PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

For The Year

1932

ST. JOSEPH LEAD COMPANY

Incorporated March 25, 1864, under the Laws of the State of New York

EXECUTIVE OFFICERS

CLINTON H. CRANE
President

IRWIN H. CORNELL,
Vice Pres., and Sales Manager

ANDREW FLETCHER,
Vice Pres., and Treasurer

C. MERRILL CHAPIN, JR.
Vice President

H. B. MCGOWN,
Secretary

ROBERT BENNETT,
Assistant Secretary

GEORGE I. BRIGDEN,
Assistant Secretary

STOCK TRANSFER OFFICE

250 Park Avenue,
New York

REGISTRAR

City Bank Farmers Trust Company,
New York

BOND INTEREST and PRINCIPAL

Payable at

Messrs. J. P. Morgan & Company,
New York

ST. JOSEPH LEAD COMPANY

250 Park Avenue, New York City

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

To the Stockholders of the

St. Joseph Lead Company:

The following report covers the operations of your Company for the fiscal year ended December 31, 1932.

Dividends

In the year 1932 cash dividends to the amount of $292,569.75 have been paid to the stockholders of the St. Joseph Lead Company as compared with $2,438,079.75 in 1931 and $5,851,386.00 in 1930, no dividends were paid to minority stockholders in subsidiary companies in 1932 as compared with $14,618.75 in 1931 and $128,865.00 in 1930.

Comparative Production, Price, Sales, Stocks and Earnings

The effect of the low metal prices and sales is reflected in the following comparative yearly figures:

Year	1928	1929	1930	1931	1932
Total United States Lead Figures in tons					
Production, including secondary lead	819,604	817,721	688,787	478,591	332,417
U. S. Shipments only—1932 estimated	702,721	727,271	575,226	398,637	282,000
Stocks at end of year	33,618	54,900	103,247	151,380	175,661
Price f.o.b. St. Louis					
Lead cents per lb.	6.133	6.646	5.456	4.007	3.055
Zinc cents per lb.	6.027	6.512	4.556	3.640	3.124
Production					
Tons of ore mined	4,833,194	5,750,412	5,999,813	4,465,794	3,233,172
Tons of lead concentrates	204,181	245,958	243,614	196,481	147,242
Tons of lead content 100% basis	148,568	178,181	177,935	141,999	107,096
Tons of zinc concentrates	45,928	60,475	86,795	63,348	34,677
Tons of zinc content 100% basis	27,361	35,115	50,064	37,056	20,020
Pig Lead Sales, Including Lead Content in Concentrates Sold					
Tons of St. Joe production	136,640	160,490	137,502	105,262	81,467
Tons of Purchased lead sold	52,342	61,399	82,221	69,085	53,473
Total	188,982	221,889	219,723	174,347	134,940
Lead Stocks in tons, including 90% of lead content in concentrates	16,271	22,042	51,107	77,134	93,990
Consolidated Earnings					
Profit from operations	$7,772,749.45	$11,883,617.03	$5,809,486.42	$1,974,485.73	$ 203,909.10
Deduct interest and expense on bonds	—	—	—	352,265.72	491,790.21
Gross Income	$7,772,749.45	$11,883,617.03	$5,809,486.42	$1,622,220.01	*$ 287,881.11
Deduct Provision for Depreciation	1,050,348.88	1,268,935.08	1,319,064.38	1,149,702.39	1,011,845.62
Federal Income Taxes	455,623.88	883,938.98	390,314.61	—	—
Total Deductions	$1,505,972.76	$ 2,152,874.06	$1,709,378.99	$1,149,702.39	$1,011,845.62
Net Income before Depletion	$6,266,776.69	$ 9,730,742.97	$4,100,107.43	$ 472,517.62	*$1,299,726.73

*Deficit

During the year 1932 the amount charged against current earnings for the depletion of the ore reserves totaled $1,606,310.78 in comparison with $1,886,589.04 in 1931, $2,566,469.67 in 1930, $2,264,740.04 in 1929 and $1,775,803.27 in 1928. This depletion provision is based on production, whereas the earnings are based on sales. The production for 1932 was approximately 19% greater than sales, and the 1932 sales were about 21% less than 1931 and 40% less than in 1930.

