

ANNUAL  
REPORT

1959



ST. LOUIS -  
SAN FRANCISCO  
RAILWAY  
COMPANY

# ST. LOUIS - SAN FRANCISCO RAILWAY COMPANY

GENERAL OFFICES — 906 Olive Street, St. Louis 1, Mo.

NEW YORK OFFICE — 120 Broadway, New York 5, N. Y.

CLARK HUNGERFORD, *Chairman and President, St. Louis, Mo.*

Term expires 1960

DANIEL K. CATLIN.....*St. Louis, Mo.*  
 E. M. DODDS.....*Kansas City, Mo.*  
 BENEDICT K. GOODMAN.....*Evanston, Ill.*  
 HUGH L. HARRELL.....*Oklahoma City, Okla.*  
 HUGH MCK. JONES.....*St. Louis, Mo.*  
 R. OTIS MCCLINTOCK.....*Tulsa, Okla.*  
 DAVID ROBERTS, JR.....*Birmingham, Ala.*

**DIRECTORS**

Term expires 1961

E. L. BRUCE, JR.....*Memphis, Tenn.*  
 CLARK HUNGERFORD.....*St. Louis, Mo.*  
 GALE F. JOHNSTON.....*St. Louis, Mo.*  
 RICHARD J. LOCKWOOD.....*St. Louis, Mo.*  
 W. A. McDONNELL.....*St. Louis, Mo.*

Term expires 1962

LESTER E. COX.....*Springfield, Mo.*  
 B. B. CULVER, JR.....*St. Louis, Mo.*  
 R. J. STONE.....*St. Louis, Mo.*  
 LEWIS B. STUART.....*St. Louis, Mo.*  
 C. P. WHITEHEAD.....*Granite City, Ill.*

**EXECUTIVE COMMITTEE**

LESTER E. COX	B. B. CULVER, JR.	BENEDICT K. GOODMAN
CLARK HUNGERFORD	RICHARD J. LOCKWOOD	W. A. McDONNELL
	C. P. WHITEHEAD	

**OFFICERS**

CLARK HUNGERFORD	<i>Chairman &amp; President</i>	St. Louis, Mo.
R. J. STONE	<i>Vice-President-Operation</i>	St. Louis, Mo.
JAMES L. HOMIRE	<i>Vice President &amp; General Counsel</i>	St. Louis, Mo.
E. R. BELT	<i>Vice President, Secretary &amp; Treasurer</i>	St. Louis, Mo.
T. H. BANISTER	<i>Vice President-Executive Department</i>	St. Louis, Mo.
J. E. GILLILAND	<i>Vice Pres.-Traffic-Ind. Development</i>	St. Louis, Mo.
J. K. BESHEARS	<i>Vice President-Personnel</i>	St. Louis, Mo.
E. G. BAKER	<i>Vice President</i>	Birmingham, Ala.
F. L. COULTER	<i>Vice President-Fiscal</i>	New York, N. Y.
L. W. MENK	<i>Vice President &amp; General Manager</i>	Springfield, Mo.
C. E. BLAIR	<i>Controller</i>	St. Louis, Mo.

**TRANSFER AGENT**

Transfer Agent for Common and Preferred Stock  
 A. C. LEIGH, 120 Broadway, New York 5, N. Y.

**REGISTRAR**

Registrar for Common and Preferred Stock  
 Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Annual meeting of Stockholders second Tuesday in May of each year

## FRISCO FACTS

	1959	1958	5 YEAR AVERAGE 1954 — 1958
Operating revenues.....	\$133,561,450	\$125,460,606	\$130,728,983
Operating expenses.....	\$104,538,296	\$ 99,735,241	\$102,189,421
Ratio of expenses to revenues.....	78.27	79.50	78.17
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Taxes.....	\$ 11,631,133	\$ 8,441,652	\$ 11,855,832
Taxes per share of common stock.....	\$ 6.33	\$ 4.60	\$ 6.59
Income available for fixed charges.....	\$ 15,289,705	\$ 15,313,248	\$ 15,048,186
Fixed charges.....	\$ 5,881,857	\$ 6,079,957	\$ 5,113,964
Times fixed charges earned.....	2.60	2.52	2.94
Contingent interest.....	\$ 2,790,837	\$ 2,830,387	\$ 2,180,569
Income before dividends.....	\$ 6,617,011	\$ 6,402,904	\$ 7,753,653
Preferred dividends — \$5 per share.....	\$ 1,423,550	\$ 1,423,550	\$ 2,419,798
Earnings per common share.....	\$ 2.83	\$ 2.71	\$ 3.11
Dividends per common share.....	\$ 1.00	\$ .25	\$ 1.55
<hr/>			
Freight revenue.....	\$121,162,124	\$113,061,624	\$116,744,332
Tons — revenue freight.....	29,773,811	27,956,076	29,551,970
Ton miles — revenue freight (thousands).....	9,312,700	8,591,677	8,958,572
Avg. revenue per ton mile — revenue freight.....	1.301¢	1.316¢	1.303¢
Gross ton miles (thousands).....	20,851,434	19,584,635	20,671,116
Train miles — freight.....	7,471,145	7,144,651	7,720,956
Gross ton miles per train mile.....	2,791	2,741	2,677
Average miles hauled — revenue freight.....	312.78	307.33	303.15
Gross ton miles per train hour.....	57,280	55,812	53,637
<hr/>			
Passenger revenue.....	\$ 2,640,929	\$ 3,188,688	\$ 4,353,370
Passengers carried.....	406,667	490,609	692,160
Passenger miles.....	97,702,738	125,847,544	168,635,322
Average revenue per passenger mile.....	2.703¢	2.534¢	2.582¢
Average distance carried.....	240.25	256.51	243.64
Train miles — passenger.....	2,777,912	3,334,849	3,752,533
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Average number of employees.....	10,446	10,630	13,381
Miles of road operated.....	5,034	5,053	5,082

# St. Louis-San Francisco Railway Company

## REPORT FOR 1959

### To the Stockholders:

There is submitted herewith a report of operations of your Company for the year ended December 31, 1959.

### NET INCOME

Net income of \$6,617,011, before sinking funds, is equivalent to \$2.83 per share of Common stock versus \$6,402,904, or \$2.71 per share in 1958.

The earnings per share of Common stock were increased \$1.44 in 1959 and \$1.92 in 1958, because of special deductions from income for accelerated amortization of defense facilities in computing the amount of income subject to Federal Income Tax. Beginning in 1961, the amount of annual deductions from income because of allowances for amortization of defense facilities will decrease gradually until 1965, after which the tax benefit from such deductions will end.

The yield on invested capital in 1959 was 3.42%.

### REVENUES

Operating revenues in 1959 totaled \$133,561,450, up \$8,100,844, or 6.5%, from the level of 1958. Freight revenues totaled \$121,162,124 versus \$113,061,624 in the preceding year.

Agriculturally, the year was a good one although the wheat crop was smaller than in 1958. Industrially, the year began with an improvement in the economy which continued until mid-July when work stoppages in the steel industry brought a decline in the volume of traffic available for movement. Freight revenues during the first half of the year had been up 13.5% from the same period in 1958; by the end of the second half of the year, however, the gain had been reduced to 7.2%. Carloadings which during the first six months had been 8.0% ahead of the same period in 1958, were by the end of the year up only 3.9%.

Passenger revenues continued downward from \$3,188,688 in 1958 to \$2,640,929 in 1959.

