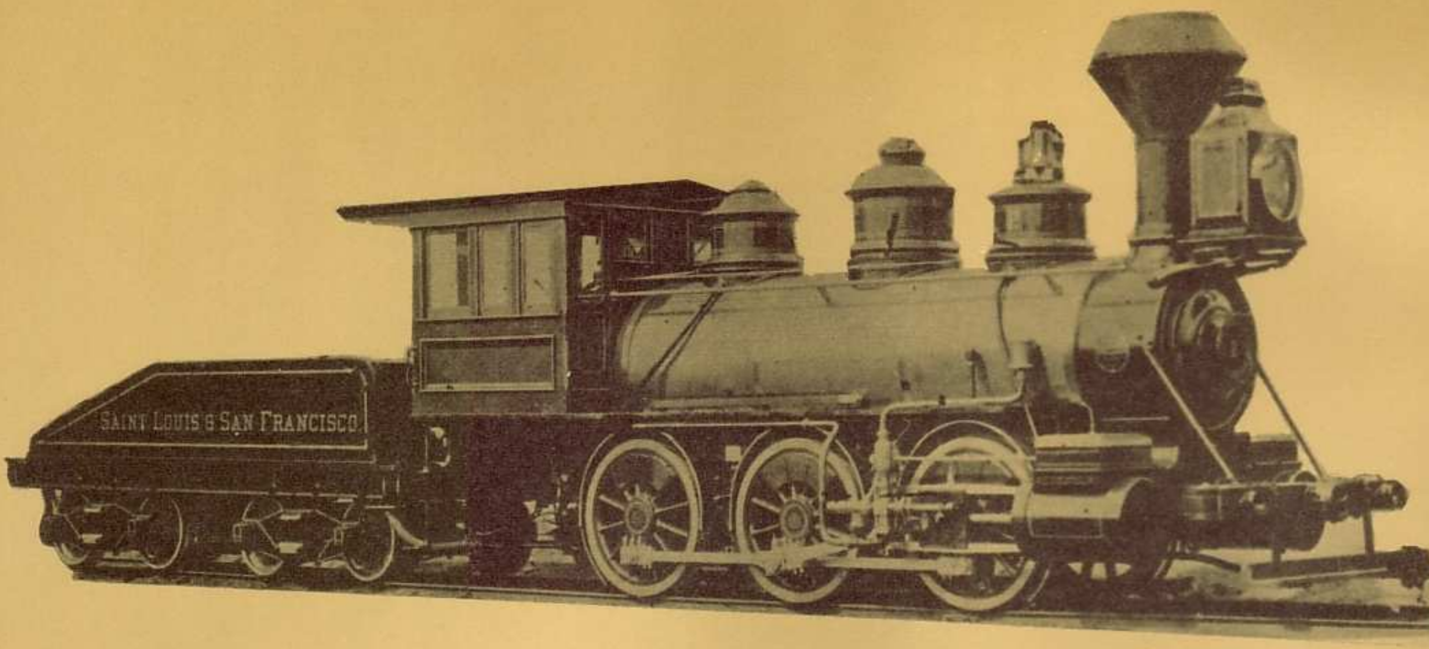
FRISCO

ST. LOUIS - SAN FRANCISCO
RAILWAY COMPANY

ANNUAL REPORT / 1970



FRISCO "A Century of Progress"

contents

COVER: Painting by Lee Brubaker commemorating the 100th anniversary of the extension of the Frisco's line into Springfield, Missouri, May 5, 1870.

St. Louis-San Francisco Railway Company

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

OFFICERS

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President and
Chief Executive Officer

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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

J. W. TIPTON
Vice President
Intermodal Services

TO FRISCO STOCKHOLDERS

March 4, 1971

For the Frisco 1970 was a year of shrinking profit margins. For the railroad industry as a whole it was the worst year since the depression of the '30s.

Record wage increases, spiraling prices and sharply higher equipment rents combined with a soft economy and strikes to reduce the Company's before-tax earnings to the lowest level in six years. The squeeze on after-tax profits, however, was mitigated somewhat by tax benefits arising from the purchase of new cars and locomotives. Earnings per share in 1970 were \$5.08 versus \$5.42 the year before.

Operating revenues reached an all-time high chiefly because of freight rate increases granted by the Interstate Commerce Commission; these, unfortunately, did not fully offset the inflationary rise in the cost of providing transportation services during a recessionary period.

A fall in industrial production brought a decline in the movement of certain manufactured goods, many of them higher-rated. For the first time since the inception of the service, piggyback traffic declined, greatly influenced by a strike in the trucking industry. The movement of new automobile and truck traffic also declined largely due to the strike at General Motors, one of Frisco's principal customers. With an improvement in the economy, we expect a recovery in these and other classes of traffic.

Despite the upward pressure of costs, the Frisco continued its high standards of maintenance for equipment as well as for roadway and structures. Similarly, our capital expenditures remained at a high level as we built additional strength into the railroad not alone to meet the growing needs of our territory but also to cope more effectively with rising unit costs of doing business.

Since railroad carriers operate as an integrated system, the viability of other railroads is of concern to your Company. At this writing, it appears that almost one-third of the major railroads operated at a deficit in 1970. Much of their difficulty is traceable to the inequities presently existing in the Government's treatment of the various modes of transport. On page 11 of this report will be found a condensation of the various reforms proposed by America's Sound Transportation Review Organization in the so-called ASTRO Report. We will be grateful for your support when these recommendations are considered by Congress.

In looking ahead to the opportunities of the '70s, the Frisco draws confidence from the encouraging growth of the territory it serves and from the skills and ingenuity with which its men and women have built, operated and maintained a sound, efficient railroad.

Sincerely,

R. L. Grayson

President and
Chief Executive Officer

CONSOLIDATED

	1970	1969
Operating revenues	$197,853,689	$187,397,735
Operating expenses	$147,657,651	$135,600,217
Ratio of expenses to revenues	74.6	72.4
Average number of employes	8,715	8,600
Payroll	$ 84,824,440	$ 77,537,455
Taxes	$ 16,372,193	$ 20,216,794
Taxes per share	$ 6.31	$ 7.79
Pre-Tax Income available for fixed charges	$ 25,072,468	$ 29,818,373
Fixed charges	$ 9,599,548	$ 8,708,791
Times fixed charges earned — Pre-Tax	2.6	3.4
Contingent interest	$ 1,478,925	$ 1,490,025
Net Income	$ 13,184,995	$ 14,062,557
Earnings per share	$ 5.08	$ 5.42
Dividends per share	$ 2.40	$ 2.35

SYSTEM RAIL LINE FREIGHT STATISTICS

	1970	1969
Miles of road operated	4,880	4,880
Freight train revenue	$188,690,844	$178,578,632
Net ton-miles — revenue (thousands)	13,409,016	13,496,947
Gross ton-miles (thousands)	30,390,170	31,059,651
Train miles	9,533,787	9,831,952
Revenue per ton-mile	1.407¢	1.323¢
Revenue per train mile	$ 19.79	$ 18.16
Revenue tons per car	38.9	38.7
Revenue tons per train	1,406.5	1,372.8
Gross tons per train	3,187.6	3,159.1

NET INCOME

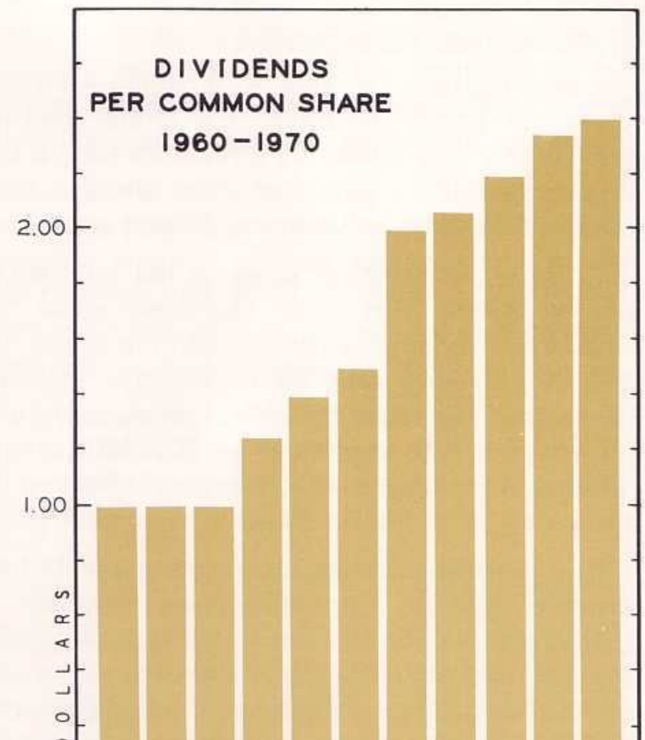
Net income of $13.2 million was 6.2% below the level of the year before as freight rate increases granted by the Interstate Commerce Commission failed to fully offset the inflationary rise in the cost of providing transportation services and the loss of higher-rated traffic caused by falling industrial production and strikes.

