

ANNUAL REPORT
of the
AMERICAN TELEPHONE
AND TELEGRAPH COMPANY
FOR 1934

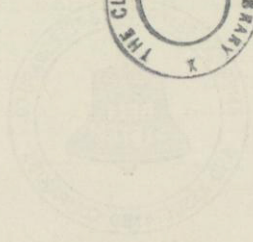


195 BROADWAY
NEW YORK

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ANNUAL REPORT
AND TELEGRAPH COMPANY
FOR 1934

President
V. P. Jones
E. J. Galt



James H. ...

Charles ...
William ...
James ...
John ...
Charles ...
John W. ...
Edward D. ...
W. ...
George ...

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American Telephone and Telegraph Company

195 Broadway
New York

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President

WALTER S. GIFFORD

Vice Presidents

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F. B. JEWETT
E. F. CARTER

E. S. WILSON
C. P. COOPER
T. G. MILLER

C. M. BRACELEN
A. W. PAGE
ROBERT W. CURRAN

Secretary

R. H. STRAHAN

Treasurer

JAMES F. BEHAN

Comptroller

C. A. HEISS

DIRECTORS

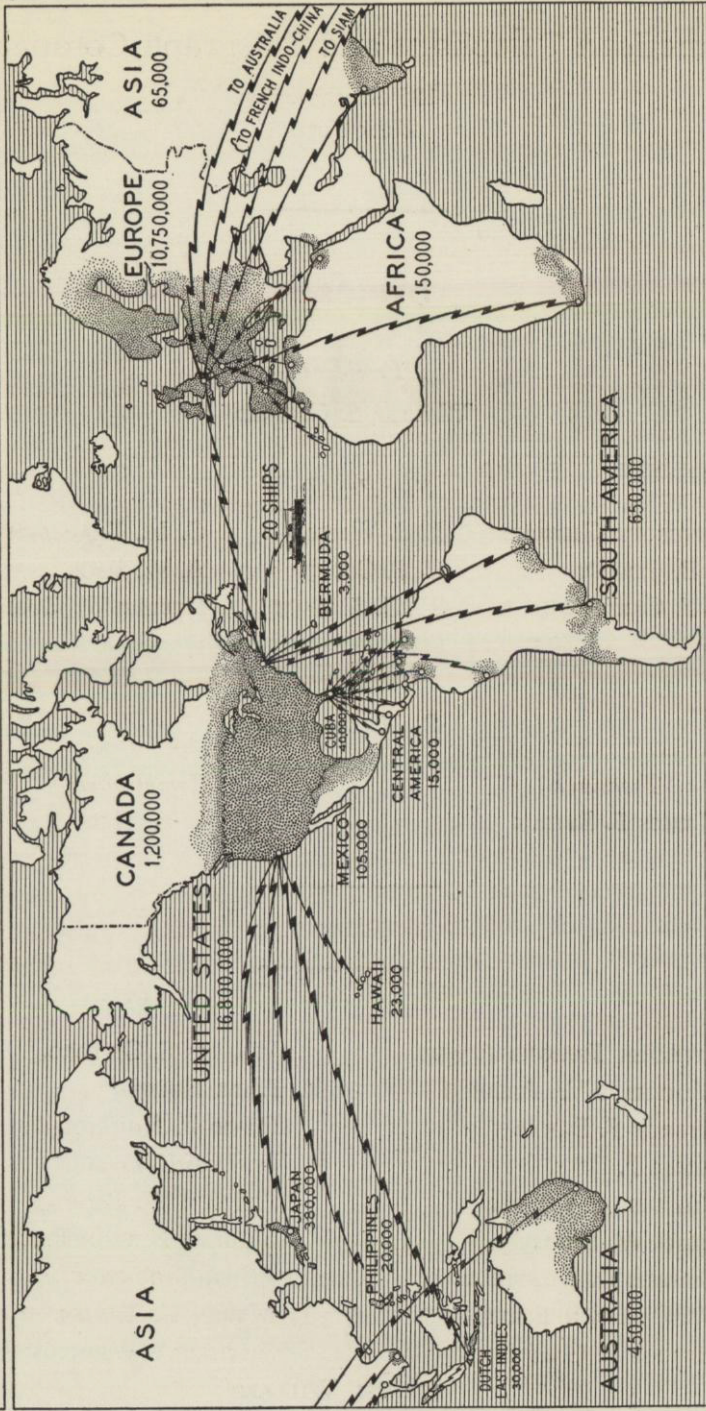
CHARLES FRANCIS ADAMS
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JOHN W. DAVIS
EDWARD D. DUFFIELD
W. CAMERON FORBES
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WALTER S. GIFFORD
HALE HOLDEN
DAVID F. HOUSTON
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ARTHUR W. PAGE
THOMAS NELSON PERKINS
PHILIP STOCKTON
MYRON C. TAYLOR
SAMUEL A. WELLDON

DANIEL WILLARD

OVERSEAS TELEPHONE SERVICE OF THE BELL SYSTEM

CONNECTING 93% OF THE WORLD'S 33,100,000 TELEPHONES



Figures indicate the number of telephones which may be connected with Bell System telephones - Fifty - one per cent of the world's telephones are in the United States.

Report of the Directors
of
American Telephone and Telegraph Company

New York, March 1, 1935.

TO THE STOCKHOLDERS:

The business of the Bell System for 1934 showed improvement over that of 1933. Although the average number of telephones in service during the year was about the same as in 1933, there were 2 per cent more Bell System telephones in service at the end of 1934 than at the beginning. The net gain of 298,000 telephones for the year compares with a net loss of 630,000 in 1933. At the end of the year there were 13,458,000 Bell telephones in service—14 per cent below the maximum development reached in 1930. Including telephones of about 6,700 connecting telephone companies and 25,300 connecting rural lines, there are about 16,800,000 telephones in the United States practically any one of which can be connected promptly with any other.

The total number of local telephone calls for the year was 2.6 per cent greater and the total number of toll and long distance calls was 4.6 per cent greater than in 1933. This reflects a somewhat greater use on the average of each telephone in service.

During the year plant which cost \$167,000,000 was retired from service, and total plant added amounted to \$174,500,000, resulting in a net increase in plant of \$7,500,000. The property was fully maintained and adequate provision was made for depreciation.

Total assets of the System amounted to \$4,977,000,000 at the end of the year. System cash assets—including funds temporarily invested in Government obligations—were \$255,000,000, of which amount the American Telephone and Telegraph Company held \$199,000,000. The American Telephone and Telegraph Company has no loans from its Associated or subsidiary companies.

Total operating revenues of the System were \$884,500,000 and total expenses \$705,500,000. These expenses included taxes of \$89,500,000, an average of \$6.76 per telephone in service. Operating earnings were \$179,000,000 and other earnings—net, after reflecting the loss for the year of the Western Electric Company, Inc., were \$3,900,000. The total net earnings of \$182,900,000 were \$14,000,000 greater than in 1933.

The American Telephone and Telegraph Company's proportion of the net income of the System, that is, of the net earnings after interest deductions, and after dividends on preferred stocks of Associated Companies, was \$111,167,554 or \$5.96 per share of the Company's stock outstanding compared with \$5.38 in 1933. This was short of dividends declared in 1934 by \$56,792,921, which amount was taken from the surplus of the System.

The Company has 18,662,275 shares of stock outstanding for which it has received \$268,749,078 in excess of par or an average of \$14.40 a share in excess of the par value of \$100.00. The Company's surplus, together with its proportion of the surpluses of its associated telephone companies and other controlled companies, including the Western Electric Company, amounted on December 31, 1934, to \$21.50 a share, of which \$4.30 has been appropriated for contingencies, including possible refunds incident to rate cases. The \$9.00 per share dividend was at the rate of 6.6 per cent and the 1934 System's net income of \$5.96 per share was 4.4 per cent on the stockholders' investment, including the surplus.

There were 675,000 stockholders of the American Telephone and Telegraph Company on December 31, 1934. About 379,000 stockholders are women and more than 100,000 are Bell System employees. No stockholder owns as much as one per cent of the stock outstanding, the average holding per stockholder being 28 shares.

The quality of telephone service, local, toll and long distance, was maintained throughout 1934 on a high level. Criticisms per 1,000 telephones were the lowest on record. More than nine out of every ten long distance calls were completed while the customer remained at his telephone. In no important item was there any falling off in quality of telephone service and in

many items there was improvement. Telephone service today is more uniformly good than ever before.

