

to draw interest and so the saving does not take effect, but the appropriation thus accelerates by about \$500,000 annually and \$603,000,000 bonds, including the present sinking fund holdings, will be out of the way in less than twenty years.

More liberal participation by the common stock in earnings, apart from the 25 $\frac{3}{4}$ % extras received with 5% regular dividends from the abnormal 109 $\frac{3}{4}$ % aggregate earnings in the 1916-1918 years, had a real beginning with extras $\frac{1}{4}$ % in the last 1923 quarter and $\frac{1}{2}$ % subsequently until in June, 1926 a 7% rate was made regular. The 7% dividend continuing on 40% increased stock is equivalent to 9.80% on the old amount, and the virtual doubling of the cash return in less than five years is witness to the progress of this fine investment equity.

Western Union Telegraph Co.

The last turning point in Western Union Telegraph Co. affairs was in 1910 when, following disposal of a telephone interest and accompanying complete rearrangement of operating system, the company had all physical property appraised and made up a new balance sheet.

Plant value on that basis was \$133,989,000 ending 1910. Additions thereto in years through 1926 totaled \$128,594,000, and during only the five years ended December 31, 1926, a total of \$38,000,000 was charged against earnings and credited to the reserve for depreciation of land lines, these two items together bespeaking a thorough-going renovation.

According to usual public utility practice the sale of securities would have provided the expansion funds, but Western Union shows only \$29,934,000 increase (including sale of \$25,000,000 5s of 1951 last year) in capital obligations since 1910. (The increase was \$37,000,000 in 20 years preceding.) Required capital came \$24,333,000 from proceeds of New York Telephone stock (sold to A. T. & T.), \$69,347,000 from surplus earnings after dividends and the balance from other sources including unexpended reserves charged out of earnings.

Per share of stock Western Union in the 16-year period earned \$164, and paid \$96 in dividends, leaving \$68 to plow in.

The record of expenditures testifies to soundness of the \$171 a share book value shown at the end of 1926, and corroboration is expected in a forthcoming Interstate Commerce Commission valuation.