Annual Report of The President

of

THE NATIONAL LEAD TRUST

February 4th, 1891

ANNUAL REPORT

February 4,1891

At the last Annual Meeting of the Shareholders, the Trustees presented a general statement with reference to the organization and operations of The Trust from its inception to the ending of that fiscal year, in which was shown the valuation of the properties and the Profit and Loss Account up to that time.

The capitalization then was $89,447,600, for which certificates were outstanding. There has been no change in the capitalization since that time.

The valuation of the properties at that time was $22,593,600.59, for which Certificates to the amount above stated (on the basis of four for one) had been issued, and $231,700.59 paid in cash.

The Balance Sheet of The Trust at the close of the fiscal year January 31, 1891, shows investments to the value of $24,217,638.61 in the stocks of corporations, our proportion of the assets of the various corporations being represented as follows:

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|---|---|---|
| Plant Investment........................ | | $17,992,989.80 |
| Other Investments....................... | | 459,234.79 |
| Working Capital............ | $6,156,778.27 | |
| Less Mortgages............ | 391,364.25 | 5,765,414.02 |
| Net Value of Corporate Stocks as above............................. | | $24,217,638.61 |
| Cash Assets of The Trust..... | $910,785.80 | |
| Stocks in hands of the Trustees paid for in Cash, for which Certificates have not been issued................ | 231,700.59 | 1,142,486.39 |
| Total Assets January 31, 1891.......... | | $25,360,125.00 |

Some slight changes have been made in the report as read to simplify the statements.

The net amount invested by the Corporations during the year for Betterments was $153,302.05.

Of the amount reported at the last meeting as net assets over and above the Plant, $5,594,189.29, it was found necessary to write off $35,785.32 of uncollectible accounts, thus reducing the profits to January 1, 1890, to that extent. This was owing to the accounts of the various corporations not being received in time to give them the thorough scrutiny necessary previous to that meeting. The cash assets then stated have, therefore, been reduced by that amount, and should be stated as $5,558,403.97. Proper steps were immediately taken to avoid such errors thereafter.

After making suitable provision for the maintenance of Plant, in which is included a large number of machines, which are not only a saving in labor but also minimize the danger to health and life among our employees, and the acquirement of certain valuable patents, the net earnings of the corporations for the year were $2,057,746.22.

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| The Trust share of this amount is......... | $2,055,088.11 |
| The net interest received on loans to its various interests is................ | 33,361.57 |
| Making a total profit of.................. | $2,088,449.68 |
| Less expenses of The Trust for the year... | 59,897.45 |
| Leaving the net earnings of The Trust for the fiscal year to January 31,1891...... | $2,028,552.23 |

It is proper to say in this connection that the efforts of the Trustees have been to take the exact conditions by which we are surrounded, and not to borrow from the future. In furtherance of this, the Inventory of December 31, 1890, has been taken upon a more conservative basis than heretofore. If the Inventory had been taken upon the basis of the previous year, the profit shown would have been larger by $100,684.98.

In order that the shareholders may fully and completely understand the situation of their properties, the following detail is presented:

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| On January 1, 1890, there had been realized by the several Companies, a net profit of | $ 803,635.89 |
| And during the year terminating December 31, 1890, as stated, a profit of......... | 2057,746.22 |
| Total pfofit to January 1, 1891............ | $2861,382.11 |

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|---|---|
| Total profit to January 1, 1891............ | $2,861,382.11 |
| From this should be deducted the proportion of above profits which belong to the owners of shares not acquired by The Trust.............................. | 4,164.09 |
| Leaving as a final net profit on the interests held by the Trustees............... | $2,857,218.02 |

The following statement from the books of the Trustees shows the status on February 1, 1891:

| | | |
|---|---|---|
| Dividends received from Companies to January 31, 1891........................ | | $1,233,180.00 |
| Interest received from loans made to Companies.............................. | | 33,361.57 |
| | | $1,266,541.57 |
| Less: | | |
| Expenses of Trustees from organization to January 31, 1890.......... | $64,157.73 | |
| Expenses of Trustees for year ending January 31, 1891..... | 59,897.45 | 124,055.18 |
| Net Assets in hands of Trustees.......... | | $1,142,486.39 |
| These are accounted for as follows: | | |
| Cash on hand............................ | | $ 82,340.67 |
| Loans to Companies...................... | | 1,186,417.57 |
| Cash paid for stock of Armstrong, McKelvy Lead and Oil Company............ | | 227,200.59 |
| Cash paid for stock of Maryland White Lead Company.......................... | | 4,500.00 |
| Office furniture and fixtures............ | | 3,492.56 |
| | | $1,503,951.39 |
| Less due Companies....................... | | 361,465.00 |
| Net Assets of Trustees................... | | $1,142,486.39 |

To further illustrate the present situation of our properties as compared with 1890, the following exhibit is made:

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|---|---|
| Cash Assets then shown were............. | $5,594,189.29 |
| From which deduction was made, as stated heretofore................. | 35,785.32 |
| Leaving the then Cash Assets at......... | $5,558,403.97 |
| Net profits for the year 1890........... | 2,057,746.22 |
| Or a total of...................... | $7,616,150.19 |