Continuous improvement in telephone service does not just happen. Almost at the beginning of telephone history Alexander Graham Bell and his associates realized that a particular kind of organization was needed for developing inter-connecting universal telephone communication in all its possibilities.

The fundamentals of such an organization are:

1. A central administrative co-ordination and the decentralizing and localizing of operations in regional organizations.
2. Long distance or through trunk lines connecting regional operating units.
3. A manufacturing organization to manufacture the intricate and sensitive apparatus.
4. A central bureau for scientific research and for development of technique of operation.

The organization of the Bell System meets these essentials. The American Telephone and Telegraph Company controls, through stock ownership, most of the Bell Telephone Companies—regional companies operating throughout the United States; the Long Distance Lines, owned and operated by the American Telephone and Telegraph Company, connect the systems of these regional companies; the Western Electric Company, Inc., controlled through stock ownership by the American Telephone and Telegraph Company, furnishes economical equipment of the latest and most improved design and manufacture; the central organization of the American Telephone and Telegraph Company, together with the Bell Telephone Laboratories, provides scientific research and development, technical knowledge and standardization of methods in all departments of work. This structure coincides closely with a theoretically sound set-up adapted to the peculiar needs growing out of the character of the business.

It is this form of organization and the interrelation of its parts, in effect in the Bell System for more than fifty years or since the very beginning of its existence, which makes possible

in the United States telephone service that is generally acknowledged to be the best in the world.

Early in December transpacific radio telephone service to Japan was inaugurated over a new direct circuit from the Bell System's Pacific Coast stations. Another transpacific radio telephone circuit established during 1934 affords direct contact with Java which previously was reached through London and Amsterdam. In addition to Japan and Java, the Pacific Coast stations connect with Honolulu and Manila.

Additional countries reached over existing radio circuits during the year included Syria, Tunisia, Algeria, French Morocco and French Indo-China while service was extended to additional points in Brazil, Colombia, India, Palestine and Egypt. These overseas extensions brought the total number of countries that can be reached from Bell System telephones to sixty. Only three countries in the world with more than 100,000 telephones each—Russia, China and New Zealand—cannot be reached by telephone from the United States.

The research and development work of the Bell Telephone Laboratories is fundamental to improvement in telephone service and further economy in operation.

A new telephone instrument which includes in the base of the telephone itself the bell and other equipment hitherto mounted in a separate apparatus box, is undergoing service trial. This new arrangement has been accomplished as a result of research work which has made it possible to reduce the size and increase the efficiency of the different pieces of apparatus. The new design will not only simplify installation but will also improve the appearance and arrangement at the subscriber's telephone.

An entirely new automatic central office switching system for use in large cities has been developed, and engineering and manufacturing are in progress for trial installations. This new system promises to be cheaper both in first cost and maintenance than the present form of machine switching and will operate satisfactorily with existing switchboards of all types. The flexibility and rugged construction of the new apparatus employed makes it useful also for other applications, for ex-

ample, in small private branch exchanges and in central offices in certain small communities where the giving of satisfactory twenty-four hour a day service is difficult.

A radically new form of transmission cable adaptable for use either overhead or underground on heavy traffic toll or long distance routes has reached the stage where a large trial installation is to be made. In this new form the cable is a small and simple structure. It is equipped with many intermediate amplifiers and provides a large number of independent circuits. In addition the new form of cable will provide extreme flexibility of usage for all classes of telephone and telegraph circuits without necessity for modification of the outside plant such as is now required where certain types of service are to be provided for. Further, the new type of cable is expected to be suitable for television transmission.

In June, 1934, Congress enacted and the President approved an act entitled the "Communications Act of 1934" creating a new commission to be known as the "Federal Communications Commission." Broadly speaking, although some changes have been made in the regulatory provisions applicable to communication companies heretofore contained in the Act to Regulate Commerce and the Radio Act, the effect of the new Act is to transfer to the Federal Communications Commission the jurisdiction and powers with respect to telephone (and other wire and radio) companies that in the past have been exercised by the Interstate Commerce Commission and the Radio Commission. As provided in the Communications Act of 1934, the Federal Communications Commission has entered upon an investigation of the business of telephone carriers subject to the Act. The American Telephone and Telegraph Company and all Bell System Companies are co-operating with the Commission with a view to facilitating this investigation in every way to the end that the Commission may be fully informed concerning the business of the Bell System and the manner in which it is conducted.

During 1934, there were reductions in telephone rates amounting on an annual basis to about \$3,800,000. In addition to these reductions, refunds to telephone subscribers of charges collected in the past are being made by two of the

Associated Companies as the result of court decisions handed down during the year 1934, which upheld rate reductions ordered by the regulatory commissions and suspended pending the court review. One of these cases is that of the Illinois Bell Telephone Company involving reductions in the coin box rates in Chicago, pending since 1923. The Supreme Court of the United States reversed the lower court's decision, which had been in favor of the company. (*Lindheimer v. Illinois Bell Telephone Company*, 292 U. S. 151.) The refund in this case, covering as it does a period of over ten years, may when completed, amount, with interest, to as much as \$20,000,000. The other case involved a reduction in the rates in the District of Columbia, effective October 10, 1932, which has been upheld by the Supreme Court of the District of Columbia. The refund in this case may amount, with interest, to as much as \$1,000,000. There are five companies with cases still pending in state or Federal courts involving possible refunds of some \$20,000,000 of revenues collected up to the end of 1934, of which some \$5,000,000 relates to revenues collected in 1934. The five companies involved have reserved about \$15,000,000 of surplus against any contingencies resulting from these cases.

The sales of the Western Electric Company for 1934 were \$91,800,000 as compared with \$69,500,000 in 1933, an increase of 32 per cent. With this increase, the level of operations was, however, less than 20 per cent of capacity. The net loss of the Company, including its subsidiaries, for 1934 was, after interest charges, \$7,751,548 compared with \$13,772,504 in 1933.

Electrical Research Products Inc. was organized in 1926 as a wholly-owned subsidiary of the Western Electric Company to make available for commercial use by concerns operating in fields in which they are applicable, inventions and developments of the Bell Telephone Laboratories that have application in fields outside of communication. The most notable of these developments has been sound recording and reproducing apparatus used in the motion picture industry.

On December 31, 1934, the total investment of the Western Electric Company in Electrical Research Products was approximately \$11,900,000, of which \$5,400,000 represented loans, \$1,000,000 represented cash paid in for capital stock and

\$5,500,000 represented earnings of Electrical Research Products left in the business. Other than as stated above, no Bell System company has any investment in Electrical Research Products.

The Bell System during 1934 continued to operate under the President's Reemployment Agreement, embodying a schedule of minimum wages and maximum hours approved by the National Recovery Administration. From August, 1933, when the Bell System signed the President's Reemployment Agreement, to the end of 1933, the Bell System payroll increased by about \$19,000,000 a year. During 1934, there was a further increase of about \$20,000,000 a year.

The Bell System, including the Western Electric Company and the Bell Telephone Laboratories, had 273,500 employees at the end of 1934, 11,700 more than in August, 1933.

Under the Payroll Deduction Plans for Life Insurance, by which monthly premium payments are made through deductions from salary which are forwarded to insurance companies, 58,700 employees of the System, including the Western Electric Company and the Bell Telephone Laboratories, were purchasing insurance at the end of the year. The amount of monthly premium deductions was \$424,000 and the amount of insurance in effect \$158,000,000. In addition monthly deductions from payroll were made aggregating \$16,500 for 1,750 employees, veterans of the World War, who are paying for approximately \$8,000,000 of United States Government Insurance.

At the end of the year 36,000 employees were using Savings Plans, under which employees may arrange for regular deductions from salary in specified amounts to be deposited for them in savings banks.

Under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, which was established in 1913, service pensions paid from the Pension Trust Funds in 1934 to retired employees of the Bell System Telephone Companies amounted to \$4,019,848. In carrying out the pension provisions of the Plan, the companies of the Bell System charge to expenses currently amounts actuarially determined which will, with interest thereon, provide a sum sufficient to pay service pensions at the time employees are retired. The amounts so charged are

paid over to the Trustee of the Pension Funds and during 1934 were equivalent to 3 per cent of the payroll. In addition, under the Plan, the companies paid \$3,765,000 in sickness disability benefits, \$521,000 in accident disability benefits, \$1,251,000 in death benefits and \$238,000 in disability pensions. At the end of the year, there were 5,570 retired employees on the pension rolls, receiving under the Plan an average pension of \$67 per month.

