

THIRTY-SEVENTH ANNUAL REPORT

OF THE

COPPER RANGE COMPANY

FOR THE YEAR ENDING

December 31, 1937

Including also report of the
Copper Range Railroad Company.

THE TAYLOR PRESS
596 ATLANTIC AVE.
BOSTON, MASS.

Copper Range Company

OF MICHIGAN

| | |
|---|-----------------------|
| Authorized Capital Stock of no par value | 565,000 Shares |
| Held in Treasury | 2,924 “ |
| | |
| Outstanding | 562,076 “ |

Officers.

| | |
|--------------------------------------|----------------|
| <i>President</i> | W. H. SCHACHT |
| <i>Vice President</i> | JOHN P. LALLY |
| <i>Vice President</i> | STEPHEN PAINE |
| <i>Vice President</i> | P. F. BEAUDIN |
| <i>Treasurer</i> | F. WARD PAINE |
| <i>Assistant Treasurer</i> | JOHN M. WAGNER |
| <i>Assistant Treasurer</i> | H. E. BOVERS |
| <i>Secretary</i> | J. A. ACKROYD |

Directors.

| | |
|-------------------|--------------------|
| P. F. BEAUDIN | STEPHEN PAINE |
| EDWARD CUNNINGHAM | W. H. SCHACHT |
| W. CAMERON FORBES | JOHN E. THAYER |
| ROBERT H. GROSS | JOHN M. WAGNER |
| JOHN P. LALLY | SYDNEY M. WILLIAMS |
| F. WARD PAINE | J. A. ACKROYD |

General Office: 89 Broad Street, Boston.

Mine Office: Painesdale, Michigan.

Annual Meeting: First Wednesday in May.

Transfer Agent.

NATIONAL ROCKLAND BANK, 30 Congress Street, Boston.

Registrar.

NATIONAL SHAWMUT BANK, 40 Water Street, Boston.

Copper Range Company

To the Stockholders:

Net income of the Company, including its Hussey Division at Pittsburgh which was merged with Copper Range Company at the close of 1936, amounted to \$286,787.50 after depreciation but before depletion.

While the business of the Hussey Division showed an operating profit considerably more than the above total, in making year-end inventory adjustments it was necessary to write off a substantial portion of these profits on account of the decline in the price of copper. The Hussey Division consumed more copper than the Copper Range Company was able to deliver during the spring and early summer, so that an additional tonnage of outside copper was purchased for the use of the Hussey Plant and at prices well above the current market at the close of the year.

As regards the Mining Division, the cost of mining copper increased materially over previous years due to increases in wages made in the early part of 1937, higher cost of supplies, increased expenses — including payroll taxes, coupled with a drop in the average copper content from 54.5 pounds per ton in 1936 to 51.6 pounds per ton in 1937. This increased cost of production was sufficient to absorb the increase in the sales price over the previous year. In common with other producers, Copper Range Company sold a substantial tonnage of its mine output early in 1937 and prior to the advance in copper from lower levels which prevailed up to that time.

Mining Division.

Production:

Mine production came from the south end of the Champion Mine, and 340,677 pounds of refined copper were recovered from waste sands or tailings at the Champion Mill.

Production and mine costs, including current development, Mill, Smelter, Freight and Selling Expense compared to previous years are as follows:

| | Production | Cost | Sales Price |
|------|-----------------|--------|-------------|
| 1937 | 16,131,277 lbs. | 11.45¢ | 12.375¢ |
| 1936 | 17,486,019 " | 8.87¢ | 9.59¢ |
| 1935 | 16,759,889 " | 8.26¢ | 8.68¢ |
| 1934 | 13,929,859 " | 8.69¢ | 8.55¢ |
| 1933 | 12,167,130 " | 7.51¢ | 8.34¢ |

Development:

At the Champion Mine there was drifted from No. 3 and No. 4 Shafts a total of 3,985 feet, of which 60% was good or fair.

