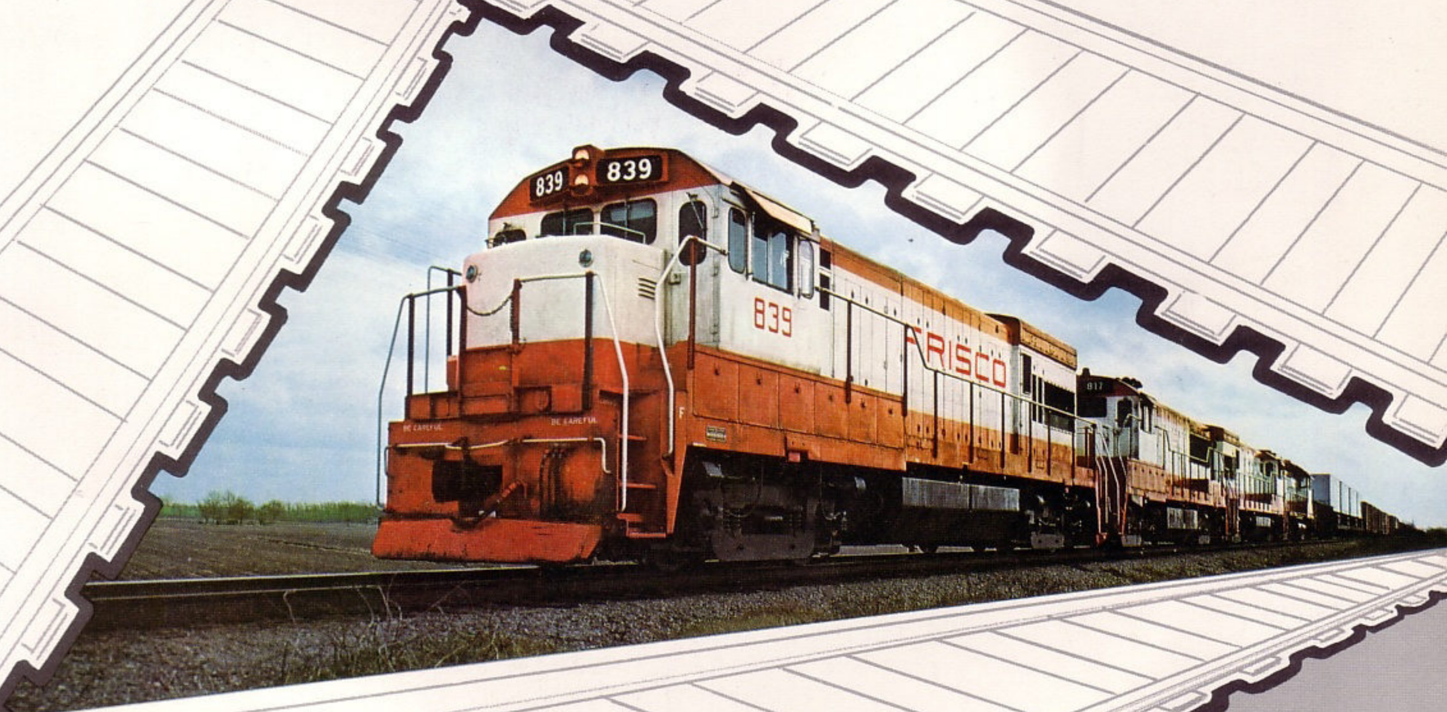
FRISCO

annual report

1969



St. Louis - San Francisco Railway Company

FRISCO

Dedicated to Service and Progress

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St. Louis-San Francisco Railway Company

GENERAL OFFICES: 906 OLIVE STREET • ST. LOUIS, MO. 63101

DIRECTORS

Term expires 1970

Edward W. Cook	*Memphis, Tenn.*
Thomas E. Deacy, Jr.	*Kansas City, Mo.*
Gale F. Johnston	*St. Louis, Mo.*
Wm. A. McDonnell	*St. Louis, Mo.*
Elliot H. Stein	*St. Louis, Mo.*

Term expires 1971

B. B. Culver, Jr.	*St. Louis, Mo.*
R. C. Grayson	*St. Louis, Mo.*
Judson S. Sayre	*Chicago, Ill.*
Lewis B. Stuart	*St. Louis, Mo.*
C. P. Whitehead	*St. Louis, Mo.*

Term expires 1972

Dudley E. Dawson, Jr.	*Mobile, Ala.*
J. E. Gilliland	*Tucson, Ariz.*
Bruce K. Goodman	*Evanston, Ill.*
E. D. Grinnell, Jr.	*St. Louis, Mo.*
F. G. McClintock	*Tulsa, Okla.*

EXECUTIVE COMMITTEE

B. B. Culver, Jr.
Wm. A. McDonnell
Lewis B. Stuart

J. E. Gilliland
Judson S. Sayre
C. P. Whitehead

R. C. Grayson
Elliot H. Stein

FINANCE COMMITTEE

Wm. A. McDonnell, *Chairman*

Elliot H. Stein

C. P. Whitehead

OFFICERS

J. E. Gilliland	*Chairman of the Board*
R. C. Grayson	*President*
E. D. Grinnell, Jr.	*Vice President-Traffic & Ind. Development*
J. H. Brown	*Vice President-Operation*
J. E. McCullough	*Vice President and General Counsel*
H. B. Parker	*Vice President and Controller*
J. K. Beshears	*Vice President-Personnel*
G. M. Rayburn	*Vice President, Secretary and Treasurer*
P. E. Odom	*Vice President-Management Services*

E. D. GRINNELL, JR.
Vice President-Traffic and Industrial Development

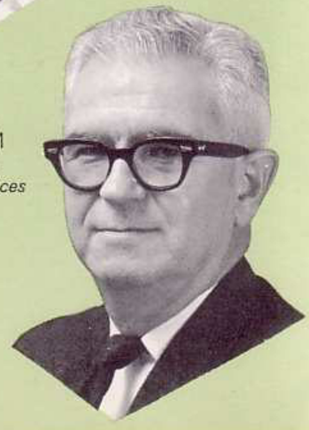
J. H. BROWN
Vice President-Operation

J. E. McCULLOUGH
Vice President and General Counsel

H. B. PARKER
Vice President and Controller

J. K. BESHEARS
Vice President-Personnel

G. M. RAYBURN
Vice President, Secretary and Treasurer



P. E. ODOM
Vice President-Management Services

TO FRISCO STOCKHOLDERS

March 4, 1970

J. E. Gilliland

R. C. Grayson

For the Frisco 1969 was the high point of its best decade. Net income of \$14.1 million was equivalent to \$5.42 per share of Common Stock, up 10.2% from the level of the year before and more than double the net income of 1960.

In that same decade, operating revenues rose 40% to an all-time high of \$187 million despite the absence of passenger revenue since 1967. No small part of the Frisco's traffic growth is traceable to the better-than-average industrialization of the Southeast and Southwest. In the decade of the sixties some 1,091 new industries — an average of two per week — went into operation along the lines of our railroad system. Freight traffic growth is best illustrated by revenue ton-miles which during the sixties increased 48% on the Frisco and 34% in the industry as a whole.

Several other factors have been influential. In 1965 we retired all of our 4½% Second Mortgage Income Bonds which were convertible into Common Stock. By 1968 we had retired the last of our Preferred Stock which also was convertible. This action improved our capital position and should enhance our bargaining position in any future merger discussions.

It was a decade of physical rejuvenation and modernization as our roadway and structures, as well as our rolling stock, benefited from a capital spending program which totaled close to \$200 million and included a new 33-mile line into the New Missouri Mineral Belt to serve the mines, mills and smelter now in production in that area.

Inflation was with us throughout the decade. By last year it was the dominant influence in the conduct of our business as it exerted strong upward pressures upon the costs of operation and the cost of capital required for improvement programs. While we were successful in offsetting some of the adverse effects of spiraling wages and prices, the Frisco found it necessary to join the other railroads in seeking higher freight rates. The latest of these increases became effective November 18, 1969. Despite a 53% increase in payroll and related costs during the sixties and an 11% increase in material prices, the Frisco made a significant improvement in its operating ratio. In 1960 we spent 78.5 cents from each revenue dollar for operation; in 1969 we spent 72.4 cents.

The pages which follow contain a more detailed report on the year's operation together with a comparison with 1968. In reporting the results of another gratifying year of Frisco progress, the Directors join us in thanking all of our stockholders, patrons and employes for their indispensable support and confidence.

