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Decision No. 10385-

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
SAN BERNARDINO HOME TELEPHONE & TELEGRAPH
COMPANY for authority to cancel a certain
lease with Associated Telephone Company
and transfer its real property, franchises
and telephone equipment to Union Home Tele-
phone & Telegraph Corporation; of LONG BEACH
HOME TELEPHONE & TELEGRAPH COMPANY to cancel
a certain lease with ASSOCIATED TELEPHONE
COMPANY and transfer its real property, fran-
chises and telephone equipment to Union Home
Telephone & Telegraph Corporation; of UNION
HOME TELEPHONE & TELEGRAPH CORPORATION to
transfer the real property, franchises and
telephone equipment so received from San
Bernardino Home Telephone & Telegraph Company
and Long Beach Home Telephone & Telegraph Com-
pany to Title Insurance & Trust Company, as
Trustee, to secure its bonds; of UNION HOME
TELEPHONE & TELEGRAPH CORPORATION to transfer
all of the properties received as aforesaid
and all other properties owned by it, to Asso-
ciated Telephone Company; of ASSOCIATED TELE-
PHONE COMPANY to cancel its leases with San
Bernardino Home Telephone & Telegraph Company,
Long Beach Home Telephone & Telegraph Company,
to assign certain franchises to said corpora-
tions; to transfer all properties, franchises
and telephone equipment to be conveyed to it
by Union Home Telephone & Telegraph Corpora-
tion to Title Insurance and Trust Company to
secure its bonds.

Application

Number

7695

O'Molveny, Millikin & Tuller for applicants.

BY THE COMMISSION:

O P I N I O N

In this application SAN BERNARDINO HOME TELEPHONE AND
TELEGRAPH COMPANY, hereinafter sometimes mentioned as San Bernardino
Company, LONG BEACH HOME TELEPHONE AND TELEGRAPH COMPANY, hereinafter
sometimes mentioned as Long Beach Company, UNION HOME TELEPHONE AND
TELEGRAPH CORPORATION, hereinafter sometimes mentioned as Union Home

Corporation, and ASSOCIATED TELEPHONE COMPANY, hereinafter sometimes mentioned as Associated Company, ask the Railroad Commission to make an order authorizing the transfer of properties, the assignment of franchises and the termination of those leases executed pursuant to Decision No. 8685, dated March 3, 1921, in Application No. 6231.

In brief, the application contemplates the consolidation or merger under one ownership of four different telephone companies, which at present are operated as one under lease arrangements.

The application shows that Union Home Corporation owns all of the outstanding stock and bonds of San Bernardino Company and Long Beach Company and that this stock and these bonds are pledged with Title Insurance and Trust Company, as trustee, to secure the bond issue of Union Home Corporation. In addition, San Bernardino Company owes \$348,368.77 and Long Beach Company \$655,134.71 to Union Home Corporation for material and supplies furnished and moneys advanced. Associated Company, in turn, owns all but \$59,000.00 of the outstanding bonded debt of Union Home Corporation, which aggregates \$1,382,000.00, and all but 4 shares of Union Home Corporation's outstanding stock, which consists of \$1,800,750.00 of common stock and \$71,800.00 of preferred. These securities are pledged by Associated Company with Title Insurance and Trust Company, as trustee, to secure its bonds.

The Railroad Commission, heretofore, by Decision No. 8685, dated March 3, 1921, authorized San Bernardino Company, Long Beach Company and Union Home Corporation to lease all of their properties to Associated Company for a period of 29 years and 10 months from October 1, 1920. The leases were executed on October 1, 1920 and the franchises of the three companies assigned to Associated Company, it being agreed that if the leases were terminated the franchises would be reassigned to their former holders. These leases and franchises were pledged by Associated Company, along with the stock

and bonds of Union Home Corporation, as security for the bonds of Associated Company.

It appears from the petition that Associated Company is unable to sell its bonds secured only by pledge of leases, franchises and securities of other corporations, and that it will be necessary for the company to own the properties it operates. Furthermore, the present lease arrangement is considered uneconomical, and inefficient. For these reasons, it is thought desirable to transfer

ownership in the properties to Associated Company.

It is the intention of Union Home Corporation to cancel the outstanding bonds of San Bernardino Company and Long Beach Company which are pledged to secure the bonds of Union Home Corporation. The trustee, however, refuses to release the securities of the two companies from the lien of the trust deed of Union Home Corporation unless properties of equal value are substituted and it refuses to accept the properties of San Bernardino and Long Beach Companies unless they are unencumbered by any leases or assignment of franchises. Therefore, it has become necessary and permission is asked to terminate the leases executed pursuant to Decision No. 8685 and to reassign the franchises to their original owners.