The Theodore N. Vail Memorial Fund provides awards annually in recognition of unusual acts of service by Bell System employees. Six silver medals with \$250 each and eight bronze medals, all with accompanying citations, were awarded in 1934. The silver medals and special plaques in two of the bronze medal cases were awarded to the following:

SILVER MEDAL AWARDS

MARY S. GOULD

*Agent, Englishtown, New Jersey
New Jersey Bell Telephone Company*

For courage, intelligent and effective action in aiding the prompt restoration of telephone service in an emergency.

MARGARET BEAUCHAMP GRANT

*Night Operator in Charge, Dover, Delaware
The Diamond State Telephone Company*

For initiative, good judgment and resourcefulness at the time of a serious railroad wreck.

CHARLES R. LANE

*Combinationman, Baltimore, Maryland
The Chesapeake and Potomac Telephone Company
of Baltimore City*

For courage, resourcefulness and effective action in rescuing a group of women and children under flood conditions.

ROBERT M. BROOKS

*Combinationman, Baltimore, Maryland
The Chesapeake and Potomac Telephone Company
of Baltimore City*

For courage, resourcefulness and effective action in rescuing a group of women and children under flood conditions.

MANLY ADRIAN NORLIN

*District Plant Chief, Independence, Kansas
Southwestern Bell Telephone Company*

For initiative, resourcefulness and effective action in giving aid and care to the victims of an airplane disaster.

CHARITY BLACKBURN

*Agency Chief Operator, Port Isabel, Texas
Rio Grande Valley Telephone Company*

For persistent and courageous action in maintaining and protecting telephone communication during a hurricane.

SPECIAL PLAQUE AWARDS

One to the employees of the Southern California Telephone Company, Los Angeles, California, and one to the employees of the Associated Telephone Company, Limited, Long Beach, California.

In recognition of their skill, courage and devotion to duty in performing acts of noteworthy public service following the earthquake on March 10, 1933.

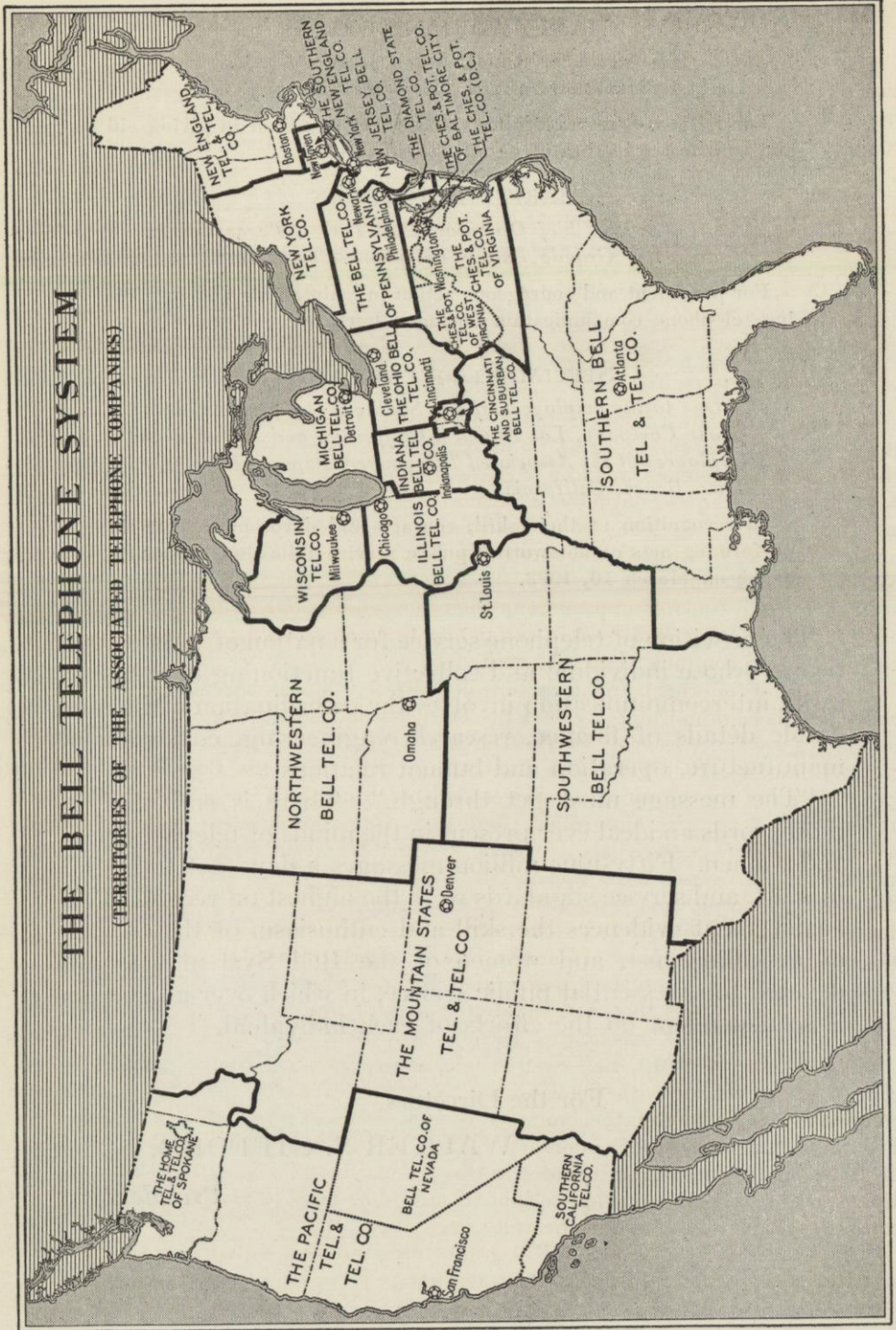
The provision of telephone service for a nation of 125,000,000 people whose individual and collective functioning depends on rapid intercommunication involves the co-ordination of innumerable details of finance, research, engineering, construction, manufacture, operation and human relations.

"The message must get through." There is embodied in those words an ideal ever present in the minds of telephone men and women. Fifty-nine million messages a day "got through" in 1934, and service standards were the highest on record. This achievement evidences the skill and enthusiasm of the quarter of a million men and women of the Bell System who are devoted to an essential public service, in which over-all success is so dependent on the efforts of each individual.

For the Directors,

WALTER S. GIFFORD,

President



BELL SYSTEM FINANCIAL STATEMENTS

The consolidated Bell System Financial Statements which follow on pages 12 to 16, inclusive, combine and summarize the accounts of the American Telephone and Telegraph Company and its 24 associated telephone companies listed below. In so far as possible, intercompany duplications have been eliminated from these Statements.

Bell Tel. Co. of Nevada	The Mountain States Tel. & Tel. Co.
The Bell Tel. Co. of Pennsylvania	New England Tel. & Tel. Co.
The Chesapeake & Potomac Tel. Co.	New Jersey Bell Tel. Co.
The Chesapeake & Potomac Tel. Co. of Baltimore City	New York Tel. Co.
The Chesapeake & Potomac Tel. Co. of Virginia	Northwestern Bell Tel. Co.
The Chesapeake & Potomac Tel. Co. of West Virginia	The Ohio Bell Tel. Co.
The Cincinnati & Suburban Bell Tel. Co.	The Pacific Tel. & Tel. Co.
The Diamond State Tel. Co.	Southern Bell Tel. & Tel. Co.
The Home Tel. & Tel. Co. of Spokane	Southern California Tel. Co.
Illinois Bell Tel. Co.	The Southern New England Tel. Co.
Indiana Bell Tel. Co.	Southwestern Bell Tel. Co.
Michigan Bell Tel. Co.	Wisconsin Tel. Co.

On page 23 is shown the percentage of interest of the American Telephone and Telegraph Company in the stock of its associated companies except for three companies, viz., the Bell Telephone Company of Nevada, The Home Telephone and Telegraph Company of Spokane, and Southern California Telephone Company, all of whose outstanding stock is owned by The Pacific Telephone and Telegraph Company. In two of the companies, The Cincinnati and Suburban Bell Telephone Company and The Southern New England Telephone Company, the American Telephone and Telegraph Company owns less than a controlling interest in their outstanding stock but in view of their close relationship to other Bell System companies their accounts have for many years been included in the combined Bell System figures.

