

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
Reedley Telephone Company for per- }
mission to issue stock.

Application No. 1872.

Decision No. 2770

A. Terkel, for the applicant.

GORDON, Commissioner.

O P I N I O N

This is an application by Reedley Telephone Company of Reedley, Fresno County, California, for permission to issue and sell sufficient shares of its capital stock at 90% per share to net the applicant \$4780.00 (5311-1/9 shares), for purposes of making needed improvements and extensions and for refunding present obligations.

This company was organized in February, 1913, with a total authorized capitalization of \$25,000.00 divided into 25,000 shares of common stock at the par value of \$1.00 per share. The total stock at present issued and outstanding is 12,220 shares, for which full par value was received. Of this amount, 10,980 shares were issued and sold out of a total of 11,000 shares heretofore authorized by this Commission on March 11, 1913, and 1,240 shares were issued and sold out of a total of 2,500 shares heretofore authorized by this Commission on October 16, 1913. Of the amount originally authorized to be issued, all but 20 shares have been sold, but due to difficulties which were encountered in disposing of stock during the time within which the authorization to issue stock extended, the applicant was able to dispose of but 1,240 shares out of the total of 2,500 shares subsequently authorized.

Out of the proceeds obtained from the sale of the original issue of 10,980 shares, a portion was to have been used for the purpose of taking up a mortgage against the applicant's property held by The Pacific Telephone and Telegraph Company, but before it

was taken up it became necessary to provide a new switchboard, and after other obligations which it was also the purpose to meet out of these proceeds had been disposed of, there were not sufficient funds remaining with which to pay off the full amount of the balance remaining on the mortgage. There is now a balance of \$380.00 outstanding against this account.

The purpose for which the proceeds of the later authorized issue of 2,500 shares was to be used was for making improvements and extensions to plant, but as only a portion of the stock was issued this work was not completed. The applicant states that it is now necessary to make further improvements and extensions in addition to those originally planned and left uncompleted, all of which are essential to properly take care of present and future demands for telephone service.

For the eight months of the year ending December 31, 1913, during which the applicant had been operating this system, no dividends were paid the stockholders, the profits for these months having been re-invested in plant. During the year 1914, a surplus of \$900.00 had also been put back into new plant, and a dividend having been declared for this amount, the applicant borrowed \$900.00 from local banks with which it paid this dividend.

There is also a balance of \$190.11 due the Kellogg Switchboard and Supply Company for equipment which it has furnished.

The applicant believes that stock can now be sold and, therefore, desires permission to issue sufficient stock at 90¢ per share to net the company \$4780.00 (5311-1/9 shares) for the purpose of completing these improvements and extensions and to meet these obligations as follows:

Balance due The Pacific Telephone and Telegraph Company on its mortgage,	\$ 380.00
Kellogg Switchboard and Supply Com- pany for equipment,	190.11
First National Bank of Reedley, Note for	450.00

Reedley National Bank, Note for	\$ 450.00
To complete improvements and extensions previously planned,	1,280.00
For further improvements and extensions,	<u>2,029.89</u>
Total -	\$4,780.00

I have previously shown that the total stock at present outstanding is 12,220 shares. The portion of the additional issue for which permission is now desired, which represents plant already installed, viz., \$1,470.11, and representing approximately 1,633 shares, would bring the total issue up to 13,853 shares. The applicant has not presented an appraisal of its property to the Commission, but this total number of shares at par would represent an investment per exchange station of slightly more than \$60.00 for the total number of owned stations at present in service. For present purposes, this investment per station does not appear excessive, and for the present it does not seem necessary to require an inventory and plant appraisal.

This company has issued no bonds and aside from the items above enumerated it is free from indebtedness. It appears that the improvements and extensions which the applicant desires to make will subserve the public convenience and necessity, and since the expenditures which are now desired are for proper capital purposes, I am willing to recommend that the application be granted, provided that, as the applicant has not fully specified the items of construction involved for which it is desired to expend the sum of \$3,309.89 included in the last two items above, before any stock may be issued for this purpose detailed statements satisfactory to the Commission shall be submitted to it for approval by the Commission.

The following order is submitted.

ORDER

Application having been made by Reedley Telephone Com-

pany, a public utility corporation, of Reedley, Fresno County, California, for permission to issue and sell a sufficient number of shares of its capital stock at 90¢ per share to net said applicant \$4,780.00 for purposes of making improvements and extensions to its telephone system and for refunding present obligations; and a hearing having been held and it appearing to the Commission that the purposes for which the Reedley Telephone Company desires to issue its stock are not in whole or in part reasonably chargeable to operating expenses or to income,-

IT IS HEREBY ORDERED that Reedley Telephone Company be and it is hereby granted authority to issue ^a sufficient number of shares of its capital stock at 90¢ per share to net the said Reedley Telephone Company \$4,780.00, upon the following conditions and not otherwise, to wit:

(1) The stock herein authorized to be issued shall be issued so as to net Reedley Telephone Company not less than 90¢ per share.

(2) The proceeds of the stock herein authorized to be issued shall be used for the purposes of making improvements and extensions to the applicant's telephone system and for refunding its present obligations, as follows:

(a) Balance due The Pacific Telephone and Telegraph Company on its mortgage,	\$ 380.00
(b) Kellogg Switchboard and Supply Company for equipment,	190.11
(c) First National Bank of Reedley, Note for	450.00
(d) Reedley National Bank, Note for	450.00
(e) To complete improvements and extensions previously planned,	1,280.00
(f) For further improvements and extensions,	<u>2,029.89</u>
Total -	\$4,780.00

(3) Reedley Telephone Company shall keep separate, true and accurate accounts showing the receipt and application in detail

of the proceeds derived from the sale of the stock herein authorized to be issued and on or before the twenty-fifth day of each month shall make a verified report to the Commission showing the sale or disposal of the stock herein authorized to be issued, the terms and conditions of such sale, and the disposition of the proceeds derived therefrom, all in accordance with this Commission's General Order No. 24 which, in so far as applicable, is made a part of this order.

(4) This order shall apply only to stock issued on or before June 30, 1916.

(5) Before any stock may be issued for purposes of making improvements and extensions to the applicant's telephone system, statements in detail satisfactory to the Commission, showing the items of construction and the costs thereof, which it is proposed to perform, shall be submitted to the Commission for its approval.

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 20th day of September, 1915.

Max Wheeler
H. D. Hubbard
W. E. Gordon
Edwin O. Edgerton

Commissioners.