PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1937

ST. JOSEPH LEAD COMPANY

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

STOCK TRANSFER OFFICE

250 Park Avenue,
New York

REGISTRAR

City Bank Farmers Trust Company,
New York

ST. JOSEPH LEAD COMPANY

250 Park Avenue, New York City

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The lead and zinc industries were more prosperous during 1937 than in any year since 1929. Your Company's earnings reflected the increased consumption of the two metals, and particularly the higher prices received. In 1936 business conditions became more favorable in the last quarter of the year, while in 1937 the conditions were reversed and the year ended with a severe decline in industrial activity. Total production of lead in the United States in 1937 averaged 8,000 tons per month more than in 1936; the average monthly increase in production from your Company's mines was 3,700 tons. In spite of the increase in production, United States pig lead stocks were reduced from 171,856 tons on January 1, 1937 to 90,000 tons on October 1, 1937. However, during the last three months of the year, 40,000 tons were added to stocks, so that the year ended with 129,131 tons on hand. The Company's lead sales for the year accounted for its production plus approximately 11,000 tons from stocks. Your mines ran at normal capacity until January of 1938, when in order to avoid accumulating excessive stocks, mine production was curtailed to approximately the rate of 1935, with the belief that business should be able to absorb this volume of output.

Consolidated Earnings

The Consolidated Income of $8,980,309.75 for the year ended December 31, 1937 before depletion, obsolescence of the Doe Run Mill, Federal income taxes and abandoned leases shows an increase of $5,570,677.69 over the previous year. The Consolidated Net Income of $7,127,945.15 after all deductions compares with $2,511,001.57 for 1936.

The Comparative Consolidated Earnings for the ten years ended December 31, 1937 are shown below:

Year	Income after Interest but Before Other Deductions	Provision for— Depreciation	Provision for— Income Taxes	Net Income before Depletion, Etc.	Provision** for Depletion, Etc.
1937	$10,035,885.12	$1,055,575.37	$1,329,491.03	$7,650,818.72	$522,873.57
1936	4,473,237.08	1,063,605.02	307,944.03	3,101,688.03	590,686.46
1935	2,005,781.59	1,072,013.14	35,502.59	898,265.86	412,043.61
1934	1,936,908.95	1,121,960.66	78,862.23	736,086.06	1,548,604.47
1933	1,316,485.60	1,022,922.73	....	293,562.87	1,461,310.72
1932	*287,881.11	1,011,845.62	....	*1,299,726.73	1,606,310.78
1931	1,622,220.01	1,149,702.39	....	472,517.62	1,886,589.04
1930	5,809,486.42	1,319,064.38	390,314.61	4,100,107.43	2,566,469.67
1929	11,954,769.82	1,268,935.08	883,938.98	9,801,895.76	2,264,740.04
1928	7,815,038.98	1,050,348.88	455,623.88	6,309,066.22	1,775,803.27

*Loss.

**Includes abandoned leases for the years 1933 to 1937 inclusive and provision for obsolescence of the Doe Run Mill for the years 1935 to 1937 inclusive.

Dividends

A dividend of fifty cents per share was paid on March 20th, one dollar on June 21st, and fifty cents on September 20th and on December 20, 1937, making a total of two dollars and fifty cents per share for the year. These dividend distributions aggregating $4,889,198.50 were paid entirely out of the surplus earnings of the Company, accumulated after February 28, 1913, and are therefore subject to Federal income tax.

The following is a record of dividends for the years 1928 to 1937 inclusive:

Dividends Paid to Stockholders

Year	St. Joseph Lead Company	Per Share	Minority Interest in Subsidiaries	Year	St. Joseph Lead Company	Per Share	Minority Interest in Subsidiaries
1937	$4,889,198.50	$2.50	....	1932	$ 292,569.75	$ .15	....
1936	1,955,676.90	1.00	....	1931	2,438,079.75	1.25	$ 14,618.75
1935	782,269.30	.40	....	1930	5,851,386.00	3.00	128,865.00
1934	586,701.30	.30	....	1929	5,851,374.75	3.00	70,305.00
1933	....	....	....	1928	5,851,335.00	3.00	76,253.00

Financial

The Consolidated Balance Sheets as of December 31, 1937 and December 31, 1936 of St. Joseph Lead Company and Subsidiaries, and the related Summaries of Consolidated Net Income and Surplus for the years ended on the above dates, are submitted herewith as a part of this report.