Of these assets there has been, during the year 1890, expended and distributed as follows:

| | | |
|---|---|---|
| | | $7,616,150.19 |
| For new Construction......$ | 153,302.05 | |
| Dividends paid to Trustees. | 1,233,180.00 | |
| Dividend paid to others.... | 320.00 | 1,386,802.05 |
| Leaving the Net Assets now on hand in the Companies, other than Plant....... | | $6,229,348.14 |

Made up as follows:

| | |
|---|---|
| Cash in Hands of Companies............. | $ 220,060.09 |
| Merchandise in hands of Corroders and Crushers............................ | 4,266,739.30 |
| Ore and Bullion in hands of Smelters and Refiners........................ | 2,156,044.89 |
| Equipment............................. | 372,780.96 |
| Miscellaneous......................... | 87,574.05 |
| Notes and Accounts Receivable.......... | 2,617,873.00 |
| Total............................ | $9,721,072.29 |

Less:

| | | |
|---|---|---|
| Notes and Accounts Payable | $3,100,359.90 | |
| Mortgages................. | 391,364.25 | 3,491,724.15 |
| | | $6,229,348.14 |

The Companies paid off during the year, $76,200 of their mortgage indebtedness.

It will be observed that in the Notes and Accounts Payable is included $1,186,417.57 loaned by the Trustees to the various Companies, and a large part of the balance is for material exchanged between the different Companies.

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| The total sales from our Smelting and Refining Department, of Lead, Silver and Gold amounted to................ | $8,391,600.16 |
| The total sales from our Corroding Works and Linseed Oil Mills, amounted to... | 11,507,235.45 |
| Making the total amount of all sales... | $19,898,835.61 |

The attention of the Shareholders is called to the fact of the large amount of capital necessary for the conduct of the Smelting and Refining business alone.

In the corroding business it is necessary to carry from four to five months of supply continuously, and in the purchase of flax seed and linseed, both from foreign points and the domestic markets, large sums of money are necessary for the purchase and carrying of raw materials. It will be seen that the entire capital accumulated is employed directly in the conduct of the business.

The business of the various Companies showed a very satisfactory condition and a fair increase for the first nine months of the year. In the last three months, it was seriously affected by special and partial legislation, which created undue and severe fluctuations in the value of lead and silver ores and their products, though happily by great care and active work, we escaped from a very threatening condition, without loss.

The grave financial crisis, added to the just expectation of the trade that by reason of the rapidly declining values of Pig Lead and Linseed Oil, lower prices for the early periods of the season of 1891, for the manufactured articles would prevail, caused a serious diminution of the output of substantially all of our products. The large trade now being done seems to warrant the hope that this business was simply postponed and not lost.

The Trustees take pleasure in calling attention to the very kind and satisfactory relations existing between the Companies and their patrons, who have expressed in a national, and many local conventions, their satisfaction with and approval of the principle and methods guiding and controlling our business.

In my last Annual Report, your attention was called to our very large capitalization, and you passed a Resolution authorizing the Trustees to take steps to reduce the capitalization by two-thirds. In the Opinion of the Trustees this was a most wise action on your part; but, soon after the meeting, a very many shareholders gave strong evidence of their indisposition to avail themselves of the plan which had been adopted, and, as the Trustees simply desired to carry out the wishes of their shareholders, they postponed final action on that plan, and after waiting until December 20, 1890, to ascertain whether there was any considerable proportion of the Shareholders who were desirous of scaling the capital as proposed, and finding them still reluctant, they reconsidered their action, leaving it to the future to determine whether the capitalization should remain as at present, or some more feasible and satisfactory plan be proposed. The Trustees, after careful consideration of the matter, reached the conclusion that if the plan had been adopted, the value of the certificates would have been materially increased over their current market price, for it has become apparent that on a capitalization of Thirty Millions, the earnings power of the Companies in association with us would have been steadily equivalent to quite seven per cent upon that capitalization.

As indicated in our report of 1890, the actual capital required to carry on the very large business acquired by The Trust was inadequate.

Rather than resort to the hazardous expedient of raising money by placing bonds upon the property, it was thought wiser to go forward disciplining the business and acquire a sufficient capital by earnings to carry it on in an orderly manner without the necessity for large loans and the consequent payment of interest.

In the opinion of the Trustees at this time, this has been fairly accomplished, and the interests of The Trust placed beyond a reasonable probability of jeopardy, and that, too, without placing upon the property a single dollar of outside obligation.

It is the judgement of the Trustees, as expressed by a Resolution, after careful consideration of the entire situation, that out of the profits to be received by the Trustees hereafter quarterly dividends shall be paid. In order to commence a return to our Shareholders, who have waited with patience for these accumulations, they have declared a dividend of FIFTY CENTS per share to the Shareholders, payable on the FIFTEENTH DAY of APRIL, 1891, for which purpose the transfer books will close March 14, 1891, and re-open April 16, 1891.

It is the purpose of the Trustees to continue the payment of Dividends from the earnings from this time forward.

The Trust is without a dollar of indebtedness in any direction. The amounts borrowed by the Companies is comparatively small, and such loans are temporary, and occasioned by the necessary laying in of adequate stocks.

Respectfully,

W. P. Thompson,

President.