

H3

Decision No. 11369.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the application of)
FEDERAL TELEGRAPH COMPANY.)
a California corporation, for an or-)
der authorizing the issuance of)
50,000 shares of its proposed in-)
creased capital stock.)

Application No. 8374.

Hiram W. Johnson, Jr., for applicant.

BENEDICT, Commissioner.

O P I N I O N.

FEDERAL TELEGRAPH COMPANY asks permission to issue and sell at \$7.50 per share 50,000 shares (\$500,000.00 par value) of its common capital stock and use the proceeds to pay in part for the construction of radio stations and provide itself with funds to pay notes and accounts payable.

Applicant has an authorized stock issue of \$2,500,000.00, divided into 250,000 shares of the par value of \$10.00 each. Its Board of Directors have passed a resolution increasing applicant's stock from \$2,500,000.00 to \$3,500,000.00, divided into 350,000 shares of \$10.00 each. The stockholders at a meeting held on December 20th authorized an increase in applicant's stock to \$3,500,000.00.

By Decision No. 8380 in Application No. 6258, the Railroad Commission authorized applicant to issue and sell \$500,000.00 of first mortgage 8 per cent. serial gold notes for the purpose of constructing four wireless telegraph stations. At the time Application No. 6258 was presented, the cost of the stations was estimated at \$441,413.00. Applicant now reports that the cost of the stations

exceeded the original estimate by \$206,000.00, and that such increased cost was due to the engineers being unable to accurately estimate the construction cost because of the unique and extraordinary work that had to be done in order to complete properly the stations. To finance temporarily the increased cost of the stations, applicant has issued notes and used its working capital.

It is of record that applicant has expended \$218,349.23 in obtaining permission from the Chinese government to construct radio stations in China. These stations, however, will not be constructed by applicant, but by the Federal Telegraph Company of Delaware, a new corporation. The new corporation will reimburse applicant on account of the expenditure in the amount of \$169,972.68. The remainder of the preliminary expense will have to be paid by applicant. The testimony shows that applicant is in need of \$346,660.54 cash to pay notes and accounts payable and to reimburse its treasury. The \$346,660.54 is made up of the following items:

Notes payable,	\$205,000.00
Accounts payable,	93,283.99
Net preliminary expenses to secure permission to construct radio stations in China . .	48,376.55
Total,	<u>\$346,660.54</u>

Applicant will offer the \$500,000.00 of stock to its stockholders at \$7.50 per share. Each stockholder will be permitted to acquire one share of the new stock for each five shares of stock now owned by each stockholder. Any stock that will not be acquired by stockholders will be purchased by Stephens & Company, who have underwritten the sale of the stock for a commission of fifty cents per share. As a result of this underwriting agreement, applicant will net from the sale of the stock \$7.00 per share. This net selling price is lower than the Commission ordinarily authorizes. The record in this case, however, justifies a departure from the principles announced in former decisions and the granting of this application.

I herewith submit the following form of Order:

O R D E R.

FEDERAL TELEGRAPH COMPANY having applied to the Railroad Commission for permission to issue \$500,000.00 par value of its common capital stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required by applicant;

IT IS HEREBY ORDERED, that FEDERAL TELEGRAPH COMPANY be, and it is hereby, authorized to issue and sell, on or before June 30, 1923, at not less than \$7.00 per share net, 50,000 shares (\$500,000.00 par value) of its common stock and use the proceeds to reimburse its treasury on account of earnings expended for additions and betterments and to discharge notes and accounts payable incurred for the purpose of paying for the additions and betterments referred to in this application; provided-

THAT Federal Telegraph Company will 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 before the 25th day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22^d day of December, 1922.

H. K. B. ...
Livingston Martin
J. F. ...
COMMISSIONERS