The accounts of other companies controlled directly or indirectly by the American Telephone and Telegraph Company have not been consolidated. The more important of these companies are the Western Electric Company, Inc., The Tri-State Telephone and Telegraph Company, Bell Telephone Laboratories, Inc., and 195 Broadway Corporation. Investments in this group of companies are shown on the Consolidated Balance Sheet under "Investments in Controlled Companies (not consolidated)" at net worth as derived from their respective balance sheets. Dividends and interest received from them are included in the Consolidated Income Statement under "Other Earnings—Net," and the Bell System's proportionate interest in their earnings or deficits for the year (after dividends) has also been reflected in this statement. Investments in other companies, such as Bell Telephone Company of Canada, Cuban American Telephone and Telegraph Company, etc., are shown on the Consolidated Balance Sheet under "Investments in Non-Controlled Companies (not consolidated)", and dividends and interest received from them appear in the Consolidated Income Statement under "Other Earnings—Net."

Since January 1, 1913, Bell System telephone companies have maintained their accounts in accordance with the Uniform System of Accounts prescribed for telephone companies by the Interstate Commerce Commission and now continued in effect by the Federal Communications Commission. This system of accounts establishes specific rules in respect of the items to be included in the various accounts which have been prescribed. In accordance with these rules, telephone plant has been carried in the accounts (with certain exceptions specified in the rules prescribed) at cost. Expenditures for patents by the American Telephone and Telegraph Company have been charged off as incurred and thus are not included in the asset accounts.

BELL SYSTEM FINANCIAL STATEMENTS

(Consolidating the accounts of the American Telephone and Telegraph
Company and its 24 Associated Telephone Companies)

Consolidated Balance Sheet (a)

ASSETS	December 31, 1934	December 31, 1933
Telephone Plant	\$4,248,186,253	\$4,240,672,792
Plant and equipment for furnishing service, comprising land and buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, tools, construction work in progress, etc. Includes also Organization and Franchise costs—\$1,993,028 in 1934 and \$2,026,468 in 1933.		
Investments in Controlled Companies (not consolidated):		
Investments in controlled companies at net worth as derived from the accounts of these companies. (See page 11.)		
Stocks	208,816,934	215,679,374
Bonds, Notes and Advances	23,461,294	22,964,688
Investments in Non-Controlled Companies (not consolidated):		
Stocks	37,487,074	36,799,661
Bonds, Notes and Advances	13,718,453	13,992,221
Miscellaneous Investments:		
Cash and Securities in Sinking Funds	3,985,753	3,373,197
Other Investments	22,939,802	16,182,752
Principally real estate not now used for telephone purposes.		
Current Assets :		
Cash and Deposits	47,728,242	37,971,120
Temporary Cash Investments*	207,597,962	180,948,715
Current Receivables	88,051,895	92,348,254
Interest and dividends receivable, working advances, amounts due for service, etc., less reserves for uncollectible accounts.		
Material and Supplies	49,742,663	53,564,348
Deferred Debits:		
Discount on Funded Debt	14,250,628	15,147,015
Prepayments of Rents, Taxes, Directory Expenses, etc. . .	6,832,715	6,592,069
Other Deferred Debits (b)	4,255,018	4,172,963
Amounts in closed and restricted banks (less reserves); materials held pending use in deferred construction projects; and other items, the final disposition of which has not been determined.		
Total Assets	\$4,977,054,686	\$4,940,409,169

* Market value, December 31, 1934, \$209,565,000.

NOTE: See page 16 for explanatory notes (a) and (b).

BELL SYSTEM FINANCIAL STATEMENTS

(Consolidating the accounts of the American Telephone and Telegraph
Company and its 24 Associated Telephone Companies)

Consolidated Balance Sheet

	December 31, 1934	December 31, 1933
LIABILITIES		
Common Stock—American Tel. and Tel. Co.	\$1,866,227,500	\$1,866,227,500
Par value of 18,662,275 shares outstanding.		
Premiums on Stock—American Tel. and Tel. Co.	268,749,078	268,749,078
Amount received in excess of par value.		
Stock Installments—American Tel. and Tel. Co.	9,078,812	12,405,181
Amount received under Employees' Stock Plan on stock subscriptions not yet completed or cancelled.		
Preferred Stock—Associated Telephone Companies . . .	97,937,600	97,937,600
Par value outstanding in hands of public.		
Long-Term Debt (See page 17):		
American Tel. and Tel. Co.	454,484,613	455,494,513
Associated Telephone Companies	584,340,072	582,130,247
Current Liabilities	67,461,124	49,306,050
Current bills for supplies, services, etc.; also customers' deposits, advance payments for service, and (for 1934) an amount of \$17,112,621 for refunds due subscribers under rate orders.		
Accrued Liabilities Not Due	112,134,912	113,843,205
Taxes, interest, dividends and rents payable after the close of the year.		
Deferred Credits	3,462,014	2,532,616
Items, the final disposition of which had not been determined at close of year.		
Reserves for Depreciation of Plant and Equipment . . .	967,712,984	891,437,886
Provision for the ultimate retirement of plant and equipment used up in furnishing service.		
Other Reserves	1,631,578	1,564,018
Provision for pending accident cases and for ultimate retirement of leaseholds, franchises, etc.		
Equity (other than of American Tel. and Tel. Co.) in Common Stock and Surplus of Associated Telephone Companies	142,564,383	143,881,871
Common stock outstanding in hands of public together with the proportionate interest in surplus applicable thereto.		
Equity of American Tel. and Tel. Co. in Consolidated Surplus:		
Surplus Reserved	80,213,792	87,272,314
Surplus appropriated against general contingencies, etc., including \$15,265,491 for contingency of refunds of revenues collected.		
Unappropriated Surplus (See page 15)	321,056,224	367,627,090
Total Liabilities	\$4,977,054,686	\$4,940,409,169

C. A. HEISS, Comptroller.

BELL SYSTEM FINANCIAL STATEMENTS

(Consolidating the accounts of the American Telephone and Telegraph
Company and its 24 Associated Telephone Companies)

Consolidated Income Statement

	(c) Year 1934	Year 1933
OPERATING REVENUES		
Local Service Revenues	(c) \$607,676,275	\$617,253,153
Revenues from local exchange service.		
Toll Service Revenues	258,691,363	243,905,775
Revenues from long distance and local toll service.		
Miscellaneous Revenues	21,177,599	20,960,449
Revenues derived from directory advertising, rents and miscellaneous sources.		
Less: Uncollectible Operating Revenues (d)	(c) 3,012,808	9,713,150
Provision made during year for revenues which may be uncollectible.		
Total Operating Revenues (e)	\$884,532,429	\$872,406,227
OPERATING EXPENSES		
Current Maintenance	\$172,804,235	\$163,645,649
Cost of inspection, repairs and rearrangements required to keep the plant and equipment in good operating condition, representing 4.1 per cent. of the cost of the average plant in service during 1934.		
Depreciation Expense (f)	(c) 153,474,643	171,846,193
Provision to meet loss of investment when depreciable property is retired from service, based on rates of depreciation which spread this loss of investment uniformly over its service life.		
Traffic Expenses	128,047,316	125,008,390
Costs incurred in the handling of messages, principally operators' wages.		
Commercial Expenses	71,573,365	68,245,295
Costs incurred in business relations with customers; also the cost of advertising, sales activities, directories, pay station commissions, etc.		
General and Miscellaneous Expenses:		
General Administration, including cost of Development and Research	21,503,471	20,987,626
Accounting and Treasury Departments	32,222,926	31,022,363
Provision for Employees' Service Pensions	11,321,217	11,308,537
Employees' Sickness, Accident, Death and other Benefits	6,378,700	5,954,377
Other General Expenses	7,604,318	6,999,460
Less: Expenses Charged Construction	2,314,079	2,295,904
Operating Rents	13,436,143	13,929,106
Rents paid for the use of buildings, poles, conduits and other facilities.		
Total Operating Expenses	\$616,052,255	\$616,651,092
Net Operating Revenues (carried forward)	\$268,480,174	\$255,755,135

NOTE: See page 16 for explanatory notes (c), (d), (e) and (f).

