

Decision No. 12713

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
the ASSOCIATED TELEPHONE COMPANY for)
a permit to sell 2,000 shares of its)
capital stock and \$500,000.00 of its) Application No. 9372
first mortgage and collateral trust)
gold bonds.)

G. B. Ellis, and
S. R. Haffley, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application the Associated Telephone Company asks permission to issue and sell \$200,000.00 of common capital stock and \$500,000.00 of first mortgage and collateral trust 6 per cent bonds for the purpose of financing the cost of additions, betterments and improvements and of paying outstanding indebtedness. The company asks permission to sell its bonds at not less than ninety three per cent of their face value plus accrued interest and its stock at par less an allowance of \$3.00 per share of stock sold to pay selling expenses.

Associated Telephone Company was organized on or about August 30, 1920 and is engaged in giving telephone service in and about the Cities of Long Beach and San Bernardino. On December 31, 1920 it reported 13,042 subscribers, on December 3, 1921, 15,126 subscribers, on December 31, 1922, 17,210 subscribers and on August 31, 1923, 19,849 subscribers. For the year ending December 31, 1922 it reports revenues of \$486,708.64, operating expenses including taxes and depreciation as \$347,790.65, leaving a gross income of \$138,917.99. After paying interest on bonded debt it reports net profits for the year as \$71,669.32. For the six months ending June 30, 1923 the company reports gross revenues of \$283,298.81.

operating expenses as \$173,267.98, gross income of \$110,230.83 and net profits for the period of \$68,733.84.

The company was organized with an authorized capital stock of \$2,000,000.00 divided into 20,000 shares of the par value of \$100.00 each, all shares being common. At present it reports \$1,011,200.00 of stock outstanding on which there has been paid, since its issue, dividends at the rate of 8.4 per cent per annum. On August 31, 1923 applicant reports its outstanding bonded debt as \$1,129,200.00, consisting of \$829,200.00 of mortgage and collateral trust bonds, \$300,000.00 of collateral trust bonds.

By Decision Number 10006, dated January 20, 1922, the Commission authorized applicant to issue and sell for cash at not less than 93-1/4 \$300,000.00 of 10 year 7 per cent collateral trust bonds due February 1st, 1932 and to issue and pledge as security \$400,000.00 of mortgage and collateral trust 6 per cent bonds due August 1st, 1950. The order of the Commission provides that as the collateral trust bonds are paid a proper proportion of the mortgage and collateral trust bonds deposited as collateral should be returned to applicant's treasury and thereafter not disposed of in any manner whatsoever except as authorized by the Railroad Commission. It appears that at present \$288,000.00 of the collateral trust bonds are outstanding in the hands of the public and \$12,000.00 are held by the trustee under the collateral trust agreement.

The application shows that Associated Telephone Company will be called upon to make extensive additions and betterments. To facilitate the financing of such additions and betterments applicant believes it advisable to retire the collateral trust bonds now outstanding. It therefore asks permission to use the proceeds from the sale of \$300,000.00 of the bonds now applied for to finance in part the cost of retiring the collateral trust bonds. It asks permission to use the proceeds from the sale of the remaining \$200,000.00 of bonds and of the stock to finance the cost of additions and better-

ments. It appears from the testimony herein that of the \$500,000.00 of bonds to be sold \$400,000.00 are at present pledged as security under the authority granted by Decision Number 10006. The \$400,000.00 of bonds are not included in the outstanding bond debt to which reference has been made.

The additions and betterments to be financed with proceeds from the sale of stock and bonds are described in exhibits attached to the application. It appears that the company estimates its capital expenditures to June 1st, 1924 at \$485,010.60. Of this amount \$96,197.55 has already been expended and has not been paid or provided for through the issue of other securities. The remaining expenditures, amounting to \$388,813.05, include \$187,120.52 for additional switch board equipment, \$145,824.73 for additional cable, \$36,068.00 for new telephone instruments and the remainder for drop wire and miscellaneous lines.

O R D E R

ASSOCIATED TELEPHONE COMPANY, having applied to the Railroad Commission for permission to issue and sell stock and bonds, 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 stock and bonds referred to in this application, is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income,

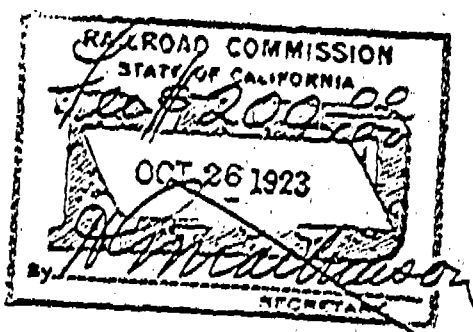
IT IS HEREBY ORDERED that ASSOCIATED TELEPHONE COMPANY be, and it is hereby authorized to issue and sell at par for cash \$200,000.00 of its common capital stock and to issue \$500,000.00 of its mortgage and collateral trust bonds and to sell such bonds at not less than ninety three per cent of their face value plus accrued interest.

The authority herein granted is subject to further conditions

as follows :

1. The proceeds received from the sale of \$300,000.00 of the bonds herein authorized to be sold shall be used to finance in part the cost of retiring the \$300,000.00 of collateral trust bonds referred to in the foregoing opinion.
2. Applicant may use a sum not exceeding \$3.00 per share of stock sold to pay selling expenses. The remainder of the proceeds from the sale of the stock, together with the proceeds from the sale of \$200,000.00 of bonds authorized herein, shall be used to finance in part the cost of the additions and betterments described in this application.
3. The authority herein granted to issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$200.00 and will expire on June 30, 1924. The authority to issue stock will become effective upon the date hereof and will expire on June 30, 1924.
4. Applicant 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.

DATED at San Francisco, California, this 15th day of October, 1923.



C. A. Sewing
H. B. ...
Dwight ...
Egerton ...
J. P. Whittey
Commissioners.