### OPERATING EXPENSES

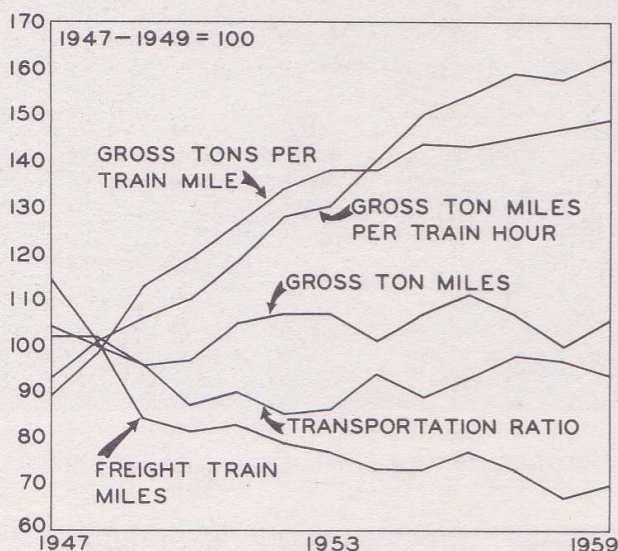
With carloadings 3.9% ahead of 1958, freight train miles rose 4.6% and operating expenses of \$104,538,296 were held to an increase of \$4,803,055, or 4.8% above the previous year, despite wage and cost-of-living increases, higher expenditures for maintenance, additional transportation service and higher unit prices for materials. The operation of new electronic yards at Memphis, Tenn. and Tulsa, Okla., together with improvements in maintenance and operating techniques, helped to absorb the impact of higher costs and thus hold down expenses.

### RATIOS

The commonly-accepted indices for measuring the efficiency of operating performance continued to show the Company in a favorable light with railroads of comparable characteristics. The ratio of various classes of operating expenses to total operating revenues are set forth on the following page for the years 1959, 1958 and for an average of the five-year period 1954-1958.

	1959	1958	Average 1954-58
Transportation.....	38.41	39.46	38.36
Maintenance of Way.....	14.51	14.19	14.55
Maintenance of Equipment.....	16.12	16.05	15.82
Traffic Expenses.....	3.76	3.88	3.98
General Expenses.....	5.19	5.51	4.94
Incidental Expenses.....	.28	.41	.52
Operating Ratio.....	78.27	79.50	78.17

**FREIGHT TRAIN PERFORMANCE**



## DIVIDENDS

A dividend of \$5.00 per share on the Preferred stock was paid in quarterly installments during the year. Common dividends during the year totaled \$1.00 and were paid as follows: 25¢ on June 15th; 25¢ on September 15th; 25¢ on December 15th and a year-end dividend of 25¢ on December 30, 1959.

On February 5, 1960, a dividend of 25¢ per share of Common stock was declared payable March 15, 1960, to holders of record March 1st. The full dividend of \$5.00 per share on the Preferred stock, payable in quarterly installments of \$1.25, was declared at the same time.

## TAXES

Estimated taxes in 1959 totaled \$11,631,133 versus \$8,441,652 in 1958.

Deductions from income before taxes for amortization of defense facilities, principally diesel locomotives, freight cars and centralized traffic control systems, certified by government authority as necessary in the interest of national defense, had the effect of reducing 1959 Federal Income Tax accruals \$2,653,000, and increasing net income by the same amount. This was equivalent to \$1.44 per share of Common stock. In 1958 the reduction in Federal Income Taxes attributable to amortization of defense facilities amounted to \$3,526,000 or \$1.92 per share of Common stock. In the eight-year period 1951-1958, Federal Income Tax accruals were reduced approximately \$18,058,000 because of amortization of defense facilities.

After expiration of the period over which defense facilities may be amortized, normal depreciation on the amortized portion of the cost of facilities will continue to be recorded in the accounts as a charge to operating expenses in accordance with the accounting rules of the Interstate Commerce Commission. Such depreciation charges, however, will not be allowed as deductions from income in determining taxable income.



**Night view of the Company's new electronic retarder yard at Tulsa, Oklahoma.**

The Technical Amendments Act of 1958 amending the Internal Revenue Code provided for allowance of additional depreciation deductions in determining taxable income. The additional depreciation allowances will have the effect of reducing Federal income taxes for years subsequent to 1959 by about \$250,000 annually.

During the year 1959 the Company paid additional Federal Income Taxes applicable to the years 1953 to 1955. The excess of this deficiency over the amount provided in these years, plus interest, was charged to Retained Income. The taxes were assessed chiefly because of excessive depreciation deductions that had been allowed for tax purposes prior to 1954 on freight cars which had been continued in service beyond their normal expected service lives, necessitating a recomputation of depreciation deductions from income. While the recomputation reduced the depreciation deductions for the years 1954-1958, it will increase the deductions for depreciation which otherwise would have been available for subsequent years.

The Unemployment Insurance Tax rate rose from 2½ to 3% effective January 1, 1959, and was further increased from 3 to 3¾% effective June 1, 1959. The Railroad Retirement Tax rate rose from 6¼ to 6¾% effective June 1, 1959.

Payroll taxes in 1959, at a rate of 9¼% for the first five months, on employee earnings to a maximum of \$350 per month, and at a rate of 10½% for the last seven months, on employee earnings to a maximum of \$400 per month, were \$4,832,159, an increase of \$887,599 over similar taxes for 1958. In 1960, payroll taxes will further increase by approximately \$400,000 as a result of these changes.

## **USE OF FINANCIAL RESOURCES**

In addition to meeting all of its current expenses, taxes, rents and fixed and contingent interest payments, the Company paid \$5,174,289 in cash from its treasury for capital improvements to roadway and structures. For equipment there was spent \$8,512,613, consisting of \$6,890,606 of serial maturities of equipment obligations paid and \$1,622,007 for additions and betterments to equipment. There was also expended \$755,316 advanced to wholly owned non-railroad subsidiaries. Combined, these capital expenditures from

treasury cash came to \$14,442,218. Sinking funds of \$776,880 were satisfied by the surrender of treasury securities costing \$773,081 and \$3,799 additional cash. Cash dividend payments in 1959 were \$3,260,686.

After these payments, the Company had a net working capital (excess of current assets over current liabilities) of \$12,949,169 at the end of the year. Year-end cash and temporary cash investments were \$12,249,591, or \$826,466 less than on December 31, 1958.



**Experimental rail car designed for the movement of automobiles and capable of hauling 15 compact models or 12 ordinary-sized cars.**

### **TRAILER-ON-FLAT-CAR SERVICE (Piggy-Back)**

One of the trends evidenced in 1959 was the continued growth of Trailer-On-Flat-Car service, consisting largely of tonnage that has moved independent of railways. During the year your Company pioneered a new type of service which permits the movement of newly-assembled automobiles loaded upon highway trailers which are hauled upon railway flat cars to rail heads for final delivery by highway carriers. The strong points of both rail and highway service are thus brought together. An aerial photograph of such a train haul movement is included in this report.

In 1959 the Company transported 9,705 highway trailers for gross revenues of \$1,971,614 as compared with 2,622 trailers for \$441,526 in 1958.