BELL SYSTEM FINANCIAL STATEMENTS

(Consolidating the accounts of the American Telephone and Telegraph Company and its 24 Associated Telephone Companies)

Consolidated Income Statement, Continued

	(c) Year 1934	Year 1933
Net Operating Revenues (brought forward)	\$268,480,174	\$255,755,135
Taxes	(c) 89,485,361	84,880,862
Federal, state and local taxes.		
Operating Earnings	<u>\$178,994,813</u>	<u>\$170,874,273</u>
Other Earnings—Net:		
Dividends from Controlled Companies (not consolidated)	\$ 3,125,525	\$ 3,073,905
Dividends from Non-Controlled Companies	1,969,805	1,853,366
Interest Revenues, and Miscellaneous Earnings—Net	6,813,480	7,134,837
Proportionate interest in earnings or deficits (after dividends) of Controlled Companies not consolidated	<i>*7,990,843</i>	<i>*14,004,686</i>
Total Net Earnings	<u>\$182,912,780</u>	<u>\$168,931,695</u>
Interest Deductions	(c) 57,560,994	54,351,433
Interest charges, including amortization of discount on funded debt and taxes payable under bond indentures.		
Net Income	<u>\$125,351,786</u>	<u>\$114,580,262</u>
Dividends on Preferred Stock of Associated Telephone Companies held by public	\$ 6,425,085	\$ 6,425,085
Net Income applicable to Common Stock of Associated Telephone Companies held by public	7,759,147	7,813,302
Net Income applicable to stock of American Tel. and Tel. Co.	111,167,554	100,341,875
* Italics denote deficit.		
Number of Shares of American Tel. and Tel. Co. Stock Outstanding During the Year	18,662,275	18,662,275
Earnings Per Share	\$5.96	\$5.38

Changes During 1934 in American Telephone and Telegraph Company's Equity in Consolidated Unappropriated Surplus

Balance—December 31, 1933	\$367,627,090
Transferred from Surplus Reserved (Net)	7,058,522
Net Income applicable to stock of American Tel. and Tel. Co.	111,167,554
Miscellaneous Additions (Net)	<u>3,163,533</u>
Total	\$489,016,699
Dividend requirements (American Tel. and Tel. Co.)	<u>167,960,475</u>
Balance—December 31, 1934	<u>\$321,056,224</u>

C. A. HEISS, Comptroller.

BELL SYSTEM FINANCIAL STATEMENTS

Explanatory Notes Relating to Consolidated Balance Sheet and Income Statement

- (a) As of December 31, 1934, certain of the companies consolidated had contingent liabilities to make refunds with interest in the event of adverse decisions in court cases involving charges for telephone service of some \$20,000,000 which have been collected during the period 1924 to 1934, inclusive, and taken up in the accounts, pending final adjudication. Against these contingencies there has been set aside by these companies in "Surplus Reserved" the amount of \$15,275,675. In two cases, The Ohio Bell Telephone Company and the Southwestern Bell Telephone Company, the American Telephone and Telegraph Company is surety on bonds executed by these companies in the amount of \$17,112,668.94 and \$3,000,000, respectively, to guarantee such refunds, if any, as may finally be made. Also the New Jersey Bell Telephone Company was, as of December 31, 1934, guarantor for the payment of collateral notes in the amount of \$819,825.
- (b) As of December 31, 1934, Bell System companies had deposits in closed banks and banks operating on a restricted basis in the amount of \$2,813,000, against which reserves to meet probable losses have been set aside. During 1934 such accounts in closed or restricted banks decreased \$632,000.
- (c) The Income Statement for 1934 reflects adjustments in certain accounts of two of the companies consolidated therein (Illinois Bell Telephone Company and The Chesapeake and Potomac Telephone Company) made in connection with court decisions rendered during the year which upheld rate reductions previously ordered by regulatory authorities but suspended pending court review. The effect of these adjustments on the accounts involved is as follows:

Accounts decreased:

Local Service Revenues	\$16,916,059
Uncollectible Operating Revenues	995,000
Depreciation Expense	15,948,059
Taxes	574,905

Accounts increased:

Interest Deductions	\$4,805,738
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- (d) The decrease in provision for Uncollectible Operating Revenues in 1934 is due principally to improved collection conditions experienced during the year. In addition the account reflects some adjustments of the charges made in prior years against anticipated losses. (See also note (c).)
- (e) Operating Revenues reported for 1934 include for five of the companies consolidated some \$5,000,000 subject to possible refund in the event of adverse decisions in pending rate cases. Provision against contingency of such refunds has been made in Surplus Reserved. (See note (a).)
- (f) Excluding the depreciation adjustment referred to in note (c), depreciation expense for 1934 would have been \$169,422,702, representing 4.3 per cent. of the cost of the average depreciable plant in service.

BELL SYSTEM CAPITAL OBLIGATIONS
Stocks, Bonds and Notes Outstanding December 31, 1934

(Inter-Company Holdings Excluded)

	Par Value	Increase* During Year
Common Stock (American Telephone and Telegraph Company)	<u>\$1,866,227,500</u>	<u>.....</u>
Common Stock (Associated Companies):		
New England Telephone and Telegraph Company	\$ 46,251,600	.....
Southern New England Telephone Company	26,662,600	.....
Cincinnati and Suburban Bell Telephone Company	19,319,250	.....
Illinois Bell Telephone Company	1,051,800	\$ 205,600
Mountain States Telephone and Telegraph Company	13,062,200	.....
Pacific Telephone and Telegraph Company	26,580,100	.....
Other Associated Companies	15,193	600
Total Common Stock, Associated Companies	<u>\$132,942,743</u>	<u>\$ 205,000</u>
Preferred Stock (Associated Companies):		
New York Telephone Company 6½%	\$ 25,000,000	.....
Bell Telephone Company of Pennsylvania 6½%	20,000,000	.....
Diamond State Telephone Company 6½%	500,000	.....
Chesapeake and Potomac Tel. Co. of Baltimore City 7%	3,000,000	.....
Wisconsin Telephone Company 7%	4,947,000	.....
Northwestern Bell Telephone Company 6½%	4,800,800	.....
Southwestern Bell Telephone Company 7%	21,785,500	.....
Pacific Telephone and Telegraph Company 6%	17,904,300	.....
Total Preferred Stock, Associated Companies	<u>\$ 97,937,600</u>	<u>.....</u>
Bonds and Notes (American Telephone and Telegraph Company):	Face Value	
Thirty Year Collateral Trust 5s, 1946	\$ 65,627,100	\$ 761,900
Thirty-Five Year Sinking Fund Debenture 5s, 1960	117,819,700	135,000
Thirty-Five Year Debenture 5s, 1965	149,899,000	60,000
Twenty Year Sinking Fund Debenture 5½s, 1943	94,604,700	53,000
Thirty Year Convertible 4s, 1936 (a)	2,589,000	.....
Ten Year Convertible 4½s, 1939	12,923,000	.....
Notes (demand notes sold to Trustee of Pension Fund)	11,022,113	.....
Total Bonds and Notes, American Tel. and Tel. Co.	<u>\$454,484,613</u>	<u>\$ 1,009,900</u>
Bonds and Notes (Associated Companies) (b):		
New England Telephone and Telegraph Company:		
First Mortgage Series A 5s, 1952	\$ 35,000,000	.....
First Mortgage Series B 4½s, 1961	40,000,000	.....
Southern New England Telephone Company:		
Debenture 5s, 1970	10,000,000	.....
New York Telephone Company:		
First and General Mortgage 4½s, 1939	60,856,095	\$ 1,065
Bell Telephone Company of Pennsylvania:		
First Mtge. 5s, 1943 (Central District Telephone Co.)	8,555,500	.....
First and Refunding Mortgage 5s, 1948	35,000,000	.....
First and Refunding Mortgage 5s, 1960	50,000,000	.....
Chesapeake and Potomac Telephone Company of Virginia:		
First Mortgage 5s, 1943	4,261,100	30,300
Southern Bell Telephone and Telegraph Company:		
First & Gen. Mtge. 5s, 1937 (Cumberland Tel. & Tel. Co.)	14,969,000	.....
First Mortgage 5s, 1941	47,070,500	.....
Ohio Bell Telephone Company:		
Consolidated 5s, 1944 (Ohio State Telephone Co.)	4,749,000	62,000
Illinois Bell Telephone Company:		
First and Refunding Mortgage 5s, 1956	48,726,200	.....
Southwestern Bell Telephone Company:		
First and Refunding Mortgage 5s, 1954	48,836,600	.....
Pacific Telephone and Telegraph Company:		
First Mortgage and Collateral Trust 5s, 1937	25,602,000	632,000
First & Ref. Mtge. 5s, 1947 (Southern California Tel. Co.)	6,173,000	116,000
Refunding Mortgage 5s, 1952	23,890,000	.....
First Mtge. 5s, 1936 (Home Tel. & Tel. Co. of Spokane)	2,999,900	.....
Minor Bond Issues (9 in number)	8,390,000	870,700
Real Estate Mortgages	2,478,000	61,150
Notes (principally demand notes sold to Trustee of Pension Funds)	106,783,177	3,920,310
Total Bonds and Notes, Associated Companies	<u>\$584,340,072</u>	<u>\$ 2,209,825</u>

* Decreases in italics. (a) Conversion privilege expired. (b) Includes issues assumed or guaranteed.