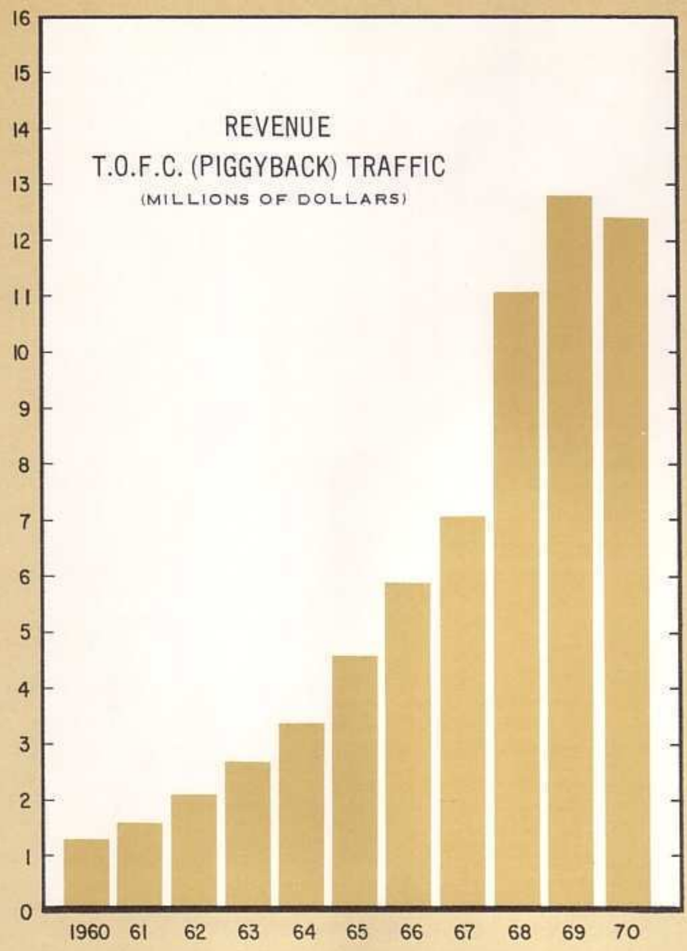
The profit squeeze, however, was somewhat mitigated by new tax benefits arising from the rapid amortization of new cars and locomotives and by other income. Earnings per share were $5.08 versus $5.42 a year earlier.

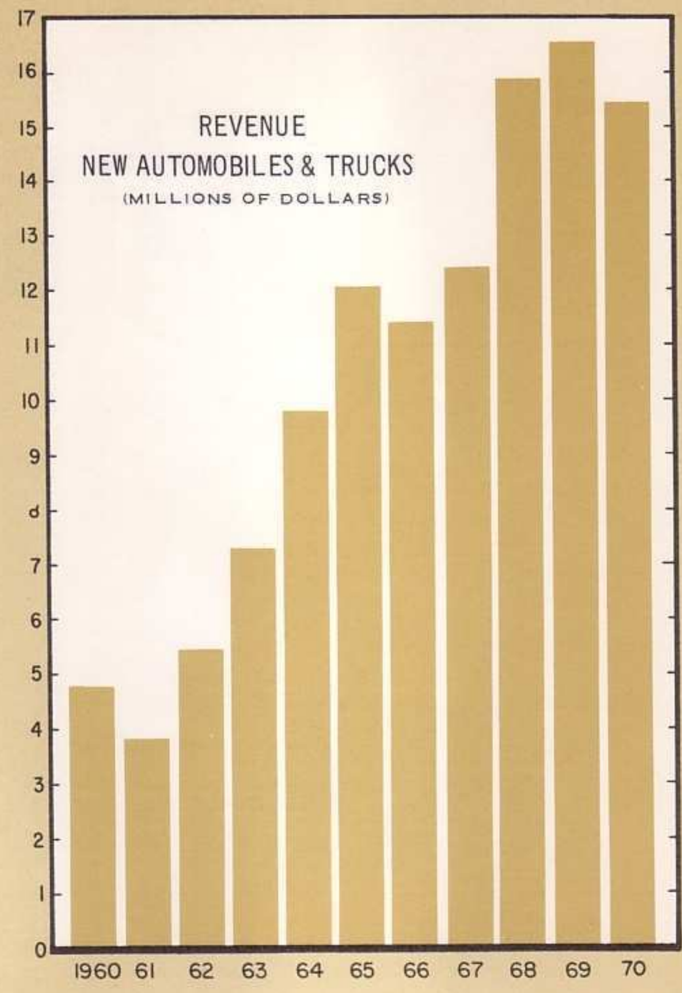
DIVIDENDS

Four Common dividends, each in the amount of 60¢, were paid on March 16, June 15, September 15 and December 15. The total of $2.40 compares with a total of $2.35 in 1969.

A dividend of 60¢ per share of Common was declared payable March 15, 1971 to holders of record March 1.







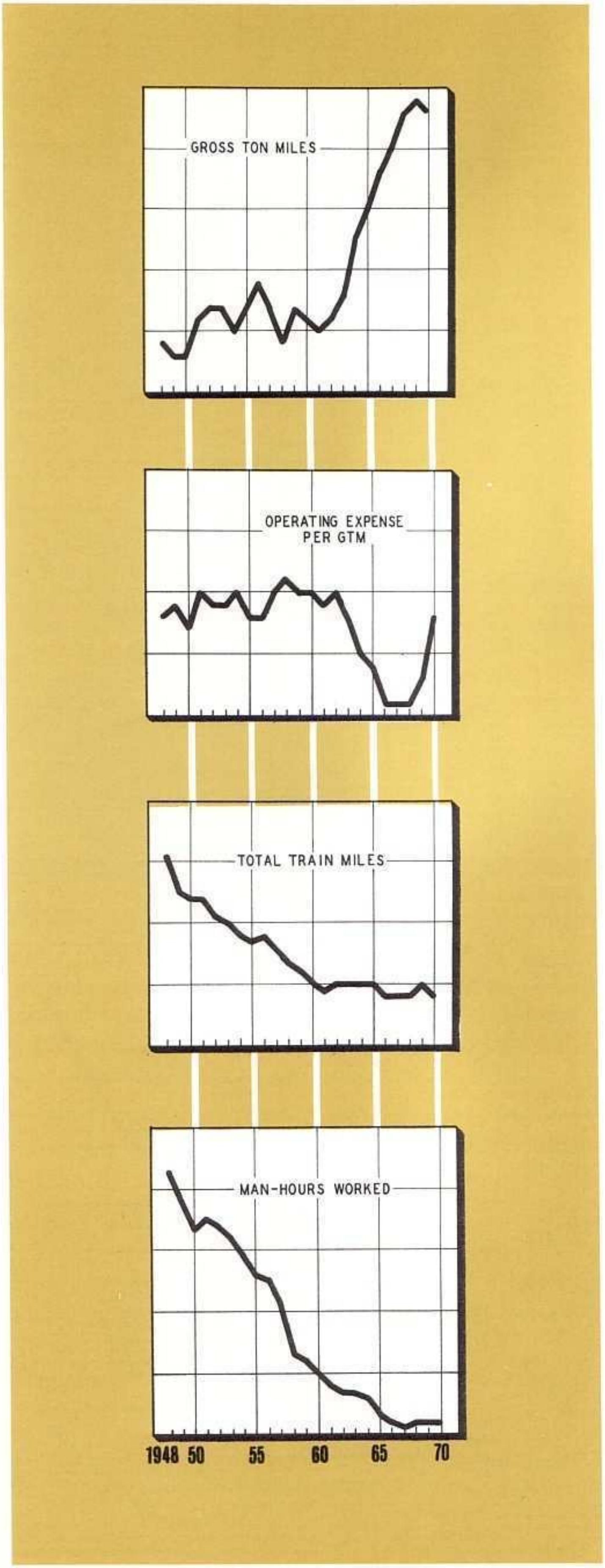
OPERATING REVENUES

Operating revenues of $197.9 million set a new Company record and were 5.6% higher than the level of the year before as a result of freight rate increases and the refund of some interline revenue paid to other rail carriers in past years.

In an effort to offset some of the inflationary rise in wages and other operating costs, the Interstate Commerce Commission granted the following freight rate increases: 6% effective November 18, 1969; 5% effective June 9, 1970, increased to 6% on November 20, 1970, and an additional 6% to 8% which became effective the same day on an interim basis.

The general softening in the economy and the 8-week strike at General Motors seriously affected revenues in the last quarter, during which the railroad industry also suffered a one-day strike. Carloadings, which had been about even with year-earlier results in the first nine months, fell sharply and, at year-end, were 1.8% below the level of 1969; revenue ton-miles were down 0.7%. As industrial production in the nation declined, there was a noticeable fall in the movement of certain manufactured goods, many of them higher-rated: motor vehicles and parts, iron and steel, metal products, construction materials, textile products, to mention a few. Revenue gains, however, were scored by farm and food products, paper and paper products, petroleum and petroleum products, and coal.

For the first time since the inception of the service sixteen years ago, piggyback volume declined, chiefly influenced by the work stoppage in the trucking industry. Piggyback revenue in 1970 totaled $12.3 million, down 4.2% from the level of the year before. Revenue from the movement of new automobiles and trucks fell for the first time since 1966 from $16.6 million in 1969 to $15.5 million in 1970. With the resumption of economic growth, your Company anticipates a renewed climb in the revenue derived from these important sources of traffic.



OPERATING EXPENSES

Operating expenses of $147.7 million were up 8.9% from the level of the year before under the influence of record wage increases and a sharp rise in the price of everything the Company had to buy to provide transportation service. Freight rate increases did not fully offset this inflationary thrust.

Although traffic volume was below the peak level of 1969, the loss of higher-rated traffic brought on by a sluggish economy and the strike in the automobile industry was not accompanied by a proportionate reduction in transportation and related expense. While the loss of more profitable traffic reduces the revenue which a train may earn, frequently the train has to be operated anyway to accommodate other freight shipments and to maintain scheduled service.

