FRISCO

Annual Report 1963

ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY

ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY

GENERAL OFFICES — 906 Olive Street, St. Louis, Mo. 63101

NEW YORK OFFICE—120 Broadway, New York, N. Y. 10005

DIRECTORS

Term expires 1964

E. L. BRUCE, JR.	*Memphis, Tenn.*
THOMAS E. DEACY, JR.	*Kansas City, Mo.*
GALE F. JOHNSTON	*St. Louis, Mo.*
F. G. MCCLINTOCK	*Tulsa, Okla.*
WM. A. MCDONNELL	*St. Louis, Mo.*
ELLIOT H. STEIN	*St. Louis, Mo.*

Term expires 1965

LESTER E. COX	*Springfield, Mo.*
B. B. CULVER, JR.	*St. Louis, Mo.*
JUDSON S. SAYRE	*Chicago, Ill.*
LEWIS B. STUART	*St. Louis, Mo.*
C. P. WHITEHEAD	*St. Louis, Mo.*

Term expires 1966

ROBERT E. GARRETT	*Birmingham, Ala.*
BRUCE K. GOODMAN	*Evanston, Ill.*
HUGH L. HARRELL	*Oklahoma City, Okla.*
L. W. MENK	*St. Louis, Mo.*

EXECUTIVE COMMITTEE

LESTER E. COX
L. W. MENK
B. B. CULVER, JR.
JUDSON S. SAYRE
C. P. WHITEHEAD
WM. A. MCDONNELL
LEWIS B. STUART

OFFICERS

WM. A. MCDONNELL	*Chairman of the Board*	St. Louis, Mo.
L. W. MENK	*President*	St. Louis, Mo.
W. R. ALLEN	*Vice President-Operation*	Springfield, Mo.
J. E. GILLILAND	*Vice President-Traffic-Ind. Development*	St. Louis, Mo.
E. D. GRINNELL, JR.	*Vice President & General Counsel*	St. Louis, Mo.
H. B. PARKER	*Controller*	St. Louis, Mo.
J. K. BESHEARS	*Vice President-Personnel*	St. Louis, Mo.
R. P. deCAMARA	*Vice President-Staff*	St. Louis, Mo.
G. M. RAYBURN	*Secretary and Treasurer*	St. Louis, Mo.
F. L. COULTER	*Vice President-Fiscal*	New York, N.Y.
H. H. KNUTH	*Vice President*	Birmingham, Ala.
W. T. RUTHERFORD	*Vice President*	Dallas, Tex.

TRANSFER AGENT

Transfer Agent for Common and Preferred Stock
A. C. LEIGH, 120 Broadway, New York, N. Y. 10005

REGISTRAR

Registrar for Common and Preferred Stock
Bankers Trust Company, 16 Wall Street, New York, N. Y. 10015

Annual meeting of Stockholders second Tuesday in May of each year

FRISCO FACTS

	1963	1962
Operating revenues	$131,643,094	$129,028,096
Operating expenses	$101,182,187	$101,222,627
Ratio of expenses to revenues	76.86	78.45

Taxes	$ 11,205,320	$ 8,816,817
Taxes per share of common stock	$ 6.01	$ 4.79
Income available for fixed charges	$ 14,924,987	$ 14,508,401
Fixed charges	$ 5,527,179	$ 5,721,822
Times fixed charges earned	2.70	2.54
Contingent interest	$ 2,643,312	$ 2,735,572
Income before dividends	$ 6,754,496	$ 6,051,007
Preferred dividends — $5 per share	$ 1,367,425	$ 1,423,550
Earnings per common share	$ 2.93	$ 2.51
Dividends per common share	$ 1.25	$ 1.00

Freight revenue	$120,508,440	$117,452,961
Tons — revenue freight	30,311,256	28,754,406
Ton miles — revenue freight (thousands)	9,855,505	9,254,473
Avg. revenue per ton mile — revenue freight	1.223¢	1.269¢
Gross ton miles (thousands)	21,259,196	20,296,247
Train miles — freight	7,772,077	7,590,051
Gross ton miles per train mile	2,735	2,674
Average miles hauled — revenue freight	325.14	321.85
Gross ton miles per train hour	60,348	59,070

Passenger revenue	$ 1,770,355	$ 2,047,385
Passengers carried	241,583	280,628
Passenger miles	61,992,101	73,007,979
Average revenue per passenger mile	2.856¢	2.804¢
Average distance carried	256.61	260.16
Train miles — passenger	2,249,446	2,294,806

Average number of employes	9,008	9,292
Miles of road operated	5,020	5,020

SUMMARY OF OPERATIONS IN 1963

WE RECEIVED FROM:	(000) omitted
Freight	$ 120,508
Passenger	1,770
Mail, express, switching, etc.	9,364
Other Sources	2,156
Total	$ 133,798

HOW IT WAS USED:	
Conducting transportation	$ 51,517
Upkeep of tracks and structures	14,516
Upkeep of equipment	12,217
Other operating expenses	13,682
Depreciation	9,251
Payroll, property and other taxes	10,113
Rental of equipment, net	6,361
Interest on debt	8,062
Federal Income Taxes	1,092
Miscellaneous charges, net	233
Total	$ 127,044
Net Income for the Year	$ 6,754

SIMPLIFIED BALANCE SHEET

AS OF DECEMBER 31, 1963

WE OWNED:	(000) omitted
Road and Equipment representing our investment, less depreciation and amortization	$ 318,814
Cash and marketable securities, plus special deposits	35,529
Amounts due from railroads and others	10,734
Investment in capital funds and securities of and advances to affiliated companies	8,730
Material and supplies necessary for repairs and operation, costing	4,422
Other assets and deferred charges for which we have already paid	3,824
TOTAL ASSETS	$ 382,053

WE OWED:	
Funded debt due years 1964 through 2022	$ 186,851
Wages, materials purchased, balance due railroads and others	15,870
Interest on our funded debt	4,904
Taxes to Federal, State and Local Governments	3,702
Deferred liabilities and reserves for items awaiting final disposition	2,115
Total Liabilities	213,442
Stockholders' Equity:	
(1) For their investments in our business	108,232
(2) For income retained in the business	60,379
Total Stockholders' Equity	168,611
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 382,053

St. Louis-San Francisco Railway Company

REPORT FOR 1963

To the Stockholders:

There is submitted herewith a report of operations of your Company for the year ended December 31, 1963.

NET INCOME

Net income of \$6,754,496, before sinking funds, is equivalent to \$2.93 per share of Common Stock versus \$6,051,007, or \$2.51 per share in 1962.

Despite the loss of \$1,059,000 in Federal Income Tax credits, net income was up 11.6% from the level of the year before and was the best since 1956 as higher revenues, reduced operating expenses and an increase in other income contributed to a better carry-through to earnings. The effect of tax credits upon earnings is discussed fully on pages 5 and 6.

OPERATING REVENUES

Operating revenues in 1963 were \$131,643,094, up \$2,614,998, or 2.0% from the level of the year before and the highest since 1959.

Freight revenue totaled \$120,508,440 versus \$117,452,961 in 1962 as the national economy continued at a high level and the nation's farmlands produced good crops of wheat, corn, soybeans and cotton. While carloadings declined from 752,179 to 750,913, revenue ton-miles climbed 6.5% as the average haul, as well as the average load per car, increased 1.0% and 4.1%, respectively, and the average revenue per car rose from \$156.15 to \$160.48.

As discussed on page 8, further gains were registered in piggyback traffic and in the movement of new automobiles on multi-level railway equipment, as revenues reached new highs for both classes of traffic. Encouraging gains also were noted in the movement of fertilizer, corn and soap as the Company continued its efforts to win back to the rails traffic which had been lost to other forms of transportation. These matters are discussed on page 7.

Passenger revenue continued to decrease from \$2,047,385 in 1962 to \$1,770,355 in 1963. In the face of declining patronage, the operation of the Frisco's Meteor between Oklahoma City and Lawton, Oklahoma, was discontinued in both directions on August 23.

