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ANNUAL REPORT

St. Joseph Lead Company

FOR THE FISCAL YEAR ENDING

APRIL 30, 1913

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St. Joseph Lead Company

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APRIL 30, 1913

OFFICES: 5 Nassau Street, New York, N. Y.
Bonne Terre, Missouri.

ST. JOSEPH LEAD COMPANY

Condensed General Balance Sheet—April 30, 1913.

ASSETS

LAND	6,725,342.16
BUILDINGS AND EQUIPMENT	3,238,337.70
CAPITAL STOCK OWNED	3,480,645.00
WORKING AND TRADING ASSETS	738,660.35
CURRENT ASSETS:	
Cash in Hand and on Deposit	777,745.94
Notes Receivable (Including interest accrued)	1,074,372.67
Accounts Receivable	128,316.75
Total Current Assets	1,980,435.36
DUE FROM AFFILIATED COMPANIES	319,430.74
DEFERRED ACCOUNTS	227,156.48
TOTAL	16,710,007.79

LIABILITIES

CAPITAL STOCK.	
Outstanding 1,000,000 shares of $10.00 each	10,000,000.00
MISSISSIPPI RIVER AND BONNE TERRE RAILWAY LOAN DUE OCTOBER 1, 1931, @ 5%	2,447,931.28
CURRENT LIABILITIES:	
Notes Payable	1,478,362.00
Accounts and Wages Payable	330,523.72
Accrued Accounts	25,356.74
Total Current Liabilities	1,834,242.46
RESERVE FOR DEPRECIATION OF BUILDINGS AND EQUIPMENT	122,903.26
PROFIT AND LOSS SURPLUS	2,304,930.79
TOTAL	16,710,007.79

NOTE.—There is a Contingent Liability at April 30, 1913, of $139,012.92, for Notes Receivable Discounted, including accrued Interest thereon.

Certified by

HASKINS & SELLS,

Certified Public Accountants.

Report Presented to Stockholders at Their Forty-ninth Annual Meeting, May 15th, 1913, for the Fiscal Year Ending April 30th, 1913.

TO THE STOCKHOLDERS OF THE ST. JOSEPH LEAD COMPANY:

The Balance Sheet on the opposite page shows the condition of the company on April 30th, 1913.

Production and net income.

The production of lead from the smelter of the company during the past year has been 66,847 tons. Of this amount 32,109 tons were from purchased ores, 31,296 tons were produced from our own mines and 3,442 tons were from stock at Herculaneum. The average price received for lead at East St. Louis was 4.35, or approximately $87 a ton, there being some increase in the average price for the year. The net income of the company from all sources, after the payment of all expenses and income charges and after setting aside $75,626 for depreciation, was $637,910.37 in comparison with $598,082.52 in 1912. Dividends amounting to $597,300.00 were paid during the year, being 6 per cent. on the outstanding capital stock.

Period from 1906-1913. Change in price of lead

In order that the stockholders may appreciate the situation that has existed with reference to the work and earnings of the company during the last few years, it is desirable to recall the great change in the general industrial situation which occurred during and after the year 1907 as the lead industry was seriously affected by this change. In 1906 the net income of the company was $1,256,545.68, and in 1907 it was $2,038,820.32. For the year 1906 the price of lead at East St. Louis was over $100 a ton, and for the year 1907 it was over $114 a ton. In the following year, 1908, the price dropped to $88 a ton and the net income of the company fell to $657,446.89. While the company had during the years preceding 1908 taken many steps to increase its output and to improve its plants, which for the most part were built many years previous, it was suddenly confronted with a situation that demanded drastic action in all its widely separated departments.

Lead reserve Plant changes.

As the most essential and most beneficial possession it could have was a strong and adequate lead reserve, much time had been devoted and much money had been expended in drilling the lands adjacent to the mines of the company, so that all the deposits that were available at low cost could be secured and so that other companies would not crowd upon its territory. In doing this it was realized that only a portion of the work had been accomplished which was necessary for the broad development of the company into a thoroughly equipped mining concern with a modern power plant, modern mills and a modern smelter. A new mill, then equal to the capacity of any mill in the district, had been built in a new territory and was first in complete operation in the year ending April

30th, 1905. Notwithstanding the improvements in the mining plants of the company which had been made, it was realized more and more each year with the continuance of the low price of lead that has prevailed since 1908 that mining must be done on a large scale to make the work profitable under new conditions and must be confined to as few mines as practicable, and that mills to be profitable in the district must also be capable of handling a very large tonnage with a minimum of loss, and that modern smelting plants must be equipped with every known method of saving lead to accomplish work economically and efficiently. On these accounts it has been necessary for the company to discard old power plants, old mill methods and equipment, old roasting, smelting and refining furnaces, and as rapidly as large mines could be located to abandon mining from scattered shafts which had been the necessary practice for many years.

