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Decision No.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

Decision No. 2433

ORIGINAL

In the Matter of the Application)
of SAN DIEGO HOME TELEPHONE COM-)
PANY, a corporation, for an or-)
der authorizing the issue of a)
promissory note in the sum of)
\$20,000, and the deposit of bonds)
of said corporation as collateral.)

Application No. 1679.

Charles E. Sumner for Applicant.

DEVLIN, Commissioner.

O P I N I O N

This is an application of SAN DIEGO HOME TEL-
PHONE COMPANY for authority to issue a promissory note
to American National Bank of San Diego in the sum of
\$20,000, and to secure the same by pledge of its bonds
in the ratio of three to one.

San Diego Home Telephone Company operates in
San Diego, National City, Chula Vista and other points
in San Diego County. On December 31, 1914, its subscrib-
ers numbered 5,464.

In an order dated October 29, 1913, this Com-
mission authorized applicant to issue \$150,000 of prom-
issory notes, bearing interest at the rate of six per
cent. per annum and secured by a deposit of bonds in the

ratio of two to one. This order was later amended to allow the company to pledge its bonds in the ratio of three to one.

Among the purposes for which these notes were authorized was the payment of a note dated June 5, 1913, in favor of the American National Bank of San Diego in the sum of \$20,000.

The evidence now presented shows that only \$13,000 of the \$150,000 of promissory notes above mentioned were issued, and that the note of \$20,000 was never paid. It further appears that of the \$150,000 of promissory notes authorized to be issued only \$5,000 are outstanding.

At the beginning of the present year, American National Bank made request upon the company for the payment of this \$20,000 note, and \$12,000 has been paid by the company on account.

In order to make these payments the company diverted from its earnings the sum of \$3,000 monthly during the months of January, February, March and April, 1915.

In the present application the company asks for authority to issue a note in the sum of \$20,000 to American National Bank of San Diego, bearing interest at the rate of six per cent. per annum, and to use \$12,000 of the proceeds in reimbursing its treasury for the above mentioned sums diverted from earnings during January, February, March and April, 1915.

This \$12,000, when returned to the company's treasury, will be used toward the payment of bond inter-

est. falling due on June 15, 1915. The balance of \$8,000 the company proposes to use in paying off the balance of the old note to American National Bank, dated June 5, 1913. The company further asks for authority to pledge its bonds in the ratio of three to one, as security for the new note.

Applicant has recently come under new management and states that it has already effected a saving of over \$700. per month in salaries and overhead. Applicant has stipulated that it will set aside \$500. per month to be used in paying off the \$20,000 note herein applied for.

Under these circumstances I believe the company's application may be granted, and I accordingly recommend the following form of order.

O R D E R

SAN DIEGO HOME TELEPHONE COMPANY having applied to this Commission for authority to issue a note in the sum of \$20,000 to American National Bank of San Diego, and to secure the same by pledge of its bonds in the ratio of three to one, as hereinbefore set forth;

And it appearing that the purposes for which the company proposes to issue said note are not reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that SAN DIEGO HOME TELEPHONE COMPANY be, and it is hereby, granted authority to issue its promissory note to American National Bank of San Diego in the sum of \$20,000.

IT IS FURTHER ORDERED that San Diego Home Telephone Company be, and it is hereby, granted authority to

pledge its bonds as collateral security for said note.

The order herein made is granted upon the following conditions, and not otherwise.

1. The note herein authorized shall bear interest at not to exceed six per cent. per annum, and shall be made payable not later than three years after the date of the order herein.

2. The face value of the note herein authorized shall at no time be less than 33-1/3 per cent. of the face value of the bonds pledged as collateral.

3. As the principal of the note herein authorized is paid off a proportionate amount of the bonds pledged as security shall be released and returned to the applicant's treasury. Said bonds shall not thereafter be issued without the order of this Commission.

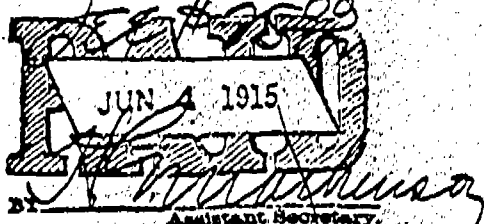
4. This order shall apply only to such notes and bonds as shall have been issued on or before November 1, 1915.

5. The order herein is made contingent upon the payment by the applicant of the fees prescribed by the Public Utilities Act.

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 29th day of May, 1915.

Railroad Commission State of California



Max Shuler
W. H. Woodard
Edwin O. Edgerton
Stanley R. John

Commissioners.