24 | 145,722.09 | 26,584.97 | 136,254.46 |
| | | 5,330,896.98 | | 3,355,512.93 |
| INTEREST ON BANK INDEBTEDNESS | | 89,895.82 | | 78,943.76 |
| | | 5,241,001.16 | | 3,276,569.17 |
| DEPLETION, DEPRECIATION, ETC.: | | | | |
| Provision for Depletion and Depreciation—per books | 1,632,160.32 | | 1,343,507.06 | |
| Abandoned Projects, Prospecting Expenses and Loss on Retirement or Sale of Capital Assets | 285,174.58 | 1,917,334.90 | 228,401.93 | 1,571,908.99 |
| NET PROFIT—before provision for Federal and State Taxes on Income | | 3,323,666.26 | | 1,704,660.18 |
| PROVISION FOR FEDERAL AND STATE TAXES ON INCOME: | | | | |
| Federal Normal and Surtax | 586,625.00 | | 382,700.00 | |
| Federal Excess Profits | 764,415.00 | | | |
| State Income | 48,960.00 | 1,400,000.00 | 31,800.00 | 414,500.00 |
| NET PROFIT FOR PERIOD | | 1,923,666.26 | | 1,290,160.18 |
| APPROPRIATION TO RESERVE FOR FUTURE DECLINE IN INVENTORY VALUES | | 500,000.00 | | |
| SURPLUS NET PROFIT | | 1,423,666.26 | | 1,290,160.18 |
| EARNED SURPLUS AT BEGINNING OF PERIOD | 2,467,812.85 | | 1,539,258.60 | |
| Excess Provision for Federal Taxes on Income—restored | | 2,467,812.85 | 24,958.47 | 1,564,217.07 |
| | | 3,891,479.11 | | 2,854,377.25 |
| Dividends Paid and Accrued: | | | | |
| Preferred | 32,934.00 | | 32,934.00 | |
| Common | 531,445.60 | 564,379.60 | 353,630.40 | 386,564.40 |
| EARNED SURPLUS AT END OF PERIOD | | $3,327,099.51 | | $2,467,812.85 |

## Explanatory Notes

(A) *Bank Indebtedness*—Of bank loans aggregating $4,000,000.00, $500,000.00 is due March 31, 1942, and the balance of $3,500,000.00 is due as follows: $500,000.00 in 1943, $750,000.00 each in 1944 and 1945, $1,000,000.00 in 1946, and $500,000.00 in 1947.

(B) *Purchase Money Obligation*—In December, 1941, the contingent obligation in respect of the purchase of all shares of beneficial interest in Commerce Mining and Royalty Company (dissolved), which amounted to $1,907,524.63 at November 30, 1941, was reduced, by agreement, by $124,118.75 and converted to a fixed obligation of $1,783,405.88, payable $155,905.88 in cash and $1,627,500.00 in eight (8) promissory notes, each for the principal sum of $203,437.50, dated December 31, 1941, and payable quarterly with interest at 2% per annum on the last days of March, June, September and December in each of the years 1942 and 1943. The foregoing discount of $124,118.75 has been credited to reserve for depletion and depreciation. The amount shown under current liabilities includes $132,445.30, payable for November, 1941, in respect of the contingent obligation, and all payments due to September 30, 1942, inclusive, under the terms of the revised agreement.

(C) *Suit Compromised*—During the period under review, the suit heretofore reported as pending in the United States District Court at Cincinnati, Ohio, was compromised and settled. This suit was filed in 1937 and grew out of similar suits involving the same issues, which were instituted in 1933 and were subsequently dismissed without prejudice on the motion of the Attorney General of the United States. As set forth on the foregoing balance sheet, the amount of the settlement has been charged to reserve for contingencies appropriated from Capital Surplus as at January 1, 1935. Costs and expenses incident to the defense and settlement of the litigation have been included in general and administrative expenses of the current period.

## Contingent Liabilities

(1) The order of the National Labor Relations Board, previously reported upon, has now been sustained by the United States Circuit Court of Appeals, Eighth Circuit. The amount of the liability thereunder has not yet been determined.

(2) Federal income tax returns are subject to review by the Treasury Department in respect of the current and of the following prior years: (a) The Eagle-Picher Lead Company—1940, (b) The Eagle-Picher Mining and Smelting Company—1939 and 1940 and (c) certain other subsidiaries—1938 to 1940, inclusive.

(3) Other contingent liabilities previously reported upon have now become insignificant or liability thereunder extremely remote.

BARROW, WADE, GUTHRIE & CO.
(ESTABLISHED 1883)
ACCOUNTANTS AND AUDITORS
ONE NORTH LA SALLE STREET
CHICAGO

To the Directors,
THE EAGLE-PICHER LEAD COMPANY,
Cincinnati, Ohio.

We have examined the Consolidated Balance Sheet of The Eagle-Picher Lead Company and Subsidiaries as at November 30, 1941 and the related Consolidated Statement of Profit and Loss and Earned Surplus for the eleven months period then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested the accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination included all procedures which we considered necessary and was made in accordance with generally accepted auditing standards applicable in the circumstances.

In our opinion, the accompanying Balance Sheet and related Statement of Profit and Loss and Earned Surplus, together with notes thereto, present fairly the consolidated financial position of The Eagle-Picher Lead Company and Subsidiaries at November 30, 1941, and the results of their operations for the eleven months period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Barrow, Wade, Guthrie & Co.

Accountants and Auditors

Chicago, Illinois.
January 27, 1942