BELL SYSTEM STATISTICS

	Dec. 31, 1915	Dec. 31, 1920	Dec. 31, 1925	Dec. 31, 1930	Dec. 31, 1934	Increase* During 1934
Number of Telephones.....	5,968,110	8,333,979	12,035,224	15,682,059	13,378,103†	298,392
Number of Central Offices.....	5,300	5,702	6,017	6,585	6,769	6
Miles of Pole Lines.....	330,602	358,091	386,064	422,489	393,804	2,808
Miles of Wire:						
In Underground Cable.....	10,573,000	15,748,000	30,483,000	50,225,000	52,563,000	238,000
In Aerial Cable.....	4,602,000	5,885,000	10,672,000	20,785,000	22,928,000	180,000
Open Wire.....	3,331,000	3,744,000	4,319,000	5,238,000	4,627,000	105,000
Total.....	18,506,000	25,377,000	45,474,000	76,248,000	80,118,000	163,000
Per Cent Total Wire Mileage in Cable.....	82.0	85.2	90.5	93.1	94.2	....
Average Daily Telephone Conversations:†						
Exchange.....	25,184,000	31,836,000	46,702,000	62,365,000	56,648,000	1,449,000
Toll and Long Distance.....	819,000	1,327,000	2,098,000	2,933,000	2,142,000	95,000
Total.....	26,003,000	33,163,000	48,800,000	65,298,000	58,790,000	1,544,000
Total Plant§.....	\$889,413,000	\$1,386,083,000	\$2,568,631,000	\$4,122,206,000	\$4,248,186,000	\$7,513,000
Number of Employees ††.....	156,294	231,316	293,095	324,343	248,957	460
Number of A. T. and T. Co. Stockholders... 	65,512	139,448	362,179	567,694	675,027	5,912

* Decreases shown in italics. The decreases in "Miles of Wire" reflect adjustments of mileage records.
 † Excludes 79,785 private line telephones. Including telephones of 6,700 connecting companies and 25,300 connecting rural lines, the total number of telephones in the United States which may be interconnected is approximately 16,800,000.
 ‡ For year ending December 31.
 § Includes General Equipment.
 †† The employees of the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., numbering 24,628 on December 31, 1934, are not included.

BELL SYSTEM

Pension Trust Funds—Bell System Companies

Bankers Trust Company, New York, N. Y., Trustee

(Consolidated Statement for American Telephone and Telegraph Company and its 24 Associated Telephone Companies)

Balance in Funds—December 31, 1933		\$126,799,222.69
Additions to Funds during 1934—		
Amount paid in by Companies to provide for pension liability accruing in respect of employees in their service	\$ 11,321,217.00	
Interest revenue from investments after amortization of premium or discount included in purchase price	5,258,295.04	
Other additions	33,848.45	
Total additions	\$ 16,613,360.49	
Disbursements for pensions during 1934 to retired employees	4,019,847.87	
Net increase in Funds		12,593,512.62
Balance in Funds—December 31, 1934		<u>\$ 139,392,735.31</u>
Comprised of—		
Notes of Bell System Companies purchased at face value	\$ 117,562,290.44	
Bonds of Bell System Companies	16,615,289.20	
Securities of U. S. Government	2,740,496.00	
Cash awaiting investment and accrued interest not due	2,474,659.67	
Total		<u>\$ 139,392,735.31</u>

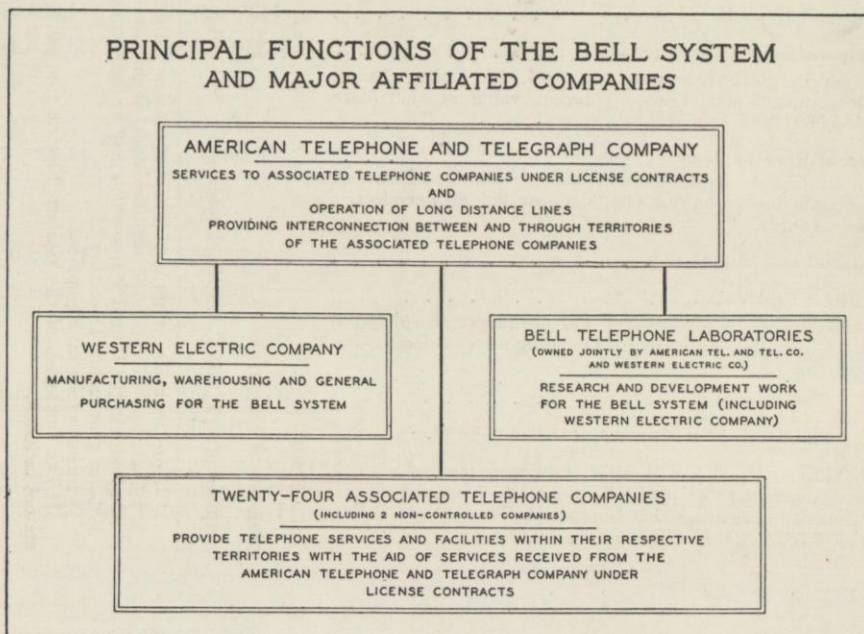
NOTE: Securities are shown at cost adjusted to provide for amortization over their remaining life of discount or premium included in the purchase price.

We certify that the above consolidated statement of the Pension Trust Funds of the American Telephone and Telegraph Co. and its 24 Associated Telephone Companies is correct.

Bankers Trust Company, Trustee

By (Signed) W. C. MEYERS,
Assistant Secretary.

Dated January 21, 1935.



AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet

ASSETS		December 31, 1934	December 31, 1933
<i>INVESTMENTS:</i>			
Stocks of Associated Companies (a)		\$2,012,450,662.42	\$1,992,245,687.42
Investment, at cost, in stocks of associated telephone companies.			
Controlled companies	\$1,990,068,881		
Noncontrolled companies	22,381,781		
Stocks of Other Companies (a)		169,869,418.17	169,898,358.57
Investment, at cost, in stocks of other than associated telephone companies.			
Controlled companies	\$150,510,610		
Noncontrolled companies	19,358,808		
Notes of, and Advances to, Associated Companies (a)		166,213,881.50	239,663,052.50
Controlled companies	\$159,863,882		
Noncontrolled companies	6,350,000		
Notes of, and Advances to, Other Companies (a)		21,627,000.00	21,632,000.00
Sinking Funds		1,168,233.04	339,555.37
Amounts on deposit with trustees under bond indentures.			
<i>PLANT AND EQUIPMENT:</i>			
Long Lines Plant		440,880,338.93	441,706,364.33
Plant and equipment mainly for providing interconnection between and through territories of associated telephone companies.			
General Equipment		1,083,715.19	1,533,681.53
Office furniture and equipment other than that included in Long Lines Plant.			
<i>CURRENT ASSETS:</i>			
Cash and Deposits		15,231,954.68	11,984,270.14
Temporary Cash Investments		183,946,601.98	174,660,486.49
Comprised, at December 31, 1934, of United States Government obligations. (Market value at that date \$185,669,000.)			
Current Receivables		11,397,856.47	11,939,677.42
Interest and dividends receivable, working advances, amounts due for service, etc., less provision for uncollectible accounts.			
Material and Supplies		9,232,437.50	12,269,004.27
DEFERRED DEBITS.		1,534,713.52	696,527.97
Prepayments of rents, taxes and insurance; also deferred items including materials held pending use in deferred construction projects.			
Total Assets		<u>\$3,034,636,813.40</u>	<u>\$3,078,568,666.01</u>

(a) For detailed list of investments see page 23.