Sinking operations were continued at the Nos. 3 and 4 Shafts during the year, the total depths of these shafts, as of December 31, 1937 being 4,471 feet and 4,947 feet, respectively.

Crosscutting totalled 750 feet.

In the Globe territory 3,754 feet of drifting was done on the 9th level of which 31% was in fair ground, and 1,316 feet of secondary drifting was done on the 18th level of which 26% was in fair ground. Exploratory diamond drilling totalled 3,308 feet. Preparations for stoping were started in the early part of the present year and several stopes are now in production and giving good results.

The Company's option on the Globe property originally taken in 1928 was exercised last August. Payments were \$82,000 cash, a note for \$82,000 which matured and was paid in January 1938, and 3000 shares of Copper Range Company Stock. Total amount expended in drilling and underground development during 1937 amounted to \$180,475.41.

The Globe property consists of 2,985 acres of mineral land and adjoins the Champion Mine immediately to the south and St. Mary's lands to the north. As the latter are also owned by the Company as the result of the merger with the St. Mary's Mineral Land Company in 1931, the Company now owns mineral lands for a continuous distance of approximately ten miles south of the Champion. This does not include mineral lands still farther south owned by your Company, such as the White Pine and other properties.

Exploration at White Pine.

Since acquiring the White Pine property in 1929, the Company has extended its land holdings to include the area immediately southeast of this property lying adjacent to and along the north side of the White Pine Fault and extending several miles southeasterly across the Nonesuch Shale Basin. In order to determine the structure, locate the position of the bottom of the Nonesuch Shale and explore the possibilities of ore extension southeasterly, on the original White Pine property and lands later acquired, a drilling program was planned and started. Thirty-three holes, or a total of 25,531 feet, were completed during the year at a cost of \$57,441.53.

The drilling to date indicates general mineralization of this area which varies in intensity and extent. The copper occurs in

the several sand beds and parting shale directly underlying the Nonesuch Shale. These beds vary in thickness from four to eight feet, but only a portion of their thickness is mineralized.

The copper is very finely divided and occurs as both native and sulphide. The showing thus far has been encouraging. There is not only the problem of economic mining of these individual beds or of mining several together, but one of concentration and smelting as well. The latter because of the fineness and flakiness of the copper together with the presence of sulphide. Considerable experimental work will be necessary to determine the methods and processes best suited.

Reduction and Concentrating Mill.

There were treated at the Champion Mill during the year 306,075 tons of mine rock which yielded 51.59 lbs. of copper per ton. There were also treated 133,594 tons of tailing sands which produced 340,677 lbs. of copper, or 2.54 lbs. per ton, and there was lost in the tailing about 3.11 lbs. per ton. This extraction was low because of the difficulty of recovering the oxidized copper with the regular Xanthate flotation. The Michigan College of Mines and Technology's Metallurgical and Ore Dressing Department developed an improved process which, by the addition of Sodium Sulphide, materially improved the extraction so that only two pounds or less are now lost in the tailing. With a recovery of 4 lbs. per ton and a cost of 35c, these sands can be treated at a profit when the price of copper is 10c or more.

The old sands at the Champion Mill are continually being washed away by wave action, and if they are to be recovered for retreatment it must be done while they are still there and when the price of copper permits profitable operations.

When the price reached 14c early last year it was decided to complete the unfinished flotation units and install reclamation equipment for this treatment. There was spent for flotation \$89,458.31 and for reclamation equipment \$70,357.85. This provides for a capacity of 2000 tons per day, or for a total of 500,000 tons for the operating season.

Smelting Division.

During the year a total of 16,188 tons of mineral and mass were treated, compared with 14,826 tons treated in the previous year. The 1937 tonnage includes mineral from the Quincy Mining Company and a small tonnage from other custom shippers. The practice of keeping the Smelting Plant in good working condition was followed throughout the year.

Hussey Division.

C. G. Hussey & Company which was merged with this Company at the close of the year 1936, is being operated as a Division of the Copper Range Company. The Hussey business in 1937 from the standpoint of volume handled was the largest in its history, in spite of the marked dropping off in the closing months of the year.

