PRESIDENT'S ANNUAL REPORT

TO THE STOCKHOLDERS OF THE

St. Joseph Lead Company

FISCAL YEAR ENDING

DECEMBER 31, 1916

PRESIDENT'S ANNUAL REPORT

TO THE STOCKHOLDERS OF THE

St. Joseph Lead Company

FISCAL YEAR ENDING

DECEMBER 31, 1916

PRESIDENT'S ANNUAL REPORT TO THE STOCKHOLDERS
OF THE
ST. JOSEPH LEAD COMPANY
FISCAL YEAR ENDING DECEMBER 31, 1916.

The year 1916 will be memorable for abnormally high lead prices and a record production at your companies' mines, mills and smelter. Employes and stockholders benefited from the resulting large earnings.

Dividends to the amount of $1,432,903.00 have been paid.

Distributions from the amortization reserve amounting to $2,149,074.00 have been made.

Your smelter produced for the year 91,073 tons of pig lead.

Your mills produced 169,302 tons of lead concentrates, 148,387 tons of which were shipped to your smelter, 20,915 tons were sold to other smelters.

Your mines produced 2,431,939 tons of ore.

The proving of additional ore reserves by extensive diamond drilling has been most encouraging.

FINANCIAL.

The $985,000.00 par value of Doe Run Lead Company gold notes, due March 1, 1918, outstanding at last annual report, have been purchased and cancelled and the underlying mortgage on the property of the Doe Run Lead Company satisfied and discharged of record. The Doe Run Lead Company paid on April 1, 1916, its outstanding notes of $53,000.00. The St. Joseph Lead Company on July 1, 1916, its outstanding note of $5,000.00. During the year your company has purchased and now holds in its Treasury or in the Sinking Fund $323,000.00 par value additional bonds of the Mississippi River & Bonne Terre Railway.

AMORTIZATION.

Your company is conducting a mining business and its ore reserves are a wasting asset which grow less each operating day and can only be replaced by the purchase of additional ore reserves.

It has seemed wise to your Trustees that as nearly as possible your company's books should reflect these facts and that a reserve for amortization should be established to be used either for the purchase of additional ore reserves or to return to the stockholders the value of the capital invested in the business.

A careful engineering appraisal by well-known engineers enables your Trustees to create such a reserve on a proper basis.

The following broad general factors based on this careful engineering investigation were deduced:

A capital value of $20,000,000.

An estimated life of twenty years.

An annual production by the companies of 2,000,000 tons of crude ore.

An annual production from this ore of 80,000 tons of pig lead.

As both costs and lead prices fluctuate, it was desirable to provide for this fluctuation in a reasonable manner.

The following resolution was passed by the Trustees November 4, 1915:

> RESOLVED, that whenever during the calendar year 1916 the company's monthly average sales price of lead exceeds $60.00 per ton East St. Louis, a charge of two cents per ton of ore milled for each dollar of such excess, be charged to Profit and Loss Surplus and credited to "Reserve for Amortization."

On November 17, 1916, the period covered by this resolution was extended indefinitely.

The balance sheet is now made up as follows:

Ore Reserves and Mineral Rights owned by the Company March 1, 1913, are carried on the books at their appraised value as of that date (appraisal made by Mr. J. R. Finlay).

Purchases since that date are carried at cost.

Real estate, buildings and machinery at mines, dwelling houses, miscellaneous buildings, etc., are carried at book value.

Investments in subsidiary companies are carried at cost.

A monthly charge to Profit and Loss in accordance with the foregoing resolutions has been and is being made.

The Reserve for Amortization, or "reserve for depletion," is being carried as a *per contra* entry in the asset side of the balance sheet against Ore Reserves and Mineral Rights.

The balance sheets accompanying this report should be read in connection with the foregoing.

LABOR.

The labor conditions in the district have been satisfactory throughout the year. The bonus was increased from ten to twenty per cent. in March and from twenty to thirty per cent. in April. This thirty per cent. is still being paid.

In December bonuses ranging from five to twenty-five per cent. were paid to the salaried employes of the company who were not already in receipt of the labor bonus.

NEW CONSTRUCTION.

The principal items of new construction begun during the year 1916 are the following:

A new power plant at Rivermines which is equipped with two 3,000 kilowatt General Electric steam turbo units, Heine boilers and modern coal handling machinery.

AT ALL MILLS:

- Additional flotation machines.
- Oliver Filters for drying flotation.
- Ball mills for fine grinding.

AT THE SMELTER:

- A double roasting plant equipped with four Dwight-Lloyd machines.
- A Scotch Hearth Building equipped with twelve Newnam Mechanical Hearths.
- Power Plant addition equipped with a 1,000 kilowatt General Electric steam turbo unit.
- A Cottrell Plant for the treating of roaster gases.

LICENSES.

Your companies have licenses from the Dwight & Lloyd Metallurgical Company for the use of the Dwight-Lloyd sintering machines; from the Minerals Separation American Syndicate, Ltd., for the use of flotation; from the Research Corporation for the use of the Cottrell system; from Mr. W. A. Butchart for the use of Butchart riffles, and from the St. Louis Smelting & Refining Company for the use of Mechanically Operated Scotch Hearths.

FUTURE POLICY.