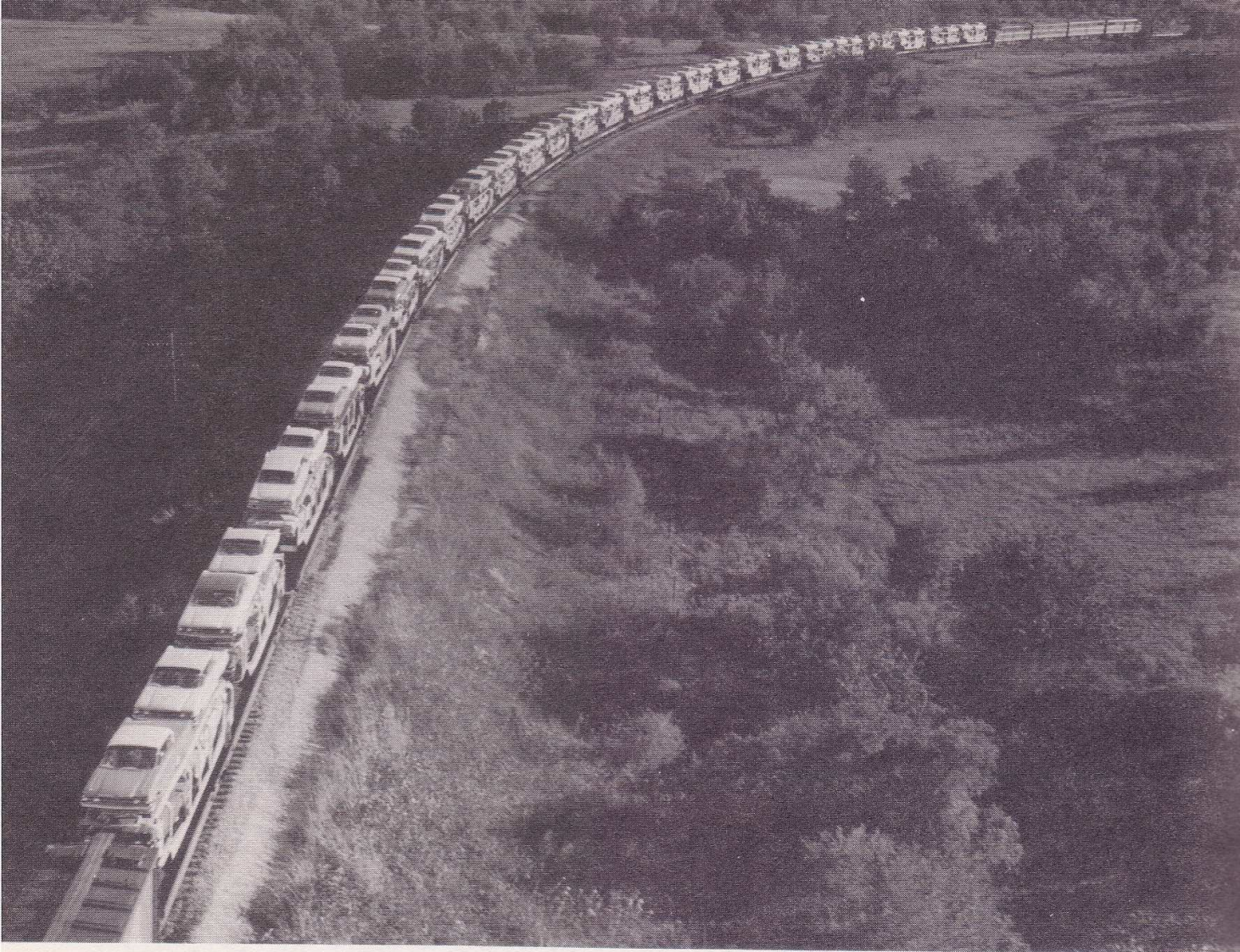
### **CENTRAL OF GEORGIA**

By an order of the Interstate Commerce Commission dated November 14, 1958, the Company's application to acquire control of the Central of Georgia Railway Company was denied. The order provided, however, that the Company may retain its beneficial interest in the stock purchased by it by transferring the stock to a corporate trustee or trustees, subject to such terms and conditions as the Commission may approve.

After the Commission denied the Company's petition for rehearing, reargument and reconsideration, the Company appealed the Commission's order to a special three-Judge United States District Court in St. Louis, but it was later decided that the Company should dismiss its appeal, in order to terminate, as far as possible, litigation in connection with the purchase of Central of Georgia stock.

Accordingly, the Company, in compliance with the Commission's order, applied to the Commission for approval of a proposed Trust Agreement and the appointment of The Hanover Bank, of New York City, as Voting Trustee thereunder.

Under the terms of the trust the Company will retain its investment and will receive all dividends paid on Central of Georgia stock held thereunder for the benefit of the Company. At the writing of this report, a decision by the Interstate Commerce Com-



**Aerial view of train haul movement of newly-assembled automobiles, loaded four automobiles to each highway trailer and two highway trailers to each railway flat car.**

mission is being awaited. In the meantime, all shares beneficially owned by your company are held under a Voting Trust Agreement by Mr. Fred. B. Wilson, of Duluth, Ga.; all dividends are payable to your Company.

In 1959, dividends received by the Company from Central of Georgia stock amounted to \$805,922, as compared with \$551,922 received in 1958. During 1959 the Central of Georgia paid \$5.00 per share on the preferred and \$1.00 per share on the common stock. Dividends in the same amounts as paid in 1959 have been declared payable during 1960. At year-end the Company had total holdings of Central of Georgia stock consisting of 111,187 shares of preferred (out of total outstanding of 170,394), and 249,987 shares of common (out of a total outstanding of 337,242).

Other litigation in connection with the acquisition of Central of Georgia stock embraced:

1) Two actions against the Company, its directors, and certain of its officers, in the United States District Court in St. Louis, Missouri, purporting to be representative or derivative suits brought by the same individual. One suit was brought in his capacity as a stockholder of the Company, and the other as the owner of First Mortgage, Series A, 4% Bonds, and Second Mortgage Income Bonds, Series A, 4½% of the Company. Both of these actions were dismissed by that Court. Appeals from the dismissals are now pending in the United States Court of Appeals for the Eighth Circuit.