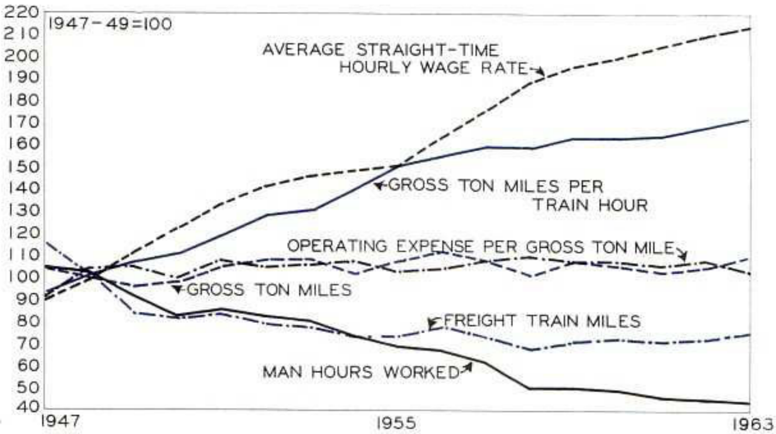
OPERATING EXPENSES

Operating expenses of \$101,182,187 were down \$40,440, despite an increase in ton-miles of freight transportation service and higher wage rates which, had they not been offset by greater efficiency, would have added \$400,000 to payroll costs. Larger freight cars, more powerful locomotives and the introduction of time-saving, cost-cutting machinery and methods all have contributed to the Company's ability to get more for each dollar spent in operating and maintaining its facilities. At 76.86, the 1963 Operating Ratio (the number of cents spent from each revenue dollar for operating expenses) was the lowest since 1955. Ways and means of effecting additional economies continue to be explored to improve the over-all performance as well as to eliminate services and operations which no longer can be justified economically. For a discussion of proposed abandonments, see page 11.

RATIOS

Below is a tabulation showing the number of cents spent from each revenue dollar for major items of operating expense in the years 1963 and 1962:

	1963	1962
Transportation...........	39.13	39.06
Maintenance of Way......	12.71	14.04
Maintenance of Equipment.	14.63	15.04
Other..................	10.39	10.31
Operating Ratio......	76.86	78.45



DIVIDENDS

A dividend of \$5.00 per share on the Preferred Stock was paid in quarterly installments during the year. Common dividends totaling \$1.25 were paid as follows: 25¢ on March 15, 25¢ on June 17, 25¢ on September 17 and 25¢ on December 16, plus an extra dividend of 25¢ on the latter date. These dividends were declared out of the earnings of 1962.

On February 7, 1964, the full dividend of \$5.00 per share was declared on the Preferred Stock, payable in quarterly installments of \$1.25. At the same time, a quarterly dividend of 35¢ per share of Common Stock was declared payable March 16 to holders of record March 2. These dividends were declared out of the earnings of 1963.

As has been explained more fully in a letter to stockholders dated February 3, 1964, all of the Common dividends and an estimated 53% of the Preferred dividends paid in 1963 *may* not be subject to the Federal Income Tax. The Federal Income Tax status of Frisco dividends is the subject of several court cases, and no definite statement can be made with respect to the taxability of dividends paid by the Company during 1963 and prior years until final decisions have been rendered in these cases.

TAXES

Estimated taxes in 1963 totaled \$11,205,320 versus \$8,816,817 in 1962.

In 1963, net Federal Income tax credits were equivalent to \$1.33 per share of Common Stock and increased Net Income to that extent; in 1962, these tax credits were equivalent to \$1.92 per share of Common Stock.

For the year 1963 accelerated and guideline depreciation amounted to \$3,366,000, or the equivalent of \$1.80 per share of Common Stock which compares with

One shipment consisting of a complete oil refinery loaded at Tulsa, Oklahoma, on 40 cars for movement to shipside; destination: Iraq.

\$2,487,000 in 1962, or the equivalent of \$1.35 per share of Common Stock.

Starting in 1963, amortization of defense facilities was less than the amount of depreciation recorded in the accounts and charged to operating expenses in accordance with accounting requirements of the Interstate Commerce Commission. Therefore, Federal Income Tax accruals were increased and net income decreased in 1963 by \$880,000, or the equivalent of a loss of 47¢ per share of Common Stock. The comparable figure for amortization in 1962 was a tax saving of \$1,058,000, or the equivalent of 57¢ per share of Common Stock. Since 1951, tax savings have accumulated to approximately \$33,204,000.

In May 1963, principally because of guideline depreciation, the company received a \$736,597 refund plus interest thereon of \$17,154 representing Federal Income Taxes paid in the years 1959 to 1961, inclusive.

Payroll taxes in 1963, at a rate of 11¼% on employe earnings to a maximum of \$400 per month to October 31, 1963 and \$450 per month thereafter, were \$4,903,119, a decrease of 1.3% from the level of 1962.

USE OF FINANCIAL RESOURCES

A major increase in Frisco's cash was the receipt of \$22,655,000 from the sale of Central of Georgia stock. Part was expended to reacquire 27,200 shares of Frisco Preferred Stock for \$2,520,969. An additional \$3,381,755 was expended in the purchase of Company securities to be held in the Company's treasury in anticipation of the future requirements of the sinking funds. We now have sufficient bonds in our treasury to meet the estimated requirements for somewhat in excess of four years, a level we expect to maintain for the future. The remainder of the Central of Georgia proceeds is being used to bolster our working capital.

In addition to meeting all of its current expenses, taxes, rents and fixed and contingent interest payments, the Company paid \$3,977,550 in cash from its treasury for capital improvements to roadway and structures. For equipment there was spent \$16,026,809 consisting of \$7,889,297 of serial maturities of equipment obligations paid and \$8,137,512 for additions and betterments to equipment, of which \$6,393,730 was financed through Conditional Sale Agreements. Current sinking funds of \$831,917 were satisfied primarily by the surrender of securities from the Company's treasury. Cash dividend payments in 1963 were \$3,690,682.

At year end, the Company had a net working capital (excess of current assets over current liabilities) of \$26,297,984 vs. \$7,430,651 at the end of the previous year. Year-end cash and temporary cash investments were \$33,097,079, or \$21,997,453 more than on December 31, 1962.

SOURCE AND APPLICATION OF FUNDS

Source of Funds:	
Net income for year	$ 6,754,496
Depreciation and other non-cash charges against income	9,530,192
Sale of Central of Georgia Railway Co. Stock	22,655,000
Conditional Sale Agreements issued	6,393,730
Others, net	3,131,681
Total Sources	$48,465,099
Application of Funds:	
Property additions — Road and equipment	$12,115,062
Payment on equipment debt	7,889,297
Bonded indebtedness retired	3,381,755
Cash dividends paid	3,690,682
Purchase of Preferred Stock	2,520,969
Increase in working capital	18,867,334
Total Applications	$48,465,099

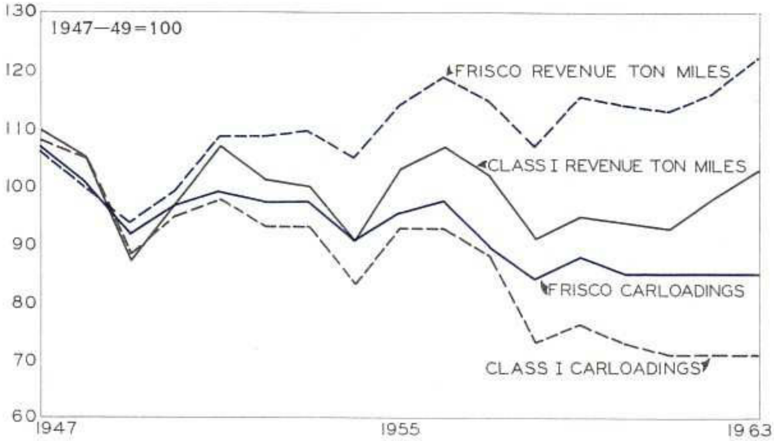
MARKET RESEARCH

For a number of years, the Frisco has been among the leaders of the railroad industry in tailoring its services to meet competition and the demands of a changing economy. Along these lines, it pioneered the development of today's widely-used multi-level railway car and it was among the first to establish rates which successfully retrieved for the rails a major share of the movement of new automobiles.

These efforts to adapt its services to the realities of the transportation market place have led your Company to an aggressive program of market research in which service, rates and equipment are being continuously studied and appraised in the light of what presently is required to either hold profitable traffic to the rails or to recapture it from competing modes of transport.

The introduction of jumbo-sized, specialized freight cars has permitted heavier loading of many commodities, thus reducing transportation costs and making possible lower rates to the shipper. In recent years, many price-service incentives have been offered to the shipping public with gratifying results. Between 1957 and 1962, for example, revenues from the movement of new automobiles increased more than nine times; fertilizer revenue rose 44%; corn revenue climbed 13%; soap revenue went up 87%, and a number of downward revenue trends were reversed.