Chairman of the Board

President

FRISCO FACTS

CONSOLIDATED

	1969	1968
Operating revenues	$187,397,735	$173,141,814
Operating expenses	$135,600,217	$124,575,050
Ratio of expenses to revenues	72.4	72.0
Average number of employes	8,600	8,440
Payroll	$ 77,537,455	$ 71,566,248
Taxes	$ 20,216,794	$ 16,781,693
Taxes per share of Common Stock	$ 7.79	$ 6.80
Pre-Tax Income available for fixed charges	$ 29,818,373	$ 25,446,901
Fixed charges	$ 8,708,791	$ 8,063,048
Times fixed charges earned — Pre-Tax	3.4	3.2
Contingent interest	$ 1,490,025	$ 1,476,875
Net Income	$ 14,062,557	$ 12,758,978
Dividends per Preferred share	$ —	$ 5.00
Earnings per Common share	$ 5.42	$ 5.04
Dividends per Common share	$ 2.35	$ 2.20

SYSTEM RAIL LINE FREIGHT STATISTICS

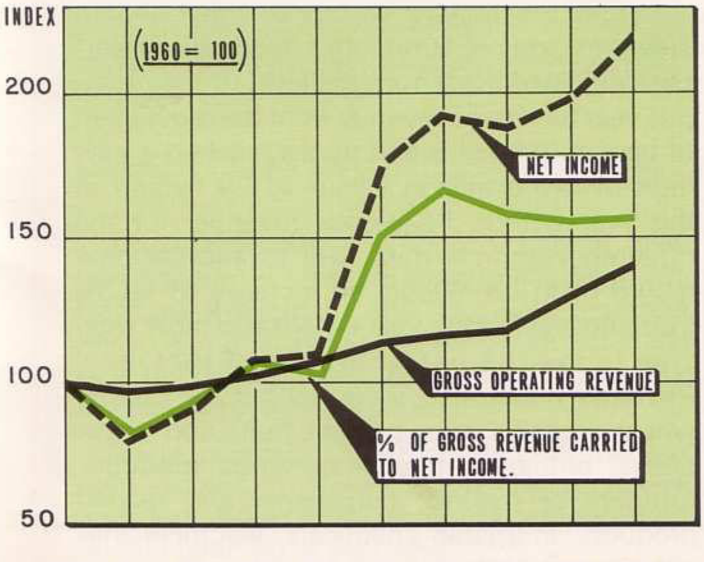
	1969	1968
Miles of road operated	4,880	4,910
Freight train revenue	$178,578,632	$165,049,644
Net ton-miles — revenue (thousands)	13,496,947	12,963,710
Gross ton-miles (thousands)	31,059,651	30,294,503
Train miles	9,831,952	9,487,536
Revenue per ton-mile	1.323¢	1.273¢
Revenue per train mile	$ 18.16	$ 17.40
Revenue tons per car	38.7	37.7
Revenue tons per train	1,372.8	1,366.4
Gross tons per train	3,159.1	3,193.1
Gross ton-miles per train hour	76,972	77,229

NET INCOME

Although adversely affected by a change in the Federal Government's income tax policy, net income of $14,062,557, before sinking funds, was up 10.2% from the level of 1968. Earnings per share of Common were $5.42 versus $5.04 a year earlier.

A record traffic volume, an increase in freight rates and the ability to offset some of the higher costs of doing business enabled the Company to increase its net income to the highest level since the record year of 1952 when Dieselization was completed.

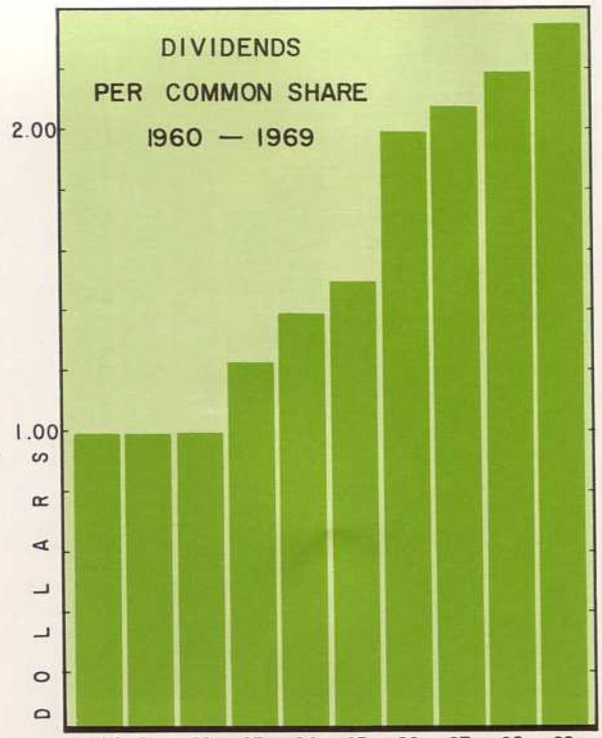
THE SIXTIES IN REVIEW

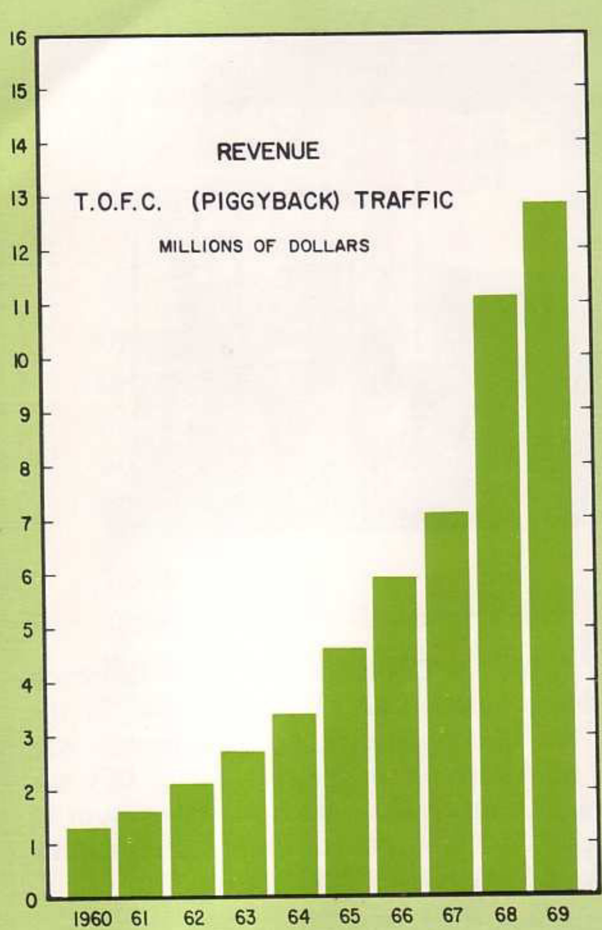


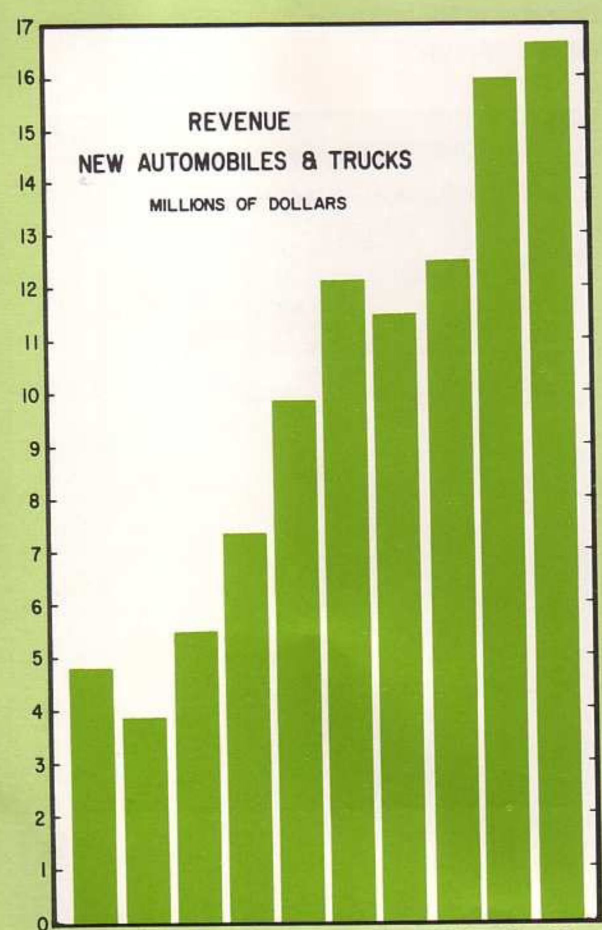
DIVIDENDS

In 1969 the Company paid four Common dividends totaling $2.35 versus $2.20 in the year before. The first of these dividends was paid on March 17 in the amount of 55¢ per share. The other three, each in the amount of 60¢ per share, were paid on June 16, September 16 and December 15.

A dividend of 60¢ per share of Common was declared payable March 16, 1970 to holders of record March 2.







OPERATING REVENUES

Operating revenues reached an all-time high of $187,397,735 and were 8.2% above the level of 1968 under the influence of a record traffic volume, higher freight rates and the refund of some interline revenue paid to other rail carriers in past years.

Freight rate increases which went into effect in 1967 and 1968 resulted in a rate rise of between three and ten per cent, depending upon the commodity. On November 18, 1969, an additional 6% increase on interstate traffic went into effect on a conditional basis.

For some years, the Frisco has been a party to a dispute between Eastern and Southern rail carriers involving the division of interline freight revenue. Under a Federal Court order, your Company was awarded a refund of approximately $1.2 million for the period 1965-68. About 83% of this amount is included in the freight revenue of 1969; the remainder, it is expected, will be taken into account in 1970.

Frisco loadings in 1969 totaled 861,208, up 2.9% from the level of the year earlier while revenue ton-miles were up 4.1% to a new Company record for the seventh consecutive year.

Economically, the year was a good one, although inflationary pressures continued to distort true gains. Automobile and truck assemblies declined 5.4% from the level of the previous year but Frisco revenue from the movement of new automobiles and trucks reached a new high of $16.6 million versus $15.9 million in the year before. Piggyback revenue, for the fifteenth year in a row, rose to another new record of $12.8 million, an increase of 15.3% from the level of the year before and more than five times the national rate of increase. Revenue gains also were scored by cotton, wheat, metallic ores, canned fruits and vegetables, ordnance, lumber or wood products furniture or fixtures, pulp-paper and related products, inorganic chemicals, electrical machinery and coal.

OPERATING EXPENSES

Operating expenses of $135,600,217 were up 8.9% from the level of the year earlier as the cost of providing transportation service reached an all-time high. A record level of traffic contributed to the rise in expenses while higher payroll costs and rising material prices made it difficult to hold our transportation and operating ratios to the levels of recent years. More sophisticated machinery, improved management techniques and strict cost controls partially offset these adverse factors but your Company found it necessary to join the other railroads in passing on some of the spiraling costs to the shipping public.

