

It is suggested that we buy a block of the common stock of Commonwealth & Southern Corporation at \$4 per share paying 30 cents a year to yield 7.50%.

The subdivision of the Kilowatt hour quantity output and the dollar electric earnings of Commonwealth & Southern in 1931 are as follows:-

Source	K.W.H. Output		Revenue		Average Rate
	Amount	Per Cent	Amount	Per Cent	per K.W.H.
Industrial	3,067,000,000	70	\$36,000,000.	37	1.17
Commercial	880,000,000	19	33,000,000.	33	3.75
Domestic	550,000,000	11	30,000,000	30	5.35
	4,497,000,000	100	99,000,000	100	2.12

Industrial consumption in 1931 was 8.45% less than in 1930. Commercial consumption remained about the same and Domestic consumption increased by 8%. During the 12 months ended February 1930 the earnings per share were 72 cents but for the 12 months ended February 1932 earnings had declined to 37 cents a share.

The type of contract adopted by the company with its industrial customers has been responsible for a comparatively excessive drop in earnings in the depression. On the other hand, with an improvement in conditions the increase in earnings from this part of the company's business will be up correspondingly. The management states that if the company can regain half the industrial business which it has lost, earnings of \$1.00 per share can be shown.

It is estimated by officials of the company that 50 cents a share will be earned in 1932 as compared with 39 cents a share in 1931.

The company operates in Michigan, Ohio and the Southern States. Automobile production in Michigan, rubber tire production in Ohio and the generally depressed state of business in the South have conspired to lower the system's earnings by a substantially greater amount than is usual in the majority of public utilities.

The system at present is overbuilt, the non-paying excess generating capacity being as follows:-

In Michigan	200,000	K.W.
In Ohio	100,000	K.W.
In the South	300,000	K.W.
		<u>600,000</u>	K.W.
Total			

The corporation itself has no funded debt or bank loans but holds \$40,000,000 in cash. Underlying bonds of subsidiaries are outstanding to an amount of \$428,000,000. Interest charges and preferred dividends of subsidiaries total \$38,000,000 and were covered $2\frac{3}{4}$ times in 1931. The bonds of subsidiaries are well regarded and sell on an average yield basis of between $5\frac{1}{2}$ and $5\frac{3}{4}$ %.

There are outstanding 1,500,000 shares of 6% Preferred Stock of Commonwealth and Southern Corporation, and 34,011,000 shares of common stock.