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Decision No. 14644.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of  
EDWARD H. COOKINGHAM,  
for an order authorizing him to sell  
the Laguna Beach telephone plant, sys-  
tem and franchise to Laguna Beach  
Telephone Co., a corporation, and for  
an order authorizing said corporation  
to purchase said telephone plant, sys-  
tem and franchise.

Application Number 10697

James L. Hansen, for Applicants.

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the public hearing held before Examiner Fankhauser, the Railroad Commission is asked to make an order--

1. Authorizing Edward H. Cookingham to sell and transfer his public utility telephone franchise, plant and system located in Laguna Beach, Orange County, subject to outstanding indebtedness, to Laguna Beach Telephone Co., a corporation; and

2. Authorizing Laguna Beach Telephone Co. to issue in part payment therefor \$15,000.00 of its common capital stock and to issue and sell \$35,000.00 of its common capital stock to finance the cost of additions and improvements; and

3. To issue promissory notes secured by mortgage, for the purpose of financing the cost of additions and improvements.

It appears that Edward H. Cookingham, under the firm name and style of Laguna Beach Telephone Company, owns and operates a telephone system in and near Laguna Beach and a toll line extending from Tustin to Laguna Beach, serving about 100 subscribers at present.

As of November 30, 1924, his assets and liabilities are reported as follows:-

#### A S S E T S

Current assets:		
Cash on hand . . . . .	\$835.52	
Accounts receivable . . . . .	252.20	
Storeroom . . . . .	<u>510.24</u>	\$1,597.96
Plant and equipment:		
Account #200 Intangibles capital	1,005.37	
220 Central office equipment	665.85	
230 Station equipment	2,098.08	
240 Exchange lines	4,262.29	
250 Toll lines	5,649.71	
260 General equipment	<u>317.71</u>	13,999.01
		<u>\$15,596.97</u>

#### L I A B I L I T I E S

Current liabilities:		
Accounts payable . . . . .	\$626.71	
Notes payable . . . . .	2,000.00	
Subscriber's deposits . . . . .	<u>59.25</u>	\$ 2,685.96
Unadjusted items:		
Accrued taxes . . . . .	300.00	
Reserve for depreciation . . .	<u>1,098.04</u>	1,398.04
Capital invested . . . . .		11,512.97
		<u>\$15,596.97</u>

The record shows that Edward H. Cookingham is of the opinion that the business can be operated better, and funds for additional construction work more easily obtained, by a corporation than by himself, and for that reason has caused the organization of Laguna Beach Telephone Co. The Articles of Incorporation of Laguna Beach Telephone Co. show that it was organized on or about November 7, 1924 with an authorized capital stock of \$50,000.00, divided into 500 shares of the par value of \$100. each, all common. The present application,

therefore, involves the issue of the total authorized capital stock, it being planned to deliver \$15,000.00 to Edward H. Cookingham in part payment for his properties, and to sell \$35,000.00 from time to time as funds are needed for additional properties.

The foregoing balance sheet shows investment in plant and equipment as of November 30, 1924 of \$13,999.01, which amount is said to represent actual expenditures by Edward H. Cookingham in purchasing and constructing his telephone system. The balance sheet shows total assets of \$15,596.97 which is offset by current liabilities of \$2,685.96, reserve for depreciation of \$1,098.04, unadjusted credit items of \$300.00 and capital invested of \$11,512.97.

It is of record that the properties involved in this application will be transferred to the corporation on condition that it assumes the payment of the outstanding indebtedness. We believe that the corporation should issue stock to acquire the properties only in an amount equal to the reported investment by Edward H. Cookingham. The order herein will therefore authorize the issue of \$11,600.00 of stock for this purpose. The making of such an order, however, is not to be construed as fixing a value on the properties involved in this application for the purpose of fixing rates, or for any purpose other than this transfer.

In connection with the request of the corporation to issue \$35,000.00 of stock to pay for additional construction work, it developed at the hearing that the company was not in a position to advise the Commission of the purposes for which such stock would be issued. It is of record that the acquisition of properties during the current year will be financed through the issue of notes. The testimony does not warrant the Commission at this time to make an order authorizing the issue of \$35,000.00 of stock.