While unit costs of labor and material rose perceptibly, the year saw a continuation of the Frisco's high standards of maintenance for both its fixed facilities and its rolling stock. A more detailed account of the maintenance work performed on the Company's roadway and structures may be found on page 15.

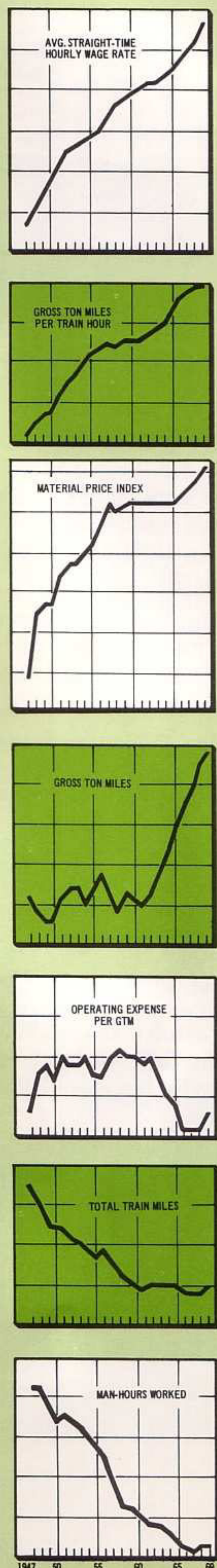
The tabulation below shows the number of cents spent from each revenue dollar for all of the major sub-divisions of operating expenses during 1969 and the year before.

	1969	1968
Transportation.............	38.1	37.0
Maintenance of Way.......	12.7	13.1
Maintenance of Equipment.	12.8	13.2
Other.....................	8.8	8.7
Operating Ratio..........	72.4	72.0

LABOR COSTS

Wage increases and fringe benefits taken into account during 1969 and changes in the Railroad Retirement and Tax Acts increased Frisco's annual payroll costs by an estimated $6.7 million. For changes in the Railroad Retirement Tax rate, see page 8.

Wage increases and other demands made by train service employes, shop craft employes and five other non-operating organizations remain pending at year-end.



TAXES

Estimated taxes in 1969 totaled $20,216,794 versus $16,781,693 in 1968.

In 1969, net Federal income tax credits from accelerated and guideline depreciation and amortization of defense facilities were equivalent to $1.02 per share of Common Stock; in 1968 these tax credits were equivalent to $1.08 per share of Common Stock. Since 1951, tax credits have accumulated to approximately $46,177,000 (see note 2, page 26).

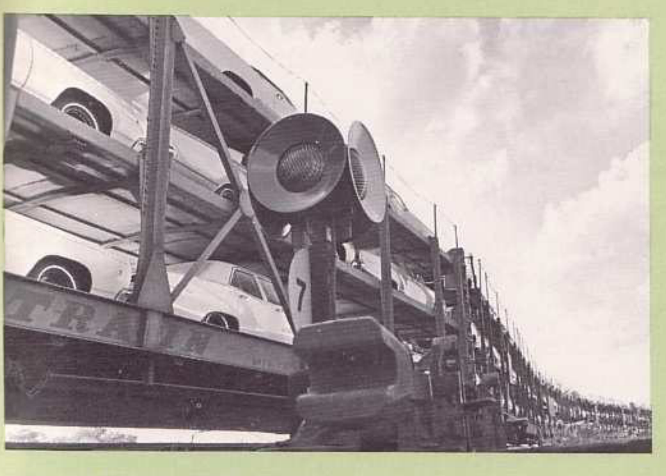
The 10% surcharge increased Federal income tax accruals approximately $650,000 for the year. The surcharge, originally scheduled to expire on June 30, 1969, was extended to December 31, 1969. The Tax Reform Act of 1969 again extends the surcharge to June 30, 1970, at a reduced 5% annual rate.

The 7% investment credit, which was cancelled April 18, 1969, decreased Federal income tax accruals in the amount of $2,200,000 in that year, compared with a decrease of $2,712,000 in 1968. Unused carry-forward of investment credit at December 31, 1968 approximated $2,700,000 and at year-end 1969 approximated $2,100,000. Under the Reform Act, the amount of unused credits that a taxpayer may claim as carry-over to any year beginning after 1968 may not exceed 20% of the aggregate amount of the taxpayer's unused investment credit.

Some temporary benefit also will be derived from the provision of the new tax law which permits a five-year write-off of the cost of new rolling stock.

Payroll taxes in 1969 totaled $7,748,375, an increase of 7.4% from the level of 1968. Following is a statement of Railroad Retirement and Unemployment Tax bases and rates for the years 1969 and 1968:

	1969	1968
Railroad Retirement Tax	9.55%	8.90%
Includes Hospital benefits of	0.60%	0.60%
Computed on earnings up to	$650 per mo.	$650 per mo.
Additional tax on compensated service	2¢ per hr.	2¢ per hr.
Railroad Unemployment tax	4%	4%
Computed on earnings up to	$400 per mo.	$400 per mo.
Total Payroll Taxes	$7,748,375	$7,215,166



9% of Frisco's 1969 revenues came from hauling new automobiles and trucks.

MARKETING

Gearing its transportation services to the customers' needs helped the Frisco to achieve a continued growth in freight traffic. Incentive rates, unit trains and other adaptations to meet the changing requirements of the shipping public are being used effectively to improve both volume and profitability.

An extensive revision of the Company's costing techniques was completed during the year enabling the Frisco to maintain one of the industry's most efficient pricing operations.

Current marketing activities include efforts to supply larger rail cars for a more efficient movement of the products of new lumber mills on the lines of the system.

One of the nation's largest areas for producing broiler chickens is located in Northwest Arkansas. Marketing efforts were successful during the year in supplying large covered hopper cars and associated freight rates to permit the economic movement of feed grains into this territory.

"OPERATION FEEDBACK"

In November 1969 the Frisco conducted a management seminar called "Operation Feedback." The purpose of the seminar was to bring management personnel from different geographical and responsibility areas to an informal meeting place where they could exchange ideas for the betterment of the Company. The meeting was attended by the President, all department heads and most of those considered in middle management. A fringe benefit of this seminar was "getting acquainted" with other officers of the Company who communicate with each other by telephone but seldom meet in personal contact.

The seminar opened with an address by President Grayson, who discussed Company goals, where we stand and what we anticipate in the future. Each vice president and department head described his department's objectives, organization and functions.

During Phase II of the seminar, those attending were divided into small groups of six. Each group met with a conference leader for the purpose of generating ideas for making Frisco a better company and his job more challenging and desirable. Simultaneously, each was given an opportunity to express himself on matters of personal concern.

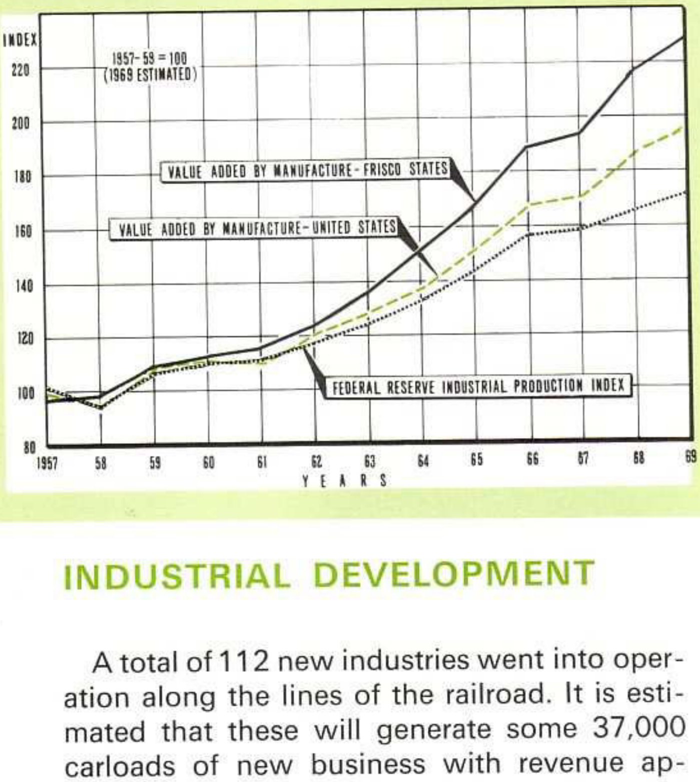
Phase III of "Operation Feedback" consisted of communication in all directions. The department heads formed a panel and answered questions, discussed suggestions and commented on the ideas which originated in the small group discussions of Phase II. Additionally, during this portion of the program, the audience was given the privilege of making comments and discussing ideas with the panel.

Some of the suggestions for improving the operations of the Company already have been put into effect; others will require more time to implement. Each idea is being considered individually and progressed according to its merits.

These huge stainless steel storage and fermenting tanks were loaded at Springfield, Missouri, for movement to a New Hampshire brewery. Weighing about 30,000 pounds each they were built by the Paul Mueller Company. More than 500 have been shipped via the Frisco since 1964.

New $50-million plant of the Dayton Tire & Rubber Company at Oklahoma City, Oklahoma.

New $12-million plant of the Charmin Paper Products Company near Cape Girardeau, Mo.



INDUSTRIAL DEVELOPMENT

A total of 112 new industries went into operation along the lines of the railroad. It is estimated that these will generate some 37,000 carloads of new business with revenue approximating $5.8 million annually. The year was the third best in the history of the Company measured in terms of new revenue.

During the year, 35 industries expanded their plants thereby increasing their output by some 5,200 carloads annually. The substantial increase in plant expansions during 1969 reflected the generally satisfactory industrial growth in the territory served by the Frisco as well as a diversion of capital from new plants to expansions as a result of the high cost of borrowed capital.