NOTE: At December 31, 1934 there were pledged with the Old Colony Trust Company, Trustee, stocks of Associated Companies having a par value of \$111,650,100 (book value of \$112,469,276), under Trust Indenture securing this Company's Thirty-Year Collateral Trust 5s, dated December 1, 1916 of which \$65,627,100 face value were outstanding.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet, Continued

LIABILITIES

	December 31, 1934	December 31, 1933
CAPITAL STOCK:		
Stock Issued and Outstanding (Authorized \$2,500,000,000)	\$1,866,227,500.00	\$1,866,227,500.00
Par value of 18,662,275 shares of common stock outstanding.		
Premiums	268,749,077.67	268,749,077.67
Amount received in excess of par value of stock.		
CAPITAL STOCK INSTALLMENTS	9,078,812.12	12,405,180.93
Amount received under Employees' Stock Plan on stock subscriptions not yet completed or cancelled.		
LONG-TERM DEBT (See page 17):		
Bonds and Debentures	444,294,500.00	445,056,400.00
Notes	11,022,112.57	11,022,112.57
Notes sold to Trustee of Pension Fund.*		
CURRENT AND ACCRUED LIABILITIES:		
Dividend Payable	41,990,118.75	41,990,118.75
Dividend declared, payable after close of year.		
Accounts Payable	2,802,679.16	7,582,768.59
Current accounts for supplies, services, etc., and other obligations subject to current settlement.		
Interest and Taxes Accrued, Not Due	10,789,118.12	10,730,332.06
Interest and taxes payable after close of year.		
DEFERRED CREDITS	1,719,044.78	817,886.49
Items, the final disposition of which had not been determined at close of year. Includes also reserves for accidents and unemployment insurance.		
RESERVES FOR DEPRECIATION OF PLANT AND EQUIPMENT	87,361,634.76	76,645,411.11
Provision for the ultimate retirement of plant and equipment used up in furnishing service.		
SURPLUS:		
Surplus Reserved	64,664,444.18	64,664,444.18
Amount reserved for general contingencies.		
Unappropriated Surplus	225,937,771.29	272,677,433.66
Decrease for 1934 comprises:		
Dividends charged against Surplus	\$46,211,746	
Miscellaneous deductions (net)	527,916	
Total Liabilities	<u>\$3,034,636,813.40</u>	<u>\$3,078,568,666.01</u>

* Evidenced by demand notes.

NOTE: On December 31, 1934, the American Telephone and Telegraph Company was surety on bonds for \$17,112,668.94, executed by The Ohio Bell Telephone Company as principal, providing for the refund by that Company to telephone users of sums, if any, which may be found to have been collected under rates in excess of those ultimately held legal. The Company was also surety on a similar bond of the Southwestern Bell Telephone Company in the amount of \$3,000,000.

C. A. HEISS, Comptroller.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
Income Statement

	Year 1934	Year 1933
Operating Revenues		
Toll Service Revenues	\$ 74,088,966.24	\$ 70,830,767.30
Message tolls and private line service revenues.		
License Contract Revenues	11,803,217.41	11,962,935.47
Payments received for services furnished associated tele- phone companies under license contracts.		
Miscellaneous Revenues	4,120,251.71	4,942,141.74
Less: Uncollectible Operating Revenues	564,527.00	1,040,735.14
Total Operating Revenues	\$ 89,447,908.36	\$ 86,695,109.37
Operating Expenses (a)		
Current Maintenance	14,714,864.11	13,536,614.06
Depreciation Expense	17,407,298.72	16,876,063.68
Traffic and Commercial Expenses	7,214,347.35	6,647,645.22
Provision for Employees' Service Pensions	901,178.00	945,808.00
Employees' Sickness, Accident, Death and other Benefits	371,014.57	459,916.64
Operating Rents	11,396,928.94	12,541,015.39
General and Miscellaneous Expenses	17,662,780.21	17,177,840.40
Less: Expenses Charged Construction	94,572.36	95,194.20
Total Operating Expenses	\$ 69,573,839.54	\$ 68,089,709.19
Net Operating Revenues	\$ 19,874,068.82	\$ 18,605,400.18
Taxes	5,364,162.84	4,951,940.52
Operating Earnings	\$ 14,509,905.98	\$ 13,653,459.66
Dividend Revenues	115,409,048.13	127,913,090.47
Interest Revenues	15,271,590.36	20,231,713.69
Miscellaneous Non-Operating Revenues—Net	721,926.64	371,507.55
Total Net Earnings	\$ 145,912,471.11	\$ 162,169,771.37
Interest Deductions	24,163,741.81	24,712,995.03
Net Income (b)	\$121,748,729.30	\$137,456,776.34
Dividends Declared	\$167,960,475.00	\$167,960,475.00
Dividends at the rate of \$9.00 per share per annum on cap- ital stock:		
Charged against Net Income	\$121,748,729.30	\$137,456,776.34
Charged against Surplus	46,211,745.70	30,503,698.66

(a) The expenses shown under this caption include the cost of maintaining and operating the Company's long distance communication service and costs incurred by the Company in the performance of general staff services, i.e., development and research, patent, general advisory and other services, furnished associated telephone companies under license contracts.

(b) Net Income of the Company \$121,748,729 for 1934 and \$137,456,776 for 1933 exceeds by \$10,581,175 and \$37,114,901, respectively, the Company's proportion of the consolidated Bell System Net Income for these years as shown on page 15. The Net Income figures of the Company, by itself, include dividend revenues paid in part by some of the affiliated companies from their previously accumulated surplus earnings and do not take into account the Company's proportion of the undivided profits or deficits for the year (after dividends, if any) of associated and other affiliated companies. No dividends were received from the Western Electric Company, Inc., in either year, that company, including its subsidiaries, having a net deficit for 1934 of \$7,751,548 and for 1933 of \$13,772,504.

C. A. HEISS, Comptroller.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Certificate of Audit

New York, N. Y., February 8, 1935

American Telephone and Telegraph Company,
195 Broadway, New York, N. Y.

We have made an audit of the accounts of American Telephone and Telegraph Company for the year ended December 31, 1934. We examined or tested the accounting records of the Company and supporting evidence, obtained information and explanations from officers and employees of the Company and reviewed the Company's accounting methods, but we did not examine the details of all transactions.

We have reviewed reports for 1934 rendered to American Telephone and Telegraph Company by the 24 associated telephone companies and its other affiliated companies. Based on the income statements of these companies, the net income of \$121,748,729 shown by the Company's Income Statement for 1934 exceeds by \$10,581,175, for reasons explained in note (b) thereon, the net income of the Company on a consolidated basis. We have not, however, audited the accounts for 1934 of affiliated companies other than six of the associated telephone companies.

In our opinion, the balance sheet of the Company as at December 31, 1934 (pages 20 and 21), and its income statement for the year 1934 (page 22) subject to the explanation in the preceding paragraph, set forth correctly the financial position of American Telephone and Telegraph Company at that date and the results of its operations for the year 1934.

LYBRAND, ROSS BROS. & MONTGOMERY.

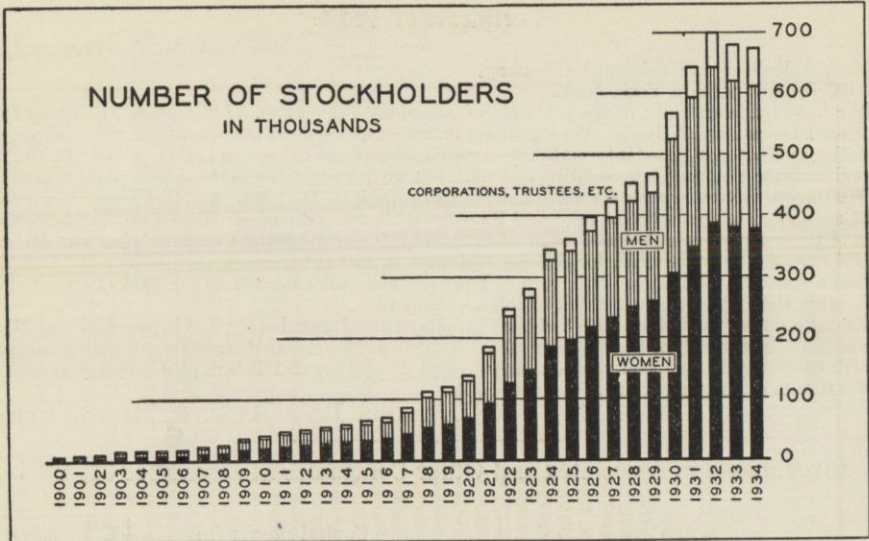
Investments in Associated and Other Companies at December 31, 1934