Beginning with January 1, 1937 the "last-in, first-out" method of determining the cost of sales of finished lead, zinc, etc., was adopted, as it was felt that this method more accurately reflected current profits than the former practice of averaging inventories with current costs each month. Therefore, in Divisions where sales exceeded production for the year, inventories of finished lead, zinc, etc., are valued at the unit cost at which they were carried on January 1, 1937. In Divisions where the situation was reversed (current production exceeded sales) the current cost of the excess tonnage produced over tonnage sold during the year was added to the January 1, 1937 inventory. If the method used in prior years had been continued during the year 1937 the inventories at December 31, 1937 would have been $269,212.28 greater than shown in the accompanying balance sheet, and the net income for the year would have been increased by a like amount. There has been no change in the method of computing the cost of lead, zinc, etc., in process as the monthly average cost basis has been continued. The inventories of purchased lead and zinc are carried in the accompanying balance sheets at the lower of cost or market. Where the market value of purchased lead and zinc at December 31, 1937 was less than cost, the difference has been charged against current income.

No future commitments have been made for the purchase and sale of commodities which would have a material effect on the financial position of the Company.

During the year, the remaining $3,000,000 of St. Joseph Lead Company Ten-year 4% Debenture Notes due June 1, 1945 were paid, and the Company now has no outstanding long-term indebtedness.

At December 31, 1937, the Company owned $986,000 par value United States Government and State Securities due in 1938; and, in addition, $122,000 par value United States Government, New York State and New York City Bonds, none of which, however, are available for sale, being on deposit with New York, Pennsylvania and Missouri State Industrial Compensation Commissions and the United States Department of the Interior.

On March 29, 1937 the St. Joseph Lead Company of Pennsylvania was incorporated under the laws of the State of Pennsylvania. On April 1, 1937 this wholly-owned subsidiary took over the Josephtown, Pennsylvania, Division of the Parent Company. Beginning April 1, 1937 depreciation of the Josephtown plant and equipment was reduced from 8% to 5% to conform with the rate agreed upon for Federal income tax purposes.

The Doe Run Mill has now been completely written off as obsolete and any remaining equipment or buildings are carried on the books at scrap values.

The three remaining Missouri occupational disease suits referred to in the 1936 annual report have been concluded.

Lead Operations

Due to the increased demand for lead, Southeast Missouri operations were increased on March 1 to five days per week which basis was effective through the remainder of the year.

A satisfactory ten-year power contract was executed with the Union Electric Company during the year covering power requirements of our Southeast Missouri operations.

The property of Mine La Motte Corporation (50% owned) located in Missouri, was placed in production on October 4, 1937. This property had been idle since March 1931.

Zinc Operations

The Balmat and Edwards properties located in northern New York were operated on a full-time schedule until October 16, 1937, when the daily tonnage delivered to the Balmat Mill was reduced from 1,250 to 1,000 tons.

Until the last quarter of the year, there existed a satisfactory demand for zinc metal and oxide, and operations at the Josephtown, Pennsylvania, smelter were expanded to five and then to six furnaces; however, with the reduction in demand, operations were reduced to four furnaces by the end of the year. A third roaster was placed in the circuit in March, and the construction of a leaching plant, for the recovery of lead and cadmium, was completed during the last quarter.

Miscellaneous Operations

The Aguilar Mine, located in the Province of Jujuy, Argentina, operated throughout the year. The zinc circuit was resumed in April, but owing to the drop in zinc prices, shipments of zinc concentrates were discontinued in October. The mine is now producing about 2,000 tons of lead concentrates a month and is gradually reducing the debt incurred for the construction of the plant. With the return of normal world conditions this property should be a substantial earner.