In general there was a balance between manufacturing and warehousing facilities.

Two rubber companies started up plants: Uniroyal, Inc., began a hose manufacturing operation at Kennett, Missouri, and Dayton Tire & Rubber Company, a division of Firestone, began producing tires at its $50-million plant at Oklahoma City. Ralston Purina inaugurated a new chow plant at Springfield, Missouri, and Chicago Bridge & Iron Company started up a new fabrication plant at Memphis, Tennessee.

The vast forest resources of the Mid-South attracted additional pulp and paper facilities. Charmin Paper Products Company, a division of Procter & Gamble, began the manufacture of personal paper products at a $12-million converting plant near Cape Girardeau, Missouri. Scott Paper Company announced it had optioned sites at Caruthersville, Missouri, and at Blytheville, Arkansas, with a view toward establishing similar facilities.

Weyerhaeuser Company purchased Dierks Forests, Inc. and shortly thereafter announced the expansion of four of its existing building product mills and the erection of a giant pulp and paper mill at Valliant, Oklahoma. While these facilities are not located on Frisco lines, Weyerhaeuser will extend its own short line railroad to intersect the Frisco which will thereby become a major beneficiary of this increased production.

Many distribution facilities were located in the major terminal areas of the Frisco. Memphis continued to attract the preponderance of such plants with Kansas City and Springfield, Missouri, participating actively. Warehouses of J. M. Smucker, United Tire Company, Frank Lyon Company, Westinghouse and Weyerhaeuser Company were among the major facilities constructed.

At year-end the backlog of new industries which had selected sites on the Frisco and had begun to build, or were in the final stages of planning, remained at a high level. These new plants involve an investment of some $117 million and are expected to generate more than 48,000 cars of traffic annually. Some of the larger industries will not complete their facilities until 1971, among them the newest brewery of the Jos. Schlitz Brewing Company at Memphis, anticipated to be one of the world's largest.

Behemoth-like power shovel owned by Peabody Coal Company and capable of scooping up 60 tons of earth and rock each minute. This type of shovel is used at Peabody's Mines at Catale and Chelsea, Oklahoma, which originate five unit coal trains per week.

MISSOURI MINERAL BELT

With the close of the year, the Frisco's new 33-mile line of railroad into the new Missouri Mineral Belt had been in operation for 27 months. The last of the five major installations it was designed to serve began operations in March. Revenue from the new line during 1969 totaled an estimated $1,738,130 versus $493,494 a year earlier.

Beginning in 1972, still another mine and mill of the St. Joseph Lead Company will begin operating at Brushy Creek. The mill is designed for a capacity of 5,000 tons of ore a day.

The American Zinc Company's project to market mine tailings as agricultural limestone from the St. Joseph Lead Company's mill at Viburnum should be realized during 1970. Cominco-American plans a similar but smaller operation at Bixby.

Strong demand, seven lead price increases and uninterrupted production sent Missouri mineral output to a new all-time high in 1969 reaching $360 million, almost double the value of five years ago. Missouri has been the nation's largest lead producer for more than half a century. According to a report issued by the Missouri Geological Survey and Water Resources Division, "The new mines, mills and smelter in the Viburnum trend of Crawford, Washington, Iron and Reynolds counties should sustain this prolific production for another half century."

Locomotives of three railroads are pooled for run-through trains. Trains by-pass most classification yards.

RUN-THROUGH TRAINS

One of the important facets of Frisco train scheduling and operation is improving transcontinental train service. For several years the Frisco, in cooperation with the Union Pacific and Seaboard Coast Line railroads, has provided attractive schedules between the Southeast and Pacific Northwest.

In an effort to reduce schedule time and improve operations — mainly through major terminals such as Kansas City and Birmingham — the three railroads, effective December 1, 1969 on a trial basis, commenced a run-through operation between the Union Pacific's new hump yard at North Platte, Nebraska, and Jacksonville, Florida on the Seaboard Coast Line, a distance of 1,600 miles, moving over the Frisco between Kansas City and Birmingham. This test covered the pooling of Seaboard Coast Line, Union Pacific and Frisco motive power whereby locomotives departing either North Platte or Jacksonville would move through without the necessity of changing engines at Birmingham and Kansas City.

Pre-blocking of trains was accomplished on the Union Pacific at North Platte, the Frisco at Memphis, and the Seaboard Coast Line at Jacksonville, eliminating the need for switching or blocking at intermediate points. The tests were successful from the very outset and schedules were placed into operation effective January 1, 1970 on a permanent basis.

The new coast-to-coast service will offer faster schedules by providing prompt connections between North Platte and Pacific Northwest points such as San Francisco, Seattle and Portland on the one end, and between Jacksonville and Miami, Lakeland, Tampa and Orlando, Florida, on the other.

Coal-loading tipple at Catale, Oklahoma. A nine-mile spur line, built by Peabody, connects with the Frisco's main line.

MERGERS

The Frisco intervened in opposition to all of the proposals by various Western railroads to acquire all or portions of the Rock Island Railroad. The hearings have been reopened for a further limited rehearing with a prehearing conference before the Examiners presently scheduled for April 1, 1970 in Washington, D.C.

Your Company also intervened as an interested party in the Illinois Central-Gulf, Mobile and Ohio merger proceedings. Hearings have been concluded and we are awaiting the proposed report and recommended order of the Examiner.

LITIGATION

The litigation involving the division of interline revenue on traffic between Eastern and Southern territories about which comment was made in last year's report, has been terminated before the United States Supreme Court, but the matter has been remanded to the Interstate Commerce Commission for further handling. At this time, the matter has reached a point which is favorable to the interests of your Company.

CAPITAL EXPENDITURES

Capital expenditures during 1969 totaled \$26,957,141 versus \$29,151,377 in the year earlier. Continued high investment in new plant and equipment enables the Frisco not only to meet the changing needs of its patrons but also to lessen the impact of higher unit costs of operation.

Of the amount spent for additions and betterments during 1969, the largest portion — \$17,828,282 — went for new cars and locomotives, most of which were financed through Conditional Sale Agreements. Of the remainder, a total of \$5,423,116 was spent on roadway and structures, \$1,397,583 on rebuilding freight cars and \$2,308,160 on other additions and improvements to our properties.

Train Handling Indicator (THI) developed by three Frisco veterans to reduce equipment breakage and damage to lading caused by improper application of power or brakes. Installed in the cab of the lead locomotive, the THI displays to the locomotive engineer the precise position of the entire train — from cab to caboose — along a continuously moving track profile tape which portrays the railroad right of way up to five miles ahead. Synchronized with the speed of the locomotive's wheels, the tape unwinds before the locomotive engineer's eyes and shows degree of curvature, ascending and descending grades, crossings, speed restrictions and the location of bridges and signals. Pictured above are the developers of THI: (c) Charles Battaile, Rules Examiner; (l) Kenneth Dyche, Superintendent Freight Car Shops and (r) Ray Tyler, General Road Foreman-Equipment.

EQUIPMENT OBLIGATIONS

Equipment obligations outstanding at year-end, including those due in one year, totaled $84,841,762, an increase of $7,766,719, representing additional obligations incurred of $17,199,315, less serial maturities of $9,403,884 and prepayments of $28,712 during 1969.

Equipment debt instalments due in 1970 will amount to $9,653,884; equipment depreciation chargeable to operating expenses will approximate $9,100,000.

ROLLING STOCK

The Frisco continued to modernize its fleet of Diesel locomotives, some of which have been in service since Dieselization was completed in 1952. Technological advances in the meantime have made possible more powerful locomotives of superior design and greater tractive effort and they are being installed to displace older units which have served well but which now would be too expensive to rebuild. During the year, a total of 38 new Diesel locomotives was put into service. The horsepower of these individual units may be found on page 31 together with similar data for locomotives installed in prior years.

Car shortages continued to hamper the railroad industry. To improve and expand its own fleet of freight-carrying equipment, the Frisco put into service during 1969 a total of 565 cars of various types and sizes. On page 31 will also be found a description of this new rolling stock as well as of the equipment installed in past years.

To conserve capital, the Frisco has augmented its supply of freight-carrying equipment by leasing railway equipment from others. At year-end, the Company had 1159 freight cars under lease. The Company also is a party to a leasing agreement under which it shares the use of 500 covered hoppers with a major chemical company. Additionally, the Company has a stock interest in Trailer Train Company from which it leases 779 flat cars upon which Frisco-owned automobile racks are mounted.

The Company's wholly-owned motor subsidiary, The Frisco Transportation Company, also further modernized its equipment and during the year added 16 new tractors to its fleet.

BRIDGE RENEWAL PROGRAM

ROADWAY AND STRUCTURES

Longer, heavier and faster trains require an improved roadway and better structures. As part of its long-term program of strengthening its track structure, the Frisco laid 84 miles of new rail during the year, 79 miles of which were welded into quarter-mile lengths and 5 miles of which were jointed rail, heat-treated for use on sharper curves. Of the new rail laid, 27 miles consisted of 132-pound and 57 miles consisted of 115-pound rail. Included in the welded rail laid were almost nine miles of heat-treated rail for use on curves.

Company forces also relaid 27.4 miles of rail welded into quarter-mile lengths and 21.1 miles of jointed rail.

As part of its regular maintenance program, the Frisco inserted 423,000 crossties, resurfaced some 1280 miles of line and tested 3300 miles of railroad with electronic detector cars which locate hidden flaws before they become service failures.

The Frisco's program for improving its bridges continued as 212 panels of wooden trestles were replaced with superior structures. Other construction work included an addition to our Diesel Shop at Springfield, Missouri, and the enlargement of our automobile loading facilities adjacent to the Chrysler automobile and truck plants on the outskirts of St. Louis.