Improvements in methods.

During this period also various improvements in mining, milling and smelting have been introduced and even some of the later methods adopted by the company have been displaced by newly patented processes, especially in the smelting department where this company was the first in any country to install a large size Dwight-Lloyd sintering plant. These considerations are brought to the attention of stockholders that they may understand the conditions that have prevailed since 1908 and may appreciate the necessity for a considerable expenditure of money. It has been the aim and desire to furnish the company with all needed improvements as soon as plans could be perfected for such improvements. This policy has been necessary for the life and progress of the company, and the ample and newly discovered ore reserves which required that the company should plan for a long future and the surplus of net income available for the purpose made this policy wise and practicable. The pig lead product from mines owned by the company in the year ending April 30th, 1900, was 12,196 tons, and in the year ending April 30th, 1912, was 34,195 tons. The pig lead product from the company's smelter in 1900 was 19,270 tons, and in 1912 was 62,922 tons. The net income of the company in 1900 was $231,294.60, and after reaching its highest point in 1907, was in 1913 $637,910.37, owing mainly to the reduced price of lead.

Purchase of the Leadwood District since 1899.

Since 1899 the Leadwood district, now the main mineral reserve district of the company, was acquired, the Hoffman, Hunt, Day, Eaton, Angel and Prospect Lead Company tracts containing 1631 acres of mineral land having been purchased from the owners. The new mill at Leadwood and the three shafts supplying it with ore and the power plant and other accessory plants have been entirely constructed. Other valuable tracts of land in the Bonne Terre district have also been acquired and by prospect drilling large and valuable ore deposits have been disclosed.

On April 30th, 1900, the company owed $292,319.99, after deducting its cash and bills receivable. In the period from this date until April 30th, 1913, the company expended approximately $4,400,000 in construction work essential for its increasing product and operations, and it has written off for depreciation on property and plant over $2,500,000. No fixed amortization charge has been adopted because the value of the mines has been constantly increased by drilling, and it was not deemed advisable to take up this subject until a reasonable approximation to their full value could be made. Its indebtedness on April 30, 1913, on outstanding notes was $1,478,362, on accounts $355,880, on the note given to the Mississippi River & Bonne Terre Railway, due in 1931, $2,447,931, making $4,282,173, against which amount the company has in cash and notes and accounts receivable over $2,299,866, leaving, without considering the other assets of the company, an indebtedness of $1,982,307, which is funded in the Railway mortgage. This indebtedness, less $300,000, has been incurred since 1907 and represents an expenditure on construction of over $2,400,000. In addition to the cash and notes receivable held, the company owns stocks in other companies conservatively valued at $3,480,645. It is to be noted that the mortgage on the property of the Mississippi River & Bonne Terre Railway is included in the above statement of debt of the Lead Company. The other liabilities as well as the assets of the Railway will appear in the Balance Sheet of that company at the end of this report, where also the Balance Sheet of the Bonne Terre Farming & Cattle Company will be found. Summarizing the entire indebtedness of the companies it appears that the St. Joseph Lead Company owes, less cash, notes and accounts receivable, $1,982,307, that the Mississippi River & Bonne Terre Railway owes, less cash, notes and accounts receivable including its indebtedness on its equipment notes, approximately $800,000, and that the Bonne Terre Farming & Cattle Company owes practically nothing except its indebtedness of $244,450 to the St. Joseph Lead Company. It is, therefore, seen that the three companies with assets conservatively valued as shown on the Balance Sheets included in this report at approximately $19,000,000, less cash, notes and accounts receivable, have a total indebtedness of $3,000,000.