The dewatering of the Block "P" mine, located at Hughesville, Montana was again postponed, as a satisfactory contract for the sale of zinc concentrates produced from this property could not be obtained due to lack of power for electrolytic smelting which was caused by low water.

The Ritz and Robinson Mines in the Joplin area were operated throughout the year on a full time basis. The new shaft at the Jarrett mine, also in the Tri-State district, developed sufficient ore to justify the rehabilitation of the mill, but operations were postponed due to the drop in demand during December. A suit regarding the Snapp area was satisfactorily settled for a nominal amount.

The dewatering and equipping of the Sheep Ranch Mine, a small gold property in California, was completed in December, and operations were started in January 1938.

Although a number of properties were submitted to the Exploration Department, only four were considered worthy of examination. After inspection, these four were not acceptable.

Stockholders

The comparative share holdings for December 31st of each year since 1931 are as follows:

Year	Number	19 or Less	20-99	100-199	200-Over
1937	5,992	1,571	2,038	1,139	1,244
1936	5,560	1,483	1,851	1,000	1,226
1935	5,304	1,491	1,748	911	1,154
1934	5,300	1,549	1,712	873	1,166
1933	5,145	1,511	1,684	835	1,115
1932	5,360	1,584	1,796	875	1,105
1931	5,063	1,784	1,349	831	1,099

General

The number of Trustees was increased from eleven to thirteen on March 11, 1937.

The attention of Stockholders is called to the following two paragraphs from the President's Annual Report for the year 1936:

"The Stockholders are again reminded that the net value of the capital assets set forth on the accompanying Consolidated Balance Sheets are depleted and depreciated figures based on appraised values of March 1, 1913 as to properties owned at that date, and on cost as to subsequent additions; they do not necessarily indicate the present day values or prospective future values of the Company's property, plant and equipment, as such values could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor and other factors. Although the appraised value of areas owned on March 1, 1913 have been entirely written off the Company's books by depletion deductions, ore is still being mined from these areas at a profit, and probably will be for years to come.

Due to the additional ore which has been developed through prospecting, or made available by reason of the improvement in mining practices, the basis of determining depletion was changed as of January 1, 1935, by dividing the undepleted book value by the estimated tonnage of ore in the mines and applying the unit value thus determined to the tonnage sold. This change results in a considerably lower provision for depletion than in years prior to that date."

Clinton H. Crane,
President.

New York, February 23, 1938.

U. S. REFINED LEAD STOCKS, LEAD AND ZINC PRICES

Comparative Annual Statistics

Year	Tons of U. S. Refined Lead Stocks At End of Year	Average Lead and Zinc Prices in Cents Per Lb. Lead F.O.B.St.Louis E.&M.J. Average	Lead F.O.B.St.Louis St. Joe Average	Zinc F.O.B.St.Louis E.&M.J. Average
1937	129,131	5.859	6.015	6.519
1936	171,856	4.560	4.534	4.901
1935	222,306	3.915	3.878	4.328
1934	235,457	3.724	3.700	4.158
1933	203,061	3.735	3.652	4.029
1932	176,157	3.042	3.055	2.876
1931	151,653	4.049	4.007	3.640
1930	103,247	5.384	5.456	4.556
1929	54,900	6.660	6.646	6.512
1928	33,618	6.131	6.133	6.027

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1937	5,536,952	212,827	146,274	71,031	34,519
1936	3,804,451	147,160	101,999	54,590	26,400
1935	3,382,403	133,044	92,611	47,214	22,857
1934	3,269,864	124,240	86,060	46,353	22,389
1933	2,652,944	114,651	78,248	34,741	16,898
1932	3,233,172	147,242	99,242	34,677	17,017
1931	4,465,794	196,481	131,586	63,348	31,498
1930	5,999,813	243,614	164,886	86,795	42,554
1929	5,750,412	245,958	165,114	60,475	29,848
1928	4,833,194	204,181	137,673	45,928	23,257