Financial Condition

The financial strength of the St. Joseph Lead Company is shown by the accompanying Comparative Consolidated Balance Sheet as of December 31, of each year. The ratio between current assets and current liabilities has increased from 7.26 to 1 in 1931 to 11.96 to 1 in 1932. The amount of company bonds now outstanding has been reduced through purchases to $8,000,000.

The U. S. Government, State and Municipal securities owned as of the close of the year totalled $1,896,000, of which $1,700,000 U. S. Government securities and the $100,000 New York City Corporate Stock mature during 1933.

A settlement has been effected with the Internal Revenue Department in compromise of the interest accrued on the additional taxes assessed and paid for the years 1921 through 1928. A compromise has also been secured covering the Company's 1929 claim for refund.

The elimination of the disability feature in the Company's Group Life Insurance policy was necessitated, and also a change in the Pension Plan whereby the benefit was reduced from a minimun to a maximum of $30.00 per month after January 1, 1935 for those employees of age sixty-five, and with at least twenty-five years of service.

Southeast Missouri

On April 1, 1932 the operating basis was reduced from 60% to 50%, all wages and salaries were reduced an additional 10% following a similar additional reduction on March 1, 1932 in the salaries of the executives and employees of the New York Office. No further change occured during the year.

On May 1, 1932 the Herculaneum smelter was closed down and operations were not resumed until November 1, 1932. The shut-down expense has been included in the November and December costs.

A 20% reduction was obtained in the real estate and personal property taxes, and it is expected that at least an additional 10% will be granted for 1933.

The diamond drilling and exploration work results have been encouraging. The Company's properties have been maintained in satisfactory condition. No construction expenditures were capitalized during the year.

The general health of the community is excellent, and by reason of the wholehearted cooperation and loyalty of the entire organization, the costs are being maintained at relatively satisfactory levels.

Josephtown, Pennsylvania

The electro-thermic zinc smelter was operated throughout the year on a one furnance basis. Satisfactory progress has been made in the introduction of St. Joe oxides to the rubber and paint trades, and during the year interesting results have been obtained in the laboratory experimental work for the handling of the zinc residues from the furnaces, and in the development of new products.

The acid output was slightly increased and the entire production sold.

The construction expenditures capitalized during the year amounted to $18,868.87; all other expenditures and experimental work were charged to cost of operations.

Edwards and Balmat, New York

On February 1, 1932 salaries and wages were reduced 10%, and on May 1st, the operating time schedule was reduced from 100% to 50%, which basis was in effect during the remaining months of the year.

The 1932 output was approximately 3,128 tons per month in comparison with 5,279 for 1931, and the shipments 2,759 in comparison with 4,901 for 1931. The entire pyrite production was sold.

The new Balmat shaft has been entirely completed, and the plans finished for increasing the mill from 500 tons to 1,000 tons per day, which program, however, will not be undertaken until general conditions will justify the increased output. The expenditures, amounting to $67,110.53, were capitalized. No Edwards expenditures were capitalized.

Atlanta, Idaho

Since the commencement of operations in February this small gold property has been operated on 100% time basis. The developed ore reserves indicate a life until about July 1, 1934.

Kansas and Block "P," Montana

The Kansas Explorations properties in the Joplin Districts, as well as the Block "P" Mine at Hughesville, Montana, have been maintained throughout the year on merely a watchman basis.

Aguilar, Argentina

The development program was entirely completed in August, the organization returned to the United States, and the mine reduced to a watchman basis.

A comprehensive geological study has supported the previous calculation of tonnage and grade. Detailed estimates for a 400 or a 200 ton pilot mill and smelter have been made, with the thought that if world conditions do not soon improve the Aguilar Mine will probably be operated on the basis of merely supplying a portion of the Argentine requirements.