WASHINGTON
MONTANA
NORTH DAKOTA
SOUTH DAKOTA
OREGON
IDAHO
WYOMING
NEBRASKA
CALIFORNIA
NEVADA
UTAH
COLORADO
KANSAS
ARIZONA
NEW MEXICO
OKLAHOMA
TEXAS
SEATTLE
SPOKANE
PORTLAND
SHELBY
GREAT FALLS
BUTTE
BILLINGS
GRANGER
CHEYENNE
SALT LAKE CITY
DENVER
PUEBLO
ELLSWORTH
WICHITA
ARKANSAS CITY
AVARD
SAN FRANCISCO
OAKLAND
LOS ANGELES
BARSTOW
SAN DIEGO
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LAKE SUPERIOR
LAKE MICHIGAN
LAKE HURON
LAKE ERIE
LAKE ONTARIO
ATLANTIC OCEAN
GULF OF MEXICO
BOSTON
ALBANY
BUFFALO
NEW YORK
PHILADELPHIA
PITTSBURGH
WASHINGTON
CLEVELAND
DETROIT
COLUMBUS
CINCINNATI
INDIANAPOLIS
LOUISVILLE
CHARLOTTESVILLE
LYNCHBURG
RICHMOND
RALEIGH
WINSTON SALEM
GREENSBORO
KNOXVILLE
ASHEVILLE
CHARLOTTE
HAMLET
FAYETTEVILLE
GREENVILLE
COLUMBIA
CHARLESTON
SAVANNAH
JESUP
BRUNSWICK
JACKSONVILLE
VALDOSTA
THOMASVILLE
MACON
ATLANTA
ANNISTON
COLUMBUS
MONTGOMERY
NASHVILLE
CHATTANOOGA
BIRMINGHAM
BESSEMER
WINFIELD
TUPELO
AMORY
ABERDEEN
COLUMBUS
REFORM
ALICEVILLE
BOLIGEE
YORK
MOBILE
PENSACOLA
JACKSON
NEW ORLEANS
ST. PETERSBURG
TAMPA
MIAMI
MEMPHIS
HULBERT
JONESBORO
HOXIE
BLYTHEVILLE
CARUTHERSVILLE
HAYTI
KENNETT
SIKESTON
CAPE GIRARDEAU
ST. GENEVIEVE
ST. LOUIS
CHICAGO
ST. PAUL
MINNEAPOLIS
DES MOINES
KANSAS CITY
SPRINGFIELD
ROLLA
CUBA
SALEM
BUICK
CHICOPEE
WEST PLAINS
WILLOW SPRINGS
OZARK
MONETT
JOPLIN
FT. SCOTT
PARSONS
BEAUMONT
NEOSHO
TULSA
FAYETTEVILLE
SAPULPA
MUSKOGEE
OKMULGEE
FORT SMITH
POTEAU
HUGO
MADILL
ASHDOWN
HOPE
PARIS
DALLAS
SHREVEPORT
HOUSTON
GALVESTON
PC
NYNH&H
B&O
C&O
SOU
SCL
RF&P
N&W
GMO
IC
L&N
C of GA
AT&N
FEC
KCS
ATSF
FW&D
SP
C&NW
CBQ
CRIP
CRIP-CBQ
FRISCO

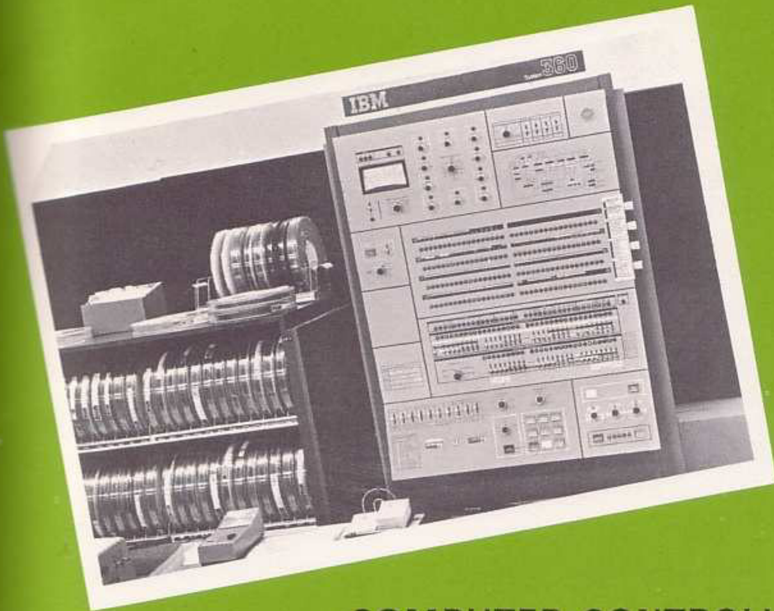
COMPUTERIZED COMMUNICATIONS

In recent years the Frisco has spent considerable sums of money to gear itself to the needs of tomorrow. Nowhere is this more evident than in the field of computerized communications. New technological developments now have brought within reach computerized control of car supply and equipment utilization, both areas in which an improved performance can produce meaningful economies as well as better service for our patrons.

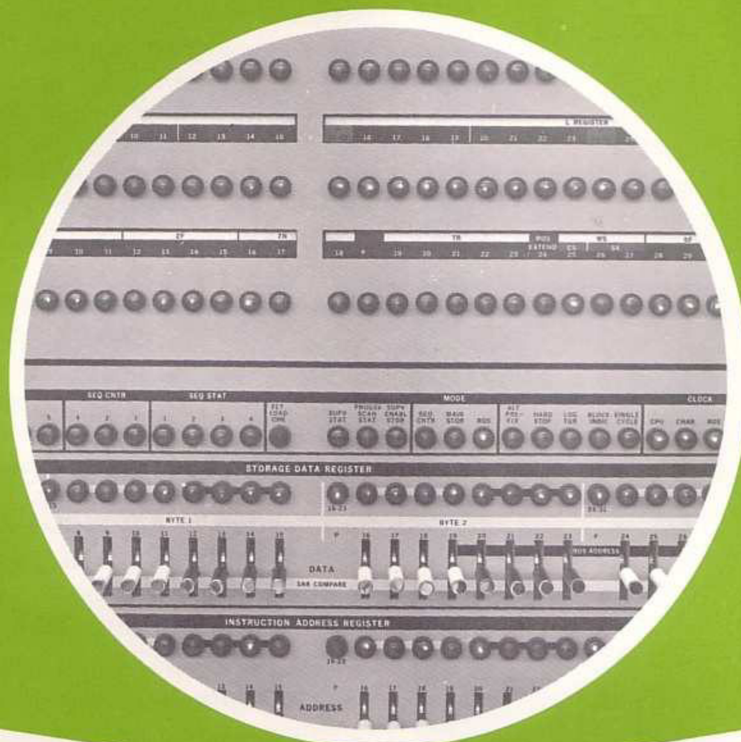
During the year the Company continued its transition to a full complement of "third generation" computers. An IBM 360 Model 50 computer, installed late in 1968, assumed the full load of "batch processing" activities such as payroll, revenue and car accounting, sales, traffic, and statistical analysis.

A second IBM 360 Model 50 computer arrived on the scene in July. In addition to assuming control of the Communications Network, this new system will provide a broadened data base which, in addition to freight cars, will include the activities of trailers, containers, engines, cabooses and trains. To more rigidly edit and control information fed into the computers and increase the availability of information to management, IBM 1050 input-output devices were installed at 19 locations over the railroad. In addition, two IBM 2740 computer terminals for use of management personnel were installed in the Springfield General Office. Both on-line and off-line traffic offices will have instantaneous communication with the computer, thus making it possible to supply patrons with up-to-the-minute information on their shipments.

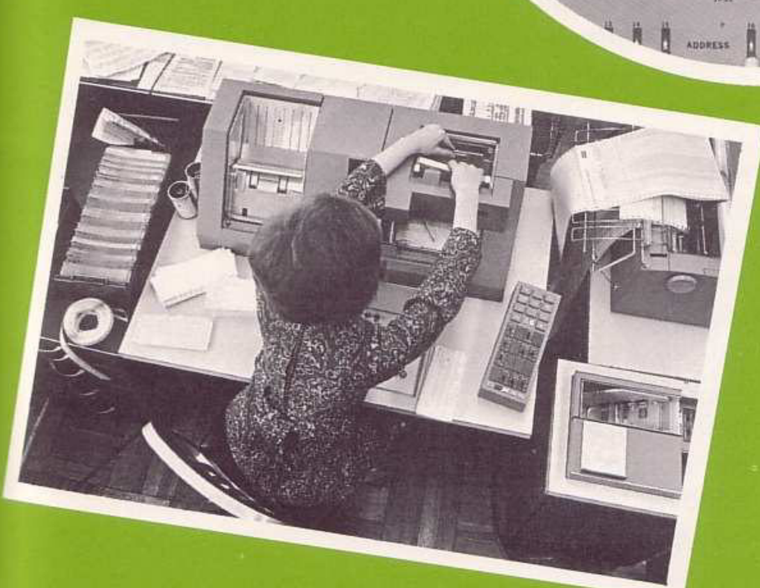
Computer technology now makes possible a two-way flow of control and monitoring information between the division and terminal level and the general office level to improve Frisco's efficiency and service.



COMPUTER-CONTROLLED COMMUNICATIONS



New high-speed computers now perform in minutes tasks which once took hours. Dividend checks for the Frisco's entire list of 8700 stockholders now can be printed in one hour and forty-eight minutes.



In 1969 Frisco's two car ferries floated 5400 cars between the Alabama State Docks at Mobile and Blakely Island.