Lead Sales and Stocks at End of Year in Tons

Year	Lead Sales St. Joe Production	Purchased Lead Sold	Total Lead Sales	*Pig Lead Equivalent of Stocks
1937	160,091	38,930	199,021	72,969
1936	126,846	47,776	174,622	83,575
1935	87,077	41,714	128,791	108,849
1934	84,964	39,566	124,530	103,918
1933	72,462	47,988	120,450	100,453
1932	81,467	53,473	134,940	96,484
1931	105,262	69,085	174,347	78,390
1930	137,502	82,221	219,723	51,536
1929	160,490	61,399	221,889	22,163
1928	136,640	52,342	188,982	16,397

*Includes Purchased Lead and estimated recoverable lead in concentrates together with other lead stocks in process of refining at smelters.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1937 and 1936

	Year ended December 31, 1937		1936	
Net Sales (including royalty earnings—1937, $86,908.30; 1936, $41,088.32)		$32,776,804.95		$22,646,210.86
Cost of Sales (exclusive of depreciation and depletion)		22,118,672.09		17,526,818.66
Gross Profit from Operations before Depreciation and Depletion		$10,658,132.86		$ 5,119,392.20
Deduct:				
Selling, general and administrative expenses	$ 595,906.92		$ 509,033.95	
Capital stock and miscellaneous other taxes	78,830.28	674,737.20	55,960.59	564,994.54
Net Profit from Operations before Depreciation and Depletion		$ 9,983,395.66		$ 4,554,397.66
Other Income:				
Interest	$ 33,026.98		$ 34,839.88	
Dividends	19,107.00		16,425.00	
Profit on sale of investments, net	41,645.28		8,454.80	
Miscellaneous	1,154.99	94,934.25	19,833 82	79,553.50
Gross Income before Depreciation and Depletion		$10,078,329.91		$ 4,633,951.16
Interest on Notes		42,444.79		160,714.08
Income before Depreciation, Depletion and Other Deductions		$10,035,885.12		$ 4,473,237.08
Provision for Depreciation		1,055,575.37		1,063,605.02
Income before Depletion and Other Deductions		$ 8,980,309.75		$ 3,409,632.06
Depletion and other Deductions:				
Provision for:				
Depletion	$ 426,041.38		$ 490,686.46	
Obsolescence of the Doe Run mill	75,000.00		100,000.00	
Federal income taxes (including surtax on undistributed profits—1937, $32,856.61)	1,329,491.03		307,944.03	
Abandoned leases written-off	21,832.19	1,852,364.60	—	898,630.49
Net Income for the Year		$ 7,127,945.15		$ 2,511,001.57

Notes:

Beginning January 1, 1937, the companies discontinued the use of average monthly costs and adopted the "last-in, first-out" method of determining the cost of sales of finished lead, zinc, etc. If the method used prior to January 1, 1937, had been continued during the year 1937, the net income for that year would have been $269,212.28 greater than shown in the above summary of consolidated net income.

Effective April 1, 1937, the rate of depreciation for the Josephtown Division was reduced from 8% to 5% to conform with the rate agreed upon for Federal income tax purposes. This resulted in a reduction of $72,463.80 in the 1937 provision for depreciation.

All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above summaries of consolidated net income. The equity of St. Joseph Lead Company in the net profits or losses (exclusive of any provision for loss on foreign exchange and of depletion of ore reserve values in excess of cost) of Aguilar Corporation and its foreign subsidiary, not included in the above summaries of consolidated net income, was $626,495.69 net profit for 1937 and $133,499.71 net loss for 1936.

No inter-company profits or losses are included in the above summaries of consolidated net income.

Summaries of Consolidated Surplus

For the Years Ended December 31, 1937 and 1936

	Year ended December 31, 1937		1936	
Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1937, $373,853.44; 1936, $384,963.21)		$ 6,814,341.39		$ 5,659,016.72
Additions:				
Net income for the year		7,127,945 15		2,511,001.57
Transfer from reserve for contingencies		—		600,000.00
Total		$13,942,286.54		$ 8,770,018.29
Deductions:				
Redemption premium on St. Joseph Lead Company Ten-year 4% debenture notes due June 1, 1945 called for payment during 1937	$ 60,000.00		—	
Cash dividends paid during the year	4,889,198.50	4,949,198.50	$ 1,955,676.90	1,955,676.90
Surplus at End of the Year (including surplus from revaluation of ore reserves—1937, $357,749.49; 1936, $373,853.44)		$ 8,993,088.04		$ 6,814,341.39