Mine La Motte, Missouri

This property which was closed down in March, 1931, was maintained throughout the year on a watchman basis.

Number of Stockholders

The number of stockholders increased to 5,360, and the comparative figures are as follows:

Year	Number	Year	Number
1932	5,360	1926	3,239
1931	5,063	1925	2,629
1930	4,493	1924	2,335
1929	4,025	1923	2,402
1928	4,183	1922	2,351
1927	3,684	1921	2,258

The 5,360 in 1932 is divided into 1,584 stockholders owning less than 20 shares, 1,796 owning between 20 and 99 shares, 871 holders of between 100 and 199, and 1,105 owners of 200 or more shares each.

Federal, Missouri, and Pennsylvania Tax Information

The 1932 dividend distribution was paid entirely out of the surplus earnings of the Company, and we are advised by Counsel that such distribution is therefore subject to the Federal Surtax Rates.

Inasmuch as the Company showed a net loss on its Missouri income tax return for the year 1931, and paid no income tax to the State of Missouri for that year, we are advised by Counsel that stockholders who pay income taxes to the State of Missouri for the year 1932 will not be entitled to take a credit on their income tax returns to the State of Missouri in respect to the dividend received from this company during that year. Such credit is allowed under the law only in the amount obtained by multiplying the rate of the Missouri State tax on corporate income by the amount or portion of such dividends or net earnings upon which the company paid an income tax to the State of Missouri for its last preceding taxable year.

Counsel also advise that residents of the State of Pennsylvania, who are holders of St. Joseph Lead Company stock are relieved from the Pennsylvania 4 Mills Tax on that stock by reason of the fact that the Company is registered and doing business in Pennsylvania, and is subject to corporate tax laws of Pennsylvania.

Notice as to Voting Rights for Annual Meeting

The Executive Committee has fixed the 31st day of March, 1933, as the day as of which stockholders entitled to notice of and to vote at the Annual Meeting shall be determined, and for the purpose of that Meeting, all persons who are holders of voting stock at the close of business on March 31, 1933, and no others shall be entitled to vote at such Meeting. Proxies for the Annual Meeting, which will be held on April 13, 1933, at the Principal Office, 250 Park Avenue, New York City, at eleven o'clock in the forenoon, will be mailed in due course.

February 10, 1933 — CLINTON H. CRANE

New York. — President

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1932, and December 31, 1931

ASSETS

	December 31, 1932		December 31, 1931	
Capital Assets:				
Ore reserves and mineral rights—(March 1, 1913, appraised value plus subsequent additions at cost, and including $948,652.45 appreciation arising from revaluation at December 31, 1932, and $1,239,512.99 at December 31, 1931)	$39,677,638.15		$39,655,823.94	
Less—Reserve for depletion	29,081,625.01	$10,596,013.14	27,682,711.40	$11,973,112.54
Shafts and underground equipment (at cost)	$ 4,566,502.35		$ 4,554,512.31	
Less—Reserve for depletion	3,120,334.33	1,446,168.02	2,912,937.16	1,641,575.15
Land, buildings, plant and equipment (at cost)	$20,314,410.75		$20,232,187.65	
Less—Reserve for depreciation	8,402,060.72	11,912,350.03	7,409,671.89	12,822,515.76
Railway construction—cost being refunded		198,775.00		207,055.00
Total Capital Assets		$24,153,306.19		$26,644,258.45
Investments and Advances:				
Aguilar Corporation (at cost—89% controlled)	$ 1,462,500.00		$ 1,462,500.00	
Mine La Motte Corporation (at cost—50% owned)	805,484.63		805,484.63	
Stocks of other mining companies (at market)	114,310.88		177,469.00	
Sundry securities and loans (at cost)	439,068.93	2,821,364.44	452,520.98	2,897,974.61
Current and Working Assets:				
Cash on hand and in banks	$ 1,760,108.10		$ 2,450,603.97	
Marketable securities	1,896,000.00		2,026,000.00	
Notes and accounts receivable	808,838.32		1,598,417.15	
Materials and supplies (at cost)	1,566,999.29		1,738,681.68	
Inventories of lead, zinc, etc. (at cost or market, whichever is lower)	5,248,633.21	11,280,578.92	5,092,299.50	12,906,002.30
Deferred Charges:				
Unamortized debt discount and expense	$ 214,658.25		$ 295,844.70	
Prepaid insurance, taxes, etc.	133,308.28	347,966.53	131,370.74	427,215.44
TOTAL		$38,603,216.08		$42,875,450.80

