

THE FIRST BOSTON CORPORATION

BOARD of DIRECTORS

HARRY M. ADDINSELL	ARTHUR B. KENNEY	ALLAN M. POPE
JAMES COGGESHALL, JR.	R. PARKER KUHN	WILLIAM H. POTTER, JR.
EUGENE I. COWELL	DUNCAN R. LINSLEY	FRANK M. STANTON
NEVIL FORD	JOHN R. MACOMBER	WINTHROP E. SULLIVAN
JOSEPH W. HAMBUECHEN	JOHN C. MONTGOMERY	GEORGE D. WOODS
	JAMES H. ORR	

OFFICERS

*Chairman
Board of Directors*
JOHN R. MACOMBER

President
ALLAN M. POPE

*Chairman
Executive Committee*
HARRY M. ADDINSELL

Vice-Presidents

FRANCIS A. CANNON
JAMES COGGESHALL, JR.
EUGENE I. COWELL
NEVIL FORD
R. PARKER KUHN
EDWARD H. LADD, 3D

AUBREY G. LANSTON
GEORGE J. LENESE
DUNCAN R. LINSLEY
JAMES A. LYLES
L. MEREDITH MAXSON
LOUIS G. MUDGE

WILLIAM H. POTTER, JR.
FRANK M. STANTON
WINTHROP E. SULLIVAN
ADOLPHE H. WENZELL
HERBERT T. C. WILSON
GEORGE D. WOODS

*Vice-President and
Treasurer*
JOHN C. MONTGOMERY

*Vice-President and
Comptroller*
ALFRED A. GERADE

Honorary Secretary
ARTHUR B. KENNEY

*Secretary and
Assistant Treasurer*
ALLEN E. BURNS

THE FIRST BOSTON CORPORATION

Underwriter and Distributor

of
Investment Bonds and Stocks

Dealer in

*Securities of the United States Government
and the Instrumentalities thereof*

State and Municipal Securities

*Investment Bonds and Stocks of
Public Utility, Railroad and Industrial Corporations*

Canadian and Foreign Dollar Bonds

Short Term Bonds and Notes

Bankers' Acceptances

Bank and Insurance Stocks

OFFICES

Executive Offices:

100 BROADWAY, NEW YORK

1 FEDERAL STREET, BOSTON

Other Offices:

BUFFALO: Liberty Bank Building
CHICAGO: 231 South LaSalle Street
CLEVELAND: Union Commerce Building
HARTFORD: 36 Pearl Street
LOS ANGELES: 623 South Hope Street
PHILADELPHIA: 1616 Walnut Street

PITTSBURGH: Farmers' Bank Building
PROVIDENCE: R. I. Hospital Trust Building
RUTLAND: Marble Savings Bank Building
SAN FRANCISCO: Russ Building
ST. LOUIS: 314 North Broadway
SPRINGFIELD: Third National Bank Building

European Correspondent:

THE FIRST BRITISH AMERICAN CORPORATION, LTD.
3, Lombard Street, London

Report to Stockholders

December 31, 1941



The

FIRST BOSTON
CORPORATION

To the Stockholders of THE FIRST BOSTON CORPORATION:

The financial operations of your Corporation for the calendar year 1941 have been audited by Messrs. Haskins & Sells, certified public accountants, selected by the Committee which was elected by the stockholders.

A balance sheet as of December 31, 1941 and income statement for the year, certified by the accountants, are presented on the following pages.

The Directors at the regular meeting of the Board on July 9, 1941 declared a dividend of sixty cents per share and, at the regular meeting of the Board on January 14, 1942, a dividend of thirty cents per share was declared. The net operating profit for the year 1941 amounted to \$458,590.96 and, after year end security depreciation adjustments of \$179,436.78 the net income was \$279,154.18.

On December 31, 1941 the total capital funds, exclusive of reserves, amounted to \$10,969,494.29, which reflects the payment in dividends of \$800,000 on January 28, 1941 and \$300,000 on July 29, 1941, but does not reflect the \$150,000 in dividends declared on January 14, 1942.

Your Directors propose that the Corporation acquire in the open market from time to time for its own account not in excess of 100,000 shares of its Capital Stock, if and when it seems to the advantage of the Corporation to do so.

In the year 1941 your Corporation participated in the underwriting or distribution of \$1,813,411.14 of investment bonds and stocks to the extent of \$129,622,796, in addition to the general day-to-day transactions. The rule requiring competitive bidding on certain issues of public utility securities became effective in 1941 and injected a new method of procedure in the investment banking business with respect to such issues. In the period of adjustment occasioned by this rule, the profits from underwriting made by your Corporation were adversely affected particularly because of certain factors which, in the early stages, complicated the competitive bidding procedure.

No compensation in addition to salaries was paid during the year to any officer or employee included in the Participation Plan provided for by Article IV of the By-Laws. Some of the other officers and salesmen were, according to long-established custom, paid adjusted compensation based on individual performances. All other employees who had served longer than one year received at the end of the year, over and above their salaries, compensation of 6% of the annual salaries received in 1941 in general recognition of the increased cost of living.