Houghton-Hancock Water Line.

During the year \$32,333.01 was expended in the construction of a water line between Painesdale and Baltic which connects with the line constructed by the WPA between Baltic and Hancock. The purpose of this line is to serve the Village of Houghton and the City of Hancock. Water will be obtained from pumping operations from glacial gravels overlying the southern slopes at the Champion Mine which, except for the amount used by the small towns nearby, is now wasted. The revenue from the sale of water to Houghton and Hancock should bring ample returns on the investment.

Copper Range Railroad Company.

Ninety-two percent of the First Mortgage Bonds of the Railroad Company have already been surrendered and exchanged for the Preferred and Common Stocks under the provisions of the plan of reorganization. Final steps in the reorganization proceedings are about completed, and it is expected that the Copper Range Railroad Company will be finally and completely released by the Court in a short time.

Comments by the General Manager on the Railroad operations during the year appear later in this report.

Copper District Power Company.

The Power Company generated a total of 36,757,000 KWH during the year, or an increase of 15% over 1936. Operations resulted as follows:

| | 1937 | 1936 |
|---|-----------|-----------|
| Operating Revenue | \$341,752 | \$301,559 |
| Operating Expenses, including Local Taxes | 125,085 | 100,950 |
| Net Operating Income | \$216,667 | \$200,609 |
| Interest on Funded Debt | 55,827 | 79,826 |
| Depreciation Deduction | 45,000 | 45,000 |
| Federal Income Taxes and Other Deductions | 23,582 | 21,679 |
| Net Earnings | \$ 92,258 | \$ 54,104 |

The Copper Range Company received \$39,375.00 for dividends on preferred stock accumulated from July 15, 1936 to

December 31, 1937. This amount was loaned to the Power Company plus a like amount by the Middle West Corporation and \$100,000 by The First National Bank of Boston to help finance the construction of the Bond Falls storage reservoir and diversion to supply the additional water necessary for increasing the output at the Victoria plant. This construction is nearly completed but some delay in starting its operation is anticipated pending adjustment of certain controversies between the Company and the State Conservation Department.

General.

The past year has been an unusually difficult one to cope with, due largely to unusual activity in the copper market in the late winter of 1936 and spring of 1937 brought about by extraordinary demand both here and abroad. Following this flurry, after a short period of stable prices at the attractive level of 14c per pound, the copper market collapsed beginning in September with the decline in general business activity, and it became difficult to market copper even at the low prices quoted. The future outlook depends mainly on what the demand for copper may be, and particularly on its market price. Due to various uncertainties, and with copper in 1937 having displayed in a marked degree that it is a sensitive commodity so far as price level is concerned, no definite forecast as to the Copper Range Company's operating results can now be made. However, in an attempt to cope with the present distressed condition of the copper market and resultant low prices, salary and wage reductions have been put into effect and every form of activity except straight mining and necessary development work has been either stopped or curtailed. So far in the current year costs of producing copper at the mine have been substantially lower than the average for last year.

Messrs. Scovell, Wellington & Company, Certified Public Accountants, have audited the Copper Range Company and all affiliated companies except the Copper District Power Company, which has been audited by Arthur Andersen & Company.

Consolidated Balance Sheet and Income Account as compiled by Messrs. Scovell, Wellington & Company are submitted herewith.

Again I wish to express my deepest appreciation to the entire organization for their continued loyalty and cooperation.

By Order of the Directors,

W. H. SCHACHT,

President.

March 21, 1938.