SAFETY

The Frisco continued its efforts to improve employe safety, both on and off the job. The National Safety Council's "Golden Spike" Award for Public Safety Activities was again presented to the Frisco for its performance in 1968. This award is given annually for varied activities, such as participation of railroad personnel in community safety activities, off-the-job safety program for employes, participation in local and state safety councils, working with civic groups, and participation in the Council's Signs of Life Program.

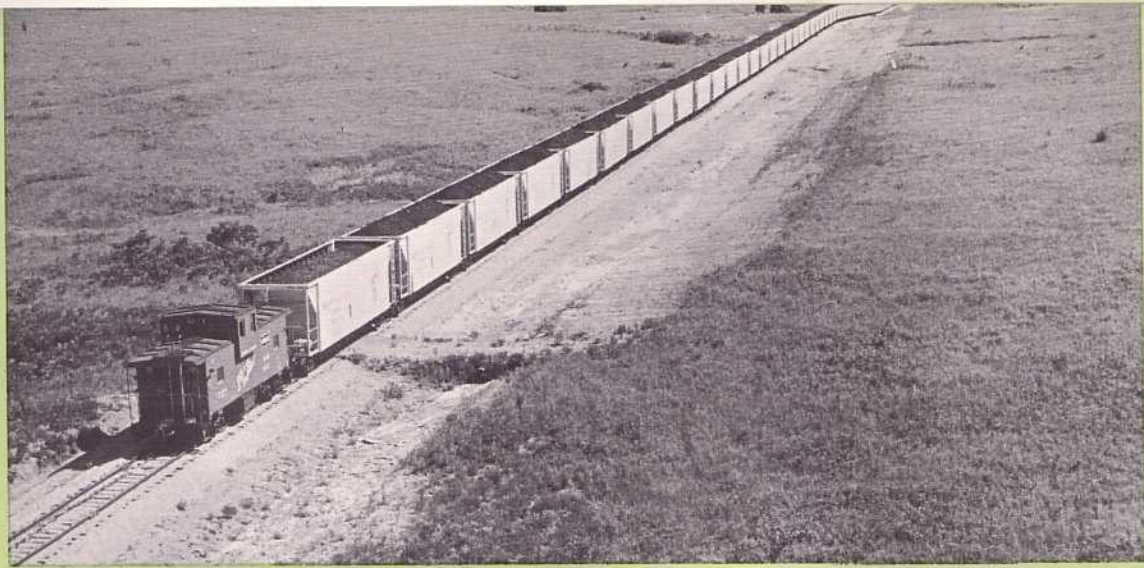
The Frisco continued in 1969 the National Safety Council's Driver Improvement Program through the Defensive Driving Course. This course is being given to Frisco employes who operate Company vehicles. Results from this training program continue to show a reduction in the frequency of accidents involving the Company's fleet of vehicles. This project will be continued in 1970.

During the year, the Frisco laid the groundwork for a more comprehensive program directed toward all areas of safety. Under the new organizational set-up, safety officers will have a greater responsibility for implementing a more vigorous effort to combat the waste inherent in accidents of all types.

FINANCIAL STATEMENTS

Included in this report are the consolidated financial statements of the St. Louis-San Francisco Railway Company and its wholly-owned rail and non-rail subsidiaries, together with the opinion thereon of the Company's independent accountants, Price Waterhouse & Co. Wholly-owned rail subsidiaries are Alabama, Tennessee and Northern Railroad Company and Quanah, Acme & Pacific Railway Company. Non-rail subsidiaries are Frisco Transportation Company, Clarkland, Inc., Clarkland Royalty, Inc., Data Tabulating Corporation and 906 Olive Corporation.

Another enterprise in which the Frisco 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 903, St. Louis, Missouri 63101.



Unit coal train en route from Catale, Okla. to Sibley, Mo. Frisco now hauls five of these unit trains per week, three from Catale and two from Chelsea, Okla.

MANAGEMENT CHANGES

Effective November 1, 1969, R. C. Grayson, President, became President and Chief Executive Officer. J. E. Gilliland, formerly Chairman of the Board and Chief Executive Officer, continues as Chairman of the Board.

Other managerial changes included the appointment of H. B. Parker, of Springfield, Missouri, Vice President and Controller; the election of G. M. Rayburn, of St. Louis, Vice President, Secretary and Treasurer and the appointment of P. E. Odom, of Springfield, Vice President-Management Services.

A graduate of Harvard Business School, Mr. Parker came to the Frisco in 1947 after serving with the Southern Railway. He was named Assistant to President in 1951; Assistant Vice President-Accounting in 1955; General Auditor in 1957; Assistant Controller in 1958 and Controller in 1962.

Mr. Rayburn, a graduate of Washington University in St. Louis, entered Frisco service as a Special Representative in 1956 following 15 years of accounting services with other industries. He was appointed Assistant Auditor in 1957; Auditor General Accounts in that same year; Assistant to Controller in 1958; Assistant Controller later that year and Secretary-Treasurer in 1963.

Also a graduate of Washington University, Mr. Odom started with the Frisco as a Trainmaster Clerk in 1942. After serving in various clerical and secretarial positions, he was named Special Engineer in the office of Vice President-Operation in 1953. Three years later he was appointed Terminal Trainmaster. In 1957 he was named Manager of Data Processing. He became Assistant Controller in 1965 and Director of Management Services in 1966.

DIRECTORATE CHANGES

At a meeting of the Board of Directors on May 13th, Edward W. Cook of Memphis, Tennessee, was elected a director to fill the unexpired term of Edward L. Bruce, Jr., who resigned after serving on the Frisco's Board for 23 years.

Mr. Bruce brought to the Company a valued business acumen which served us well in his many years of distinguished service. His associates take this occasion to express their appreciation for the fidelity of his help and guidance in formulating Company policy and to express their best wishes to him in the years ahead.

In securing the services of Mr. Cook, the Frisco continues to assure itself of the benefit of sound business judgment in directing Company affairs. Mr. Cook is President of Cook Industries, Inc. of Memphis, which includes Cook Grains Division, Texokark Cotton Co., Memphis Cotton Co., W. W. Dewey Division, and E. L. Bruce Company.

PRICE WATERHOUSE & CO.
ONE MEMORIAL DRIVE
ST. LOUIS

March 4, 1970

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY:

We have examined the consolidated balance sheet of the St. Louis-San Francisco Railway Company and its subsidiaries at December 31, 1969 and the related consolidated statements of income, retained income and sources and applications of funds 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, the accompanying statements examined by us present fairly the consolidated financial position of St. Louis-San Francisco Railway Company and its subsidiaries at December 31, 1969, the results of their operations and the supplementary information on funds 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

	1969	1968
	(000) omitted	
OPERATING REVENUES:		
Freight	$178,716	$165,680
Other	8,682	7,462
Total operating revenues	187,398	173,142
OPERATING EXPENSES:		
Maintenance of way and structures	23,766	22,675
Maintenance of equipment	24,018	22,799
Transportation	71,413	64,057
Other	16,403	15,044
Total operating expenses (includes depreciation of $11,424,000 and $10,860,000, respectively)	135,600	124,575
Net operating revenue	51,798	48,567
OPERATING CHARGES:		
Taxes (except federal income taxes)	14,660	13,634
Equipment and joint facility rents	10,162	11,412
Total operating charges*	24,822	25,046
Net operating income*	26,976	23,521
OTHER INCOME, net	2,842	1,926
Balance for fixed and contingent charges*	29,818	25,447
FIXED AND CONTINGENT CHARGES:		
Interest on long term debt — fixed	8,520	7,887
Other fixed charges	188	176
Interest on long term debt — contingent	1,490	1,477
Total fixed and contingent charges	10,198	9,540
Income before federal income taxes	19,620	15,907
ESTIMATED FEDERAL INCOME TAXES:		
(Note 2, Page 26)	5,557	3,148
NET INCOME (in conformity with I.C.C. principles)	$ 14,063	$ 12,759
EARNINGS PER COMMON SHARE	$ 5.42	$ 5.04

*Before federal income taxes.

CONSOLIDATED BALANCE SHEET

	December 31, 1969	December 31, 1968
	(000) omitted	(000) omitted
ASSETS		
CURRENT ASSETS:		
Cash	$ 5,069	$ 2,714
Temporary cash investments	14,977	14,467
Cash deposits for interest, dividends, etc.	1,158	1,840
Accounts receivable	17,922	16,438
Material and supplies, at average cost	7,909	7,889
Other current assets	541	469
Total Current Assets	47,576	43,817
SPECIAL DEPOSITS	1,354	1,450
INVESTMENTS:		
Securities of and advances to affiliates (Page 29)	4,416	4,112
Other investments	630	631
Total Investments	5,046	4,743
PROPERTIES (Note 4, Page 27 and Page 29):		
Roadway and structures	323,293	320,238
Equipment	251,729	240,162
Non-operating property	8,644	8,382
Accrued depreciation — road	**59,337**	**57,577**
Accrued depreciation — equipment	**110,562**	**110,039**
Accrued depreciation — non-operating property	**597**	**536**
Total Properties — Net	413,170	400,630
OTHER ASSETS:		
Discount on long term debt	2,164	2,228
Miscellaneous	1,807	1,505
Total Other Assets	3,971	3,733
TOTAL ASSETS	$471,117	$454,373

Bold face type denotes credit.