Despite the soft economy and the upward pressure of rising unit costs, the Frisco continued its high standards of maintenance for both its fixed facilities and its rolling stock. A description of the maintenance work performed by Company forces during the year may be found on page 18.

The tabulation below shows the number of cents spent from each revenue dollar for all of the major sub-divisions of operating expenses during 1970 and the year before.

	1970	1969
Transportation	39.8	38.1
Maintenance of Way	12.8	12.7
Maintenance of Equipment .	13.3	12.8
Other	8.7	8.8
Operating Ratio	74.6	72.4

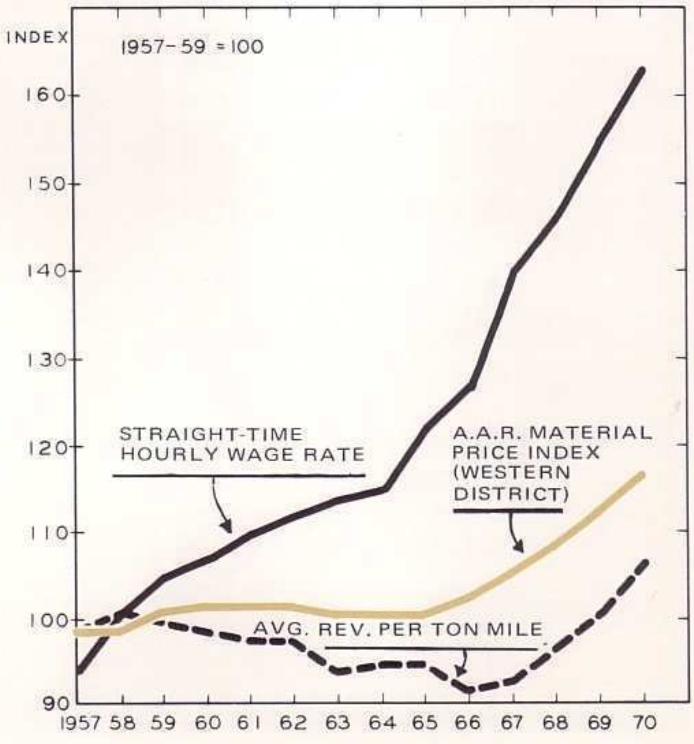
Repair Track, Tennessee Yard

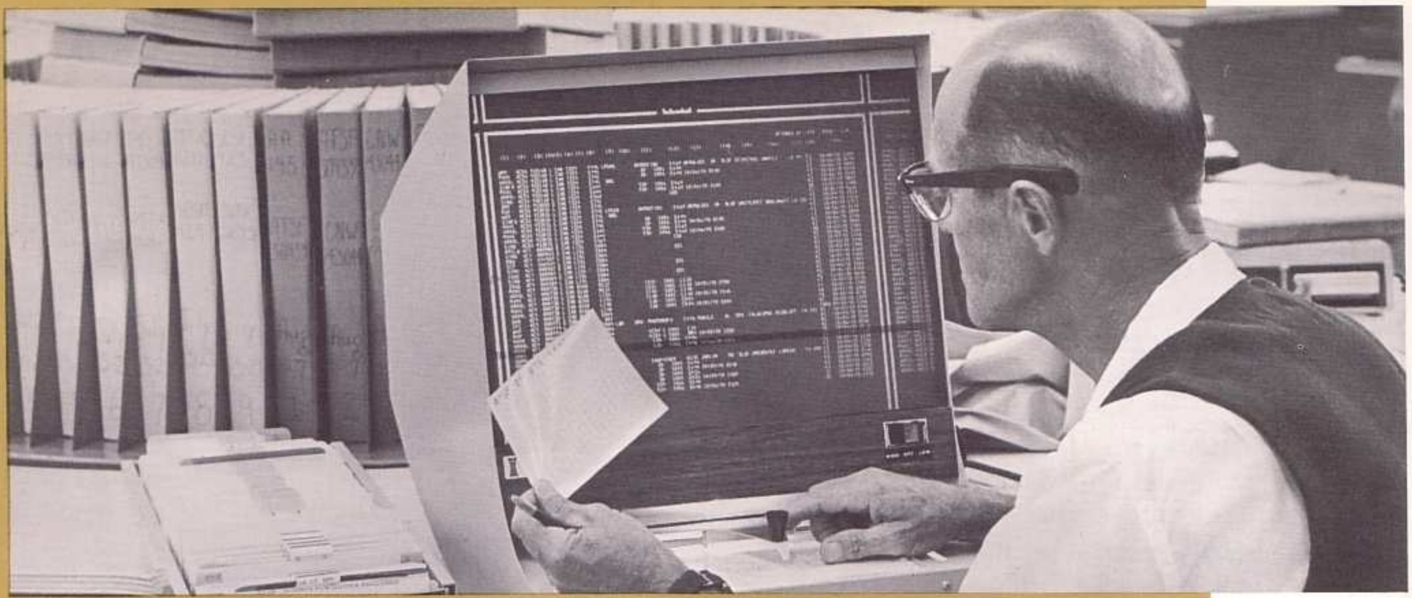
Night Yardmaster, Tennessee Yard

LABOR COSTS

Wage increases made mandatory by Congressional action following a threatened strike during the first part of the year and a one-day strike in the latter part of the year resulted in the largest increases ever granted railroad employes. Wage increases resulting from Congressional action and subsequent pattern agreements, together with increased premium payments under provisions of the National Health and Welfare Plan, added approximately $5.5 million to Frisco's 1970 payroll cost.

Wage increases and other demands served by train service employes, shop craft employes and four other non-operating organizations remained pending at year-end.





TAXES

Estimated taxes in 1970 totaled $16.4 million versus $20.2 million in 1969.

In 1970, net Federal income tax benefits from accelerated and guideline depreciation and amortization of defense facilities were equivalent to 55¢ per share of Common Stock; in 1969 these benefits were equivalent to $1.02 per share of Common Stock.

The 1969 Tax Reform Act repealed the investment credit, restricting the amount of unused credit carryovers that may be claimed in years beginning after 1968 to 20% of the total amount of unused credits otherwise available as a carryover. The carryover credit decreased Federal income tax accruals $600,000 for the year 1970, compared to usable credits of $2.2 million for the year 1969. Estimated credit carryovers of $2 million remained unused at December 31, 1970.

While repealing the investment credit, the Act provided a substitute relief measure for railroads wherein five-year amortization of all rolling stock is permitted. This benefit was equivalent to $1.19 per share of Common Stock for the year 1970.

The 10% surcharge in effect for the year 1969 was reduced to 5% for the year 1970 and expired June 30th of that year. This increased Federal income tax accruals $660,000 for the year 1969 compared to approximately $30,000 for the year 1970.

The 1969 Act also imposed a 10% minimum tax on certain tax preference items. The five-year amortization of rolling stock was included as a tax preference item, and increased Federal income tax accruals by approximately $220,000 for the year 1970.

Payroll taxes in 1970 totaled $8.6 million, an increase of 10.8% from the level of 1969. Following is a statement of Railroad Retirement and Unemployment Tax bases and rates for the years 1970 and 1969:

	1970	1969
Railroad Retirement Tax	9.55%	9.55%
Includes Hospital benefits of	0.60%	0.60%
Computed on earnings up to	$650 per mo.	$650 per mo.
Additional tax on compensated service	5½¢ avg. per hr.	2¢ per hr.
Railroad Unemployment tax	4%	4%
Computed on earnings up to	$400 per mo.	$400 per mo.
Total Payroll Taxes	$8,586,621	$7,748,375