Copper Range Company and Wholly Owned Subsidiaries

CONSOLIDATED BALANCE SHEET as at DECEMBER 31, 1937 (see Note 1)

ASSETS

Current Assets:

| | | |
|--|---------------|-----------------|
| Cash | \$ 272,665.17 | |
| Marketable Bonds, at quoted market values | 6,443.75 | |
| Accounts and Notes Receivable, Trade, less Reserve | 517,768.92 | |
| Accounts and Notes Receivable, Other, less Reserve | 85,276.78 | |
| Copper sold and not delivered, at sales prices | 105,810.00 | |
| Inventories, at lower of cost or market | 1,438,768.65 | |
| Supplies, at lower of cost or market | 438,865.33 | \$ 2,865,598.60 |
| | | |

Investments:

Copper District Power Company:

| | | |
|--|---------------|--------------|
| 9,000 shares \$3 Cumulative Preferred, at cost | \$ 417,600.00 | |
| 17,400 shares Common, at cost | 650,103.82 | |
| Copper Range Railroad Company (see Note 1): | | |
| 11,325 shares 5% Non-Cumulative Preferred Stock | 1,013,633.15 | |
| 14,262½ shares Common Stock | 427,875.00 | |
| Sundry Investments in other companies, at cost or nominal values | 25,623.56 | 2,534,835.53 |
| | | |

Plant and Properties, as valued by directors as at December 31, 1931, plus subsequent net additions at cost, less reserves for depreciation:

| | | |
|--|----------------|--|
| Mines and lands, timber tracts, mineral rights and developments (see Notes 2 and 3) | \$4,376,716.92 | |
| Buildings and Machinery at smelter and mines, and motor bus properties, less reserves for depreciation | 1,085,890.92 | |

Plant and Equipment of C. G. Hussey & Company Division at book values of predecessor proprietorship and corporation plus additions at cost, less reserves for depreciation

958,281.23 6,420,889.07

Other Assets:

| | | |
|--------------------------------------|-------------|-----------|
| Notes Receivable | \$ 4,725.60 | |
| Sundry Accounts Receivable | 3,287.63 | |
| Prepaid Expenses | 29,317.08 | 37,330.31 |
| | | |

\$11,858,653.51

LIABILITIES AND NET WORTH

| | | |
|--|----------------|------------------------|
| Bank Loans | \$1,125,000.00 | |
| Notes and Contracts Payable | 84,683.00 | |
| Accounts Payable | 50,615.26 | |
| Accrued Wages, taxes and other expenses | 162,424.79 | |
| Advance Payments on Contracts | 14,230.17 | |
| Contingent Liabilities (see Note 4) | _____ | |
| Total Liabilities | | \$ 1,436,953.22 |
| Capital Stock, without par value: | | |
| Authorized and Issued 565,000 shares, less 2,924 shares in treasury of which 2,874 $\frac{4}{5}$ shares are reserved for exchange of Boston and Lake Superior Mineral Land Company stock | | 8,586,508.84 |
| Capital Surplus as at December 31, 1936 | \$1,457,942.63 | |
| Add: Portion of adjustment of Tax Reserves of prior years of C. G. Hussey & Company applicable to minority interests at date of merger | 1,090.13 | |
| | \$1,459,032.76 | |
| Deduct: Book value of 5,732 $\frac{1}{2}$ shares of Copper Range Railroad Company common stock, the net number of shares surrendered under reorganization plan of that company | 171,975.00 | |
| Capital Surplus as at December 31, 1937 | | 1,287,057.76 |
| Earned Surplus as at December 31, 1936 | \$ 285,051.06 | |
| Add: Portion of adjustment of Tax Reserves of prior years of C. G. Hussey & Company | 2,205.59 | |
| Consolidated Net Income for the Year ended December 31, 1937 | 286,787.50 | |
| | \$ 574,044.15 | |
| Deduct: Increase in Reserve for Depreciation applicable to prior years | \$21,114.21 | |
| Increase in Reserve to adjust Securities to Market Value | 4,796.25 | 25,910.46 |
| Earned Surplus as at December 31, 1937 | | 548,133.69 |
| | | <u>\$11,858,653.51</u> |

Note 1. — The companies consolidated are:

Copper Range Company, Copper Range Motor Bus Company, Champion Copper Company, Saint Mary's Canal Mineral Land Company, Douglass Copper Company and C. G. Hussey & Company, Inc., the last four being inactive. The Douglass Copper Company has filed papers of dissolution with the Michigan Corporation and Securities Commission. The Copper Range Railroad Company is not consolidated as at December 31, 1937 due to its being in process of reorganization under Section 77B of the Federal Bankruptcy Act.