CONSOLIDATED BALANCE SHEET

	December 31, 1969	December 31, 1968
	(000) omitted	
LIABILITIES		
CURRENT LIABILITIES:		
Audited accounts and wages payable	$ 4,817	$ 4,093
Accrued and miscellaneous accounts payable	14,568	14,415
Interest and dividends payable	3,918	3,887
Estimated federal taxes on income (Note 5, Page 27)	4,640	2,168
Other accrued taxes	3,251	2,945
Other current liabilities	3,790	4,815
Total Current Liabilities (excluding current portion of long term debt)	34,984	32,323
LONG TERM DEBT (Page 30):		
First Mortgage Bonds, 4% Series A — 1997	64,185	64,918
First Mortgage Bonds, 4% Series B — 1980	15,497	15,855
Income Debentures, 5% Series A — 2006	29,801	29,801
Purchase Money Mortgage Notes, 6¾% — 1992	6,000	6,000
Equipment obligations	84,842	77,075
Other long term debt	2,624	2,731
Total Long Term Debt ($9,902,000 payable in 1970)	202,949	196,380
OTHER LIABILITIES:		
Estimated casualty and other reserves	799	697
Miscellaneous, including deferred credits	1,435	1,988
Total Other Liabilities	2,234	2,685
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6, Page 27):		
Common, no par value — Authorized 6,000,000 shares, issued 2,595,619 shares, less 50 shares in treasury in 1969 and 2,595,599 shares, less 50 shares in treasury in 1968	113,565	113,565
CAPITAL SURPLUS	18,935	18,935
RETAINED INCOME (Page 28)	98,450	90,485
Total Shareholders' Equity	230,950	222,985
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$471,117	$454,373

1. PRINCIPLES OF CONSOLIDATION: Included in the consolidated financial statements are the accounts of the parent company and wholly-owned rail and non-rail subsidiary companies.

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 require a provision 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:

	1969	1968
Net income (in conformity with ICC principles) as set forth in the consolidated income statement	$ 14,063,000	$12,759,000
Adjustments to generally accepted accounting principles:		
Provision for income tax effect of—		
Amortization of defense facilities	986,000	995,000
Accelerated and guideline depreciation	(3,616,000)	(3,657,000)
Net income (as it would be stated in conformity with generally accepted accounting principles)	$ 11,433,000	$10,097,000
Earnings per Common share	$ 4.40	$ 3.96

The cumulative deferred effect on federal income taxes due to the above-mentioned differences, computed at tax rates applicable to the individual years, not reflected in the accompanying balance sheet, amounted to $46,177,000 at December 31, 1969.

3. PENSION PLAN: The Company has a noncontributory pension plan covering officers and supervisory employes. The cost of the plan charged to income was $1,221,000 in 1969 and $1,147,000 in 1968, which amounts include 10% of past service costs. The Company's policy is to fund pension costs accrued. Unfunded past service costs of the Company's pension plan amounted to approximately $2,400,000 at December 31, 1969.

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.

The Company uses the straight-line method of depreciation accounting as prescribed by the Interstate Commerce Commission, 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 and are charged against income only when the related properties are retired.

At December 31, 1969, nondepreciable property, including land and land rights, aggregated approximately $207,700,000.

5. FEDERAL INCOME TAXES: Federal taxes on income for the years 1966 through 1969 are subject to final determination by the Treasury Department. In the opinion of management, the reserve provided for federal taxes on income is adequate. See page 8 for details of investment tax credit.

6. CAPITAL STOCK: The Company is authorized to issue 1,500,000 shares of Preferred Stock of $100.00 par value. None of such stock is outstanding.

During 1969, the outstanding Common Stock was increased by 20 shares due to exercise of the last outstanding stock option.

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 service interruption policies with The Imperial Insurance Company, Limited.

CONSOLIDATED RETAINED INCOME STATEMENT

	(000) omitted
Balance December 31, 1968	$ 90,485
Add:	
Net income for the year	14,063
Deduct:	
Dividend on Common Stock — $2.35 per share	6,098
Balance December 31, 1969	$ 98,450

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

	(000) omitted 1969
SOURCES OF FUNDS:	
Net income	$ 14,063
Depreciation and other non-cash charges	12,108
Proceeds conditional sale agreements	17,199
Proceeds sale of property and salvage	2,155
Total	$ 45,525
APPLICATIONS OF FUNDS:	
Additions and betterments — road and equipment	$ 26,957
Equipment obligations retired	9,432
First Mortgage Bonds retired	1,091
Other long term debt retired	262
Dividends	6,098
Miscellaneous	587
Total	$ 44,427
INCREASE IN WORKING CAPITAL	$ 1,098

SECURITIES OF AND ADVANCES TO AFFILIATES

	Number of Shares	Per Cent Owned	Par Value	Stocks (Book Value)	Notes and Advances (Book Value)	Total Investment (Book Value)
New Mexico and Arizona Land Co.	500,258.48	50.03	$500,258	$ 515,469	$	$ 515,469
Birmingham Terminal Co.	250.00	16.66	25,000	25,000	264,319	289,319
Illinois Terminal Railroad Co.	181.82	9.09	1,818	1,818	....	1,818
*Kansas City Terminal Ry. Co.	1,833.33	8.33	183,333	183,333	1,266,317	1,449,650
Pullman Co., The	8,456.00	1.16	84,560	236,768	....	236,768
Railway Express Agency, Inc.	....	....	......	......	404,817	404,817
*Terminal R. R. Association of St. Louis	2,058.00	6.25	205,800	1	....	1
Trailer Train Co.	500.00	2.44	500	50,000	486,000	536,000
*Union Terminal Co., The — Dallas	60.00	12.50	6,000	6,000	206,911	212,911
*Wichita Union Terminal Ry. Co.	333.33	33.33	33,333	12,502	754,289	766,791
Wichita Terminal Association	....	.....	......	......	2,000	2,000
Totals				$1,030,891	$3,384,653	$4,415,544

*Stock Pledged Under First Mortgage.

PROPERTY CHANGES DURING THE YEAR 1969

	Balance Dec. 31, 1968	Additions and Betterments	Retirements	Balance Dec. 31, 1969
Roadway and Structures	$320,237,560	$ 5,423,116	$ 2,367,427	$323,293,249
Equipment (Page 31):				
Diesel Locomotives	65,784,411	8,850,185	5,496,629	69,137,967
Freight-Train Cars	162,876,032	10,911,286	3,261,841	170,525,477
Work and Miscellaneous	9,881,741	1,269,427	745,654	10,405,514
Motor Carrier Equipment	1,619,899	117,556	77,714	1,659,741
Total Equipment	240,162,083	21,148,454	9,581,838	251,728,699
Total Transportation Property	560,399,643	26,571,570	11,949,265	575,021,948
Non-Operating Property	8,382,106	385,571	123,316	8,644,361
Total Properties	$568,781,749	$26,957,141	$12,072,581	$583,666,309

LONG TERM DEBT

	Date of Maturity	Outstanding Dec. 31, 1969		Fixed and Contingent Interest	
		Due After 1970	Due in 1970	Rate	Expense for 1969
FUNDED DEBT UNMATURED:					
First Mortgage Series A.	1-1-97	$ 64,185,200†	*	4.00	$ 2,578,467
First Mortgage Series B.	9-1-80	15,497,000†	*	4.00	627,710
Income Debentures Series A.	1-1-06	29,800,500†	*	5.00	1,490,025
Purchase Money Mortgage Notes . . .	8-1-92	6,000,000ϕ		6.75	405,000
		115,482,700			5,101,202
EQUIPMENT OBLIGATIONS#:	Serially to				
Trust Certificates:					
Series N	3-15-80	2,790,000	$ 279,000	4.25	132,902
Series O	5-15-80	3,150,000	315,000	4.38	156,761
Conditional Sale Agreements:					
Numbers:					
1.	12-1-70	. . . .	1,172,600	3.50	68,402
2.	5-1-71	35,000	70,000	3.50	5,104
3/4.	9-1-71	155,172	155,172	4.25	15,940
5.	6-1-71	64,058	133,333	4.25	12,699
6/9.	7-1-72	1,666,002	1,110,667	5.00	180,483
10.	2-10-74	215,833	61,667	4.75	14,237
11.	2-1-75	307,350	68,300	5.63	22,412
12.	3-1-75	1,343,107	320,000	5.75	103,296
13.	8-1-75	993,320	208,000	5.25	66,709
14.	6-1-76	622,533	117,400	4.75	38,864
15/16.	1-1-77	912,300	152,400	4.75	56,003
17.	11-1-77	670,224	101,758	5.00	41,567
18/22.	8-1-78	2,719,528	350,783	4.50	143,474
23/27.	1-15-79	5,072,440	596,758	4.45	260,068
28/29.	3-15-79	675,565	79,478	4.45	35,220
30.	9-1-75	924,497	184,899	4.75	56,355
31/39.	1-15-81	8,406,353	800,605	5.25	495,623
40.	4-1-76	547,062	99,466	5.60	38,991
41/43.	3-1-82	3,103,888	269,903	6.25	217,890
44/45.	3-1-82	2,706,369	235,336	5.75	174,789
46/50.	7-1-82	6,632,199	552,683	6.25	466,326
51/56.	1-1-83	11,230,000	969,346	6.70	869,500
57/58.	10-1-80	3,333,300	333,330	8.50	309,747
59/64.	12-15-83	8,658,000	666,000	7.25	667,274
65	8-15-84	3,500,000	250,000	8.25	90,234
66/67.	1-15-85	4,753,778	. . . .	9.38	39,525
		75,187,878	9,653,884		4,780,395
Other Long Term Debt		2,376,257	248,318		128,509
Totals.		$193,046,835	$9,902,202		$10,010,106

†Excludes bonds held in treasury as follows:

First Mortgage Series A.	$1,135,000
First Mortgage Series B.	904,000
Income Debentures Series A. . . .	364,000

*Subject to sinking fund provisions under mortgage indentures in 1970:

First Mortgage Series A.	$472,899
First Mortgage Series B.	195,000
Income Debentures Series A.	165,645

ϕSubject to sinking fund provisions under mortgage indenture of $150,000 per year beginning with year 1973.

