

LEM

Decision No. 24189.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ASSOCIATED TELEPHONE COMPANY, LTD., ONTARIO AND UPLAND TELEPHONE COMPANY, POMONA VALLEY TELEPHONE AND TELEGRAPH UNION and HOME TELEPHONE AND TELEGRAPH COMPANY OF CHINO for an order of the Commission (a) authorizing Associated Telephone Company, Ltd. to acquire all the outstanding capital stock of each of the other said applicants; (b) authorizing each of said other applicants to transfer and convey all its property and assets to Associated Telephone Company, Ltd.; (c) authorizing Associated Telephone Company, Ltd. to enter and engage in the telephone business in the territories affected and authorizing each of said other applicants to withdraw from its respective territory and to cease public utility operations; and (d) authorizing Associated Telephone Company, Ltd. to issue common stock for the purpose of acquiring the stock and properties of said other applicants and to assume the liabilities of said other corporations existing at the date of their acquisition, and to issue common stock for the purpose of discharging or refunding certain of such liabilities.

ORIGINAL

Application No. 17291

BY THE COMMISSION:

SECOND SUPPLEMENTAL ORDER

In a supplemental application filed in the above entitled matter on October 26, 1931, the Railroad Commission is asked to enter its order modifying Decision No. 23833, heretofore entered in this proceeding on June 29, 1931, so as to permit Associated Telephone Company, Ltd. to issue \$500,000.00 of first mortgage five percent bonds, due 1965, at 95 percent of face value, and 31,604 shares of common stock, without nominal or par value, at \$25.00 a share, instead of the 50,604 shares of stock authorized

in that decision, and also to vacate paragraph six of the order in said decision.

By Decision No. 23833, dated June 29, 1931, as amended by Decision No. 24092, dated September 29, 1931, the Commission, among other things, authorized Ontario and Upland Telephone Company, Pomona Valley Telephone and Telegraph Union and Home Telephone and Telegraph Company of Chino to transfer and convey, on or before December 31, 1931, all, but not less than all, of their properties to Associated Telephone Company, Ltd. and authorized Associated Telephone Company, Ltd., upon acquiring said properties, to assume all the liabilities of said companies and to issue 50,604 shares of its common stock without nominal value or par value at \$25.00 a share, netting it \$1,265,100.00, to pay for the properties and to discharge indebtedness assumed in the acquisition thereof. To date such transfer has not been made nor any of said stock issued.

In the original application Associated Telephone Company, Ltd. had applied for permission to issue 68,000 shares of its common stock without nominal or par value for \$1,700,000.00 to acquire the properties of the other three companies, referred to herein and to pay indebtedness. The Commission concluded, however, that in acquiring such properties the purchaser should issue not exceeding 50,604 shares of stock, for \$1,265,100.00 and that if it paid for the properties more than \$1,265,092.51 it must charge such excess to its corporate surplus account. Accordingly, it permitted the issue of only 50,604 shares, instead of 68,000 shares, at \$25.00 a share subject, among others, to the following provision of said order.

"6. The authority granted to transfer and convey properties and issue and sell stock will become effective when the aforesaid applicants have filed with the Commission a stipulation, duly authorized by their respective Boards of Directors and satisfactory to the Commission, which stipulation will show the amount for which Ontario and Upland Telephone Company, Pomona Valley Telephone and Telegraph

Union and Home Telephone and Telegraph Company of Chino have agreed to sell their respective properties to the Associated Telephone Company, Ltd.; and in which stipulation said Ontario and Upland Telephone Company agrees for itself, its successors and assigns that if it sells its properties referred to in this application for more than \$490,368.79, and in which stipulation Pomona Valley Telephone and Telegraph Union and Home Telephone and Telegraph Company of Chino agree for themselves, their successors and assigns that if they sell their properties, referred to in this application for more than \$774,723.72, said Ontario and Upland Telephone Company, Pomona Valley Telephone and Telegraph Union and Home Telephone and Telegraph Company of Chino will accept from said purchaser, Associated Telephone Company, Ltd., for the amount by which the selling prices exceed the said \$490,368.79 and \$774,723.72 respectively, a non-negotiable evidence of indebtedness which will rank junior to the rights of the holders of the preferred stock of Associated Telephone Company, Ltd. and junior to the payment of annual dividends on said company's common stock at the rate of not less than \$1.50 per share per annum and in the case of the liquidation or dissolution of said company to the payment of not less than \$25.00 per share to the holders of said common stock; and in which stipulation Associated Telephone Company, Ltd. agrees for itself, its successors and assigns, that if it pays for the aforesaid properties more than \$1,265,092.51, it will charge such excess cost to Account No. 417, 'Other Deductions from Surplus', and that any liability which may be incurred by it in connection with the purchase of the aforesaid properties to represent such excess cost, if any, will be non-negotiable in character and rank junior to the rights of the holders of its preferred stock and junior to the payment of annual dividends on its common stock at the rate of not less than \$1.50 per share per annum, and in the case of the liquidation or dissolution of said Associated Telephone Company, Ltd. to the payment of not less than \$25.00 per share to the holders of its common stock."