Note 2. — No depreciation has been provided on the following properties which were not in operation during 1937: Baltic & Trimountain Construction; Atlantic Mine Construction; Mohawk Mine Construction. The book values of these properties were in prior years reduced to nominal values (in total less than \$200,000) and removed from the total of property subject to depreciation.

Note 3. — No depletion has been provided on mines and lands, timber tracts, and mineral rights and development, except for sales of timber in 1936 and 1937, as the book value of the properties is believed by the officers of the company to be less than the fair value of ore content and standing timber. While, theoretically, the discovery, acquisition, exploration and development costs of assets subject to depletion should be reduced by charges against income so that the costs would be amortized over the production that might reasonably be expected from the properties, the available data does not permit a calculation of depletion based on cost which would be other than arbitrary.

Note 4. — There are certain matters relating to the purchase of C. G. Hussey & Company which are now in litigation, but which have not yet reached a stage of determination that enables any statement to be made as to what liability, if any, may exist.

Copper Range Company and Wholly Owned Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the Year ended December 31, 1937 (see Note 1)

| | | | |
|---|-------------|----------------|-----------------|
| Sales of Copper and Copper Products | | | \$ 5,623,966.26 |
| Cost of Sales: (see Notes 2 and 3) | | | |
| Including mine operating expense; smelting; taxes; freight; fabricating costs; and depreciation of mine machinery and structures, smelter plant, and fabricating plant, \$95,913.06 | | \$4,789,010.98 | |
| Selling and Administrative Expenses | | 587,755.03 | 5,376,766.01 |
| Profit from Copper Operations (see Notes 2 and 3) | | | \$ 247,200.25 |
| Sales from company stores, and sundry income less costs and expenses | \$ 4,717.50 | | |
| Net Profit from bus company operation | 4,517.44 | | |
| Excess of income over expenses from sales of timber, rentals, etc. | 12,240.67 | \$ 21,475.61 | |
| Excess of expenses over income of Douglass Copper Company | | 691.74 | 20,783.87 |
| | | | \$ 267,984.12 |
| Non-Operating Income less Expenses: | | | |
| Dividends on Copper District Power Company stock | | \$ 39,375.00 | |
| Other dividends and interest | | 1,964.00 | |
| Commissions | | 3,158.74 | |
| Rents and sundry | | 5,877.43 | |
| | | \$ 50,375.17 | |
| Deduct: Interest paid | \$23,841.40 | | |
| Loss on securities | 904.78 | | |
| Flood expense | 6,825.61 | 31,571.79 | 18,803.38 |
| Net Income for Year (see Note 4) | | | \$ 286,787.50 |

Note 1. — The companies consolidated are Copper Range Company, Copper Range Motor Bus Company, Champion Copper Company, Saint Mary's Canal Mineral Land Company, Douglass Copper Company, and C. G. Hussey & Company, Inc., the last four being inactive. The Douglass Copper Company has filed papers of dissolution with the Michigan Corporation and Securities Commission.
The Copper Range Railroad Company is not consolidated as at December 31, 1937 due to its being in process of reorganization under Section 77B of the Federal Bankruptcy Act.

Note 2. — No depreciation has been provided on the following properties which were not in operation during 1937: Baltic & Trimountain Construction; Atlantic Mine Construction; Mohawk Mine Construction. The book values of these properties were in prior years reduced to nominal values (in total less than \$200,000) and removed from the total of property subject to depreciation.

Note 3. — No depletion has been provided on mines and lands, timber tracts, and mineral rights and development, except for sales of timber in 1936 and 1937, as the book value of the properties is believed by the officers of the company to be less than the fair value of ore content and standing timber. While, theoretically, the discovery, acquisition, exploration and development costs of assets subject to depletion should be reduced by charges against income so that the costs would be amortized over the production that might reasonably be expected from the properties, the available data does not permit a calculation of depletion based on cost which would be other than arbitrary.