LIABILITIES

	December 31, 1932		December 31, 1931	
Capital Stock:				
Authorized—2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued 1,996,798 shares and 1,996,797 shares	$19,967,980.00		$19,967,970.00	
Less—In Treasury, 46,332 shares	463,320.00		463,320.00	
Net	$19,504,660.00		$19,504,650.00	
Scrip outstanding	428.50	$19,505,088.50	438.50	$19,505,088.50
Minority Interest in Subsidiary Companies—				
Capital stock and proportion of surplus applicable thereto		91,918.97		103,934.32
Bonded Indebtedness:				
St. Joseph Lead Company Ten Year Convertible 5½% Gold Debenture Bonds due May 1, 1941	$ 9,752,300.00		$ 9,752,300.00	
Less—Bonds in Treasury	1,752,300.00	8,000,000.00	1,185,000.00	8,567,300.00
Current Liabilities:				
Accounts payable	$ 829,792.24		$ 1,363,567.35	
Accrued wages	40,220.83		43,530.42	
Accrued interest on bonds in hands of public	73,333.33		78,714.71	
Total	$ 943,346.40		$ 1,485,812.48	
Dividend of 15c a share declared December 21, 1931 payable March 21, 1932	—	943,346.40	292,569.75	1,778,382.23
Deferred Credits—				
Unrealized profit from sale of houses, etc.		97,150.02		126,367.61
Reserve for Contingencies		832,177.31		766,821.10
Surplus		9,133,534.88		12,027,557.04
TOTAL		$38,603,216.08		$42,875,450.80

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summary of Consolidated Income and Surplus
For the Year Ended December 31, 1932

Profit from Operations (Before interest and expense on Bonds, Depreciation and Depletion)		$ 123,479.76
Other Income:		
Interest net	73,427.26	
Dividends	2,725.00	
Miscellaneous	4,277.08	80,429.34
Gross Income		$ 203,909.10
Deduct—Interest and expense on Bonds		491,790.21
Loss Before Depreciation and Depletion		$ 287,881.11
Add—Provision for Depreciation		1,011,845.62
Loss Before Depletion		$1,299,726.73
Add—Provision for Depletion		1,606,310.78
Net Loss		$2,906,037.51
Deduct—Proportion of net loss applicable to Minority Interests		12,015.35
Loss for the Period		*$2,894,022.16
Surplus, December 31, 1931 (Including surplus arising from revaluation of ore reserves and mineral rights, $1,239,512.99)		12,027,557.04
Surplus, December 31, 1932 (Including surplus arising from revaluation of ore reserves and mineral rights, $948,652.45		$9,133,534.88

*Write-down of securities amounting to $63,158.12 has been charged against the Reserve for Contingencies.

CERTIFICATE

St. Joseph Lead Company:

We have examined your accounts and those of your subsidiary companies for the years ended December 31, 1932 and December 31, 1931.

The inventories of lead, zinc, etc., are valued at cost or market, whichever is lower, not including depreciation and depletion, and were not verified under audit as to quantities.

In our opinion the accompanying Consolidated Balance Sheets and the Summary of Consolidated Income and Surplus set forth respectively, the financial condition of the companies at December 31, 1932, and December 31, 1931, and the results of their operations for the year ended December 31, 1932.

HASKINS & SELLS

New York, February 10, 1933.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1932

J. THOMAS HILL CO., INC.
95 COURT ST., BROOKLYN