Present indebtedness of Company and subsidiaries

The total amount paid for lands bought by the St. Joseph Lead Company since 1899 has been approximately $300,000. After extensive prospect drilling on properties acquired, large and valuable mines were located. In the years 1902 and 1906 the values of the Hoffman and Hunt mines were increased on the books of the company $5,500,000. These increases were shown in the surplus account of the company and capital stock was issued against them, and they are fully represented by this capital stock which is in the hands of the stockholders. That these mines are even now far more valuable than the increases shown in the books of the company, recent drilling has fully proved. Moreover, since 1904, lead of a gross value of over $15,000,000 has been taken from the property. Additional exploration has greatly extended the territory in the neigh-

Cost and value of lands.

borhood of these mines, but the value of the newly discovered deposits has never been expressed in the Balance Sheet of the company.

Net income and dividends.

In the entire period since its organization the net income of the company has been $15,247,022, while its total cash dividends have been $8,717,486. Since 1899, in which year I was elected Chairman of the Executive Committee, the net income has been $9,785,459, and the cash dividends paid have been $5,650,486. In the year 1906 the excess of net income over dividends was $884,858, and in the year 1907 the excess was $1,438,820. Since 1907, owing to the low price of lead the excess for the period has been only $765,637. Under these circumstances it has been deemed advisable to maintain the permanent value of the stock as a dividend paying investment for the benefit of stockholders.

Many important improvements are yet under way and it may be desirable for the company to make still further extensions to its plant, but when the improvements now in process of completion are finished there is likely to be a great addition to the net income of the company, and before undertaking further expenditures it is deemed desirable to go over the whole situation with respect to the ore reserves and plants of the company. The savings to be effected in the immediate future include those resulting from the larger stopes in the mines, the abandonment of old steam plants and the introduction of Hancocks jigs and other modern mill machinery at Bonne Terre and also from the mine, mill and power improvements at Leadwood. It is also expected that from the many new and systematic methods and the recently erected large flue at Herculaneum and the new Bag House now in course of construction, material savings will be effected in the smelting department.

Price of lead since 1908.

During the years since 1908 the price of lead received by the company at East St. Louis has been for fiscal years as follows: 1909, $81 a ton; 1910, $85 a ton; 1911, $84 a ton; 1912, $83 a ton; 1913, $87 a ton.

I deem it of importance to stockholders to call their attention to the excellent statistical position of lead as shown by the following quotation from the Metallgesellschaft Annual Issue of the Comparative Statistics of lead, copper, spelter, etc., published at Frankfort-on-Main, July, 1912:

World's production of lead

> "After five years uninterrupted increase, the world's production of pig lead last year once again showed a falling off, the total being 21,900 tons (*i. e.* 1, 9%) less than in 1910, whilst in 1910 we recorded an increase of 47,700 tons or 4, 4% over 1909.
>
> "Nearly the whole of the decrease in the world's output of pig lead is attributable to Europe where, including Asia Minor, only 480,400 (gross) tons (or 43% of the world's output) was produced in 1911 as compared with 505,400 tons in the preceding year and 513,200 tons in 1909. The most serious decline is in the export of lead from Spain,

which exports in the absence of reliable data regarding Spain's lead production, we have hitherto inserted in our statistics in place of production. In the year 1911, the quantity of lead exported from Spain was 171,600 tons as compared with 191,900 tons in 1910. Spain's exports of lead in 1911 constituted 15. 4% of the world's output. Despite this large decrease, Spain still stands first among the European lead-producing countries."

While there are no official statistics for the year 1912 yet published, in a review of the price and production for the year 1912, in the *Mining Journal*, London, January 25th, 1913, the statement is made that the price for the year was 29% higher than for 1911, and the conclusion is reached that during the year 1912 there has been little if any increase output, while the additional requirements of industry have been unusually heavy. The United States statistics for the year 1912 also show that there has been an increase of 10,000 tons in the product in this country, but that the product of the State of Missouri was 20,000 tons less in 1912 than it was in 1911. A normal increase in the consumption of lead is shown from year to year, and the great activity in electrical work both in Europe and in this country indicates that the price will advance to a higher point than it reached in 1906 and 1907. During September, 1912, lead in London and in New York sold at practically $100 a ton, but has unfortunately receded for a time. In view of these considerations and of the work that has been accomplished in securing lead reserves for the company and in rebuilding and reorganizing its plants and mining operations, it is believed that the stockholders will in the future find much cause for satisfaction in their continued loyalty to the company. Lead in 1912.