Note 4. — The net income of the Copper Range Motor Bus Company is after deducting \$934.95 for Federal Excess Profits tax, normal income tax and surtax on undistributed profits. There is no Federal income tax payable on the income of Copper Range Company for the reason that in filing its 1937 tax return the company is allowed a deduction for depletion of mines amounting to \$447,497.86, based upon the March 1, 1913 value as determined by the treasury department, which depletion charge is not included in expenses in the financial statements presented in this report.

To the Board of Directors,
COPPER RANGE COMPANY.

BOSTON, March 28, 1938.

We have made an examination of the consolidated balance sheet of Copper Range Company and its wholly owned subsidiaries as at December 31, 1937, and of the income statement for the year ended at that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; with the exception of the inventory quantities of the C. G. Hussey & Company Division which we tested, we accepted without verification the inventory quantities as furnished to us by the company, but made sufficient tests of the prices and calculations to satisfy ourselves as to the basis of valuation; we also made a general review of the accounting methods and of the operating and profit and loss accounts for the year, but we did not make a detailed audit of the transactions.

No depletion has been provided on mines and lands, timber tracts, and mineral rights and development, except for sales of timber in 1936 and 1937, as the book value of the properties is believed by the officers of the company to be less than the fair value of ore content and standing timber. While, theoretically, the discovery, acquisition, exploration and development costs of assets subject to depletion should be reduced by charges against income so that the costs would be amortized over the production that might reasonably be expected from the properties, in our opinion, the available data does not permit a calculation of depletion based on cost which would be other than arbitrary and the inclusion of an arbitrary amount in the financial statements might be misleading.

In our opinion, based on the examination referred to above and the practice regarding depletion as set forth in the preceding paragraph of this certificate, the accompanying consolidated balance sheet and related income statement fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial condition of Copper Range Company and its wholly owned subsidiary companies as at December 31, 1937, and the results of their operations for the year ended at that date.

SCOVELL, WELLINGTON & COMPANY

Copper Range Railroad Company.

Officers.

| | |
|--------------------------------------|----------------|
| <i>President</i> | W. H. SCHACHT |
| <i>Vice-President</i> | P. F. BEAUDIN |
| <i>Treasurer</i> | F. WARD PAINE |
| <i>Assistant Treasurer</i> | JOHN M. WAGNER |
| <i>Secretary</i> | J. A. ACKROYD |

Directors.

| | |
|-----------------------------|-------------------|
| F. WARD PAINE | Boston. |
| W. H. SCHACHT | Painesdale, Mich. |
| ALBERT N. BAUDIN | Houghton, Mich. |
| ROBERT H. GROSS | Boston. |
| PHILIP F. BEAUDIN | Boston. |
| PAUL D. SWIFT | Houghton, Mich. |
| G. H. WESCOTT | Houghton, Mich. |
| STEPHEN PAINE | Boston. |
| JOHN M. WAGNER | Houghton, Mich. |

G. H. WESCOTT, *General Manager*, Houghton, Mich.

Copper Range Railroad Company.

General Manager's Report.

HOUGHTON, MICHIGAN, March 15, 1938.

MR. W. H. SCHACHT, *President Copper Range Railroad Company*, Painesdale, Michigan.

Dear Sir: Enclosed is report of the condition of the Railroad as of December 31st, 1937; also, copy of Income Statement.

Operating revenues during 1937 show a slight increase over previous year, due to increased movement of forest products and interline traffic.

Operating expenses show an increase over 1936, due principally to increased cost of snow removal and rehabilitation of spur track and reconditioning of equipment to serve the Dollar Bay Lumber Company's logging operations.

There were no material expenditures chargeable to Capital Account during the year.

Movement of pulpwood from the Mohawk line during the year amounted to 834 carloads, and we handled 743 carloads of logs from the Bear Creek district to the Dollar Bay Lumber Company during the time they were operating, August 25th to December 27th.

