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The addition to surplus above indicated makes the total of that fund \$80,000.

In considering the growth of the Citizens' Telephone Company's system in the table above given no account is taken of the fact that the Marshall exchange has been bought since your last annual meeting, and because a separate organization is maintained for the property under the name of the Citizens' Telephone Company of Marshall, although your company owns all but about 2 per cent of the investment, its statistics are not embodied in the figures heretofore given. The Marshall exchange had on the 1st of July 412 telephones. One might say then fairly that the net growth of the Citizens' system for the year was 3,816 telephones, instead of 3,404 telephones, which would increase the figures of growth and emphasize the increase as compared with 2,357 reported to you a year ago. The situation at Marshall since your company secured that property has steadily improved in the face of the competition of free service, and the exchange is larger and better than when purchased. As it is located between the exchanges at Battle Creek and Jackson, which your company controls, and on long-distance lines, which your company owns, the desirability, in fact the necessity, of the purchase of the Marshall exchange is apparent.

As heretofore stated in the annual reports, the Citizens' Telephone Company owns a controlling interest in the Citizens' Telephone Company of Jackson. Directors of your company are directors of that company, and officers of this company are officers and managers of that property. Almost three-fourths of the outstanding stock of that company is owned by your company. Its statistics, hence, are of interest to you, and are briefly epitomized in this report. The Jackson system includes 2,444 telephones owned by that company, of which 2,316 are in the Jackson city exchange, 108 are at Napoleon, 15 at Norvell and 5 at Clark's Lake. There are connected with the Jackson system and paying rentals to that company, so that they are for practical purposes a part of it, although not an element of the property, 191 other telephones, of which 143 get service with the Jackson city exchange, 7 at Napoleon and 41 at Norvell, making a total of 2,635 telephones securing service in the Jackson Citizens' Company's system. The plant is growing steadily and its condition is quite satisfactory to the management.

The Citizens' Telephone Company of Battle Creek is another of the properties which your company controls, having a very large majority of the capital stock outstanding, a greater per cent even than of the Jackson company. The preferred stock of that company is getting its regular quarterly dividends, and your investment in it accounts for part of the revenue denominated 'other income' in the table above given. After the automatic service in your exchange in Grand Rapids had proved so satisfactory it was decided to install similar service in Battle Creek, and the automatic switches were first put in operation just after last Christmas. Previous to that time the service given in that exchange was not all that could be desired, hence the growth of the Battle Creek system was not flattering; but the new service is proving exceedingly satisfactory, the growth is now sure and steady, the service is evidently winning its way, and with each month the number of telephones ordered grows larger and larger; while there will soon be connected a considerable number of other telephones paying rentals like the service just above mentioned as to Jackson.

Your interest in the Muskegon system remains unchanged in amount. That property has also made substantial growth during the past twelve months, and now includes in the Muskegon city exchange, in Coopersville, Ravenna, Conklin, &c., &c., 1,584 telephones. It is ably managed and prosperous. It is earning good profits and paying semi-annual dividends of 4 per cent in cash, and the revenue from your investment in that company is another element of 'other income' previously quoted. At the last meeting of the board of directors of that company it was found necessary to purchase another section of switchboard and to provide more cable to meet the immediate demands for expansion, and another copper circuit is about completed connecting this city with Coopersville, providing improved additional facilities for the large and growing business to and from this city. Copper lines have been built north from

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