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1937 and 1936

ASSETS

	December 31, 1937		December 31, 1936	
Capital Assets:				
Ore reserves and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000.00		$13,500,000.00	
Less reserve for depletion	13,500,000.00	——	13,500,000.00	——
Additions subsequent to March 1, 1913 (at cost)	$21,177,245.30		$21,010,438.18	
Less reserve for depletion	14,517,967.49	$ 6,659,277.81	14,108,030.06	$ 6,902,408.12
Appreciation arising from revaluation subsequent to March 1, 1913	$ 4,315,000.00		$ 4,315,000.00	
Less reserve for depletion	3,957,250.51	357,749.49	3,941,146.56	373,853.44
Total ore reserves and mineral rights, net		$ 7,017,027.30		$ 7,276,261.56
Shafts and underground equipment (at cost)	$ 5,215,020.69		$ 5,118,991.70	
Less reserve for depreciation	3,893,127.37	1,321,893.32	3,783,253.07	1,335,738.63
Land, buildings, plant and equipment (at cost)	$18,859,162.95		$19,368,359.28	
Less reserve for depreciation	11,284,338.81	7,574,824.14	11,499,771.75	7,868,587.53
Railway construction—Cost being refunded		89,305.00		126,975.00
Total capital assets, net		$16,003,049.76		$16,607,562.72
Investments and Advances:				
Aguilar Corporation (at cost—86% owned)	$ 1,627,500.00		$ 1,890,000.00	
Mine La Motte Corporation (at cost—50% owned)	935,484.63		824,653.66	
Kadco Corporation (at cost—50% owned)	100,000.00		100,000.00	
Stocks of other mining companies (1937, at cost—market quotation value, $147,200.00; 1936, at lower of cost or market—market quotation value, $494,575.00)	318,002.00		488,377.00	
Sundry securities and loans (at cost, less reserve, $200,000 00)	246,489.92	3,227,476.55	225,530.24	3,528,560.90
Current and Working Assets:				
Cash on hand and in banks	$ 3,862,460.32		$ 1,835,606.70	
Federal and State securities, other than on deposit with Federal and State departments (at cost; market quotation value—1937, $995,985.00)	991,344.67		——	
Notes and accounts receivable — Trade (less reserve — 1937, $20,785.22; 1936, $21,426.63)	807,389.26		3,182,756.89	
Due from subsidiaries not consolidated	37.68		55,555.26	
Other notes and accounts receivable	40,920.16		60,744.00	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depletion and depreciation; see footnote)	4,076,225.15		4,890,212.01	
Lead, zinc, etc., in process (at average costs, exclusive of depletion and depreciation)	729,390.56		520,575.17	
Purchased lead and zinc (at lower of cost or market)	334,962.86		11,343.00	
Materials and supplies (at cost, less reserve for slow-moving items, $200,000.00)	2,050,098.09	12,892,828.75	1,571,012.60	12,127,805.63
Miscellaneous Assets:				
Federal, State and Municipal securities on deposit with Federal and State departments (at cost; market quotation value—1937, $130,628.76; 1936, $126,263.75)	$ 120,913.93		$ 106,395.76	
Special deposit (for bonds called but not presented for payment, including premium and interest—see contra)	——		649.40	
Cash in closed banks	24,913.08	145,827.01	28,193.10	135,238.26
Deferred Charges:				
Prepaid insurance, taxes, etc		147,002.23		110,084.31
Total		$32,416,184.30		$32,509,251.82

Notes:

The net value of the capital assets shown in the above consolidated balance sheets should be considered in the light of the comments included in the text of this report.