When the reorganization has been completed various accounts previously appearing on the books of the Company will be closed into a Capital Liability Adjustment account. The following is an analysis of this account as at December 31, 1937:

| | | | |
|---|--|----------------|-----------------------|
| Reduction in par value of 20,000 shares of common stock from \$100 to \$50 each | | \$1,000,000.00 | |
| Cancellation of Sinking Fund Reserve previously appropriated for retirement of bonds | | 174,678.14 | |
| Receipt of common stock as bonus for conversion of First Mortgage Bonds held in treasury, 900 shares at \$50 each | | 45,000.00 | |
| Cancellation of liability for Bond Interest: | | | |
| Interest Matured and unpaid as at Dec. 31, 1937 | | \$ 367,500.00 | |
| Interest Accrued, Unmatured as at Dec. 31, 1937 | | 26,250.00 | 393,750.00 |
| | | | <u>\$1,613,428.14</u> |
| Less | | | |
| Discount on original issue of capital stock written off as at December 31, 1937 | | \$1,160,538.98 | |
| Unamortized Discount on First Mortgage Bonds as at December 31, 1937, written off | | 27,903.90 | |
| Deficit as at December 31, 1936 | | \$14,670.42 | |
| Deficit for the Year ended December 31, 1937 before bond interest and amortization of bond discount | | \$31,095.61 | |
| Bond Interest, 1937 | | 105,000.00 | |
| Amortization of bond discount, 1937 | | 2,374.80 | 138,470.41 |
| | | | <u>153,140.83</u> |
| Deficit as at December 31, 1937 | | 153,140.83 | |
| Estimated legal and other expenses in connection with reorganization | | 14,500.00 | 1,356,083.71 |
| | | | <u>\$ 257,344.43</u> |

Yours very truly,

G. H. WESCOTT,

GENERAL MANAGER.

Copper Range Railroad Company

Balance Sheet as at December 31, 1937

(After giving effect to reorganization approved by Interstate Commerce Commission, and substantially completed)

ASSETS

| | | | |
|--|-----------------------|------------------------------|------------------------------|
| Cash | | | \$ 162,041.57 |
| Accounts Receivable: | | | |
| Traffic and Car Service Balances, and Sundry | | \$ 60,359.22 | |
| Due from Agents and Conductors | | 7,843.85 | 68,203.07 |
| Material and Supplies Inventory | | | 93,682.44 |
| Total Current Assets | | | <u>\$ 323,927.08</u> |
| Investment in Road and Equipment: | | | |
| | Book Value | Reserves for Depreciation | Net Book Value |
| Road | \$3,623,712.11 | \$ 726,041.63 | \$2,897,670.48 |
| Equipment | 671,053.37 | 621,435.83 | 49,617.54 |
| Improvements on Leased Lines | 17,651.06 | | 17,651.06 |
| Miscellaneous Physical Property | 93,947.94 | | 93,947.94 |
| | <u>\$4,406,364.48</u> | <u>\$1,347,477.46</u> | 3,058,887.02 |
| Other Assets: | | | |
| Rents Prepaid and Insurance Unexpired | | | \$4,258.76 |
| Sundry Accounts and Notes Receivable | | | 7,045.56 |
| Deferred Charges: | | | |
| Unadjusted Debits | | | 10,398.18 |
| | | | <u><u>\$3,404,516.60</u></u> |

LIABILITIES AND NET WORTH

Accounts Payable:

| | | |
|--|--------------|--------------|
| Traffic and Car Service balances, and Sundry | \$ 63,913.42 | |
| Bond Interest due prior to October 1, 1934 | 575.00 | |
| Accounts Payable for legal and other expenses in connection with reorganization, estimated | 14,500.00 | \$ 78,988.42 |
| | | |

Accrued Liabilities:

| | | |
|------------------|-------------|-----------|
| Wages | \$ 6,994.64 | |
| Taxes | 4,674.27 | |
| Sundry | 1,514.84 | 13,183.75 |
| | | |