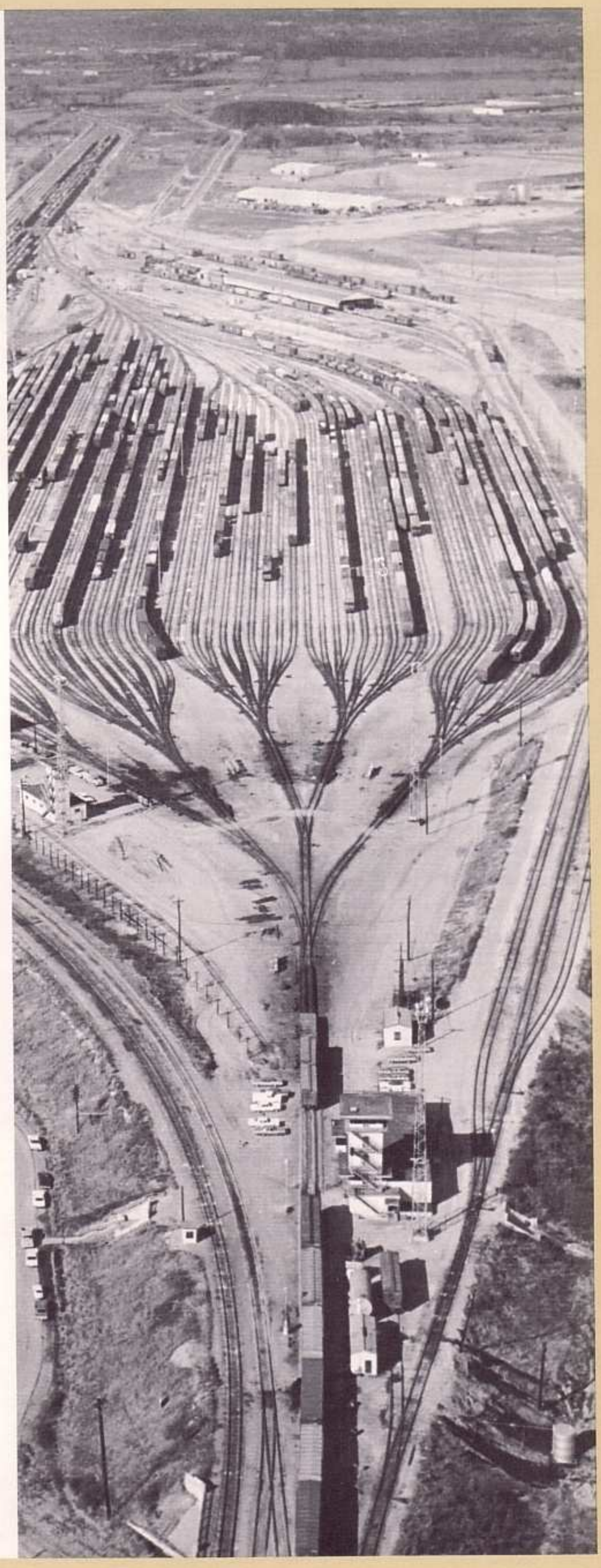
FREIGHT CAR HIRE

During the early development of railroads, it was customary for the individual lines to acquire freight cars necessary for their own operations and to retain them in their own service. In instances where freight originated on one line and moved to a destination on another, the lading was physically transferred at the interchange point. As the railroad industry grew, this method proved uneconomical, and eventually it became the general practice for originating carriers to deliver cars to connecting carriers without disturbing the lading and for the connecting carriers to pay the owning carriers charges, which have customarily been referred to as "per diem" charges. In 1920 the per diem charge was $1.00 per day, irrespective of type of car, and by December 31, 1963, the charge had increased to $2.88 per day. On January 1, 1964, multi-level charges went into effect, which ranged from $2.16 to $12.18 per day, depending on the value of the car.

On September 21, 1953, a number of railroads sought a finding from the Interstate Commerce Commission that the daily rental rates in effect on various dates were just and reasonable. After a protracted proceeding which found itself before numerous courts, including twice before the Supreme Court of the United States, the ICC's order effective September 1, 1970, retroactive to August 1, 1969, prescribes charges under which car rental is paid on the basis of the number of miles a car is moved and the number of days a car is on line.

It has been your Company's position that a time-mileage method of car hire results in inefficient car utilization in that it penalizes carriers which move their cars promptly and benefits inefficient carriers which hold cars on their lines or move them only a few miles per day. Your Company is seriously affected by the new car hire charges when its cars remain off line for extended periods during which there is no movement of the cars.

Frisco's rental payments for equipment rose sharply from $10.3 million in 1969 to $13.7 million in 1970.



Tennessee Yard on the outskirts of Memphis, Tenn.

REGULATORY REFORM — THE ASTRO REPORT

The railroad industry in 1970 advanced a new program pointing the way to the revival of railroads as a healthy private enterprise.

Known as ASTRO (America's Sound Transportation Review Organization) and headed by former U. S. Senator George A. Smathers at the request of the Association of American Railroads, the program calls for creative federal involvement in the railroad industry.

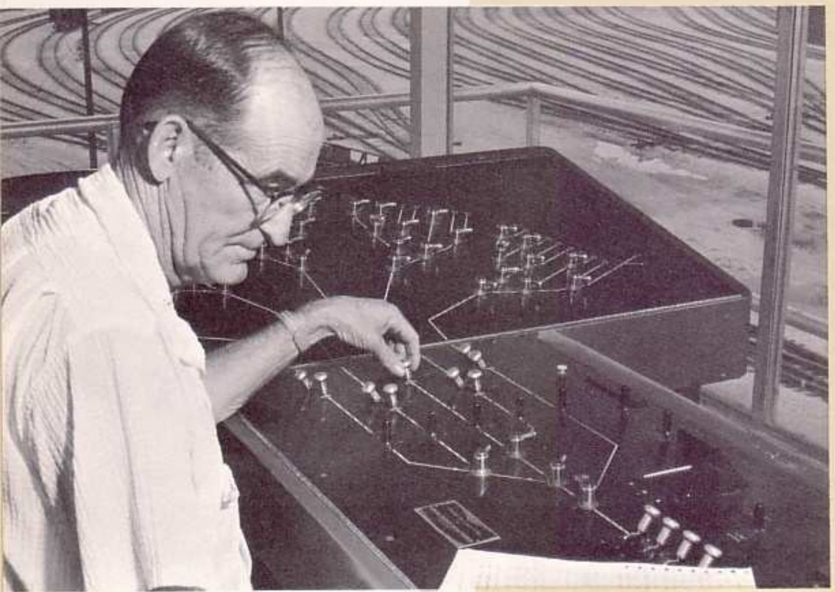
ASTRO sets out the needs of the railroads if they are to be retained in the private enterprise system, indicating that the industry will require $36 billion for plant and equipment between 1970 and 1980. It rejects nationalization as an acceptable solution to these needs, and makes the following recommendations:

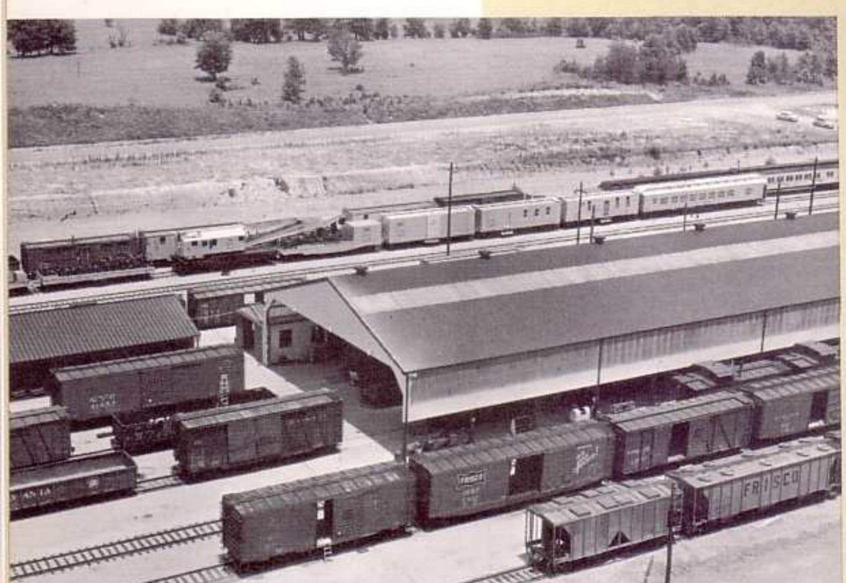
The Federal Government must balance its treatment of transportation and exempt rail transportation facilities from local property taxes; merge present highway funds into a general surface transportation fund, with railroads also contributing, but from which railroads could draw up to $400 million annually for right-of-way improvement; guarantee loans up to $400 million annually for railroads seeking to improve facilities; guarantee loans for the purchase of new equipment; restore the investment tax credit to spur new equipment purchases, and develop a 10-year research program in cooperation with the railroad industry with a target of $100 million annually.

The ASTRO report also recommends that regulation be rationalized and management incentives encouraged by creating a new agency to regulate all modes of transportation with equality; that through the new agency the railroads be given rate-making freedom in attracting new business and retaining old business; that the burden of overlapping state rate regulation be removed; that the regulatory pace be stepped up so that day-to-day decisions can be made without years of uncertainty; and that transportation should be intermodal so that shippers will receive better service at lower cost — the new regulatory agency to oversee the creation of multi-modal transportation companies on an experimental basis with the power to impose safeguards against abuses.

Your management wholeheartedly supports the ASTRO program and the bills covering its various phases which will be coming before Congress in the months ahead. We ask your support. Should you desire more information regarding this program, please let us hear from you.

Icing Machine





INDUSTRIAL DEVELOPMENT

As industrial production in the nation fell, most existing plants operated at less than capacity. A soft economy, tight money and high interest rates resulted in a noticeable drop in capital spending for new plants and equipment. Despite these adverse factors 84 new plants began operating along the lines of the Frisco system while 21 existing plants expanded their operations during the year. It is estimated that these new plants and expansions involved an investment of some $24 million and that they will generate about 19,000 carloads of new business annually for your Company.

The industries which went into operation during the year were limited to smaller operations engaged in light manufacturing or in warehousing. Industries engaged in basic manufacturing — such as mining, chemical processing, pulp and paper — established no significant operations on our system during 1970. The lack of decisions to build new facilities undoubtedly was influenced by the uncertainty of the economic outlook as well as by the high cost of borrowing capital.

A number of distribution warehouses for various commodities were established during the year, principally in the major terminal areas. A large regional warehouse was completed by General Foods Corporation at Memphis, Tennessee.

The backlog of new industries which have selected sites on the Frisco and which have begun to build or are in the final stages of planning is encouraging. These new plants involve an investment of $165 million and will generate some 42,000 carloads of new traffic for our railroad. Several of the major installations will be completed during 1971, among them the newest brewery of the Jos. Schlitz Brewing Company at Memphis, Tennessee, expected to be one of the world's largest. Also among the major installations under construction are a new mine and mill of the St. Joe Minerals Corporation at Brushy Creek, Missouri which should be completed in 1972.

Bulk handling facilities at Alabama State Docks, Mobile, Ala.

MERGERS

On January 1, 1971, after receiving authority from the Interstate Commerce Commission, the Frisco acquired the assets and took over the operation of its wholly-owned subsidiary, the Alabama, Tennessee and Northern Railroad Company; that Company then was dissolved.