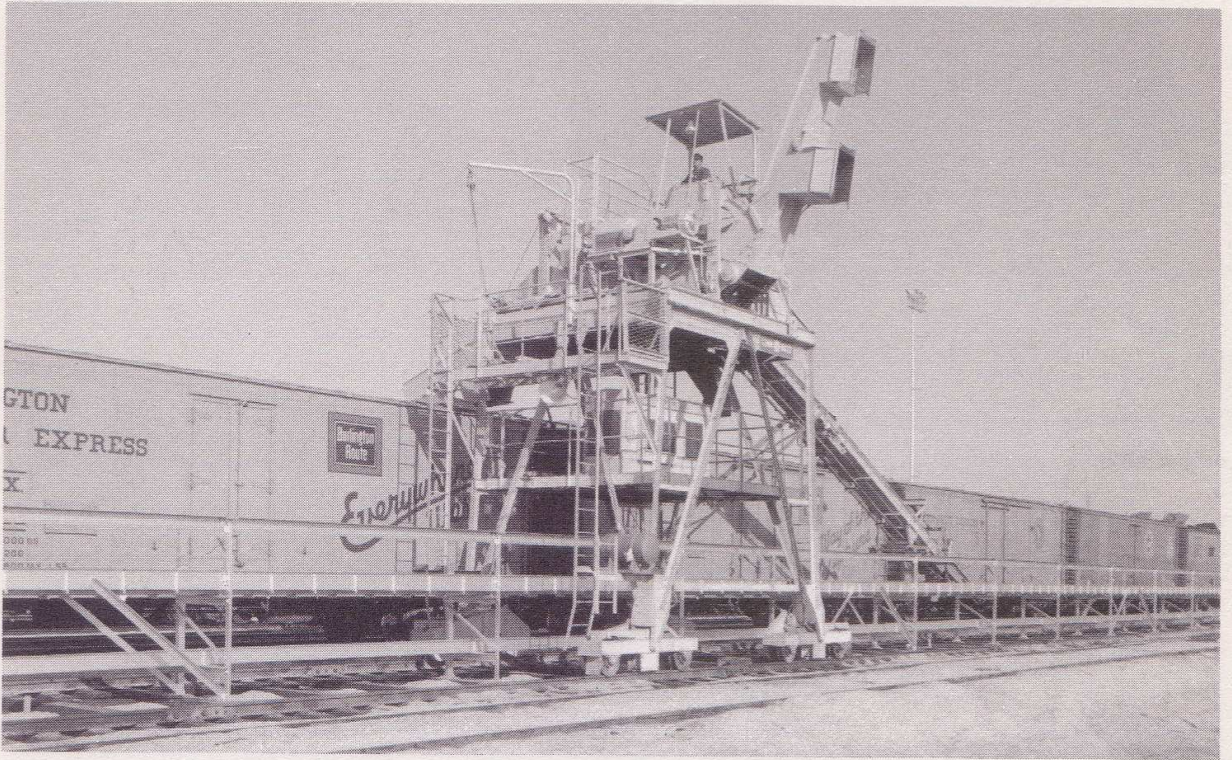
2) An Information involving two counts was brought against the Company by the United States on the recommendation of the Interstate Commerce Commission. These charges arose out of an alleged violation of Section 5 of the Interstate Commerce Act.



One count was dismissed by the government. The Company pleaded nolo contendere to the other count and was fined \$5,000.

## OTHER LITIGATION

Pending against the Company and other railroads is a suit brought by Riss & Co. for damages for an alleged unlawful conspiracy. The liability, if any, cannot be determined at this time. Also pending are two divisions proceedings before the Interstate Commerce Commission involving your Company's share of the interline revenues on Transcontinental and Southern traffic.



**Icing machine used for the icing of refrigerator cars. Ice is drawn up into crusher by means of a moving link belt and then disgorged into the cars.**

## IMPROVEMENTS

During the year the Company spent a total of \$5,174,289 for capital improvements to roadway and structures.

New and heavier rail was laid on 75.20 miles of track: 60.97 miles of 132-pound and 14.23 miles of 115-pound. Cross ties renewed totaled 444,225. Other improvements included Cherokee Yard at Tulsa, Okla., described in earlier reports. While this new installation has not as yet been in full operation over an entire year, it already has permitted improved operating techniques and a reduction in terminal expenses at Tulsa as well as at other points.

## EQUIPMENT

During the year, 200 covered hopper cars were acquired at a cost of \$1,949,500 and financed through Conditional Sale Agreements.

Equipment obligations outstanding at year-end, including those due within one year, amounted to \$58,937,336, a reduction of \$4,941,106, due to the serial maturities paid during the year of \$6,890,606, less additional obligations incurred of \$1,949,500.

Equipment debt installments due in 1960 will amount to \$6,955,589. The effect of these payments will be offset by equipment depreciation chargeable to operating expenses.



Each year the "hot-box" problem causes expensive delays and repairs in the railroad industry. The installation pictured above records temperature variations from normal in car journals (in which the axles turn) as they pass the track-side detector pictured in lower left inset, thus warning of impending difficulty before it can result in service failures.

## INDUSTRIAL DEVELOPMENT

Reflecting a higher level of industrial construction, the Company was successful in locating a total of 141 new industries, involving an investment in land, buildings and equipment of \$78,000,000. Among these new traffic-producing enterprises is a large automobile assembly plant which went into production in September on the outskirts of St. Louis.

During the year the traffic potential of the Company's territory was further enhanced by the expansion of 61 industries at a cost in excess of \$40,000,000.

## LABOR

The three-year labor contracts which became effective November 1, 1956, expired October 31, 1959, except as to their cost-of-living provisions. Under the terms of those contracts, employes covered by labor agreements were granted a 7¢ per hour wage increase and a 1¢ per hour cost-of-living increase effective November 1, 1958. Additionally, under the escalator clause of those agreements, employes were granted another 3¢ per hour cost-of-living increase effective November 1, 1959. During 1959 these increases added approximately \$2,262,000 to payroll costs. During 1960 and annually thereafter, the cost-of-living increase which became effective November 1, 1959 will add approximately \$720,000 to payroll costs.

Negotiations for new contracts with railway employes are currently underway. Labor organizations have served notices upon the carriers requesting increases in rates of pay and other benefits, while the carriers have countered with proposals for decreases. At the writing of this report, Conference Committees have been formed on a national basis to progress the demands of the Brotherhoods and the carriers in accordance with the provisions of the Railway Labor Act.

Additionally, on November 2, 1959, the Company joined other carriers in serving notices on the railway labor organizations representing operating employes for revisions in working rules.

## EMPLOYMENT AND WAGES

The average number of employes in 1959 was 10,446 and the total payroll \$65,367,176. In 1958 the average number was 10,630 and the total payroll \$63,040,438.

## FINANCIAL STATEMENTS

Included in this report are the consolidated financial statements of the St. Louis-San Francisco Railway Company and its controlled railroad subsidiaries, together with the opinion thereon of the Company's independent public accountants, Price Waterhouse & Co.

## SAFETY

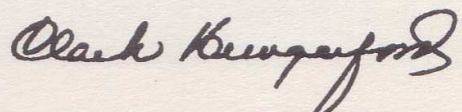
For the second year in a row and for 25 consecutive months the Company sustained no employe fatalities.

Received by the Company during the year were the Public Safety Activity Award of the National Safety Council presented to the railroad for the sixth consecutive year "in recognition of its activities to promote greater public safety", and the Harriman Certificate of Commendation presented by the American Museum of Safety in recognition of the Company's "outstanding safety performance for the year 1958."

