

Q. Your increase of capital was \$333,000 in that period. Do you agree with that? There may be some odd dollars, but the round figures are \$333,000.—
A. It is just a matter of subtraction, the difference between those two figures. I am assuming your figures are correct.

Q. All right. Your borrowings were \$2,105,000 and you have outstanding loans increased to \$2,667,000. That gives us a difference of about \$250,000. Where did that money come from that was invested in those instalment notes?—
A. The surplus that was accruing from year to year.

Q. That was your surplus accumulating and reloaned in your business?—
A. Yes, quite so.

Q. Can you give us a statement or make a statement as to the total amount of interest, if any, or dividends or any other bonuses or payments made to the parent company, in the five years, if any?—
A. None, sir, other than interest which has been placed on the books as a book-keeping entry. No dividend has been paid at all or no money has been transferred out of the country by way of interest or dividend to the parent company or any other way.

Q. You have, I presume, your arrangement with the Household Finance Corporation of the United States regarding the revamping of this company, if this bill passes and authority is given?—
A. What do you mean by revamping? The Household Finance own this thing.

Hon. Mr. STEVENS: Mr. Chairman, I may seem to trespass into the next paragraph, which I do not wish to do.

By Hon. Mr. Stevens:

Q. Let us put it this way: If this bill passes and the increased capital is allowed, you must have some understanding with the parent company as to what disposition is to be made of that, Mr. Reid?—
A. Yes.

Q. Will you tell us what that is?—
A. I will be very glad to. They will simply convert their book debt into capital; that is to say, they will accept stock in payment of the book debt.

Q. I notice you have a surplus in 1936, and it is the first time you erect this reserve?—
A. Yes.

Q. December 31, 1936, reserve fund, \$300,000. That is, I presume, part of your surplus?—
A. That is right.

Q. And you carry it to a reserve fund. That reserve fund plus the borrowings you have made from the companies, plus any other reserve or surplus that may show, will be then converted into capital stock. Is that the proposal?—
A. Well, I would not go so far as to say this reserve will completely be transferred to capital stock. This a matter of policy. It is the intention to convert the debt from Central to Household into stock, and to pay off that debt by giving the parent company stock. How much farther that will go I do not know.

Mr. CLEAVER: Might I interrupt you, Mr. Stevens. I have a number of questions, Mr. Chairman, which I myself would like to direct to the witness in regard to section 2 of this bill, but I think the committee rather agreed with your ruling that we would confine ourselves now to section 1.

The CHAIRMAN: I think Mr. Stevens asked permission to deviate for a minute or two.

Hon. Mr. STEVENS: As a matter of fact, Mr. Chairman, I merely referred to the fact of the possible passing of this bill. That is the only place I touched on section 2.

Mr. CLEAVER: All your questions have been directed to section 2, to the proposed new capitalization of the company.

Hon. Mr. STEVENS: That may be a matter of argument.

[Mr. Arthur P. Reid.]