The supplemental application now before us indicates that arrangements now have been made to transfer the properties for the figure found by the Commission, namely, \$1,265,092.51, plus, of course, any adjustment for current assets and liabilities as may be proper after the closing of the books of the vendor corporation. Associated Telephone Company, Ltd. desires, however, instead of issuing 50,604 shares of stock for \$1,265,100.00, to issue 31,604 shares at \$25.00 a share, and \$500,000.00 of first mortgage five percent bonds at 95 per

cent of face value plus accrued interest, which prices will yield it the same amount, that is, \$1,265,100.00. It alleges in its supplemental request that the issuance of said shares of common stock (31,604) and the proceeds to be derived from the sale of said bonds (\$500,000.00 face value) will constitute the entire consideration to be paid by Associated Telephone Company, Ltd. for the purchase and acquisition of the properties of Ontario and Upland Telephone Company, Pomona Valley Telephone and Telegraph Union and Home Telephone and Telegraph Company of Chino.

In view of the fact that Associated Telephone Company, Ltd. will pay for the aforesaid properties \$1,265,100.00, the price found reasonable by the Commission, it asks that paragraph six of the order in Decision No. 23833 be vacated and set aside.

We believe the supplemental petition is not unreasonable. The outstanding stocks and bonds of Associated Telephone Company, Ltd. were issued under authority granted by this Commission. At the conclusion of this proposed financing, applicant will have outstanding \$8,500,000.00 of bonds, and shares of its capital stock without nominal or par value issued for a consideration of \$6,579,476. a total capitalization, of which about fifty six percent will be represented by bonds and about forty-four percent by stock. The Commission is of the opinion that a public hearing is not necessary in this matter, that the supplemental petition should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the proposed stock and bond issues 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, therefore,

IT IS HEREBY ORDERED, that the order in Decision No. 23833, dated June 29, 1931, as amended, be, and it hereby is, modified so as to permit Associated Telephone Company, Ltd., in lieu of the

50,604 shares of stock authorized by said decision, to issue and sell \$500,000.00 face value of its first mortgage five percent gold bonds, Series "A", due 1965, at not less than ninety-five percent of face value plus accrued interest, and to issue and sell not exceeding 31,604 shares of its common capital stock without nominal or par value at a price of \$25.00 a share and to deliver said bonds and shares of stock on said bases, or the proceeds realized from the sale thereof, in payment for the properties of Ontario and Upland Telephone Company, Pomona Valley Telephone and Telegraph Union and Home Telephone and Telegraph Company of Chino and in paying indebtedness of said companies assumed by Associated Telephone Company, Ltd., provided that the issue of said \$500,000.00 of bonds and 31,604 shares of stock will be the entire consideration to be paid for said properties, as the same existed on December 31, 1930, subject to adjustment for current assets and liabilities.

IT IS HEREBY FURTHER ORDERED, that paragraph six of the order in Decision No. 23833, dated June 29, 1931, be, and it hereby is, vacated and set aside.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted is subject to the following conditions:-

1. Associated Telephone Company, Ltd. shall keep such record of the issue of the stock and 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.

2. The authority herein granted will become effective when Associated Telephone Company, Ltd. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Five Hundred (\$500.00) Dollars.

IT IS HEREBY FURTHER ORDERED, that the order in Decision No. 23833, dated June 29, 1931, as amended, shall remain in full force and effect, except as modified by this Second Supplemental Order.

DATED at San Francisco, California, this 22d day of November 1931.

Leon White  
M. J. Con  
W. B. Lewis  
Frederic G. Cleveland  
Commissioners.

Fee \$ 500 <sup>00</sup>/<sub>100</sub>  
RAILROAD COMMISSION  
STATE OF CALIFORNIA  
NOV 4 1931  
A. M. [Signature]  
Fee # 233