Currently, your Company is seeking to reverse the downward trend in wheat revenue brought on by the diversion of such traffic to "gypsy" trucking and other forms of transportation, principally river barges. The Frisco has published reduced export rates on wheat which it believes will recover some of this class of traffic. At this writing, however, these reduced rates have been suspended by the Interstate Commerce Commission; hearings have been held and a decision by the Commission is being awaited. Similar price-service incentives have been put into effect on iron and steel pipe and are being readied on flour and coal.



MULTI-LEVEL AUTO TRANSPORTS

Company revenue from the movement of new automobiles on multi-level railway cars reached an all-time high of $7,418,510 as the automobile industry had its best year since 1955 with production of U. S. built-passenger cars exceeding 7.6 million vehicles. In 1962, revenue from this class of traffic amounted to $5,521,543.

TRAILER ON FLAT CAR SERVICE (Piggyback)

Piggyback traffic continued its uninterrupted growth for the ninth consecutive year, with revenue reaching an all-time high of $2,692,519, up almost 30% from the 1962 level of $2,079,284.

In addition to all-rail routes and rates, the Frisco offers the shipping public a joint rail-motor service in conjunction with its trucking subsidiary, the Frisco Transportation Company, as well as with other motor carriers. To and from many points, this joint rail-motor service is available at motor carrier rates. Presently, 42 strategic ramp locations on the Frisco facilitate the loading of highway trailers on flat cars and their unloading; portable ramps are available at other points.

INDUSTRIAL DEVELOPMENT

As the national economy expanded, industrial growth continued at an encouraging pace. During the year, 97 new industries completed the construction of their facilities along Frisco Lines and began producing revenue tonnage for the railroad. Offering some two thousand new employment opportunities, these new enterprises involved an investment in land, buildings and equipment totaling more than $18 million. Additionally, 40 existing plants were expanded at a cost of close to $30 million.

With the center of population moving constantly westward, your Company faces the future with a strong confidence in the industrial potential of its territory. To insure the availability of choice industrial sites it has engaged in an aggressive program of developing its own industrial districts as well as in interesting private developers to undertake similar steps.

Currently the Frisco or a subsidiary, through ownership or lease, has developed 19 of such industrial districts at Birmingham, Kansas City, Mobile, Oklahoma City, St. Louis, Springfield, Tulsa and other important points along the railroad system.

CENTRAL OF GEORGIA

On June 17, after the completion of proceedings before the Interstate Commerce Commission, the sale of your Company's holdings of Central of Georgia stock to the Southern Railway Company was consummated and the Voting Trust under which your Company's holdings had been held was terminated.

The Central of Georgia paid no dividends in 1963 or 1962.

Aerial view of new Campbell Soup Company plant at Paris, Texas.

CONTROL OF NORTHEAST OKLAHOMA R.R. CO.

On January 14, 1964, after receiving authority from the Interstate Commerce Commission, your Company acquired control of the 45-mile Northeast Oklahoma Railroad Company through purchase of the latter's capital stock for $1,200,000. The purchase includes Northeast's rights to perform service as a motor common carrier of general commodities over specified routes in Oklahoma.

OKMULGEE NORTHERN RAILWAY CO.

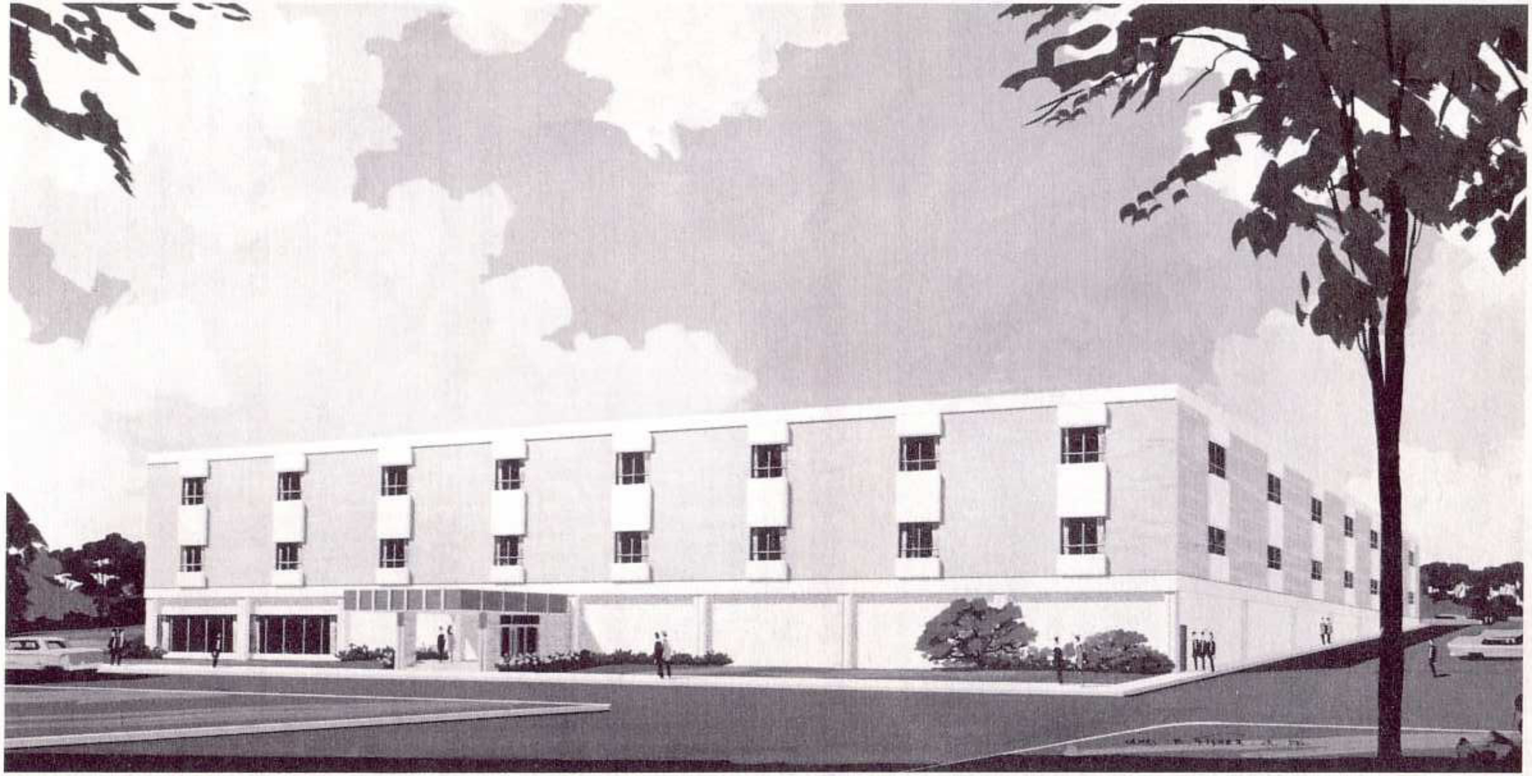
Your Company has pending before the Interstate Commerce Commission an application to purchase portions of the nine-mile line of the Okmulgee Northern Railway Company for a purchase price of $180,000.

ST. LOUIS, SAN FRANCISCO AND TEXAS RAILWAY CO.

On January 1, 1964, after receiving authority from the Interstate Commerce Commission, your Company acquired the assets and took over the operations of its wholly-owned subsidiary, the St. Louis, San Francisco and Texas Railway Company; that Company then was dissolved.

OPERATING RIGHTS ON VERDIGRIS AND ARKANSAS RIVERS

On March 22, 1963, your Company and its wholly-owned subsidiary, the Frisco Transportation Company, filed a joint application with the Interstate Commerce Commission, seeking authority for the Frisco Transportation Company to operate as a common carrier by water between points on the Verdigris and Arkansas rivers and between those points and points on other navigable waters. Subsequently, all applications for such authority were dismissed by the Commission with the suggestion that they be refiled when navigation upon those waterways becomes more imminent.



Artist's sketch of proposed new Office Building at Springfield, Missouri.