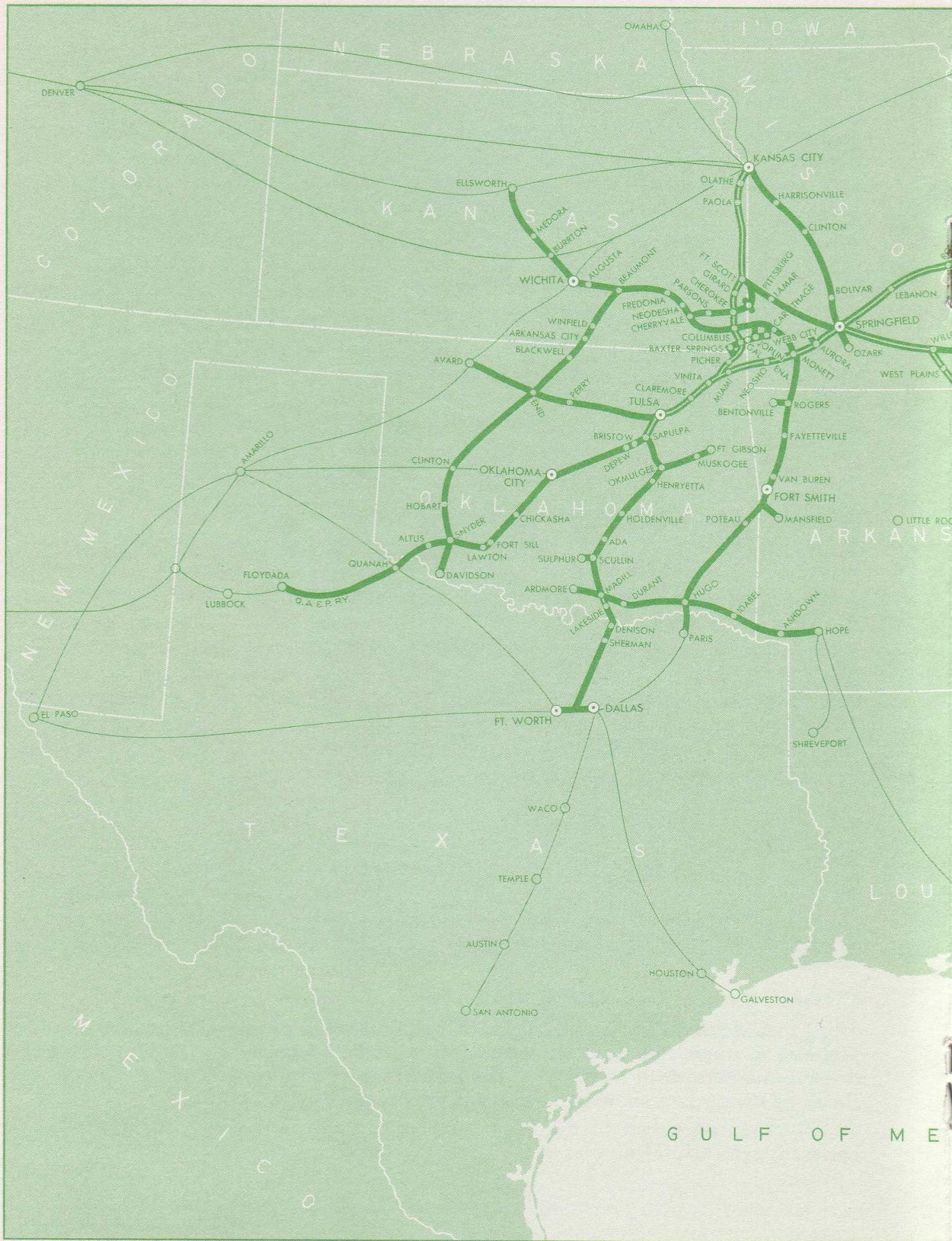
## CHANGES IN THE DIRECTORATE

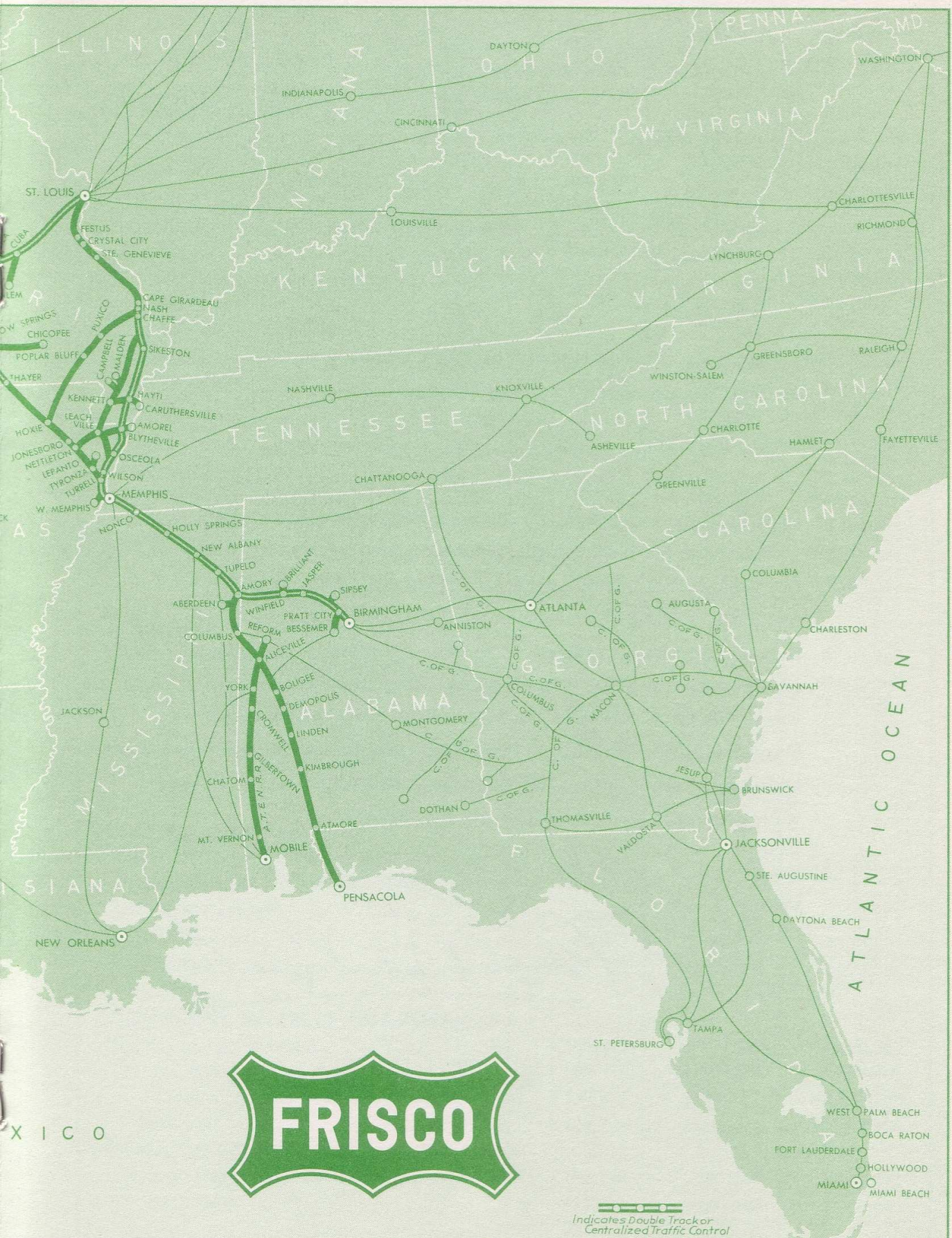
At their Annual Meeting on May 12th, the stockholders of the Company approved a proposal to amend the Articles of Association of the Company for the purpose of decreasing the number of members of the Board of Directors from 21 to 17. The present Board of Directors is shown on the inside cover page of this report.

Submitted on behalf of the Board of Directors who again wish to gratefully acknowledge the helpful support of the Company's stockholders, patrons and employes.




Chairman and President





# FRISCO


  
 Indicates Double Track or  
 Centralized Traffic Control

PRICE WATERHOUSE & CO.  
411 NORTH SEVENTH STREET  
ST. LOUIS, 1

March 4, 1960

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

In our opinion, the accompanying financial statements present fairly the financial position of St. Louis-San Francisco Railway Company and railroad subsidiaries consolidated at December 31, 1959 and the results of their operations for the year, in conformity with principles and methods of accounting prescribed or authorized by the Interstate Commerce Commission applied on a basis consistent with that of the preceding year. Our examination of these statements 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.