Such improvements as have been made on the surface lands of the company have resulted in causing an increase in the value of other real estate held by it. These improvements have made Bonne Terre one of the most attractive and progressive towns in Missouri, a fact which has been strikingly recognized by Congress in its recent appropriation of $50,000 for a Post Office at that place to be located on land donated by the company, and such outlay as has been made in benefiting and aiding the communities where work is carried on has brought substantial and satisfactory returns to the company in many ways. All stockholders are urgently requested to inspect their property as the best method of forming just conclusions in regard to it. Efforts to improve the communities, extending over many years will be evident upon even a short visit. Much work has been done to improve the situation for employees, and a very satisfactory letter has been received within a few weeks from the expert appointed by the Bureau of Labor of the Department of Commerce and Labor in reference to the smelting plant at Herculaneum, congratulating the company upon its endeavors to protect workmen against the danger of dust and fumes and stating Surface and community improvements.

that from the point of view of sanitation the plant is in most excellent condition and that the company houses form a strong contrast to the workmen's dwellings seen in many places. While the management feels that it is no more than its duty to take these precautions it nevertheless is gratified to know that its efforts in this case have been appreciated.

The mortgage on the Mississippi River & Bonne Terre Railway.

The aim of the company has been at all times to comply with all laws of the State of New York, the State of Missouri and the United States, and it is the purpose and wish to obey these laws. The directors followed the advice of eminent Missouri Counsel, who consulted with New York Counsel, in authorizing the mortgage on the Mississippi River & Bonne Terre Railway, all the stock of which, except directors' shares, is owned by the company. They believed that in reliance upon this advice they were justified in borrowing money on this asset of the Lead Company which was liable for its debts. They felt that, as they could use the stock of the company as collateral, they could therefore, with the consent of all the stockholders of the Railroad, mortgage the property of the company in order to save interest and benefit both companies. The Counsel of the company are still of the opinion that the mortgage was legally made under the Missouri laws. Nothing but benefit has resulted from the transaction to either company.

Advances to the Doe Run Lead Co.

In making advances to the Doe Run Lead Company on the ore account with that company it was felt that having provided for the increase of their own product, by securing ample lead reserves and by building a new mill, it was for the business interests of the stockholders of the St. Joseph Lead Company to further the increase in the ore output of the Doe Run Lead Company, as this output was and is handled at the smelter of the St. Joseph Lead Company and over the Railroad of that company. At the time the advances were made the Doe Run Lead Company owned some stock in the St. Joseph Lead Company, but it was not thought that this stock ownership affected the advances. They were not made in any spirit of disregard of the law, and they have proved beneficial in fact to the stockholders of the St. Joseph Lead Company. The indebtedness for these advances now amounts to $900,000, $100,000 having been paid by the Doe Run Lead Company within the past two months. The balance bears interest at 6%, and although not payable by its terms until 1915, it will probably be discharged much sooner if this is desired by the St. Joseph Lead Company. The ore output of the Doe Run Lead Company for April, 1913, was over 4,200 tons of lead concentrates, valued at approximately $179,000. The business of the St. Joseph Lead Company as a lead producer and refiner and as the owner of an industrial Railroad necessary for its own purpose is much more valuable with the large ore and concentrate product of the Doe Run Lead Company to handle, than without it. It is of great importance that this business should be retained and that the alliance with the Doe Run Lead Company should be continued in some shape. The smelting contract between the St. Joseph Lead Company and the Doe Run Lead

Smelting contract with Doe Run Lead Co.