The longest single unit shipment ever to be routed over the Frisco originated at Tulsa, Oklahoma. The vessel, for processing propylene and propane, measured over 215 feet in length and weighed 229,000 pounds. It was loaded on six flat cars, the bulk of the weight resting on the second and fifth cars.

PROPOSED ABANDONMENTS

Pending before the Interstate Commerce Commission is your Company's application for authority to abandon 104.5 miles of unprofitable branch-line railroad running between Nash, Missouri and Pocahontas, Arkansas; a hearing was held in Poplar Bluff, Missouri on May 22, 23 and 24 and a decision is being awaited.

Applications also have been filed with the Interstate Commerce Commission for authority to abandon the following branch-line mileage: 107.5 miles between Harrisonville and Bolivar, Missouri, and 8.72 miles between Scullin and Sulphur, Oklahoma.

LITIGATION

Three division cases are pending:

One involves the division of interline revenue on traffic between Eastern and Southern Territories. The Examiners' recommended report and order served July 17, 1963, was adverse to your Company's interest. On October 25, 1963, your Company, along with other Southern Territory railroads, filed exceptions to the recommended report and order. The proceeding was orally argued on February 18, 1964, and is now pending before the Interstate Commerce Commission.

In the second proceeding, involving the division of interline revenue on traffic to and from Transcontinental Territory, the Interstate Commerce Commission on January 22, 1964, served a supplemental report and order adverse to your Company's interest. An appeal from this decision is now pending in the United States District Court for the Southern District of California. Under the provisions of the Court's decree, the involved railroads were ordered to resettle the revenue losses or gains as of July 1, 1963. Should the Court uphold the order of the Commission, it is estimated that your Company will be required to repay to other railroads approximately $35,000 per month beginning July 1, 1963. We are accruing that amount in our accounts until a final determination of the lawfulness of the order.

On May 2, 1962, the Interstate Commerce Commission issued an order generally favorable to your Company in the division of interline revenue on traffic to and from Western Trunk Line Territory. The Commission's order was appealed to the United States District Court at Denver, Colorado, which, on January 16, 1964, remanded the proceeding to the Commission. The Court's decision is being appealed to the United States Supreme Court.

NEW OFFICE BUILDING

A study completed during the year has led to a decision to transfer certain administrative functions of the Company from St. Louis to Springfield, Missouri, and to replace the present obsolete office building at the latter point with a modern, functional structure to accommodate the consolidated work force. An artist's sketch of the proposed building may be found on page 10.

NEW COMPUTER

With the ultimate goal of establishing a fully integrated data processing system, your Company has installed a new, large scale, high-speed electronic computer system.

View of the Company's new, large scale, high speed, electronic computer system.

The computer system is being expanded to perform an ever-widening range of accounting and statistical functions and plans are going forward to program into the System all data required to provide more effective control of operations and to better serve the Company's patrons.

NEW RAIL

During the year the Frisco spent a total of $3,977,550 for capital improvements to roadway and structures. New 132-pound rail was laid on a total of 40.67 miles of track, of which 37.65 miles consisted of continuous, welded, ribbon rail, laid in 1,404-foot lengths. Ribbon rail, with fewer joints, makes possible greatly reduced maintenance costs. Crossties renewed totaled 359,856.

As part of its efforts to improve the plant through research, the Frisco continues to keep under observation a test installation of concrete ties under continuous welded rail on both straight and curved high speed main line track. The test installation, near Cabool, Missouri, extends for a distance of one-half mile.

NEW EQUIPMENT

During 1963, the Frisco invested $8,137,512 in new freight cars and locomotives and in rebuilding or converting existing equipment to meet the changing requirements of the shipping public. Of the total capital expenditures for equipment, $1,743,782 was paid from the Company's treasury and the remainder has been financed through Conditional Sale Agreements.

Purchased New:

- 65 insulated, cushion underframe box cars, 50′ long and equipped with movable bulkheads; capacity: 70 tons.
- 15 covered hopper, air slide cars; capacity: 70 tons—2,600 cubic feet.
- 50 bulkhead flat cars, equipped with laterally adjustable tie-downs; capacity: 70 tons.
- 25 cushion underframe, high density box cars, 60′ long; capacity: 100 tons.
- 75 cushion underframe box cars, 50′ long, with flush doors and high strength floors, six of which are equipped with movable bulkheads.
- 6 cushion underframe flat cars, 89′ long, equipped with automobile tie-downs.
- 60 cushion underframe flat cars, 89′ long, equipped with roller bearings, bi-level automobile racks and tie-downs.
- 8 Diesel-electric locomotives of 2,500 horsepower each.

In addition to the above-described new equipment, more than 1,100 cars of various types underwent major repair work in the shops of the Company as part of its continuing program to upgrade its existing rolling stock.

Equipment obligations outstanding at year-end, including those due in one year, amounted to \$47,256,998, a decrease of \$1,495,567, representing serial maturities paid during the year of \$7,889,297, less additional obligations incurred of \$6,393,730.

Equipment debt installments due in 1964 will amount to \$7,034,080; equipment depreciation chargeable to operating expenses will approximate \$7,233,000.

LABOR

A Presidential Emergency Board established by Executive Order submitted its report on May 4 for settling the operating work rules dispute. The report generally endorsed the recommendations made by the Presidential Railroad Commission in 1962. In the absence of a settlement, Public Law 88-108 was passed by Congress and signed into law on August 28 establishing an Arbitration Board to arbitrate the two principal issues: freight and yard firemen's jobs and the make-up of train-service crews. The Arbitration Board issued its award on November 26. The award, effective January 25, 1964, continues in force for a two-year period and provides for (1) the eventual elimination of 90% of firemen in freight and yard service, (2) termination allowances and other protective benefits for firemen in certain categories whose seniority is terminated, (3) the establishment of a National Joint Board to study the effect of the job elimination, and (4) the establishment of Special Boards to decide crew-size demands.

On December 6, the firemen, engineers, trainmen and switchmen's unions brought suit in the U. S. District Court for the District of Columbia to set aside the award and to obtain a declaration that Public Law 88-108 is unconstitutional. The Court ruled that the award is valid, that Congress had power to order the arbitration and that the Board acted lawfully and in accord with the authority delegated to it. The unions involved appealed the decision to the U. S. Court of Appeals for the District of Columbia, which subsequently upheld the ruling of the lower court. It is expected that the decision will be appealed to the U. S. Supreme Court. The so-called secondary issues in the work rules dispute remain unsettled.

Under an agreement dated April 3, 1963, the yardmasters were granted wage increases of \$8 per month retroactive to March 3, 1962 and 2.5% retroactive to May 1, 1962. The agreement further provides for a reduction of \$21.01 in the monthly rates, effective May 1, 1963, to finance health and welfare benefits for employes and their dependents. The annual cost to your Company is estimated at \$15,000.