	Capital Stocks (a)			Notes and Advances
	Par Value of Holdings	Per Cent. of Total Outstanding	Book Value (Cost)	Face Value
Associated Companies				
New England Tel. & Tel. Co.	\$ 87,094,200	65.31	\$ 92,045,721	\$ 23,750,000
Southern New England Tel. Co.	13,337,400	33.34	13,649,213	6,350,000
New York Tel. Co.	421,300,000	100.00	444,280,335	24,400,000
New Jersey Bell Tel. Co.	120,395,200	100.00	134,062,384	34,700,000
Bell Tel. Co. of Pennsylvania	110,000,000	100.00	116,316,050	8,850,000
Diamond State Tel. Co.	5,000,000	100.00	5,700,000	130,000
Chesapeake & Potomac Tel. Co.	18,000,000	100.00	19,000,000	3,570,000
Chesapeake & Potomac Tel. Co. of Balt. City	30,000,000	100.00	31,467,862	1,300,000
Chesapeake & Potomac Tel. Co. of Va.	18,000,000	100.00	18,000,000	4,150,000
Chesapeake & Potomac Tel. Co. of West Va.	16,200,000	100.00	16,200,000	2,700,000
Southern Bell Tel. & Tel. Co.	124,998,700	99.99	126,815,773	.....
Ohio Bell Tel. Co.	129,999,600	99.99	130,041,898	.....
Cincinnati & Suburban Bell Tel. Co.	\$ 1,169,150	29.72	8,732,568	.....
Michigan Bell Tel. Co.	109,987,607	99.99	110,400,210	25,599,820
Indiana Bell Tel. Co.	32,999,100	99.99	33,585,586	7,214,366
Wisconsin Tel. Co.	40,000,000	100.00	43,223,835	2,000,000
Illinois Bell Tel. Co.	148,948,200	99.30	154,428,999	.....
Northwestern Bell Tel. Co.	95,000,000	100.00	96,039,490	2,399,696
Southwestern Bell Tel. Co.	172,998,800	99.99	176,251,878	.....
Mountain States Tel. & Tel. Co.	34,987,500	72.82	36,362,463	13,050,000
Pacific Tel. & Tel. Co.	153,919,900	85.27	149,847,217	6,050,000
Pacific Tel. & Tel. Co. (Preferred)	64,095,700	78.17	55,999,180	.....
Total Book Value (Cost)			<u>\$2,012,450,662</u>	<u>\$166,213,882</u>
Other Companies				
Bell Telephone Laboratories, Inc.	\$ 50,000	(b)50.00	\$ 50,000	\$ 3,075,000
Bell Telephone Securities Company	1,000,000	100.00	1,000,000	.....
Bell Telephone Company of Canada	18,749,800	24.22	18,854,783	.....
Cuban American Tel. & Tel. Co.	432,500	50.00	162,500	.....
Cuban American Tel. & Tel. Co. (Preferred)	340,000	50.00	340,000	.....
Western Electric Co., Inc. (no par value)	(c)5,950,736	99.18	143,845,610	.....
195 Broadway Corporation	5,500,000	100.00	5,515,000	(d) 16,275,000
Eastern Tel. & Tel. Co. (Canada)	75,000	100.00	75,000	1,475,000
Transpacific Communication Co., Ltd.	25,000	100.00	25,000	802,000
Sundry	1,220	.....	1,525	.....
Total Book Value (Cost)			<u>\$ 169,869,418</u>	<u>\$ 21,627,000</u>

(a) Common stocks except as otherwise indicated. (c) Number of shares.

(b) Remaining 50% owned by Western Electric Company, Inc. (d) Includes real estate mortgages of \$13,100,000.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY



On December 31, 1934, the number of stockholders of record of the Company was 675,027 as compared with 680,939 at the end of 1933. The average number of shares held per stockholder was 28. These stockholders are found in practically every walk of life; 56 per cent are women, 35 per cent are men, 5 per cent are joint accounts, and the remaining 4 per cent are corporations, trustees, private firms, and brokers. No stockholder owns as much as 1 per cent of the total stock. There were also at the end of 1934 about 33,000 holders of common stock and 105,000 holders of preferred stock of the Associated Companies. Allowing for duplications in these totals, there are now about 745,000 owners of stock of Bell System telephone companies.

PENSION TRUST FUND

AMERICAN TELEPHONE AND TELEGRAPH COMPANY Bankers Trust Company, New York, N. Y., Trustee

Balance in Fund—December 31, 1933	\$15,562,222.76
Additions to Fund during 1934—	
Amount paid in by Company to provide for pension liability accruing in respect of employees in its service	\$ 901,178.00
Interest revenue from investments after amortization of pre- mium or discount included in purchase price	662,058.15
Total additions	\$1,563,236.15
Disbursements for pensions during 1934 to retired employees	503,391.80
Net increase in Fund	\$ 1,059,844.35
Balance in Fund—December 31, 1934	\$16,622,067.11
Comprised of—	
Notes of American Telephone and Telegraph Company purchased at face value	\$11,022,112.57
Bonds of Bell System Companies	5,067,971.60
Cash awaiting investment and accrued interest not due	531,982.94
Total	\$16,622,067.11

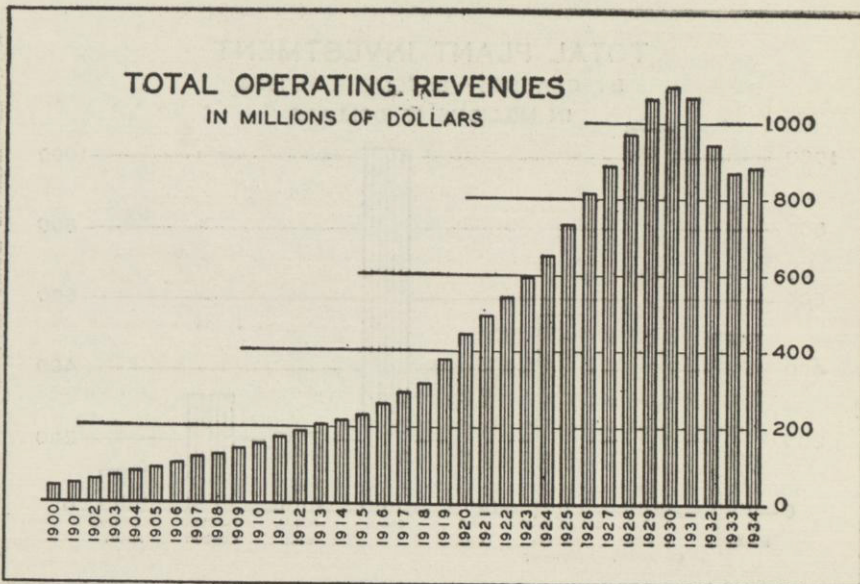
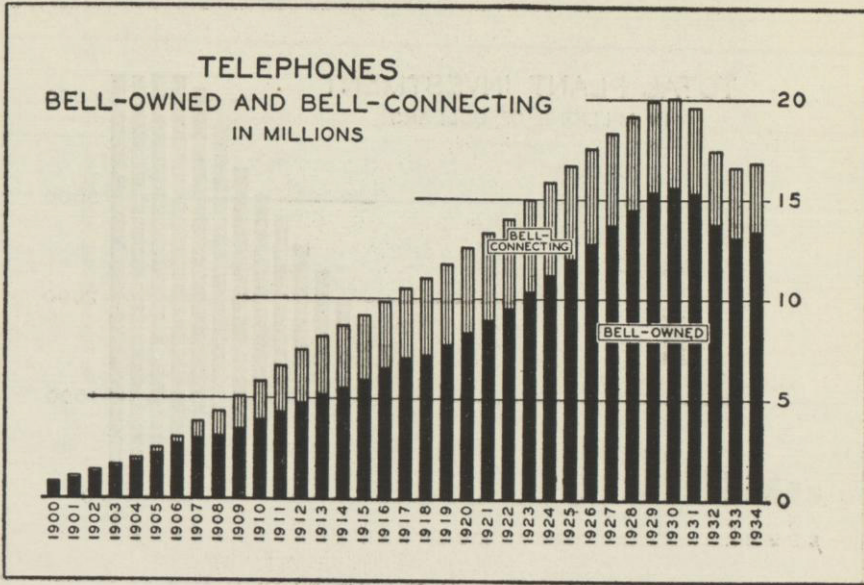
NOTE: Securities are shown at cost adjusted to provide for amortization over their remaining life of discount or premium included in the purchase price.

We certify that the above statement of the Pension Trust Fund of the American Telephone and Telegraph Company is correct.

Bankers Trust Company, Trustee
By (Signed) W. C. MEYERS,
Assistant Secretary.

Dated January 17, 1935.

BELL SYSTEM



BELL SYSTEM