The Frisco has intervened in opposition to all of the proposals by various Western railroads to acquire all or portions of the Rock Island Railroad. The ICC Examiner has issued his notice to the parties, which apparently would authorize the division of the Rock Island between the Southern Pacific and Union Pacific. On January 6, 1971 the proceeding was assigned to a division of the Commission for the issuance of an initial report. It is not anticipated that this proceeding will be concluded during 1971.

Your Company also intervened as an interested party in the Illinois Central-Gulf, Mobile and Ohio merger proceedings. Your Company, although not opposing the merger as such, is objecting to certain operating contracts which would continue to be effective on behalf of the merged company. A recommended report has been issued by the Examiner which report would authorize the merger but would make no changes in the operating contracts. Your Company has filed exceptions to this report. The proceeding now has been assigned to a division of the Commission for an initial decision.

LITIGATION

In last year's report, it was reported that, although the Supreme Court of the United States had ruled favorably to the interests of your Company in the controversy involving divisions of revenue on traffic between Eastern and Southern territories, it had remanded the matter to the Interstate Commerce Commission. On the remand, the Commission issued another order which was unfavorable to your Company; however, that order on appeal was enjoined and the matter has again been remanded to the Commission.

CAPITAL EXPENDITURES

To build additional strength into the physical property, capital expenditures during the year totaled $23.2 million versus $27.0 million in the year before. A sturdier roadbed, more advanced signals and communications, larger and more diversified equipment, and more efficient facilities of every kind are being combined to better meet the transportation demands of the future, and to improve operating efficiency.

Of the amount spent for capital expenditures, $11.1 million went for new cars and locomotives, most of which were financed through Conditional Sale Agreements. Of the remainder, a total of $5.7 million was spent on roadway and structures, $2.5 million on rebuilding freight cars and $3.9 million on other additions and improvements to our properties.

EQUIPMENT OBLIGATIONS

Equipment obligations outstanding at year-end, including those due in one year, totaled $86.0 million, an increase of $1.2 million, representing additional obligations incurred of $10.9 million, less serial maturities of $9.7 million during 1970.

Equipment instalments due in 1971 will amount to $9.4 million; equipment depreciation chargeable to operating expenses will approximate $9.7 million.

MOTIVE POWER

In the normal course of the average day, Frisco operates a total of 140 freight trains to move a diversified volume of traffic from origin to destination. A modern fleet of locomotives is essential for efficient operation. A planned program of locomotive replacement enables the Company to take advantage of the latest technological advances in the development of power. While the trend has been toward ever heavier, more powerful units, the relationship of locomotive configuration to track wear has come under increasing scrutiny in recent years. Since the Frisco operates both primary and secondary lines of railroad which employ varying weights of rail, it requires a more diversified fleet of locomotives to attain optimum efficiency and greater flexibility in the scheduling of power.

During 1970, a total of six Diesel switching locomotives were put into service. The horsepower of these individual locomotives may be found on page 31, together with similar data for units installed in prior years. On order for 1971 delivery are thirty 2000 horsepower Diesel road locomotives.

The Company's wholly-owned motor subsidiary, the Frisco Transportation Company, also further modernized its equipment during the year with the installation of seven new road tractors.

FREIGHT CARS

Despite a decline in traffic volume during the year, there were continued shortages in the industry's car supply. Some of these shortages are traceable to insufficiency of ownership by certain lines which are in financial difficulty. Legislation now is pending before the Congress to guarantee loans to railroads for a variety of purposes — including the purchase of freight cars — and to establish a public corporation to provide a freight car pool.

To expand and improve its own fleet of freight-carrying equipment, the Frisco purchased and put into service during 1970 a total of 692 cars of various types and sizes. On page 31 will be found a description of this new rolling stock, as well as of the equipment installed in past years. A total of 600 new cars of various types are on order for delivery during 1971.

To conserve capital, the Frisco has augmented its supply of freight-carrying equipment by leasing railroad equipment from others. At year-end, the Company had 1100 cars under lease. The Company also is a party to a leasing agreement under which it shares the use of 482 covered hoppers with a major chemical company. Additionally, the Company has a stock interest in Trailer Train Company from which it leases flat cars upon which Frisco-owned automobile racks are mounted.


WASHINGTON
MONTANA
NORTH DAKOTA
SOUTH DAKOTA
OREGON
IDAHO
WYOMING
NEBRASKA
CALIFORNIA
NEVADA
UTAH
COLORADO
KANSAS
ARIZONA
NEW MEXICO
TEXAS
PACIFIC OCEAN
SEATTLE
SPOKANE
PORTLAND
SHELBY
GREAT FALLS
BUTTE
BILLINGS
GRANGER
CHEYENNE
SALT LAKE CITY
DENVER
PUEBLO
ELLSWORTH
WICHITA
AVARD
ENID
SAN FRANCISCO
OAKLAND
LOS ANGELES
BARSTOW
SAN DIEGO
AMARILLO
SNYDER
ALTUS
DAVIDSON
QUANAH
FLOYDADA
FT. WORTH
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MINNESOTA
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WISCONSIN
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ST. PAUL
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LYNCHBURG
RICHMOND
SCL
SPRINGFIELD
ROLLA
CUBA
ST. GENEVIEVE
KENTUCKY
CAPE GIRARDEAU
FT. SCOTT
PARSONS
JOPLIN
SALEM
BUICK
CHICOPEE
WEST PLAINS
SIKESTON
NORTH CAROLINA
WINSTON SALEM
GREENSBORO
RALEIGH
BEAUMONT
CLAREMORE
NEOSHO
MONETT
OZARK
KENNETT
HAYTI
CARUTHERSVILLE
BLYTHEVILLE
TENNESSEE
KNOXVILLE
NASHVILLE
L & N
ASHEVILLE
CHARLOTTE
HAMLET
FAYETTEVILLE
TULSA
FAYETTEVILLE
SAPULPA
MUSKOGEE
ARKANSAS
WILLOW SPRINGS
HOXIE
JONESBORO
HULBERT
MEMPHIS
CHATTANOOGA
GREENVILLE
SOUTH CAROLINA
ATLANTIC OCEAN
OKMULGEE
POTEAU
FORT SMITH
MISS.
ALABAMA
GEORGIA
COLUMBIA
TUPELO
AMORY
ABERDEEN
COLUMBUS
WINFIELD
BIRMINGHAM
ATLANTA
ANNISTON
CHARLESTON
MADILL
HUGO
ASHDOWN
HOPE
PARIS
REFORM
BESSEMER
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MACON
SAVANNAH
ALICEVILLE
GMO
BOLIGEE
JACKSON
JESUP
BRUNSWICK
ATSF
LOUISIANA
YORK
MONTGOMERY
CORDELE
THOMASVILLE
VALDOSTA
JACKSONVILLE
DALLAS
SHREVEPORT
AT & N
FLORIDA
MOBILE
PENSACOLA
KCS
FW & D
SP
NEW ORLEANS
HOUSTON
GALVESTON
ST. PETERSBURG
TAMPA
FEC
GULF OF MEXICO
FRISCO
MIAMI

Cherokee Yard at Tulsa, Okla.

ROADWAY AND STRUCTURES

The year saw a continuation of the Frisco's long-term program of strengthening its roadbed to accommodate longer and heavier trains at faster speeds.

A total of 70 miles of new 132-pound rail was laid, 62 miles of which were welded into quarter-mile lengths and eight miles of which were in conventional 39-foot lengths. Of the rail laid, 14 miles were heat-treated to withstand greater wear on curves.

Company forces also relaid during the year 32 miles of 112-pound rail welded into quarter-mile lengths, 10.3 miles of 112-pound jointed rail and 18.7 miles of 90-pound jointed rail.

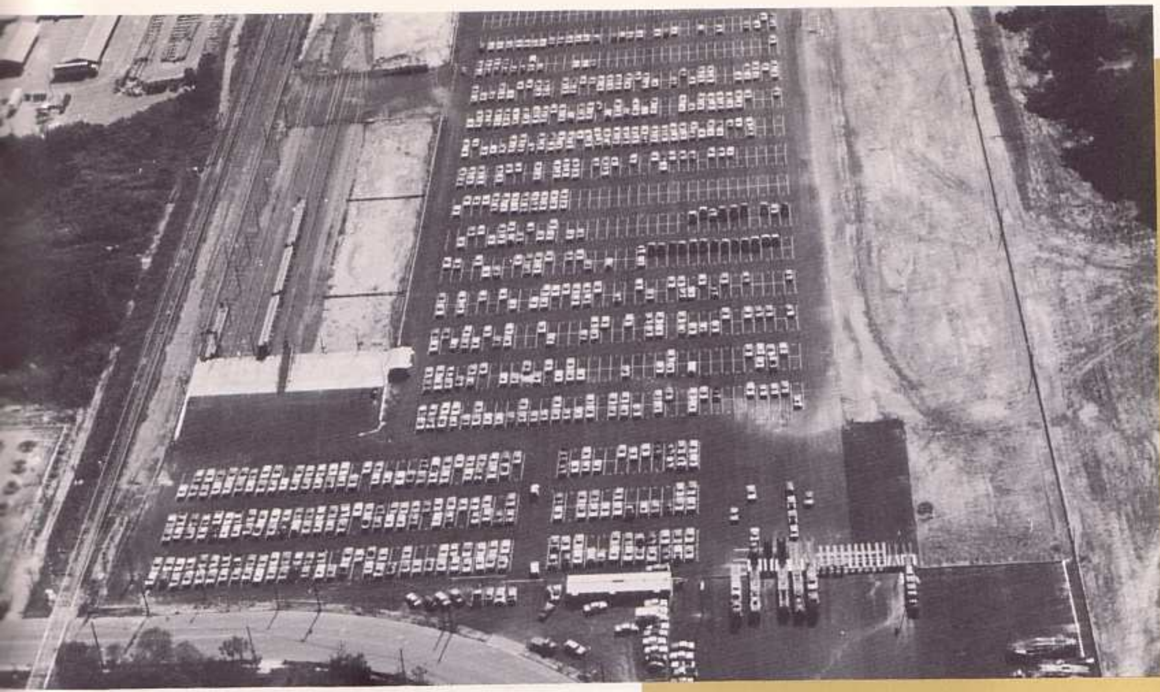
Regular maintenance work included the insertion of 415,000 new cross-ties, as well as the surfacing of 1250 miles of track and the testing of 4402 miles of railroad with electronic detector cars capable of locating hidden internal flaws before they become service failures. The year 1970 was the fortieth in which these detector cars have been operated over the system.