OMAHA
IOWA
NEBRASKA
DENVER
COLORADO
KANSAS CITY
OLATHE
PAOLA
HARRISONVILLE
CLINTON
ELLSWORTH
KANSAS
MEDORA
BURRTON
WICHITA
AUGUSTA
BEAUMONT
FT. SCOTT
PITTSBURG
LAMAR
CHEROKEE
PARSONS
FREDONIA
NEODESHA
CHERRYVALE
WINFIELD
ARKANSAS CITY
BLACKWELL
COLUMBUS
PICHER
MIAMI
SPRINGFIELD
OZARK
AURORA
MONETT
WEST PLAINS
AVARD
PERRY
ENID
VINITA
CLAREMORE
TULSA
AFTON
NEOSHO
BENTONVILLE
ROGERS
SPRINGS
BRISTOW
SAPULPA
FAYETTEVILLE
FT. GIBSON
MUSKOGEE
AMARILLO
CLINTON
OKLAHOMA CITY
OKMULGEE
HENRYETTA
VAN BUREN
FORT SMITH
HOBART
OKLAHOMA
CHICKASHA
HOLDENVILLE
POTEAU
LITTLE ROCK
ARKANS
NEW MEXICO
ALTUS
SNYDER
FORT SILL
LAWTON
ADA
SULPHUR
SCULLIN
QUANAH
DAVIDSON
FLOYDADA
LUBBOCK
Q.A.&P. RY.
ARDMORE
MADILL
DURANT
HUGO
IDABEL
ASHDOWN
HOPE
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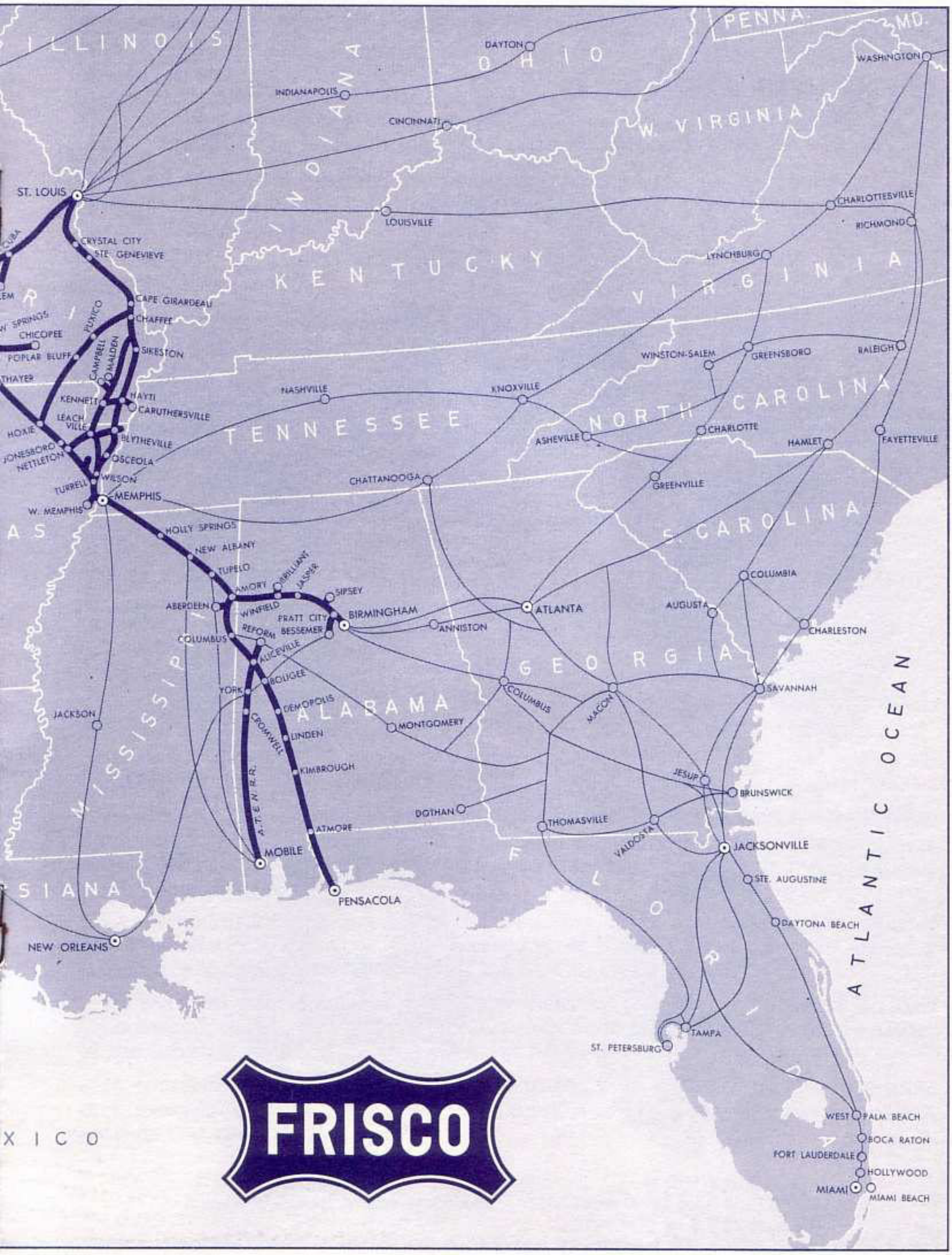
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CHARLOTTESVILLE
RICHMOND
LYNCHBURG
CRYSTAL CITY
STE. GENEVIEVE
CAPE GIRARDEAU
CHAFFEE
PUXICO
CHICOPEE
POPLAR BLUFF
CAMPBELL
MALDEN
SIKESTON
THAYER
KENNETT
HAYTI
CARUTHERSVILLE
LEACH VILLE
HOXIE
BLYTHEVILLE
JONESBORO
NETTLETON
OSCEOLA
TURRELL
WILSON
MEMPHIS
W. MEMPHIS
WINSTON-SALEM
GREENSBORO
RALEIGH
NASHVILLE
KNOXVILLE
ASHEVILLE
CHARLOTTE
HAMLET
FAYETTEVILLE
CHATTANOOGA
GREENVILLE
HOLLY SPRINGS
NEW ALBANY
TUPELO
AMORY
BRILLIANT
JASPER
SIPSEY
ABERDEEN
WINFIELD
PRATT CITY
BIRMINGHAM
BESSEMER
REFORM
COLUMBUS
ALICEVILLE
ATLANTA
ANNISTON
AUGUSTA
COLUMBIA
CHARLESTON
YORK
BOLIGEE
DEMOPOLIS
COLUMBUS
MACON
SAVANNAH
JACKSON
CROMWELL
LINDEN
MONTGOMERY
KIMBROUGH
A.T.E.N. R.R.
JESUP
BRUNSWICK
DOTHAN
ATMORE
THOMASVILLE
VALDOSTA
MOBILE
JACKSONVILLE
STE. AUGUSTINE
PENSACOLA
DAYTONA BEACH
NEW ORLEANS
TAMPA
ST. PETERSBURG
FRISCO
WEST PALM BEACH
BOCA RATON
FORT LAUDERDALE
HOLLYWOOD
MIAMI
MIAMI BEACH

In December a tentative agreement was reached with trainmen and conductors. If ratified, the agreement would require the carrier to pay 10.28¢ per hour ($23.00 per month) for each qualified employe to underwrite the full cost of health and welfare benefits for employes and their dependents. The annual cost to your Company is estimated at $500,000.

EMPLOYMENT AND WAGES

The average number of employes in 1963 was 9,008 and the total payroll $61,-522,772. In 1962 the average number was 9,292 and the total payroll $61,976,703.

B. C. DAVIDSON,
Superintendent at Fort Worth, Texas

E. W. RITTER,
District Manager-Sales at Kansas City, Missouri

P. A. WINTER, III,
Assistant Controller at St. Louis, Missouri

G. F. RISCHMUELLER,
Trainmaster at Aliceville, Alabama

N. F. HOLMAN, Jr.,
Student Apprentice, Springfield, Missouri

For a number of years the Company has had a policy of training its own supervisory and managerial personnel. Pictured above are a few of the young men who are a part of the Frisco's management team.

FINANCIAL STATEMENTS

Included in this report are the consolidated financial statements of the St. Louis-San Francisco Railway Company and its controlled railroad subsidiaries together with the opinion thereon of the Company's independent accountants, Price Waterhouse & Co. Among the other enterprises in which your Company has an interest is the New Mexico and Arizona Land Company which issues its own annual report; anyone desiring a copy may obtain one by writing to the New Mexico and Arizona Land Company, 906 Olive Street, Room 718, St. Louis, Missouri 63101.

For informational purposes a condensed income account and balance sheet covering the railroad as well as non-railroad operations of the Company are presented on pages 26 and 27.

SAFETY

The Frisco was presented the National Safety Council's Public Safety Activity Award for the tenth consecutive year.

The award recognizes such activities by the railroad as off-the-job safety programs for employes, cooperation with local safety councils and civic groups, sponsorship of public safety institutional advertising and participation of railroad personnel in community safety work.

MANAGEMENT CHANGES

Effective September 1:

W. R. Allen, formerly Vice President and General Manager at St. Louis, Mo., became Vice President-Operation with headquarters at Springfield, Mo.

H. L. Gastler, formerly Vice President-Staff at St. Louis, was appointed General Manager with headquarters at Springfield, and

Richard P. deCamara succeeded Mr. Gastler as Vice President-Staff with headquarters at St. Louis.

CHANGES IN THE DIRECTORATE

At the annual meeting of stockholders held on May 14, Robert E. Garrett, President of the U. S. Pipe and Foundry Company of Birmingham, Alabama, was elected a Director of your Company, succeeding David Roberts, Jr., who was not a candidate for re-election.

On September 6, at a meeting of the Directors, F. G. McClintock, President of The First National Bank & Trust Company of Tulsa, Oklahoma, was elected a Director of the Frisco, succeeding R. Otis McClintock, who resigned.

