

Decision No. 1832.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the application of
 the Consolidated Securities Company,
 a corporation, for leave to sell, and
 of the San Fernando Telephone and
 Telegraph Company, a corporation, for
 leave to purchase the local telephone
 system in the City of San Fernando.

Application No. 1269

W. J. Williams for Consolidated Securities Company.
 Walter F. Dunn for San Fernando Telephone & Telegraph
 Company.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Consolidated Securities Com-
 pany for authority to sell a public utility property and by San
 Fernando Telephone and Telegraph Company to issue \$5,000 par value
 of its capital stock and to execute a promissory note for \$20,000
 and to exercise rights and privileges under a franchise.

Consolidated Securities Company is engaged in the general
 business of real estate agents and brokers in the County of Los
 Angeles, and as an incident to said business, now owns and operates
 a telephone plant in the City of San Fernando.

On April 10, 1914, Consolidated Securities Company entered
 into an agreement with R. J. McHugh, whereby said McHugh was given
 an option to purchase this telephone plant. Among other things,
 it was provided that McHugh must organize a corporation to take
 over this property, the corporation thereupon to issue its promissory
 note to Consolidated Securities Company in payment thereof in the
 principal sum of \$20,000, with interest at 6 per cent per annum, the
 principal to be paid \$250 per year until five payments have been
 made, for the next five years \$500 per year and for the next nine
 years \$1,000 per year, the balance at the expiration of twenty years.

This note to be secured by a trust deed on all of the telephone property.

In addition the corporation was to issue and sell \$5,000 of its capital stock at par and expend this money on betterments to the telephone plant.

A franchise was to be obtained from the City of San Fernando for the operation of said plant.

The corporation above provided for has been organized, a franchise has been obtained and the parties to this option agreement are ready to carry out the terms thereof upon obtaining the necessary authority from this Commission.

This property has been variously estimated as of a present value of \$21,000 with the \$5,000 added which is to be obtained from the proceeds of the sale of stock, which would make a total value of \$26,000, up to a total value of \$35,000.

Without making a definite finding of value, I am satisfied from the evidence and from the report of Mr. Wilson, the telephone expert of this Commission, that the property is sufficient to justify the issuance of the \$20,000 note and of the \$5,000 par value of stock, provided, the proceeds from the sale of stock are invested in the property. A still more favorable aspect has been put upon this proposition by an offer made by applicants, subsequent to the hearing, to subscribe for an additional \$5,000 of stock at par. This money to be used for proper capital purposes.

The consummation of this transaction will undoubtedly result in a much improved telephone service for the people of San Fernando, and in addition, it will bring the desired result of separating this utility business from the land business of the Consolidated Securities Company.

I therefore recommend that the application be granted, and submit herewith the following form of order:

O R D E R

Application having been made by Consolidated Securities Company for an order authorizing the sale of a public utility telephone property, and by San Fernando Telephone and Telegraph Company for authority to issue a promissory note in the principal sum of \$20,000 and capital stock of the par value of \$10,000 and to exercise rights and privileges under a franchise, and a public hearing having been had, and it appearing to the Commission that said application should be granted and that the purposes for which the proceeds from the sale of said promissory note and said capital stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Consolidated Securities Company is hereby authorized to sell all of its telephone plant and property located in the City of San Fernando, to San Fernando Telephone and Telegraph Company in consideration of the execution to said vendor by said vendee of a promissory note in the principal sum of \$20,000, bearing interest at 6 per cent per annum, principal payable in installments over a period of twenty years as provided in that certain agreement marked Exhibit "B" on file herein.

San Fernando Telephone and Telegraph Company is hereby authorized, to execute the promissory note just above described, and as security for the payment thereof to execute a trust deed or mortgage upon all of its property.

Said promissory note shall be issued and delivered in consideration of the conveyance to said San Fernando Telephone and Telegraph Company of all that certain telephone plant and property in the City of San Fernando now owned and operated by Consolidated Securities Company, and of that certain franchise heretofore granted Consolidated Securities Company by the City of San Fernando, a copy of which franchise is marked Exhibit "C" on file herein, free

and clear of all encumbrance, except the trust deed or mortgage hereinbefore mentioned.

San Fernando Telephone and Telegraph Company is further authorized to issue and sell \$10,000 par value of its capital stock upon the following conditions:

Said stock shall be sold so as to net said company not less than full par value.

All of the proceeds of the sale of said stock shall be used for betterments and additions to the telephone plant of said company located in the City of San Fernando. Provided, however, that none of the money realized from the sale of said stock shall be used for any purpose until there shall have been submitted for the approval of the Commission a detailed statement of the proposed betterments and improvements to be made to said plant.

IT IS HEREBY DECLARED by the Railroad Commission of the State of California that public convenience and necessity require the exercise by San Fernando Telephone and Telegraph Company of rights and privileges granted under that certain franchise heretofore given Consolidated Securities Company by the City of San Fernando, and dated July 27, 1914, a copy of which said franchise marked Exhibit "C" is on file herein.

Provided, however, that the authorization hereinabove given for the transfer of this telephone property shall not become effective until there shall have been sold by San Fernando Telephone and Telegraph Company \$10,000 of the stock at par as above authorized.

Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of said stock hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the terms and conditions of the sale of said stock, the moneys realized therefrom and the use

and application of such moneys.

This order shall not become effective until the fee prescribed by Section 57 of the Public Utilities Act, as amended, shall have been paid.

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.

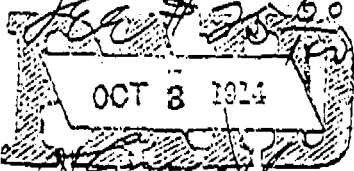
Dated at San Francisco, California, this 28th day of September, 1914.

John McLaughlin
W. H. Boardman

Edwin O. Edgerton

Commissioners.

Railroad Commission State of California



BY *W. H. Boardman*
Assistant Secretary.