There is no apparent reason at this time to alter materially the present general policy in the conduct of the business. The entire personnel has met ever-changing conditions with commendable foresight and judgment. Twenty-three officers and employees have entered the armed services, entailing an added burden on those remaining, which has been carried with loyalty and fine spirit. In addition, your Corporation has loaned the full-time services of a Vice President to the United States Treasury Department for six months and has also loaned several other senior officers for part-time work in assisting in the sale of defense bonds.

In addition to the added burden caused by reduction in the staff due to men entering the Services or entering governmental defense work, a large number of the personnel are devoting a great measure of their time after office hours to work such as that of Air Raid Wardens, Red Cross training and in other defense activities. 100% of the personnel voluntarily joined the Red Cross and when completed the records are expected to show that a similarly high percentage of the members of the organization will have pledged themselves to the purchase of Defense Bonds.

All these public-spirited activities identify your Corporation as representative of the best American tradition, of which all should be proud.

ALLAN M. POPE,
President.

Boston, Massachusetts.
January 31, 1942.

THE FIRST BOSTON CORPORATION

(INCORPORATED IN MASSACHUSETTS)

BALANCE SHEET—December 31, 1941

ASSETS:

Cash	\$ 4,200,565.05
Cash Pledged Against Securities Borrowed	5,490,672.00
Bankers' Acceptances	1,100,000.00
United States Government Obligations—Direct and Fully Guaranteed	27,032,403.48
Other Securities, Bonds, and Stocks	9,071,827.73
Securities Carried in Joint Trading Accounts	248,018.14
Securities Sold Not Yet Delivered—At Selling Price	22,047,715.54
Miscellaneous Accounts Receivable and Accrued Interest	142,240.10
Furniture and Fixtures—Less Depreciation	43,948.98
Tax Stamps	14,125.22
Deferred Items	21,046.67
TOTAL	<u>\$69,412,562.91</u>

LIABILITIES:

Collateral Loans Payable	\$27,219,054.43
Deposits on Securities Loaned	67,944.00
Securities Sold Not Yet Purchased	13,352,972.55
Securities Purchased Not Yet Received—At Purchase Price	16,722,981.39
Accrued Federal, State, and City Taxes	194,692.47
Due Customers	340,192.46
Miscellaneous Accounts Payable and Accrued Expenses	225,975.27
Reserves for Miscellaneous Items	19,256.05
Reserve for Contingencies	300,000.00
Capital Stock (authorized and issued, 500,000 shares of \$10.00 each)	5,000,000.00
Paid-in Surplus	4,000,000.00
Earned Surplus	1,969,494.29
TOTAL	<u>\$69,412,562.91</u>

NOTES: Exclusive of certain investment securities which are closely held and not quoted on the market (stated at a cost of \$2,081,192.63) the securities owned and the securities sold not yet purchased are stated at quoted market valuations in accordance with the Corporation's usual practice, such practice being to state securities at market values only if there results a net depreciation.

Securities having a quoted market valuation of \$28,626,000 are pledged as collateral to loans payable; securities having a quoted market valuation of \$8,927,700 are pledged as collateral against securities borrowed.

The Corporation had contingent accounts as follows:

Commitment as a member of an underwriting group to purchase securities	\$ 345,000.00
Securities purchased on a "when issued" basis	1,491,574.27
Securities sold on a "when issued" basis	1,495,591.30

SUMMARY OF INCOME AND EARNED SURPLUS

for the year ended DECEMBER 31, 1941

INCOME:

Profits (less losses) from trading in securities on own account and in joint accounts, and as participant in underwriting groups (determined on basis of cost)	\$2,793,896.21
Interest and discount earned, and dividends received	354,901.36
Commissions, service charges, and miscellaneous income	240,124.07
TOTAL	<u>\$3,388,921.64</u>

EXPENSES:

General expenses	\$2,445,567.15
Interest on bank loans, etc.	102,155.28
Taxes (including provisions for Federal and State taxes)	369,861.16
Depreciation of furniture and fixtures	12,747.09
TOTAL	<u>2,930,330.68</u>

NET OPERATING PROFIT FOR THE YEAR	\$ 458,590.96
LESS: Security depreciation adjustment	179,436.78
NET INCOME FOR THE YEAR	<u>\$ 279,154.18</u>
EARNED SURPLUS, JANUARY 1, 1941	2,790,340.11
EARNED SURPLUS BEFORE CHARGING DIVIDENDS	<u>\$3,069,494.29</u>
LESS DIVIDENDS PAID:	
January 28, 1941 (\$1.60 a share)	\$ 800,000.00
July 29, 1941 (\$.60 a share)	300,000.00
EARNED SURPLUS, DECEMBER 31, 1941	<u><u>\$1,969,494.29</u></u>

ACCOUNTANTS' CERTIFICATE

THE FIRST BOSTON CORPORATION:

We have examined the balance sheet of The First Boston Corporation as of December 31, 1941 and the related summary of income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Corporation, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and summary of income and earned surplus fairly present the financial condition of the Corporation at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

New York,
January 21, 1942.

HASKINS & SELLS