All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above consolidated balance sheets. The equity of St. Joseph Lead Company in the net profits or losses of Aguilar Corporation and its foreign subsidiary not included in the above consolidated balance sheets, since acquisition (exclusive of any provision for loss on foreign exchange and of depletion of ore reserve values in excess of cost) was $478,798.78 profit at December 31, 1937, and $147,696.91 loss at December 31, 1936. Aguilar Corporation was in arrears in dividends on its 7% cumulative preferred stock (75% owned by St. Joseph Lead Company) at December 31, 1937 and 1936, in the amounts of $1,063,650.00 and $922,250.00, respectively.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1937 and 1936

LIABILITIES

	December 31, 1937		December 31, 1936	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1937, 1,996,807 shares; 1936, 1,996,806 shares	$19,968,070.00		$19,968,060.00	
Less in treasury—41,127 shares	411,270.00		411,270.00	
Outstanding, 1937, 1,955,680 shares; 1936, 1,955,679 shares	$19,556,800.00		$19,556,790.00	
Scrip outstanding	338.50	$19,557,138.50	348.50	$19,557,138.50
Long-Term Indebtedness of St. Joseph Lead Company:				
Ten-year 4% debenture notes due June 1, 1945		—		3,000,000.00
Current Liabilities:				
Accounts payable (trade)	$ 1,130,396.97		$ 1,300,614.77	
Wages payable	80,015.19		58,479.63	
Accrued interest on notes	—		9,999.65	
Accrued taxes (including income taxes)	1,586,554.59	2,796,966.75	498,126.11	1,867,220.16
Miscellaneous Liabilities:				
Redemption account—St. Joseph Lead Company, ten-year convertible 5½% debenture bonds called June 18, 1935, including premium and interest (see contra)	—			649.40
Deferred Credits:				
Unrealized profit from sale of houses, etc.		67,168.14		84,914.73
Reserves:				
For injury claims and workmen's liability insurance	$ 164,580.76		$ 146,157.77	
For employees' life insurance and retirements	612,313.07		848,983.75	
For contingencies	224,929.04	1,001,822.87	189,846.12	1,184,987.64
Surplus:				
Earned	$ 8,635,338.55		$ 6,440,487.95	
Revaluation of ore reserves	357,749.49	8,993,088.04	373,853.44	6,814,341.39
Total		$32,416,184.30		$32,509,251.82

Notes Continued:

Beginning January 1, 1937, the companies discontinued the use of average monthly costs and adopted the "last-in, first-out" method of determining the cost of sales of finished lead, zinc, etc. If the method used prior to January 1, 1937, had been continued during the year 1937, the inventories at December 31, 1937, would have been $269,212.28 greater than shown in the above consolidated balance sheets.

The parent company is contingently liable as a guarantor on bank loans of the foreign subsidiary of Aguilar Corporation, not consolidated, which guaranty amounted to $650,000.00 at December 31, 1937 and 1936.

No inter-company profits or losses are included in the above consolidated balance sheets.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

St. Joseph Lead Company:

We have made an examination of the consolidated balance sheets of St. Joseph Lead Company (incorporated in New York) and its subsidiary companies as of December 31, 1937 and 1936, and of the related summaries of consolidated net income and surplus for the years 1937 and 1936. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the companies and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control. All subsidiary companies controlled by your company were examined by us with the exception of the foreign subsidiary of Aguilar Corporation (not consolidated), which subsidiary has been audited by another firm of independent public accountants. Physical inventories were taken by employees of the companies at varying dates during each year. The quantities and condition of the inventories as of December 31, 1937 and 1936, were certified to us by officials of the companies.

Beginning January 1, 1937, the companies discontinued the use of average monthly costs and adopted the "last-in, first-out" method of determining the cost of sales of finished lead, zinc, etc. The effect thereof is shown in footnotes appended to the accompanying consolidated balance sheets and summaries of consolidated net income

In our opinion, based upon our examination and subject to the realizable value of investments and advances the accompanying consolidated balance sheets and related summaries of consolidated net income and surplus, with the footnotes thereon, fairly present, in accordance with accepted principles of accounting consistently followed by the companies except as stated in the preceding paragraph, their financial condition at Decembe. 31, 1937 and 1936, and the results of their operations for the years ended those dates.

HASKINS & SELLS

New York, February 23, 1938.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1937