At the same meeting, Elliot H. Stein was elected a Director to succeed Richard J. Lockwood, who passed away on June 22. Mr. Stein is Vice President & Treasurer of the Scherck, Richter Company, Inc., of St. Louis.

In concluding this report of operations in the year 1963, the Directors join me in expressing appreciation for the loyal support of the Company's stockholders, patrons and employes.

President

PRICE WATERHOUSE & CO.
14 SOUTH FOURTH STREET
ST. LOUIS

March 2, 1964

To the Board of Directors and Stockholders of
St. Louis-San Francisco Railway Company:

We have examined the balance sheet of the St. Louis-San Francisco Railway Company and railroad subsidiaries consolidated at December 31, 1963 and the statements of income and retained income for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that provision has not been made for the possible increase in income taxes of future periods as set forth in Note 2 to the financial statements and that the property adjustment described in Note 4 has not been recorded, the accompanying statements present fairly the financial position of St. Louis-San Francisco Railway Company and railroad subsidiaries consolidated at December 31, 1963 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

CONSOLIDATED INCOME STATEMENT

	1963	1962
	(000) omitted	
OPERATING REVENUES:		
Freight	$120,508	$117,453
Other	11,135	11,575
Total operating revenues	131,643	129,028
OPERATING EXPENSES:		
Maintenance of way and structures	16,728	18,122
Maintenance of equipment	19,256	19,405
Transportation	51,517	50,399
Other	13,681	13,297
Total operating expenses (includes depreciation of $9,251,000 and $9,206,000, respectively)	101,182	101,223
Net operating revenue	30,461	27,805
OPERATING CHARGES:		
Taxes (except federal income taxes)	10,099	10,164
Equipment and joint facility rents	6,272	5,233
Total operating charges	16,371	15,397
Net operating income (before federal income taxes)	14,090	12,408
OTHER INCOME:		
Profit on company bonds purchased	589	322
Other, net	1,338	988
Total other income	1,927	1,310
	16,017	13,718
FIXED AND CONTINGENT CHARGES:		
Fixed charges	5,527	5,722
Contingent interest	2,644	2,735
Total fixed and contingent charges	8,171	8,457
Income before federal income taxes	7,846	5,261
ESTIMATED FEDERAL INCOME TAXES: (Note 2, Page 22)	1,092	**790**
NET INCOME (in conformity with I.C.C. principles)	$ 6,754	$ 6,051

Bold face type denotes credit.

CONSOLIDATED BALANCE SHEET

ASSETS	December 31, 1963	December 31, 1962
	(000) omitted	
CURRENT ASSETS:		
Cash	$ 2,004	$ 3,604
Temporary cash investments	31,093	7,496
Cash deposits for interest, dividends, etc.	2,432	2,252
Receivables from U. S. Government, individuals, agents and companies	10,671	10,816
Material and supplies, at average cost	4,422	4,829
Other current assets	152	255
Total Current Assets	50,774	29,252
SPECIAL DEPOSITS	1,316	1,167
INVESTMENTS (Page 24):		
Securities of and advances to subsidiaries and affiliates	7,380	8,132
Central of Georgia Ry. Co. Preferred Stock	—	9,077
Central of Georgia Ry. Co. Common Stock	—	13,560
Other	33	29
Total Investments	7,413	30,798
PROPERTIES (Note 4, Page 23):		
Roadway and structures	307,558	311,094
Equipment	190,032	187,107
Non-operating property	3,368	2,962
Accrued depreciation — road	**35,580**	**34,134**
Accrued depreciation — equipment	**102,438**	**99,076**
Accrued depreciation — non-operating property	**225**	**204**
Excess of the stated value of assets acquired over liabilities assumed upon reorganization	**43,901**	**49,559**
Total Properties	318,814	318,190
OTHER ASSETS:		
Estimated salvage recoverable from retired property	262	322
Discount on long term debt	2,415	2,537
Miscellaneous	1,059	956
Total Other Assets	3,736	3,815
Total Assets	$382,053	$383,222

Bold face type denotes credit.

CONSOLIDATED BALANCE SHEET

	December 31, 1963	December 31, 1962
LIABILITIES	(000) omitted	
CURRENT LIABILITIES:		
Audited accounts and wages payable	$ 2,780	$ 2,827
Accrued and miscellaneous accounts payable	10,651	8,975
Interest and dividends payable	5,058	4,985
Estimated federal taxes on income (Note 5, Page 23)	1,307	175
Other accrued taxes	2,395	2,621
Other current liabilities	2,285	2,238
Total Current Liabilities (excluding current portion of long term debt)	24,476	21,821
LONG TERM DEBT (Page 25):		
First Mortgage Bonds, 4% Series A — 1997	66,981	68,639
First Mortgage Bonds, 4% Series B — 1980	16,771	17,488
Second Mortgage Income Bonds, 4½% — 2022	25,279	26,077
Income Debentures, 5% Series A — 2006	30,563	31,429
Equipment obligations	47,257	48,753
Total Long Term Debt ($7,034,000 payable in 1964)	186,851	192,386
OTHER LIABILITIES:		
Estimated casualty and other reserves	912	742
Miscellaneous, including deferred credits	1,203	613
Total Other Liabilities	2,115	1,355
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6, Page 23):		
Preferred, $100 par value, authorized 1,500,000 shares — Series A 5% issued 287,036 shares, less 29,526 shares in treasury in 1963, and 2,326 shares in treasury in 1962	25,751	28,471
Common, no par value — Authorized 6,000,000 shares, issued 1,865,161 shares, less 50 shares in treasury in 1963 and 1,842,286 shares, less 50 shares in treasury in 1962	81,874	81,465
CAPITAL SURPLUS (Note 6, Page 23)	607	408
RETAINED INCOME (Page 22)	60,379	57,316
Total Shareholders' Equity	168,611	167,660
Total Liabilities and Shareholders' Equity	$382,053	$383,222

CONSOLIDATED RETAINED INCOME STATEMENT

	(000) omitted
Balance December 31, 1962	$ 57,316
Add:	
Net income for the year	6,754
Deduct:	
Dividend on Preferred Stock — $5.00 per share	1,368
Dividend on Common Stock — $1.25 per share	2,323
	3,691
Balance December 31, 1963	$ 60,379

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION: Included in the consolidated financial statements are the accounts of the parent company and its controlled railroad subsidiaries: St. Louis, San Francisco and Texas Railway Company; Quanah, Acme & Pacific Railway Company; Alabama, Tennessee and Northern Railroad Company, and Birmingham Belt Railroad Company.

2. AMORTIZATION, ACCELERATED AND GUIDELINE DEPRECIATION: The company and its railroad subsidiaries maintain their books of account, and the accompanying statements have been prepared, in conformity with principles and methods of accounting prescribed or authorized by the Interstate Commerce Commission. These principles and methods do not provide for the income tax effect of the excess of tax amortization and depreciation over recorded depreciation as is necessary to conform with generally accepted accounting principles.

The supplementary income information shown below reflects the adjustments necessary to present net income in conformity with generally accepted accounting principles:

	1963	1962
Net income (in conformity with ICC principles) as set forth in the consolidated income statement	$6,754,000	$6,051,000
Adjustments to generally accepted accounting principles:		
Provision for the future income tax effect of —		
Amortization of defense facilities	880,000	(1,058,000)
Accelerated and guideline depreciation	(3,366,000)	(2,487,000)
Net income (as it would be stated in conformity with generally accepted accounting principles)	$4,268,000	$2,506,000

The cumulative reduction in federal income taxes since 1951, due to the above-mentioned differences, not reflected in the accompanying balance sheet, amounted to $33,204,000 at December 31, 1963.

3. PENSION PLAN: Unfunded past service costs of the Company's pension plan amounted to approximately $6,917,000 at December 31, 1963. The cost of the plan charged to income in 1963 was $1,172,000, including $763,000 of past service; in 1962 the cost was $1,221,000, including $881,000 past service.

4. PROPERTIES: Gross properties are stated at estimated original cost as determined by the Interstate Commerce Commission for reorganizational purposes as of January 1, 1947, plus additions and betterments at cost and less retirements since that date.

At the time of reorganization the excess of the stated value of assets acquired over liabilities assumed was recorded as an "acquisition adjustment" and reflected as a reduction of properties. This account has remained substantially unchanged since the date of reorganization. Pursuant to an order of the Interstate Commerce Commission, the Company has studied the disposition of this account. Preliminary study indicates that a portion of the account will be transferred to Accrued Depreciation — Road (additional reserve needed as at date of reorganization) and the remainder transferred to Capital Surplus.