Company was approved by the Board of Directors of the St. Joseph Lead Company and is a fair contract to that company. It was executed by the Vice-President of the St. Joseph Lead Company and the Vice-President of the Doe Run Lead Company. In the State of Missouri it has been criticized as unfair to the Doe Run Lead Company, while in the State of New York it is criticized as unfair to the St. Joseph Lead Company. The contract was made for a period of three and one-half years, of which period one year has already expired. It provides that the concentrates of the Doe Run Lead Company shall be purchased at the market price with a fixed charge of $6 for smelting and a deduction of ten per cent. for loss. It also contains a provision that an average price for the year of not less than four cents shall be paid for the lead in the concentrates. The average price of lead has not been below four cents at East St. Louis for over twelve years, and while I was unwilling to agree to a provision that the price should be 4:20c., I felt that the price as fixed was safe so far as the St. Joseph Lead Company was concerned, and that it was a desirable contract for the company to make, and therefore recommended it to the Board of Directors. To the present time the price of lead at East St. Louis has been considerably over the limit fixed in the contract. The contract contains a provision allowing the alteration of its terms, with the consent of the Trustee of the Mortgage, and if it should work a hardship upon either company I should deem it my duty to have it altered so that it would be fair to each. It is not my purpose to discuss in this report the affairs of the Doe Run Lead Company except as they affect the stockholders of the St. Joseph Lead Company. The directors of the Doe Run Lead Company are responsible to the stockholders of that company and are fully assured that they are carrying on its business in accordance with the wishes of a large majority of those stockholders.

Fair policy to employees.

It has been the policy of the management of the St. Joseph Lead Company to treat its employees fairly for many years. Great advantages have come to the company from this policy, especially because a competent, careful and effective corps of operating heads has been developed. If a consolidation of the St. Joseph Lead Company and the Doe Run Lead Company could be effected, there is no doubt but that a substantial reduction of expenses could be made, and that more freedom could be obtained in carrying on the joint operations of the companies. It is, therefore, to be hoped that such a consolidation can be brought about. If this is impracticable, the directors of the St. Joseph Lead Company expect to take up all questions of policy affecting the general affairs of the company, and all questions of internal management and shall make such changes as they deem advisable. This company was organized in the State of New York in 1864, and its existence has been extended in perpetuity in this State. It was, therefore, born here and it has developed and grown by reason of its association with the City of New York. Its directors and stockholders are mainly outside of the State of

Company essentially a New York organization.

Missouri, and while its mines are there, the important questions of management and policy have been determined by its directors who have always met in the City of New York. Its lead has always been sold at this point where the facilities for selling a large output are greater than anywhere in the country. Moreover, its main financial affairs have always been conducted in New York, its credit has been established here, and it is of the utmost importance to the company that this broad financial market should be retained.

Combined income and expenses of Companies.

The combined net income of the St. Joseph Lead Company, the Mississippi River & Bonne Terre Railway and the Bonne Terre Farming & Cattle Company has been for the past year $858,915. The companies have paid to labor during the year $1,662,672, to managers, engineers and operating heads in salaries $221,077, and they have paid to General Officers in salaries $89,658. They have paid in dividends to stockholders of the St. Joseph Lead Company $597,300, and to individual stockholders of the Bonne Terre Farming & Cattle Company $303, and have added to the combined surplus accounts of the companies $168,956.

Mississippi River & Bonne Terre Railway.

The work carried on by the Railroad is neither local nor small. It conducts an interstate commerce business and carries over two million tons of freight earning revenue, per year, and 275,000 passengers. It is essentially the road of an industrial plant and in addition to the work of the St. Joseph Lead Company it does all the work of the Doe Run Lead Company, including the handling of its ores from its shafts to the mill and the handling of its concentrates to the smelter of the St. Joseph Lead Company. It also handles the business of the Desloge Consolidated Lead Company, which is brought to it over the railroad of that company, and a portion of the business of the St. Louis Smelting & Refining Company, which is also brought to it by the Electric Line of that company, and at times some of the business of the Federal Lead Company. It gives to the communities in Southeast Missouri the best facilities for reaching the city of St. Louis that they have, and one train a day runs through to the St. Louis Union Station and return. It must be operated in complete accord with the interests of the Lead Company or disastrous results will follow for each company. Its net corporate income for the year ending April 30th, 1913, was $198,499.

Improvements in Road since 1903.