*Price Waterhouse & Co.*

## CONSOLIDATED INCOME STATEMENT

	1959	1958	5 YEAR AVERAGE 1954 — 1958
<b>OPERATING REVENUES—</b>			
Freight.....	\$121,162,124	\$113,061,624	\$116,744,333
Passenger.....	2,640,929	3,188,688	4,353,370
Mail.....	3,652,568	3,872,080	3,934,798
Express.....	1,616,563	1,175,876	1,332,023
Switching.....	2,984,516	2,732,742	2,803,757
All other.....	1,504,750	1,429,596	1,560,701
Total Operating Revenues.....	133,561,450	125,460,606	130,728,982
<b>OPERATING EXPENSES—</b>			
Maintenance of way & structures.....	17,192,430	15,780,838	17,144,629
Depreciation of way & structures.....	2,185,003	2,024,449	1,874,704
Maintenance of equipment.....	14,168,747	12,738,697	13,888,392
Depreciation of equipment.....	7,363,129	7,399,357	6,784,162
Traffic.....	5,024,172	4,867,935	5,202,617
Transportation.....	51,301,455	49,507,598	50,151,225
Miscellaneous operations.....	374,147	506,398	681,857
General.....	6,929,213	6,909,969	6,461,835
Total Operating Expenses.....	104,538,296	99,735,241	102,189,421
Net Operating Revenue.....	29,023,154	25,725,365	28,539,561
<b>OPERATING CHARGES—</b>			
Railway tax accruals (except Fed. Inc.)....	10,173,911	9,111,840	9,104,902
Net rent for equip. & joint facilities.....	4,603,060	3,318,407	2,699,088
Total Operating Charges*.....	14,776,971	12,430,247	11,803,990
Net Railway Operating Income*.....	14,246,183	13,295,118	16,735,571
<b>OTHER INCOME LESS DEDUCTIONS</b> ...	1,827,252	1,336,739	1,052,787
Balance for Fixed Charges*.....	16,073,435	14,631,857	17,788,358
<b>FIXED CHARGES—</b>			
Interest on long term debt.....	5,740,782	5,941,168	4,989,894
Amort. discount on long term debt.....	112,887	120,226	93,707
Other fixed charges.....	28,188	18,563	30,363
Total Fixed Charges.....	5,881,857	6,079,957	5,113,964
Balance*.....	10,191,578	8,551,900	12,674,394
<b>CONTINGENT INTEREST CHARGES—</b>			
Second mortgage bonds.....	1,199,862	1,199,862	1,199,862
Income debentures.....	1,590,975	1,630,525	980,707
Total.....	2,790,837	2,830,387	2,180,569
Balance*.....	7,400,741	5,721,513	10,493,825
<b>ESTIMATED FEDERAL INCOME TAXES</b>			
(Note 2, Page 16).....	783,730	<b>681,391</b>	2,740,172
<b>NET INCOME</b> .....	<b>\$ 6,617,011</b>	<b>\$ 6,402,904</b>	<b>\$ 7,753,653</b>

\*Before Federal income taxes.      **Bold face type denotes credit.**

## CONSOLIDATED BALANCE SHEET

	DEC. 31, 1959	DEC. 31, 1958
<b>ASSETS</b>		
<b>CURRENT ASSETS—</b>		
Cash.....	\$ 3,644,728	\$ 6,896,119
Temporary cash investments.....	8,604,863	6,179,938
Cash deposits for interest, dividends, etc.....	2,711,507	2,660,222
Receivables from U. S. Government, individuals, agents and companies.....	11,245,382	11,253,501
Material and supplies, at average cost.....	6,229,191	6,429,118
Other current assets.....	214,434	617,284
Total Current Assets.....	32,650,105	34,036,182
<b>SPECIAL DEPOSITS</b> .....	1,129,845	990,166
<b>INVESTMENTS (Page 18) —</b>		
Securities of and advances to subsidiaries and affiliates.....	7,983,388	6,774,216
Central of Georgia Ry. Co. Preferred Stock.....	9,077,371	9,077,371
Central of Georgia Ry. Co. Common Stock.....	13,559,934	13,559,934
Other.....	32,571	76,276
Total Investments.....	30,653,264	29,487,797
<b>PROPERTIES (Note 3, Page 17) —</b>		
Roadway and structures excluding donations and grants....	303,204,227	299,584,726
Equipment.....	185,462,754	186,222,123
Non-operating property.....	2,571,297	2,208,234
Accrued depreciation — road.....	<b>30,568,666</b>	<b>29,169,533</b>
Accrued depreciation — equipment.....	<b>90,083,047</b>	<b>85,675,554</b>
Accrued depreciation — non-operating property.....	<b>105,632</b>	<b>43,753</b>
Acquisition adjustment, being principally the excess of the stated value of assets acquired over liabilities assumed upon reorganization.....	<b>49,668,328</b>	<b>49,654,474</b>
Total Properties.....	320,812,605	323,471,769
<b>OTHER ASSETS—</b>		
Estimated salvage recoverable from retired property.....	872,104	758,728
Discount on long term debt.....	2,862,891	3,003,819
Miscellaneous.....	666,443	1,273,235
Total Other Assets.....	4,401,438	5,035,782
Total Assets.....	\$389,647,257	\$393,021,696

**Bold face type denotes credit.**



## CONSOLIDATED BALANCE SHEET

	DEC. 31, 1959	DEC. 31, 1958
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES—</b>		
Audited accounts and wages payable.....	\$ 2,797,068	\$ 3,657,487
Accrued and miscellaneous accounts payable.....	5,623,488	5,221,708
Interest and dividends payable.....	5,448,800	5,441,343
Estimated federal taxes on income (Note 4, Page 17).....	1,258,214	1,215,667
Other accrued taxes.....	2,515,769	2,250,044
Other current liabilities.....	2,057,597	2,063,631
Total Current Liabilities (excluding current portion of long term debt).....	19,700,936	19,849,880
<b>LONG TERM DEBT (Page 19) —</b>		
First Mortgage Bonds, 4% Series A — 1997.....	68,848,200	68,848,200
First Mortgage Bonds, 4% Series B — 1980.....	18,788,000	18,908,000
Second Mortgage Income Bonds, 4½% — 2022.....	26,663,600	26,663,600
Income Debentures, 5% Series A — 2006.....	32,147,500	32,610,500
Equipment obligations.....	58,937,336	63,878,441
Miscellaneous obligations.....	12,437	111,546
Total Long Term Debt (\$6,968,026 payable in 1960)...	205,397,073	211,020,287
<b>OTHER LIABILITIES—</b>		
Reserve for vacation pay expense — estimated.....	3,388,499	3,597,323
Estimated casualty and other reserves.....	612,698	695,152
Miscellaneous, including deferred credits.....	822,673	559,687
Total Other Liabilities.....	4,823,870	4,852,162
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (Note 5, Page 17) —</b>		
Preferred, \$100 par value, authorized 1,500,000 shares — Series A 5% issued 287,036 shares, less 2,326 shares in treasury.....	28,471,000	28,471,000
Common, no par value — Authorized 6,000,000 shares, issued 1,837,186 shares, less 50 shares in treasury.....	81,373,419	81,373,419
<b>CAPITAL SURPLUS</b>		
(Note 6, Page 17).....	504,976	91,000
<b>RETAINED INCOME (Page 16).....</b>		
Total Shareholders' Equity.....	159,725,378	157,299,367
Total Liabilities and Shareholders' Equity.....	\$389,647,257	\$393,021,696
<b>CONTINGENT LIABILITIES—</b>		
Guarantor of principal and interest, individually or jointly with other railroads, of obligations of various affiliated companies.		

