

LEM

Decision No. 19545-

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
LINDSAY HOME TELEPHONE & TELEGRAPH )  
COMPANY for order authorizing issue ) Application No. 14439  
of stock. )

James R. McBride, for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter Lindsay Home Telephone & Telegraph Company asks permission to issue 550 shares of its capital stock of the par value of \$100.00 each (total par value \$55,000.00) as follows:-

1. To deliver \$25,000. of such stock, consisting of 250 shares of the par value of \$100. each, at par, in exchange for the \$25,000.00 of stock now outstanding, consisting of 25,000 shares of the par value of \$1.00 each.

2. To sell \$30,000.00 of such stock, at such price as the Commission may fix, for the purpose of paying notes and of reimbursing its treasury because of income expended for additions and betterments.

Lindsay Home Telephone & Telegraph Company is engaged in the business of owning, maintaining and operating a public utility telephone business in and about the City of Lindsay, Tulare County, serving approximately 925 subscribers.

It reports its assets and liabilities as of December 31, 1927, as follows;-

ASSETS:

Plant and equipment . . . . .	\$109,011.23	
Cash . . . . .	423.94	
Accounts receivable . . . . .	848.32	
Other debit accounts . . . . .	214.50	
		<u>\$110,497.99</u>
Total.....		<u>\$110,497.99</u>

LIABILITIES:

Capital stock . . . . .	\$ 25,000.00	
Funded debt . . . . .	9,200.00	
Notes payable . . . . .	23,200.00	
Accounts payable . . . . .	2,197.60	
Accruals . . . . .	430.93	
Depreciation reserve . . . . .	43,159.11	
Surplus . . . . .	7,310.35	
		<u>\$110,497.99</u>
Total.....		<u>\$110,497.99</u>

The revenues and expenses for the last two calendar years have been reported as follows;-

ITEM	1926	1927
Operating revenue . . . . .	\$21,129.75	\$21,471.94
Operating expenses . . . . .	17,302.85	18,341.29
Net operating revenue	3,826.90	3,130.65
Miscellaneous income . . . . .	499.32	1,128.47
Gross income . . . . .	4,326.22	4,259.12
LESS: Interest, etc. . . . .	2,187.07	2,293.47
Balance .....	\$2,139.15	\$1,965.65

It appears that the company was organized with an authorized capital stock of \$25,000.00, all common, divided into 25,000 shares of the par value of \$1. each, but that recently the Articles of Incorporation have been modified so as to increase the authorized capital stock to \$100,000.00, all common, divided into 1000 shares of the par value of \$100. each.

The company proposes to issue \$25,000.00 par value of stock in exchange for the \$25,000.00 of stock outstanding, and to sell, of the increased amount, \$30,000.00 at such price as the Commission may fix to pay the outstanding note indebtedness of \$23,200.00 and to reimburse its treasury. It sets forth, in this connection, that during the four years, 1923 to 1926, inclusive, it expended for capital purposes, the sum of \$30,540.31, as shown in some detail in its Exhibit "3", and it alleges that the moneys obtained through the issue of the notes were used to pay in part the cost of its capital expenditures. In addition it estimates that approximately one half of its accounts payable of \$2,197.60 represent amounts due for capital additions.

At the hearing applicant suggested a selling price for its stock of 80, which would net it \$24,000.00 for the proposed additional \$30,000.00 stock issue. However, in view of the record in this proceeding we do not believe that we are authorized in permitting the sale of the stock at the price suggested and in our opinion applicant should receive the full par value for its stock.

We do not believe that sufficient showing has been made in support of the request to use stock proceeds to reimburse its treasury and the order herein accordingly will authorize the issue and sale at par, of \$24,000.00 of stock and the use of the proceeds to pay indebtedness.

#### ORDER

Lindsay Home Telephone & Telegraph Company having applied to the Railroad Commission for permission to issue \$55,000.00 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 the issue of \$49,000.00 of stock is reasonably required for the purposes specified herein, which

purposes are not in whole or in part reasonably chargeable to operating expense or to income, and that the application insofar as it involves the issue of the remaining \$6,000.00 of stock, should be dismissed without prejudice.

IT IS HEREBY ORDERED that Lindsay Home Telephone & Telegraph Company be, and it hereby is, authorized to issue 250 shares (\$25,000. total par value) of its common capital stock of the par value of \$100. each in exchange for the 25,000 shares (\$25,000 par value) of common stock now outstanding of the par value of \$1.00 each, such exchange to be on a basis of one share of the new stock of the par value of \$100. a share, for one hundred shares of the stock now outstanding of the par value of \$1. a share.

IT IS HEREBY FURTHER ORDERED that Lindsay Home Telephone & Telegraph Company be, and it hereby is, authorized to issue and sell, at not less than \$100. a share, 240 shares of its common capital stock (\$24,000. total par value) of the par value of \$100. a share, and to use the proceeds to pay the outstanding notes of \$23,200.00 and other indebtedness incurred in making betterments, additions, improvements and extensions.

IT IS HEREBY FURTHER ORDERED that the application insofar as it involves the issue of \$6,000. of stock be, and it hereby is, dismissed without prejudice.

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

1. Applicant 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 about the 25th day of each month, a verified report, as required by the Railroad Commission's

General Order No. 24, which order, insofar as applicable, is made a part of this order.

2. The authority herein granted shall become effective ten days from the date hereof. Under such authority no stock may be issued after December 31, 1928.

DATED at San Francisco, California, this 2nd day of ~~March~~<sup>April</sup>, 1928.

Leon Whittell  
Clacey  
W. M. ...  
Thos. ...  
W. M. ...  
Commissioners.