#Equipment obligations maturing in future years are:

1970.	$9,653,884	1975.	$6,896,129	1980.	$4,954,610
1971.	8,660,416	1976.	6,318,953	1981.	3,626,977
1972.	7,850,854	1977.	6,041,304	1982.	2,974,055
1973.	7,295,518	1978.	5,894,893	1983.	1,232,919
1974.	7,264,685	1979.	5,292,728	1984/5.	883,837

EQUIPMENT OWNED

DESCRIPTION	Owned Dec. 31, 1968	Changes During 1969 Purchased	Reclas-sified	Retired	Owned Dec. 31, 1969
DIESEL LOCOMOTIVES:					
Freight 3600 H.P. (A Units)	29	20	...	...	49
Freight 3000 H.P. (A Units)	4	8	...	...	12
Freight 2500 H.P. (A Units)	65	...	...	...	65
Freight 1750 H.P. (A Units)	2	...	...	...	2
Freight 1750 H.P. (B Units)	13	...	...	...	13
Freight 1500 H.P. (A Units)	32	...	...	9	23
Freight 1500 H.P. (B Units)	27	...	...	13	14
All Purpose 1500 H.P.	129	...	...	1	128
Switch 1500 H.P.	16	10	...	...	26
Switch 1200 H.P.	19	...	...	...	19
Switch 1000 H.P.	79	1	...	21	59
Switch 44 Ton	4	...	...	1	3
Total	419	39	...	45	413
LOCOMOTIVE BRAKE CARS	2	...	...	...	2
FREIGHT-TRAIN CARS:					
Box-Plain	4,749	...	...	265	4,484
Box-Equipped-Non-Insulated	1,383	340	2	5	1,720
Box-Equipped-Insulated	768	100	...	5	863
Gondola	2,231	100	...	30	2,301
Hopper-Open Top	3,444	...	1	23	3,422
Hopper-Covered	2,202	16	...	4	2,214
Flat-Including Special Equipped	641	1	...	10	632
Wood Rack & Bulkhead Flat	866	...	...	52	814
Multi-Level Auto Transport	187	...	...	1	186
Caboose	228	14	...	7	235
Other	3	...	...	3	.....
Total	16,702	571	3	405	16,871
WORK EQUIPMENT:					
Tool and Material	583	...	70	73	580
Ballast	181	...	...	2	179
Boarding	136	...	1	37	100
Tank	140	...	...	1	139
Other	53	1	1	9	46
Total	1,093	1	72	122	1,044
MISCELLANEOUS EQUIPMENT:					
Motor Trucks	364	49	...	43	370
Automobiles	299	76	...	80	295
Airplane	1	...	...	...	1
Other	61	...	1	...	62
Total	725	125	1	123	728
FLOATING EQUIPMENT:					
Car Ferry	2	...	...	...	2
MOTOR CARRIER EQUIPMENT:					
Trucks	27	...	...	2	25
Tractors	76	16	...	11	81
Semitrailers	167	...	...	12	155
Service Cars	5	2	...	...	7
Total	275	18	...	25	268

ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY
CONSOLIDATED FIVE-YEAR FINANCIAL REVIEW

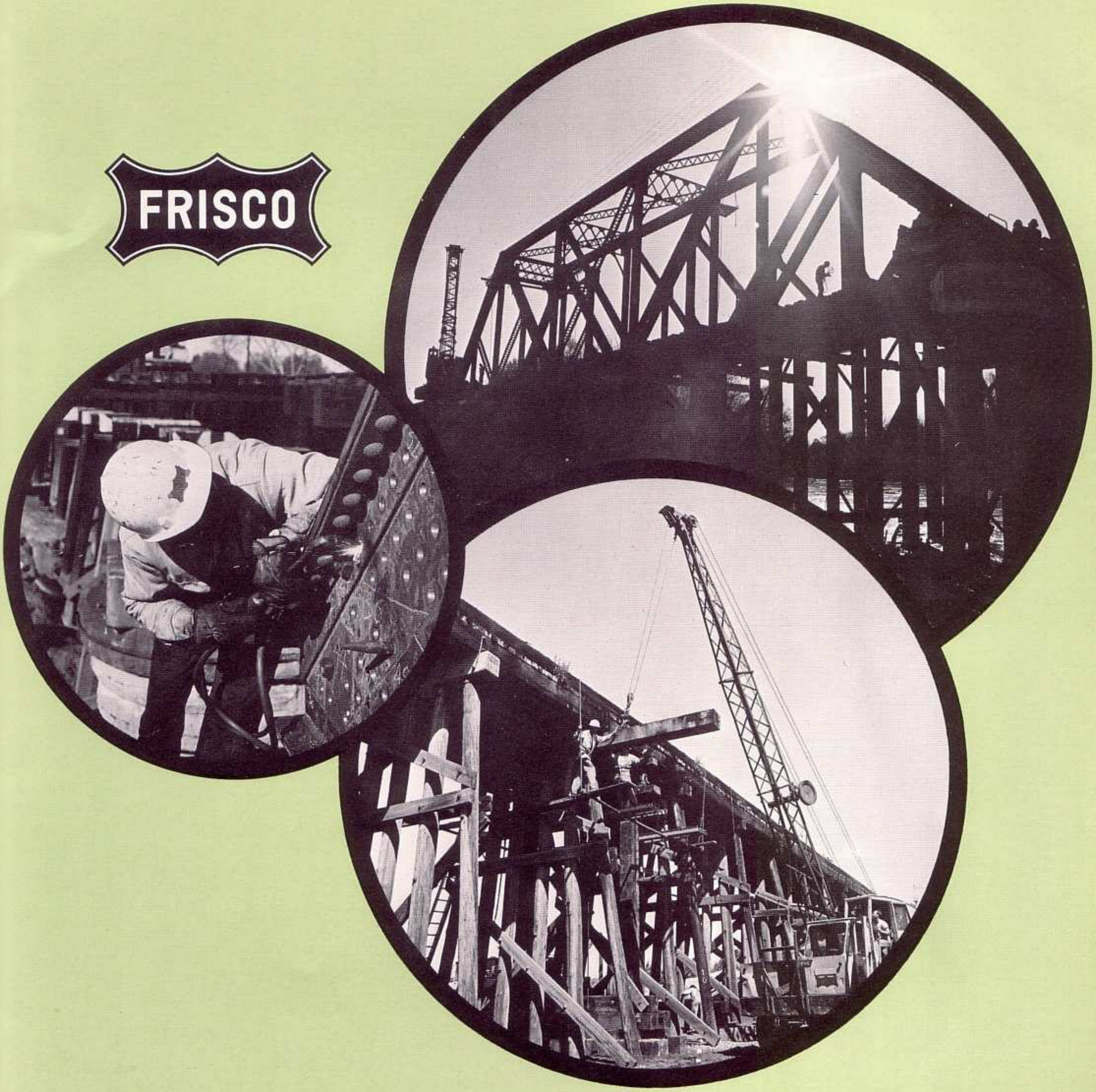
CONDENSED INCOME ACCOUNT

(000) omitted

	1969	1968	1967	1966	1965
Operating revenues	$187,398	$173,142	$157,583	$155,193	$152,390
Operating expenses	135,600	124,575	114,886	111,239	112,516
Net operating revenue	51,798	48,567	42,697	43,954	39,874
Operating charges	24,822	25,046	21,525	19,360	17,963
Net operating income	26,976	23,521	21,172	24,594	21,911
Other income, net	2,842	1,926	2,076	1,294	1,647
Balance for fixed and contingent charges	29,818	25,447	23,248	25,888	23,558
Fixed and contingent charges	10,198	9,540	8,457	8,035	7,940
Income before Federal income taxes	19,620	15,907	14,791	17,853	15,618
Estimated Federal income taxes	5,557	3,148	2,801	5,529	4,493
Net income	$ 14,063	$ 12,759	$ 11,990	$ 12,324	$ 11,125

CONDENSED BALANCE SHEET AS OF DECEMBER 31ST

	1969	1968	1967	1966	1965
Current assets	$ 47,576	$ 43,817	$ 39,672	$ 39,512	$ 38,141
Current liabilities	34,984	32,323	27,676	28,760	27,282
Net current assets	12,592	11,494	11,996	10,752	10,859
Properties — net	413,170	400,630	384,527	370,745	359,179
Investments	5,046	4,743	4,130	3,838	3,789
Other assets	5,325	5,183	5,467	4,939	5,951
Total assets less current liabilities	436,133	422,050	406,120	390,274	379,778
Long term debt (including debt due within one year)	202,949	196,380	188,197	179,470	169,403
Other liabilities	2,234	2,685	1,424	2,416	2,948
Total long term debt and other liabilities	205,183	199,065	189,621	181,886	172,351
Net assets	$230,950	$222,985	$216,499	$208,388	$207,427
Shareholders' equity:					
Preferred stock	$......	$......	$ 11,489	$ 11,600	$ 24,741
Common stock	113,565	113,565	102,972	102,781	94,746
Retained income and capital surplus	117,385	109,420	102,038	94,007	87,940
Total shareholders' equity	$230,950	$222,985	$216,499	$208,388	$207,427



TRANSFER AGENTS

Transfer Agents for Common Stock:
First National City Bank, 111 Wall Street, New York, N.Y. 10015

Mercantile Trust Company National Association,
721 Locust Street, St. Louis, Mo. 63101

REGISTRARS

Registrars for Common Stock:
Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015

St. Louis Union Trust Company, 510 Locust Street, St. Louis, Mo. 63101

Registrar for Bonds, Debentures and Equipment Trust Certificates:
First National City Bank, 111 Wall Street, New York, N.Y. 10015

Annual Meeting of Stockholders second Tuesday in May of each year

FRISCO

"Dedicated to Service and Progress"