

LBM

Decision No. 20916.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ONTARIO AND UPLAND TELEPHONE COMPANY,)
a corporation, for authority to exe-)
cute a promissory note in the amount)
of \$500,000.00.)

Application No. 15375

R. K. Pitzer, for applicant.

BY THE COMMISSION:

O P I N I O N

Ontario and Upland Telephone Company asks permission to issue and deliver a promissory unsecured note in favor of The Pacific Telephone and Telegraph Company in the amount of \$500,000.00 payable on or before October 1, 1929, without interest, such note to be delivered for the purpose of refunding promissory notes now held by The Pacific Telephone and Telegraph Company.

It is of record that on September 24, 1928, an agreement was entered into between the applicant, the Bell Telephone Company of Nevada, The Pacific Telephone and Telegraph Company, R. K. Pitzer, A. M. Dole, L. A. Lorbeer, E. E. Jones, A. Durward, R. E. Smith and C. H. Lorbeer, providing for the sale of all of the issued and outstanding capital stock of the Ontario and Upland Telephone Company, then owned by the Bell Telephone Company of Nevada, to said R. K. Pitzer, A. M. Dole, L. A. Lorbeer, E. E. Jones, A. Durward, R. E. Smith and C. H. Lorbeer. This agreement provides that said purchasers shall pay \$75,000.00 for the outstanding (\$100,000) of appli-

cant's stock and provide \$25,000.00 for additions and betterments to applicant's plant. The agreement further provides that applicant shall ascertain as of October 1, 1928, its total obligations and indebtedness and the aggregate amount of its cash, bills, accounts receivable, materials and supplies and prepayments. Upon the receipt of the \$500,000.00 note, which is the subject of this application, together with satisfactory evidence, that \$25,000.00 has been made available to applicant for additions and betterments to its properties, The Pacific Telephone and Telegraph Company agrees that all indebtedness of applicant in excess of the \$500,000.00 note and the aggregate of its current assets mentioned above, will be cancelled. It is of record that under this agreement The Pacific Telephone and Telegraph Company has cancelled, or will cancel, approximately \$200,000.00 of indebtedness.

The assets and liabilities of the Ontario and Upland Telephone Company as of September 30, 1928 and as of October 31, 1928, are reported as follows:-

<u>ASSETS</u>	Sept. 30th	Oct. 31st
Fixed capital	\$604,651.03	\$606,501.79
Cash and deposits	3,629.31	1,762.53
Accounts receivable	9,243.28	9,512.70
Materials and supplies	2,118.07	1,381.01
Prepayments	1,621.72	2,279.60
Deferred debits	3,130.42	2,612.02
Total assets.....	<u>\$624,393.83</u>	<u>\$624,049.65</u>
 <u>LIABILITIES</u> 		
Capital stock	\$100,000.00	\$100,000.00
Bunded debt	70,000.00	70,000.00
Advances from system corporations	450,794.52	-
Bills Payable	59,634.50	432,134.50
Accounts payable	121,256.02	10,439.15
Accruals	15,374.44	39.13
Deferred credits	1,860.00	2,042.87
Reserves	98,878.64	101,498.10
Deficit	293,404.29	92,104.10
Total liabilities.....	<u>\$624,393.83</u>	<u>\$624,049.65</u>

It will be noted that the company's deficit was reduced from \$293,404.29 on September 30, 1928 to \$92,104.10 on October 31st. This reduction was brought about by the cancellation of indebtedness due to The Pacific Telephone and Telegraph Company. If this appli-

cation is granted the \$500,000.00 note will be substituted for the company's funded debt of \$70,000.00 and bills payable of \$432,134.50.

The agreement of September 24, 1928, referred to above, provides that applicant proposes to issue bonds, subject to approval and authorization of the Railroad Commission of the State of California in an aggregate amount of \$500,000.00, bearing five percent interest, maturing twenty-five years after the date of issuance, and callable at any interest bearing date at par and accrued interest, for the purpose of substituting the same for the \$500,000.00 note to be issued to The Pacific Telephone and Telegraph Company. No interest upon such bonds shall be payable for or during the period from October 1, 1928 to September 30, 1931. When said bonds are issued, applicant agrees to deliver the same to The Pacific Telephone and Telegraph Company, which in turn agrees to accept the same in reduction of the principal amount of said note and to the extent of the par value of said total issue of bonds. In the event that the bond issue is less than \$500,000.00, applicant obligates itself to execute and deliver to The Pacific Telephone and Telegraph Company, together with such bonds, its promissory note in an amount equal to the difference between the total bond issue and the \$500,000.00 note. The note is to bear the same rate of interest and to be due and payable at the same time as the bonds, provided, however, that no interest shall be payable on the note prior to the period beginning September 30, 1931. Upon the receipt of the bonds and the note, The Pacific Telephone and Telegraph Company agrees to cancel and surrender the \$500,000.00 note referred to in this application.

There is no doubt but that the cancellation of approximately \$200,000.00 of indebtedness has improved the financial condition of applicant and that the issue of a note without interest to be refunded through the issue of bonds or notes on which no interest need be paid prior to September 30, 1931 should enable applicant to improve further

its financial standing. The present owners of applicant's stock are making a survey of its properties and rates and propose to construct a new office in Ontario and install additional central office equipment and outside plant facilities. They do not propose to suggest the permanent re-financing of the properties until the improvements have been installed and the rates adjusted, if such an adjustment is found desirable.

There is no doubt in our mind that the present investment in applicant's properties, as disclosed by the record in this proceeding, does not warrant the permanent financing of the properties on the basis of a \$500,000.00 indebtedness. The issue of the \$500,000.00 note is a temporary expedient and by authorizing its issue this Commission gives no assurance to applicant that it will permit the payment of the refunding of the note through the issue of bonds, or bonds and notes or stock of a like amount. If applicant, its successors or assigns, hereafter file an application for permission to issue stock, bonds or notes to pay or refund the \$500,000.00 note, the issue of which is authorized by the order in this proceeding, the Commission will pass upon such application without any reference to this proceeding.

O R D E R

Ontario and Upland Telephone Company having asked for permission to issue a \$500,000.00 unsecured note for the purpose of refunding indebtedness, a public hearing having been held by Examiner Fankhauser and the Commission being of the opinion that the issue of the note referred to is reasonably required by applicant,

IT IS HEREBY ORDERED, That Ontario and Upland Telephone Company be, and it is hereby, authorized to issue and deliver on or before June 30, 1929, its unsecured non-negotiable non-interest bearing promissory note in the amount of \$500,000.00, payable on or before October 1, 1929, for the purpose of refunding indebtedness due The Pacific Telephone and Telegraph Company.

IT IS HEREBY FURTHER ORDERED, That the authority herein granted will become effective when applicant has paid the fee prescribed by Section 52 of the Public Utilities Act, which fee is Five Hundred (\$500.00) Dollars.

IT IS HEREBY FURTHER ORDERED, That within thirty days after the issue of the note referred to herein, Ontario and Upland Telephone Company shall file with the Railroad Commission a copy of such note.

DATED at San Francisco, California, this 27th day of March, 1929.

Paul S. Lott

W. J. Carr

Wm. J. Carr

Leon Whitely

W. J. Carr

Commissioners.