On May 1, 1916, the President made the following recommendations to the Board of Trustees:

> "I should like to call the Trustees' attention to the fact that the company has now reached a point of debt reduction which was agreed upon as a policy at the time the Consolidation Committee's report was accepted in September, 1913. There is no longer any short term debt and the railroad mortgage bearing 5% does not fall due until 1931. The

sinking fund on this mortgage calls for a payment of $50,000.00 on the first day of each January, keeping alive all the bonds called for the sinking fund, so that the sinking fund is alive and drawing interest at 5%. These sinking fund and interest payments will reduce the debt at maturity to $1,100,000.00. I should recommend that we set aside annually a further amount which would pay the debt completely out of the sinking fund at maturity. This would require an increase of the sinking fund payment of $75,000.00 per annum. I should further recommend the accumulation of a cash surplus of $2,500,000.00 as rapidly as possible and that the present dividend rate be not increased until this cash surplus is accumulated. I should further recommend that the plant at all times be kept in a thoroughly up to date and efficient condition and that whatever expenditures are necessary for this purpose should be appropriated from earnings. I believe that this policy in the long run is best for all the stockholders."

which was approved by the following resolution:

RESOLVED, that the Board of Trustees approve all the recommendations in the President's report, outlining his policy for the future.

The cash surplus of $2,500,000.00 was accumulated before the payment of the first amortization distribution in September.

CLINTON H. CRANE,
President.

BALANCE SHEETS

ST. JOSEP

AND SUBSIDIAR

CONSOLIDATED BALANCE SHEET

ASSETS

FIXED ASSETS:		
Ore reserves and mineral rights	$15,957,875 35	
LESS—Reserve for depletion	4,020,786.63	
		$11,937,088.72
Real estate, buildings and machinery at mines, etc	$7,403,098.98	
LESS—Reserve for depreciation	307,549.58	
		7,095,549 40
Railroad property and equipment	$3,993,540.02	
LESS—Reserve for depreciation of equipment	275,451.44	
		3,718,088.58
		$22,750,726.70
SINKING FUND ASSETS:		
Cash and accrued interest.		$4,192.19
(Bonds acquired through the sinking fund are deducted from the funded debt, per contra)		
DEFERRED ASSETS:		
Expenditures in suspense and payments in advance	$179,827.86	
Materials and supplies for use in future operations	801,460.17	
By-product (matte)	296,178.57	
Advances to Bonne Terre Hospital Association	54,000.00	
Real estate sold on long-term contracts	96,160.84	
		1,427,627.44
CURRENT ASSETS:		
Lead on hand and in process	$387,477.64	
Accounts receivable, customers, etc.	854,164.32	
Other notes and advances	38,006.50	
Cash in bank, on deposit and on hand,	2,982,532.32	
		4,262,180.78
		$28,444,727.11

ST. JOSEPH LEAD COMPANY SUBSIDIARY COMPANIES.

Doe Run Lead Company.
Mississippi River & Bonne Terre Railway.
Bonne Terre Farming & Cattle Company.
St. Francis County Railroad Company.

LEAD COMPANY

COMPANIES

DECEMBER 31, 1916

LIABILITIES

CAPITAL STOCK OF ST. JOSEPH LEAD COMPANY:			
Authorized—2,000,000 shares at $10 each, of which there have been issued 1,464,798 shares		$14,647,980.00	
LESS—In Treasury, 55,332 shares		553,320.00	
			$14,094,660.00
CAPITAL STOCK OF SUBSIDIARY COMPANIES not held by St. Joseph Lead Company, together with proportion of surplus pertaining thereto			357,531.58
FUNDED DEBT:			
First mortgage 5% bonds of Mississippi River & Bonne Terre Railway Company, due 1931		$2,500,000.00	
LESS—Bonds in hands of sinking fund trustees and in treasury		468,000.00	
			2,032,000.00
CURRENT LIABILITIES:			
Accounts and wages payable		$632,741.02	
Taxes accrued		114,154.39	
Interest accrued		31,250.00	
			778,145.41
RESERVES:			
For value and profit on lease agreements		$108,436.49	
For premiums on bonds purchased for sinking fund		2,685.07	
Miscellaneous		16,271.35	
			127,392.91
SURPLUS AND UNDIVIDED PROFITS:			
Balance at credit as at March 1, 1913		$3,925,000.00	
LESS—Distributions therefrom		2,114,199.00	
		$1,810,801.00	
Excess of net assets of subsidiary companies acquired over cost of stock therein		3,218,304.05	
Undistributed profits accumulated March 1, 1913, to December 31, 1915		2,760,891.31	
Earnings 1916 after providing for depreciation of plant and equipment	$8,004,649.08		
LESS—Provision for depletion of minerals	3,330,182.23		
	$4,674,466 85		
DEDUCT—Dividends	1,409,466.00	3,265,000.85	
			11,054,997.21
			$28,444,727.11

We have audited the books of the St. Joseph Lead Company and its subsidiary companies for the year ended December 31, 1916, and we certify that in our opinion the foregoing balance sheet correctly sets forth the financial position and the results of operations of the St. Joseph Lead Company and its subsidiary Companies.

PRICE, WATERHOUSE & COMPANY.

New York, February 13, 1917.