By Decision Number 14156, dated October 9, 1924, in Application Number 10510, the Commission authorized Edward H. Cookingham,

doing business under the firm name and style of Laguna Beach Telephone Company, to execute a mortgage, substantially in the same form as the one filed as Exhibit "E" in Application Number 10510, and to issue three year seven percent notes in the total face amount of \$8,000.00 for the purpose of making additions, extensions and improvements to his telephone properties. At the time of filing Application Number 10510, Mr. Cookingham advised the Commission that he planned to install at an estimated cost of \$5,594.85, two circuits of #12 copper wire from Tustin to Laguna Beach to improve service. In addition he reported that he intended to extend a pole line to McKnight's addition, at an estimated cost of \$363.10, and to extend a pole line to Coast Royal addition and to make other improvements at an estimated cost of \$1,349.60. It was to finance these expenditures that the Commission authorized the issue of the \$8,000.00 of notes.

Of these notes it appears that only \$2,000.00 have been issued to date, the payment of which notes will be assumed by the corporation in taking over the properties of Mr. Cookingham. It is reported that those in control of the corporation desire to proceed with the installation of the additions, extensions and improvements described in Application Number 10510. The request therefore is made by the corporation for permission to issue notes for these purposes.

#### O R D E R

Application having been made to the Railroad Commission for an order authorizing Edward H. Cookingham to transfer public utility telephone properties and Laguna Beach Telephone Company to issue stock and notes, secured by mortgage, a public hearing having been held, and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not in whole

or in part reasonably chargeable to operating expense or to income.

IT IS HEREBY ORDERED that Edward H. Cookingham, doing business under the firm name and style of Laguna Beach Telephone Company be, and he is hereby, authorized to transfer his public utility telephone properties, described in the above numbered application, to Laguna Beach Telephone Co., a corporation.

IT IS HEREBY FURTHER ORDERED that Laguna Beach Telephone Co., a corporation, be, and it is hereby, authorized to issue, sell or deliver at par \$11,600.00 of its common capital stock, to issue and sell at par \$8,000.00 of promissory notes payable on or before three years after date with interest at not exceeding seven percent. per annum, and to execute a mortgage, to secure the payment of such notes in substantially the same form as the mortgage heretofore filed as Exhibit "E" with the Commission in Application Number 10510.

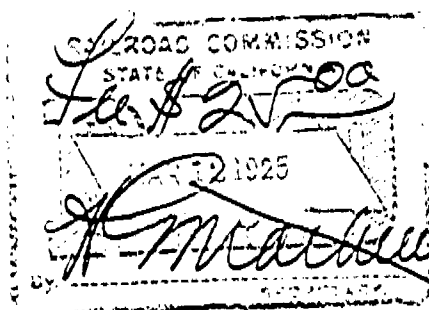
The authority herein granted is subject to the following conditions:-

1. In payment for the telephone properties herein authorized to be transferred, Laguna Beach Telephone Co., a corporation, may issue to Edward H. Cookingham the \$11,600. of stock, and assume the payment of indebtedness of not exceeding \$2,985.96 and the obligation represented by the reserve for accrued depreciation of \$1,098.04, as of November 30, 1924.
2. Laguna Beach Telephone Co., a corporation, may use \$2,000. of the proceeds obtained from the issue and sale of the \$8,000. of notes to pay \$2,000. of notes which it is authorized to assume and \$6,000. to finance the cost of extensions, additions and betterments set forth in Application Number 10510 and referred to in the foregoing opinion.
3. The authority herein granted to execute a mortgage is for the purpose of this proceeding only, and is granted

only in so far as this Commission has jurisdiction under the Public Utilities Act, and is not intended as an approval of such mortgage as to such other legal requirements to which said mortgage may be subject.

4. The price at which Edward H. Cockingham is authorized to transfer his telephone properties shall not be urged before this Commission or other public body having jurisdiction, as a measure of the value of such properties, for any purpose other than the transfer herein authorized.
5. Applicant shall keep such record of the issue, sale and delivery of the stock and notes 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.
6. The authority herein granted to transfer properties and issue stock will become effective upon the date hereof. The authority herein granted to issue notes and execute a mortgage will become effective only when Laguna Beach Telephone Co., a corporation, has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which minimum fee is \$25.00. Under the authority herein granted no stock or notes will be issued after December 15, 1925.

DATED at San Francisco, California, this 10<sup>th</sup> day of <sup>March</sup>~~February~~, 1925.



H. B. G. ...  
...  
Egerton Shore  
George D. Squires  
...  
Commissioners.