

At 79% Erie's operating expense ratio presents opportunity for savings; a 5% reduction would add \$4 to common share earnings. Forecast of Erie earnings, worked out in the interest of Chesapeake & Ohio Ry., expects on the common stock as probably to be increased better than \$6.60 share earnings in 1927, \$8.10 in 1928, \$9.40 in 1929, \$10.60 in 1930, and \$12.00 in 1931, assuming \$5,304,000 annual coal subsidiary dividends or \$3.50 a share equivalent. Controlling stock in Erie is now held in favor of ultimate grouping with others as in the attempted Nickel Plate merger but an exchange of shares or lease is unlikely for the time being.

Resemblance of the present Erie R. R. to the Southern Ry. of a few years ago is surely not remote. Plenty of traffic, prospect of carrying it more cheaply, ability to raise new capital for betterments, current earnings sufficient for preferred dividend payments, make Erie stocks attractive for speculation.

### General Electric Co.

To an enviable record in fifteen years before, General Electric Co. added a remarkable showing in the war and the immediately post-war period, and in the past four years, 1923-26 of prosperity, made new records in earning power.

From 1910-15 earnings ranged from 11.10% to 16.25% and the lowest figure since 1902 was 7.40% in 1908. Cash rate of 8% in dividends was maintained, supplemented by a 30% distribution in stock in 1912.

Billings expanded from \$90,467,000 in 1914 to \$275,758,000 in 1920 and inventories from \$29,292,000 to \$118,109,000, successfully financed by a \$37,000,000 increase in stock, \$23,000,000 increase in funded debt, and \$45,000,000 bank borrowings. Similar flexibility was shown in contraction in 1921 when billings decreased 20%, bank loans were paid off, and 13% earned on the stock. War profits and prudent financing resulted in \$63,000,000 cash and Government securities at the end of that severe year.

Thus the way was prepared for full participation in the prosperity of the past four years, viz:

	Billings	Net Income	*Surplus per Share
1926.....	\$326,974,000	\$46,672,000	\$6.14
1925.....	290,290,000	33,641,000	5.12
1924.....	299,252,000	39,236,000	5.28
1923.....	271,310,000	33,525,000	4.60
1922.....	200,194,000	26,231,000	3.72

\*Figured on basis of present no par shares of which four were exchanged for \$100 par value in May, 1926.