

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of HOME TELEPHONE COMPANY OF COVINA for order authorizing the issue and sale of 569 shares of common stock as per Section 52 (b) of the Public Utilities Act of the State of California.	) ) ) ) ) ) )	Application No. 110.
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EDGERTON, Commissioner.

O P I N I O N .

This is an application by Home Telephone Company of Covina for an order authorizing the issue and sale of 569 shares of common stock at par, \$50.00 per share, or a total of \$18,450.00, with permission to pay commissions on said sale.

Applicant is a telephone company operating without competition in the towns of Puente, Rowland, Irwindale, Charter Oak, San Dimas, Walnut Center, Bassett, Baldwin Park, Valley View, Covina, Azusa, Glendora and intervening territory, in the County of Los Angeles, California.

The capitalization of the company is as follows:-

Stock all common, authorized,	outstanding
\$200,000.00	\$81,550.00.
Bonds at 5% . . . \$ 50,000.00	\$40,600.00.
Additional indebtedness borrowed	
from banks on one day notes . . . . .	\$16,500.00

The plant value is claimed by applicant to be approximately equal to the outstanding capitalization, but no sufficient evidence was produced upon which to base an intelligent conclusion as to this. The testimony shows that the money represented by the \$16,500.00 of indebtedness, which it is proposed to pay off with the proceeds of this stock sale, went into extensions and additions to the plant, which makes it a proper basis for capitalization.

Applicant's accounts show that for two years it has paid

all fixed charges, including 6% on the floating debt of \$16,500.00, and, in addition, a dividend of 6% on its outstanding stock, and has on hand a surplus of \$5,000.00. Because of the failure to show that depreciation has been properly taken care of, it is impossible to determine whether an accurate statement of net income has been or can be made at this time. However, this matter should be left for future determination after the uniform system of accounting, now being prepared by the experts of the Commission, has been installed.

As the \$16,500.00 is an indebtedness, payment of which may be demanded at any time, the interest on which is a fixed charge against the company, and the result of the sale of this stock and the payment of this debt would be to change this indebtedness with its fixed charge for interest into a stock ownership upon which dividends may be paid at the option of the company, I recommend that the application be granted and that a commission on the sale, not to exceed 5% on the par value of the stock, be allowed to be paid.

The following form of order is herewith submitted:-

O R D E R .

Application having been made to the Railroad Commission of the State of California by Home Telephone Company of Covina for an order authorizing the issue by said company of 369 shares of its capital stock, par value \$50.00 per share, and authorizing the sale thereof at par, with permission to pay a commission on said sale;

And the hearing having been duly held, and it appearing to the Commission that the money to be secured by the issue of said stock is necessary and reasonably required by said company for the discharge of its obligations, and that the purposes for which the proceeds of the sale of said stock are to be used are not, in whole or in part, reasonably chargeable to operating expenses or income;

IT IS HEREBY ORDERED that the Railroad Commission of the State of California does hereby authorize the issue, by Home Tele-

phone Company of Covina. of 369 shares of capital stock, or so much thereof as may be necessary for the purposes set out herein, said stock to be issued upon the following conditions, and not otherwise:-

1. Home Telephone Company of Covina shall sell the stock hereby authorized so as to net said company not less than 95% of the par value thereof.

2. The proceeds from the sale of said stock shall be used for the following purposes only:-

For the payment and discharge of obligations and indebtedness owed to banks, as specified in application. \$16,500.00.

Any surplus left in the hands of the company from the sale of said stock, after paying off and discharging the above obligations, shall be held subject to the further order of this Commission.

3. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of 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 sale or disposition of such stock during the preceding month, the terms and condition of such sale or other disposition, the money realized therefrom and the use and application of such moneys.

4. The authority hereby given to issue such stock shall apply only to stock issued by said company on or before the 30th day of September, 1915.

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 17th day of

September, 1912.

W. S. Cleveland

Max Thelen

Edwin D. Edgerton

Commissioners.