

realized that it will be some time before any substantial amount of power will be available and in the meantime there are many obstacles in the way.

The sale of power by the Government will necessitate large expenditures by municipalities which are not in a position to make them. Private companies operating in the territory possess State charters and it is doubtful whether the Federal Government will be able to compete directly with these private companies. The President's attitude and the past record of the U.S. Supreme Court mitigate against any confiscatory or unfair action on T.V.A's part. Banks, Insurance companies and other large institutions hold almost four billion dollars worth of utility securities and they will not be denied the right to protest against any action which would jeopardize the reputation of such securities as a whole.

Finally there are the people of the territory who are for the most part rugged individualists and not easily amenable to any large social change such as would be made under the T.V.A. programme. The city of Birmingham recently voted down a proposal to take power from Muscle Shoals since it meant that the City would have to bear the cost of distribution.

There is, of course, the chance that the Authority's plans will go through without a hitch, and in order to paint the picture in darkest colours we will assume that the Company's subsidiaries in the Tennessee Valley territory will yield no income after 1937. This would mean a decrease in the Commonwealth and Southern earnings of \$3,894,100. or \$2.60 per share for the preferred stock. On the other hand should the Company's other properties by that time show earnings equal to those of 1931 there would be an increase in earnings from this source of at least \$7,000,000.

To Summarize;- the present market price of 30 for the preferred stock of Commonwealth and Southern would appear to reflect only the most pessimistic view of the future of the Company and it is recommended that the University increase its holdings of this stock, amounting to 1100 shares, by the purchase of at least 400 more.

E.D. Glassco

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