San Bernardino Company and Long Beach Company then ask permission to transfer and convey all of their properties and franchises to Union Home Corporation, subject to existing bonded debt. Upon such conveyances, Union Home Corporation will cancel the indebtedness owing to it and will pledge the properties and franchises so received with Title Insurance and Trust Company, to secure its own bonds, receiving in exchange the stock and bonds of the other two companies, which it proposes to cancel. Thereupon, San Bernardino Company and Long Beach Company will be disincorporated.

Union Home Corporation then asks permission to transfer and convey all of its properties and franchises, including those

acquired from San Bernardino Company and Long Beach Company to Associated Company in consideration that Associated Company assume and agree to pay the principal and interest of its outstanding bonded indebtedness. Associated Company then desires to pledge the properties and franchises so received with Title Insurance and Trust Company to secure the payment of its mortgage and collateral trust bonds.

By Decision No. 10007, dated January 20, 1922, in Application No. 7422, the Commission authorized Associated Company and Long Beach Company to sell certain real property with improvements located in the City of Long Beach for \$37,500.00. The petition shows that of this amount in excess of \$25,000.00 is unpaid. As the contract for sale provides that the sellers must furnish the purchaser a certificate showing title free and clear of all liens and encumbrances, authority is herein requested to convey such properties subject to this contract.

The petition shows that a new building is being constructed upon real property in Long Beach for Associated Company. It will be necessary to subject this new property to the lien of the trust deeds of Union Home Corporation and Associated Company before the trustee will release the properties authorized to be sold by Decision No. 10007. It appears that the new properties may be acquired by Union Home Corporation and subsequently by Associated Company subject to a mortgage of not exceeding \$25,000.00, in which event Associated Company will cause the contract for the sale of the old property to be delivered to Title Insurance and Trust Company to collect the purchase price and apply it on account of any amounts owing on the new properties.

O R D E R

Application having been made to the Railroad Commission for permission to transfer properties, assign franchises and terminate leases, and it appearing to the Railroad Commission that this is not a matter in which a public hearing is necessary and that the application

should be granted;

IT IS HEREBY ORDERED,

(1).- Associated Telephone Company, Union Home Telephone and Telegraph Corporation, Long Beach Home Telephone and Telegraph Company and San Bernardino Home Telephone and Telegraph Company are authorized to terminate those leases executed pursuant to Decision No. 8685, dated March 3, 1921, and Associated Telephone Company is authorized to re-assign those franchises acquired by it from Union Home Telephone and Telegraph Corporation, Long Beach Home Telephone and Telegraph Company and San Bernardino Home Telephone and Telegraph Company, all as set forth in this application.

(2).- Long Beach Home Telephone and Telegraph Company and San Bernardino Home Telephone and Telegraph Company are authorized to transfer and convey all of their properties and franchises, subject to existing indebtedness, to Union Home Telephone and Telegraph Corporation.

(3).- Union Home Telephone and Telegraph Corporation is authorized to acquire such properties and franchises and to convey them to Title Insurance and Trust Company, as trustee, to secure in part the payment of its first mortgage bonds.

(4).- Union Home Telephone and Telegraph Corporation is authorized to transfer all of its properties and franchises, including those herein authorized to be acquired from San Bernardino Company and Long Beach Company to Associated Telephone Company subject to outstanding indebtedness, provided Associated Telephone Company assume the payment of such indebtedness.

(5).- Associated Telephone Company is authorized to acquire such properties, to assume the payment of principal and interest of the outstanding bonded indebtedness of Union Home Telephone and Telegraph Corporation and to pledge such properties and franchises with Title

Insurance and Trust Company, as trustee, to secure the payment of its mortgage and collateral trust bonds.

(6).-- Union Home Telephone and Telegraph Corporation and Associated Telephone Company are authorized to acquire, transfer and pledge the properties of Long Beach Home Telephone and Telegraph Company subject to the contract for sale referred to in the foregoing Opinion, and to convey the new property to be received in place of the properties covered by said contract of sale to Title Insurance and Trust Company, as trustee, to secure the bonds of Union Home Telephone and Telegraph Corporation and Associated Telephone Company.

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

- 1.--Applicant shall file within sixty days after execution, certified copies of the deeds conveying the properties herein authorized to be transferred.
- 2.--The authority herein granted will apply only to such transfers of properties, reassignment of franchises and termination of leases as may be made on or before December 1, 1922.

DATED at San Francisco, California, this 29th
day of April, 1922.

W. H. Brundage

Charles H. Russell
W. H. Benedict

Commissioners.