

LEM

Decision No. 150285

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
FEDERAL TELEGRAPH COMPANY,)	
for an order authorizing the issue)	
of 50,981.50 shares of its capital)	Application No. 11144
stock.)	

Pillsbury, Madison & Sutro, by Chas. A. Ruggles,
for applicant.

BY THE COMMISSION:

O P I N I O N

Federal Telegraph Company, in the above entitled matter, asks permission to issue and sell, at not less than \$8.00 a share, 50,981.50 shares of its common capital stock of the par value of \$10.00 each, for the purpose of financing, in part, the cost of radio equipment.

The application shows that applicant is engaged in the business of transmitting telegraphic messages by means of wireless telegraphy upon the Pacific seaboard, principally between the cities of Portland, Seattle, San Francisco, Los Angeles and San Diego, and also between ships on the Pacific Ocean and the Pacific Coast, and in the manufacture of radio apparatus, which is used by it in its operations and is also sold to the general public. Annual reports filed by the company with the Commission show its revenues

and expenses as follows:-

<u>ITEM</u>	<u>1924</u>	<u>1923</u>
Telegraph operating revenues	\$598,884.56	\$586,266.28
Other operating revenues	54,824.58	55,995.26
Nonoperating income	1,920.90	3,988.87
Total.....	<u>\$655,630.04</u>	<u>646,250.41</u>
Telegraph operating expenses	478,557.41	467,902.85
Other operating expenses	37,592.74	31,455.73
Total.....	<u>516,150.15</u>	<u>499,358.58</u>
Operating income	<u>139,479.89</u>	<u>146,891.83</u>
DEDUCT:		
Interest on funded debt	30,666.68	38,337.76
Rentals	52,926.12	56,093.79
Other	14,456.86	13,230.83
Total.....	<u>98,049.66</u>	<u>107,662.38</u>
Net income	<u>\$41,430.23</u>	<u>\$39,229.45</u>

Applicant has an authorized capital stock of \$3,500,000.00, divided into 350,000 shares of the par value of \$10.00 each, all common. On December 31, 1924 the company reported \$2,989,890.50 of stock outstanding in the hands of the public, and \$294.50 reacquired, leaving \$509,815.00 unissued. As of the same date it reported outstanding \$300,000.00 of eight percent serial gold notes maturing at the rate of \$100,000.00 a year on the first day of November of the years 1925 to 1927, inclusive; \$301,000.00 of short term notes; and \$92,330.26 of miscellaneous accounts payable.

The company now reports that it intends to go into the business of manufacturing, or buying, and selling radio receiving and transmitting sets. To this end it has entered into a contract, a copy of which it filed in this proceeding as Exhibit No. 2, with Brandes Products Corporation of New Jersey, providing for the manufacture by that corporation of 40,000 radio receiving sets, known as the Kolster 6 and Kolster 8 sets, and the delivery to applicant of 20,000 of such sets during 1925, 10,000 during 1926 and 10,000 during 1927. It is believed that the contract price for the equipment will be about \$2,000,000.00 exclusive of the items of cost which,

under the contract, must be paid by applicant.

Applicant proposes to finance some of the cost of the radio equipment through the sale of the remaining unissued \$509,815.00 of stock. It asks permission to sell its stock at not less than 80 percent of par value and it reports that it desires to offer its stock, at this price, to its present stockholders at the rate of .1705 shares for each share now held and thereafter to sell any shares unpurchased at the same price, publicly or privately as the Board of Directors may determine. It is of record that applicant's present stockholders may purchase all of the stock.

O R D E R

FEDERAL TELEGRAPH COMPANY, having applied to the Railroad Commission for permission to issue and sell \$509,815.00 of 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 through such issue and sale is reasonably required for the purpose specified herein and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Federal Telegraph Company be, and it is hereby, authorized to issue and sell for cash at not less than \$8.00 per share, 50,981.50 shares of its capital stock of the aggregate par value of \$509,815.00 and to use the proceeds to finance in part the cost of the equipment to which reference is made in the preceding opinion.

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

1. Federal Telegraph Company shall keep such record of the issue, sale and delivery of the stock 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 will become effective upon the date hereof, but under such authority no stock may be issued, sold or delivered after December 31, 1925.

DATED at San Francisco, California, this 6th day of June, 1925.

H. K. Brundage

C. S. Seavey

George D. Squires

Commissioners.