As part of its program to improve its bridges, the Frisco during the year replaced 352 panels of wooden trestles with superior structures. In addition, a 350-foot vertical lift bridge was installed at Van Buren, Arkansas, the cost of which was borne by the Federal Government. Other structures completed during the year with Federal and/or State funds included a high-level bridge at Catoosa, Oklahoma, a bridge at Manila, Arkansas, various vehicle and pedestrian crossings at Webster Groves, Missouri, and underpasses at Muskogee and Tulsa, Oklahoma, the latter measuring 420 feet in length, the longest on the railroad.

COMPUTERIZED CONTROLS

To meet the challenge of the seventies, the Frisco relies more and more upon the sophisticated techniques made possible by computerized communications. Only a few years ago computers made their initial contribution to railroad operations by permitting quick, efficient data processing, telescoping into minutes time-consuming chores which once took hours. Today computers are involved in tasks which go far beyond financial bookkeeping or car accounting.

Frisco's third-generation computer improves the accuracy, currency and completeness of the information entered into the system, thus providing a more reliable and expanded data base for producing information to more effectively control railroad operations. In providing a dependable data bank from which management can extract information needed to monitor day-to-day operations, the computer thus becomes a part of the process by which managerial decisions are made.



Automobile Storage Area, Memphis, Tenn.

SAFETY

The National Safety Council's "Golden Spike" Award for Public Safety Activities was presented to the Frisco for the nineteenth time in recognition of its performance in 1969. This award is made annually to those railroads which participate in community safety activities, off-the-job safety programs for employes, state and local safety councils, and the National Safety Council's "Signs of Life Program."

Grade crossing accidents are the major cause of fatalities in railroad operations. They account for two-thirds of all the fatalities resulting from all types of accidents involving railroads. The prime cause of collisions between trains and motor vehicles is the failure of the motor vehicle operator to exercise due care and caution. America's Sound Transportation Review Organization, mentioned earlier in this report, recommends that Federal safety assistance programs for highway-rail grade crossings must be materially stepped up. To accomplish this, Congress should require — not just permit, as at present — that the states devote 10 per cent of Federal highway trust funds to grade crossing projects. It also should remove present restrictions which confine funds to the Federal aid highways. Additionally, uniform Federal safety standards governing grade crossings should be promulgated.

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.

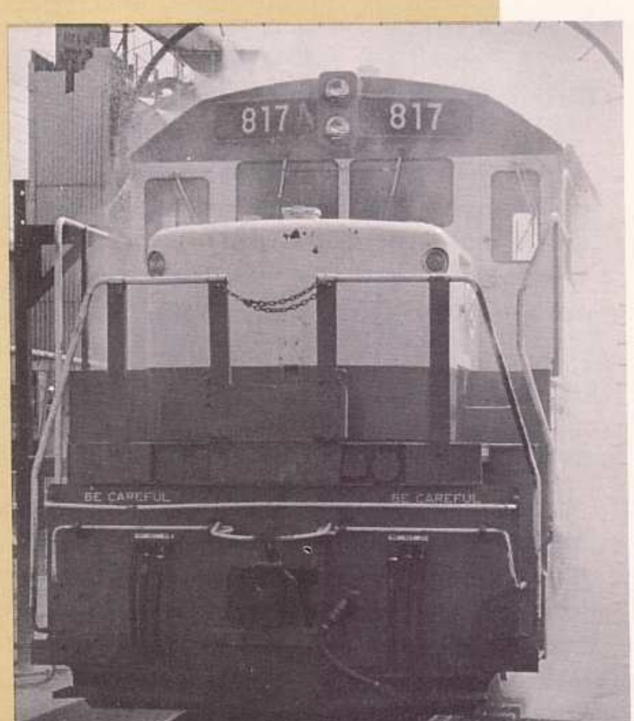
Another enterprise in which the Frisco has an interest is the New Mexico and Arizona Land Company which issues its own annual report; anyone desiring a copy may obtain one by writing to the New Mexico and Arizona Land Company, 906 Olive Street, Room 903, St. Louis, Missouri 63101.

MANAGEMENT CHANGES

In a move to more sharply define the Frisco's interest in intermodal transportation, J. W. Tipton was appointed Vice President-Intermodal Services effective June 1.

A veteran of 34 years with the Company, Mr. Tipton began his railroad career in the Traffic Department serving in various capacities until his appointment as Freight Traffic Manager in 1953 and as General Freight Traffic Manager in 1954.

Experienced in both rail and motor transportation, Mr. Tipton has served since 1960 in the dual capacity of Manager of Motor Transportation and Trailer-On-Flat-Car Service for the Frisco and as Vice President and General Manager of the Frisco Transportation Company, a wholly-owned motor carrier subsidiary.



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DIRECTORATE CHANGES

With sorrow the Company records the loss of Mr. Gale F. Johnston who became a member of the Board of Directors in January 1947 and served with fidelity and distinction until his death on March 7, 1970.

Joining the Directorate for the first time during the year were: Mr. Lawrason Riggs III, who was elected by the stockholders at their annual meeting on May 12, and Mr. Harold F. Ohlendorf who was elected by the Directors at their meeting on July 10.

In securing the services of Messrs. Riggs and Ohlendorf, the Company continues to assure itself of a cross-section of business knowledge and experience. Mr. Riggs is President of the St. Joe Minerals Corporation of New York City and has been in the mining and smelting industry since 1939. Mr. Ohlendorf is a planter and owner of Ohlendorf Farms in Osceola, Arkansas, and is associated as an officer or as a director with numerous diversified enterprises.

BOARD OF DIRECTORS

Term Expires 1971

B. B. CULVER, JR.*
Chairman
Culver Educational Foundation
St. Louis, Mo.

R. C. GRAYSON*
President
and Chief Executive Officer
St. Louis-San Francisco
Railway Company
St. Louis, Mo.

JUDSON S. SAYRE*
Consultant
Chicago, Illinois

LEWIS B. STUART*
Retired Executive
Vice President
Ralston Purina Company
St. Louis, Mo.

C. P. WHITEHEAD*†
Retired Chairman of the Board
General Steel Industries
St. Louis, Mo.

Term Expires 1972

DUDLEY E. DAWSON, JR.
Executive Vice President
Southern Industries
Corporation
Mobile, Alabama

J. E. GILLILAND*
Chairman of the Board
St. Louis-San Francisco
Railway Company
Tucson, Arizona

BRUCE K. GOODMAN
President
Library Plaza Company
Evanston, Illinois

F. G. McCLINTOCK
Chairman and Chief
Executive Officer
The First National Bank
& Trust Co. of Tulsa
Tulsa, Okla.

HAROLD F. OHLENDORF
Ohlendorf Farms
Osceola, Ark.

Term Expires 1973

EDWARD W. COOK
President
Cook Industries, Inc.
Memphis, Tenn.

THOMAS E. DEACY, JR.
Attorney
Kansas City, Mo.

WILLIAM A. McDONNELL*†
Chairman of the
Finance Committee
St. Louis-San Francisco
Railway Company
St. Louis, Mo.

LAWRASON RIGGS III
President
St. Joe Minerals Corporation
New York City

ELLIOT H. STEIN*†
President
Scherck, Stein & Franc, Inc.
St. Louis, Mo.

**Member of the Executive Committee*
†Member of the Finance Committee

PRICE WATERHOUSE & CO.
ONE MEMORIAL DRIVE
ST. LOUIS

March 4, 1971

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, 1970 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, 1970, the results of their operations and the sources and applications of 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

	1970	1969
	(000) omitted	
OPERATING REVENUES:		
Freight	$189,321	$178,716
Other	8,533	8,682
Total operating revenues	197,854	187,398
OPERATING EXPENSES:		
Maintenance of way and structures	25,322	23,766
Maintenance of equipment	26,253	24,018
Transportation	78,743	71,413
Other	17,340	16,403
Total operating expenses (includes depreciation of $12,053,000 and $11,424,000 respectively)	147,658	135,600
Net operating revenue	50,196	51,798
OPERATING CHARGES:		
Taxes (except federal income taxes)	15,563	14,660
Equipment and joint facility rents	13,675	10,162
Total operating charges*	29,238	24,822
Net operating income*	20,958	26,976
OTHER INCOME:		
Profit on company bonds purchased	1,176	396
Other, net	2,938	2,446
Total other income	4,114	2,842
Balance for fixed and contingent charges*	25,072	29,818
FIXED AND CONTINGENT CHARGES:		
Interest on long term debt — fixed	9,407	8,520
Other fixed charges	192	188
Interest on long term debt — contingent	1,479	1,490
Total fixed and contingent charges	11,078	10,198
Income before federal income taxes	13,994	19,620
ESTIMATED FEDERAL INCOME TAXES:		
(Note 2, Page 26)	809	5,557
NET INCOME (in conformity with I.C.C. principles)	$ 13,185	$ 14,063
EARNINGS PER SHARE	$ 5.08	$ 5.42

*Before federal income taxes.

