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Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Decision No. 2254

In the Matter of the Application of the SOUTHWESTERN HOME TELEPHONE COMPANY, a corporation, for authority to refund or renew certain outstanding notes which have become due and which will become due in 1916.

Application No. 2117

Charles A. Rolfe, for applicant.

GORDON, Commissioner.

O P I N I O N

This is an application of Southwestern Home Telephone Company for authority to issue \$90,550. face value of promissory notes and to pledge as collateral security therefor \$155,000 face value of Southwestern Home Telephone Company 5 per cent bonds and \$19,500 face value of Redlands Home Telephone and Telegraph Company 5 per cent bonds.

This Commission has heretofore in Decision Number 1296, (Vol. 4, Opinions and Orders of the Railroad Commission of California, page 247) passed upon the financial condition of this applicant. In said decision, Southwestern Home Telephone Company

was advised to take certain steps looking to the improvement of its finances. This company has from time to time in accordance with said order reported that it is preparing to carry out the recommendations of this Commission.

The applicant now comes before the Commission for authority to renew certain notes and to pledge certain bonds in order that it may in all respects maintain its present position while preparing for the readjustment of its finances. The applicant has made a slight reduction in its floating debt and now asks this Commission that new notes be issued to its present noteholders with the same rate of interest and with the same collateral as they now hold.

In recommending an order herein, it is my opinion that the Commission should allow this applicant to maintain its creditors in its present position while it takes the necessary steps toward financial betterment.

Accordingly I recommend the following Order:

### O R D E R

SOUTHWESTERN HOME TELEPHONE COMPANY having applied to this Commission for authority to issue \$90,550 face value of promissory notes and to pledge as collateral security therefor \$155,000 face value of Southwestern Home Telephone Company 5 per cent bonds and \$19,500 face value of Redlands Home Telephone and Telegraph Company 5 per cent bonds, said notes to be used to refund existing indebtedness;

And a hearing having been held;

And it appearing that the purposes for which it is proposed to issue said notes and to pledge said bonds are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Southwestern Home Telephone Company be and it is hereby authorized to issue \$90,550 face value of its promissory notes and to pledge as collateral security for said notes, \$155,000 face value of 5 per cent Southwestern Home Telephone Company bonds and \$19,500 face value of 5 per cent Redlands Home Telephone and Telegraph Company bonds.

The authority herein granted is granted upon the following conditions and not otherwise:

- 1.-The notes herein authorized to be issued shall bear a rate of interest not to exceed 8 per cent per annum.
- 2.-The notes herein authorized to be issued shall be issued in so far as possible to the following payees and shall be issued to refund notes now held by them as follows:-

<u>Date</u>	<u>Term</u>	<u>Payee</u>	<u>Inte rest</u>	<u>Amount</u>
April 30, 1910	Two Years	Mrs. Mary J. Webster	8%	\$ 10,000
Oct. 31, 1910	Two Years	Mrs. Mary G. Prender- gast	8%	1,250
Oct. 1, 1911	One Year	Prendergast Estate	8%	10,000
April 25, 1915	One Year	F. H. Wells,	8%	10,000
April 25, 1915	One Year	J. W. Brook,	8%	5,000
Jan. 21, 1914	Two Years	Jos. H. Hale,	8%	2,000
July 7, 1914	One Year	Mrs. Mary G. Castel- bury,	8%	2,500
April 6, 1914	Demand	Citizens National Bank	8%	2,500
May 15, 1915	One Year	Prendergast Estate	8%	8,000
May 6, 1914	One Year	Mrs. Ellen A. Lewis	7%	2,000
Aug. 10, 1914	Demand	Citizens National Bank	8%	4,500
Mar. 17, 1912	Three Years	Mrs. Mary S. Sargent	8%	6,000
May 6, 1914	Demand	First National Bank	8%	10,000
June 11, 1913	Three Years	Alice & Mary Denison	8%	2,250
May 16, 1914	Two Years	Mrs. Frances A. L. Smith	8%	1,800
Mar. 11, 1911	Three Years	E. J. Wolverton	8%	1,000
May 6, 1914	One Year	J. O. Thompson,	7%	1,000
June 3, 1910	Five years,	C. H. Rohrer	7½%	4,250
June 29, 1914	Two Years,	Gertrude A. Hayes,	8%	3,000
Sept. 7, 1915	Demand,	Citizens National Bank	8%	3,500

- 3.-The \$19,500 of Redlands Home Telephone and Telegraph Company bonds herein authorized to be pledged as collateral security for the notes herein authorized to be issued shall be pledged as follows:

(a)-\$15,000 face value of said bonds as collateral security for a note to be issued to the First National Bank of Redlands in the sum of \$10,000. to refund a note of like amount now payable to said bank.

(b)-\$4,500 face value of Redlands Home Telephone and Telegraph Company bonds as collateral security for a note of \$3,500. to be issued to Citizens National Bank of Redlands to refund a note of like face value now payable to said bank.

4.-The \$155,000 of Southwestern Home Telephone Company bonds herein authorized to be pledged as collateral security shall be pledged as collateral security for the notes herein authorized to be issued (with the exception of the note of the face value of \$10,000. to the First National Bank of Redlands and the note of the face value of \$3,500 to Citizens National Bank of Redlands) in such ratio that the face value of the bonds herein authorized to be pledged shall at no time be more than twice the face value of the notes for which they shall have been pledged as collateral security, and at such ratio also that the face value of the bonds pledged as collateral security for any individual note shall at any time be more than twice the face value of such note.

5.-The notes herein authorized to be issued shall be dated and issued not later than January 1, 1918 and shall mature not later than June 30, 1918.

6.-The authority herein granted is conditioned upon

the payment by applicant of the fee prescribed in the Public Utilities Act as amended.

7.- The applicant shall make monthly reports to this Commission of the notes issued under this order, the names of the payee of such note, the rate of interest, the date of maturity, and the bonds pledged as collateral security for said notes.

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

Dated at San Francisco, California, this 15<sup>th</sup> day of April, 1916.

H. H. Howard  
Alex. Gordon  
Edwin O. Edgerton  
Frank R. Dyer

Commissioners.