Contingent Liabilities None

Total (Current) Liabilities \$ 92,172.17

Preferred Stock, 5% Non-Cumulative:

| | | |
|---|----------------|--|
| Authorized 22,800 shares, par value, \$100 each | | |
| Issued 22,800 shares | \$2,280,000.00 | |
| Less 1,800 shares in Treasury | 180,000.00 | |
| | | |
| | \$2,100,000.00 | |

Common Stock:

| | | |
|---|----------------|------------|
| Authorized 20,000 shares, par value \$50 each | | |
| Issued 20,000 shares | \$1,000,000.00 | |
| Less 900 shares in Treasury | 45,000.00 | 955,000.00 |
| | | |

Capital Liability Adjustment, See General Manager's Report 257,344.43 3,312,344.43

\$3,404,516.60

Copper Range Railroad Company

INCOME STATEMENT

For the Years ended December 31, 1937 and 1936

| | <u>1937</u> | | <u>1936</u> | |
|--|--------------|-----------------------|--------------------|---------------------|
| Operating Revenues: | | | | |
| Freight Revenue | | \$277,475.89 | | \$266,576.83 |
| Passenger Revenue | | 6,919.28 | | 7,340.51 |
| Switching and Miscellaneous | | 21,071.31 | | 16,291.08 |
| Total Operating Revenues | | <u>\$305,466.48</u> | | <u>\$290,208.42</u> |
| Operating Expenses: | | | | |
| Maintenance of Way and Structures | \$104,063.51 | | \$85,816.16 | |
| Maintenance of Equipment | 69,032.01 | | 55,398.51 | |
| Traffic | 7,405.39 | | 5,235.28 | |
| Transportation | 112,054.33 | | 95,403.06 | |
| General | 17,663.69 | | 15,533.07 | |
| Total Operating Expenses | | <u>310,218.93</u> | | <u>257,386.08</u> |
| Net Operating Revenues or Deficit* | | <u>\$ 4,752.45*</u> | | <u>\$ 32,822.34</u> |
| Railway Tax Accruals: | | | | |
| State and Local Taxes | \$ 4,136.36 | | \$ 3,929.79 | |
| Unemployment Tax | 4,320.12 | | 1,556.64 | |
| Railroad Retirement Act | 5,404.94 | | 4,610.74 | |
| Total Taxes | | <u>13,861.42</u> | | <u>10,097.17</u> |
| Operating Income or Deficit* | | <u>\$ 18,613.87*</u> | | <u>\$ 22,725.17</u> |
| Rents Received and Other Income | | 2,913.11 | | 1,930.97 |
| | | <u>\$ 15,700.76*</u> | | <u>\$ 24,656.14</u> |
| Rents Paid and Other Charges | | 17,522.63 | | 14,746.68 |
| Net Profit or Loss* for the Year | | <u>\$ 33,223.39*†</u> | | <u>\$ 9,909.46†</u> |
| Adjustments applicable to Prior Years: | | | | |
| Refund of Taxes Paid for 1936 under Railroad Retirement Act | \$ 4,651.34 | | | |
| Less: Loss on Property Retired from Service | \$1,295.99 | | \$5,680.24 | |
| Sundry, Net | 1,227.57 | 2,523.56 | 918.10 | 4,762.14 |
| | | <u>2,127.78</u> | <u>\$ 4,762.14</u> | <u>4,762.14</u> |
| Net Income or Deficit* for Year exclusive of Bond Interest and Amortization of Discount on Bonds, transferred to Capital Liability Adjustment account. | | <u>\$ 31,095.61*†</u> | | <u>\$ 5,147.32†</u> |

†Under the reorganization plan approved by the Interstate Commerce Commission and substantially completed as at December 31, 1937, the First Mortgage Bonds with the October 1, 1934 and all succeeding interest coupons are retired and cancelled in exchange for non-cumulative preferred and common stock. The results for the years 1936 and 1937 as shown above are before any provision for bond interest or amortization of bond discount.