Since 1899 all the buildings, including the station and shops of the Railway at Bonne Terre, have been erected; the Hoffman, Mitchell and Gumbo Branches have been built; the Crawley Branch has been extended, and most of the sidings and switches have been constructed. The Main Line of the Road has been greatly improved by the substitution of permanent structures for temporary ones, and both the freight and passenger business of the company have been extended and continued against threatened and accomplished competition, so that satisfactory returns have come to the St. Joseph Lead Company through the entire period. The traffic agreements now in force with the Iron Mountain Railroad and with other Roads have been made during this period. It is impracticable in this report to bring before the stockholders the details with regard to the work of the Railroad, but they will be gladly furnished. The Bonne Terre Farming & Cattle Company performs valuable service for the Lead Company and carries on all features of the business which relate to the surface rights of that company. It leases and rents all lots and houses, conducts the store and market business at the several towns and attends to all the public work of both companies. On the two following pages will be found the condensed balance sheets of the Mississippi River & Bonne Terre Railway and the Bonne Terre Farming & Cattle Company for the fiscal year ending April 30th, 1913. Bonne Terre Farming & Cattle Co.

Respectfully submitted,

DWIGHT A. JONES,
President.

NEW YORK, May 15, 1913.

MISSISSIPPI RIVER & BONNE TERRE RAILWAY

Condensed General Balance Sheet—April 30, 1913.

ASSETS.

PROPERTY INVESTMENT:	
Road and Equipment:	
Road	2,607,235.07
Equipment	1,180,855.44
Total Road and Equipment	3,788,090.51
Securities Pledged	3,000,000.00
Other Investments	12,187.28
Total Property Investment	6,800,277.79
WORKING ASSETS:	
Cash	23,246.92
Accounts Receivable	107,261.08
Material and Supplies and Other Working Assets	54,101 88
Total Working Assets	184,609.88
ACCRUED INTEREST NOT DUE	10,185.67
DEFERRED DEBIT ITEMS:	
Cash and Securities in Sinking and Redemption Fund	76,118.72
Other Deferred Debit Items	31,498.86
Total Deferred Debit Items	107,617.58
Total	7,102,990.92

LIABILITIES.

CAPITAL STOCK, 30,000 SHARES OF $100.00 EACH	3,000,000.00
FUNDED DEBT:	
First Mortgage, Sinking Fund, 20-year, 5%, Gold Bonds:	
In Hands of Public	2,450,000.00
In Sinking Fund	50,000 00
Note Favor St. Louis Union Trust Co.	500,000.00
Equipment Mortgage 5% Gold Notes	350,000 00
Notes Favor American Car and Foundry Company	61,100.35
Total Funded Debt	3,411,100.35
WORKING LIABILITIES:	
Notes Payable	316,922.00
Traffic and Car Service Balances Due to Other Companies	53,419.69
Accounts and Interest Payable	137,902.52
Total Working Liabilities	508,244.21
ACCRUED LIABILITIES NOT DUE	29,532 06
DEFERRED CREDIT ITEMS	55,124 10
PROFIT AND LOSS SURPLUS	98,990.20
Total	7,102,990.92

BONNE TERRE FARMING AND CATTLE COMPANY

Condensed General Balance Sheet—April 30, 1913.

ASSETS.

PROPERTY:	
Land (Surface Value Only)	431,911.70
Buildings, Bonne Terre	112,370.00
Buildings, Herculaneum	148,145.47
Buildings, Leadwood	101,790.00
Land and Buildings, St. Louis	24,500.00
Water Lines and Sewer System, Bonne Terre	180,232.87
Live Stock and Implements, Bonne Terre Farm	15,353.00
Live Stock and Implements, Herculaneum Farm	917.00
Concrete Block Machines and Moulds	325.00
Total Property	1,015,545 04
WORKING ASSETS	4,729.32
STORE DEPARTMENT (NET)	59,642.59
CURRENT ASSETS:	
Cash in hand and on deposit	7,335.68
Certificate of Deposit	8,000.00
Accounts Receivable	10,394.83
Total Current Assets	25,730.51
TOTAL	1,105,647.46

LIABILITIES.

CAPITAL STOCK—50,000 SHARES OF $10.00 EACH	500,000.00
CURRENT LIABILITIES:	
St. Joseph Lead Company	3,030 81
Miscellaneous Accounts Payable	2,548.86
Taxes Accrued	3,962 85
Total Current Liabilities	9,542.52
CONSUMERS' WATER METER DEPOSITS	1,640 00
ST. JOSEPH LEAD COMPANY—PROPERTY ACCOUNT	244,450.74
PROFIT & LOSS SURPLUS	350,014.20
TOTAL	1,105,647.46