	December 31, 1970	1969
	(000) omitted	
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,367	$ 5,069
Temporary cash investments	11,778	14,977
Cash deposits for interest, dividends, etc.	1,067	1,158
Accounts receivable	16,295	17,922
Material and supplies, at average cost	10,179	7,909
Other current assets	797	541
Total Current Assets	44,483	47,576
SPECIAL DEPOSITS	1,752	1,354
INVESTMENTS:		
Securities of and advances to affiliates (Page 29)	4,190	4,416
Other investments	892	630
Total Investments	5,082	5,046
PROPERTIES (Note 4, Page 27 and Page 29):		
Roadway and structures	327,227	323,293
Equipment	263,552	251,729
Non-operating property	8,471	8,644
Accrued depreciation — road	(59,655)	(59,337)
Accrued depreciation — equipment	(117,069)	(110,562)
Accrued depreciation — non-operating property	(411)	(597)
Total Properties — Net	422,115	413,170
OTHER ASSETS:		
Discount on long term debt	2,091	2,164
Miscellaneous	2,239	1,807
Total Other Assets	4,330	3,971
TOTAL ASSETS	$477,762	$471,117

	December 31, 1970	1969
	(000) omitted	
LIABILITIES		
CURRENT LIABILITIES:		
Audited accounts and wages payable	$ 4,974	$ 4,817
Accrued and miscellaneous accounts payable	19,468	14,568
Interest and dividends payable	4,197	3,918
Estimated federal taxes on income (Note 5, Page 27)	476	4,640
Other accrued taxes	3,354	3,251
Other current liabilities	3,535	3,790
Total Current Liabilities (excluding current portion of long term debt)	36,004	34,984
LONG TERM DEBT (Page 30):		
First Mortgage Bonds, 4% Series A — 1997	62,527	64,185
First Mortgage Bonds, 4% Series B — 1980	14,463	15,497
Income Debentures, 5% Series A — 2006	29,653	29,801
Purchase Money Mortgage Notes, 6¾% — 1992	6,000	6,000
Equipment obligations	86,050	84,842
Other long term debt	3,262	2,624
Total Long Term Debt ($9,738,000 payable in 1971)	201,955	202,949
OTHER LIABILITIES:		
Estimated casualty and other reserves	859	799
Miscellaneous, including deferred credits	1,038	1,435
Total Other Liabilities	1,897	2,234
STOCKHOLDERS' 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	113,565	113,565
CAPITAL SURPLUS	18,935	18,935
RETAINED INCOME (Page 28)	105,406	98,450
Total Stockholders' Equity	237,906	230,950
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$477,762	$471,117

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:

	1970	1969
Net income (in conformity with ICC principles) as set forth in the consolidated income statement	$13,185,000	$14,063,000
Adjustments to generally accepted accounting principles:		
Provision for income tax effect of —		
Amortization of defense facilities	955,000	986,000
Amortization of rolling stock under 1969 Tax Reform Act	(3,086,000)	
Accelerated and guideline depreciation	(2,392,000)	(3,616,000)
Net income (as it would be stated in conformity with generally accepted accounting principles) ..	$ 8,662,000	$11,433,000
Earnings per share	$ 3.34	$ 4.40

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 $51,000,000 at December 31, 1970.

3. PENSION PLAN: The Company has a noncontributory pension plan covering officers and supervisory employes. The cost of the plan charged to income was $1,314,000 in 1970 and $1,221,000 in 1969, 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 $1,900,000 at December 31, 1970.

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, 1970, nondepreciable property, including land and land rights, aggregated approximately $210,200,000.

5. FEDERAL INCOME TAXES: Federal taxes on income for the years 1968 through 1970 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 9 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.

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

	1970	1969
	(000) omitted	
Balance at beginning of year	$ 98,450	$ 90,485
Add:		
Net income for the year	13,185	14,063
Deduct:		
Dividend on Common Stock—Per Share: $2.40 in 1970 and $2.35 in 1969	6,229	6,098
Balance at end of year	$105,406	$ 98,450

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

	1970	1969
	(000) omitted	
SOURCES OF FUNDS:		
Net income	$ 13,185	$ 14,063
Depreciation and other non-cash charges	12,217	12,108
Proceeds conditional sale agreements	10,886	17,199
Proceeds promissory notes payable	950	
Proceeds sale of property and salvage	2,202	2,155
Total	$ 39,440	$ 45,525
APPLICATIONS OF FUNDS:		
Additions and betterments — road and equipment	$ 23,224	$ 26,957
Equipment obligations retired	9,678	9,432
First Mortgage Bonds retired	2,692	1,091
Income Debentures retired	148	
Other long term debt retired	401	262
Dividends	6,229	6,098
Miscellaneous	1,181	587
Total	$ 43,553	$ 44,427
INCREASE OR (DECREASE) IN WORKING CAPITAL	$ (4,113)	$ 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
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	1,336,425	1,519,758
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	200,705	206,705
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				$1,005,891	$3,184,236	$4,190,127

*Stock Pledged Under First Mortgage.

PROPERTY CHANGES DURING THE YEAR 1970

	Balance Dec. 31, 1969	Additions and Betterments	Retirements	Balance Dec. 31, 1970
Roadway and Structures	$323,293,249	$ 5,677,306	$1,743,866	$327,226,689
Equipment (Page 31):				
Diesel Locomotives	69,137,967	1,058,877	......	70,196,844
Freight-Train Cars	170,525,477	13,535,028	4,119,245	179,941,260
Work and Miscellaneous	10,405,514	2,211,430	799,850	11,817,094
Motor Carrier Equipment	1,659,741	105,786	169,071	1,596,456
Total Equipment	251,728,699	16,911,121	5,088,166	263,551,654
Total Transportation Property	575,021,948	22,588,427	6,832,032	590,778,343
Non-Operating Property	8,644,361	635,191	808,299	8,471,253
Total Properties	$583,666,309	$23,223,618	$7,640,331	$599,249,596

	Date of Maturity	Outstanding Dec. 31, 1970		Fixed and Contingent Interest	
		Due After 1971	Due in 1971	Rate	Expense for 1970
FUNDED DEBT UNMATURED:					
First Mortgage Series A	1-1-97	$ 62,527,200†	*	4.00	$ 2,526,584
First Mortgage Series B	9-1-80	14,463,000†	*	4.00	601,625
Income Debentures Series A	1-1-06	29,652,500†	*	5.00	1,478,925
Purchase Money Mortgage Notes.	8-1-92	6,000,000 ø		6.75	405,000
		112,642,700			5,012,134
EQUIPMENT OBLIGATIONS#:	Serially to				
Trust Certificates:					
Series N	3-15-80	2,511,000	$ 279,000	4.25	121,046
Series O	5-15-80	2,835,000	315,000	4.38	142,979
Conditional Sale Agreements:					
Numbers:					
1	12-1-70	....	....	3.50	27,361
2	5-1-71	....	35,000	3.50	2,655
3/4	9-1-71	....	155,172	4.25	9,339
5	6-1-71	....	40,072	4.25	5,977
6/9	7-1-72	555,335	1,110,667	5.00	124,950
10	2-10-74	154,167	61,667	4.75	11,310
11	2-1-75	239,050	68,300	5.63	18,568
12	3-1-75	1,023,107	320,000	5.75	84,896
13	8-1-75	785,320	208,000	5.25	55,788
14	6-1-76	505,133	117,400	4.75	33,288
15/16	1-1-77	759,900	152,400	4.75	48,764
17	11-1-77	568,466	101,758	5.00	36,479
18/22	8-1-78	2,368,745	350,783	4.50	127,639
23/27	1-15-79	4,475,682	596,758	4.45	233,829
28/29	3-15-79	596,087	79,478	4.45	31,684
30	9-1-75	739,597	184,899	4.75	47,574
31/39	1-15-81	7,605,748	800,605	5.25	453,594
40	4-1-76	447,596	99,466	5.60	33,421
41/43	3-1-82	2,833,985	269,903	6.25	201,021
44/45	3-1-82	2,471,033	235,336	5.75	161,253
46/50	7-1-82	6,079,515	552,683	6.25	431,784
51/56	1-1-83	10,294,167	935,833	6.70	813,762
57/58	10-1-80	2,999,970	333,330	6.50	284,335
59/64	12-15-83	7,992,000	666,000	7.25	673,978
65	8-15-84	3,250,000	250,000	8.25	301,641
66/67	1-15-85	5,274,500	376,750	9.38	512,760
68/70	2-1-85	5,292,000	378,000	9.50	431,537
71	7-1-85	4,030,650	287,904	9.75	206,931
		76,687,753	9,362,164		5,670,143
Other Long Term Debt		2,886,404	375,627		204,120
Totals		$192,216,857	$9,737,791		$10,886,397

†Excludes bonds held in treasury as follows:

First Mortgage Series A	$1,951,000
First Mortgage Series B	1,650,000
Income Debentures Series A ..	312,000

*Subject to sinking fund provisions under mortgage indentures in 1971:

First Mortgage Series A	$497,680
First Mortgage Series B	195,000
Income Debentures Series A ...	165,645

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

#Equipment obligations maturing in future years are:

1971	$9,362,164	1976	$7,044,688	1981	$4,352,712
1972	8,576,589	1977	6,767,039	1982	3,699,790
1973	8,021,253	1978	6,620,628	1983	1,958,654
1974	7,990,420	1979	6,018,463	1984	1,292,654
1975	7,621,864	1980	5,680,345	1985	1,042,654

DESCRIPTION	Owned Dec. 31, 1969	Changes During 1970 Purchased	Reclas-sified	Retired	Owned Dec. 31, 1970
DIESEL LOCOMOTIVES:					
Freight 3600 H.P. (A Units)	49	...	...	...	49
Freight 3000 H.P. (A Units)	12	...	...	...	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)	23	...	...	...	23
Freight 1500 H.P. (B Units)	14	...	...	...	14
All Purpose 1500 H.P.	128	...	...	...	128
Switch 1500 H.P.	26	6	...	...	32
Switch 1200 H.P.	19	...	...	...	19
Switch 1000 H.P.	59	...	...	...	59
Switch 44 Ton	3	...	...	...	3
Total	413	6	...	...	419
LOCOMOTIVE BRAKE CARS	2	...	...	...	2
FREIGHT-TRAIN CARS:					
Box-Plain	4,484	...	2	429	4,057
Box-Equipped-Non-Insulated	1,720	509	64	12	2,281
Box-Equipped-Insulated	863	...	...	6	857
Gondola	2,301	150	1	103	2,349
Hopper-Open Top	3,422	...	...	29	3,393
Hopper-Covered	2,214	33	...	13	2,234
Flat-Including Special Equipped	632	...	...	36	596
Wood Rack & Bulkhead Flat	814	...	25	2	837
Multi-Level Auto Transport	186	...	...	1	185
Caboose	235	...	1	4	232
Total	16,871	692	93	635	17,021
WORK EQUIPMENT:					
Tool and Material	580	...	78	60	598
Ballast	179	...	...	3	176
Boarding	100	...	...	13	87
Tank	139	...	...	5	134
Other	46	3	...	6	43
Total	1,044	3	78	87	1,038
MISCELLANEOUS EQUIPMENT:					
Motor Trucks	370	58	...	42	386
Automobiles	295	82	...	75	302
Airplane	1	1	...	1	1
Other	62	2	...	1	63
Total	728	143	...	119	752
FLOATING EQUIPMENT:					
Car Ferry	2	...	...	...	2
MOTOR CARRIER EQUIPMENT:					
Trucks	25	...	...	5	20
Tractors	81	7	...	5	83
Semitrailers	155	...	...	4	151
Service Cars	7	...	...	1	6
Total	268	7	...	15	260

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

CONDENSED INCOME ACCOUNT (000) omitted

	1970	1969	1968	1967	1966
Operating revenues	$197,854	$187,398	$173,142	$157,583	$155,193
Operating expenses	147,658	135,600	124,575	114,886	111,239
Net operating revenue	50,196	51,798	48,567	42,697	43,954
Operating charges	29,238	24,822	25,046	21,525	19,360
Net operating income	20,958	26,976	23,521	21,172	24,594
Other income, net	4,114	2,842	1,926	2,076	1,294
Balance for fixed and contingent charges	25,072	29,818	25,447	23,248	25,888
Fixed and contingent charges	11,078	10,198	9,540	8,457	8,035
Income before Federal income taxes	13,994	19,620	15,907	14,791	17,853
Estimated Federal income taxes	809	5,557	3,148	2,801	5,529
Net income	$ 13,185	$ 14,063	$ 12,759	$ 11,990	$ 12,324

CONDENSED BALANCE SHEET AS OF DECEMBER 31ST

	1970	1969	1968	1967	1966
Current assets	$ 44,483	$ 47,576	$ 43,817	$ 39,672	$ 39,512
Current liabilities	36,004	34,984	32,323	27,676	28,760
Net current assets	8,479	12,592	11,494	11,996	10,752
Properties — net	422,115	413,170	400,630	384,527	370,745
Investments	5,082	5,046	4,743	4,130	3,838
Other assets	6,082	5,325	5,183	5,467	4,939
Total assets less current liabilities	441,758	436,133	422,050	406,120	390,274
Long term debt (including debt due within one year)	201,955	202,949	196,380	188,197	179,470
Other liabilities	1,897	2,234	2,685	1,424	2,416
Total long term debt and other liabilities	203,852	205,183	199,065	189,621	181,886
Net assets	$237,906	$230,950	$222,985	$216,499	$208,388
Stockholders' equity:					
Preferred stock	$	$	$	$ 11,489	$ 11,600
Common stock	113,565	113,565	113,565	102,972	102,781
Retained income and capital surplus	124,341	117,385	109,420	102,038	94,007
Total stockholders' equity	$237,906	$230,950	$222,985	$216,499	$208,388

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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 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

REGISTRARS FOR BONDS, DEBENTURES AND EQUIPMENT TRUST CERTIFICATES:

First National City Bank, 111 Wall Street, New York, N.Y. 10015

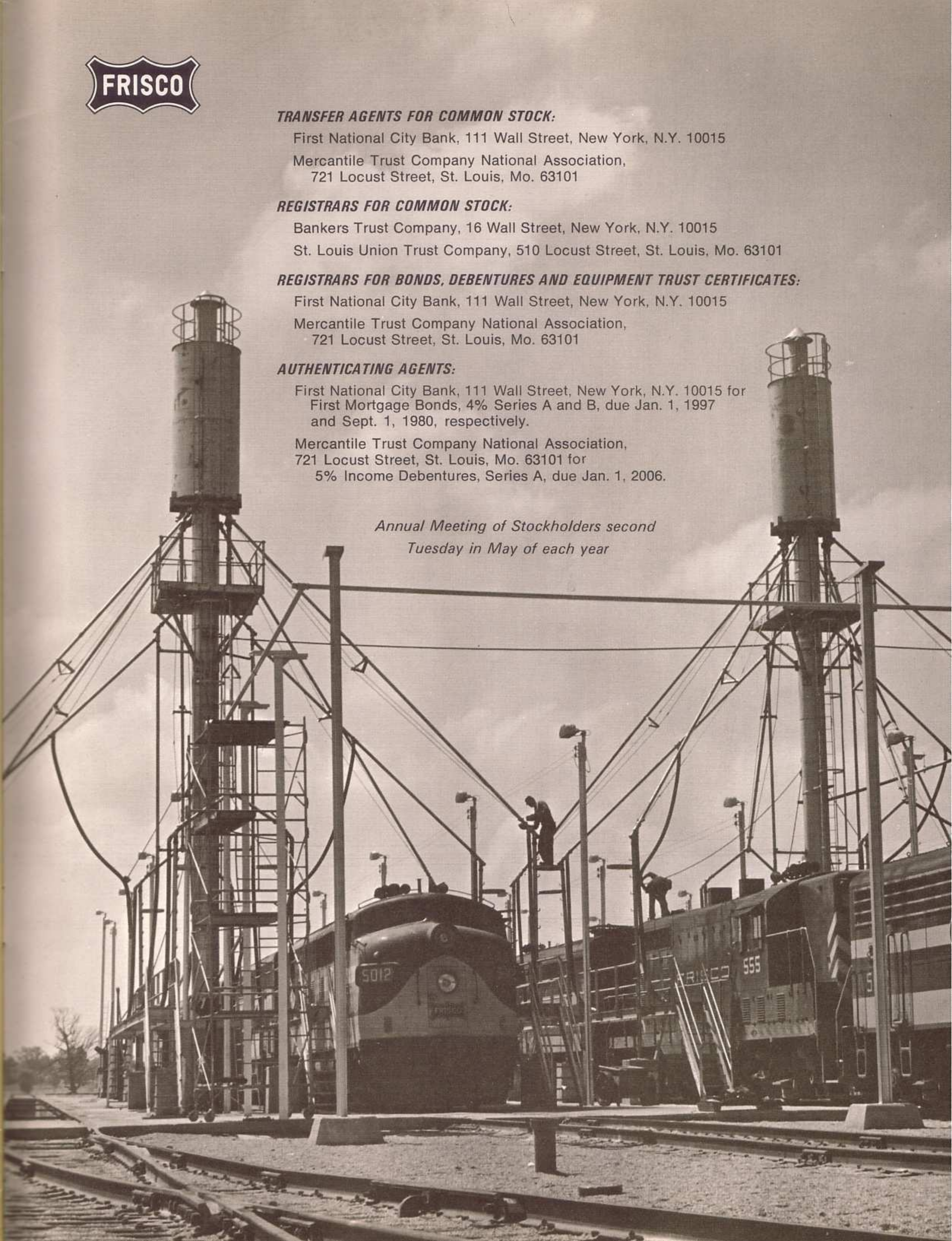
Mercantile Trust Company National Association,
721 Locust Street, St. Louis, Mo. 63101

AUTHENTICATING AGENTS:

First National City Bank, 111 Wall Street, New York, N.Y. 10015 for
First Mortgage Bonds, 4% Series A and B, due Jan. 1, 1997
and Sept. 1, 1980, respectively.

Mercantile Trust Company National Association,
721 Locust Street, St. Louis, Mo. 63101 for
5% Income Debentures, Series A, due Jan. 1, 2006.

Annual Meeting of Stockholders second
Tuesday in May of each year



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