The Company uses depreciation accounting with respect to equipment and depreciable road properties. However, for rails, ties, and other track materials instead of depreciation accounting, it follows an acceptable alternate accounting practice of "replacement" accounting. Under this method, replacements in kind are charged to expenses and betterments (improvements) are capitalized. The amounts capitalized are not depreciated.

At December 31, 1963 nondepreciable property, including land and land rights, aggregated approximately $199,300,000.

5. FEDERAL INCOME TAXES: Federal taxes on income for 1959 and subsequent years are subject to final determination by the Treasury Department. In the opinion of management, the reserve provided for federal taxes on income is adequate.

6. CAPITAL STOCK AND SURPLUS: The preferred stock is redeemable at par plus accrued dividends. The stock is convertible at the option of the holders at any time on or before 15 days prior to the date as of which such stock shall have been called for redemption, at the rate of two shares of common for each share of preferred.

At December 31, 1963 there were 1,291,427 shares of authorized common stock reserved as follows:

(a) 574,072 shares for conversion of preferred stock.

(b) 656,990 shares for conversion of second mortgage income bonds at rate of 25 shares for each $1,000 of bonds.

(c) 60,365 shares for issuance under a restricted stock option plan authorized in 1952 for certain officers and key employees. Options on 22,875 shares were exercised in 1963. No further options may be granted under the plan.

The increase in capital surplus of $199,000 during 1963 represents the difference between acquisition cost and par value of preferred stock reacquired.

7. CONTINGENT LIABILITIES: The Company is guarantor of principal and interest, individually or jointly with other railroads, of obligations of various affiliated companies. The Company is a participant in a service interruption policy with The Imperial Insurance Company, Limited.

INVESTMENTS IN AFFILIATED AND OTHER COMPANIES

	NUMBER OF SHARES	PER CENT OWNED	PAR VALUE	BOOK VALUE
AFFILIATED COMPANIES—				
Stocks:				
Clarkland, Inc.	500	100	$ 50,000	$ 76,010
Clarkland Royalty, Inc.	100	100	1,000	44,866
*Frisco Transportation Co.	4,500	100	450,000	450,000
Greater Tulsa, Inc. Preferred Stock	630	100	6,300	6,300
Greater Tulsa, Inc. Common Stock.	70	100	700	700
906 Olive Corporation	1,500	100	150,000	150,000
New Mexico and Arizona Land Co.	500,258.48	50.03	500,258	515,469
*Birmingham Terminal Co.	250	16⅔	25,000	25,000
Illinois Terminal Railroad Co.	181.818	9.09	1,818	1,818
*Kansas City Terminal Ry. Co.	1,833⅓	8⅓	183,333	183,333
Pullman Co., The	8,456	1.1562	84,560	287,504
*Railway Express Agency, Inc.	29,064	1.45	29,064	1,400
*Terminal R. R. Association of St. Louis	2,058	6¼	205,800	1
Trailer Train Co.	500	2.56	500	50,000
*Tulsa Union Depot Co.	1,000	100	No Par	1,000
*Union Terminal Co., The—Dallas.	60	12½	6,000	6,000
*Wichita Union Terminal Ry. Co.	333⅓	33⅓	33,333	12,502
				$ 1,811,903
Notes:				
Clarkland, Inc.	....	....	....	$ 1,351,265
906 Olive Corporation	....	....	....	175,000
Frisco Transportation Co.	....	....	....	12,333
Railway Express Agency, Inc.	....	....	....	404,817
				$ 1,943,415
Investment Advances:				
Birmingham Terminal Co.	....	....	....	$ 296,787
Clarkland, Inc.	....	....	....	1,207,347
Kansas City Terminal Ry. Co.	....	....	....	848,890
Frisco Transportation Co.	....	....	....	285,000
Union Terminal Co., The—Dallas.	....	....	....	224,879
Wichita Union Terminal Ry. Co.	....	....	....	759,713
Wichita Terminal Association	....	....	....	2,000
				$ 3,624,616
Total investments in affiliated companies	....	....	....	$ 7,379,934
OTHER INVESTMENTS—				
Kansas, Oklahoma & Gulf Ry. Co. Preferred Stock Series C	43	.07	4,300	$ 4,228
Miscellaneous items	....	....	....	28,864
Total other investments	....	....	....	$ 33,092

*Pledged under mortgages.

LONG TERM DEBT

	DATE OF MATURITY	OUTSTANDING DEC. 31, 1963	1964 MATURITIES	INTEREST EXPENSE FOR 1963
FUNDED DEBT UNMATURED—				
First Mortgage Series A 4%	Jan. 1997	$ 66,981,200†	*	$ 2,712,181
First Mortgage Series B 4%	Sep. 1980	16,771,000†	*	688,247
Second Mortgage Income Series A 4½%	Jan. 2022	25,278,600†	*	1,137,537
Income Debentures Series A 5%	Jan. 2006	30,563,500†	*	1,505,775
		$139,594,300		$ 6,043,740
EQUIPMENT OBLIGATIONS—	Serially to			
Trust Certificates:				
Series D 2½%	Mar. 1964	$ 284,000	$ 284,000	$ 8,579
Series E 2¼%	Dec. 1964	272,000	272,000	11,730
Series F 2¼%	May 1965	300,000	150,000	7,875
Series G 2⅜%	Aug. 1965	494,000	247,000	15,153
Series H 2⅜%	Dec. 1965	746,000	373,000	25,838
Series I 2⅞%	Aug. 1966	1,017,000	339,000	34,923
Series J 3⅛%	Dec. 1966	945,000	315,000	38,965
Series K 2⅞%	Dec. 1967	748,000	187,000	26,433
Series L 3⅜%	Jun. 1968	1,725,000	345,000	63,069
Series M 3%	Jan. 1969	2,500,000	500,000	90,000
Matured during year	......	......	......	12,618
Conditional Sale Agreements:				
Dated Dec. 1, 1955, No. 1, 3½%	Dec. 1970	8,208,200	1,172,600	314,648
Dated Apr. 1, 1956, No. 2, 3½%	May 1971	525,000	70,000	19,804
Dated Sep. 1, 1956, Nos. 3 & 4, 4¼%	Sep. 1971	1,241,379	155,172	55,506
Dated Sep. 1, 1956, No. 5, 4¼%	Jun. 1972	1,098,972	133,333	50,484
Dated Jan. 1, 1957, Nos. 6, 7, 8, 9, 5%	Jul. 1972	9,440,668	1,110,667	513,683
Dated Dec. 15, 1958, No. 10, 4¾%	Feb. 1974	647,500	61,667	31,814
Dated Dec. 1, 1959, No. 11, 5⅝%	Feb. 1975	785,450	68,300	45,462
Dated Mar. 1, 1960, No. 12, 5¾%	Mar. 1975	3,680,000	320,000	219,267
Dated Aug. 1, 1960, No. 13, 5¼%	Aug. 1975	2,489,041	208,000	134,315
Dated May 1, 1961, No. 14, 4¾%	Jun. 1976	1,444,333	117,400	72,323
Dated Jan. 2, 1962, No. 15 & 16, 4¾%	Jan. 1977	1,979,100	152,400	99,436
Dated Nov. 1, 1962, No. 17, 5%	Nov. 1977	1,424,612	101,758	61,992
Dated Jul. 1, 1963, No. 18/22, 4½%	Aug. 1978	5,261,743	350,783	58,975
		$ 47,256,998	$ 7,034,080	$ 2,012,892

*Subject to sinking fund provisions under mortgage indentures.