Balance December 31, 1958.....	\$47,363,948
Add:	
Net income for the year.....	6,617,011
	<u>53,980,959</u>
Deduct:	
Dividend on Preferred Stock — \$5.00 per share.....	1,423,550
Dividend on Common Stock — \$1.00 per share.....	1,837,136
Adjustment of income taxes relating to prior years.....	1,061,738
Miscellaneous debits — Net.....	282,552
	<u>4,604,976</u>
Balance December 31, 1959.....	<u>\$49,375,983</u>

## NOTES TO FINANCIAL STATEMENTS

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

Reference is made to the accompanying report of the President regarding the company's investment in the Central of Georgia Railway Company. The company's equity in the net income of Central of Georgia amounted to approximately \$1,600,000 in 1959 and \$1,400,000 in 1958, as compared with dividends received of \$805,922 in 1959 and \$551,922 in 1958.

2. In accordance with the present accounting regulations of the Interstate Commerce Commission, railroads are required to record in their accounts normal depreciation computed at prescribed rates regardless of the amount of the amortization under certificates of necessity or accelerated depreciation which may be claimed for federal income tax purposes. A summary of the excess of amortization and accelerated depreciation over normal depreciation follows:

	Excess of amortization over normal depreciation	Excess of accelerated over normal depreciation	Reduction in tax provision
1958.....	\$6,781,000	\$400,000	\$3,734,000
1959.....	5,102,000	666,000	3,000,000
Cumulative reduction to December 31, 1959..			21,453,000

This reduction in the tax provision may be temporary since depreciation subsequently recorded in the accounts will not be deductible for federal income tax purposes. Interstate Commerce Commission regulations do not permit the recording in the accounts of a provision for the possible effect on income taxes in future years.

## NOTES TO FINANCIAL STATEMENTS (Continued)

3. Gross properties are stated at estimated original cost as determined by the Interstate Commerce Commission valuation as of January 1, 1947, plus additions and betterments at cost and less retirements since that date. Retirements of property are removed from the accounts at book value, and such amounts less salvage are charged to reserves for depreciation or operating expenses as appropriate.

4. Federal taxes on income for 1956 and subsequent years are subject to final determination by the Treasury Department. In the opinion of management, the reserve provided for federal taxes on income is adequate.

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

At December 31, 1959 there were 1,344,177 shares of authorized common stock reserved as follows:

- (a) 574,072 shares for conversion of preferred stock.
- (b) 680,265 shares for conversion of second mortgage income bonds at rate of 25 shares for each \$1,000 of bonds.
- (c) 89,840 shares for issuance under a restricted stock option plan authorized in 1952 for certain officers and key employees.

Under the stock option plan, options for 600 shares were canceled during the year, leaving options outstanding for 23,340 shares at \$31 per share (fair market value at date of grants) and 66,500 shares unoptioned at December 31, 1959. All options heretofore granted expired January 5, 1960, and all shares of stock formerly subject to such options are now available for the granting of options under the Incentive Stock Option Plan expiring December 31, 1962.

6. Of the \$413,976 increase in Capital Surplus, \$406,927 resulted from a transfer of title to property from the Tulsa Union Depot Company to St. Louis-San Francisco Railway Company under a contract dated June 19, 1929.

7. The Company for some time has had an unfunded noncontributory pension plan for officers and supervisory employes. Generally, this plan provides for retirement payments equal to 45% of the eligible employe's average annual salary during the last five years of service with the company, less 85% of all amounts to which he may be entitled under the Railroad Retirement Act. Normal retirement age is 65, and no benefits accrue after this age in the event the employe's services are retained. Payment of such pensions is voluntary on the part of the company and may be discontinued at its will. Payments under this plan are charged to operating expenses as paid and amounted to approximately \$265,000 in 1959 and \$220,000 in 1958.

## INVESTMENTS IN AFFILIATED AND OTHER COMPANIES

	NUMBER OF SHARES	PER CENT OWNED	PAR VALUE	BOOK VALUE
<b>AFFILIATED COMPANIES—</b>				
<b>Stocks:</b>				
Clarkland, Inc.....	500	100	\$ 50,000	\$ 76,010
Clarkland Royalty, Inc.....	100	100	1,000	44,866
*Frisco Transportation Co.....	4,500	100	450,000	450,000
Greater Tulsa, Inc. Preferred Stock	630	100	6,300	6,300
Greater Tulsa, Inc. Common Stock.	70	100	700	700
906 Olive Corporation.....	1,500	100	150,000	150,000
New Mexico and Arizona Land Co..	500,258.48	50.03	500,258	515,469
*Birmingham Terminal Co.....	250	16 $\frac{2}{3}$	25,000	25,000
Illinois Terminal Railroad Co.....	181.818	9.09	1,818	1,818
*Kansas City Terminal Ry. Co....	1,833 $\frac{1}{3}$	8 $\frac{1}{3}$	183,333	183,333
Pullman Co., The.....	8,456	1.1562	84,560	312,872
*Railway Express Agency, Inc.....	14	1.45	No Par	1,400
*Rock Island-Frisco Term'l Ry. Co.	2,000	40	200,000	1
*Terminal R. R. Association of St. Louis.....	2,058	6 $\frac{1}{4}$	205,800	1
Trailer Train Co.....	500	4.55	500	50,000
*Tulsa Union Depot Co.....	1,000	100	No Par	1,000
*Union Terminal Co., The—Dallas..	60	12 $\frac{1}{2}$	6,000	6,000
*Wichita Union Terminal Ry. Co....	333 $\frac{1}{3}$	33 $\frac{1}{3}$	33,333	12,502
				\$ 1,837,272
<b>Notes:</b>				
Clarkland, Inc.....				\$ 1,696,960
Kansas City Terminal Ry. Co.....				61,980
906 Olive Corporation.....				375,000
Frisco Transportation Co.....				374,977
Railway Express Agency, Inc.....				404,817
				\$ 2,913,734
<b>Investment Advances:</b>				
Birmingham Terminal Co.....				\$ 335,218
Clarkland, Inc.....				1,145,575
Kansas City Terminal Ry. Co.....				620,771
Frisco Transportation Co.....				500,000
Union Terminal Co., The—Dallas..				217,050
Wichita Union Terminal Ry. Co....				359,713
Working Funds — Various Cos....				54,055
				\$ 3,232,382
Total investments in affiliated companies.....				\$ 7,983,388
<b>OTHER INVESTMENTS—</b>				
Central of Georgia Ry. Co. Preferred Stock Series B.....	111,187	65.25	11,118,700	\$ 9,077,371
Central of Georgia Ry. Co. Common Stock.....	249,987	74.13	No Par	13,559,934
Kansas, Oklahoma & Gulf Ry. Co. Preferred Stock Series C.....	43	.07	4,300	4,228
Miscellaneous items.....				28,343
Total other investments.....				\$22,669,876
*Pledged under mortgages.				

