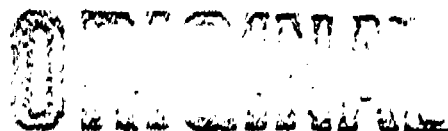


LEM

Decision No. 23567.



BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA BARBARA TELEPHONE COMPANY,)
a corporation, for authority to issue)
and sell its general and refunding)
mortgage bonds Series "B" in the)
principal amount of \$1,180,000.00.)

Application No. 17254

Chickering and Gregory, by W. C. Fox,
for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Santa Barbara Telephone Company asks permission to issue and sell \$1,180,000.00 face value of its general and refunding mortgage bonds, Series "B", and use the proceeds to pay the outstanding bonds to which reference will hereafter be made.

The Santa Barbara Telephone Company has an authorized stock issue of \$2,500,000.00 divided into 25,000 shares of the par value of \$100.00 each, of which 5,000 shares are non-cumulative preferred and 10,000 shares are cumulative preferred and 10,000 shares are common. The company has outstanding at this time 5,000 shares of its non-cumulative preferred stock and 2500 shares of its common stock. The holders of the company's non-cumulative preferred stock are entitled to receive dividends at the rate of six percent per annum payable when, and as, the directors or by-laws may provide, after paying or setting apart current and all cumulative dividends

on the cumulative preferred stock, (none now outstanding) and before any dividends on the common stock shall be paid or set apart.

The holders of the common stock are entitled to receive dividends at the rate of seven percent per annum, payable when, and as, the directors or by-laws may provide, after paying or setting apart the dividends on both the cumulative and non-cumulative preferred stock. Any additional dividends shall be distributed equally among the holders of the non-cumulative preferred and common stock.

For the twelve months ending December 31, 1930 applicant paid dividends on its preferred stock in the aggregate amount of \$30,000. and upon its common stock in the amount of \$17,491.25.

As of February 28, 1931 applicant reports outstanding \$1,580,900.00 face value of bonds segregated as follows:

First mortgage five percent bonds due July 1, 1946.....	\$375,900.
General and refunding mortgage Series A five and one half percent bonds due January 1, 1946.....	805,000.
General and refunding mortgage Series B five percent bonds due January 1, 1946.....	400,000.
	<u>\$1,580,900.</u>

In addition, the company has outstanding and deposited as collateral with the trustee under its general and refunding mortgage bonds \$243,500.00 of its first mortgage bonds.

The company proposes to call for redemption on July 1, 1931 its outstanding first mortgage bonds and its outstanding Series "A" five and one half percent general and refunding mortgage bonds. The first mortgage bonds are redeemable at par plus a premium of two percent and the general and refunding mortgage bonds at par plus a premium of one percent, and accrued interest. The premium which will have to be paid upon the redemption of the first mortgage bonds is reported in Exhibit No. 5 at \$7,518.00 and the premium on the Series "A" five and one half percent bonds at \$8,050.00. The unamortized discount and expense applicable to the first mortgage bonds is, in

the same exhibit, reported at \$7,824.64 and on the Series "A" bonds at \$29,368.77. The unamortized discount and the premium will be charged to profit and loss.

The amount of bonds which applicant proposes to issue is equal in amount to the bonds which it intends to redeem. The interest rate on the proposed \$1,180,000.00 of bonds will be five percent per annum, payable semi-annually, whereas \$375,900.00 of the bonds to be redeemed bear five percent, and \$805,000.00 five and one half percent interest per annum, payable semi-annually. Inasmuch as the bonds will be sold at par, or approximately par, the company will effect a substantial saving in interest charges. In addition, after the refunding, it will have but one bond issue on its properties.

The company in its petition asks permission to issue interim certificates pending the completion of the proceedings necessary to issue the new bonds and redeem the bonds to which reference has been made. These interim certificates would be cancelled upon the delivery of temporary or definitive bonds.

O R D E R

Santa Barbara Telephone Company having asked permission to issue and sell \$1,180,000.00 of its general and refunding mortgage Series "B" bonds, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such bonds is reasonably required by the company, and that the expenditures herein authorized for such purposes are not reasonably chargeable to operating expense or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Santa Barbara Telephone Company may, on or before July 1, 1931, issue and sell at not less than 99-1/2 percent of their face value plus accrued interest, \$1,180,000. of its general and refunding mortgage Series "B" five percent bonds, due January 1, 1946, and use the proceeds to pay its outstanding first mortgage bonds and its outstanding general and refunding mortgage Series "A" five and one half percent bonds, to which reference is made in the foregoing opinion. Pending the issue and delivery of said \$1,180,000.00 of general and refunding mortgage, Series "B" five percent bonds, the company is hereby authorized to issue interim certificates, which interim certificates shall be cancelled upon the delivery of said general and refunding mortgage, Series "B" five percent bonds either in temporary or definitive form.
2. Santa Barbara Telephone Company shall keep such record of the issue and sale of the 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 insofar as applicable, is made a part of this order.
3. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 10th day of April, 1931.

C. J. [Signature]
[Signature]
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Commissioners