First Mortgage Series A	$ 354,992
First Mortgage Series B	195,000
Second Mortgage Income Series A	131,398
Income Debentures Series A	165,645

†Excludes bonds held in treasury as follows:

First Mortgage Series A	$1,647,000
First Mortgage Series B	1,072,000
Second Mortgage Income Series A	1,001,000
Income Debentures Series A	841,000

CONDENSED INCOME ACCOUNT AS OF DECEMBER 31, 1963

(000

	SLSF Ry.	SLSF&T Ry.	QA&P Ry.	AT&N R.R.
Operating revenues	$ 120,754	$ 4,705	$ 2,926	$ 2,948
Operating expenses	94,907	3,110	1,218	1,580
Net operating revenue	25,847	1,595	1,708	1,368
Operating charges	13,791	1,051	575	897
Net operating income	12,056	544	1,133	471
Other income, net	2,205	30	15	**10**
Total income	14,261	574	1,148	461
Fixed and contingent charges	8,262	21	185	—
Income before Federal income taxes	5,999	553	963	461
Estimated Federal income taxes	324	195	380	193
Net income	$ 5,675	$ 358	$ 583	$ 268

CONDENSED BALANCE SHEET AS OF DECEMBER 31, 1963

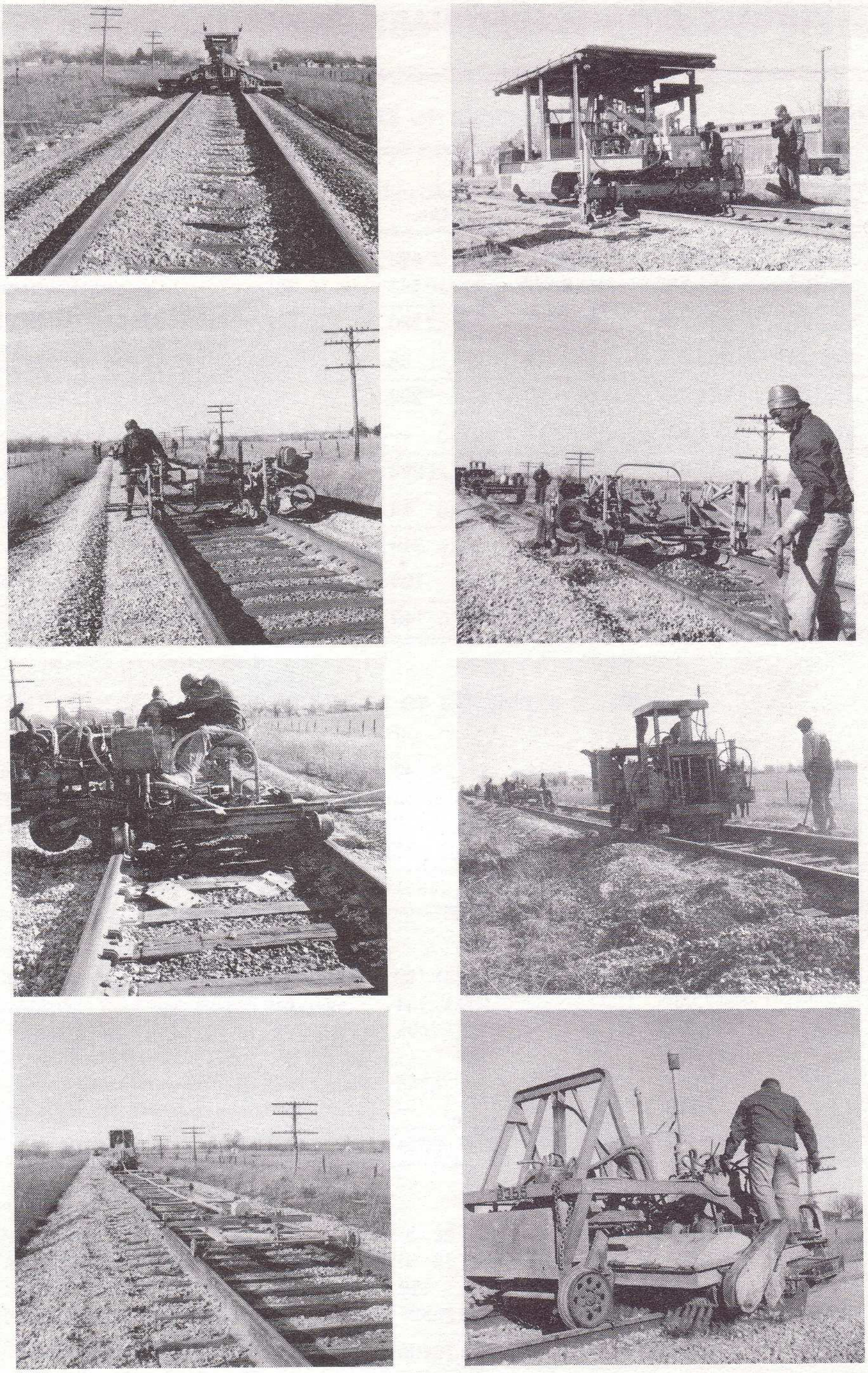
	SLSF Ry.	SLSF&T Ry.	QA&P Ry.	AT&N R.R.
Assets:				
Current assets	$ 49,231	$ 5,360	$ 4,597	$ 609
Property investment — net	301,807	7,088	4,244	6,047
Investments — other	16,922	278	—	—
Other assets and deferred charges	6,440	45	44	22
Total assets	$ 374,400	$ 12,771	$ 8,885	$ 6,678
Liabilities:				
Current liabilities	$ 31,247	$ 861	$ 590	$ 914
Long term debt due within one year	7,034	—	—	—
Long term debt	179,817	—	—	1,267
Casualty reserves	839	32	41	—
Amount payable to affiliate companies	—	200	2,915	1,975
Other liabilities and deferred credits	1,157	84	1	188
Total liabilities	$ 220,094	$ 1,177	$ 3,547	$ 4,344
Shareholder's equity:				
Preferred stock	$ 25,751	$ —	$ —	$ —
Common stock	81,874	975	150	1,246
Capital surplus	607	7,049	—	—
Retained income	46,074	3,570	5,188	1,088
Total shareholder's equity	$ 154,306	$ 11,594	$ 5,338	$ 2,334
Total liabilities and shareholder's equity	$ 374,400	$ 12,771	$ 8,885	$ 6,678

*After inter-company eliminations.
Bold face type denotes credit.

AND WHOLLY OWNED SUBSIDIARY COMPANIES

omitted)

Birm. Belt R. R.	* Total Railroads	Frisco Transptn. Company	Clarkland Inc.	906 Olive Corp.	Other Co's	* Total All Co's
$ 310	$ 131,643	$ 2,957	$ 475	$ 448	$ 9	$ 134,822
367	101,182	2,843	145	301	—	103,946
57	30,461	114	330	147	9	30,876
52	16,371	176	38	54	1	16,516
109	14,090	**62**	292	93	8	14,360
105	1,927	9	—	—	—	1,987
4	16,017	**53**	292	93	8	16,347
101	8,171	—	43	44	—	8,247
105	7,846	**53**	249	49	8	8,100
—	1,092	—	100	20	3	1,215
$ **105**	$ 6,754	$ **53**	$ 149	$ 29	$ 5	$ 6,885
$ 116	$ 50,774	$ 334	$ 43	$ 95	$ 146	$ 51,187
3,338	318,814	306	3,665	1,240	1	324,026
—	7,413	3	126	—	—	3,783
9	5,052	34	17	15	—	5,118
$ 3,463	$ 382,053	$ 677	$ 3,851	$ 1,350	$ 147	$ 384,114
$ 11	$ 24,476	$ 292	$ 112	$ 33	$ 10	$ 24,718
—	7,034	—	184	61	—	7,279
—	179,817	—	501	709	—	181,027
—	912	—	—	—	—	912
3,657	—	297	2,558	175	—	—
2	1,203	—	—	—	—	1,203
$ 3,670	$ 213,442	$ 589	$ 3,355	$ 978	$ 10	$ 215,139
$ —	$ 25,751	$ —	$ —	$ —	$ 6	$ 25,751
50	81,874	450	50	150	3	81,874
1,286	607	—	119	—	44	699
1,543	60,379	**362**	327	222	84	60,651
$ **207**	$ 168,611	$ 88	$ 496	$ 372	$ 137	$ 168,975
$ 3,463	$ 382,053	$ 677	$ 3,851	$ 1,350	$ 147	$ 384,114



Various machines used in track maintenance work. The newest of the machines is pictured in upper right hand corner: an Autojack Electromatic Tamper which determines the elevation of the track and tamps the ballast under and around the ties. A cable from the top center of the Tamper connects with a cart that precedes it, providing an infrabeam between cart and tamper which determines a perfectly level longitudinal and transverse guide for tamper.

INDEX

A copy of a supplemental report which includes additional financial and statistical statements will be mailed to any stockholder or interested person upon request.

Write to:

ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY
Room 1008, 906 Olive Street
St. Louis, Missouri 63101