## LONG TERM DEBT

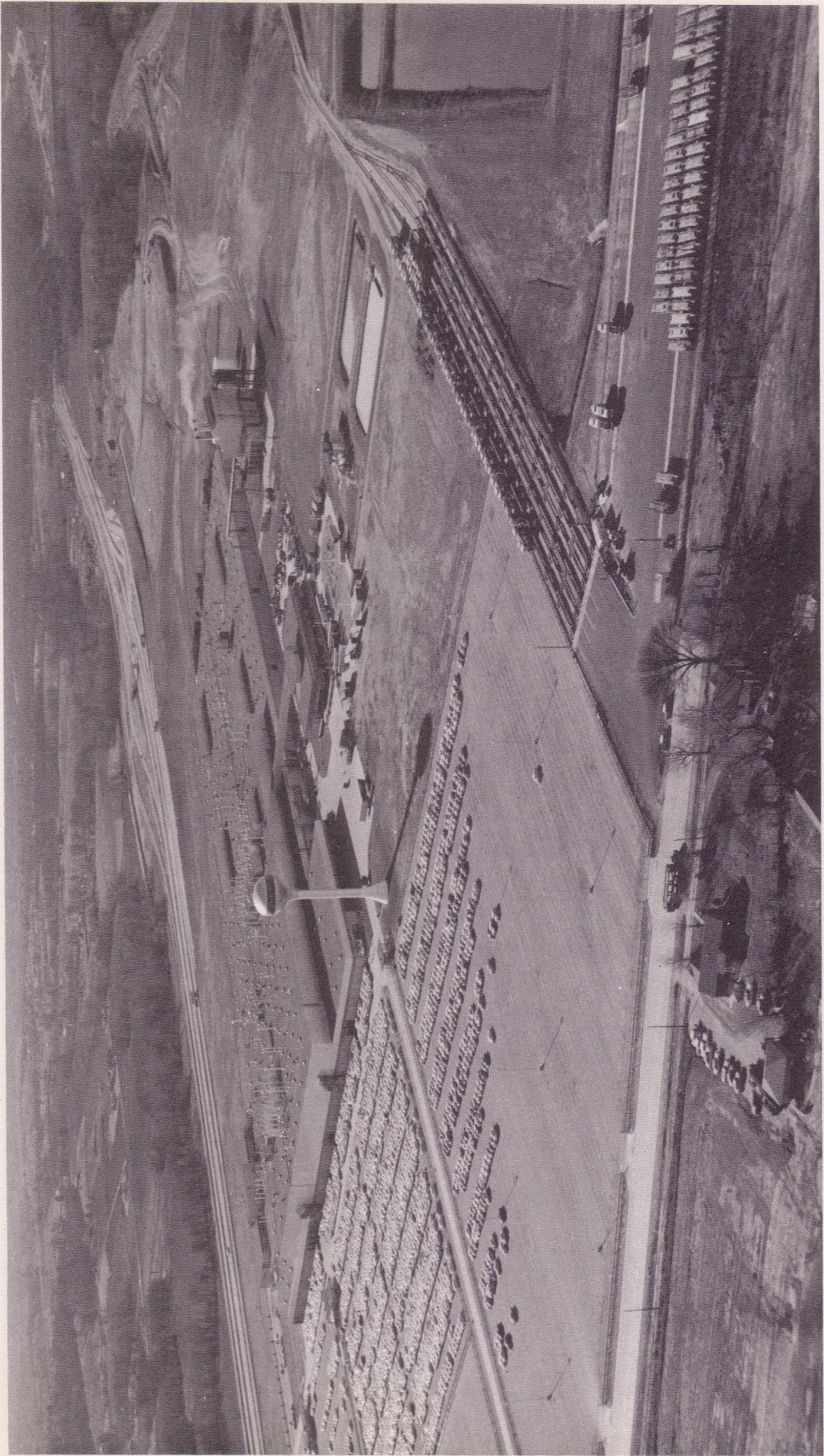
	DATE OF MATURITY	OUTSTANDING DEC. 31, 1959	1960 MATURITIES	INTEREST EXPENSE FOR 1959
<b>FUNDED DEBT UNMATURED—</b>				
First Mortgage Series A 4%.....	Jan. 1997	\$ 68,848,200†	*	\$ 2,753,928
First Mortgage Series B 4%.....	Sep. 1980	18,788,000	*	751,989
Second Mortgage Income Series A 4½%.....	Jan. 2022	26,663,600†	*	1,199,862
Fifty Year Income Debentures Series A 5%..	Jan. 2006	32,147,500†	*	1,590,975
		\$146,447,300		\$ 6,296,754
<b>EQUIPMENT OBLIGATIONS—</b>				
Trust Certificates:	Serially to			
Series A 2¾%.....	Jan. 1963	\$ 2,208,000	\$ 552,000	\$ 61,352
Series B 2⅝%.....	Aug. 1963	1,480,000	370,000	44,919
Series C 2½%.....	Nov. 1963	1,136,000	284,000	34,317
Series D 2½%.....	Mar. 1964	1,420,000	284,000	36,979
Series E 2¼%.....	Dec. 1964	1,360,000	272,000	36,210
Series F 2¼%.....	May 1965	900,000	150,000	21,375
Series G 2⅜%.....	Aug. 1965	1,482,000	247,000	38,618
Series H 2⅜%.....	Dec. 1965	2,238,000	373,000	61,273
Series I 2⅞%.....	Aug. 1966	2,373,000	339,000	73,908
Series J 3⅛%.....	Dec. 1966	2,205,000	315,000	78,340
Series K 2⅞%.....	Dec. 1967	1,496,000	187,000	47,938
Series L 3⅜%.....	Jun. 1968	3,105,000	345,000	109,644
Series M 3%.....	Jan. 1969	4,500,000	500,000	150,000
Conditional Sale Agreements:				
Dated Dec. 1, 1955, No. 1, 3½%.....	Dec. 1970	12,898,600	1,172,600	478,812
Dated Apr. 1, 1956, No. 2, 3½%.....	May 1971	805,000	70,000	29,604
Dated Sept. 1, 1956, Nos. 3 & 4, 4¼%.....	Sep. 1971	1,862,069	155,172	81,886
Dated Sept. 1, 1956, No. 5, 4¼%.....	Jun. 1972	1,666,666	133,333	74,611
Dated Jan. 1, 1957, Nos. 6, 7, 8, 9, 5%.....	Jul. 1972	13,883,334	1,110,667	735,817
Dated Dec. 15, 1958, No. 10, 4¾%.....	Feb. 1974	894,167	61,667	38,486
Dated Dec. 1, 1959, No. 11, 5⅝%.....	Feb. 1975	1,024,500	34,150	.....
		\$ 58,937,336	\$ 6,955,589	\$ 2,234,089
<b>MISCELLANEOUS OBLIGATIONS—</b>				
Rental purchase agreement.....		\$ 12,437	\$ 12,437	.....
Other.....		.....	.....	\$ 776
		\$ 12,437	\$ 12,437	\$ 776

\*Subject to sinking fund provisions under mortgage indentures.

First Mortgage Series A .....	\$ 292,074
First Mortgage Series B .....	195,000
Second Mortgage Income Series A .....	136,053
Fifty Year Income Debentures Series A .....	165,645

†Excludes bonds held in treasury as follows:

First Mortgage Series A.....	\$1,477,000
Second Mortgage Income Series A.....	547,000
Fifty Year Income Debentures Series A.....	247,000



Aerial view of the Chrysler Company's new automobile assembly plant located on the outskirts of St. Louis. Piggyback loading facilities are shown in the right foreground.

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

Write to:

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