

LM

Decision No. 17685.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
SANTA MONICA BAY HOME TELEPHONE COMPANY )  
for an order authorizing the sale of )  
\$26,500.00 par value of its first mort- ) Application Number 9418  
gage bonds and the sale of 1,000 shares )  
of its capital stock. )

L. C. Torrance, for Applicant.

BY THE COMMISSION:

OPINION

In the above entitled application SANTA MONICA BAY HOME TELEPHONE COMPANY asks permission to issue and sell \$26,500.00 face value of its five percent. first mortgage bonds due October 15, 1937 and to issue and sell 1,000 shares (\$100,000. par value) of its common capital stock for the purpose of paying in part the cost of acquiring and constructing properties referred to below.

Santa Monica Bay Home Telephone Company reports \$250,000. of common capital stock outstanding and in the hands of the public. In addition, the company has issued \$250,000.00 of common stock pursuant to the authority granted by the Commission in Decision Number 8695 dated March 3, 1921. (Volume 19, Opinions and Orders of the Railroad Commission of California, page 448 ) The \$250,000.00 of stock issued pursuant to authority granted in Decision Number 8695 has been deposited under an escrow agreement with the Title Insurance and Trust Company. The Commission's order provides that the company may not dispose of the \$250,000.00 of stock in any manner whatsoever except as authorized by the Railroad Commission. The company

asks that the escrow agreement be cancelled and the stock returned to its treasury for the purpose of sale. The order in Decision Number 8695 will be modified so as to permit the return of the \$250,000. of common stock to applicant's treasury.

Until recently, the company had outstanding \$250,000.00 of preferred stock. The company's Articles of Incorporation have been amended and the preferred stock exchanged for common stock. An eight percent. dividend has been paid on the preferred stock during the past two years.

Santa Monica Bay Home Telephone Company has an authorized bond issue of \$500,000.00. The payment of the bonds is secured by a first mortgage on its properties. The bonds bear interest at the rate of five percent. per annum and mature October 15, 1937. To September 30, 1923 the company has issued \$472,500.00 bonds, of which \$1,500.00 have been cancelled, leaving \$471,000.00 outstanding. The \$26,500.00 of bonds which applicant now asks permission to issue have never been certified by the trustee. When these bonds are certified and issued all of the company's authorized first mortgage bonds will have been issued. Following the issue of the \$26,500.00 of bonds, the company's annual interest charge on first mortgage <sup>bonds</sup> will amount to \$24,875.00. For 1920, the company reports available for the payment of interest, other fixed charges and dividends the sum of \$30,786.49; for 1921 the sum of \$55,604.34; and for 1922 the sum of \$65,755.10. After paying bond interest and other fixed charges the company had available for dividends and surplus the sum of \$7,308.66 in 1920; the sum of \$29,734.62 in 1921; and the sum of \$44,453.48 in 1922. The testimony of L.C. Torrance shows that applicant's earnings for 1923 will be in excess of those for 1922.

It is of record that applicant's business has been increasing very rapidly and that applicant has not been able to obtain the necessary equipment to meet all of the demand for telephone service.

The application shows that the company from January 1, 1923 to September 30, 1923 has expended \$105,000.00 for automatic equipment, power equipment, aerial and underground cable, telephones, wires and other additions and betterments. It has entered into contracts for automatic equipment costing \$97,500.00. It estimates that from \$50,000. to \$60,000. will have to be expended within the near future and for cable; \$17,500. for 1,000 telephones,/\$25,000. for installing the new equipment and telephones. It is for the purpose of paying in part for the additional equipment and its installation that applicant asks permission to issue \$26,500. of bonds and \$100,000. of stock.

#### O R D E R

SANTA MONICA BAY HOME TELEPHONE COMPANY having applied to the Railroad Commission for permission to issue \$26,500. of bonds and \$100,000. of common stock, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such bonds and stock is reasonably required by applicant and that this application should be granted as herein provided, therefore;

IT IS HEREBY ORDERED that the SANTA MONICA BAY HOME TELEPHONE COMPANY be, and it is hereby, authorized to issue and sell for cash at not less than eighty-three and one half percent. of their face value and accrued interest \$26,500. of its first mortgage five percent. bonds due October 15, 1937 and to issue and sell at not less than \$96. net per share, one thousand shares (\$100,000.) of its common capital stock, provided that the net proceeds from the sale of the bonds and stock be used to finance in part the cost of acquiring, constructing and installing the properties described in this application.

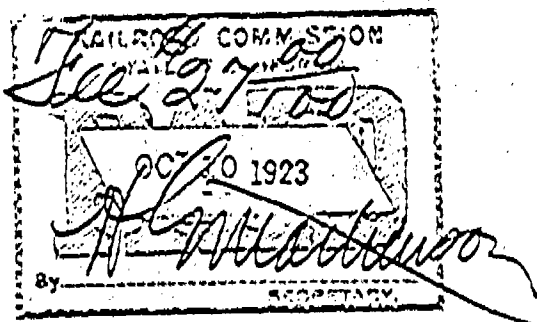
The authority herein granted is subject to further conditions as follows;--

1. SANTA MONICA BAY HOME TELEPHONE COMPANY shall keep such record of the issue, sale and delivery of the stock and bonds herein authorized and of the disposition

of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

2. The authority herein granted to issue bonds and stock will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$27.00. The authority to issue bonds and stock will expire on July 1, 1924.

DATED at San Francisco, California, this 10<sup>th</sup> day of October, 1923.



C. Seaver  
H. B. [unclear]  
Dwight Martin  
Ernest Shore  
J. [unclear]  
Commissioners.